CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 12, 1998

H.R. 2108

Dutch John Federal Property Disposition and Assistance Act of 1998

As ordered reported by the House Committee on Resources on August 5, 1998

SUMMARY

H.R. 2108 would direct the Secretary of the Interior and the Secretary of Agriculture to dispose of certain lands, structures, and community facilities within or associated with Dutch John, Utah, and transfer responsibility for delivering basic services to the town to Daggett County, Utah. Examples of services that would be transferred include street maintenance and fire-fighting. The secretaries would retain land, structures, and facilities necessary for supporting their agencies and the Secretary of the Interior would temporarily assist the local government in delivering services.

CBO estimates that implementing the bill would require new spending subject to appropriation of about $150,000 over the 1999-2003 period. H.R. 2108 would affect direct spending and receipts; therefore, pay-as-you-go procedures would apply. CBO estimates that enacting H.R. 2108 would yield a net decrease in direct spending of $544,000 over the 1999-2003 period. The legislation 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.

Dutch John was founded by the Secretary of the Interior in 1958 to house personnel, administrative offices, and equipment for constructing and operating the Flaming Gorge Dam and Reservoir. The town is part of the Flaming Gorge National Recreation Area and Ashley National Forest, which are in the jurisdiction of the Secretary of Agriculture. Because land and waters in and around Dutch John are also used for managing the Colorado River Storage Project, the Secretary of the Interior administers this area.

The bill would direct that the Secretary of Agriculture remove Dutch John from the Flaming Gorge National Recreation Area and Ashley National Forest and transfer jurisdiction of the land in and around Dutch John, Utah, to the Secretary of the Interior. Other provisions of the bill are summarized below.

- **Assets**. The Secretary of the Interior would appraise specified residential units and lots in Dutch John and offer them at market value to current lease holders or other eligible parties. About 15 percent of all revenues from the sale of property would be deposited in the general fund of the Treasury. All other revenues would be deposited in an interest-bearing account in the Treasury and would be paid to the county semiannually. (Certain buildings and land would be conveyed without consideration to the county, as would all land and properties that remain unsold for two years.)

- **Permits**. After disposing of land under H.R. 2108, the Secretary of the Interior could not collect any fees from existing special use permits, easements, or rights-of-way.

- **Services**. The Secretary of the Interior would convey specified lands and facilities to the county, including streets, sidewalks, the fire station, and sewer systems, and would make annual payments of $300,000 (adjusted for inflation) from the Upper Colorado River Basin Fund to defray the county's costs of providing services to Dutch John. Payments would continue for 15 years.

- **Wildlife, Natural, and Cultural Resources**. The Secretary of the Interior would transfer administrative jurisdiction over specified lands to the Secretary of Agriculture. These lands would be added to the Ashley or Uinta National Forests as appropriate. The bill would authorize the appropriation of such sums as necessary to implement habitat, resource, or cultural resource recovery, mitigation, or replacement strategies for all transferred lands.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing H.R. 2108 would require new net spending subject to appropriation of about $30,000 a year over the 1999-2003 period. The 1998 appropriated level was about $170,000. CBO estimates that enacting the bill would result in a net decrease in mandatory spending of about $296,000 in each of fiscal years 1999 and 2000, and a net increase in mandatory spending of about $16,000 a year thereafter. The costs of this legislation fall within budget function 300 (natural resources and environment).

BASIS OF ESTIMATE

CBO assumes that H.R. 2108 is enacted by September 30, 1998, and that all amounts estimated to be authorized by the bill would be appropriated for each year.

Direct Spending

Asset Sales. CBO estimates that the sales would yield proceeds of about $2 million for residences and lots and about $3 million for undeveloped land. Our estimate of total sale proceeds was derived by assuming that most of the eligible residences and lots and about a quarter of the undeveloped land specified for sale under the bill would be sold and that values for land and property in Dutch John would be similar to those in a comparable, neighboring community. Roughly 30 residences, 20 lots, and 2,000 acres of undeveloped land would be available for sale under the bill. The bill would require that 15 percent of all proceeds be deposited in the general fund of the Treasury and that 85 percent of all proceeds be paid to Daggett County semiannually.

CBO anticipates that sale proceeds would be counted for pay-as-you-go purposes. Under the 1997 Balanced Budget Act, proceeds from nonroutine asset sales (sales that are not authorized under current law) may be counted for pay-as-you-go scorekeeping only if the sale would entail no financial cost to the government. Based on information provided by the Bureau of Reclamation, CBO estimates that the federal government pays more for maintaining these properties than it collects in rental and permit payments; therefore, selling these assets would result in a net savings.

We estimate that, after paying the county, the net impact on the federal budget of the asset sale provisions in H.R. 2108 would be a reduction in direct spending of about $312,000 in each of fiscal years 1999 and 2000. This is based on our estimating total proceeds from land and property at about $5 million over the 1999-2000 period, that these sales revenues would accrue at a constant level over this two-year period, that 15 percent or about $750,000 of these amounts are deposited in the general fund of the Treasury, that the balance earns interest at an annual rate of 6.2 percent, and that the balance, including interest, is paid to the county semiannually.

Permits. CBO estimates that enacting the proposal would also increase direct spending by causing a loss of offsetting receipts from outstanding permits totaling about $16,000 annually beginning in 1999. The Forest Service administers four permits yielding revenues of about $16,000 a year for land that would be conveyed or sold under the bill. Currently, the annual proceeds from those permits are not available for spending.

Permit holders that receive or purchase the land for which their permit was issued would no longer pay for use of the land. The bill would transfer unpurchased land to the county under certain conditions and the county would collect and retain any revenues due the federal government under any lease, permit, right-of-way, easement, or other valid existing right. The Secretary of the Interior would administer outstanding Forest Service permits prior to disposing of the land. Based on information provided by the Bureau of Reclamation, CBO assumes that permit fees that the secretary collects prior to disposal would be deposited in the Upper Colorado River Basin Fund and would be available for spending without appropriation.

Spending Subject to Appropriation

Services. Based on information provided by the U.S. Forest Service and U.S. Bureau of Reclamation, CBO estimates that enacting the bill would require no new spending subject to appropriation to deliver services to Dutch John, Utah. The 1998 appropriated level is $120,000; therefore, this change would save discretionary costs, relative to current practices.

Other costs associated with providing services and paying for federal activities in Dutch John, about $900,000 annually, are paid out of funds that are not subject to appropriation. These funds include fees collected for providing services and receipts derived from selling water and power delivered by the Colorado River Storage Project. CBO estimates that, if H.R. 2108 were enacted, gross spending would decline to about $800,000 beginning in 2000 and that collections would decline commensurately. The net impact on the budget would be zero. The estimate of gross spending reflects the cost of remaining services and federal activities and, as required under the bill, a mandatory annual payment to the county of $300,000 for the 15-year period following enactment.

Wildlife, Natural, and Cultural Resources. Based on information provided by the Forest Service, CBO estimates that enacting the bill would require new spending subject to appropriation of about $30,000 a year to mitigate losses of wildlife, natural and cultural resources or less than $500,000 total over the 1999-2003 period. By comparison, the 1998 appropriated level is slightly more than $50,000.

At the request of the Utah Division of Wildlife Resources, the Forest Service has indicated that it would likely conduct wildlife and natural resource mitigation on roughly 2,500 acres over the five- to ten-year period following enactment of the bill. (This is an area roughly equal to the size of Dutch John.) The purpose of this mitigation activity would be to offset losses of habitat that may occur after land in Dutch John is sold or conveyed. The total cost of these activities would be about $80 per acre or about $200,000 in total, and the annual cost over a five- to ten-year period would likely average about $30,000. Based on information provided by the Forest Service, CBO estimates that the 1998 funding level for administering wildlife and natural resources in Dutch John was about $1 per acre or about $2,500 in total.

The bill also would require that before any land containing culturing resources is transferred or disposed of under the bill, the Secretary of Agriculture prepare a memorandum of agreement for review and approval by the Utah Office of Historical Preservation and the Advisory Council on Historic Preservation that contains a plan for protecting or mitigating effects on these resources. The bill also would authorize appropriations for implementing the plan. The Forest Service is already cataloging significant sites and preparing a mitigation plan under current law. Based on information provided by the Forest Service, CBO estimates that the costs of implementing the plan would be about $50,000 and that these costs would be paid out of existing funds.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting H.R. 2108 would affect direct spending but that there would be no significant impact in any year. Enacting the legislation would not affect governmental receipts.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2108 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. CBO expects that Daggett County would assume responsibility for providing various services to the Dutch John community as a result of this bill, but this would be a voluntary action. The bill would direct that certain land and community facilities be conveyed to the county and the school system at no cost, including a fire station, sewer and water systems, the Dutch John Airport, and the site of the public schools. In addition, any other federal property identified for disposal that could not be sold would be conveyed to the county.

Daggett County would also receive various payments from the federal government and from permit-holders, as described in the federal estimate. The bill would provide for annual payments to the county of $300,000 for up to 15 years, which would roughly offset its costs to provide community services. In addition, the county would receive most of the revenues from the sale of federal property. CBO estimates that the county's share would total about $4.4 million over fiscal years 1999 and 2000. The county would also receive a small amount from existing permit fees now paid to the federal government.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATES

On July 9, 1998, CBO prepared an estimate for S. 890, as ordered reported by the Senate Committee on Energy and Natural Resources on June 24, 1998. That bill is nearly identical to H.R. 2108, and the estimated costs of the two bills are the same.

On May 26, 1998, CBO prepared an estimate for S. 890, as introduced on June 12, 1997. CBO estimated that enacting the bill would increase direct spending by about $260,000 over the 1999-2003 period. That estimate contrasts with CBO's estimate of a net decrease in direct spending of $544,000 for H.R. 2108. The difference results from a change regarding the disposition of asset sale proceeds. The introduced version of S. 890 would direct the Secretary of the Interior to pay all proceeds from the sale of property to Daggett County. In H.R. 2108, 15 percent of the proceeds would be deposited in the Treasury and 85 percent would be paid to the county. Other provisions of the two bills are similar.

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