Congressional Budget Office
Cost Estimate

February 3, 2022

At a Glance

S. 180, Buffalo Tract Protection Act

As ordered reported by the Senate Committee on Energy and Natural Resources on November 18, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	0	*	1
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	*	1
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	< $5 billion	Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would
- Withdraw roughly 4,300 acres of federal land in New Mexico from hardrock mining, mineral and geothermal leasing, and disposal under mineral materials laws, subject to valid existing rights

Estimated budgetary effects would mainly stem from
- Forgone government income resulting from the withdrawal

Areas of significant uncertainty include
- Estimating the amount of income forgone under the bill

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

S. 180 would withdraw roughly 4,300 acres of federal land in New Mexico from hardrock mining, mineral and geothermal leasing, and disposal under mineral materials laws, subject to valid existing rights. That is, the bill would not allow new mineral extraction from that land, which is managed by the Bureau of Land Management (BLM).

Estimated Federal Cost

The costs of the legislation fall primarily within budget function 300 (natural resources and environment).

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted in 2022.

Background

Businesses interested in extracting materials, including sand, gravel, crushed rock, and other materials typically used in construction, from BLM land can execute contracts with the agency for disposal of those materials. Under those contracts, operators pay BLM the in-place value, a royalty equal to the value of the material in the ground before it is extracted, as determined by an analysis of its fair market value. Those payments are classified in the budget as offsetting receipts, or reductions in direct spending. Counties with production receive 5 percent of those amounts. In 2020, BLM collected roughly $2 million in gross receipts from mineral materials production in New Mexico, mostly from calcium production.

The agency also issues free-use permits to government entities and nonprofit organizations for the extraction of mineral materials; however, such permits do not generate any income to the federal government.

Direct Spending

Using information from BLM, CBO expects that the proposed withdrawal area has high potential for sand and gravel extraction and minimal potential, if any, for development of all other minerals. According to the agency, the affected land contains an estimated 36 million cubic yards of sand and gravel. Based on the typical timeframe for processing expressions of interest and contracts for extraction, we expect that production of those materials could commence in 2026.

In recent years, production under sand and gravel contracts on BLM land in New Mexico has averaged 280,000 cubic yards annually.[1] CBO estimates that annual production in the proposed withdrawal area will equal roughly that amount. Using information from BLM and

1. See Bureau of Land Management, *Public Land Statistics* (issues 2016 to 2020), accessed December 21, 2021, https://www.blm.gov/about/data/public-land-statistics.

based on the in-place values for sand and gravel in recent years, we estimate that the federal government will collect, on average, between $1.50 and $1.60 per cubic yard in royalties.

However, CBO has no basis to estimate whether BLM will execute contracts for materials extraction on the affected land. In the absence of specific information, CBO uses a 50 percent probability that such contracts will be executed under current law. On that basis, and accounting for payments to counties of 5 percent, we estimate that net federal receipts from sand and gravel production in the proposed withdrawal area will total $1 million over the 2022-2031 period. Under the bill, the federal government would forgo those receipts. Thus, CBO estimates that enacting S. 180 would increase direct spending by $1 million over the 2022-2031 period.

Spending Subject to Appropriation

Based on the costs of similar activities, CBO estimates that any administrative costs incurred by BLM to implement the withdrawal would be insignificant; any spending would be subject to the availability of appropriated funds.

Uncertainty

The amount that the government will collect under mineral materials contracts in the proposed withdrawal area—and thus the amount of forgone income under the bill—is uncertain and could be higher or lower than CBO estimates. Specifically, CBO cannot predict whether or when BLM will execute such contracts. CBO also cannot foresee the volume or value of sand and gravel production on the affected land.

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 Table 1.

Table 1.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of S. 180, the Buffalo Tract Protection Act, as Ordered Reported by the Senate Committee on Energy and Natural Resources on November 18, 2021

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
	Net Increase in the Deficit											
Pay-As-You-Go Effect	0	0	0	0	0	0	0	0	0	0	0	1

Increase in Long-Term Deficits

CBO estimates that enacting S. 180 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2032.

Mandates: None.

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