



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 25, 2010

S. 409

Southeast Arizona Land Exchange and Conservation Act of 2009

*As ordered reported by the Senate Committee on Energy and Natural Resources
on December 16, 2009*

S. 409 would authorize a land exchange in Arizona between the federal government and a mining company. Based on information provided by the affected agencies, CBO estimates that discretionary costs to implement the bill would be less than \$500,000 annually. That spending would be subject to the availability of appropriated funds. Those costs would involve preparing environmental assessments, surveys, and management plans to facilitate the exchange and administer new lands and agreements. Enacting the bill would have no significant net effect on direct spending and no effect on revenues.

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. CBO estimates that enacting S. 409 could affect direct spending, but the net effects would be negligible for each year.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

Federal Land Exchange with Resolution Copper LLC

Under S. 409, the Forest Service would convey about 2,400 acres of land in Southeast Arizona to Resolution Copper Mining LLC in exchange for company land of an equivalent value. Of the company land, about 1,200 acres would become part of the National Forest System, while about 4,200 acres would be administered as conservation areas by the Bureau of Land Management.

If the federal property sought by Resolution Copper is appraised at more than the value of the property that the company offers for exchange, the company could donate additional land or make a cash payment to the United States. If the company's property is appraised for more than the federal acreage, the difference in value would be considered to be a donation to the federal government. Any cash payment received by the Forest Service would be available to the agency to acquire other lands in the state.

As a condition of the exchange, Resolution Copper would be required to pay the Forest Service \$1.25 million. The agency would use that amount, without further appropriation, to improve recreation facilities in the area. Finally, after completion of the exchange, Resolution Copper would have to pay the federal government a portion of any future income earned on the former federal property if the company determines that the actual cumulative production of minerals located on that property exceeds the value of the estimated production used in the original appraisal process.

The bill's effect on annual offsetting receipts (a credit against direct spending) is uncertain and would depend on the outcome of a formal appraisal to be conducted in the next year. That process will determine the relative value of the properties affected by the exchange, including the value of mineral deposits that underlie the federal land and presumably would be developed by Resolution Copper in the future. Under the terms of the exchange, the Forest Service would receive and spend \$1.25 million, probably within the next year. In addition, the federal government could receive cash payments either as a lump sum in the next year or two or annually beginning after several years (when Resolution Copper begins to develop its new mineral resources). Such payments, could total millions of dollars and would be spent by the Forest Service (without further appropriation) to purchase other lands within Arizona.

Sale of Federal Property to Superior, Arizona

Finally, section 9 of the bill would direct the Forest Service to sell certain property to the town of Superior, Arizona. Proceeds from the sale would be available without further appropriation for the purchase of land in the state. CBO estimates that the sale of property to Superior, Arizona, and use of the proceeds for land purchases would have no net effect on the federal budget.

The CBO staff contact for this estimate is Deborah Reis. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.