CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 11, 2012

H.R. 4019
Federal Forests County Revenue, Schools, and Jobs Act of 2012

As ordered reported by the House Committee on Natural Resources on February 14, 2012

SUMMARY

H.R. 4019 would require the Forest Service to generate a minimum level of receipts each year from certain activities conducted in national forests and to spend a portion of those receipts to make annual payments to certain counties. The bill also would reauthorize the Department of the Interior (DOI) to make mandatory annual payments through 2017 to counties that contain certain federal lands. Finally, the bill would establish a new schedule for the fees paid to the federal government by individuals who own cabins located on Forest Service lands.

Based on information provided by the affected federal agencies, state timber agencies, and individuals working in the timber industry, CBO estimates that enacting the legislation would increase net direct spending by about $2.6 billion over the 2012-2022 period; therefore, pay-as-you-go procedures apply. In addition, the bill would increase discretionary spending for certain Forest Service activities by about $200 million a year over the 2014-2022 period, assuming appropriation of the estimated amounts. Enacting H.R. 4019 would not affect revenues.

H.R. 4019 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. 4019 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment) and 800 (general government).

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
CHANGES IN DIRECT SPENDING												
Forest Service Net Receipt Sharing												
Estimated Budget Authority	500	95	2	2	2	2	2	2	2	2	602	611
Estimated Outlays	500	95	2	2	2	2	2	2	2	2	602	611
Reauthorization of Mandatory Payments in Lieu of Taxes												
Estimated Budget Authority	398	375	396	403	410	0	0	0	0	0	1,982	1,982
Estimated Outlays	398	375	396	403	410	0	0	0	0	0	1,982	1,982
Cabin Fee Program												
Estimated Budget Authority	2	-2	*	1	2	4	4	4	5	5	3	25
Estimated Outlays	2	-2	*	1	2	4	4	4	5	5	3	25
Total Changes												
Estimated Budget Authority	900	468	399	406	414	6	6	6	7	7	2,587	2,618
Estimated Outlays	900	468	399	406	414	6	6	6	7	7	2,587	2,618
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	0	200	200	200	200	200	200	200	200	200	800	1,800
Estimated Outlays	0	150	200	200	200	200	200	200	200	200	750	1,750

Note: Components may not sum to totals because of rounding; * = between -$500,000 and $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted during 2012 and that the necessary amounts will be appropriated for each fiscal year.

Direct Spending

CBO estimates that enacting H.R. 4019 would increase net direct spending by $2.6 billion over the 2012-2022 period. That net increase stems from provisions that would increase offsetting receipts from timber production and mineral leasing on federal lands, increase payments that the Forest Service makes to share those receipts with certain counties, reauthorize certain other mandatory payments to counties that contain nontaxable federal lands within their jurisdictions, and reduce offsetting receipts from fees paid to the federal government by individuals who own cabins on Forest Service lands.

Forest Service Net Receipt Sharing. A portion of the receipts generated from the sale of resources on federal land (which offset direct spending) are paid to states and counties;

those payments, known as receipt-sharing payments, are based on formulas specific to the type of federal land involved. Title I would increase the gross receipts generated from lands administered by the Forest Service (by $2.5 billion) as well as associated direct spending (by $3.1 billion). On net, CBO estimates that enacting title I would increase net direct spending by $611 million over the 2012-2022 period.

The bill would establish the County, Schools, and Revenue Trust Fund, an accounting mechanism to record receipts from certain income-generating activities on lands administered by the Forest Service. Under the bill, 65 percent of amounts credited to the fund in a given year would become available in the following year, without further appropriation, to make payments to local jurisdictions where such lands are located, according to formulas specified in existing law and referenced by the bill. The bill also specifies that the remaining 35 percent of receipts in the fund would be deposited in the general fund of the Treasury and would be unavailable for spending. However, in CBO's view, counties would remain eligible for additional payments totaling 25 percent of gross receipts under provisions of existing law. Thus, under the bill, CBO estimates that a total of 90 percent of receipts credited to the proposed fund would be paid to counties, with 10 percent being credited to the general fund.

The bill would capitalize the proposed fund with $875 million that would be available, without further appropriation, for the Forest Service to make payments to counties in 2013 and 2014, before receipt-sharing payments from the proposed trust fund would begin. Those payments would be based on the amounts paid to eligible counties in 2010 under the Secure Rural Schools and Community Self-Determination Act of 2000 and would total $500 million in 2013 and $375 million in 2014.

To support the increased payments to counties after the 2013-2014 period, the bill would require the Forest Service to significantly increase gross receipts from activities such as timber sales and mineral leasing. Starting in 2014, the agency would be required to generate receipts totaling a minimum of $548 million a year—more than double the amount of receipts we estimate the agency would generate under current law but significantly less than historically high levels of receipts generated in other years, particularly during the 1990s.

While the amount of annual receipts from Forest Service activities is primarily determined by market forces, CBO expects that several provisions in H.R. 4019 would increase the likelihood that the agency could meet the minimum receipt targets established in the bill. In particular, the bill would exempt certain receipt-generating projects carried out under the bill from compliance with certain laws, including the Endangered Species Act and the National Environmental Policy Act. CBO expects that those proposed exemptions would significantly increase access by the timber industry to the most valuable federal timber resources. For purposes of this estimate, CBO assumes that the Forest Service would meet the annual target by increasing the amount of commercially valuable timber offered for sale and prioritizing activities that generate receipts over those that promote environmental stewardship.

Relative to current law, CBO estimates that the bill's annual receipt requirement would increase gross receipts by $280 million annually, starting in 2014 when the requirement would take effect. Because of the one-year lag between when receipts are collected and payments to counties are made, that net increase in receipts in 2014 would help to offset the cost of payments to counties in that year. Starting in 2015, however, CBO estimates that net deposits of Forest Service receipts—that is, the portion of receipts credited to the general fund and not automatically spent—would be slightly less under the bill than under current law. Under current law, CBO estimates such deposits would total $57 million annually. Under the bill, however, CBO estimates net deposits would total only $55 million (10 percent of the bill's annual receipt target), resulting in a net cost of $2 million a year over the 2015-2022 period.

Reauthorization of Mandatory Payments In Lieu of Taxes. Title II would reauthorize, through fiscal year 2017, a program that provides mandatory payments to certain counties that contain federal lands. Those payments are intended to compensate counties for the loss of revenues from public lands, which are not subject to local property taxes. The amount paid to each county is based on the amount of federal land within the county, the population of the county, the amount of federal payments to the county in the prior year, and changes in the Consumer Price Index. Based on information from DOI, CBO estimates that reauthorizing mandatory payments in lieu of taxes would increase direct spending by about $2 billion over the 2013-2017 period.

Cabin Fee Program. Title III would establish a new schedule for fees assessed on privately owned cabins located on Forest Service lands. Under current law, owners of the roughly 14,000 affected cabins pay an annual fee to the federal government equal to 5 percent of the appraised value of the occupied land. Based on information provided by the agency, CBO estimates that fee collections from those cabins will total roughly $20 million in 2012 and that those annual collections will increase to $38 million by 2022. Collections will increase over that period as the agency completes appraisals of the affected Forest Service lands, implements new fees based on those appraisals, and annually adjusts fees on all cabins to account for inflation.

Under the bill, cabin owners would pay specified annual fees ranging from $500 to $4,500 per cabin, depending on the appraised value of the occupied land. Those fees would go into effect after the Forest Service completes its current appraisal cycle, which CBO expects will occur in 2013. Once the new fee system is implemented, CBO estimates that new cabin fee collections would total about $29 million in 2014, rising to $33 million by 2022.

Because title III would cap annual cabin fees at $4,500 and prevent scheduled fee increases from being implemented as they would be under current law, CBO estimates that enacting H.R. 4019 would, in general, lower annual receipts over the 2013-2022 period. For 2014 and 2015 CBO estimates that enacting the bill would increase receipts because we expect that cabin fees would be increased more gradually under current law than under the bill over that period. On net, CBO estimates that enacting the new cabin fees required under title III would reduce offsetting receipts (an increase in direct spending) by about $30 million over the 2013-2022 period.

Title III also would require the Forest Service to collect a proposed new transfer fee from cabin owners who sell their cabins. The amount of the fee would be based on the sales price. CBO estimates that implementing this provision would increase offsetting receipts (a credit against direct spending) by about $5 million over the 2013-2022 period, based on information provided by the Forest Service regarding the number of new lease permits issued each year and the values of the affected cabins.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 4019 would require a significant increase in the amount of funds appropriated to the Forest Service to administer timber sales, replace harvested trees, and mitigate the environmental impacts of timber harvesting. Under current law, the agency spends, without annual appropriation, about $130 million a year from receipts generated in the national forests to fund those activities. Under the bill, CBO expects that any receipts that would have been used to fund such activities over the 2014-2022 period would be paid to counties or deposited in the U.S. Treasury. We also expect that the bill would significantly increase timber sales over that period. Thus, CBO estimates that implementing H.R. 4019 would cost about $200 million a year, assuming appropriation of the necessary amounts.

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 direct spending 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. 4019 as ordered reported by the House Committee on Natural Resources on February 14, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
	NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	900	468	399	406	414	6	6	6	7	7	2,587	2,618

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4019 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Local governments would benefit from increased payments of about $6 billion over the 2013-2022 period as a result of leasing and other activities on federal lands.

PREVIOUS CBO ESTIMATE

On February 7, 2012, CBO transmitted a cost estimate for H.R. 3397, the Cabin Fee Act of 2011, as ordered reported by the House Committee on Natural Resources on November 17, 2011. Title III of H.R. 4019 contains provisions similar to those in H.R. 3397, and the CBO cost estimates for those provisions are the same.

ESTIMATE PREPARED BY:

Federal Costs: Jeff LaFave
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Amy Petz

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis