CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

October 9, 1998

H.R. 2000
ANCSA Land Bank Protection Act of 1998

As cleared by the Congress on October 7, 1998

SUMMARY

H.R. 2000 would affect the terms and conditions of various property transactions involving Alaska native corporations. Several provisions would affect the property rights of specific native corporations. CBO estimates that enacting H.R. 2000 would increase direct spending by about $15 million over the 1999-2003 period.

H.R. 2000 would amend existing law by assigning a value of $39 million to properties to be conveyed by the Calista Corporation in exchange for monetary credits to federal properties. The bill would allow the Doyon, Limited, native corporation to obtain the subsurface rights retained by the federal government in up to 12,000 acres of public lands surrounded by or contiguous to corporation-owned properties. Another provision would expand the entitlement of the Cook Inlet Region Incorporated (CIRI) to include subsurface rights to an additional 3,520 acres. The act would permit individual natives to exclude bonds issued by a native corporation from the assets used for determining financial eligibility for federal need-based assistance or benefits.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting this legislation would reduce direct spending by $5 million in 1999 but increase direct spending by a total of $15 million over the 1999-2003 period. The estimated budgetary impact of enacting H.R. 2000 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				
	1999	2000	2001	2002	2003
DIRECT SPENDING (including offsetting receipts)					
Spending Under Current Law					
Estimated Budget Authority	5	0	0	0	0
Estimated Outlays	5	0	0	0	0
Proposed Changes					
Estimated Budget Authority	-5	5	5	5	5
Estimated Outlays	-5	5	5	5	5
Spending Under H.R. 2000					
Estimated Budget Authority	0	5	5	5	5
Estimated Outlays	0	5	5	5	5

BASIS OF ESTIMATE

CBO estimates that enacting H.R. 2000 would increase direct spending because of provisions that would issue monetary credits.

Calista Corporation Property Account

The costs of H.R. 2000 would stem primarily from section 6, which prescribes the value of the Calista Corporation's properties to be exchanged for monetary credits with the Department of the Interior to complete a land exchange between the two parties. Under current law, the Calista Corporation is to receive monetary credits equal to the value of the lands to be conveyed, and the corporation is authorized to use these monetary credits to complete the land exchange by purchasing other federal property. The value of monetary credits counts as direct spending in the year they are issued. So far no monetary credits have been awarded because DOI and Calista disagree on the valuation of the properties.

The gap between the valuations is substantial: the department's appraisal assigned a value of about $5 million to the properties, while the corporation asserts that their property is worth significantly more. Given the differences in methodologies and values, this impasse could last for some time. Because the department will not award monetary credits until there is an agreement, it is possible that, under current law, Calista would not receive any monetary credits for several years. For the purpose of this estimate, however, we assume an agreement will be reached in fiscal year 1999, because of Calista's interest in acquiring property with the credits. Although a negotiated valuation could exceed DOI’s $5 million appraisal, CBO has no basis for estimating whether and to what extent the Secretary would agree to a higher value. Hence, we assume for this estimate that Calista would receive monetary credits of about $5 million in fiscal year 1999 in the absence of this legislation.

H.R. 2000 would establish a value of the Calista properties to be exchanged at $39 million. The act would direct the Secretary of the Treasury to credit the Calista property account with 12.69 percent of the property value (or $5 million) on October 1, 1999, and the same amount on October 1 of each year thereafter through October 1, 2005. The Secretary would credit the account with 11.17 percent of the property value on October 1, 2007. Thus, H.R. 2000 would result in a net increase of $34 million in the amount of credits issued to the Calista property account, relative to current law. Monetary credits are scored as direct spending in the year they are issued.

Subsurface Conveyance to Doyon Limited

Section 3 would allow Doyon, Limited, a regional corporation, to acquire up to 12,000 acres of federally owned mineral estate surrounded by or contiguous to subsurface lands owned by that corporation. According to DOI, the federally owned mineral estate that Doyon, Limited, could acquire under H.R. 2000 currently has no mineral development. Based on information from the agency, we estimate that although the federal land to be conveyed has some potential for future development, any forgone receipts from the conveyance would total less than $500,000 per year.

Change in Eligibility for Certain Federal Assistance

Section 5 would permit Alaska natives to exclude bonds issued by a native corporation from the assets and resources used to determine financial eligibility for federal need-based assistance or benefits. Under current law, natives may exclude certain assets, including stocks issued or distributed by a native corporation as a dividend, from federal financial eligibility tests. This provision would expand the permitted exclusions to include bonds issued by native corporations. Enacting this provision could have limited effects on the federal budget in certain situations. For example, according to a representative of Cook Inlet Region Incorporated (CIRI), this provision would give CIRI greater flexibility in financing a corporate buy-back of its shares, which it seeks in order to keep shares in native ownership. (Because CIRI is the only native corporation currently authorized (under Public Law 104-10) to purchase stock from its shareholders, natives in other native corporations would not be affected in this case.) Enacting the provision could increase federal spending by allowing CIRI shareholders, who had planned to sell their shares to CIRI in exchange for a bond and would have stopped receiving federal assistance payments once their assets exceeded financial eligibility tests, to continue to receive federal assistance. We estimate that any such increase in federal assistance payments would total less than $500,000 a year.

Change in CIRI's Subsurface Rights

Section 4 would increase the entitlement of CIRI to include subsurface rights to an additional 3,520 acres of federal land. Based on information from CIRI representatives and DOI, the corporation is likely to choose properties in the Talkeetna Mountains area. According to DOI, the federal government currently generates no offsetting receipts from that land and does not expect any significant income from it over the next ten years. Therefore, we estimate that any budgetary effect of enacting this provision would be negligible.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. As shown in the following table, CBO estimates that enacting H.R. 2000 would affect direct spending by increasing the amount of monetary credits issued to the Calista Corporation by $34 million over the 1999-2008 period. Other provisions could also affect direct spending by giving various native corporations the rights to income-producing federal lands, but we estimate that any such additional effects would be negligible. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the subsequent four years are counted.

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	-5	5	5	5	5	5	5	5	0	4
Changes in receipts	Not applicable									

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