CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 24, 2004

H.R. 4984
Potash Royalty Reduction Act of 2004

As ordered reported by the House Committee on Resources on September 15, 2004

SUMMARY

H.R. 4984 would temporarily reduce the federal royalty rate charged to producers of potassium and potassium compounds (potash) on federal land. The bill would direct the Secretary of the Treasury, without further appropriation, to return the federal share of potash royalties to producers to support projects to reclaim federal land where potash is mined.

CBO estimates that enacting H.R. 4984 would increase direct spending by $2 million in 2005 and $10 million over the 2005-2009 period. Enacting the bill would not affect revenues. H.R. 4984 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Enacting this legislation would, however, result in a reduction in payments to the states where potash is mined totaling $1.3 million annually over the 2005-2009 period. The bill would impose no other costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4984 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	2	2	2	2	2
Estimated Outlays	2	2	2	2	2

BASIS OF ESTIMATE

CBO estimates that enacting H.R. 4984 would increase direct spending by $2 million a year over the next five years. (The bill would not affect direct spending after 2009.) That amount includes the cost of providing royalty relief and other payments to producers of potash.

H.R. 4984 would reduce the federal royalty rate charged to producers of potash on federal land over the 2005-2009 period. Based on information from the Minerals Management Service about the level of potash royalties in recent years, CBO estimates that providing royalty relief under H.R. 4984 would reduce gross offsetting receipts (a credit against direct spending) by $2.6 million a year over the 2005-2009 period. Because states generally receive half of those royalties, we also estimate that direct spending for payments to states would fall by $1.3 million annually over that period, resulting in a net increase in direct spending of $1.3 million in 2005 and $6.5 million over the next five years for this provision.

Over that same period, the bill also would direct the Secretary of the Treasury, without further appropriation, to return the federal share of potash royalties to producers to support projects to reclaim federal land where potash is mined (thus, resulting in no net receipts to the federal government). CBO estimates that those payments would increase direct spending by nearly $700,000 in 2005 and $3.5 million over the next five years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4984 contains no intergovernmental or private-sector mandates as defined in UMRA. Enacting this legislation would, however, result in a reduction in payments to the states where potash is mined totaling $1.3 million annually over the 2005-2009 period. The bill would impose no other costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Megan Carroll
Impact on State, Local, and Tribal Governments: Marjorie Miller
Impact on the Private Sector: Karen Raupp

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis