Congressional Budget Office
Cost Estimate

September 27, 2021

At a Glance

H.R. 1505, Bonding Reform and Taxpayer Protection Act of 2021

As ordered reported by the House Committee on Natural Resources on May 5, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2026	2021-2031
Direct Spending (Outlays)	0	-287	-620
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	-287	-620
Spending Subject to Appropriation (Outlays)	0	5	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 2032?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would

- Establish onshore well inspection fees and civil penalties for failure to pay those fees
- Levy new fees for oil and gas produced on onshore federal land
- Authorize the U.S. Fish and Wildlife Service to spend, without further appropriation, bonds forfeited from mineral activities on National Wildlife Refuge System land
- Increase minimum bond amounts required under the Mineral Leasing Act

Estimated budgetary effects would mainly stem from

- Collection of the new fees
- Spending of forfeited bonds

Areas of significant uncertainty include

- Estimating the amount of fees that would be collected under the bill

Detailed estimate begins on the next page.

Bill Summary

H.R. 1505 would establish fees for well inspections on onshore federal and tribal land, along with civil penalties for failure to pay those fees. The bill also would levy new fees for oil and gas produced on onshore federal land. Under H.R. 1505, the U.S. Fish and Wildlife Service (USFWS) would be permitted to retain and spend, without further appropriation, bonds forfeited from mineral activities on National Wildlife Refuge System (NWRS) land. Finally, the bill would increase the minimum bond amounts required under the Mineral Leasing Act.

Estimated Federal Cost

The estimated budgetary effect of H.R. 1505 is shown in Table 1. The costs of the legislation fall primarily within budget function 300 (natural resources and environment).

Table 1.
Estimated Budgetary Effects of H.R. 1505

	By Fiscal Year, Millions of Dollars												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2026	2021-2031
	Increases or Decreases (-) in Direct Spending												
Inspection Fees													
Estimated Budget Authority	0	-55	-55	-55	-60	-60	-60	-60	-65	-65	-65	-285	-600
Estimated Outlays	0	-55	-55	-55	-60	-60	-60	-60	-65	-65	-65	-285	-600
Orphaned-Well Fees													
Estimated Budget Authority	0	0	*	*	-1	-1	-2	-3	-4	-5	-8	-3	-25
Estimated Outlays	0	0	*	*	-1	-1	-2	-3	-4	-5	-8	-3	-25
USFWS Spending of Forfeited Bonds													
Estimated Budget Authority	0	0	0	0	0	*	*	1	1	1	1	*	5
Estimated Outlays	0	0	0	0	0	*	*	1	1	1	1	*	5
Total Changes													
Estimated Budget Authority	0	-55	-55	-55	-61	-61	-62	-62	-68	-69	-72	-287	-620
Estimated Outlays	0	-55	-55	-55	-61	-61	-62	-62	-68	-69	-72	-287	-620
	Increases in Spending Subject to Appropriation												
Estimated Authorization	0	1	1	1	1	1	n.e.	n.e.	n.e.	n.e.	n.e.	5	n.e.
Estimated Outlays	0	1	1	1	1	1	n.e.	n.e.	n.e.	n.e.	n.e.	5	n.e.

Components may not sum to totals due to rounding; n.e. = not estimated; * = between -$500,000 and $500,000.

CBO estimates that enacting H.R. 1505 would increase revenues by an insignificant amount over the 2022-2031 period.

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted early in fiscal year 2022 and the fees under the bill would take effect that year.

Direct Spending
CBO estimates that enacting H.R. 1505 would reduce net direct spending by $620 million over the 2022-2031 period.

Well Inspection Fees. H.R. 1505 would direct the Department of the Interior (DOI) to issue regulations establishing inspection fees for all wells on onshore federal and tribal land. Absent regulations, the bill would impose the following inspection fees:

- $700 for each lease or agreement with surface disturbance only,
- $1,225 for each lease or agreement with 1 to 10 wells,
- $4,900 for each lease or agreement with 11 to 50 wells, and
- $9,800 for each lease or agreement with more than 50 wells.

Under the bill, those fees would only be applied to currently held leases and agreements and would be adjusted every three years to account for inflation. Tribal operators of leases on tribal land would be exempt. Any collections would be classified in the budget as offsetting receipts, or reductions in direct spending.

Using data from the Bureau of Land Management (BLM), CBO estimates that collections would average between $55 million and $70 million annually and total $600 million over the 2022-2031 period, decreasing direct spending by the same amount.

Orphaned-Well Fees. H.R. 1505 would impose a fee of 10 cents per barrel of oil produced from onshore federal land and an equivalent fee on natural gas production. CBO expects DOI would levy the fee only on prospective leases. Collections would be classified in the budget as offsetting receipts, or reductions in direct spending.

Using CBO's July 2021 baseline budget projections and information about trends in recent years, CBO estimates that annual onshore federal production under new leases and agreements will average 10 million barrels of oil and 80 billion cubic feet of natural gas over the 2022-2031 period. At a rate of 10 cents per barrel of oil and 1.72 cents per thousand cubic feet of gas, enacting the bill would increase receipts, and thus decrease direct spending, by $25 million over the 2022-2031 period.

USFWS Spending of Forfeited Bonds. Under current law, bonds forfeited from mineral activities on NWRS land are deposited into the general fund of the Treasury; spending of those amounts is subject to appropriation. Under the bill, USFWS would be permitted to retain and spend forfeited bonds without further appropriation. According to the agency, no bonds have been forfeited to date; however, CBO expects that bond forfeitures will commence within several years as older wells cease production. Using information from the agency, we estimate that the amount available for USFWS to spend would be insignificant in 2026 and 2027 but would increase to $1 million annually starting in 2028. CBO estimates that enacting the provision would increase direct spending by about $5 million over the 2022-2031 period.

BLM Administration and Accountability Fund. Under current law, 50 percent of rents collected from onshore mineral leases and 100 percent of fees collected for processing applications for permits to drill are deposited into the Permit Processing Improvement Fund. Amounts in that fund are available for BLM to spend without further appropriation to process onshore oil and gas permits. In 2020, the agency spent $69 million from the fund. CBO projects that amounts in the fund will be fully spent under current law.

H.R. 1505 would rename the fund the Administration and Accountability Fund and would authorize additional uses, including inventorying orphaned wells and coordinating environmental and cultural reviews. CBO estimates that the bill would not affect the amounts available to be spent from the Fund and would not significantly affect the rate of that spending; thus, enacting the provision would have no significant effect on direct spending over the 2022-2031 period.

Revenues

The bill also would authorize DOI to assess civil penalties for failure to pay inspection fees. CBO estimates that any penalties, which would be classified in the budget as revenues, would be insignificant over the 2022-2031 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 1505 would cost $5 million over the 2022-2026 period, assuming appropriation of the estimated amounts.

Bonds forfeited under the Mineral Leasing Act are recorded in the budget as discretionary offsetting collections, and their spending is subject to appropriation. H.R. 1505 would increase the minimum bond amounts required for leasing on onshore federal land. Assuming appropriation actions consistent with previous appropriation bills, CBO expects that any additional amounts forfeited under H.R. 1505 would be spent soon thereafter, resulting in no net change in spending subject to appropriation.

H.R. 1505 would direct DOI and the Department of Agriculture to conduct bond adequacy reviews and to issue regulations implementing the new minimum bond amounts and well inspection fees. CBO also expects that DOI would incur additional costs to manage fee collections under the bill. Based on the costs of similar tasks, CBO estimates that implementing those activities would cost $1 million annually over the 2022-2026 period; such spending would be subject to the availability of appropriated funds.

Uncertainty
The estimate of fee collections is uncertain and could be higher or lower than CBO estimates. CBO cannot forecast with certainty oil and gas prices or the volume of onshore production on federal land under prospective leases, which would affect the estimate of orphaned-well fees. We also cannot predict whether DOI would set well inspection fees at rates differing from those under 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 Table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 1505, the Bonding Reform and Taxpayer Protection Act of 2021, as Ordered Reported by the House Committee on Natural Resources on May 5, 2021

	By Fiscal Year, Millions of Dollars												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2026	2021-2031
	Net Decrease in the Deficit												
Pay-As-You-Go Effect	0	-55	-55	-55	-61	-61	-62	-62	-68	-69	-72	-287	-620

Increase in Long-Term Deficits: None.

Mandates: None.

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