CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 3, 2007

H.R. 3058

Public Land Communities Transition Assistance Act of 2007

As ordered reported by the House Committee on Natural Resources on September 26, 2007

SUMMARY

H.R. 3058 would provide direct spending authority for certain payments to states and counties made by the Forest Service and the Department of the Interior (DOI). The bill also would impose a new “conservation of resources” fee on certain oil and gas leases on lands on the Outer Continental Shelf (OCS).

CBO estimates that enacting H.R. 3058 would increase net direct spending by $409 million over the 2008-2012 period, but reduce such spending by about $4.2 billion over the 2008-2017 period. Enacting the bill would not affect revenues but could result in savings in discretionary spending by reducing the need for annual appropriations for payments in lieu of taxes (PILT). Assuming that appropriations are reduced accordingly, CBO estimates that discretionary spending would fall by $975 million through 2012.

H.R. 3058 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

By establishing the "conservation of resources" fee, H.R. 3058 would impose a private-sector mandate, as defined in UMRA. CBO estimates that those fees, in aggregate, would be approximately $500 million in 2008. Consequently, the cost of the mandate to the private sector would exceed the annual threshold established in UMRA ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3058 is shown in the following table. The costs of this legislation fall within budget functions 800 (general government) and 950 (undistributed offsetting receipts).

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
DIRECT SPENDING												
Spending Under Current Law												
Forest Service and BLM Payments to States and Counties												
Estimated Budget Authority	101	98	101	103	105	106	109	110	112	115	508	1,060
Estimated Outlays	101	98	101	103	105	106	109	110	112	115	508	1,060
Proposed Changes												
Transition Payments to States and Counties												
Estimated Budget Authority	0	585	514	450	393	0	0	0	0	0	1,942	1,942
Estimated Outlays	0	585	514	450	393	0	0	0	0	0	1,942	1,942
Payments in Lieu of Taxes												
Estimated Budget Authority	286	294	376	386	0	0	0	0	0	0	1,342	1,342
Estimated Outlays	286	294	376	386	0	0	0	0	0	0	1,342	1,342
Conservation of Resources Fees												
Estimated Budget Authority	-500	-300	-325	-875	-875	-975	-975	-925	-875	-825	-2,875	-7,450
Estimated Outlays	-500	-300	-325	-875	-875	-975	-975	-925	-875	-825	-2,875	-7,450
Total Changes												
Estimated Budget Authority	-214	579	565	-39	-482	-975	-975	-925	-875	-825	409	-4,166
Estimated Outlays	-214	579	565	-39	-482	-975	-975	-925	-875	-825	409	-4,166
Spending Under H.R. 3058												
Estimated Budget Authority	-113	677	666	64	-377	-869	-866	-815	-763	-710	917	-3,106
Estimated Outlays	-113	677	666	64	-377	-869	-866	-815	-763	-710	917	-3,106
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	-237	-242	-246	-250	0	0	0	0	0	0	-975	-975
Estimated Outlays	-237	-242	-246	-250	0	0	0	0	0	0	-975	-975

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3058 will be enacted before the end of calendar year 2007. Estimated payments to states and counties under sections 2 and 3 of the bill are based on information provided by the Forest Service and DOI.

Direct Spending

CBO estimates that providing direct spending authority for PILT and for additional payments under the secure rural schools program as provided by H.R. 3058 would increase direct spending by about $3.3 billion over the 2008-2012 period. (Authority for the payments would expire after that.) We estimate that new spending would be offset by new fees on OCS lessees of about $7.5 billion over the 2008-2017 period. The net result of enacting those provisions would be a an increase in direct spending of $409 million over the 2008-2012 period, and a reduction of nearly $4.2 billion over the 2008-2017 period.

Secure Rural Schools Transition Payments. Section 3 would provide new direct spending authority for the Forest Service and the Bureau of Land Management (BLM) to make payments to states and counties to support rural schools.

Payments Under Current Law. Currently, the Forest Service and BLM share a portion of their offsetting receipts with states and counties in order to compensate those local governments that have tax-exempt federal lands within their jurisdictions. (Generally, state and local governments may not impose taxes on federal lands unless specifically authorized to do so by federal statute.) The Forest Service shares receipts generated mainly from selling forest and grassland resources. Those receipts must be used by state and local governments for school and road programs. BLM also shares receipts with counties from various types of activities on BLM lands.

CBO estimates that states and counties would receive about $1.1 billion over the next 10 years under current law.

Payments Under H.R. 3058. Section 3 would authorize new payments to state and local governments, called secure rural school transition payments. Based on information provided by the Forest Service, CBO estimates that states and counties would receive a total of $3 billion over the 2008-2017 period, about $1.9 billion more than they will receive under existing receipt-sharing laws.

Payments in Lieu of Taxes. Section 2 would provide new direct spending authority for DOI to make annual payments in lieu of taxes for fiscal years 2008 through 2011. CBO estimates that enacting this provision would increase direct spending by about $1.3 billion over the 2008-2017 period.

PILT Under Current Law. The PILT program compensates local governments for losses in their tax bases (and thus tax revenues) caused by having certain federal lands within their jurisdictions. Currently, funding for the program is provided in annual appropriations acts; in recent years, such funding has fallen short of the full amount that local governments would be authorized to receive under the PILT statute. That full authorization amount is calculated each year by DOI based on factors such as population and the number of acres owned by certain federal agencies, and is reduced by the amount of certain other federal payments received by the locality. If necessary, the department then calculates individual payments to local jurisdictions by prorating the aggregate appropriation amount among the different localities. In 2007, the PILT appropriation was $233 million (about 65 percent of the full authorization). A final appropriation for PILT has not been enacted for 2008.

PILT Under H.R. 3058. Section 2 would provide direct spending authority for PILT payments to be made by DOI over the 2008-2011 period, but funding would be phased in over that period. Under the provision, eligible local governments would receive a:

- 2008 payment equal to 80 percent of the full PILT authorization level calculated for 2007;

- 2009 payment equal to 90 percent of the 2008 full PILT authorization level; and

- 2010 and 2011 payments equal to 100 percent of the previous years's PILT authorization level.

Payments made after 2011 would be subject to appropriation.

CBO's estimates of payments for 2008 through 2011 are based on DOI's most recent estimate of the full authorization level for PILT in 2007, which is nearly $360 million. CBO reduced those estimated annual payments to reflect the effects on PILT authorization levels of making higher payments to counties under the Secure Rural Schools Program as authorized by section 3 of the bill.

Conservation of Resources Fees. Section 5 would require lessees of certain OCS lands to pay a "conservation of resources" fee and direct that those payments be classified as offsetting receipts (a reduction in direct spending). CBO estimates that enacting this provision would increase offsetting receipts by $7.45 billion over the 2008-2017 period. Most of that increase would result from provisions affecting certain deepwater OCS leases issued in 1998 and 1999 that provided royalty relief regardless of the market price of oil or gas.

Spending Subject to Appropriation

By providing direct spending authority for PILT for fiscal years 2008 through 2011, the bill would reduce the need for appropriations for the program over that period. Assuming that annual appropriations are reduced accordingly, CBO estimates that discretionary spending would be reduced by $975 million over the four-year period that mandatory funding under the bill would be in effect.

The potential savings in spending are equal to the CBO baseline for PILT appropriations. Such savings are less than the estimated increase in direct spending under the bill because discretionary appropriations for PILT have historically been about 65 percent of the full amount authorized for such payments.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 3058 contains no intergovernmental mandates as defined in UMRA. Enacting this bill would benefit the states and counties that would receive the authorized payments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 3058 would impose fees on certain holders of federal oil and gas leases in the Gulf of Mexico. The bill would require DOI to establish a "conservation of resources" fee set at $9 per barrel for oil and $1.25 per million Btu for natural gas (both in 2005 dollars) on production from certain leased acreage. Leaseholders could avoid the fee if they renegotiate the royalty relief provisions of their original leases with the Secretary of the Interior to pay royalties on oil and gas production when prices exceed the price thresholds specified in the bill ($34.73 per barrel of oil and $4.34 per million Btu of natural gas, both in 2005 dollars). DOI also would be required to establish a "conservation of resources" fee on all acreage that is not producing in both new and existing leases. The bill would set that fee at $3.75 per acre per year (in 2005 dollars). Because new leases that include the "conservation of resources" fees would be entered into voluntarily, the fees would only constitute a mandate for leases in existence on the date the Public Land Communities Transition Assistance Act is enacted. The fees on both producing and nonproducing leases would apply retroactively to volumes produced since October 1, 2006.

CBO estimates that the direct cost of the mandate on leaseholders of acreage in production would be approximately $275 million in 2008, assuming most leaseholders opt to pay royalties under a renegotiated lease instead of the proposed fee. CBO estimates that the direct cost of the mandate on leaseholders of acreage not in production would be approximately $225 million in 2008. Consequently, the cost to comply with the mandates would exceed the annual threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

PREVIOUS CBO COST ESTIMATES

The provision concerning "conservation of resources" fees are similar to those contained in other legislation, including:

- H.R. 6, the CLEAN Energy Act of 2007, as introduced on January 12, 2007. CBO's cost estimate was transmitted on January 12, 2007.

- H.R. 2419, the Farm, Nutrition, and Bioenergy Act of 2007, as passed by the House of Representatives on July 27, 2007. CBO's cost estimate was transmitted on October 5, 2007.

- H.R. 3221, the Renewable Energy and Conservation Tax Act of 2007, as passed by the House of Representatives on August 4, 2007. CBO's cost estimate was transmitted on November 9, 2007.

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