



**CONGRESSIONAL BUDGET OFFICE  
PAY-AS-YOU-GO ESTIMATE**

November 3, 2000

**S. 1474**  
**Palmetto Bend Conveyance Act**  
*As cleared by the Congress on October 24, 2000*

**SUMMARY**

S. 1474 would direct the Secretary of the Interior to convey the Palmetto Bend Reclamation Project to the state of Texas. As a condition of the conveyance, S. 1474 would require that the state pay the net present value of its repayment obligations on the project. Under S. 1474, the state must agree to manage the project for its original purposes, which include providing a municipal and industrial water supply, conserving and developing fish and wildlife resources, and enhancing recreational opportunities.

CBO estimates that enacting S. 1474 would decrease direct spending by \$32 million over the 2002-2005 period.

**ESTIMATED PAY-AS-YOU-GO EFFECTS**

CBO's estimate of the impact of S. 1474 on direct spending is shown in the following table. Only the estimated changes in the budget year and the succeeding four years are counted for pay-as-you-go purposes. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	-42	3	4	4	4	4	4	4	4
Changes in receipts					Not applicable					

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that the project will be conveyed to the state of Texas in 2001. Texas currently makes annual payments to the Bureau of Reclamation to repay a portion of the project's construction costs. As a condition of conveyance, S. 1474 requires that the state pay the net present value of its repayment obligations, using a discount rate based on the average interest rate on 30-year U.S. Treasury bonds in the month preceding the sale. S. 1474 also would allow this amount to be adjusted. Based on information from the Bureau, CBO expects the Bureau to give Texas a credit of about \$6 million to reflect costs associated with mineral acquisition and the project's operation and maintenance. After this credit, CBO estimates that the state would pay about \$46 million in 2001. Once the project is conveyed, the government would forgo payments of about \$4 million each year for the next 35 years.

**ESTIMATE PREPARED BY:** Rachel Applebaum

**ESTIMATE APPROVED BY:**

Peter H. Fontaine  
Deputy Assistant Director for Budget Analysis