CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 21, 2017

H.R. 3905
Minnesota's Economic Rights in the Superior National Forest Act

As ordered reported by the House Committee on Natural Resources on November 8, 2017

SUMMARY

H.R. 3905 would prevent federal agencies from withdrawing certain federal land in northern Minnesota from use for mining activities. The bill also would restore two mineral leases that were canceled by the Bureau of Land Management (BLM). CBO estimates that enacting the bill would increase offsetting receipts, which are treated as reductions in direct spending, by $2 million over the 2018-2027 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 3905 would not affect revenues.

CBO estimates that enacting H.R. 3905 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3905 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. 3905 is shown in the following table. The costs of this 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	2018-2022	2018-2027
DECREASES IN DIRECT SPENDING												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	-2	*	-2
Estimated Outlays	*	*	*	*	*	*	*	*	*	-2	*	-2

Note: * = between -$500,000 and zero.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3905 will be enacted near the beginning of calendar year 2018.

Background

In 2012, BLM denied a request from Twin Metals, a mining firm with operations in northern Minnesota, to renew two mineral leases on federal land. Those leases expired in December 2016, and the Forest Service subsequently announced its intent to withdraw 234,000 acres of federal land from use for commercial purposes, including the lands that were held under Twin Metals' leases. No final decision on the withdrawal has been announced. In addition, Twin Metals has sued the federal government seeking to have its leases restored. That litigation is ongoing.

Rents and Royalties

H.R. 3905 would restore Twin Metals' leases. Based on an analysis of information provided by the affected agencies and Twin Metals, CBO estimates that Twin Metals would pay rents totaling less than $5,000 a year over the 2018-2027 period. Further, CBO expects that production from those leases would begin in 2027 and we estimate that royalties would total $7 million in 2027. That estimate accounts for the possibility that production would not occur until after 2027. About half of the royalties ($3.5 million) would be paid to the State of Minnesota. Because the outcome of the litigation between Twin Metals and the federal government is uncertain, CBO assumes there is a 50 percent chance that the firm will have the affected leases restored under current law. Thus, we estimate that enacting H.R. 3905 would increase net rents and royalties by about $2 billion over the 2018-2027 period.

Because the Forest Service's proposed withdrawal would not affect mineral producers with valid existing rights, and CBO does not expect any of the other lands that may be withdrawn to generate any receipts over the next 10 years, we estimate that preventing the withdrawal of those lands from mining activities would have no effect on the federal budget.

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. 3905, as ordered reported by the House Committee on Natural Resources on November 8, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
NET DECREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	-2	0	-2

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

MANDATES

H.R. 3905 contains no intergovernmental or private-sector mandates as defined in UMRA.

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