# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

November 12, 2013

## H.R. 1965
### Federal Lands Jobs and Energy Security Act

*As ordered reported by the House Committee on Natural Resources on July 24, 2013*

## SUMMARY

H.R. 1965 would require the Bureau of Land Management (BLM) to establish certain fees for activities related to the development of oil and gas on federal lands. A portion of those amounts along with a portion of fees from renewable energy projects on federal lands would be available to the agency, subject to appropriation, to cover the costs of activities aimed at increasing energy development on federal lands. The bill also would exempt lawsuits related to energy production on federal lands from the Equal Access to Justice Act (EAJA). In addition, the legislation would require BLM to offer for sale at least 25 percent of onshore federal lands nominated by firms for oil and gas leasing. Finally, the bill would establish a commercial leasing program for oil shale resources (a type of rock that can be heated to extract an organic compound used to produce synthetic crude oil) on federal lands.

Based on information provided by BLM, the Department of Justice (DOJ), the Department of the Treasury, and certain environmental groups, CBO estimates that enacting the legislation would increase offsetting receipts, which are treated as reductions in direct spending, by $325 million over the 2014-2023 period; therefore, pay-as-you-go procedures apply. In addition, CBO estimates that implementing the legislation would cost $186 million over the 2014-2018 period and $329 million over the 2014-2023 period, assuming appropriation of the authorized and necessary amounts. Enacting the bill would not affect revenues.

H.R. 1965 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. 1965 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 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2014-2018 | 2014-2023 |
| **CHANGES IN DIRECT SPENDING** | | | | | | | | | | | | |
| Application for Permit to Drill Fee[a] | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -33 | -33 | -33 | -33 | -33 | -33 | -33 | -33 | -33 | -130 | -293 |
| Estimated Outlays | 0 | -33 | -33 | -33 | -33 | -33 | -33 | -33 | -33 | -33 | -130 | -293 |
| Protest Fees | | | | | | | | | | | | |
| Estimated Budget Authority | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -15 | -30 |
| Estimated Outlays | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -15 | -30 |
| Accelerated Leasing | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | * | * | * | 0 | 0 | 0 | 0 | 0 | -2 | -2 |
| Estimated Outlays | * | * | * | * | * | 0 | 0 | 0 | 0 | 0 | -2 | -2 |
| Oil Shale Leasing Program | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | -5 | * | * | * | * | * | * | 5 | -5 | * |
| Estimated Outlays | * | * | -5 | * | * | * | * | * | * | 5 | -5 | * |
| Total Changes, Direct Spending | | | | | | | | | | | | |
| Estimated Budget Authority | -3 | -36 | -41 | -36 | -36 | -36 | -36 | -36 | -36 | -31 | -152 | -325 |
| Estimated Outlays | -3 | -36 | -41 | -36 | -36 | -36 | -36 | -36 | -36 | -31 | -152 | -325 |
| **CHANGES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | | | | | | | |
| Energy Permit Approval Activities[b] | | | | | | | | | | | | |
| Estimated Authorization Level | 27 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 139 | 279 |
| Estimated Outlays | 27 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 139 | 279 |
| Oil and Gas Assessments | | | | | | | | | | | | |
| Estimated Authorization Level | 13 | 13 | 13 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 50 |
| Estimated Outlays | 9 | 12 | 13 | 13 | 2 | 1 | 0 | 0 | 0 | 0 | 47 | 50 |
| Total Changes, Discretionary Spending | | | | | | | | | | | | |
| Estimated Authorization Level | 40 | 41 | 41 | 41 | 28 | 28 | 28 | 28 | 28 | 28 | 189 | 329 |
| Estimated Outlays | 35 | 40 | 41 | 41 | 30 | 29 | 28 | 28 | 28 | 28 | 186 | 329 |

Notes: Components may not sum to totals because of rounding; * = between -$500,000 and $0.

a. Authority to collect this fee in 2014 was enacted in Public Law 113-46, the Continuing Appropriations Act, 2014.

b. Public Law 113-46 appropriated funds to carry out activities related to approving energy permits in 2014; however, CBO estimates that additional amounts of appropriated funds would be necessary in 2014 to hire new personnel to expedite those activities as required under H.R. 1965.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1965 will be enacted near the beginning of 2014 and that the authorized and necessary amounts will be appropriated for each fiscal year.

## Direct Spending

CBO estimates that enacting H.R. 1965 would reduce net direct spending by $325 million over the 2014-2023 period. We estimate that new fees established under the bill would increase offsetting receipts by $323 million and that leasing activities related to energy development would increase offsetting receipts by $2 million over that period.

**Application for Permit to Drill (APD) Fees.** Title I would require firms to pay a $6,500 fee each time they apply for a permit to drill on federal oil and gas leases. In 2013, when BLM was authorized to assess a similar fee, the agency processed about 4,800 permits and collected $31 million. Over the past five years, the agency has issued an average of 5,000 permits each year. Based on information provided by BLM, CBO expects that the agency will process 5,000 APDs a year over the 2015-2023 period.[1] Thus, CBO estimates that enacting this provision would increase offsetting receipts by $293 million over that period.

**Protest Fees.** Title I also would require any entity that files a protest (a formal objection to a BLM decision) against a lease, right of way, or APD, to pay a $5,000 fee. A protest may result in BLM reversing or delaying a decision. Under current law, any entity can file a protest without paying a fee. Based on information provided by BLM regarding the number of protests filed in each of the past five years, CBO expects that, under current law, about 1,200 protests would be filed each year. We expect that the fee required under the bill would deter about half of those protests. Thus, CBO estimates that enacting this provision would increase offsetting receipts by $3 million a year over the 2014-2023 period.

**Accelerated Leasing.** Title II would require the Secretary of the Interior to offer for sale at least 25 percent of any onshore federal lands that have been nominated by firms for oil and gas leasing. Information provided by BLM about the amount of nominated lands that are leased annually indicates that the agency already offers for sale more than 25 percent of the acreage nominated; therefore, CBO estimates that implementing this provision would not affect the federal budget.

Title II also would prohibit the Secretary from deferring lease sales in areas where BLM is revising existing land-use plans. Because leasing is deferred for up to five years in areas undergoing land-use planning, CBO expects that certain areas would be leased sooner under the bill than under current law. Based on information provided by BLM, CBO expects that leasing activities are deferred on about 150,000 acres per year. Based on information regarding the number of acres leased annually relative to the number available for lease, CBO estimates that accelerating leasing would increase offsetting receipts from bonus bids by $2 million over the 2014-2018 period.

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1. Public Law 113-46, the Continuing Appropriations Act, 2014, which expires on January 15, 2014, authorized BLM to collect this fee in 2014. Because CBO estimates the budgetary effects of continuing resolutions on an annualized basis, we estimate that enacting H.R. 1965 would not change the amount of receipts collected by BLM for APD fees in 2014 relative to the annualized level of an estimated $33 million.

**Oil Shale Leasing.** Title III would direct the Secretary of the Interior to implement a commercial leasing program for oil shale on certain federal lands by 2016. The bill also would require the Secretary to offer 10 leases on federal lands in 2014 for the purpose of conducting research and demonstration projects for oil shale development. Based on information provided by the Department of the Interior (DOI) and individuals working in the oil shale industry, CBO estimates that enacting those provisions would increase net offsetting receipts by $5 million in 2016 because the bill would require DOI to offer leases for the commercial development of oil shale sooner than we expect it would have under current law. That increase would be offset by a reduction in net offsetting receipts of $5 million in 2023 because we expect that lands offered for lease in 2016 under the bill would have been offered for lease by 2023 under current law.

**Limitation on Attorneys' Fees.** Title I would exempt lawsuits related to energy production on federal lands from EAJA, which requires the federal government to pay attorneys' fees for certain plaintiffs that prevail in lawsuits against the United States. Based on information from GAO, CBO estimates that over the next 10 years, the U.S. Treasury will make payments totaling less than $50,000 a year on behalf of the Department of the Interior and the Forest Service as a result of such lawsuits. Thus, we estimate that enacting this provision would result in an insignificant decrease in direct spending from reducing mandatory payments to attorneys over the 2014-2023 period.

**Spending Subject to Appropriation**

H.R. 1965 would authorize the appropriation of certain receipts to carry out activities to expedite the approval of new energy projects (including oil and gas drilling and renewable energy development). One-half of all proceeds from new fees established under the bill and 75 percent of receipts from renewable energy development on federal lands would be available, subject to appropriation, to carry out those activities. Most of those funds would be used to hire additional employees to guide new energy projects through the federal approval process. In total, CBO estimates that implementing those provisions would cost $139 million over the 2014-2018 period.

The bill also would authorize the appropriation of $50 million over the 2014-2017 period to help conduct oil and gas resource assessments. Under the bill, states would be required to pay 50 percent of the cost of conducting such assessments on federal lands within their jurisdiction. Assuming the appropriation of the authorized amounts is evenly spread over the 2014-2017 period, CBO estimates that implementing this provision would cost $47 million over the 2014-2018 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. 1965 as ordered reported by the Senate Committee on Natural Resources on July 24, 2013**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2014-2018 | 2014-2023 |
| **NET INCREASE OR DECREASE (-) IN THE DEFICIT** | | | | | | | | | | | | |
| Statutory Pay-As-You-Go Impact | -3 | -36 | -41 | -36 | -36 | -36 | -36 | -36 | -36 | -31 | -152 | -325 |

## INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1965 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

## ESTIMATE PREPARED BY:

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