

At a Glance

S. 526, Buffalo Tract Protection Act

As reported by the Senate Committee on Energy and Natural Resources on December 17, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	0	*	1
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	*	1
Spending Subject to Appropriation (Outlays)	*	*	not estimated
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and \$500,000.

The bill would

- Withdraw roughly 4,300 acres of federal land in New Mexico from entry under hardrock mining laws, disposal under mineral materials laws, and from mineral and geothermal leasing

Estimated budgetary effects would primarily stem from

- Forgone government income resulting from prohibiting sand and gravel production on the affected land

Detailed estimate begins on the next page.



Bill Summary

S. 526 would withdraw roughly 4,300 acres of federal land in New Mexico from entry under hardrock mining laws, disposal under mineral materials laws, and from mineral and geothermal leasing, subject to valid existing rights. That is, the bill would not allow new extraction from that land, which is managed by the Bureau of Land Management (BLM).

Estimated Federal Cost

The costs of the legislation fall within budget function 300 (natural resources and environment).

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted in 2020.

Background

Businesses interested in extracting materials, including sand, gravel, crushed rock, and other materials typically used in construction, from BLM land may execute contracts with the agency for disposal of those materials. Under those contracts, operators pay BLM the in-place value, a royalty equal to the value of the material in the ground before it is extracted, as determined by an analysis of its fair market value. Those payments are classified in the budget as offsetting receipts, or reductions in direct spending. Counties with production receive 5 percent of those receipts. In 2018, BLM collected roughly \$2 million in gross receipts from mineral materials production in New Mexico, mostly from calcium production.

The agency also issues free-use permits to government entities and nonprofit organizations for the extraction of mineral materials; however, such permits do not generate any income to the federal government.

Using information from BLM, CBO expects that the affected land has high potential for sand and gravel extraction and minimal potential, if any, for extraction of all other minerals. According to the agency, the affected land contains an estimated 36 million cubic yards of sand and gravel. Based on the typical timeframe for processing expressions of interest and contracts, we expect that production of those materials could commence in 2024.

In recent years, operators on BLM land in New Mexico have produced, on average, 370,000 cubic yards annually of sand and gravel.¹ CBO estimates that annual production on the affected land will average between 60 percent and 80 percent of that amount. Using information from BLM, and based on the in-place values for sand and gravel in recent years, we estimate that the federal government will collect about \$1.50 per cubic yard in royalties.

1. See Bureau of Land Management, *Public Land Statistics* (issues 2014 to 2018), accessed February 12, 2020, www.blm.gov/about/data/public-land-statistics.



That amount is equal to roughly 10 percent of the market value of processed sand and gravel. Gross receipts will total less than \$3 million under current law, CBO estimates.

Direct Spending

CBO has no basis to estimate whether or how many contracts BLM would execute for the affected land. In the absence of specific information, CBO uses a 50 percent probability that such contracts will be executed under current law. On that basis, and accounting for payments to counties of 5 percent, we estimate that net federal receipts from sand and gravel production on the affected land will total \$1 million over the 2020-2030 period. Under the bill, the federal government would forgo those receipts. Thus, CBO estimates that enacting S. 526 would increase direct spending by \$1 million over the 2020-2030 period.

Spending Subject to Appropriation

Based on the costs of similar activities, CBO estimates that any administrative costs incurred by BLM to implement the withdrawal would be insignificant; any spending would be subject to the availability of appropriated funds.

Uncertainty

The amount the government will collect from mineral materials contracts in the proposed withdrawal area is uncertain and could be higher or lower than CBO estimates. Specifically, CBO cannot predict with certainty whether or when BLM will execute such contracts. CBO also cannot foresee with certainty the volume or value of sand and gravel production on the affected land.

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 Table 1.

Table 1.
CBO’s Estimate of the Statutory Pay-As-You-Go Effects of S. 526, the Buffalo Tract Protection Act, as Reported by the Senate Committee on Energy and Natural Resources on December 17, 2019

	By Fiscal Year, Millions of Dollars											2020-2025	2020-2030	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030			
	Net Increase in the Deficit													
Pay-As-You-Go Effect	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Increase in Long-Term Deficits

CBO estimates that enacting S. 526 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031.



Mandates: None.

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