



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 16, 2016

**S. 2739
Spokane Tribe of Indians of the Spokane Reservation Equitable
Compensation Act**

As ordered reported by the Senate Committee on Indian Affairs on May 11, 2016

SUMMARY

S. 2739 would provide compensation to the Spokane Tribe of Indians for tribal lands used in the construction of the Grand Coulee Dam in Washington. The bill would establish the Spokane Tribe of Indians Recovery Trust Fund and would require the Bonneville Power Administration (BPA) to make annual payments to the tribe from receipts generated from the sale of electricity.

CBO estimates that enacting the legislation would increase net direct spending by \$56 million over the 2017-2026 period; therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

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 2027.

S. 2739 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by extinguishing the monetary claims of the Spokane Tribe of Indians against the United States for hydropower revenues and for past and continued use of their land. CBO estimates that the cost of the mandate would not exceed the annual threshold established in that act (\$77 million in 2016, adjusted annually for inflation).

S. 2739 contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 2739 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										2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
INCREASES IN DIRECT SPENDING												
Spokane Tribe of Indians Recovery Trust Fund												
Budget Authority	0	53	0	0	0	0	0	0	0	0	53	53
Estimated Outlays	0	53	0	0	0	0	0	0	0	0	53	53
Budgetary Effects on the Bonneville Power Administration												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	3	0	3
Estimated Outlays	0	0	0	0	0	0	0	0	0	3	0	3
Total Changes												
Estimated Budget Authority	0	53	0	0	0	0	0	0	0	3	53	56
Estimated Outlays	0	53	0	0	0	0	0	0	0	3	53	56

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2739 will be enacted before the end of calendar year 2016.

Spokane Tribe of Indians Recovery Trust Fund

S. 2739 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. S. 2739 would require that \$53 million be deposited into that trust fund on the first day of the first fiscal year after enactment. Under the bill, the Spokane Tribal Business Council would have 18 months to prepare a plan detailing how the trust fund would be used before the amounts deposited in the trust fund, as well as any accrued interest, could be spent.

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 as budget authority and outlays at the time of the deposit in 2018. The Secretary of the Interior would be required to invest the funds in government securities until those funds are expended by the tribe.

Budgetary Effects on the Bonneville Power Administration

The legislation also would require BPA to make an annual payment to the Spokane Tribe of Indians. Beginning in 2017 and extending through 2026, that payment would equal 25 percent of the annual payment that BPA makes under current law to the Confederated Tribes of the Colville Reservation. Beginning in 2027, the annual payment to the Spokane Tribe would increase to 32 percent of the payment to the Confederated Tribes. CBO estimates that those payments would total about \$5 million annually until 2026 and then increase to about \$8 million beginning in 2027. Under the legislation, those payments would continue as long as electricity is generated at the Grand Coulee Dam.

Because BPA's operating costs are driven primarily by market and environmental conditions that are difficult to control, CBO expects that the agency would not be able to offset the costs of the annual payments by reducing operating expenses. Instead, we anticipate that BPA would increase the rates it charges customers for electricity to cover those costs. Therefore, those payments would generally be offset by an equivalent increase in the revenue collected from customers. CBO expects that the additional annual payment would become part of BPA's cost structure starting in 2018 and would be fully offset by an increase in rates for electricity. Therefore, CBO estimates there would be no net effect on the budget from the annual payments and rate increases in 2018 and subsequent years.

In addition, starting in 2026, S. 2739 would reduce BPA's interest payments to the Treasury by \$2.7 million in the years that BPA makes payments to the tribe. 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 2026.

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 S. 2739, as ordered reported by the Senate Committee on Indian Affairs on May 11, 2016

	By Fiscal Year, in Millions of Dollars											2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go	0	0	53	0	0	0	0	0	0	0	3	53	56

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 at least one of the four consecutive 10-year periods beginning in 2027.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 2739 would impose an intergovernmental mandate as defined in UMRA by extinguishing the monetary claims of the Spokane Tribe of Indians against the United States for hydropower revenues and for past and continued use of their land. Eliminating an existing right of action is a mandate because the right to seek redress and recover damages beyond what is provided in the bill would be lost. Based on information from the tribe, CBO assumes it is unlikely that the tribe would, absent the provision extinguishing claims, pursue such claims if the bill were enacted. Therefore, CBO estimates that the cost, if any, of the mandate would not exceed the annual threshold established in UMRA (\$77 million in 2016, adjusted annually for inflation). Overall, the tribe would benefit from payments authorized for the tribe from both the federal government and the Bonneville Power Administration.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 2739 contains no private-sector mandates as defined in UMRA.

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