



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 17, 2013

**S. 783
Helium Stewardship Act of 2013**

*As ordered reported by the Senate Committee on Energy and Natural Resources
on June 18, 2013*

SUMMARY

S. 783 would reauthorize, establish, or modify several programs related to the management of federal lands and natural resources and would increase certain payments to localities. Major provisions of the legislation would:

- Authorize the Bureau of Land Management (BLM) to retain proceeds from the sale of helium from the Federal Helium Reserve to pay for the costs of operating the reserve;
- Require BLM to sell federally owned assets, including rights to any remaining gases, at the Federal Helium Reserve by 2023;
- Provide funds to certain counties by reauthorizing Secure Rural Schools payments through 2014;
- Raise the cap on payments to states under the Abandoned Mine Lands program for 2014;
- Appropriate funds to remediate, reclaim, and close abandoned oil and gas wells in Alaska;
- Provide funds to the National Park Service (NPS) to improve infrastructure at parks; and
- Reduce the royalty rate on soda ash and related mineral products from 6 percent to 4 percent for two years following the enactment of the bill.

CBO estimates that enacting S. 783 would reduce net direct spending by \$51 million over the 2014-2023 period; therefore, pay-as-you-go procedures apply. Enacting S. 783 would not affect revenues.

The bill also would authorize appropriations to conduct assessments of helium supplies, establish research and development programs related to helium, and administer the Secure Rural Schools program. In addition, S. 783 would require BLM to comply with certain reporting requirements. Assuming appropriation of the authorized and necessary amounts, CBO estimates that conducting those activities would cost \$6 million over the 2014-2018 period. Finally, the bill would reduce the amount authorized to be appropriated for an existing Department of Energy (DOE) grant program by \$5 million. On net, CBO estimates that implementing those provisions would cost \$1 million over the 2014-2018 period.

S. 783 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 impact of S. 783 is shown in the following table. The costs of this legislation fall within budget functions 270 (energy), 300 (natural resources and environment), and 800 (general government).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 783 will be enacted near the end of 2013 and that the authorized and necessary amounts will be appropriated for each fiscal year.

Direct Spending

CBO estimates that enacting S. 783 would reduce net direct spending by \$51 million over the 2014-2023 period. We estimate that the provisions regarding the Federal Helium Reserve would increase net offsetting receipts by \$495 million and that the costs to carry out the mandatory spending provisions in the bill would total \$444 million over that period.

	By Fiscal Year, in Millions of Dollars											2014-	2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2018	2023	
CHANGES IN DIRECT SPENDING													
Helium Sales and Reserve Operations													
Estimated Budget Authority	-150	-105	-80	-55	-30	-5	25	20	20	5	-420	-355	
Estimated Outlays	-150	-105	-80	-55	-30	-5	25	20	20	5	-420	-355	
Helium Reserve Asset Sales													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-140	0	-140	
Estimated Outlays	0	0	0	0	0	0	0	0	0	-140	0	-140	
Secure Rural Schools													
Estimated Budget Authority	270	0	0	0	0	0	0	0	0	0	270	270	
Estimated Outlays	243	27	0	0	0	0	0	0	0	0	270	270	
Abandoned Mine Lands Payments													
Estimated Budget Authority	60	0	0	0	0	0	0	0	0	0	60	60	
Estimated Outlays	24	18	12	6	0	0	0	0	0	0	60	60	
Abandoned Oil and Gas Wells													
Budget Authority	50	0	0	0	0	0	0	0	0	0	50	50	
Estimated Outlays	10	15	15	10	0	0	0	0	0	0	50	50	
National Park Service Infrastructure													
Budget Authority	50	0	0	0	0	0	0	0	0	0	50	50	
Estimated Outlays	11	13	12	8	6	0	0	0	0	0	50	50	
Soda Ash Royalty Reduction													
Estimated Budget Authority	7	7	0	0	0	0	0	0	0	0	14	14	
Estimated Outlays	7	7	0	0	0	0	0	0	0	0	14	14	
Total Changes, Direct Spending													
Estimated Budget Authority	287	-98	-80	-55	-30	-5	25	20	20	-135	24	-51	
Estimated Outlays	145	-25	-41	-31	-24	-5	25	20	20	-135	24	-51	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Resource Assessments and Reports													
Estimated Authorization Level	5	*	*	*	*	*	*	*	*	*	5	6	
Estimated Outlays	5	*	*	*	*	*	*	*	*	*	5	6	
Secure Rural Schools Program													
Estimated Authorization Level	*	*	0	0	0	0	0	0	0	0	*	*	
Estimated Outlays	*	*	0	0	0	0	0	0	0	0	*	*	
Department of Energy Grant Program													
Authorization Level	-5	0	0	0	0	0	0	0	0	0	-5	-5	
Estimated Outlays	-2	-1	-1	-1	0	0	0	0	0	0	-5	-5	
Total Changes, Discretionary Spending													
Estimated Authorization Level	*	*	*	*	*	*	*	*	*	*	1	1	
Estimated Outlays	3	-1	-1	-1	*	*	*	*	*	*	1	1	

Note: Components may not sum to totals because of rounding; * = less than \$500,000.

Helium Sales and Reserve Operations. S. 783 would authorize BLM to retain proceeds from the sale of helium from the Federal Helium Reserve to pay for the costs of operating the reserve. Under current law, CBO expects that the agency's authority to retain those proceeds will end in 2013. After 2013, any funds necessary to operate the Federal Helium Reserve (and to sell helium) would need to be appropriated by the Congress. Thus, under current law, any offsetting receipts from those sales would be contingent on the appropriation of such funds.

Because the bill would authorize BLM to retain proceeds from helium sales to cover the costs of operating the Federal Helium Reserve after 2013, CBO estimates that enacting the legislation would lead to additional helium sales, increasing net offsetting receipts by \$355 million over the 2014-2023 period.

Under the bill, BLM would be authorized to sell helium to private entities for commercial uses until the volume of recoverable helium at the Federal Helium Reserve is drawn down to a specified level. After that date, BLM would be authorized to sell helium only to other federal entities for medical and scientific uses. Based on information provided by BLM, CBO expects that, under the legislation, commercial sales would cease at the end of fiscal year 2019. Over the 2014-2019 period, we estimate that gross proceeds from the commercial sale of helium would total \$585 million and the costs to operate the Federal Helium Reserve would total \$160 million, resulting in a net increase in offsetting receipts totaling \$425 million.

Because CBO expects that BLM would no longer receive funds from the sale of helium to nonfederal sources after 2019, we expect that the agency would spend some of the proceeds remaining from earlier sales to fund the operation of the Federal Helium Reserve over the 2020-2023 period. Based on information provided by BLM, CBO estimates that the agency would spend about \$70 million over that period to operate the reserve.

Helium Reserve Asset Sales. S. 783 would require BLM to sell federally owned infrastructure at the Federal Helium Reserve as well as the pipeline system that connects several refineries to the reserve. The helium enrichment plant located at the reserve is privately owned and would not be sold under the bill. Based on information regarding the sale of similar gas storage facilities and pipelines, CBO estimates that enacting that provision would increase offsetting receipts from the sale of those assets by \$15 million in 2023.

CBO expects that the reserve would still contain significant quantities of helium and small amounts of natural gas early in 2023. Under the bill, the agency would be required to sell rights to those gases at that time. Based on information provided by BLM, CBO expects that the reserve would contain roughly 2 billion cubic feet of helium, which would probably be drawn from the reserve over a 10-year period, and nominal amounts of natural gas. CBO also expects that the average price of helium will be roughly \$120 per thousand cubic feet (in 2023 dollars) over the 2023-2032 period. The current price of crude helium,

as set by BLM for commercial sales, is \$84 per thousand cubic feet. Taking into account the risks and high costs associated with operating a depleting reserve, CBO estimates that proceeds from the sale of helium and natural gas rights would increase offsetting receipts by \$125 million in 2023. The amount paid for such rights could be significantly higher or lower than estimated depending on the costs to extract the helium with existing technologies and the market price for crude helium at the time those rights are sold.

Secure Rural Schools. S. 783 would reauthorize payments to certain counties in 2014 under the Secure Rural Schools program. Under current law, those counties would receive a portion of the receipts raised from logging and other activities on Forest Service and BLM lands. CBO estimates that payments to those counties under current law would total \$59 million in 2014. Under the bill, we estimate that payments to those counties would total \$329 million over the 2014-2015 period. Thus, CBO estimates that enacting this provision would cost \$270 million over that period.

Abandoned Mine Lands Payments. The bill would increase the cap on payments to states that have completed all of their high-priority coal mine reclamation projects. Under current law, payments to those states are capped at \$15 million a year. S. 783 would increase that cap to \$75 million for 2014. Because Wyoming is the only state that would receive a payment exceeding \$15 million under that program if payments were uncapped and because CBO expects that without the cap Wyoming would be eligible for a payment in excess of \$75 million, we estimate that enacting this provision would cost \$60 million over the 2014-2017 period.

Abandoned Oil and Gas Wells. The legislation would provide \$50 million for the Secretary of the Interior to remediate, reclaim, and close abandoned oil and gas wells within the National Petroleum Reserve. The reserve consists of 23 million acres of federal land in northern Alaska and is currently open for commercial oil and gas leasing. CBO estimates that enacting this provision would cost \$50 million over the 2014-2017 period.

National Park Service Infrastructure. S. 783 would provide \$50 million to NPS for maintenance and infrastructure projects within national parks. Under the bill, the agency would use those funds to pay a portion of the costs of projects carried out in coordination with nonfederal entities. CBO estimates that enacting this provision would cost \$50 million over the 2014-2018 period.

Soda Ash Royalty Reduction. The bill would require BLM to charge a 4 percent royalty on the value of soda ash and certain related minerals produced on federal lands for a two-year period following enactment of the legislation. That rate would be lower than the average rate expected under current law, which is about 6 percent over that period. That reduction in the rate would reduce offsetting receipts.

Because CBO expects that royalty rates charged for the production of soda ash and related minerals on state and private lands will be higher than 4 percent, we also expect that, under

the bill, the amount of such minerals produced on federal lands would be higher over the next two years than it would be under current law. However, CBO expects that the increase in production on federal lands would only partially reduce the loss of receipts from lowering the royalty rate. As a result, CBO estimates that enacting this provision would reduce net offsetting receipts from soda ash royalties by \$14 million over the 2014-2015 period.

Spending Subject to Appropriation

S. 783 would authorize the appropriation of \$4 million for the Department of the Interior (DOI) to conduct assessments that would quantify the amount of helium resources in the United States and worldwide. The legislation also would authorize the appropriation of \$1 million for DOE to develop a research and development program aimed at expanding the production of helium and certain other gases in the United States and conserving helium by developing methods to recycle and reuse it. Assuming appropriation of the authorized amounts, CBO estimates that conducting those activities would cost \$5 million over the 2014-2018 period.

The bill also would require BLM to comply with various reporting requirements related to helium production on federal lands. Based on information regarding the cost of similar activities, CBO estimates that complying with those requirements would have no significant impact on the federal budget over the 2014-2018 period and would cost roughly \$1 million over the 2014-2023 period, assuming appropriation of the necessary amounts.

In addition, the bill would authorize such sums as necessary to be appropriated to administer the Secure Rural Schools program. Based on information provided by the Forest Service, CBO expects that carrying out the program would require one employee to act as an administrator. We estimate that the costs of employing that individual would total about \$300,000 over the 2014-2015 period.

Finally, the bill would reduce the amount authorized to be appropriated for a DOE grant program that funds efforts to develop biofuels that reduce greenhouse gas emissions. Based on the historical spending pattern for that program, CBO estimates that implementing that provision would reduce discretionary spending by \$5 million over the 2014-2017 period, assuming appropriation actions consistent with the bill.

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 S. 783 as ordered reported by the Senate Committee on Energy and Natural Resources on June 18, 2013

By Fiscal Year, in Millions of Dollars													
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023	
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	145	-25	-41	-31	-24	-5	25	20	20	-135	24	-51

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 783 contains no intergovernmental or private-sector mandates as defined in UMRA. If enacted, state and local governments would receive about \$330 million over the five-year period for schools, mine reclamation, and other activities. The royalty reduction required by the bill would reduce federal payments to Arizona, California, Colorado, New Mexico, Utah, and Wyoming by about \$14 million over fiscal years 2014 and 2015.

PREVIOUS CBO ESTIMATES

On April 5, 2013, CBO transmitted a cost estimate for H.R. 527, the Responsible Helium Administration and Stewardship Act, as ordered reported by the House Committee on Natural Resources on March 20, 2013. CBO estimates that enacting H.R. 527 would increase net offsetting receipts by \$340 million over the 2014-2023 period and increase discretionary spending by \$11 million over that period.

On July 11, 2013, CBO transmitted a cost estimate for H.R. 957, the American Soda Ash Competitiveness Act, as ordered reported by the House Committee on Natural Resources on May 15, 2013. That bill would reduce the royalty rate on soda ash and related minerals to 2 percent over a five-year period.

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