CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 2, 2015

H.R. 2130
Red River Private Property Protection Act

As ordered reported by the House Committee on Natural Resources on September 10, 2015

SUMMARY

H.R. 2130 would establish a process under which the Bureau of Land Management (BLM) would dispose of roughly 30,000 acres of federal land along the border between Texas and Oklahoma. As part of that process, the bill would require BLM to commission a survey of a 116-mile segment of the Red River and about 160 tracts of land adjacent to the river.

CBO estimates that enacting the bill would increase net offsetting receipts, which are treated as reductions in direct spending, by $5 million over the 2018-2025 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 2130 would not affect revenues. In addition, based on information provided by BLM and the Texas General Land Office, CBO estimates that implementing the bill would cost $2 million over the 2016-2020 period, assuming appropriation of the necessary amounts.

CBO estimates that enacting H.R. 2130 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2026.

H.R. 2130 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 effect of H.R. 2130 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												
Discounted Land Sales												
Estimated Budget Authority	0	0	*	*	*	*	*	*	*	*	1	2
Estimated Outlays	0	0	*	*	*	*	*	*	*	*	1	2
Fair Market Value Land Sales												
Estimated Budget Authority	0	0	-1	-1	-1	-1	1	-1	-1	-1	-3	-7
Estimated Outlays	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-3	-7
Total Changes												
Estimated Budget Authority	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-2	-5
Estimated Outlays	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-2	-5
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	1	*	*	*	*	*	*	*	*	*	2	2
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	2	2

Note: Components may not sum to totals because of rounding; * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted in 2016 and that the necessary amounts will be appropriated for each fiscal year.

Direct Spending

CBO estimates that enacting H.R. 2130 would increase net offsetting receipts by $5 million over the 2018-2025 period. That estimate includes two components: provisions authorizing BLM to convey certain federal lands to private citizens for $1.25 an acre would reduce offsetting receipts by roughly $2 million over that period; provisions requiring the BLM to sell federal lands for fair market value would increase offsetting receipts by $7 million over that period.

Red River Boundary. A series of treaties in the early 1800s established the south bank of the Red River as the southern border between the United States and what is now the state of Texas. In 1867, the federal government established the Kiowa-Comanche-Apache Reservation in what is now the state of Oklahoma and set the southern border of the reservation as the center of the Red River. Any land located between the center of the river and the southern bank remained federal land.

Over time, the path of the river shifted, exposing lands that were once regularly submerged. For decades, parcels of land, primarily south of the river's new southern bank, were sold to individuals in Oklahoma and Texas. Some individuals who obtained deeds to the affected parcels built structures and paid taxes on them. However, in the early 1980s, a U.S. District Court reestablished that private property in Oklahoma extended to the center of the river as it flowed in the 1800s while private property in Texas extended to the southern bank of the river as it flowed at that time. As a result, some of the land that was occupied by private landowners was awarded to other landowners across the river while other land was reclaimed as federal land under the jurisdiction of BLM.

Discounted Land Sales. Under the Color of Title Act, individuals can acquire clear title to up to 160 acres of federal land if they hold title to the land, were unaware that title to the land was originally vested in the federal government, and meet certain other conditions. The act requires that individuals pay fair market value for acquired lands; however, the estimated value may be reduced to account for several factors, including improvements made on the land and property taxes paid. The minimum cost to acquire lands under the Color of Title Act is $1.25 per acre.

Under current law, CBO estimates that 20,000 acres of federal land along the Red River are occupied by private landowners and owners of about 50 percent of that land (10,000 acres) meets the conditions necessary to be acquired under the Color of Title Act. We also estimate that owners of about 80 percent of the land eligible to be acquired (8,000 acres) will complete their claims. Finally, we estimate, based on the amounts paid to acquire lands under that act in recent years, that landowners will pay about $200 an acre (roughly 15 percent of the estimated fair market value), on average, to acquire the affected lands. As a result, CBO estimates that, BLM will collect offsetting receipts totaling roughly $2 million over the 2018-2025 period from individuals acquiring land under the Color of Title Act.

Section 5 would require BLM to convey federal lands to private landowners who seek to acquire title and meet conditions similar to those required under the Color of Title Act. The bill would require landowners to pay $1.25 an acre (less than one-tenth of one percent of the estimated fair market value) to acquire the affected lands and, unlike the Color of Title Act, would not cap the number of acres a landowner could acquire at that price. CBO expects that eliminating the cap would make roughly 75 percent of the privately-occupied federal lands (15,000 acres) eligible for purchase at $1.25 per acre. We also expect that the lower price would increase the amount of land purchased to 95 percent of that amount (14,250 acres). Therefore, CBO estimates that, under section 5, BLM would collect offsetting receipts totaling roughly $20,000 over the 2018-2025 period. On net, CBO estimates that enacting the bill would reduce the amount of offsetting receipts BLM would collect from selling land at discounted prices by $2 million over the 2018-2025 period.

Fair Market Value Land Sales. Under the Federal Land Policy and Management Act (FLPMA), BLM has the authority to dispose of federal lands in accordance with an approved land use plan. The agency is currently drafting a new plan that will determine how federal lands along the Red River will be administered. Based on information provided by BLM, CBO expects that the agency will probably identify all 30,000 acres of federal land along the river for disposal when its plan is completed in 2018.

Under current law, CBO estimates that BLM could sell about 22,000 acres of federal land along the Red River (the land remaining after conveyances under the Color of Title Act) at fair market value beginning in 2018. We also estimate, based on the value of similar lands in the area, that the fair market value of the affected lands would average about $1,500 an acre. Thus, CBO estimates that BLM could collect offsetting receipts from land sales along the Red River totaling up to $33 million over the 2018-2025 period. However, because we are uncertain about the actions BLM will take under the pending resource management plan, CBO estimates, after considering a range of possible outcomes, that the agency will collect receipts totaling about $17 million over that period.

Section 6 would require BLM to sell at fair market value all lands along the Red River that are not sold at a discount under section 5. CBO estimates that, under the bill, the agency would sell roughly 16,000 acres of federal land at an average price of $1,500 an acre. Thus, CBO estimates that, under the bill, BLM would generate offsetting receipts from the sale of federal land along the river totaling $24 million over the 2018-2025 period. On net, CBO estimates that conducting the land sales required under section 6 would increase offsetting receipts by $7 million over that period.

Spending Subject to Appropriation

H.R. 2130 would require BLM to commission a survey of a 116-mile segment of the Red River and about 160 tracts of land adjacent to the river. Based on information provided by the Texas General Land Office, the entity that would oversee the survey, CBO estimates that conducting the survey would cost roughly $1 million over the 2016-2017 period. In addition, CBO estimates, based on the cost of carrying out similar activities, that BLM would spend about $2 million over the 2018-2025 period to administer the conveyance of the affected lands. Because CBO expects that, under current law, BLM may carry out many of the tasks required under H.R. 2130, we estimate that implementing the bill would increase discretionary spending, relative to current law, by roughly $2 million over the 2016-2020 period, 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 outlays and revenues 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. 2130, as ordered reported by the House Committee on Natural Resources on September 10, 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 OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-2	-5

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2130 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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