



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 25, 2006

H.R. 4200

Forest Emergency Recovery and Research Act

As ordered reported by the House Committee on Resources on March 29, 2006

SUMMARY

H.R. 4200 would establish new procedures for responding to catastrophic events causing damage to certain federal land. The legislation would direct the Secretaries of Agriculture and the Interior to establish research protocols for assessing methods of restoring federal land following such events and would specify expedited procedures for implementing projects to rehabilitate that land, which could include timber harvests.

CBO expects that enacting H.R. 4200 would increase direct spending by \$5 million in 2007, but would reduce it by \$21 million over the 2007-2011 period and by \$23 million over the 2007-2016 period. Enacting the bill would not affect revenues.

H.R. 4200 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. Federal assistance authorized by this bill would benefit state, local, and tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate, CBO assumes that H.R. 4200 will be enacted near the start of fiscal year 2007. The estimated budgetary impact of H.R. 4200 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment) and 800 (general government).

By Fiscal Year, In Millions of Dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|------|------|------|------|------|
|--|------|------|------|------|------|------|------|------|------|------|

CHANGES IN DIRECT SPENDING

| | | | | | | | | | | |
|--|---|----|----|-----|-----|-----|-----|-----|-----|-----|
| Research Protocols and Pre-Approved Management Practices | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 5 | -1 | -2 | -2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipts from Timber Salvage Sales | | | | | | | | | | |
| Estimated Budget Authority | 0 | -4 | -9 | -15 | -15 | -15 | -16 | -16 | -16 | -16 |
| Estimated Outlays | 0 | -4 | -9 | -15 | -15 | -15 | -16 | -16 | -16 | -16 |
| Spending of Receipts from Timber Salvage Sales | | | | | | | | | | |
| Estimated Budget Authority | 0 | 3 | 7 | 11 | 11 | 11 | 12 | 12 | 12 | 12 |
| Estimated Outlays | 0 | 0 | 2 | 5 | 8 | 10 | 11 | 12 | 12 | 12 |
| Payments to States | | | | | | | | | | |
| Estimated Budget Authority | 0 | 1 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Estimated Outlays | 0 | 0 | 1 | 2 | 4 | 4 | 4 | 4 | 4 | 4 |
| Total | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 5 | -5 | -8 | -10 | -3 | -1 | -1 | 0 | 0 | 0 |

NOTE: * = less than \$500,000.

BASIS OF ESTIMATE

H.R. 4200 would establish new procedures to expedite projects to stabilize and rehabilitate federal land following catastrophic events such as fires, floods, explosions, and other disasters that cause significant damage. Such projects might include removing damaged, diseased, or insect-infested forest vegetation to improve the health of such land. Under the bill, the Secretaries of Agriculture and the Interior would have discretion over when to use those expedited procedures to accelerate the implementation of certain projects which, in some cases, could include the sale of salvageable timber that has been damaged by qualifying catastrophic events.

CBO estimates that enacting H.R. 4200 would increase direct spending by \$5 million in 2007, but would reduce it by \$21 million over the 2007-2011 period and by \$23 million over

the 2007-2016 period. The 2007 cost includes developing research protocols and lists of pre-approved management practices that would form the basis for using new expediting procedures specified in the bill. Over the 2008-2016 period, CBO estimates that those expedited procedures would result in a net increase in offsetting receipts (a credit against direct spending) from the sale of salvageable timber and that those increased receipts would be partially offset by increased direct spending for related activities. We also expect that increasing receipts from such sales would increase direct spending for payments to states in which those receipts are generated.

Research Protocols and Pre-Approved Management Practices

The bill would direct the two Secretaries to develop research protocols to determine the effectiveness of land management practices following catastrophic events. To complete that task, the Secretaries could enter into cooperative agreements with land-grant colleges and universities. The bill also would direct the Secretaries to prepare lists of pre-approved management practices that could be implemented immediately after a catastrophic event.

Based on information from the Forest Service and the Department of the Interior (DOI), CBO estimates that developing the required protocols and lists would cost \$5 million in 2007. Although H.R. 4200 would not provide new funding for those activities, the legislation would allow the Secretaries to use existing balances from a variety of permanently appropriated funds to complete the proposed tasks. Under current law, we expect those funds would be spent over several years starting in 2008. Thus, relative to current law, we expect that enacting H.R. 4200 would increase direct spending by \$5 million in 2007, but that increase would be fully offset by forgone spending over the 2008-2010 period.

Receipts from Timber Salvage Sales

CBO estimates that allowing the Secretaries to use expedited procedures to implement land management practices following qualified catastrophic events would increase offsetting receipts from the sale of salvageable timber. CBO expects the proposed procedures would allow the agencies to hold such sales at least several months and possibly years sooner than under current law. According to the Forest Service and DOI, holding those sales before the damaged timber begins to substantially deteriorate would increase the value and volume of salvageable timber, thereby increasing the amount that timber harvesters would be willing to pay for it.

Under current law, CBO estimates that receipts from salvage sales following catastrophic events average between \$35 million and \$40 million annually. Based on information from the Forest Service about rates of deterioration and other key factors, CBO estimates that accelerating salvage sales under H.R. 4200 would increase proceeds from those sales, on average, by about 40 percent. Assuming the agencies would phase in the use of the new procedures over several years, we estimate that increases in receipts would begin in 2008 and total \$122 million over the 2008-2016 period.

Spending of Receipts from Timber Salvage Sales

Under H.R. 4200, increased receipts could be spent to update research protocols required under the bill, prepare and implement projects following catastrophic events, and monitor the effectiveness of such projects. Based on historical spending patterns for such activities, we expect that there would be a lag between when receipts are collected and subsequently spent. We estimate that spending of increased salvage receipts would total \$72 million over the 2008-2016 period.

Increased Payments to States

Under current law, states receive payments based on the level of receipts generated from federal timber sales that occur within their boundaries. Starting in fiscal year 2008, states will receive payments equal to 25 percent of receipts generated in the previous year. For this estimate, we assume that receipt-sharing formula would apply to the increased proceeds from the sale of salvageable timber under H.R. 4200.

Because the Forest Service and DOI have authority to spend 100 percent of receipts from timber salvage sales for restoration activities, the source of funding for payments to states is unclear. For this estimate, however, CBO assumes that the two agencies would control spending on restoration activities and use some of the new receipts generated under H.R. 4200 to make those payments, which we estimate would cost \$27 million over the 2009-2016 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4200 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Federal assistance authorized by this bill would benefit state, local, and tribal governments.

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