



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 2, 2016

H.R. 5468

A bill to direct the Secretary of the Interior to allow for prepayment of repayment obligations under Repayment Contracts between the United States and the Weber Basin Water Conservancy District

*As ordered reported by the House Committee on Natural Resources
on July 13, 2016*

SUMMARY

H.R. 5468 would direct the Bureau of Reclamation (BOR) to allow water contractors in the Weber Basin Water Conservancy District (the district) in Utah to repay their share of the capital costs of the Weber Basin Project on an accelerated schedule.

CBO estimates that enacting the bill would result in a net increase in offsetting receipts, which are treated as reductions in direct spending, of \$3 million over the next 10 years. Additionally, the staff of the Joint Committee on Taxation (JCT) expect that the contractors would finance some of those accelerated payments to the government with bonds exempt from federal taxation. As a result, JCT estimates that enacting the legislation would reduce revenues by a total of less than \$500,000 over the 2017-2026 period. In total, CBO estimates that those changes in direct spending and revenues would decrease budget deficits over that 10-year period by \$3 million. Because the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting the bill 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 2027.

H.R. 5468 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. 5468 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											2017-	2017-	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026		
INCREASE OR DECREASE (-) IN DIRECT SPENDING^a														
Estimated Budget Authority ^b	-15	1	1	1	1	1	1	1	1	1	1	-10	-3	
Estimated Outlays	-15	1	1	1	1	1	1	1	1	1	1	-10	-3	

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

- a. Staff of the Joint Committee on Taxation estimate that enacting H.R. 5468 would result in an insignificant loss of revenues over the 2017-2026 period.
- b. Over the next 18 years (2017-2034), CBO estimates that enacting the bill would lead to a net loss in offsetting receipts, which would increase direct spending by about \$6 million.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5468 will be enacted near the end of 2016.

Under current law, the BOR delivers water to irrigation and municipal and industrial contractors in Utah through the Weber Basin Project. In addition to paying for the water, those contractors also pay for a portion of the estimated capital costs of constructing the reservoirs and conveyance systems that store and deliver the water. Over the next 18 years, CBO estimates that those contractors will pay about \$1.3 million annually for their share of construction costs (including interest) to the federal government on an outstanding obligation of about \$22 million (including principle and interest). They are not authorized to pay construction costs on an accelerated schedule.

H.R. 5468 would authorize contractors in the district to repay their share of the capital investment in the project at any time before the end of 2026. To fulfill their repayment obligation early, contractors would be required to repay the present value of their future contract payments discounted at the 20-year maturity rate for U.S. Treasury securities.

Based on information from the BOR about the terms of current water contracts in the Weber Basin, CBO expects that contractors would choose to repay their outstanding obligations in the first year after enactment. CBO estimates that receipts from accelerated payments would total \$16 million over the 2017-2026 period. During the same period there would be a corresponding loss totaling \$13 million in annual repayments (including

interest from municipal and industrial water contractors) that would otherwise occur under current law. On balance, under H.R. 5468, CBO estimates that net receipts would increase by \$3 million over the 2017-2026 period. That 10-year increase in net receipts would be more than offset by a corresponding reduction in payments that would otherwise occur in years after 2026. In total, over the next 18 years, CBO estimates that the net loss in offsetting receipts from enacting this provision would total about \$6 million.

In addition, JCT expects that revenue losses related to increased use of tax exempt financing under the bill would total less than \$500,000 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 and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

	By Fiscal Year, in Millions of Dollars ^a												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-15	1	1	1	1	1	1	1	1	1	-10	-3

a. Staff of the Joint Committee on Taxation estimate that enacting H.R. 5468 would result in an insignificant loss of revenues over the 2017-2026 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5468 contains no intergovernmental mandates as defined in UMRA and would benefit the Weber Basin Water Conservancy District in Utah by allowing the district to prepay what it owes in remaining capital obligations to the federal government for use of federal water infrastructure. Any costs incurred by the district under agreements with the federal government would result from voluntary commitments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5468 contains no private-sector mandates as defined in UMRA.

INCREASE IN LONG-TERM NET DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the bill 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 2027.

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