



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

March 24, 2016

**H.R. 1296**

**A bill to amend the San Luis Rey Indian Water Rights Settlement Act to clarify certain settlement terms, and for other purposes**

*As ordered reported by the House Committee on Natural Resources  
on February 3, 2016*

**SUMMARY**

H.R. 1296 would amend current law and ratify a settlement agreement negotiated in 2014 between the United States and other parties in southern California including the La Jolla, Rincon, San Pasqual, Pauma, and Pala Bands of Mission Indians (collectively known as the Bands), the City of Escondido, the San Luis Rey Indian Water Authority (the Authority), and the Vista Irrigation District. The 2014 settlement clarifies certain issues regarding the Bands' water rights and the federal government's legal responsibilities and if ratified would transfer control and ownership of the funds in the San Luis Rey Indian Trust Fund from the federal government to the Authority.

Based on information from the Department of the Interior (DOI), CBO estimates that enacting the legislation would increase net direct spending by \$18 million over the 2017-2026 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 1296 would not affect revenues.

CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 1296 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit the La Jolla, Rincon, San Pasqual, Pauma, and Pala Bands of Mission Indians. Any costs to local and tribal governments would be incurred voluntarily as a result of entering into the settlement agreement ratified in the bill.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 1296 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars										2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
<b>INCREASE OR DECREASE (-) IN DIRECT SPENDING</b>												
Transfer Ownership of San Luis Rey Trust Fund balances												
Estimated Budget Authority	55	0	0	0	0	0	0	0	0	0	55	55
Estimated Outlays	55	0	0	0	0	0	0	0	0	0	55	55
Changes in Interest Disbursements from the trust fund												
Estimated Budget Authority	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-19	-37
Estimated Outlays	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-19	-37
Total Changes												
Estimated Budget Authority	51	-4	-4	-4	-4	-4	-4	-4	-4	-4	37	18
Estimated Outlays	51	-4	-4	-4	-4	-4	-4	-4	-4	-4	37	18

Note: Components may not sum to totals because of rounding.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1296 will be enacted at the end of fiscal year 2016. Based on information from the Department of the Interior (DOI), CBO estimates that implementing the legislation would increase net direct spending by \$18 million over the 2017-2026 period.

In 1990, \$30 million was appropriated to capitalize the San Luis Rey Indian Trust Fund, which was established by Public Law 100-675, the San Luis Rey Indian Water Rights Settlement Act (1988 Settlement Act). The San Luis Rey Indian Water Authority was also established by the Bands as an intertribal entity pursuant to that Settlement. The Authority negotiates on behalf of the Bands regarding water supply and use in the San Luis Rey River Basin. Under current law, the federal government retains ownership of and fiduciary responsibility for the San Luis Rey Indian Trust Fund until all parties reach agreement under the 1988 Settlement Act at which time the fund will be transferred to the Authority. Until ownership of the Fund is transferred, the U.S. Treasury is authorized to disburse a portion of interest credited to the fund to the Authority for annual expenses related to facilitating and negotiating a final agreement. In the last few years, those disbursements

have averaged \$3.7 million annually and CBO expects that under current law those disbursements will continue.

The parties have been unable to reach agreement under the 1988 Settlement Act because of differing interpretations of the Bands’ future claims to federally reserved water in the San Luis Rey River Basin. Enacting H.R. 1296 would amend the 1988 Settlement Act to clarify that the Bands’ right to federally reserved water in the basin would remain intact; the legislation also would waive certain legal claims against the federal government and ratify a settlement agreement entered into by all these parties in 2014.

Based on information from the DOI, CBO expects that upon enactment of H.R. 1296, which we assume would occur in fiscal year 2017, ownership of the balance in the trust fund would be transferred to the Authority that year. CBO estimates that the amount transferred would total \$55 million and would include \$30 million of principle and \$25 million in accrued interest. Following enactment of the bill, the Treasury would discontinue annual disbursements of interest to the Authority, thus reducing federal spending by \$37 million over the 2017-2026 period. In total, CBO estimates that enacting H.R. 1296 would increase net direct spending by \$18 million over the 2017-2026 period.

**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.

	By Fiscal Year, in Millions of Dollars												2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026	
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>														
Statutory Pay-As-You-Go Impact	0	51	-4	-4	-4	-4	-4	-4	-4	-4	-4	37	18	

**INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

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

H.R. 1296 contains no intergovernmental or private-sector mandates as defined in UMRA and would benefit the La Jolla, Rincon, San Pasqual, Pauma, and Pala Bands of Mission Indians. Any costs to local and tribal governments would be incurred voluntarily as a result of entering into the settlement agreement as ratified in the bill.

### **ESTIMATE PREPARED BY:**

Federal Costs: Aurora Swanson

Impact on State, Local, and Tribal Governments: Rachel Austin

Impact on the Private Sector: Amy Petz

### **ESTIMATE APPROVED BY:**

Samuel H. Papenfuss

Deputy Assistant Director for Budget Analysis