



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 16, 2018

### **H.R. 4257** **Advancing Conservation and Education Act**

*As passed by the U.S. House of Representatives on June 25, 2018*

#### **SUMMARY**

H.R. 4257 would authorize 13 western states to relinquish their rights to some of the land that the federal government granted them at statehood in exchange for federal land of equal value. Using information from the Department of the Interior (DOI) and the Forest Service, CBO estimates that enacting the legislation would reduce offsetting receipts, thus increasing direct spending, by \$40 million over the 2019-2028 period.

CBO expects that, under H.R. 4257, DOI would cover most administrative costs associated with those land transactions. Using information from DOI, CBO estimates that those costs would total \$4 million over the 2019-2023 period; such spending would be subject to the availability of appropriated funds.

Because enacting H.R. 4257 would affect direct spending, pay-as-you-go procedures apply. The legislation would not affect revenues.

CBO estimates that enacting H.R. 4257 would not increase net direct spending by more than \$2.5 billion or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2029.

H.R. 4257 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of H.R. 4257 is shown in the following table. The costs of the legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
<b>INCREASES IN DIRECT SPENDING</b>													
Estimated Budget Authority	0	0	0	0	0	0	0	4	8	12	16	0	40
Estimated Outlays	0	0	0	0	0	0	0	4	8	12	16	0	40
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>													
Estimated Authorization Level	0	0	0	1	1	2	0	0	0	0	0	4	4
Estimated Outlays	0	0	0	1	1	2	0	0	0	0	0	4	4

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of 2018 and that appropriated funds will be available for each fiscal year.

### Direct Spending

CBO estimates that enacting H.R. 4257 would reduce offsetting receipts, thus increasing direct spending, by \$40 million over the 2019-2028 period.

H.R. 4257 would authorize 13 western states to relinquish their rights to some of the land that the federal government granted them at statehood.<sup>1</sup> Upon relinquishing that land, the states would be allowed to select federal land of equal value.

Under the bill, DOI would be given 540 days to establish a process for carrying out the land exchanges. Once that process is in place, states could submit applications to relinquish certain state land and to select certain federal land of equal value. DOI would have three years to make a final determination on any submitted application. During that period, the agency would complete appraisals, environmental analyses required under the National Environmental Policy Act (NEPA) or other laws, and other administrative activities. After a final determination to approve or modify an application is issued, DOI would enter into a final agreement with the affected state and, within one year, convey the federal land.

CBO expects that most of the land that the states would relinquish over the next 10 years are surrounded by federal land within areas designated for conservation as, for example, national monuments, national conservation areas, wilderness areas, or national parks, and

1. Affected states include Alaska, Arizona, California, Colorado, Idaho, Montana, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

that the land would not generate receipts for the federal government. CBO also expects that over the next 10 years a significant amount of the federal land selected by states would otherwise have generated proceeds for the federal government from a variety of activities such as mineral development, issuance of rights-of-way for renewable energy development, timber sales, or recreation fees. CBO expects that the first exchanges would be completed in 2025 and that the transactions would continue for several years.

Using information from DOI and the Forest Service, CBO estimates that the federal land eligible to be selected by states under the bill will generate an average of \$400 million a year in net proceeds over the 2025-2028 period.<sup>2</sup> To illustrate the potential cost of the proposal, CBO assumes that the land conveyed would reduce those receipts by a small amount—between 1 percent and 4 percent each year—over that period. Under that scenario, CBO estimates that, in total, enacting the legislation would reduce offsetting receipts by \$40 million over the 2025-2028 period. (See the section “Uncertainty” below.)

### **Spending Subject to Appropriation**

Under H.R. 4257, either DOI or the states could assume responsibility for covering administrative costs associated with the land exchanges. If DOI paid those costs, the agency would be required to reduce the value of federal land conveyed to states by an equal amount. CBO expects that states would submit applications to complete a total of 10 to 15 land exchanges over the 2020-2023 period; that in most cases DOI would cover the administrative costs; that the costs of completing 75 percent of those exchanges would total about \$100,000 per exchange; and that the costs of completing larger, more complex exchanges would average about \$1 million each. Thus, CBO estimates that the administrative costs associated with carrying out the land exchanges would total \$4 million over the 2019-2023. Such spending would be subject to the availability of appropriated funds.

### **Uncertainty**

CBO aims to use the best available information to produce estimates that generally reflect the middle of a range of the most likely budgetary outcomes that would result from enacting legislation. In completing the cost estimate for H.R. 4257, CBO was unable to obtain information that would allow for a precise estimate of the budgetary effects of the legislation. Furthermore, CBO has no basis for predicting what the affected state governments or DOI would decide in any particular transaction after the bill is enacted.

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2. In many cases, a portion of the proceeds generated from activities on federal lands is paid to the state or county where the activities occur. In other cases, agencies can spend all or a portion of any proceeds generated. This estimate represents only the portion of proceeds that would be deposited into the U.S. Treasury.

The act would generally require states to first relinquish land surrounded by federal land within various types of conservation areas before relinquishing other eligible state land outside those areas. In addition, H.R. 4257 would prohibit DOI from accepting a state’s application to relinquish land if that land is not reasonably compact and consolidated. CBO could not obtain data regarding the quantity, configuration, or location of state land that would satisfy those conditions, and thus has no basis for estimating the land values, or for identifying what factors the government might consider in making a valuation.

Without a basis for estimating the value of relinquished lands, CBO also cannot estimate the value of the federal land that states might select. In addition, CBO has no way to predict which specific land would be selected or to accurately estimate the proceeds that land will generate over the next 10 years. However, because state land selections are intended to generate funding for state schools, CBO assumes that most of the federal land selected by states would already be generating receipts or have a high potential to do so.

Finally, the budgetary effects of the bill would depend on decisions made by officials in the affected states and at DOI. CBO has no basis for determining whether or to what extent nonfinancial factors would affect the decisions made by state governments. CBO also has no basis for determining how DOI might exercise its broad authority to reject applications submitted by states. CBO’s estimate assumes that most of the 13 states would submit applications under the bill and that DOI would accept most of those applications.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

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**CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 4257, THE ADVANCING CONSERVATION AND EDUCATION ACT, AS PASSED BY THE U.S. HOUSE OF REPRESENTATIVES ON JUNE 25, 2018**

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By Fiscal Year, in Millions of Dollars

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2018-2023	2018-2028
<b>NET INCREASE IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	4	8	12	16	0	40

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## **INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting H.R. 4257 would not increase net direct spending by more than \$2.5 billion or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2029.

## **MANDATES**

H.R. 4257 contains no intergovernmental or private-sector mandates as defined in UMRA.

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