# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

August 30, 2018

# H.R. 6088
## SPEED Act

*As ordered reported by the House Committee on Natural Resources on June 27, 2018*

## SUMMARY

H.R. 6088 would require the Bureau of Land Management (BLM) to allow oil and gas producers to perform certain drilling activities on federal lands by obtaining a notification for permit to drill (NPD) in lieu of an application for permit to drill (APD). BLM could approve NPDs without completing the site inspections or environmental reviews that are required for APDs. When submitting an NPD, oil and gas producers would pay a fee that CBO expects would be the same as the fee for an APD. However, unlike with APDs, the agency would not have the same authority to spend those fees.

CBO estimates that enacting H.R. 6088 would reduce direct spending by $125 million over the 2020-2026 period; therefore, pay-as-you-go procedures apply. In addition, CBO estimates that implementing the bill would cost $125 million over the 2020-2026 period, subject to appropriation of the necessary amounts. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 6088 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 6088 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. 6088 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 |
| **DECREASES IN DIRECT SPENDING** | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | -16 | -17 | -17 | -18 | -18 | -19 | -20 | 0 | 0 | -68 | -125 |
| Estimated Outlays | 0 | 0 | -16 | -17 | -17 | -18 | -18 | -19 | -20 | 0 | 0 | -68 | -125 |
| **INCREASES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | | | | | | | | |
| Estimated Authorization Level | 0 | 0 | 16 | 17 | 17 | 18 | 18 | 19 | 20 | 0 | 0 | 68 | 125 |
| Estimated Outlays | 0 | 0 | 16 | 17 | 17 | 18 | 18 | 19 | 20 | 0 | 0 | 68 | 125 |

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted late in 2018 and that the necessary amounts will be appropriated for each fiscal year.

### Direct Spending

CBO estimates that enacting H.R. 6088 would reduce direct spending by $125 million over the 2020-2026 period.

**Spending of Permit Fees.** Under current law, BLM charges oil and gas producers a fee to submit an APD, and, over the 2020-2026 period, the agency will have the authority to spend all proceeds from those fees, without further appropriation, to administer oil and gas permitting. In 2017, the agency received APD fees totaling $31 million. CBO expects that, over the 2020-2026 period, those fees will range from $33 million to $39 million and that BLM will spend those amounts annually. The agency's authority to charge APD fees expires after 2026.

Under H.R. 6088, BLM would be required to authorize, within one year of enactment, drilling on federal lands by issuing NPDs in lieu of APDs for activities that meet certain criteria. Using information provided by BLM, CBO expects that about half of all permit applicants could operate with NPDs. Because CBO expects that the fee to obtain an NPD would be the same as the APD fee, total receipts from permits authorizing drilling on federal lands would not change. However, because BLM would not have the authority to spend NPD fees, CBO estimates that enacting the bill would reduce direct spending by an average of about $18 million a year over the 2020-2026 period.

**Royalties from Oil and Gas Production.** Under the bill, oil and gas producers that submitted NPDs would not be required to undergo the site inspections or complete the environmental analyses that are required for APDs. CBO expects that eliminating those requirement could expedite permitting for some NPDs. However, using information from BLM, CBO estimates that companies that obtained NPDs would be authorized to begin drilling operations only a few days sooner than if they had obtained APDs for the same activities. In addition, BLM could object to certain NPDs, which could lengthen the time required to obtain those NPDs beyond that required to obtain APDs for the same activities. On net, CBO estimates, enacting the bill would have no significant effect on the timing or quantity of oil and gas produced on federal lands and would not significantly affect royalty payments received by the federal government over the 2020-2028 period.

**Spending Subject to Appropriation**

Under current law, over the 2020-2026 period, BLM can retain and spend, without further appropriation, all fees paid by oil and gas producers for APDs. The agency uses those funds to carry out a range of activities that support the processing of permits for oil and gas drilling. Because H.R. 6088 would reduce the amounts available for those purposes by $125 million over the 2020-2026 period, CBO estimates that BLM would need that amount to continue to process permits at the same rate as under current law. Such spending would be subject to the availability of appropriated funds.

## 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.

**CBO Estimate of Pay-As-You-Go Effects for H.R. 6088, the SPEED Act, as Ordered Reported by the House Committee on Natural Resources on June 27, 2018**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2018-2023 | 2018-2028 |
| | | | | | | | **NET DECREASE IN THE DEFICIT** | | | | | | |
| Statutory Pay-As-You-Go Effect | 0 | 0 | -16 | -17 | -17 | -18 | -18 | -19 | -20 | 0 | 0 | -68 | -125 |

## INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 6088 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

## MANDATES

H.R. 6088 contains no intergovernmental or private-sector mandates as defined in UMRA.

## ESTIMATE PREPARED BY

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