



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 28, 2011

### **H.R. 1230** **Restarting American Offshore Leasing Now Act**

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

#### **SUMMARY**

H.R. 1230 would establish statutory deadlines for sales of certain oil and gas leases in the Outer Continental Shelf (OCS). If the bill were enacted, the Department of the Interior (DOI) would be required to auction leases in the Central and Western Gulf of Mexico within four and eight months of enactment, respectively. The legislation also would direct DOI to auction leases for an area off the coast of Virginia within one year of enactment.

Enacting H.R. 1230 would affect direct spending; therefore, pay-as-you-go procedures apply. CBO estimates that enacting this legislation would reduce net direct spending by \$25 million over the 2011-2016 period and about \$40 million over the 2011-2021 period. Enacting the bill would not affect revenues.

In addition, CBO estimates that DOI would spend about \$2 million to implement the legislation, assuming the availability of appropriated funds.

H.R. 1230 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. 1230 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 | 2017-2021 |
| <b>CHANGES IN DIRECT SPENDING <sup>a</sup></b> |  |      |      |      |      |      |      |      |      |      |           |           |
| Estimated Budget Authority                     | 0                                      | 0    | 0    | -10  | -15  | -20  | -7   | 4    | 4    | 4    | -25       | -40       |
| Estimated Outlays                              | 0                                      | 0    | 0    | -10  | -15  | -20  | -7   | 4    | 4    | 4    | -25       | -40       |

a. In addition to the estimated impact on direct spending, CBO estimates that implementing H.R. 1230 would cost about \$2 million over the 2012-2016 period, subject to the availability of appropriated funds.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1230 will be enacted by the end of fiscal year 2011 and that DOI will conduct the sales of federal leases 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.

### Direct Spending

CBO estimates that implementing the bill would have no significant effect on proceeds from lease sales in the Gulf of Mexico because the proposed schedule is similar to the plan included in DOI’s budget for 2011. CBO expects, however, that directing DOI to hold a lease sale off the Virginia coast soon after enactment would increase the number of lease sales in that area relative to current policies.

Under existing law, DOI can auction acreage if it is included in an approved five-year plan. The Administration’s plan for the 2007-2012 period included a proposed sale in 2011 of about 4 million acres off the coast of Virginia. That lease sale was canceled in 2010, however, to allow for further review of the impact of oil and gas development on military operations and the environment. A final leasing plan for the 2012-2017 period has not yet been adopted. Recent guidelines for that plan recommended preparing the environmental studies needed for seismic assessments of the Mid-Atlantic region (including the coast of Virginia), but did not include any lease sales in that area over the 2012-2017 period. As a result, CBO’s baseline projections assume that the Virginia OCS would not be opened for leasing until after June 30, 2017, under current law.

Based on information from DOI on the oil and gas resources in the Mid-Atlantic region, CBO estimates that enacting the bill would increase net offsetting receipts (and thus decrease direct spending) by about \$40 million over the 10-year period. That estimate reflects CBO’s expectation that holding a Virginia lease sale soon after enactment would

increase proceeds in the next five years but also would reduce the amount collected in auctions held after 2017. For this estimate, CBO assumes that DOI would incorporate the Virginia lease sale into the five-year plan for 2012-2017 after completing the assessments and consultations required by the bill and existing law. Given the time needed to complete those assessments, conduct sales, and issue leases, CBO anticipates that proceeds from leasing in those areas would be collected after fiscal year 2014.

**Spending Subject to Appropriation**

Based on spending patterns for similar activities, CBO estimates that DOI would spend about \$2 million over the 2012-2016 period to complete the necessary environmental and other assessments necessary to conduct the Virginia lease sale, assuming the availability of appropriated funds.

**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. 1230, the Restarting American Offshore Leasing Now Act, as ordered reported by the House Committee on Natural Resources on April 13, 2011**

|  | By Fiscal Year, in Millions of Dollars |      |      |      |      |      |      |      |      |      |      | 2011- | 2011- |
|--|--|------|------|------|------|------|------|------|------|------|------|-------|-------|
|  | 2011                                   | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016  | 2021  |
| <b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b> |  |      |      |      |      |      |      |      |      |      |      |       |       |
| Statutory Pay-As-You-Go Impact                     | 0                                      | 0    | 0    | 0    | -10  | -15  | -20  | -7   | 4    | 4    | 4    | -25   | -40   |

**INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 1230 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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