



March 29, 2010

Honorable Doc Hastings  
Ranking Member  
Committee on Natural Resources  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman,

As you requested, the Congressional Budget Office has prepared an explanation of its cost estimate for the President's legislative proposal to settle certain claims involving the management of individual Indian trust accounts by the Department of the Interior (DOI). Those claims are currently the subject of a class action lawsuit known as *Cobell v. Salazar*.<sup>1</sup>

### Summary

The President's proposal would authorize the expenditure of \$3.412 billion to settle *Cobell v. Salazar*.<sup>2</sup> The Department of Justice has general authority under current law to settle claims against the United States using the Claims, Judgments, and Relief Acts Fund. By its own terms, however, the settlement agreement is contingent upon the enactment of specific legislation. Furthermore, based on information and statements from DOI, CBO believes that the likelihood of resolving those claims without legislation in the next several years is remote. Because the payments necessary to carry out the entire settlement would depend on the enactment of such legislation, and because we view the settlement as one package consisting of both payments to individuals and a land consolidation fund, CBO estimates that implementing the President's proposal would cost \$3.412 billion over the 2010-2017 period as shown in the table below.

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1. *Cobell vs. Salazar*, 573 F.3d 808 (D.C., July 24, 2009).

2. That agreement is detailed in the Class Action Settlement Agreement dated December 7, 2009, in the litigation of *Cobell v. Salazar*, No. 96-01285 (D.D.C., December 7, 2009).

	By Fiscal Year, in Millions of Dollars											2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
<b>CHANGES IN DIRECT SPENDING</b>													
Payments to Individual Indians													
Budget Authority	1,412	0	0	0	0	0	0	0	0	0	0	1,412	1,412
Estimated Outlays	1,412	0	0	0	0	0	0	0	0	0	0	1,412	1,412
Land Consolidation Fund													
Budget Authority	2,000	0	0	0	0	0	0	0	0	0	0	2,000	2,000
Estimated Outlays	75	350	400	500	325	200	100	50	0	0	0	1,850	2,000
Total Spending under Proposal													
Budget Authority	3,412	0	0	0	0	0	0	0	0	0	0	3,412	3,412
Estimated Outlays	1,487	350	400	500	325	200	100	50	0	0	0	3,262	3,412

### Payments to Individual Indians

Under the President's proposal, \$1.412 billion would be paid to settle claims arising from the management of funds held in trust by the federal government for certain individuals. According to the settlement agreement, claimants would receive a minimum payment, plus additional amounts calculated using a formula specified in the *Cobell v. Salazar* settlement agreement, as compensation for the federal government's mismanagement of funds in individual Indian trust accounts. Following enactment of the proposed legislation and upon final approval of the settlement agreement by the court, those funds would be paid to a court-approved trustee for distribution to the claimants. Because CBO expects that the legislation would be enacted and the court would grant final approval for the settlement before the end of fiscal year 2010, we expect that all funds provided for this purpose would be spent in that year.

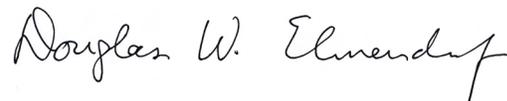
### Land Consolidation Fund

The President's proposal also would provide \$2 billion to DOI to purchase and consolidate tracts of land located on Indian reservations and currently

owned by multiple individuals.<sup>3</sup> Based on information from DOI, CBO expects that, upon final approval of the settlement—which would happen when the legislation is enacted and courts grant final approval—the agency would begin to purchase parcels of land at fair market value. Upon purchase and consolidation of those parcels, the federal government would give control of the land to tribal governments. CBO expects that the funds available for land consolidation would be spent over the 2010-2017 period, and we estimate that those payments would cost \$2 billion over that period.

I hope this information is helpful to you. If you would like further details about this estimate, the CBO staff contacts are Jeff LaFave and Jodi Capps.

Sincerely,



Douglas W. Elmendorf  
Director

Enclosure

cc: Honorable Nick J. Rahall II  
Chairman

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3. Of the \$2 billion provided for the Land Consolidation Fund, DOI may transfer up to \$60 million into a scholarship fund for Indians pursuing post-secondary education. Deposits into the scholarship fund would be determined using a formula specified in the *Cobell v. Salazar* settlement agreement and based on the value of land purchased under the land and consolidation program. Amounts in the scholarship fund would be transferred on a quarterly basis to a nongovernmental organization selected to administer the disbursement of the scholarships. CBO estimates that those transfers would total \$60 million by the end of fiscal year 2013.