CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 19, 1998

H.R. 1659

Mount St. Helens National Volcanic Monument Completion Act

As ordered reported by the House Committee on Resources on June 17, 1998

SUMMARY

H.R. 1659 would specify a process for valuing mineral and geothermal interests within the Mount St. Helens National Volcanic Monument and require the Secretary of the Interior to acquire such interests using monetary credits.

CBO estimates that enacting H.R. 1659 would result in a net increase in direct spending of about $10 million over the 1999-2003 period. Therefore, pay-as-you-go procedures would apply. H.R. 1659 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.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

The Secretary of Agriculture manages the Mount St. Helens National Volcanic Monument within the boundaries of the Gifford Pinchot National Forest. Under current law (Public Law 97-243), the Secretary may acquire mineral and geothermal interests within the boundary of the monument only by exchange. For several years the Forest Service, in cooperation with the Bureau of Land Management (in the Department of the Interior), has negotiated with the owners of about 10,750 acres of subsurface estate within the monument to complete exchanges, but the parties have not yet agreed on the value of the subsurface interests.

H.R. 1659 would modify the methods used by the government to value and acquire these interests. It would specify that the valuation be based on market conditions as of August 26, 1982 (the year the monument was established), adjusted for inflation. The agencies could base that valuation on either an existing third-party appraisal done in 1991 or a new appraisal. If the Secretary of the Interior does not determine the value within 180 days of enactment, or if any holder of interests disagrees with the value determined by the

Secretary, then a binding determination would be made by the United States Court of Federal Claims.

Once value is determined, H.R. 1659 would require the Secretary of the Interior to pay for the mineral and geothermal interests by issuing monetary credits, rather than by exchange as under current law. The monetary credits could be used over a five-year period to pay bonuses, royalties, or rent for mineral, oil and gas, or geothermal leases on federal land, and would be transferrable. H.R. 1659 provides that credits accepted by the Secretary of the Interior for such lease payments be considered as money received for the purpose of calculating payments to states.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1659 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
DIRECT SPENDING (including offsetting receipts)					
Spending Under Current Law					
Estimated Budget Authority	0	a	a	a	a
Estimated Outlays	0	a	a	a	a
Proposed Changes					
Estimated Budget Authority	10	b	b	b	b
Estimated Outlays	10	b	b	b	b
Spending Under H.R. 1659					
Estimated Budget Authority	10	0	0	0	0
Estimated Outlays	10	0	0	0	0

a. Costs less than $500,000.

b. Savings less than $500,000.

Note: Implementing H.R. 1659 also would increase discretionary spending in 1999, but we estimate the cost would be insignificant.

BASIS OF ESTIMATE

CBO estimates that enacting H.R. 1659 would result in a net increase in direct spending of about $10 million over the 1999-2003 period. We estimate that any increase in spending subject to appropriation would be insignificant.

Direct Spending

Under current law, the Forest Service has appraised the subsurface interests based on current market conditions (rather than on their value in 1982, when the monument was created) and estimates them to have a fair market value ranging from about $2 million to about $4 million. CBO assumes that, under current law, the federal government would likely acquire these interests through an exchange in which the private parties would obtain the rights to other federal property of equal value. From a budgetary perspective, such an exchange would result in a loss of offsetting receipts from royalties and rental payments that otherwise would have been collected from leasing the federal interests offered in the exchange. Such income usually represents only a fraction of the market value, and is collected over the life of the project, which can span 10 years or more. We estimate that lost income to the government under current law would total less than $1 million over the 1999-2003 period, net of payments to states.

Under this bill, the federal government would award monetary credits, which are equivalent to cash, for the full market value of the property. CBO estimates that, by specifying that the value for the interests be determined as of 1982 (and adjusted for inflation), H.R. 1659 would raise the cost of the property to be acquired. Based on a range of estimated 1982 values from the private interest holders, and adjusted for inflation as provided in the bill, CBO estimates that the private interest holders would receive monetary credits valued at about $10 million.

The value of monetary credits counts as direct spending in the year they are issued and as receipts in the years in which they are redeemed. If the credits displace cash payments that otherwise would have been received by the government, the use of the credits results in a corresponding loss of receipts. For the purposes of this estimate, we assume that the credits would be issued in fiscal year 1999 and redeemed within five years. CBO estimates that such credits would displace an equal amount of cash payments that private parties otherwise would have made for federal leases. Hence, we estimate that implementing this bill would increase direct spending by $10 million in 1999 and would have no significant budgetary impact in subsequent years.

Spending Subject to Appropriation

H.R. 1659 provides that the Secretary of the Interior pay for any new appraisal. Based on information from the Forest Service, CBO estimates that conducting a reappraisal would cost less than $50,000 in fiscal year 1999.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted. CBO estimates that enacting H.R. 1659 would result in a net increase in direct spending totaling about $10 million over the 1999-2008 period.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	10	0	0	0	0	0	0	0	0	0
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR

H.R. 1659 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On June 5, 1998, CBO prepared a cost estimate for S. 638, the Mount St. Helens National Volcanic Monument Completion Act, as ordered reported by the Senate Committee on Energy and Natural Resources on May 13, 1998. This version of H.R. 1659 is identical to that bill, and the estimated costs are the same.

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