



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 13, 2012

### **S. 1345**

#### **Spokane Tribe of Indians of the Spokane Reservation Grand Coulee Dam Equitable Compensation Settlement Act**

*As ordered reported by the Senate Committee on Indian Affairs on September 13, 2012*

#### **SUMMARY**

S. 1345 would provide compensation to the Spokane Tribe of Indians for tribal lands used to generate hydroelectric power by the Grand Coulee Dam. The bill would require the Bonneville Power Administration (BPA) to make annual payments to the tribe from receipts generated from the sale of electricity. While CBO expects that BPA would eventually raise electricity rates to cover the cost of those payments, we estimate that enacting S. 1345 would increase net direct spending by \$2 million over the 2013-2022 period. Because enacting S. 1345 would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

The legislation would have additional budget impacts after 2022. The bill would establish the Spokane Tribe of Indians Recovery Trust Fund in fiscal year 2025 to pay additional compensation to the tribe for land taken to build the Grand Coulee Dam. CBO estimates that enacting this provision would increase direct spending by around \$300 million in fiscal year 2025. In addition, starting in 2023, S. 1345 would reduce certain payments that BPA is required to make to the Treasury by \$2.7 million per year. Because those payments offset direct spending, such reductions would have the effect of increasing direct spending by \$2.7 million a year indefinitely, starting in 2023.

S. 1345 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 S. 1345 is shown in the following table. The costs of this legislation fall within budget functions 450 (community and regional development) and 270 (energy).

	By Fiscal Year, in Millions of Dollars											2013-	2013-	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022		
<b>CHANGES IN DIRECT SPENDING</b>														
Estimated Budget Authority	6	-4	0	0	0	0	0	0	0	0	2	2		
Estimated Outlays	6	-4	0	0	0	0	0	0	0	0	2	2		

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that this bill will be enacted by the end of calendar year 2012.

### **Budgetary Effects Over the 2013-2022 Period**

S. 1345 would require BPA to make an annual payment to the Spokane Tribe of Indians. Under the bill, such payments would equal 25 percent of the annual payment BPA currently makes to the Confederated Tribes of the Colville Reservation (about \$6 million) until 2023, at which time, the payments would increase to 32 percent of that payment (about \$8 million). Those payments would continue as long as electricity is generated at the Grand Coulee Dam. Because BPA’s operating costs are driven by market and environmental conditions that are difficult to control, CBO expects that the agency would not be able to offset the cost of this bill by reducing operating expenses. Instead, we anticipate that BPA would increase the rates it charges customers for electricity to cover those costs.

Because BPA has already set the rates it will charge customers for electricity through 2013, CBO expects that the agency would use reserve funds to make payments to the tribe in that year. Information from BPA indicates that the agency has factored in some likelihood of passage of legislation similar to S. 1345 into current rates. Under current electricity rates, the agency expects to collect \$2 million to account for that likelihood that legislation may be enacted that would require a new payment to the tribe. CBO expects that, under the bill, BPA would spend \$6 million of reserves for payments to the tribe in 2013 and that the agency would raise its rates in 2014 to replenish the portion of reserves paid to the tribe that was not specifically collected in its rates for that purpose (about \$4 million). CBO expects that, under current law, BPA would not spend reserve funds collected in anticipation of making payments to the tribe because the agency has no authority or requirement to do so.

Beginning in 2014, CBO expects that the \$6 million annual payment to the Spokane Tribe of Indians would become part of BPA’s cost structure and would be fully offset by an increase in the rates it charges for electricity. Therefore, CBO estimates no net impact of

annual payments and rate increases after the initial impact (spread over the 2013-2014 period and described above).

### **Budgetary Effects After 2022**

S. 1345 also would create the Spokane Tribe of Indians Recovery Trust Fund to provide compensation for land taken from the tribe by the federal government to build the Grand Coulee Dam. At the start of the 11th fiscal year after passage of the bill, S. 1345 would require that a deposit be made to that trust fund equivalent to 29 percent of all annual payments made to the Confederated Tribes of the Colville Reservation since 1994, as well as interest that would have accrued on the amounts if those funds had been invested in Treasury securities. CBO estimates that this deposit would amount to around \$300 million in fiscal year 2025.

Payments to certain tribal trust funds that are held and managed in a fiduciary capacity by the federal government on behalf of Indian tribes are treated as payments to a nonfederal entity. As a result, CBO expects that the entire amount deposited to this trust fund would be recorded in the budget as budget authority and outlays at the time of the deposit. The Secretary of the Interior would be required to invest the funds in government securities until those funds are expended by the tribe. Subsequently, the trust fund would be nonbudgetary, and the use of such funds and interest payments to the tribes would have no additional effect on the federal budget.

Finally, starting in 2023, S. 1345 would reduce BPA’s interest payments to the Treasury by \$2.7 million in the years that BPA makes payments to the tribe. Such reductions would increase direct spending by \$2.7 million a year indefinitely starting in 2023.

### **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 change 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 S. 1345, as ordered reported by the Senate Committee on Indian Affairs on September 13, 2012**

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>												
Statutory Pay-As-You-Go Impact	6	-4	0	0	0	0	0	0	0	0	2	2

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1345 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The payments authorized by this bill would benefit the Spokane Tribe.

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