CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 11, 2013

H.R. 957
American Soda Ash Competitiveness Act

As ordered reported by the House Committee on Natural Resources on May 15, 2013

SUMMARY

H.R. 957 would require the Department of the Interior (DOI) to charge a 2 percent royalty on the value of soda ash and certain related minerals produced on federal lands for a five-year period following enactment of the bill. That rate would be lower than the average rate expected under current law, which is about 6 percent over that period. As a result, CBO estimates that implementing H.R. 957 would reduce net federal offsetting receipts from soda ash royalties by $80 million over the 2014-2018 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 957 would not affect revenues.

H.R. 957 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 H.R. 957 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											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	16	16	16	16	16	0	0	0	0	0	80	80
Estimated Outlays	16	16	16	16	16	0	0	0	0	0	80	80

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of 2013.

H.R. 957 would reduce the royalty rate on the value of soda ash and certain related minerals produced on federal lands from about 6 percent to 2 percent for a five-year period following enactment of the bill. Because CBO expects that royalty rates charged for the production of such minerals on state and private lands will be higher than 2 percent, we also expect that, under the bill, the amount of soda ash and other affected minerals produced on federal lands would be greater over the next five years than it would be under current law. However, CBO expects that any increase in production would only partially offset the loss of receipts from lowering the royalty rate through 2018.

In 2011, the last year in which the royalty rate was set at 2 percent, firms produced about 9 million tons of soda ash and related products on federal lands and paid net royalties totaling $11 million. (Half of all federal royalties collected on the affected minerals are paid to states where those minerals are produced.) The Bureau of Land Management increased the average royalty rate to about 6 percent in 2012. Production of soda ash and related products decreased to about 7 million tons in that year; however, net royalty collections increased to about $25 million. Based on monthly data on royalty collections from the Office of Natural Resources Revenue, CBO expects that, under current law, net royalty collections will total between $25 million and $30 million in 2013 and will remain in that range over the next five years. Under the bill, we estimate that collections would total about $11 million to $12 million annually over that period. On balance, CBO estimates that enacting H.R. 957 would reduce net offsetting receipts from soda ash royalties by $16 million a year over the 2014-2018 period.

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 H.R. 957 as ordered reported by the House Committee on Natural Resources on May 15, 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 IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	16	16	16	16	16	0	0	0	0	0	80	80

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 957 contains no intergovernmental or private-sector mandates as defined in UMRA. The royalty reduction required by the bill would reduce federal payments to Arizona, California, Colorado, New Mexico, Utah, and Wyoming by about $80 million over the 2014-2018 period.

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