CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 2, 2000

S. 2331

A bill to require the Secretary of the Interior to submit the dispute over the franchise fee owed by Fort Sumter Tours, Inc. to binding arbitration

As ordered reported by the Senate Committee on Energy and Natural Resources on September 20, 2000

S. 2331 would require the National Park Service (NPS) to have the franchise fee that it charges to Fort Sumter Tours, Inc. (FST) determined by binding arbitration. (FST is a concessioner providing transportation to visitors at Fort Sumter National Monument.) The arbitrator would determine the appropriate fee applicable to the period between June 13, 1991, and December 31, 2000, including possible interest and penalties.

CBO cannot estimate the budgetary impact of S. 2331 because it would depend on the outcome of a legal proceeding that has not yet occurred. We expect that the arbitrator would choose a franchise fee of between 4.25 percent (which is what the company currently pays the NPS) and 12 percent (which is the adjusted rate established by the agency in 1991).

Under the higher rate of 12 percent, the federal government could receive about $3 million in fees, interest, and penalties owed by FST since 1991. This amount could be collected—and spent—in the absence of legislation because the NPS has recently begun administrative action to collect it. If the lower rate would be chosen by an arbitration, the government would lose the $3 million owed to it, reducing both offsetting receipts and direct spending by that amount in fiscal year 2001 or 2002.

What would happen to annual franchise fees after arbitration is also uncertain, CBO expects that by the time an arbitration decision would be reached, the FST concession contract will be expired. Annual offsetting receipts (and associated direct spending) from franchise fees after 2001 would depend on the outcome of competitive bidding for the concession.

S. 2331 could affect offsetting receipts (a credit against direct spending) and the spending of those receipts; therefore, pay-as-you-go procedures would apply. CBO estimates, however, that because the NPS would probably have been allowed to spend the amounts that it would have received in the absence of arbitration, the loss of any such amounts would have no net impact on the federal budget.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Deborah Reis. The estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.