CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 27, 2011

H.R. 1229
Putting the Gulf of Mexico Back to Work Act

As ordered reported by the House Committee on Natural Resources on April 13, 2011

SUMMARY

H.R. 1229 would modify the standards and procedures governing federal leases and permits for private companies to develop oil and gas resources on the Outer Continental Shelf (OCS). It would extend the duration of certain leases set to expire by December 31, 2011, as well as other leases affected by specified procedural matters. The bill also would establish deadlines for administrative actions on permit applications and establish procedural and other limits on judicial review of civil actions involving energy projects in the Gulf of Mexico.

Pay-as-you-go procedures apply to H.R. 1229 because enacting the legislation would affect direct spending. CBO estimates that enacting this bill would reduce offsetting receipts from OCS leases by $10 million in 2013 (such reductions would have the effect of increasing direct spending). We estimate that enacting the bill would increase direct spending by $6 million over the 2012-2016 period but would have no significant net effect over the 2012-2021 period. Enacting H.R. 1229 would not affect revenues.

H.R. 1229 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.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1229 is shown in the following table. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	0	10	-1	-1	-2	-2	-2	-2	0	0	6	0
Estimated Outlays	0	10	-1	-1	-2	-2	-2	-2	0	0	6	0

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1229 will be enacted before the end of fiscal year 2011 and that the Department of the Interior (DOI) will conduct federal lease sales in the Gulf of Mexico according to the schedule included in the President's budget request for fiscal year 2012. Bonus bids, rental fees, and royalty payments for OCS leases are recorded in the budget as offsetting receipts, which are an offset to direct spending.

Under current law, OCS leases expire within a specified period of time unless the lessee has begun to produce oil or gas or has met certain production-related standards. After a lease expires, it is re-auctioned as part of the next lease sale. Typically, some of the expired leases are acquired in the subsequent sales; in recent years, the uptake rate for newly available leases has ranged from 13 percent to 46 percent. Thus, provisions extending the duration of certain OCS leases would affect the timing of projected bonus bids for those expired leases.

Based on information from DOI, CBO estimates that H.R. 1229 would extend the term of approximately 100 leases. Over half of those leases are in the Western and Eastern Gulf of Mexico that will expire by December 31, 2011, and be re-auctioned later in fiscal year 2012. Relative to CBO's baseline projections of OCS bonus bids, changes in existing lease terms would reduce offsetting receipts (an increase in direct spending) in 2013 by about $10 million. Such costs would be offset by higher sales proceeds in subsequent years, resulting in no significant net effect over the 2012-2021 period.

Finally, based on information from DOI, CBO estimates that implementing the bill would have no significant effect on spending subject to appropriation.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1229, the Putting the Gulf of Mexico Back to Work Act, as ordered reported by the House Committee on Natural Resources on April 13, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	10	-1	-1	-2	-2	-2	-2	0	0	6	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1229 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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