



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

December 1, 2004

S. 437
Arizona Water Settlements Act of 2004
As cleared by the Congress on November 17, 2004

SUMMARY

S. 437 would approve and ratify the Gila River Indian Community Water Rights Settlement Act, amend the Southern Arizona Water Rights Settlement Act of 1982, and affirm the right of the San Carlos Apache Tribe to make future claims for water rights. CBO estimates that enacting S. 437 would increase direct spending by \$445 million over the 2005-2014 period. Additional direct spending would continue long after 2014 under the act.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the impact of S. 437 on direct spending is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated Budget Authority	2	2	2	2	2	132	78	77	96	100
Estimated Outlays	2	2	2	2	2	105	66	78	90	96

BASIS OF ESTIMATE

CBO estimates that enacting S. 437 would increase direct spending by \$445 million over the 2005-2014 period.

Debt Relief

Section 106 would forgive debt owed to the federal government from water contractors in Arizona in exchange for relinquishing the contractors' entitlements to water from the Central Arizona Project (CAP). The debt payment would otherwise offset a portion of the capital costs associated with the CAP. CBO estimates that this section would result in a loss of receipts of about \$2 million a year, beginning in 2005.

Lower Colorado River Basin Development Fund

Section 107 would authorize the Secretary of the Interior to pay for certain benefits and water projects from funds deposited into the Lower Colorado River Basin Development (LCRBD) Fund without further appropriation. Under current law, approximately \$55 million a year is deposited in that fund. Starting in 2010, however, the act would authorize the Secretary to spend those accumulated funds and interest earnings on authorized projects, such as the rehabilitation of the San Carlos Irrigation Project, construction of the New Mexico Unit of the Central Arizona Project, and construction of CAP distribution systems for the Gila River Indian Community as well as the San Carlos Apache Tribe and the Tohono O'odham Nation. In addition, the act would establish an account within the LCRBD Fund to pay obligations resulting from future Indian water settlements that may be approved by the Congress. CBO estimates that this section would increase direct spending by about \$425 million over the 2010-2014 period.

Spending in 2010 would be greater than in other years because estimated expenses in that year include \$53 million to establish the Gila River Indian Community Water Operations, Maintenance, and Replacement Trust Fund. Such trust funds that are held and managed in a fiduciary capacity by the federal government on behalf of Indian tribes are treated as nonfederal entities. As a result, outlays for this new trust fund would be recorded on the budget in the year that all funds are provided to the tribe and the settlement agreement is final.

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