Congressional Budget Office
Cost Estimate

November 8, 2023

At a Glance

H.R. 3195, Superior National Forest Restoration Act

As ordered reported by the House Committee on Natural Resources on May 17, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	*	-1	-40
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	-1	-40
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
		Contains intergovernmental mandate?	Yes, Under Threshold
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains private-sector mandate?	Yes, Under Threshold

* = between -$500,000 and $500,000.

The bill would
- Reverse the withdrawal of more than 225,000 acres of National Forest System land in Minnesota from mineral and geothermal leasing
- Specify deadlines for the Departments of Agriculture and the Interior to review plans for mining on that land
- Require certain canceled leases to be reissued
- Impose intergovernmental and private-sector mandates by eliminating a right of action to seek a judicial review of reissued permits and leases

Estimated budgetary effects would mainly stem from
- Rents and royalties collected from reissued mineral leases

Areas of significant uncertainty include
- Anticipating whether mining permits would be issued for certain operations
- Projecting mineral prices

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 3195 would revoke Public Land Order 7917, "Withdrawal of Federal Lands; Cook, Lake, and Saint Louis Counties, MN," which was issued on January 31, 2023, by the Bureau of Land Management (BLM). The order, effective for 20 years and subject to valid existing rights, withdrew more than 225,000 acres of National Forest System land in Minnesota from mineral and geothermal leasing.

The bill would require the Departments of Agriculture and the Interior to reissue all mineral leases and prospecting permits for the withdrawn area that were canceled between January 31, 2021, and the date of enactment. The reinstated leases would be subject to their original terms and exempt from judicial review. In addition, within 18 months of enactment those departments would be required to complete environmental and regulatory reviews of plans of operation for certain mining activities within the Superior National Forest in Minnesota.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3195 is shown in Table 1. The costs of the legislation fall within budget function 300 (natural resources and environment).

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted near the end of calendar year 2023. Based on details in the bill and accounting for permitting processes in federal and state laws, CBO expects that BLM would start collecting rents and minimum royalties (payments in lieu of production royalties) in 2024 and mineral production royalties in 2031.

Background

Under mineral-leasing laws, some acquired federal land (land that is granted or sold to the federal government by states or private entities) can be leased to prospect for, develop, and extract hardrock minerals. The leases are managed by BLM and are subject to rents and royalties on the minerals produced. The federal government is required to disburse 49 percent of lease proceeds to the states where the activities occur.

Two active hardrock mineral leases in effect on National Forest System land in Minnesota in January 2022 were canceled by the Department of the Interior on January 26, 2022. Within a year of those cancellations, Public Land Order 7917 withdrew that land from mineral and geothermal leasing, effectively restricting the Forest Service and BLM from processing or issuing new hardrock-prospecting permits and mineral leases. According to information from the Forest Service about 67,000 acres within the affected area have a high potential for mining copper, nickel, cobalt, and platinum group metals.

Direct Spending

CBO estimates that enacting H.R. 3195 would decrease net direct spending by $40 million over the 2024-2033 period.

Table 1.
Estimated Budgetary Effects of H.R. 3195

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Estimated Increases or Decreases (-) in Direct Spending											
Rents and Royalties Under Reissued Leases												
Estimated Budget Authority	*	-1	*	-1	*	*	-1	-22	-27	-26	-2	-78
Estimated Outlays	*	-1	*	-1	*	*	-1	-22	-27	-26	-2	-78
Payments to the State of Minnesota												
Estimated Budget Authority	*	1	*	*	*	*	*	11	13	13	1	38
Estimated Outlays	*	1	*	*	*	*	*	11	13	13	1	38
Total												
Estimated Budget Authority	*	*	*	-1	*	*	-1	-11	-14	-13	-1	-40
Estimated Outlays	*	*	*	-1	*	*	-1	-11	-14	-13	-1	-40

* = between -$500,000 and $500,000.
CBO estimates that H.R. 3195 also would increase spending subject to appropriation by less than $500,000 over the 2024-2028 period; any spending would be subject to the availability of appropriated funds.

Rents and Royalties Under Reissued Leases. CBO estimates that the federal government would collect $78 million in rents and royalties over the 2024-2033 period under the reissued leases. Those amounts would be classified in the budget as offsetting receipts (or reductions in direct spending).

Using information from BLM on the leases' terms, CBO expects that a leaseholder would pay combined annual rent and a minimum royalty of about $400,000 and a 6 percent royalty on the gross value of minerals mined. Based on information from industry experts, CBO expects that state and local permitting and preproduction activities would take about seven years to complete. Because of uncertainty about when and whether a leaseholder would obtain the necessary permits, CBO used a 50 percent probability that production would begin after 2030 but before 2033.

Based on that timeline, CBO estimates that the federal government would collect roughly $3 million over the 2024-2030 period in rents and minimum royalties. Using information on estimated production volume from the previous mining operation plans and forecasts of metal and mineral prices from the U.S. Geological Survey and the World Bank, CBO estimates that the federal government would collect about $75 million in royalties over the 2031-2033 period from production royalties. (That amount incorporates the 50 percent probability that production does not occur or occurs after 2033.)

Payments to the State of Minnesota. Under current law, the Department of the Treasury returns 49 percent of the offsetting receipts in rent and royalties from mineral leases to the state in which the mining occurs. Under the bill, the federal government would transfer roughly $38 million over the 2024-2033 period to the State of Minnesota. That amount includes about $1 million in rents before production from 2024 to 2030 and about $37 million in royalties produced from 2031 to 2033. Payments to states are subject to sequestration through 2031 and CBO's estimate incorporates those effects.

Spending Subject to Appropriation

H.R. 3195 would require the Forest Service and BLM to complete environmental and regulatory reviews of leaseholders' plans of operations within 18 months of enactment. Under current law, the agencies would perform those tasks under an agreement with leaseholders to pay for the cost of such reviews. Thus, CBO estimates that the net cost of those reviews would be negligible over the 2024-2033 period.

Uncertainty

This estimate is subject to significant uncertainty because the collection of rents and royalties for mining operations depends on whether and when the necessary state and local permits are obtained. The state permitting process could be shorter or longer than CBO anticipates. In addition, because CBO cannot precisely predict future mineral prices, the royalties collected could be larger or smaller than estimated.

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 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3195, the Superior National Forest Restoration Act, as Ordered Reported by the House Committee on Natural Resources on May 17, 2023

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Net Decrease in the Deficit											
Pay-As-You-Go Effect	0	0	0	-1	0	0	-1	-11	-14	-13	-1	-40

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 3195 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2034.

Mandates

H.R. 3195 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) by eliminating a right of action for entities to seek judicial review of permits and leases reissued as a result of the bill. Because those reviews do not generally result in monetary damages, CBO estimates that the cost of the mandates would fall well below the intergovernmental and private-sector thresholds established in UMRA ($99 million and $198 million in 2023, respectively, adjusted annually for inflation).

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