



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

October 21, 2008

S. 1080

Crow Tribe Land Restoration Act

As ordered reported by the Senate Committee on Indian Affairs on June 19, 2008

CBO estimates that implementing S. 1080 would cost \$35 million over the 2009-2013 period, assuming appropriation of the authorized and necessary amounts. Specifically, the bill would:

- Authorize the Secretary of the Interior to make loans to the Crow Tribe to purchase land within the Crow reservation. CBO estimates that implementing this new loan program would cost about \$10 million over the 2009-2013 period.
- Authorize the appropriation of \$5 million a year for the Secretary to manage the land that the tribe would acquire under the new loan program. CBO estimates that implementing this provision would cost \$25 million over the 2009-2013 period.

Enacting this legislation would not affect direct spending or revenues. S. 1080 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.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1080 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					2009- 2013
	2009	2010	2011	2012	2013	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Loan Program						
Subsidy Costs						
Estimated Authorization Level	0	2	2	2	2	8
Estimated Outlays	0	2	2	2	2	8
Administrative Costs						
Estimated Authorization Level	*	*	*	*	*	2
Estimated Outlays	*	*	*	*	*	2
Subtotal						
Estimated Authorization Level	*	2	2	2	2	10
Estimated Outlays	*	2	2	2	2	10
Land Management						
Authorization Level	5	5	5	5	5	25
Estimated Outlays	1	6	6	6	6	25
Total Changes						
Estimated Authorization Level	5	7	7	7	7	35
Estimated Outlays	1	8	8	8	8	35

Note: Amounts may not sum to totals because of rounding; * = less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted early in 2009 and the amounts authorized and estimated to be necessary will be appropriated each year. CBO estimates that implementing S. 1080 would cost \$35 million over the 2009-2013 period for a loan program for the Crow tribe to purchase land and for the Secretary to manage those lands.

The budgetary accounting for the direct loan program under the bill is governed by the Federal Credit Reform Act of 1990, which requires appropriation of the subsidy and administrative costs associated with federal loan programs. The subsidy cost is the estimated long-term cost to the government of a loan, calculated on a net-present-value basis, excluding administrative costs. Administrative costs, recorded on a cash basis, include activities related to making, servicing, and liquidating those loans.

S. 1080 does not specify an explicit authorization level for either the subsidy or the administrative costs; CBO estimated those amounts using historical information about other federal loan programs for tribal land acquisition.

The Crow reservation in Montana encompasses about 2.2 million acres of land, with one million acres owned by tribal members in trust, 500,000 acres owned by the Crow Nation in trust, and 700,000 acres owned by non-Indians. Under the bill, the tribe would purchase individually owned trust lands to consolidate ownership in fractionated parcels (parcels with as many as several hundred owners). The tribe also would purchase non-Indian lands in an effort to develop the economic potential on those lands.

Loan Program

S. 1080 would authorize the Secretary of the Interior to make loans to the Crow tribe to purchase certain lands within the Crow reservation. The value of the outstanding loans would be capped at \$380 million and the authority to make new loans to the tribe would expire on December 31, 2012. Under the bill, loans issued to the tribe must be repaid no later than 40 years after the date of issuance. The bill would require the Secretary to establish the terms and conditions of the loan obligations and guidelines to determine a reasonable purchase price of the lands to be acquired.

Based on information from the tribe, CBO estimates that the tribe would borrow about \$150 million, in four installments, over the 2010-2013 period. That amount would enable the tribe to purchase nearly 675,000 acres of land at an average price of \$225 per acre. Under the bill, proceeds generated from the acquired lands, primarily from leases for agricultural use by third parties, would be used to repay the loan.

CBO estimates that the subsidy cost for the loans would total \$8 million over the 2010-2013 period. That estimate includes a subsidy rate of about 5 percent, which is based on the loan default experience of the U.S. Department of Agriculture's (USDA's) Indian Land Acquisition Loan Program. To date, default losses under that program have been small. Further, CBO assumes that, prior to receiving a loan under the bill, the tribe would be required to document its ability to repay the loan by presenting proposed leasing agreements for lands to be acquired. The USDA program has a similar requirement. Finally, CBO assumes that the Secretary would charge interest equal to the U.S. Treasury's cost to borrow money.

Based on information from the Bureau of Indian Affairs, CBO estimates that administrative costs would total \$2 million over the 2009-2013 period. In total, we estimate that implementing the new loan program would cost \$10 million over the five-year period.

Land Management

Under the bill, lands purchased by the tribe would be held in trust by the federal government. The bill would authorize the appropriation of \$5 million a year for the Secretary to manage that land. CBO estimates that implementing this provision would cost about \$25 million over the 2009-2013 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1080 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would benefit the Crow Tribe by authorizing a loan program for the tribe to purchase land. Any costs to the tribe would be incurred voluntarily.

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