CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 10, 1998

H.R. 449
Southern Nevada Public Land Management Act of 1997

As ordered reported by the Senate Committee on Energy and Natural Resources on June 24, 1998

SUMMARY

H.R. 449 would authorize the Secretary of the Interior to dispose of certain federally owned lands in Clark County, Nevada, and use the proceeds to purchase environmentally sensitive land and for certain other activities. CBO estimates that enacting the act would increase offsetting receipts to the government from asset sales by about $70 million in fiscal year 1999 and by a total of about $350 million over the 1999-2003 period. In addition, we estimate that enacting the act would increase other direct spending by $20 million in fiscal year 1999 and by $287 million over the 1999-2003 period. Over the next five years, the act would decrease direct spending by a total of $63 million. Over the long term, however, the bill would increase direct spending.

Because enacting H.R. 449 would affect direct spending, pay-as-you-go procedures would apply to the act. H.R. 449 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The state of Nevada, Clark County, and the Southern Nevada Water Authority would benefit from various provisions of this act.

DESCRIPTION OF THE ACT'S MAJOR PROVISIONS

H.R. 449 would:

- provide that 85 percent of the gross proceeds from the sale of certain federal land in Clark County, Nevada, be placed in a special account in the Treasury; interest on the principal would be added to that account, and amounts in the special account would be available to the Secretary of the Interior, without further appropriation, to acquire environmentally sensitive land and for certain other purposes;

- provide that of the gross proceeds from sale of those lands, 5 percent shall be paid directly to the state of Nevada and 10 percent shall be paid directly to the Southern Nevada Water Authority for certain purposes;

- require that the nonfederal party pay the state of Nevada and the Southern Nevada Water Authority 5 percent and 10 percent (respectively) of the fair market value of the federal lands exchanged under section 4;

- waive the fees for right-of-way grants issued on federal lands in Clark County, Nevada, upon application by a unit of local government or regional government entity;

- direct the Secretary to offer, within 30 days after a request by Clark County, Nevada, certain land for the construction of youth activity facilities;

- direct the Secretary to transfer without consideration, upon the request of Clark County, Nevada, all right, title, and interest of the United States in and to the airport environs overlay district lands identified in an agreement between the Bureau of Land Management (BLM) and Clark County; if the county subsequently conveys that land to a third party, the county would be required to contribute 85 percent of the gross proceeds from the conveyance to the BLM special account;

- provide that any land acquired by the federal government under section 5 of H.R. 449 be included in the payments in lieu of taxes (PILT) calculation;

- authorize the Secretary to transfer the reversionary interest in federal lands in Clark County, Nevada, subject to a lease or patent under the Recreation and Public Purposes Act to other nonfederal lands; if the fair market value of the nonfederal lands were less than that of the federal lands under the original lease or patent, the act would require the unit of local government to pay the difference to the Secretary of the Interior;

- authorize the Secretary to make available any federal land in Nevada at less than fair market value for affordable housing purposes; and

- modify the boundaries of the Red Rock Canyon National Conservation Area to include an additional acreage.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 449 is shown in the table below. The act also could affect spending subject to appropriation, but CBO estimates that any changes in discretionary spending would be less than $500,000 a year. The costs of this legislation fall within budget function 300 (natural resources and the environment).

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING					
Asset Sale Proceeds [a]					
Estimated Budget Authority	0	-70	-70	-70	-70
Estimated Outlays	-70	-70	-70	-70	-70
Spending from Proceeds, Including Interest					
Estimated Budget Authority	70	73	74	74	74
Estimated Outlays	20	50	70	73	74
Net Changes in Direct Spending					
Estimated Budget Authority	0	3	4	4	4
Estimated Outlays	-50	-20	0	3	4

a. Under the Balanced Budget Act of 1997, proceeds from nonroutine asset sales may be counted for purposes of pay-as-you-go scorekeeping only if such sales would entail no net financial cost to the government. Because selling BLM lands under H.R. 449 would not entail a net financial cost, the proceeds would be counted for pay-as-you-go purposes.

BASIS OF ESTIMATE

CBO estimates that H.R. 449 would increase offsetting receipts to the government from asset sales by about $350 million over the 1999-2003 period. In addition, we estimate that the act would increase other direct spending by $287 million over that same period.

Direct Spending and Asset Sale Receipts

Under current law, the Secretary of the Interior has the authority to dispose of federal lands on the Las Vegas Valley, Nevada, Land Disposal Map specified in H.R. 449. The department's current policy is to dispose of the land by exchanging it for environmentally sensitive land of equal value. Such exchanges generate no receipts to the Treasury. Because the act would authorize the Secretary of the Interior to spend a portion of the proceeds from sale of the land, without further appropriation, enacting H.R. 449 would likely result in sale of the federal lands rather than exchange.

Based on information from BLM and Clark County, roughly 27,000 acres of federal land on the Las Vegas Valley, Nevada, Land Disposal Map specified in H.R. 449 would be suitable for sale, after accounting for local government selections under the Recreation and Public Purposes Act and other restrictions on land within the disposal area. The proceeds from sale of the land are highly uncertain and would depend on many factors including mutual agreement between BLM and the units of local government in selecting the lands to be offered for sale, how quickly the land is sold, the number of acres sold in each transaction, and the general real estate market in Clark County. CBO estimates that proceeds would be about $70 million annually and would total about $350 million over the 1999-2003 period.

Section 4 of the act provides that of the gross proceeds from sale of the land, 5 percent shall be paid directly to the state of Nevada and 10 percent shall be paid directly to the Southern Nevada Water Authority. CBO estimates that these payments would total about $10 million per year, or about $50 million over the 1999-2003 period.

Section 4 would place 85 percent of the gross proceeds from sale of federal land identified on the Las Vegas Valley, Nevada, Land Disposal Map in a special account in the Treasury. The act provides that interest be added to the principal in the special account; such interest payments would not affect receipts to the Treasury, but it would increase the funds available in the special account. Amounts in the special account would be available to the Secretary of the Interior, without further appropriation, to spend for acquisition of environmentally sensitive land, capital improvements at certain national recreation areas and refuges, development of a conservation plan in Clark County, development of parks and trails, and reimbursement of the agency costs incurred in arranging the land disposal. CBO estimates that spending from the special account would total $10 million in fiscal year 1999 and $237 million over the 1999-2003 period. The act would result in net savings over the next five years because spending to acquire new land is likely to lag behind the proceeds from sales; over the long term, however, the provision that would allow spending of the interest on the proceeds would result in a net increase in direct spending.

A number of other provisions in the act could affect direct spending, but CBO estimates that for most of those other provisions any change in direct spending would be insignificant. In two cases (described below), the impact could be significant, but we have no basis for estimating the amounts of potential changes.

Section 4 would direct the Secretary of the Interior to offer to Clark County, Nevada, the land depicted on the map entitled "Vicinity Map Parcel 177-28-101-020 dated August 14, 1996," for the construction of youth activity facilities. Section 4 also provides that, upon request of Clark County, the Secretary shall transfer to the county certain land in the Airport Environs Overlay District. Based on information from BLM, under current law these federal lands will be unlikely to generate receipts to the Treasury. Therefore, CBO estimates that enacting these provisions probably would not affect direct spending. If the county subsequently conveys the land in the Airport Environs Overlay District, the conveyance must be at fair market value, and the county must contribute 85 percent of the gross proceeds from the conveyance to the special account in the Treasury. This provision could affect offsetting receipts, but CBO cannot predict if or when such a conveyance might occur.

Section 7 would authorize the Secretary of the Interior, in consultation with the Secretary of Housing and Urban Development, to make available any land in the state of Nevada at less than fair market value for affordable housing purposes. Enacting this provision could result in a loss of receipts if federal land which would have been sold at fair market value were now sold for something less than fair market value; the provision could also increase receipts if it caused additional sales. CBO has no basis for predicting which federal lands might be sold under this provision or the price at which they might be sold. Therefore, we cannot estimate the budgetary effect of this provision.

Spending Subject to Appropriation

H.R. 449 provides that the entitlement lands used to calculate payments in lieu of taxes (PILT) to units of local government include any lands acquired by the federal government under section 5 of the act. Calculation of PILT is based on the amount of federally owned acreage, subject to a population cap. Enacting H.R. 449 could increase the total number of federally owned acres, since the fair market value of the BLM land to be disposed of in Clark County may be higher than that of the environmentally sensitive land acquired under this act, but according to BLM, Clark County's PILT is already subject to a population cap. Therefore, we estimate that enacting H.R. 449 would not affect PILT to Clark County. Since the act would direct the Secretary of the Interior give priority to the acquisition of environmentally sensitive lands in Clark County, we estimate that the act would be unlikely to affect PILT to other units of local government significantly. Any changes to PILT would be subject to appropriation.

H.R. 449 would modify the boundaries of the Red Rock Canyon National Conservation Area to include additional acreage. Based on information from BLM, CBO estimates that the agency would incur costs to manage the additional acreage, but that any effect on discretionary spending would total less than $100,000 per year.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Under the Balanced Budget Act of 1997, proceeds from nonroutine asset sales may be counted for purposes of pay-as-you-go scorekeeping only if such sales would entail no net financial cost to the government. Selling these BLM lands would not entail a net financial cost; therefore, the proceeds would be counted for pay-as-you-go purposes.

The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	-50	-20	0	3	4	4	4	4	4	4
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 449 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

The state of Nevada, Clark County, and the Southern Nevada Water Authority would benefit from various provisions of this act. As noted above, CBO estimates that payments to the state and to the authority out of the proceeds of land sales would total about $50 million over the 1999-2003 period. In addition, the act would allow local governments in Clark County to receive right-of-way grants on federal lands without paying fees that may be charged under current law. CBO estimates that this provision would allow these governments to avoid fees totaling less than $50,000 per year.

H.R. 449 would give the local government in whose jurisdiction these lands are located (Clark County, in most cases) joint authority, along with the federal government, to select lands to be offered for sale. This would allow local governments to control the pace and direction of private development and limit the demand for public facilities.

Also included in the act are several provisions that would allow the state and local governments in Clark County to obtain federal lands at little or no cost. These include the provision directing the Secretary of the Interior to transfer certain lands in the Airport Environs Overlay District to Clark County. According to county officials, this transfer would ease the administrative burden of managing the development of these lands. In addition, under the terms of this act, the county could convey this land to private parties and retain 15 percent of the proceeds. The remaining proceeds would have to be turned over to the federal government. CBO cannot predict if or when such a conveyance might occur.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This act would impose no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On April 23, 1997, CBO prepared a cost estimate for H.R. 449, the Southern Nevada Public Land Management Act of 1997, as ordered reported by the House Committee on Resources on April 16, 1997. This version of H.R. 449 is similar to the House version and the estimated proceeds from asset sales and spending of those proceeds are the same. However, the estimated budgetary effects for pay-as-you-go purposes are different because of a change to the Balanced Budget and Emergency Deficit Control Act (BBEDCA) regarding nonroutine asset sales.

Under BBEDCA as in effect in April 1997, proceeds from nonroutine asset sales did not count for purposes of pay-as-you-go scorekeeping. As a result, CBO estimated in April 1997 that enacting H.R. 449 would increase direct spending by a total of $287 million over the 1998-2002 period for pay-as-you-go purposes. Net budgetary savings (including asset sale proceeds) would total $63 million over the same five-year period.

Since our previous cost estimate on H.R. 449, the Congress enacted the Balanced Budget Act of 1997. Under that act, which amended BBEDCA, proceeds from nonroutine asset sales may be counted for purposes of pay-as-you-go scorekeeping if they would entail no net financial cost to the government. Because selling BLM lands under H.R. 449 would not entail a net financial cost, the proceeds would now be counted for pay-as-you-go purposes.

Therefore, CBO currently estimates that H.R. 449 would reduce direct spending by $63 million over the next five years.

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