



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 17, 2004

S. 511

PILT and Refuge Revenue-Sharing Permanent Funding Act

*As ordered reported by the Senate Committee on Energy and Natural Resources
on September 15, 2004*

SUMMARY

S. 511 would provide new direct spending authority for the Secretary of the Interior to make payments to states and counties under the payment in lieu of taxes (PILT) program and the refuge revenue-sharing program. CBO estimates that enacting S. 511 would increase direct spending by \$376 million in 2005, by about \$2 billion over the 2005-2009 period, and by about \$4.2 billion over the 2005-2014 period. Enacting the bill would not affect revenues.

By making PILT and refuge revenue-sharing payments fully available without further appropriation action, S. 511 could lead to savings in discretionary spending. Assuming that annual appropriations are reduced accordingly, CBO estimates that discretionary spending could be reduced by \$243 million in fiscal year 2005 and about \$1.3 billion over the 2005-2009 period.

S. 511 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. Enacting this legislation probably would benefit local governments that receive payments under these two programs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate, CBO assumes that S. 511 will be enacted near the start of fiscal year 2005. The estimated budgetary impact of S. 511 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

| By Fiscal Year, in Millions of Dollars | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| DIRECT SPENDING | | | | | | | | | | | |
| Mandatory Spending Under Current Law for PILT and Refuge Revenue Sharing ^a | | | | | | | | | | | |
| Estimated Budget Authority | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Estimated Outlays | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Proposed Changes | | | | | | | | | | | |
| PILT | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 337 | 342 | 348 | 354 | 360 | 367 | 373 | 380 | 387 | 394 |
| Estimated Outlays | 0 | 337 | 342 | 348 | 354 | 360 | 367 | 373 | 380 | 387 | 394 |
| Refuge Revenue Sharing | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 39 | 41 | 44 | 47 | 51 | 54 | 58 | 62 | 66 | 71 |
| Estimated Outlays | 0 | 39 | 41 | 44 | 47 | 51 | 54 | 58 | 62 | 66 | 71 |
| Total Changes | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 376 | 383 | 392 | 401 | 411 | 421 | 431 | 442 | 453 | 465 |
| Estimated Outlays | 0 | 376 | 383 | 392 | 401 | 411 | 421 | 431 | 442 | 453 | 465 |
| Mandatory Spending Under S. 511 for PILT and Refuge Revenue Sharing | | | | | | | | | | | |
| Estimated Budget Authority ^a | 6 | 382 | 389 | 398 | 407 | 417 | 427 | 437 | 448 | 459 | 471 |
| Estimated Outlays | 6 | 382 | 389 | 398 | 407 | 417 | 427 | 437 | 448 | 459 | 471 |
| CHANGES IN SPENDING SUBJECT TO APPROPRIATION^b | | | | | | | | | | | |
| Estimated Authorization Level | 0 | -243 | -247 | -250 | -255 | -259 | -263 | -269 | -273 | -278 | -284 |
| Estimated Outlays | 0 | -243 | -247 | -250 | -255 | -259 | -263 | -269 | -273 | -278 | -284 |

a. Includes the estimated mandatory portion of annual funding for refuge revenue-sharing payments under current law.

b. The changes in spending subject to appropriation represent discretionary savings that could occur under S. 511 beginning in 2005, when all PILT and refuge revenue-sharing payments would become mandatory spending. A total of \$239 million was appropriated for these payments in 2004, including \$225 million for PILT and \$14 million for refuge revenue sharing.

BASIS OF ESTIMATE

CBO estimates that enacting S. 511 would increase direct spending for PILT and refuge revenue-sharing payments by \$376 million in 2005 and about \$4.2 billion over the 2005-2014 period. Enacting this legislation would reduce the need for future appropriations for these programs, but any resulting savings would depend on future appropriation actions.

Permanent Funding for PILT

PILT is a payment program that compensates local governments for losses in their tax bases due to the presence of certain federal lands within their jurisdictions, which are exempt from state and local taxation. The Department of the Interior (DOI) calculates the PILT payment authorized for each local jurisdiction based on population, the number of federal acres present, and other federal payments received by the jurisdiction. S. 511 would provide permanent funding for PILT payments, which, under current law, are subject to appropriation. According to DOI, the full authorization level for PILT payments in fiscal year 2004 is \$331 million. (However, only \$225 million was appropriated for those payments.) CBO estimates that providing full funding for future PILT payments would increase direct spending by \$337 million in 2005, about \$1.7 billion over the 2005-2009 period, and about \$3.6 billion over the next 10 years.

Refuge Revenue-Sharing Payments

The Refuge Revenue Sharing Act authorizes the U.S. Fish and Wildlife Service (USFWS) to make payments to counties where national wildlife refuges and other USFWS-administered land is located. Generally, the authorized level of such payments for each county is equal to the greater of: (1) \$0.75 per acre of USFWS land located in the county, (2) 25 percent of net offsetting receipts (if any) earned from commercial activities on such land, or (3) three-fourths of one percent of the land's fair market value. The annual payments are funded by a combination of direct spending authority and discretionary appropriations.

Over the last 20 years, refuge revenue-sharing payments have been less than the authorized level, and each county's payment has been reduced proportionately. Beginning in fiscal year 2005, S. 511 would make available, without further appropriation, the entire amount necessary to fund all payments to counties at the authorized level. CBO estimates that the bill would increase direct spending by \$39 million in 2005, \$222 million over the 2005-2009 period, and \$533 million over the next 10 years.

Spending Subject to Appropriation

By making PILT and refuge revenue-sharing payments fully available without further appropriation action, S. 511 would reduce the need for future appropriations for these programs. Assuming that annual appropriations are reduced accordingly, CBO estimates that discretionary spending could be reduced by \$243 million in fiscal year 2005 and about \$1.3 billion over the 2005-2009 period. Those potential savings in spending subject to appropriation are less than the estimated increase in direct spending under S. 511 because,

in recent years, appropriations for PILT and refuge revenue-sharing payments have been less than the full amounts authorized for such payments. As a result, CBO's baseline for PILT and refuge revenue-sharing payments assumes that, under current law, appropriations would continue to fall short of authorized levels of payments.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 454 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Enacting this legislation probably would benefit local governments that receive payments under these two programs.

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