CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 29, 2015

H.R. 1992
American Soda Ash Competitiveness Act

As ordered reported by the House Committee on Natural Resources on June 11, 2015

SUMMARY

H.R. 1992 would require the Department of the Interior to charge a 2 percent royalty on the value of soda ash and related sodium compounds produced on federal lands for a five-year period following enactment of the bill. Under current law, CBO expects the average royalty rate to be about 6 percent, beginning in 2016. About half of the royalties collected by the federal government are paid to the states where the minerals are produced. Thus, enacting the bill would reduce both offsetting receipts (a credit against direct spending) and the subsequent payments to states stemming from those royalties.

As a result, CBO estimates that enacting H.R. 1992 would increase net direct spending by $80 million over the 2016-2020 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 1992 would not affect revenues.

H.R. 1992 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1992 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	16	16	16	16	16	0	0	0	0	0	80	80
Estimated Outlays	16	16	16	16	16	0	0	0	0	0	80	80

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the beginning of fiscal year 2016.

H.R. 1992 would reduce the royalty rate on the value of soda ash and certain related minerals produced on federal lands to 2 percent for a five-year period following enactment of the bill. Under current law, the royalty rate on soda ash is expected to increase from 4 percent to 6 percent near the beginning of 2016. Because royalty rates charged on state and private lands will probably be higher than 2 percent, CBO expects that, under the bill, the amount of soda ash and other affected minerals produced on federal lands would be greater over the next five years than it would be under current law. However, any increase in production on federal land would not generate enough additional royalty revenue to offset the loss of receipts due to the lower royalty rate through 2020, CBO estimates.

In 2011, the last year in which the royalty rate was set at 2 percent, firms produced about 9 million tons of soda ash and related products on federal lands and the federal government received net royalties totaling $11 million. (About half of all federal royalties collected on the affected minerals are paid to states where those minerals are produced.) Over the 2012-2013 period, the Bureau of Land Management assessed an average royalty rate of about 6 percent. Production of soda ash and related products decreased to about 7.5 million tons in those years; however, net royalty collections increased to an average of about $27 million a year. When the royalty rate on soda ash and related products was reduced to about 4 percent in 2014, production on federal land increased slightly, while net royalty collections decreased by about $6 million from the previous year.

Based on information from the Office of Natural Resources Revenue, CBO estimates that, under current law, the federal government's net royalty receipts from soda ash and related minerals will total between $25 million and $30 million a year over the next five years. Under the bill, CBO estimates that net royalties would total roughly $10 million annually over that period. Thus, CBO estimates that enacting H.R. 1992 would reduce net offsetting receipts by about $16 million a year over the 2016-2020 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.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1992 as ordered reported by the House Committee on Natural Resources on June 11, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
	NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	16	16	16	16	16	0	0	0	0	0	80	80

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1992 contains no intergovernmental or private-sector mandates as defined in UMRA. The royalty reduction required by the bill would reduce federal payments to Arizona, California, Louisiana, Colorado, New Mexico, Utah, and Wyoming by about $80 million over the 2016-2020 period.

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