CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 21, 1997

S. 660

A bill to provide for the continuation of higher education through the conveyance of certain public lands in the state of Alaska to the University of Alaska, and for other purposes

As reported by the Senate Committee on Energy and Natural Resources on October 9, 1997

SUMMARY

S. 660 would entitle the University of Alaska to select up to 500,000 acres of certain federal land in or adjacent to Alaska as a federal grant. In exchange for the first 250,000 acres, the university would convey to the Secretary of the Interior certain university land within the boundaries of national parks and wildlife refuges. The university's selection of the second 250,000 acres of federal land would be contingent on the state of Alaska granting an equal amount of state land to the university.

CBO estimates that enacting this bill would increase direct spending by about $8 million a year over the 1999-2007 period. S. 660 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), but it could lead to a redistribution of resources among various state, local, and tribal entities in Alaska. This bill would impose no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The impact of S. 660 on the federal budget is uncertain because it depends on which federal lands are selected by the University of Alaska. Depending on the lands selected, enacting the bill could lead to net losses of offsetting receipts ranging from about $1 million a year to more than $10 million a year, with such losses likely to begin in fiscal year 1999. CBO's estimate of the most likely budgetary impact of S. 660 is shown in the following table. The costs of this legislation fall within budget functions 300 (environment and natural resources) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	1998	1999	2000	2001	2002
CHANGES IN DIRECT SPENDING (including offsetting receipts)					
Estimated Budget Authority	0	8	8	8	8
Estimated Outlays	0	8	8	8	8
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	a	a	a	a	a
Estimated Outlays	a	a	a	a	a

a. Less than $500,000.

BASIS OF ESTIMATE

Direct Spending (including offsetting receipts)

S. 660 would entitle the University of Alaska to select up to 500,000 acres of certain federal land in or adjacent to Alaska. The university's land grant holdings currently total 140,000 acres.

In exchange for the first 250,000 acres, the university would convey to the Secretary of the Interior about 12,000 acres of land within the boundaries of national parks and wildlife refuges. The bill also provides that if the state of Alaska grants up to 250,000 acres of state-owned land to the university, then the university could obtain up to 250,000 acres of additional federal land on an acre-for-acre basis to match the land granted by the state. Thus, S. 660 would allow the university to obtain up to 750,000 acres of federal and state land.

S. 660 would allow the university to select up to 500,000 acres from federal lands, including the National Petroleum Reserve in Alaska (NPRA), the National Forest System, the outer continental shelf (OCS), federal onshore oil and gas leases, and surplus federal property. CBO cannot predict specifically which federal lands the university would pick, but potential losses of income to the federal government would likely be significant and could total more than $100 million over the 1999-2007 period, net of payments to Alaska.

For example, if the university made all its selections from OCS lands, including areas expected to be leased over the next few years, or if the university selected most of the acreage from the National Petroleum Reserve in Alaska (NPRA), or if the university chose National Forest System land that would otherwise have been harvested, then we estimate forgone receipts could average at least $5 million a year and perhaps more than $10 million a year over the next 10 years, net of any payments to the state of Alaska. If the university selected federal onshore oil and gas leases managed by the Bureau of Land Management, or if the university picked surplus government property that would otherwise have been sold, the loss of receipts to the federal government could range from $1 million to $10 million annually over the next decade, net of any payments to Alaska. The university also might choose federal lands that could be used for future commercial development but on which the federal government might not collect any receipts over the next 10 years; that possibility, however, is significantly less likely than the choice of income-producing lands.

The percentage of gross receipts that must be shared with the state under current law varies with the source of the income. For example, for onshore oil and gas leases in Alaska, the state receives 90 percent of gross receipts; but for leases of the NPRA, the state would receive 50 percent of the receipts. By comparison, the state receives 25 percent of income generated from timber harvesting on Forest Service lands.

While the university would generally be interested in selecting lands that would generate the greatest income, selecting lands on the OCS or in the NPRA that may or may not receive large bonus bids (in future lease sales) could be risky. Selecting federal land with merchantable timber could be a more reliable source of income for the university, particularly since the university would be able to export the timber. Assuming that the university would select a number of different types of federal land, CBO estimates that enacting S. 660 would increase direct spending by about $8 million a year, net of payments to the state.

Discretionary Spending

Enacting S. 660 also would likely affect discretionary spending, but the amount would vary greatly depending on which lands the university selects. On the one hand, reducing the amount of land managed by the federal government could decrease administrative costs, such as costs to prepare timber sales. On the other hand, the university's selections could increase costs to manage the remaining federal land depending on the new ownership patterns created, the type of land selected, and how the university uses the land it selects. Overall, we estimate that any such changes would likely net to an increase or decrease of less than $500,000 a year in appropriated spending.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. As shown in the following table, CBO estimates that enacting S. 660 would increase direct spending by about $8 million a year, beginning in 1999. For the purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the subsequent four years are counted.

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Change in outlays	0	8	8	8	8	8	8	8	8	8
Change in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 660 contains no intergovernmental mandates as defined in UMRA. The exchange authorized by this bill would be voluntary on the part of the University of Alaska—an instrumentality of the state of Alaska.

While this bill would confer a significant benefit on the state of Alaska, it could lead to a redistribution of resources among various state, local, and tribal entities in the state. Because CBO cannot predict what land would be chosen by the university, however, we cannot predict the magnitude of these changes. In order for the university to obtain the second 250,000 acres of federal land, S. 660 would require the state to provide an acre-for-acre match of state land. If the state should choose to provide land that generates income, the bill would result in the diversion of receipts from general state use to the exclusive use of the university.

Some of the federal land in the state of Alaska produces receipts that, under current law, are shared with local governments. To the extent that the university selects such lands, the result would be a shift of resources from local governments in Alaska to the university. Local governments also would lose federal payments in lieu of taxes due to the transfer of land from the federal government to the state. Further, while the bill would preclude the university from selecting land already selected by the state or by Alaska native corporations, these selections by the university would reduce the pool of land available for selection by those other entities.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

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

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