Congressional Budget Office
Cost Estimate

November 7, 2022

At a Glance

S. 2130, Reinvesting in Shoreline Economies and Ecosystems Act of 2022

As ordered reported by the Senate Committee on Energy and Natural Resources on July 21, 2022

By Fiscal Year, Millions of Dollars	2023	2023-2027	2023-2032
Direct Spending (Outlays)	2,355	5,535	11,635
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	2,355	5,535	11,635
Spending Subject to Appropriation (Outlays)	*	1	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	> $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would

- Raise the statutory cap on direct spending of offsetting receipts collected in 2022 from certain oil and gas leases on the Outer Continental Shelf (OCS) and remove those caps starting in 2023
- Authorize offsetting receipts from certain OCS wind leases to be spent, without further appropriation, for purposes outlined in the bill
- Convey an additional 1 percent of proceeds from onshore oil and gas leases to states without further appropriation
- Amend two grant programs authorized under the National Oceans and Coastal Security Act

Estimated budgetary effects would mainly stem from

- Increasing direct spending of offsetting receipts from OCS and onshore oil and gas leases, and from OCS wind leases

Areas of significant uncertainty include

- Predicting the amount of oil, gas, and electricity produced from leases that would be affected by the bill
- Predicting the bill's effects on the amounts companies would pay to acquire new wind and oil and gas leases
- Predicting future prices of oil, gas, and electricity
- Determining whether amendments made to funding for the National Fish and Wildlife Foundation—a federally established nonprofit corporation—would make activities of the foundation federal in nature

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. 2130 would increase spending related to certain federal leases for energy resources on the Outer Continental Shelf (OCS) and in other areas. Specifically, the bill would:

- Raise the statutory cap for spending receipts from OCS oil and gas leases collected in 2022 from $500 million to $650 million and eliminate the cap in 2023. By eliminating that cap, 50 percent of receipts would be available to be spent without further appropriation; 37.5 percent of those receipts would be allocated to states and 12.5 percent allocated for activities funded through the Land and Water Conservation Fund (LWCF).
- Make available 37.5 percent of offsetting receipts from OCS wind leases to make payments to certain coastal states and 12.5 percent for grants and other activities authorized by the National Oceans and Coastal Security Act.
- Increase the share of future proceeds paid to states from 49 percent to 50 percent for onshore mineral leases under the Mineral Leasing Act.

S. 2130 also would change how certain research and planning grants for coastal protection and restoration projects authorized by the National Oceans and Coastal Security Act are awarded. Under current law, all such grants are awarded competitively to coastal states and private entities; S. 2130 would require a share of the grant funding be awarded to coastal states by a formula established in the bill.

Estimated Federal Cost

The estimated budgetary effect of S. 2130 is shown in Table 1. The costs of the legislation fall within budget functions 300 (natural resources and environment) and 950 (undistributed offsetting receipts).

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted by the end of 2022; estimated outlays are based on spending patterns for similar programs. The estimates are based on the economic and technical assumptions underlying CBO's May 2022 baseline projections, as updated to reflect the effects of Public Law 117-169, and the Bureau of Ocean Energy Management's draft plan for oil and gas leasing on the OCS.[1]

In total, CBO estimates that enacting S. 2130 would increase direct spending by $11.6 billion over the 2023-2032 period, most of it stemming from provisions that would allow some of

1. See Bureau of Ocean Energy Management, *2023-2028 National Outer Continental Shelf Oil and Gas Leasing: Proposed Program* (July 2022), https://tinyurl.com/5y8vcust.

the receipts collected under current law from the OCS to be spent without further appropriation. That estimated spending is net of the effects of sequestration procedures.

Table 1.
Estimated Budgetary Effects of S. 2130

	By Fiscal Year, Millions of Dollars											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2027	2023-2032
					Increases in Direct Spending							
Spending of OCS Oil and Gas Receipts												
Estimated Budget Authority	110	400	395	465	585	715	855	1,020	1,185	1,400	1,955	7,130
Estimated Outlays	90	330	350	430	545	665	800	960	1,120	1,335	1,745	6,625
Spending of OCS Wind Receipts												
Estimated Budget Authority	2,215	495	495	190	165	165	165	190	190	225	3,560	4,495
Estimated Outlays	2,215	495	495	190	165	165	165	190	190	225	3,560	4,495
Spending of Onshore Mineral Receipts												
Estimated Budget Authority	50	45	45	45	45	50	55	55	60	65	230	515
Estimated Outlays	50	45	45	45	45	50	55	55	60	65	230	515
Total												
Estimated Budget Authority	2,375	940	935	700	795	930	1,075	1,265	1,435	1,690	5,745	12,140
Estimated Outlays	2,355	870	890	665	755	880	1,020	1,205	1,370	1,625	5,535	11,635

CBO estimates the administrative activities authorized under S. 2130 would cost $1 million over the 2023-2027 period.
OCS = Outer Continental Shelf.

Direct Spending

Federally owned energy resources are developed under a leasing system that requires companies to pay bonus bids when leases are issued; annual rent on nonproducing leases; and royalties or fees on the value of any oil, gas, or electricity produced. The payments are recorded in the budget as offsetting receipts, which are treated in the budget as reductions in direct spending.

Subject to certain conditions, current law allows some receipts from federal on- and offshore oil and gas leases to be spent without subsequent appropriation. Under the Mineral Leasing Act, for example, states receive 49 percent of all royalties, rents, and bonus bids from onshore mineral resources. In addition, through 2055 the Gulf of Mexico Energy Security Act of 2006 (GOMESA) allows $500 million from oil and gas receipts from OCS leases issued after 2006 to be used to make payments to states and to be deposited into the LWCF, which can spend those funds without further appropriation. After 2055, 50 percent of eligible receipts would be available for those purposes.

Under GOMESA, payments are made the year after receipts are collected. Thus, the estimated cost over the 2023-2032 period of enacting provisions that would change existing spending formulas depends on the amount of royalties, rents, and bonus payments collected over the 2022-2031 period. For this estimate, CBO assumes that payments authorized to be spent from receipts collected in fiscal year 2022 will be disbursed in 2023.

Spending of Outer Continental Shelf Oil and Gas Receipts. S. 2130 would raise the limit under GOMESA on annual payments to states and on deposits to the LWCF to $650 million for receipts collected in 2022. The bill would eliminate that cap starting in 2023.

CBO estimates that OCS oil and gas receipts will total about $25 billion over the 2022-2031 period, primarily from payments of royalties on oil production. Assuming that the timing of disbursements follows historical trends and accounting for sequestration, CBO estimates that under the bill outlays for GOMESA programs would increase by $6.6 billion over the 2023-2032 period.

Spending of Outer Continental Shelf Wind Receipts. S. 2130 would authorize 50 percent of receipts from OCS wind leases issued after January 1, 2022, to be spent without further appropriation. The bill would make those funds available the year after receipts are collected. Thus, the cost would depend on the amount of bonus bids, rent, and fees collected over the 2022-2031 period, which CBO estimates will total about $9.5 billion, primarily from bonus payments. In total, CBO estimates that enacting the bill would increase direct spending of receipts from OCS wind leases by $4.5 billion over the 2023-2032 period, net of the effects of sequestration procedures. Those outlays would be split between the two purposes described below.

Coastal States. Under S. 2130, 37.5 percent of the receipts from OCS wind leases would be allocated for payments to coastal states within 75 miles of an eligible lease. CBO estimates that a total of $3.4 billion would be disbursed to those states over the 2022-2032 period.

National Coastal Resilience Fund. S. 2130 would allocate 12.5 percent (or about $1.2 billion) of the receipts from OCS wind leases to activities authorized by the National Oceans and Coastal Security Fund, also known as the National Coastal Resilience Fund (NCRF). Under current law, the NCRF is used to protect coastal communities and improve fish and wildlife habitats. Project funding comes from private donations and from transfers of appropriated amounts from the National Oceanic and Atmospheric Administration.

The NCRF is administered by the National Fish and Wildlife Foundation, a federally established nonprofit corporation whose activities are not accounted for in the federal budget. Thus, any federal payments to the foundation—including payments to the NRCF—are recorded as outlays at the time they are made.

CBO estimates that enacting the bill would result in spending of $1.1 billion, reflecting payments to the NCRF, over the 2023-2032 period.

Spending of Onshore Mineral Receipts. S. 2130 would direct the Department of the Interior to convey to states an additional 1 percent of receipts from onshore oil and gas leases under the Mineral Leasing Act. CBO estimates that after adjusting for sequestration reductions enacting that provision would increase direct spending by $515 million over the 2023-2032 period.

Spending Subject to Appropriation

CBO estimates that the Department of the Interior would incur additional administrative costs to develop accounting systems necessary to disburse receipts from OCS wind leases to states and the NCRF. Using information from the department, CBO estimates that those activities would cost $1 million over the 2023-2027 period.

Uncertainty

When estimating the costs of S. 2130, CBO had to account for uncertainty in several areas.

CBO cannot predict the total amount of oil or gas that will be produced from OCS leases in the Gulf of Mexico in the future or how much electricity will be generated from OCS wind leases issued after January 1, 2022. Depending on the technical and economic characteristics of each lease, spending of the proceeds could be more or less than CBO estimates.

CBO also cannot predict the amount or timing of future bonus and royalty payments from oil, gas, or wind leases, which depend on private-sector investment decisions as well as on federal leasing policies. Differences in the timing of payments could affect the years in which costs are incurred.

Furthermore, CBO cannot predict future oil, gas, or electricity prices, which will affect royalties and bonus payments for on- and offshore leases. Differences between estimated and actual prices would have a corresponding effect on the costs of the legislation.

Finally, the bill would allow NOAA to exercise more control over activities of the National Fish and Wildlife Foundation, which CBO currently treats as a nongovernmental entity. For this estimate, CBO continues to treat the foundation as a nongovernmental organization because—in our judgement—the extent of governmental control over the foundation would not be large enough to justify treating the foundation's activities as governmental and thus accounting for its cashflows in the federal budget.[2] If the foundation were treated as a governmental entity, all cashflows—including the collection and spending of non-federal funds and the spending of earned interest—would be accounted for as direct spending.

2. For more information on how CBO determines if an activity should be classified as governmental, see Congressional Budget Office, *How CBO Determines Whether to Classify an Activity as Governmental When Estimating Its Budgetary Effects* (June 2017), www.cbo.gov/publication/52803.

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 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of S. 2130, the Reinvesting in Shoreline Economies and Ecosystems Act of 2022, as Ordered Reported by the Senate Committee on Energy and Natural Resources on July 21, 2022

	By Fiscal Year, Millions of Dollars											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2027	2023-2032
	Net Increase in the Deficit											
Pay-As-You-Go Effect	2,355	870	890	665	755	880	1,020	1,205	1,370	1,625	5,535	11,635

Increase in Long-Term Deficits

CBO estimates that enacting S. 2130 would increase on-budget deficits by more than $5 billion in all of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

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