



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 25, 2000

S. 1586

Indian Land Consolidation Act Amendments of 2000

As ordered reported by the Senate Committee on Indian Affairs on June 14, 2000

SUMMARY

S. 1586 would amend laws that regulate how the ownership of interest in Indian allotments (certain parcels of land that are owned by individuals or groups of individuals) is transferred upon the death of the owner. The bill also would authorize the appropriation of \$8 million a year, beginning in 2001, to acquire interests in such property from willing sellers and to collect any funds generated from any natural resource leases on this property. CBO estimates that implementing S. 1586 would cost \$34 million over the 2001-2005 period, assuming the appropriation of the authorized amounts. Enacting S. 1586 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

S. 1586 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Indian tribes might incur additional costs to purchase interests in trust or restricted lands as a result of the bill's enactment, but these costs would be voluntary. S. 1586 would impose new private-sector mandates but CBO estimates that the total direct costs of those mandates would not exceed the annual threshold established in UMRA (\$109 million in 2000, adjusted annually for inflation) for any of the first five years that the mandates are in effect.

MAJOR PROVISIONS

S. 1586 would make several changes to federal laws concerning the ownership of interests in Indian allotted land. In particular, the bill would:

- Authorize the Secretary of the Interior to acquire fractional interests in Indian trust and restricted lands from willing sellers at fair market value and to collect any revenue generated from the leasing of natural resources on that interest until the purchase price is fully recovered by the Secretary;

- Permit the Secretary of the Interior to develop a system for establishing the fair market value of certain Indian lands and improvements of such land;
- Allow any Indian with over 5 percent interest in a parcel of Indian trust or restricted land to purchase an interest acquired by the Secretary of the Interior if that individual reimburses the Secretary for the cost to acquire that interest;
- Authorize the Department of the Interior (DOI) to provide estate planning assistance to owners of interest in Indian allotments;
- Modify the conditions that the Secretary of the Interior must consider to approve a lease or agreement that affects interest owners of allotted land; and
- Require DOI to notify individual Indians and Indian tribes of the changes in law that would occur from enacting S. 1586.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1586 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				
	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	8	8	8	8	8
Estimated Outlays	3	7	8	8	8

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1586 will be enacted near the start of fiscal year 2001 and that the authorized amounts will be appropriated for each year. We also assume that outlays will follow the historical pattern for the Indian Land Consolidation Pilot Program.

The federal government originally allotted interests in trust and restricted land to individual Indians over a century ago. Over time, the number of owners of such allotted land has grown as owners have passed ownership on to their descendants. The cost to the Bureau of Indian

Affairs (BIA) to administer ownership of this property has also grown. S. 1586 would attempt to prevent the further fractionalization of allotted land by amending the Indian Land Consolidation Act.

S. 1586 would authorize the appropriation of \$8 million each year for BIA to acquire interest in Indian trust and restricted land, develop a system for establishing the fair market value of such interest, provide Indians with estate planning assistance, and notify individual interest owners and Indian tribes of the changes in this law.

In addition, S. 1586 would authorize BIA to collect any receipts generated from natural resource leases on the allotted land purchased by the Secretary, and to spend such funds in future years to acquire additional interests, subject to appropriation actions. CBO estimates that any receipts to the government under this bill would be insignificant over the next five years, and would depend on the appropriation of amounts necessary to acquire this property.

Under the bill, Indian tribes also could purchase interests that are pending before the Secretary. CBO expects that tribes would choose to purchase the interests in allotments that generate the greatest leasing income. In addition, CBO expects that owners of interest in allotted land that generates very little income would be more willing to sell their interests to the Secretary than owners of interests that generate a large amount of income from leases. Based on information from BIA and the experience of the Indian Land Consolidation Pilot Program, CBO estimates that, on average, interests purchased by the Secretary would generate a 4 percent to 5 percent return from natural resource leases each year. Thus, we expect that any collections from this provision would not be significant in any of the next five years.

Based on information from BIA, CBO expects that implementing S. 1586 could result in an administrative cost savings to the agency because there would be fewer individual owners of interests in trust and restricted lands. Any such savings would be subject to appropriation action, and CBO estimates that savings would not be significant over the 2001-2005 period.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1586 contains no intergovernmental mandates as defined in UMRA. The bill would allow all tribal governments to purchase interest in trust or restricted lands if those interests would otherwise be inherited by someone who is not an Indian. Under current law, only tribes with

an approved probate code may make such purchases. Any additional expenditures resulting from this change would be voluntary.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

By placing new eligibility requirements on the inheritance of fractional interests in Indian trust and restricted lands, S. 1586 would impose new private-sector mandates on those persons who might otherwise inherit such interests under current law. CBO expects that the mandates would affect only a limited number of such persons in the near term. At the earliest, mandates in the bill would take effect only upon the death of an owner of land interests and generally would not affect Indian family members as heirs. Further, to the extent that requirements in the bill would affect some heirs, many such cases would involve only a small fractional interest in land. Thus, CBO estimates that the costs of the mandates in the bill would not exceed the annual threshold established in UMRA (\$109 million in 2000, adjusted annually for inflation) for any of the first five years that the mandates are in effect.

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