CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

March 6, 2009

Honorable Ron Kind
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

As you requested, the Congressional Budget Office (CBO) has identified a number of federal assets that could be sold, leased, licensed, or otherwise conveyed to raise revenue.

The federal government owns valuable natural resources as well as a vast inventory of physical assets and infrastructure used to manage those resources. CBO estimates that total net receipts from programs related to those resources and assets will total between $15 billion and $20 billion annually over the next several years. Federal mineral leases will generate nearly all of those net proceeds; the remaining amounts will come from other activities, including sales of land, surplus property, and electricity.

In addition to the receipts that would be generated under current law, some opportunities exist to raise revenue by enacting new legislation requiring the sale or leasing of assets or modifying existing programs to develop federally owned resources. At your request, we have compiled the following list of options, many of which are addressed in more detail in CBO's most recent *Budget Options* volume (February 2007). Each of those options would require a change in current law to be implemented. Thus, budget savings could be attributed to legislation that made the appropriate changes to law.

- **Open the Coastal Plain of the Arctic National Wildlife Refugee (ANWR) to Leasing.** The Alaska National Interest Lands Conservation Act expressly prohibits industrial activities, such as those related to the production of oil and natural gas, on ANWR's coastal plain. This option

would amend that law to open that area to such activities. In March 2008, CBO estimated that auctioning leases for oil and gas development rights would raise $6 billion dollars over the next 10 years. (The federal government would also receive income from royalties on production, but the bulk of those receipts would be collected in subsequent decades.) Under recent legislative proposals, half of those funds would be paid to the state of Alaska, leaving $3 billion in net receipts to the federal government.

- **Restructure the Power Marketing Administrations to Charge Higher Rates.** The Department of Energy's (DOE's) power marketing administrations (PMAs) sell electricity generated mainly from federal hydropower facilities. The three smallest PMAs—the Western Area Power Administration, the Southwestern Power Administration, and the Southeastern Power Administration—provide about 1 percent of the nation's electricity. Current law requires that the electricity be sold at cost—a pricing structure that results in below-market rates. Current law also requires the PMAs to offer their power first to rural electric cooperatives, municipal utilities, and other publicly owned utilities. CBO estimates that amending current law to require those PMAs to sell electricity at market rates to any wholesale buyer would increase federal receipts by roughly $2 billion over the next 10 years.

- **Sell the Southeastern Power Administration (SEPA) and Related Power-Generating Assets.** SEPA, which is administered by the Department of Energy (DOE), sells electricity from hydropower facilities constructed and operated by the Army Corps of Engineers. The government could sell federally owned power-generating assets used by SEPA, such as turbines and generators, and retain the related dams, reservoirs, or waterfront properties. After accounting for lost revenues from forgone sales of electricity, CBO estimates that such a sale would likely generate net receipts in excess of $1 billion over the next 10 years. (Proceeds could be higher or lower depending on the terms of the sale.) Following such a sale, annual appropriations to maintain those facilities would no longer be necessary, and no further power revenues would be collected. Under federal ownership, SEPA sets electricity rates at a level to amortize a portion of the project's construction cost and to cover its annual operating cost.

- **Sell a Portion of the Tennessee Valley Authority's (TVA) Electric Power Assets.** TVA was established in 1933 to control flooding, improve navigation, and develop the hydroelectric resources of the Tennessee River for the benefit of a seven-state region in the southeastern United States. Since that time, TVA has developed an extensive network of transmission facilities and nuclear- and fossil-fuel-powered generating plants and has become one of the largest producers of electricity in the nation. Under this option, TVA would return to its original, more limited function of managing the region's hydropower resources. TVA's other power assets for which a commercial market exists—such as the agency's fossil-fuel and nuclear power plants and its transmission lines—would be sold. CBO estimates that such sales could potentially generate tens of billions of dollars over the next 10 years, depending on market conditions and the terms of sales. Following such a sale, the budget would no longer record income from the sale of electricity produced by those assets.

- **Reduce the Size of the Strategic Petroleum Reserve (SPR).** In 1975, the Energy Policy and Conservation Act established the SPR—a stock of government-owned crude oil stored at four underground sites along the Gulf of Mexico—to help insulate the United States against a severe disruption in oil supplies. Designed to hold about 727 million barrels of oil, the SPR is currently not filled to capacity. Under current law, DOE can acquire oil for the SPR either through cash purchases or through the Department of the Interior's (DOI's) royalty-in-kind program. Under that program, instead of accepting cash royalty payments from firms that produce oil and natural gas on federal lands, DOI accepts some royalties in the form of oil and natural gas. Current law authorizes DOE to take custody of such oil for deposit into the SPR that DOI otherwise would sell. Such diversions of oil into the SPR reduce offsetting receipts from DOI's royalty program.

  This option would require the Department of Energy to limit the size and capacity of SPR to the current level of inventory and also prohibit future deposits of royalty-in-kind oil to the reserve. Depending on market conditions, CBO expects that prohibiting the diversion of oil to the SPR would increase proceeds from oil sales by at least several hundred million dollars over the next 10 years.

- **Revise and Reauthorize the Bureau of Land Management's (BLM) Land Sale Process.** Under the Federal Land Transaction Facilitation Act of 2000, which is currently set to expire at the end of 2010, BLM is authorized to use proceeds from the sale of previously designated public lands to fund a variety of activities. The Congress could amend that act to extend the program beyond 2010, expand the set of lands that BLM would be authorized to sell, and direct that a portion of the proceeds (net of administrative costs) be returned to the Treasury. Depending on market conditions, CBO expects that enacting this proposal would increase net receipts by a total of a few hundred million dollars over the next 10 years.

- **Charge Royalties for Hardrock Mining on Federal Lands.** The General Mining Law of 1872 governs access to hardrock minerals—such as copper, gold, silver, and uranium—on public lands. Under that law, miners do not pay royalties to the government on the value of hardrock minerals they remove. This option would impose an 8 percent royalty on all future production of hardrock minerals on public lands. Depending on market conditions for hardrock minerals, CBO anticipates that royalty payments would total tens of millions of dollars over the next 10 years.

- **Use State Formulas to Set Grazing Fees for Federal Lands**. The Public Rangelands Improvement Act of 1978 specifies a formula used to calculate fees charged to ranchers for permits to allow livestock to graze on federal lands. That formula appears to result in federal fees that are well below market rates and also below the federal costs of administering the grazing program. The Congress could amend current law to require federal land management agencies to set grazing fees for federal lands in the same way that states determine such fees on state-owned lands. CBO estimates that increased grazing fees under this option would total tens of millions over the next 10 years.

- **Maximize the Proceeds from Selling Federal Properties.** Under the Federal Property and Administrative Services Act of 1949, the General Services Administration (GSA) is responsible for managing most federal real property, including disposing of property determined to be surplus to federal needs. Under current law, sale proceeds from such disposals are limited because, before selling surplus property through a competitive bidding process, GSA is required to offer that property, at

discounts of up to 100 percent, to states, local governments, and nonprofit organizations for use as parks, prisons, schools, airports, and other public purposes.

Other federal agencies also are limited in their ability to dispose of property because they must comply with numerous laws, including the Stewart B. McKinney Homeless Assistance Act and the National Historic Preservation Act. In addition, agencies often are reluctant to sell valuable surplus property if the sales proceeds are not available to help the agency achieve its mission. This is particularly the case for agencies with large land holdings that have the authority to enter into enhanced-use lease agreements, enabling them to retain and spend the proceeds from property leases. One of the government's largest property owners, the U.S. Postal Service, sells surplus properties, but is authorized to spend all of the proceeds. Sometimes, surplus federal properties are contaminated with dangerous substances or must be improved in other ways that require up-front expenditures before a sale can be completed. As a result of those laws and circumstances, the federal property program currently generates only modest net proceeds—about $20 million a year.

The federal government could increase sales proceeds by enacting legislation to require GSA and other agencies, notwithstanding existing laws, to auction all surplus federal properties to the highest bidder. Because of their enhanced-use leasing authorities, however, federal agencies often have little incentive to dispose of unused or underused real property. Therefore, to maximize the proceeds from the sale of unused or under-used properties, such legislation also would have to either create incentives for agencies to declare property as surplus to their needs, or establish a process that removes surplus property determinations and sales decisions from individual agencies, including GSA. Offering agencies monetary incentives to declare properties to be surplus would diminish any net revenues that would be available for other purposes. Furthermore, creating a new and untried sales process would take time and additional funds to implement because a new organization would have to evaluate the government's need for individual properties and develop a more streamlined process to dispose of unneeded property.

- **Other Proposals to Increase Fees.** Finally, CBO anticipates that increased receipts could be realized if Congress enacted legislation to increase existing fees and establish new fees related to federal programs to manage natural and physical resources, provided that at least a portion of such increased receipts would be deposited in the Treasury and remain unavailable for spending. For example, CBO anticipates that savings of a few million dollars a year could be generated over the next 10 years by a variety of legislative changes, such as:

    - Increasing visitors' fees at national parks;

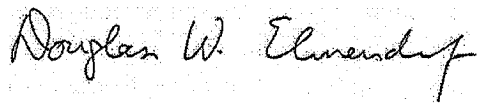
    - Increasing fees for water provided from federal projects;

    - Authorizing the Federal Aviation Administration to auction takeoff and landing slots at busy airports; and

    - Increasing permitting fees for commercial and recreational activities on federal lands.

I hope you find this information helpful. If you would like further details on this subject, we would be pleased to provide them. The CBO staff contact is Matthew Pickford, who can be reached at 226-2860.

Sincerely,



Douglas W. Elmendorf
Director

cc: Honorable John M. Spratt Jr.
Chairman
Committee on the Budget

Honorable Paul Ryan
Ranking Member