



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 13, 2009

### **S. 1388**

#### **Spokane Tribe of Indians of the Spokane Reservation Grand Coulee Dam Equitable Compensation Settlement Act**

*As ordered reported by the Senate Committee on Indian Affairs on September 10, 2009*

#### **SUMMARY**

S. 1388 would provide compensation to the Spokane Tribe of Indians for the use of tribal lands to generate hydroelectric power by the Grand Coulee Dam. The bill would require the Bonneville Power Administration (BPA) to make annual payments to the tribe from receipts generated from the sale of electricity. CBO estimates that those payments would increase direct spending by \$8 million over the 2010-2019 period.

The bill also would create the Spokane Tribe of Indians Settlement Fund as compensation for land taken to build the Grand Coulee Dam. CBO estimates that implementing this provision would cost \$100 million over the 2010-2014 period, assuming appropriation of the authorized amounts.

Finally, beginning in 2020, the bill would reduce BPA's interest payments to the Treasury by \$1.3 million annually for as long as BPA makes payments to the tribe. Such reductions would increase direct spending by \$1.3 million a year starting in 2020.

S. 1388 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.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1388 is shown in the following table. The costs of this legislation fall within budget functions 450 (community and regional development) and 270 (energy).

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	6	6	-4	0	0	0	0	0	0	0	8	8
Estimated Outlays	6	6	-4	0	0	0	0	0	0	0	8	8
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Authorization Level	24	19	19	19	19	0	0	0	0	0	100	100
Estimated Outlays	24	19	19	19	19	0	0	0	0	0	100	100

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2010 and that the authorized amounts will be appropriated each year.

### Direct Spending

S. 1388 would require BPA to make annual payments to the Spokane Tribe. Under the bill, such payments would equal 29 percent of the annual payment BPA currently makes to the Colville Tribes. Those payments would continue so long as electricity continues to be generated at the Grand Coulee Dam. CBO estimates that payments to the Spokane Tribe would begin in 2010 and would average about \$6 million per year. Because BPA's operating costs are driven by market and environmental conditions that are difficult to control, CBO expects that the agency would not be able to offset the cost of this bill by reducing operating expenses as directed by the bill. Instead, we anticipate that BPA would increase the rates it charges for electricity to cover those costs.

Because BPA has already set the rates it will charge customers for electricity in 2010 and 2011, CBO expects that the agency would use reserve funds to make payments to the tribe in those years. Information from BPA indicates that the agency has already collected roughly \$8 million to cover a portion of payments the agency anticipated it might be obligated to make to the tribe if legislation similar to S. 1388 were enacted. CBO expects that, under the bill, BPA would spend \$12 million of reserves for payments to the tribe in 2010 and 2011 and that the agency would raise its rates in 2012 to replenish the portion of reserves paid to the tribe that was not specifically collected for that purpose (about \$4 million). CBO expects that, under current law, BPA would not spend reserve funds currently designated for making payments to the tribe because the agency has no authority or requirement to do so.

Beginning in 2012, CBO expects that the \$6 million annual payment to the Spokane tribe would become part of BPA's cost structure and would be fully offset by an increase in the rates it charges for electricity.

### **Spending Subject to Appropriation**

S. 1388 would create the Spokane Tribe of Indians Settlement Fund as compensation for land taken to build the Grand Coulee Dam. The bill would authorize the appropriation of \$100 million over the 2010-2014 period to that fund. Assuming appropriation of the authorized amounts, CBO estimates that implementing S. 1388 would cost \$100 million over the 2010-2014 period.

Payments to certain tribal trust funds that are held and managed in a fiduciary capacity by the federal government on behalf of Indian tribes are treated as payments to a nonfederal entity. As a result, CBO expects that the entire amount deposited to the fund in any year would be recorded as budget authority and outlays in that year. The Secretary of the Interior would be required to invest the appropriated funds in government securities until those funds are expended by the tribe. Subsequently, the trust fund would be nonbudgetary, and any use of such funds and interest payments to the tribes would have no effect on the federal budget.

### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1388 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The payments authorized by this bill would benefit the Spokane Tribe.

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