CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 1, 2002

S. 1816
A bill to provide for the continuation of higher education through the conveyance of certain public lands in the state of Alaska to the University of Alaska, and for other purposes

As reported by the Senate Committee on Energy and Natural Resources on October 8, 2002

SUMMARY

S. 1816 would entitle the University of Alaska to obtain up to 500,000 acres of federal lands and interests in Alaska or on the outer continental shelf (OCS) adjacent to that state. In exchange for the first 250,000 acres, the university would convey to the Secretary of the Interior certain university land within the boundaries of national parks and wildlife refuges. The university's selection of the second 250,000 acres of federal lands and interests would be contingent on the state of Alaska granting an equal amount of state land to the university.

CBO estimates that enacting S. 1816 would increase direct spending by about $10 million a year starting in fiscal year 2005. We also estimate that implementing the bill would have a negligible effect on discretionary spending, subject to the availability of appropriated funds. Enacting the bill would not affect revenues. S. 1816 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but it could lead to a redistribution of resources among various state, local, and tribal entities in Alaska.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The budgetary impact of S. 1816 is uncertain because it depends on which federal lands are selected by the university. CBO's estimate of the most likely budgetary impact of S. 1816 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING[a]					
Estimated Budget Authority	0	0	10	10	10
Estimated Outlays	0	0	10	10	10

a. CBO estimates that implementing the bill also would cost less than $500,000 a year, subject to the availability of appropriated funds.

BASIS OF ESTIMATE

S. 1816 would entitle the University of Alaska to obtain up to 500,000 acres of certain federal lands and interests in Alaska, including the OCS. In exchange for the first 250,000 acres, the university would convey to the Secretary of the Interior certain lands within the boundaries of national parks and wildlife refuges. The bill also provides that if the state of Alaska grants up to 250,000 acres of state-owned land to the university, then the university could obtain up to 250,000 acres of additional federal lands on an acre-for-acre basis to match the land granted by the state.

Depending on the lands selected by the university, CBO estimates that enacting S. 1816 could lead to a net loss of offsetting receipts (a credit against direct spending) ranging from about $5 million a year to more than $30 million a year. The losses probably would begin in fiscal year 2005. We also estimate that implementing the bill would cost less than $500,000 a year, assuming the availability of appropriated funds.

Direct Spending

Under S. 1816, the university could select up to 500,000 acres of federal lands from the OCS, certain national forest lands, federal onshore oil and gas leases, and surplus federal property. Under certain circumstances, the bill also would allow the university to select lands within the National Petroleum Reserve in Alaska (NPR-A), but not until at least two years after enactment.

If the university made all its selections from OCS lands, including areas expected to be leased over the next 10 years, we estimate that forgone federal receipts could average more than $30 million annually, net of any payments to Alaska. Alternatively, if the university selected federal onshore oil and gas leases, surplus government property, or lands within the NPR-A, we estimate that forgone federal receipts could range from $1 million to $10 million a year over the next decade, net of any payments to Alaska. Assuming that the university would select a variety of federal lands, CBO estimates that enacting S. 1816 would increase net direct spending by about $10 million a year starting in fiscal year 2005.

In addition, S. 1816 would direct the Secretary to pursue an agreement with the state and the university to share receipts from the NPR-A. (Under current law, the federal government and the state each receive 50 percent of such receipts.) The bill specifies that the university should receive up to $9 million a year under such an agreement but does not state whether that amount would be paid from the federal or state share of receipts. Because any change in the treatment of federal receipts would require a change in law, any additional federal receipts that might be forgone under this provision are not included in our estimate of S. 1816.

Spending Subject to Appropriation

Conveying lands to and exchanging lands with the university would affect the government's costs to manage lands that remain in federal ownership. Based on information from the Department of the Interior (DOI), CBO estimates that any changes in federal spending for land management, which would be subject to availability of appropriated funds, would be less than $500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1816 contains no intergovernmental mandates as defined in UMRA. The exchange authorized by this bill would be voluntary on the part of the University of Alaska—an instrumentality of the state.

While this bill would confer a significant benefit on the state of Alaska, it could lead to a redistribution of resources among various state, local, and tribal entities in the state. Because CBO cannot predict what land would be chosen by the university, however, we cannot predict the magnitude of these changes.

In order for the university to obtain the second 250,000 acres of federal land, S. 1816 would require the state to provide an acre-for-acre match of state land. If the state should choose to provide land that generates income, the bill would result in the diversion of receipts from general state use to the exclusive use of the university. State income might be further diverted to the university if the state agrees to give up part of its share of NPR-A receipts under an agreement with the university and DOI.

Some of the federal land in the state of Alaska produces receipts that, under current law, are shared with local governments. To the extent that the university selects such lands, the result would be a shift of resources from local governments in Alaska to the university. Local governments also would lose federal payments in lieu of taxes due to the transfer of land from the federal government to the state. Further, while the bill would preclude the university from selecting land already selected by the state or by Alaska Native corporations, these selections by the university would reduce the pool of land available for selection by those other entities.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

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