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ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

FLOOR BRIEF

Aug. 4, 1993

Omnibus Budget Reconciliation Act of 1993 conference report

HR 2264, H. Rpt. 103-213

Floor action: The House plans to vote on the conference report Thursday, subject to a rule. Senate action is likely to occur later in the day or on Friday.

Summary: The House and Senate this week are expected to vote on a five-year deficit-reduction bill hammered out by conferees during nearly three weeks of negotiations, including a 4.3-cent-per-gallon tax increase for gasoline and most other transportation fuels.

The conference agreement on the budget reconciliation bill also incorporates a $745 million package of measures designed to increase revenue collections from private and commercial use of federally owned natural resources.

In addition, the legislation would end tax subsidies for exports of unprocessed timber and scale back Agriculture Department programs aimed at conserving highly erodible farm acreage and wetlands.

Overall, the reconciliation bill — so named because it is designed to reconcile existing revenue and spending law with deficit-reduction targets set by the congressional budget resolution in March (H. Con. Res. 64) — would lower projected growth in the deficit by $496 billion over the next five years, according to Democratic leaders.

New taxes would account for $241 billion of the deficit reduction, according to figures from the House Ways and Means Committee. Spending cuts and fee increases would take up the rest.

The House vote on the conference agreement may be just as close as the six-vote margin of victory gained by the original House measure May 27. Passage is even more uncertain in the Senate, where a modified version of the House bill squeaked through June 25 on a tie-breaking vote cast by Vice President Al Gore.

Sen. David Boren (D-Okla.), who voted for the bill in the Senate, announced Aug. 1 that he was opposing the bill, meaning that the Clinton administration needs to pick up the support of at least one of the six Senate Democrats who voted against the Senate bill without losing

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any more of the Democrats who voted in favor of it.

Sen. Dennis DeConcini (D-Ariz.), one of the six who opposed the original Senate bill, announced Aug. 4 he would vote for the conference agreement.

The outcome is riding on the strength of Democratic support alone. Not a single Republican voted for the measure in either chamber earlier this year, and total GOP opposition to the conference agreement is just as certain.

Nevertheless, Democratic leaders in both houses predicted they would muster the votes necessary to send the legislation to President Clinton by the end of the week.

In a televised address to the nation Aug 3, Clinton asked for public support for the plan, saying that it would raise taxes on the average working family by only $3 a month, less than 10 cents a day. The transportation fuels tax would be the only tax in the plan to fall on middle-income people.

However, Senate Minority Leader Robert Dole (R-Kan.) characterized the overall package as "the largest tax increase in the history of the world," and said it would fall heavily on millions of Americans and slow economic growth.

Fuels tax

Under the conference agreement, the federal tax on most transportation fuels would go up by 4.3 cents a gallon starting Oct. 1, raising the tax on gasoline 30 percent to 18.4 cents a gallon and the tax on automotive diesel fuel to 24.4 cents per gallon.

The increase would apply to marine fuels as well, boosting the tax on diesel fuel used by inland waterway vessels from 17 cents to 21.3 cents cents a gallon. Conferees dropped a House proposal to impose a special 50-cents-a-gallon surtax on diesel fuel for inland waterway shippers.

Aviation fuel used by commercial airlines would be exempt from the tax hike for the first two years under the conference bill, but aviation fuel used in other planes, such as private aircraft and corporate jets, would be subject to the tax increase starting Oct. 1. The original Senate bill would have exempted aviation fuel altogether.

Certain gasoline substitutes and additives also would be affected under the conference bill, including compressed natural gas, liquid propane, alcohol fuels such as ethanol and methanol, and their octane-enhancing derivatives ETBE and MTBE.

Alcohol fuels and derivatives would be taxed as they are now, as additives to gasoline. As it would for gasoline, the tax on liquid propane gas used as a transportation fuel would rise from 14.1 cents per gallon to 18.4 cents.

Compressed natural gas, which has never been taxed before, would be taxed at a rate of 4.3 cents for every unit of CNG fuel that produces the same energy as one gallon of liquid propane gas. This amounts to 48.54 cents per thousand cubic feet of natural gas at normal pressure, according to a Ways and Means aide.

Overall, the fuels tax hike as constructed by the conferees is expected to generate about $23.2 billion over the next five years, with about 70 percent of the revenue coming from gasoline, according to the Joint Committee on Taxation. Under the conference agreement, all of that money would be earmarked specifically for deficit reduction.

The Senate's original bill would have allocated revenues from the gasoline tax hike to the federal highway trust fund, a stipulation seen as vulnerable to deletion under a Senate rule barring reconciliation provisions that do not lower the deficit.

The Senate first adopted the fuels tax increase in June in lieu of the much broader energy tax the House approved a month earlier — a modified version of the so-called Btu tax originally advanced by Clinton.

The Btu tax, which would have raised an estimated $72 billion over five years, was all but declared dead at the outset of the conference due to vociferous opposition from key Senate Democrats.

Seeking to make up some of the $50 billion difference between the House and Senate energy tax provisions, the conferees considered proposals to combine the gasoline tax hike with a utility tax, or to ratchet up the Senate-passed proposal by a few cents per gallon. But in the end, Democratic leaders settled for the 4.3-cent-per-gallon increase, concluding they lacked the votes to sustain anything bigger.

The fuels tax hike, one of the last remaining issues to be settled by conferees, is one of the most controversial components of the bill because it represents the only new tax burden that would be shouldered by middle-class and lower-income Americans under the economic plan.

Ways and Means Committee staff said Aug. 3 that the transportation fuels tax measure in the conference report would cost the average American family $28 a year, assuming that a family drives about 12,850 miles and gets 20 miles to the gallon.

However, the American Petroleum Institute has said such a tax would place a significant new burden on many American families. According to API, the average American household spends $204 a year in federal motor fuel taxes. A 30 percent increase would raise this about $62 a year, averaged nationwide. But the average household in Wyoming, with its long driving distances, would pay $127 more each year, according to API's projections.

Other tax provisions

The conference agreement contains several other tax provisions related to energy and natural resources. They would:

• move the point of tax collection for transportation diesel fuel from the wholesaler to terminal storage facilities. Designed to reduce evasion of the diesel fuel tax, this measure would produce $1.03 billion in additional revenue over five years, the Joint Tax Committee estimates. The Senate bill contained this language.

• remove a passive-income tax credit on certain income derived from foreign shipping and from oil and gas extracted overseas, generating $2.5 billion over five years. This measure was included in both the original Senate and House bills.

• extend a portion of the existing federal gasoline tax — 2.5 cents a gallon — scheduled to expire in 1995. The extension would raise $7.82 billion from 1996 through 1998, according to the Joint Tax Committee. Revenue from the extension derived from automobiles and trucks would be deposited in the highway trust fund. Revenue derived from railroad diesel fuel and gasoline used in motor boats, small engines and non-highway recreational vehicles would go toward deficit reduction. Similar language was approved by both the House and Senate.

• eliminate an exemption for recreational boats from the existing 20.1 cent-per-gallon diesel fuel tax, producing $148 million over five years. This provision was in both bills. Recreational boats also would be subject to the 4.3-cent-per-gallon increase under the bill.

• deny export tax subsidies for raw softwood timber exports, saving $393 million over five years. This provision, contained in the original Senate bill, is designed to reduce the amount of timber sold to pulp and lumber manufacturers overseas, making more timber available to domestic sawmills and saving U.S. milling jobs, especially in the Pacific Northwest.

Natural resources

Conferees reached final agreement Tuesday on a $741 million package of measures designed to increase revenue collections from mining, oil and gas development and recreation on federal lands.

Dropped from the conference package altogether was a House-passed provision that would have imposed a new surcharge on irrigation water supplied by federal water projects in the Western states. The three remaining components of the natural resource package are as follows:

Mining claim fees: The legislation would establish permanently an annual holding fee of $100 and a one-time location fee of $25 for every "hard-rock" mining claim staked on federal lands under the General Mining Law of 1872. The location fee would apply only to new claims, those recorded after enactment of the bill.

Under the 1872 statute, mining companies and individual prospectors who hold such claims have exclusive rights to dig for gold, silver, copper, zinc and other hard-rock minerals found on those lands.

Before this year, the mining law had required claimants to perform $100 worth of "assessment work" annually on each claim to maintain their mineral rights. The fiscal 1993 appropriations act for the Interior Department (PL 102-381) changed that stipulation for most claim holders, requiring them to pay an annual $100 maintenance fee instead. But the provision applies only to fiscal years 1993 and 1994.

The reconciliation bill would make the annual fee permanent, index it to inflation and add the one-time location fee. The interior secretary would have the discretion to waive the annual maintenance fee for individuals holding 10 or fewer claims, but the exemption would only be granted if the claim holder fulfills the old assessment work requirement.

The conferees' exemption language represents a compromise between the House and Senate positions.

The Bureau of Land Management estimates there are currently 760,000 mining claims across the West, down from about 900,000 counted last fall. BLM attributes much of the decline to the claim holding fee imposed under the appropriations act last year.

According to estimates by the Congressional Budget Office, the hard-rock mining provisions of the conference report would raise $270 million over five years. CBO's revenue estimates assume that the proposed holding fees would end up being paid on half of the 760,000 existing mining claims.

Mineral receipts: Under a related provision of the bill, Western states would be required to permanently assume 25 percent of the Interior Department's costs of collecting royalties and other revenues from oil, gas and coal producers on federal lands in those states.

Western states traditionally have gotten half the revenues derived from mineral leases on federal lands, while the full cost of collecting those revenues was borne by the federal government in the form of an appropriation.

But for the last three years, Congress has appropriated money for only half of the collection costs and required the Interior Department and states to split the remaining 50 percent, which is deducted from the gross receipts the federal government shares with the states.

The reconciliation bill would extend this arrangement permanently, but includes Senate language that would cap each state's cost contribution at an amount equal to half the overall revenue generated by federal mineral leasing within that state.

CBO estimates savings from this measure would run $174 million over five years.

Recreation, user fees: The House and Senate took somewhat different tacks on proposals to increase revenue collections from national parks and other outdoor attractions managed by the federal government, and the conferees leaned closer to the Senate's position.

One key concession by House negotiators was acceptance of language that would expand the U.S. Forest Service's authority to charge admission to certain attractions and would allow the Bureau of Land Management to institute similar fees.

Under the conference agreement, the Forest Service would be authorized for the first time to charge admission for national monuments, national volcanic monuments and national scenic areas designated by Congress. Entrance fees also would be newly authorized for congressionally designated national conservation areas managed by BLM.

In addition, new entrance fees would be authorized for up to 21 national forest areas of "concentrated public use" — developed recreation complexes managed by the Forest Service primarily for outdoor recreation and containing at least one major recreation attraction, such as a lake or river. These areas also must have facilities and services necessary to accommodate heavy public use, and public access provided in such a manner that entrance fees can be collected at one or more centralized locations.

Under current law, entrance fees are authorized only for about 130 national park units and for congressionally designated national recreation areas managed by the Forest Service.

The conferees adopted language from both bills that would allow the National Park Service, the Forest Service, BLM and the Army Corps of Engineers to charge new user fees for boat ramps and boat-launching facilities. These agencies also would be permitted to charge for campgrounds that come equipped with fewer amenities (such as picnic tables, trailer spaces and toilet facilities) than are currently required for user fees.

New fees would be imposed as well for tour buses entering national parks where general admission is currently charged — $25 for buses with 25 or fewer passengers and $50 for buses with more than 25 passengers. Likewise, the interior secretary would be authorized to impose aircraft tour fees in those parks experiencing heavy air tour operations. Both the House and Senate had approved new fees for tour buses, but the Senate measure contained no provision for aircraft tours.

In addition, the conference report would allow the Park Service, Forest Service and BLM to retain 15 percent of the gross receipts they generate each year to beef up their fee collection capabilities, as approved by the House and Senate. This money could then be used to hire more personnel to collect at the gate and to build more collection booths.

Currently, the agencies must meet the cost of fee collections from general operating funds, not from the fees themselves, a restriction that forces the government to forgo millions of dollars in revenues a year.

The conferees adopted a House proposal to require senior citizens, who now visit national parks for free, to obtain a lifetime pass for $10, good for admission to any national park unit in the country. They also accepted a Senate proposal to allow private businesses and other non-federal organizations to sell the Golden Eagle pass, the $25 general admission card now sold only by the Park Service. Merchants would be permitted to keep 8 percent of the receipts.

Finally, the fee package contains a measure that would impose a one-year, 10 percent increase on the fees charged for radio, television and commercial telephone transmission facilities in national forests and BLM lands. At the same time, the bill would impose a one-year moratorium on proposed federal regulations that would levy significantly higher fee increases for these facilities.

Left out of the package of recreation and user fees was a House-passed provision that would have required the government to charge fair-market prices for commercial rights of way through national parks.

Overall, CBO estimates that the conference package of recreation and commercial user fees would generate $301 million over five years, about $26 million less than the House package and $46 million less than the Senate bill.

NRC fee: In addition to adopting increased fee collections for natural resources, the conferees accepted identical House and Senate provisions to extend for three more years a user fee levied on the nuclear power industry to offset 100 percent of the operating budget of the Nuclear Regulatory Commission.

The current authorization for the fee, imposed on all nuclear facilities licensed by the NRC, is scheduled to expire Sept. 30, 1995. The reconciliation bills would extend the authority through Sept. 30, 1998.

CBO has estimated this proposal would generate additional revenues of nearly $1.17 billion by the end of fiscal 1998.

Agriculture

The conference accepted a provision from the House and Senate bills to scale back programs that pay farmers to keep highly erodible lands and wetlands out of crop production, but dropped language that would have provided a more certain funding mechanism for both programs.

The proposed changes in the conservation reserve program and wetlands reserve program are projected to save $469 million over the next five years, according to CBO.

Under the CRP, the Agriculture Department pays farmers not to plant crops for 10 years on land considered highly vulnerable to erosion. Likewise, the WRP pays farmers to take converted wetlands out of production on a permanent or long-term basis.

The conference agreement would limit enrollment in the conservation reserve to 38 million acres through 1995. The limit in existing law is 39 million acres, with 36.5 million acres currently enrolled.

Due to a lack of funding, the department has barely begun to implement the wetlands reserve program. The 1990 farm bill (PL 101-624) requires the department to enroll 1 million acres in the program by the end of 1995. However, Congress appropriated money for the program only in fiscal 1992, and just 49,887 acres have been signed up.

Like both versions of the budget bill, the conference agreement would reduce the minimum signup requirement for the wetlands reserve to 330,000 acres through 1995 and to 975,000 acres through the year 2000.

However, the conference stripped language from the bill that would have guaranteed funding for the programs out of the Commodity Credit Corp. This language was regarded as vulnerable to challenge under Senate rules barring provisions that do not reduce the deficit. — *Steve Gorman, Steve Cook*

Fuel taxes and resource fees

(projected revenues in millions of dollars)

Revenue source	FY'94	FY'95	FY'96	FY'97	FY'98	Total
Transportation fuels tax increase	4,400	4,475	4,832	4,844	4,891	23,442
Diesel fuels tax compliance measure	249	188	193	198	204	1,031
Extend 2.5 cents a gallon of existing gasoline tax	—	—	2,565	2,639	2,620	7,824
End fuel tax exemption for recreational motor boats	21	30	31	32	34	148
Remove tax credit for foreign oil and gas and shipping income*	622	440	461	486	510	2,520
Deny tax subsidies for raw timber exports	56	77	81	87	92	393
New and increased fee collections from national parks and federal recreation sites	35	57	67	70	72	301
Permanently extend holding fee for hard-rock mining claims, impose location fee	54	54	54	54	54	270
Permanently extend state sharing of mineral receipt collection costs, with cap	32	34	34	36	38	174
Extension of NRC's nuclear utility fee**	—	—	378	389	402	1,169

*Based on earlier estimate of Senate provision by Joint Committee on Taxation.

**CBO has said this measure would not result in savings when measured against the CBO baseline, but the House and Senate budget committees are counting it toward deficit reduction.

Sources: House Budget Committee, Joint Committee on Taxation, Congressional Budget Office

ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

SPECIAL REPORT

July 14, 1993

Energy tax debate looms over budget conference

by Steve Cook, Steve Daniels, Steve Gorman

The size and shape of a proposed energy tax — or whether to have one at all — looms as a key issue confronting conferees as they prepare to meet Thursday to begin trying to reconcile House and Senate versions of a five-year deficit-reduction bill.

Despite strong resistance in both houses, President Clinton is insisting that some form of an energy tax be included in the budget reconciliation bill. But conferees will be hard-pressed to find a politically viable compromise between House and Senate energy tax proposals that bear little resemblance to each other and that passed their respective chambers by the slimmest of margins.

The House approved a reconciliation bill May 27 that incorporates a revised version of the broad-based energy tax proposed by Clinton, the so-called Btu tax, which would raise nearly $72 billion over the next five years.

A month later, the Senate adopted its own deficit-reduction bill with a much narrower 4.3-cent-per-gallon increase in the federal tax on gasoline and other transportation fuels, which would generate about $22 billion over five years.

To make up the difference in revenues, the Senate package would include steeper cuts in Medicare, more taxes on Social Security income and smaller tax breaks for businesses and the working poor than those approved by the House.

Both versions of the energy tax are widely believed to lack sufficient support in Congress to win enactment, and it is doubtful whether a conference agreement can be reached without one.

One proposal getting a lot of attention in recent days, reportedly advanced by House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), would combine the Senate-passed increase in the transportation fuels tax with an excise tax on electricity, natural gas and heating oil used by residential and other non-industrial customers.

But aides in both chambers said reports of an impending consensus were premature.

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Although the first conference session is scheduled for Thursday, negotiations are not expected to begin in earnest until next week, after Clinton returns from his vacation, aides said.

Both House and Senate leaders have said they want to reach a conference agreement and obtain final passage of the bill before the start of the month-long August recess, and aides in both chambers predicted that conferees will deliberate right up to this deadline.

Republicans in both chambers are universally opposed to any form of an energy tax.

A diverse mix of House Democrats also opposes an energy tax, preferring instead higher taxes on corporations and those making more than $200,000 a year. Liberal Democrats are saying that this would eliminate the need to levy energy taxes on the poor and middle class. Conservative Rep. Charles W. Stenholm (D-Texas) said last week that the $22 billion in revenue from the Senate-passed fuels tax hike is not worth the political risk of voting for it.

Budget conferees also will have to work out relatively minor differences between House and Senate proposals to increase revenue collections from private and commercial use of federally owned natural resources.

Editor's note: *The figures contained in the side-by-side comparison appearing on the last three pages of this report were taken from the Joint Committee on Taxation and the Congressional Budget Office.*

Energy tax

As approved by the House (HR 2264, H. Rpt. 103-111), the reconciliation bill would levy a new tax on the heat content of oil, coal, natural gas and most forms of electricity, as measured in British thermal units, or Btu.

The tax would be phased in over three years, starting July 1, with numerous exemptions provided for specific types and uses of energy, including aviation fuel, energy used in electrolytic processes, fossil fuels used as raw materials or as industrial "feedstocks," and power generated from solar radiation, wind, "biomass" and other renewable energy sources.

The Btu tax would be borne mostly by consumers, either collected through monthly energy bills or passed on by industry in the form of higher prices for motor fuels, manufactured goods and commercial services.

Direct annual energy expenses for an average family of four earning $40,000 a year would go up $110, and the price of gasoline would go up 7.5 cents a gallon, when the Btu tax takes full effect, according to the Treasury Department.

A base rate of 26.8 cents per million Btu would apply to coal, natural gas and electricity generated by those fuels, as well as to heating oil and fossil fuels used on farms. An additional 34.2 cents per million Btu would be levied on most other petroleum products. For hydropower and nuclear power, the tax would be applied according to a formula that assumes a hypothetical mix of fossil fuels needed to generate an equivalent amount of electricity.

Under the Senate bill, existing federal taxes on gasoline, diesel fuel and marine fuel would be increased by 4.3 cents a gallon. Aviation fuel was exempted.

Taking effect Oct. 1, the Senate measure would raise the federal tax on gasoline from 14.1 cents per gallon to 18.4 cents (an increase of about 30 percent), and the diesel fuel tax from 20.1 cents per gallon to 24.4 cents. About 70 percent of the revenues from the fuels tax hike would come from gasoline.

Economics: Much of the debate over the energy tax has focused on its consequences for the economy.

Manufacturers in particular object to a Btu tax, arguing that it would increase their costs and impede their ability to prevail against foreign competitors.

By imposing increased production costs on industry, the tax would retard growth and cost jobs, opponents say. DRI/McGraw Hill, an economic consulting firm, has estimated that the Btu tax would cause the loss of nearly 400,000 jobs throughout the economy.

The administration and other advocates, however, argue that in the long run, a Btu tax would create jobs. To the extent that it helps reduce the budget deficit, thus reducing the government's need to borrow and keeping interest rates low, the energy tax would lead to greater economic growth, they argue.

In addition, industry opponents of the Btu tax say it would be horrendously complex and difficult to collect, in part because of wide variations in different grades of fossil fuels and the relative amounts of energy they produce.

For example, all coal would be taxed at 26.8 cents per million Btu. Eastern coal generally produces more energy per ton, which would result in a higher effective rate for Eastern coal compared with Western coal. Similar variations occur among different grades of petroleum products.

Calculating the Btu content of various fuels and setting the tax rate accordingly will require an unwieldy new bureaucracy and create reams of new red tape for industry, critics of the Btu tax say.

By comparison, the fuels tax increase adopted by the Senate would be easier to administer because the federal government already collects these taxes.

Figures on the economic impact of the transportation fuels tax increase are few, but during debate over the package in June, Finance Committee Democrats said that the tax increase would cost the average American family $29 a year, assuming that a family drives about 15,000 miles and uses about 750 gallons of gasoline a year.

However, the American Petroleum Institute says that the Senate tax would place a significant new burden on many American families. According to API, the average American household spends $204 a year in federal motor fuel taxes. A 30 percent increase would raise this to about $62 a year, averaged nationwide. But, the average household in Wyoming, with its long driving distances, would pay $127 more each year, according to API's projections.

Still, the American Trucking Association says fuel costs would increase less under the Senate proposal than under the House-passed Btu tax. Therefore, even though the Senate proposal falls exclusively on the transportation sector, it is preferable to the Btu tax, said association spokeswoman Amy Millman.

Environment: As the debate over energy taxes has centered on the pocketbooks of middle-class consumers and the competitiveness of U.S. industry, the issue of environmental benefits seems to have been largely overlooked.

Environmental groups involved in the energy tax negotiations applauded President Clinton's original Btu tax proposal, but grew increasingly apprehensive as numerous exemptions were added for specific industries during the House deliberations. Nevertheless, they much prefer the House-passed Btu tax to the Senate-passed tax hike for transportation fuels.

For instance, the House energy tax, even with its numerous exemptions, would reduce emissions of heat-trapping "greenhouse" gases 20 million to 25 million metric tons annually by the year 2000, according to environmentalists' estimates. The Senate-passed tax on transportation fuels, however, would result in an annual reduction of less than 5 million metric tons during the same period, said Dan Lashof of the Natural Resources Defense Council.

Environmental groups also object to the fact that the Senate tax would be earmarked for the highway trust fund instead of for deficit reduction. In fact, they say, any conservation benefits achieved by the measure could be effectively negated by the construction of more highways, which can result in greater air pollution by encouraging more traffic. Highway projects also cause significant land disturbance, often contributing to the runoff of soil into nearby waterways during rainstorms.

While a broad-based energy tax is their preference, environmentalists say they are aware of the political realities — that the House-passed Btu tax has been declared dead and the Senate's transportation fuels tax seems to be the starting point for conference negotiations.

Accordingly, NRDC has floated a compromise proposal supported by other environmental groups that would start by incorporating the Senate tax, but would earmark it for deficit reduction rather than new highway construction. The NRDC proposal then would add a new version of the Btu tax, which would be levied at a rate of 25 cents per million Btu for oil, coal, natural gas, hydropower and nuclear energy.

For fossil fuels, the NRDC's Btu tax would be collected from the final user. In the case of coal, natural gas and oil burned in power plants, this means utilities would pay. In the case of natural gas and oil used directly to heat homes, the tax would be collected from consumers.

For hydropower and nuclear power, the tax would be collected from the utility using a mix of heat rates applied under the House bill. As with other forms of electricity, the tax would presumably be passed on to consumers.

Under the House bill, the Btu tax on natural gas and all forms of electricity would be collected directly from the consumers as a part of their monthly energy bill. The tax on petroleum products would be collected from the "terminal rack," where the fuels are distributed to retailers.

Unlike the House bill, there would be no exemptions from the NRDC's Btu tax. However, to counter objections that such a tax would hurt U.S. industry's ability to compete in the world marketplace, NRDC suggests offering manufacturers a credit against the energy tax for the purchase of equipment designed to improve energy efficiency. In addition, the energy tax liability of each company could be capped so that the firm would pay no more than 0.5 percent of its sales in any given year.

Environmentalists prefer NRDC's approach to the proposal to combine the Senate's fuels tax hike with a new tax on electricity, natural gas and heating oil. The primary difference between the two is that the NRDC proposal would require the manufacturing sector to share in the energy tax burden, along with consumers and other commercial operations, Lashof said.

Because of their extreme sensitivity to changes in costs, manufacturers are viewed by environmentalists as more likely than consumers to make energy efficiency improvements in response to higher taxes. Industry also is responsible for roughly one-third of the country's energy consumption, Lashof said.

Other tax provisions: The two budget bills contain other tax land mines that could complicate the forging of a conference agreement.

Under the House bill, the federal tax on diesel fuel used by barges and other vessels that ply the nation's inland waterway system would go up 50 cents to 70 cents per gallon. Under the Senate bill, the tax on barge fuel would increase 4.3 cents per gallon along with other transportation fuels.

In addition, the Senate bill would deny tax subsidies for raw timber exports. This measure, designed to create jobs in domestic sawmills, especially in the Pacific Northwest, is projected by the Joint Committee on Taxation to raise $393 million over five years. The House bill contains no such provision.

Two other energy-related tax provisions adopted by the Senate are absent from the House. They would:

• move the point of tax collection for transportation diesel fuel from the wholesaler to terminal storage facilities. Designed to reduce evasion of the diesel fuel tax, this measure would produce more than $1 billion in additional revenue over five years, the Joint Tax Committee estimates.

• eliminate a tax credit for certain income derived from foreign oil and gas and from international shipping, bringing in $2.5 billion over five years, Joint Tax estimates.

Both the House and Senate adopted two other revenue provisions pertaining to existing fuel taxes:

• an extension of a portion of the federal gasoline tax — 2.5

cents a gallon — scheduled to expire in 1995. The extension would raise $7.9 billion from 1996 through 1998, according to the Joint Tax Committee.

• elimination of an exemption for recreational boats from the existing 20.1 cent-per-gallon diesel fuel tax, producing $148 million over five years, Joint Tax estimates.

Natural resources

The House and Senate bills each contains a package of measures to increase fee collections from private and commercial use of federal lands, such as recreation and mineral development, but the two versions differ in several key respects. The House bill would generate about $800 million in new revenues over the next five years, the Senate bill $791 million, according to estimates by the Congressional Budget Office.

One of the most striking differences between the two resource fee packages is that the House bill would impose a new surcharge on irrigation water supplied by federal water projects in the Western states, while the Senate bill contains no such provision.

More subtle distinctions exist between the House and Senate on three other major components — revenues from "hard-rock" mining, mineral leasing, and federally owned recreation sites.

Mining claim fees: Both bills include language to permanently establish an annual holding fee of $100 and a one-time location fee of $25 for every "hard-rock" mining claim staked on federal lands under the General Mining Law of 1872.

Under the 1872 statute, mining companies and individual prospectors who hold such claims have exclusive rights to dig for gold, silver, copper, zinc and other hard-rock minerals found on those lands.

Before this year, the mining law had required claimants to perform $100 worth of "assessment work" annually on each claim to maintain their mineral rights. The fiscal 1993 appropriations act for the Interior Department (PL 102-381) changed that stipulation for most claim holders, requiring them to pay an annual $100 maintenance fee instead. But the provision applies only to fiscal years 1993 and 1994.

The House and Senate bills both would make the annual fee permanent, index it to inflation and add the one-time location fee. However, the two bills differ on exemptions for small-mine operators.

The Senate bill would allow operators with 10 or fewer claims to perform the assessment work in lieu of paying the holding fee. Under the House bill, those with 50 or fewer claims would be eligible for a waiver of the holding fee on the first 10 claims and a reduced annual holding fee of $25 for each of the remaining 40 claims, as long as they perform the assessment work instead.

But the House bill would give the interior secretary greater discretion in deciding whether to grant a holding fee waiver.

The Bureau of Land Management estimates there are currently 760,000 mining claims across the West, down from about 900,000 counted last fall. BLM attributes much of the decline to the claim holding fee imposed under the appropriations act last year.

According to CBO estimates, the House version of the hard-rock mining provision would raise $205 million over the next five years. The Senate bill would generate $270 million. CBO's revenue estimates assume that the proposed holding fees would end up being paid on half of the 760,000 existing mining claims.

Mineral receipts: Under a related budget proposal in both bills, Western states would be required to permanently assume 25 percent of the Interior Department's costs of collecting royalties and other revenues from oil, gas and coal producers on federal lands in those states.

Western states traditionally have gotten half the revenues derived from mineral leases on federal lands, while the full cost of collecting those revenues was borne by the federal government in the form of an appropriation.

But for the last three years, Congress has appropriated money for only half of the collection costs and required the Interior Department and states to split the remaining 50 percent, which is deducted from the gross receipts the federal government shares with the states.

Both bills would extend this arrangement permanently. But the Senate package would cap each state's cost contribution at an amount equal to half the overall revenue generated by federal mineral leasing within that state.

CBO estimates savings from the House-passed version of this measure at $201 million over five years and savings from the Senate version at $174 million.

Recreation, user fees: The House and Senate take somewhat different tacks on proposals to increase revenue collections from national parks and other outdoor attractions managed by the federal government.

Unlike the House, the Senate adopted language that would expand the U.S. Forest Service's authority to charge admission to recreational sites and would allow the Bureau of Land Management to institute similar fees.

But the two bills contain similar provisions that would allow the National Park Service, the Forest Service, BLM and the Army Corps of Engineers to charge new user fees for boat launches and for campgrounds that come equipped with fewer amenities, such as trailer spaces, picnic tables and toilet facilities. Currently fees can only be charged at campgrounds with an extensive range of amenities.

The House and Senate alike rejected an administration proposal to raise the ceiling on entrance fees that can be charged at certain popular national parks. But both adopted an administration proposal to let the Park Service, Forest Service and BLM beef up their fee collections by earmarking a portion of the revenues they generate each year to hire more personnel to collect at the gate and to build more collection booths.

Currently, the agencies must meet the cost of fee collections from general operating funds, not from the fees themselves, a restriction that forces the government to forgo millions of dollars in revenues a year.

Both Houses also ignored an administration request for a $10 increase in the price of the Golden Eagle pass, an admission card that currently costs $25 and admits an individual, or a carload, to any park.

Instead, the Senate approved language allowing private businesses and other non-federal groups to sell the Golden Eagle. The card currently is available only through the Park Service. CBO estimates that these sales alone would generate $65 million over five years.

The House took a different approach, approving language that would require senior citizens, who now visit national parks for free, to obtain a lifetime pass for $10, good for admission to any national park unit.

The Senate agreed with the House to impose new fees on tour buses entering some national parks, but dropped a similar House-backed charge for tour aircraft.

Also left out of the Senate bill was House-passed language that would require the government to charge fair-market prices for commercial rights of way through national parks. But the Senate bill would raise fees for radio and television companies that operate transmission facilities on BLM and national forest lands. The House bill approved a similar fee, but for telecommunications facilities only.

Overall, CBO estimates that the House-passed package of recreation and commercial user fees would generate $327 million through fiscal 1998, and the Senate bill $347 million.

Irrigation surcharge: Unlike the Senate, the House adopted an administration proposal that would levy a new surcharge on irrigation water supplied by the federal Bureau of Reclamation.

The new surcharge would generate $67 million over the next five years, according to CBO projections, and the money would be earmarked for a special fund to help enhance and restore fish and wildlife habitat damaged by the bureau's water projects.

The House Natural Resources Committee has estimated that the surcharge would be levied on approximately 19 million acre feet of water annually, which would amount to a charge of 50 cents to 75 cents per acre foot. An acre foot is the amount of water it takes to flood one acre of land to a depth of 1 foot, about 326,000 gallons. One acre foot of water would supply two families of four for a year.

Irrigators supplied by California's massive Central Valley Project, who were hit with a fee of about $6 an acre foot under CVP reform legislation last year (PL 102-575), would be exempt from the new surcharge.

NRC fee: The House and Senate bills contain identical language that would extend for three more years a user fee levied on the nuclear power industry to offset 100 percent of the operating budget of the Nuclear Regulatory Commission.

The current authorization for the fee, imposed on all nuclear facilities licensed by the NRC, is scheduled to expire Sept. 30, 1995. The reconciliation bills would extend the authority through Sept. 30, 1998.

CBO has estimated this proposal would generate additional revenues of nearly $1.17 billion by the end of fiscal 1998.

Agriculture

Both bills also contain provisions to scale back programs that pay farmers to keep highly erodible lands and wetlands out of crop production, but would provide a more certain funding mechanism for both programs.

The proposed changes in the conservation reserve program and wetlands reserve program are projected to save $469 billion over the next five years, according to CBO.

Under the CRP, the Agriculture Department pays farmers not to plant crops for 10 years on land considered highly vulnerable to erosion. Likewise, the WRP pays farmers to take converted wetlands out of production on a permanent or long-term basis.

Both the House and Senate bills would limit enrollment in the conservation reserve to 38 million acres through 1995. The limit in existing law is 45 million acres, with 36.5 million acres currently enrolled.

Due to lack of funding, the department has barely begun to implement the wetlands reserve program. The 1990 farm bill (PL 101-624) requires the department to enroll 1 million acres in the program by the end of 1995. However, Congress appropriated money for the program only in 1992, and just 49,887 acres have been signed up.

Both versions of the budget bill would reduce the minimum signup requirement for the wetlands reserve to 330,000 acres through 1995 and to 975,000 acres through the year 2000.

Although the ultimate size of the conservation and wetlands reserves would be reduced under the legislation, they would be converted to "mandatory" programs. The legislation requires that money from the Commodity Credit Corp. be used to fund the programs, eliminating the necessity for them to compete with other discretionary programs in the Agriculture Department's budget.

Side-by-side
Comparison of revenue provisions

Provision	*House bill*						*Senate bill*					
	FY'94	FY'95	FY'96 (In millions of dollars)	FY'97	FY'98	Total	FY'94	FY'95	FY'96 (In millions of dollars)	FY'97	FY'98	Total
Energy tax	2,069	10,015	16,341	20,751	22,351	71,528	4,377	4,450	4,393	4,381	4,416	22,017
	Establishes broad-based tax on the heat content of energy, as measured in British thermal units (Btu). Would be phased in over three years starting July 1 with numerous exemptions for specific types and uses of energy, including solar, wind and "biomass" energy, aviation fuel, energy used in electrolytic processes and fossil fuels used as raw materials or as industrial "feedstocks." Btu tax would be borne mostly by consumers, either collected through monthly energy bills or passed on by industry in the form of higher prices for motor fuels, manufactured goods and commercial services. Base rate of 26.8 cents per million Btu would apply to coal, natural gas, electricity, heating oil and fossil fuels used on farms. An additional 34.2 cents per million Btu would be levied on most other petroleum products.						Increases existing federal excise tax on gasoline, diesel fuel and marine fuel by 4.3 cents per gallon, starting Oct. 1. About 70 percent of the new revenues generated by the fuels tax hike would come from the resulting increase in the gasoline tax, which would go from 14.1 cents per gallon to 18.4 cents per gallon. Diesel fuel taxes would rise from 20.1 cents to 24.4 cents a gallon. Aviation fuels would be exempt.					
Fuels tax for inland waterway users	9	47	101	153	175	486						
	Increases fuel tax levied on barges and other vessels that use the nation's inland waterway system, from 17 cents a gallon to 67 cents a gallon.						No special increase is included. Inland waterway fuels taxes would go up 4.3 cents per gallon as a result of the overall increase in transportation fuels taxes.					
Extend part of existing gasoline tax	--	--	2,595	2,670	2,651	7,916	--	--	2,595	2,670	2,651	7,916
	Extends a portion of the current federal gasoline tax — 2.5 cents a gallon — scheduled to expire in 1995.						Same as House bill.					

	House bill						Senate bill					
	FY'94	FY'95	FY'96 (In millions of dollars)	FY'97	FY'98	Total	FY'94	FY'95	FY'96 (In millions of dollars)	FY'97	FY'98	Total
Remove fuels tax exemption for recreational boats	21	30	31	32	34	148	21	30	31	32	34	148
	Removes the existing diesel fuel tax exemption for recreational boats.						Same as House bill.					
Diesel fuel tax compliance	No such provision.						249	188	193	198	204	1,031
							Moves the point of tax collection for transportation diesel fuels from the wholesaler to terminal storage facilities. Designed to make tax harder to evade.					
Deny tax credit for foreign oil & gas income	No such provision.						622	440	461	486	510	2,520
							Eliminates tax credit for certain income derived from foreign oil and gas.					
Deny export subsidies for raw timber	No such provision.						56	77	81	87	92	393
							Eliminates export tax subsidies for exports of raw timber. Designed to help save jobs in domestic lumber mills.					
Mining claims	41	41	41	41	41	205	54	54	54	54	54	270
	Permanently establishes a $100 annual holding fee for each hard-rock mining claim, indexed for inflation. Imposes one-time location fee of $25 for each new claim filed after enactment. Interior secretary would have discretion to waive or reduce the holding fee for small-mine operators.						Similar to House bill, but requires interior secretary to grant waiver for small-mine operators who meet certain requirements.					

	House bill						Senate bill					
	FY'94	FY'95	FY'96 (In millions of dollars)	FY'97	FY'98	Total	FY'94	FY'95	FY'96 (In millions of dollars)	FY'97	FY'98	Total
Mineral receipts	35	39	41	42	44	201	32	34	34	36	38	174
	Require states to permanently assume 25 percent of the cost of collecting royalties and other revenues from oil, gas and coal producers on federal lands.						Similar to House bill, but would cap each state's cost contribution to half the overall amount of revenue generated by federal mineral leasing within that state.					
Recreation, user fees	40	61	72	76	78	327	40	66	77	81	83	347
	Requires fair-market prices for commercial rights of way through national parks; requires fair-market prices for permits to operate telephone transmission facilities on BLM and national forest lands; imposes new fees on tour buses and aircraft entering some national parks; allows agencies to charge new fees for boat launches and campgrounds; establishes $10 lifetime admission to all parks for senior citizens; allows Park Service to earmark portion of its revenues for improved collections.						Expands authority of Forest Service to charge admission to recreational sites; allows BLM to institute similar fees; allows new fees for boat launches and campgrounds; allows Park Service to retain portion of revenues for improved collections; allows private sales of Golden Eagle park passes; imposes new fees on tour buses (but not aircraft); increases fees for broadcast transmission facilities on national forest and BLM lands (but not for telecommunications facilities).					
Irrigation surcharge	10	11	11	17	18	67						
	Imposes a new surcharge on irrigation water supplied by federal water projects in the West, an assessment of roughly 50 cents to 75 cents per acre foot. Would not apply to irrigators supplied by Central Valley Project in California.						No such provision.					
NRC fees	--	--	378	389	402	1,169	--	--	378	389	402	1,169
	Extends NRC's nuclear utility fee for three years beyond scheduled expiration of Sept. 30, 1995.						Same as House bill.					

ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

FLOOR BRIEF

June 23, 1993

Omnibus Budget Reconciliation Act of 1993

S 1134 — S. Prt. 103-36

Floor action: Senate debate began Wednesday, June 23, and is expected to continue until late Thursday. Under special rules governing consideration of the budget reconciliation bill, debate is limited to a total of 20 hours.

Summary: The Senate is considering a five-year deficit-reduction bill that includes a proposal to levy a 4.3-cent-per-gallon increase in the federal tax on gasoline, diesel fuel and most other transportation fuels.

As it was assembled Tuesday by the Senate Budget Committee, the reconciliation bill also contains proposals that would allow the federal government to increase its revenue collections from recreation and mineral development on federal lands.

The measure is known as a reconciliation bill because it is designed to reconcile existing revenue and spending law with deficit-reduction targets set by the budget resolution passed by Congress in March (H. Con. Res. 64).

The package is made up of tax increases, fee hikes and spending cuts approved earlier this month by the Finance Committee and 11 other Senate panels.

The transportation fuels tax was endorsed June 18 by the Finance Committee in lieu of a more broad-based tax based on the heat content of energy — the so-called Btu tax favored by President Clinton and narrowly adopted by the House last month.

The proposed fuels tax increase is expected to raise about $24.2 billion over the next five years, about $48 billion less than the Joint Committee on Taxation estimated would have been raised by the Btu tax.

To make up the difference, the Finance Committee recommended deeper cuts in Medicare than Clinton wanted and scaled back his proposed tax breaks for businesses and the working poor.

The 4.3 cent-per-gallon increase in the fuels tax would apply to gasoline, diesel fuel, marine fuel and aviation fuel. Taking effect Oct. 1, the measure would increase the federal tax on gasoline from 14.1 cents per gallon to 18.4 cents and the diesel fuel tax from 20.1 cents per gallon to 24.4 cents.

BOB WISE, JOHN McCAIN, *Co-Chairmen;* JAN MEYERS, CHRISTOPHER J. DODD, *Co-Vice Chairs*

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About 70 percent of the new revenue generated by the fuels tax proposal would come from the resulting increase in the gasoline tax, and direct energy costs for an average family would rise by $29 annually, according to Democrats on the Finance Committee.

Provisions in the bill to increase revenue collections from private use of federally owned natural resources are expected to generate about $700 million over five years.

An additional $470 million would be saved through alterations proposed for the Agriculture Department's conservation reserve and wetlands reserve programs. (For detailed summary, see June 21 *Weekly Bulletin*, p. A8.)

Senate Democrats who support the reconciliation bill say the package would result in a $508 billion cut in the deficit over the next five years, including $248 billion in new taxes and $260 billion in spending cuts. About $70 billion of those cuts would be exacted through the annual appropriations process.

However, Republicans have questioned the validity of these estimates, saying they rely in part on budget gimmickry and that the package would not raise as much in revenues as the Democrats have claimed.

Conference negotiations with the House, which passed a somewhat different reconciliation bill May 27 (HR 2264, H. Rpt. 103-111), are expected to get under way following the weeklong July 4 recess. (For summary of energy and natural resource measures in the House bill, see May 18 *Special Report*, "Revised energy tax proposal heads to House floor in budget bill.")

Amendments: At press time, at least three possible floor amendments pertaining to the transportation fuels tax had surfaced.

• Senate Minority Leader Robert Dole (R-Kan.) said Tuesday Republicans planned to offer a complete substitute for the Democrats' deficit-reduction plan. No details were available, but the GOP alternative is not expected to have any of the proposed tax increases contained in the reconciliation bill now under consideration.

• Sens. Don Nickles (R-Okla.), Richard C. Shelby (D-Ala.), Charles E. Grassley (R-Iowa) and Herb Kohl (D-Wis.) plan to offer an amendment that would strip the fuels tax from the reconciliation bill, with no offsetting reduction in spending.

Their proposal would have no affect on two related provisions in the bill — one of them to extend a 2.5-cent-a-gallon portion of the current motor fuels tax scheduled to expire in 1995, and the other to move the point of tax collection for diesel fuel from the wholesaler to terminal storage facilities. Together, those two measures are expected to generate additional revenues totaling $8.9 billion over five years.

In a letter seeking support for their amendment, Nickles and fellow sponsors said the fuels tax hike, while "less disastrous than the original Btu tax proposal," was "nevertheless harmful to economic growth and disproportionate in its impact on consumers."

They said the fuels tax increase in the reconciliation bill would add more than $2.5 billion in new costs to the beleaguered domestic airline industry, "devastate" the income of independent truckers and "be inflationary by increasing the cost of all goods and services dependent on transportation."

• If the amendment to strike the fuels tax increase is defeated, Sen. Slade Gorton (R-Wash.) plans to offer an amendment that would provide an exemption for aviation fuel, the senator's office said. — *Steve Cook*

Energy tax, fuel taxes and resource fees

(projected revenues in millions of dollars)

Revenue source	FY'94	FY'95	FY'96	FY'97	FY'98	Total
Transportation fuels tax increase	4,791	4,887	4,839	4,838	4,884	24,238
Diesel fuels tax compliance measure	249	188	193	198	204	1,031
Extend 2.5 cents a gallon of gasoline tax	—	—	2,595	2,670	2,651	7,916
Tax diesel fuel used in recreational motor boats	25	37	37	38	41	178
Deny tax subsidies for raw timber exports	56	77	81	87	92	393
Remove tax credit for foreign gas and gas and shipping income	622	440	461	486	510	2,520
New and increased fees for commercial, recreational use of parks and public lands	39	66	77	81	83	346
Permanently extend holding fee for hard-rock mining claims, impose location fee	54	54	54	54	54	270
Permanently extend state sharing of mineral receipt collection costs, with cap	32	34	34	36	38	174
Extension of NRC's nuclear utility fee*	—	—	378	389	402	1,169

*CBO says this measure would not result in savings when measured against the CBO baseline, but the Senate Budget Committee is counting it toward deficit reduction.

Sources: Joint Committee on Taxation, Congressional Budget Office

DRAFT -- FOR INTERNAL USE ONLY 07-Apr-93

Environmental Budget: Major Items

(changes to baseline, dollars in millions)

I. Stimulus	1993 BA Enacted	 Stimulus
Watershed Projects (USDA)	240	47
Enhanced Natural Resource, Protection (USDA/Forest Service)	1,562	188
Rural Water/Wastewater Loans and Grants (USDA)	477	348
Increase Weatherization Grants (DOE) — Immediate Jobs, helps save $.	185	47
Schools and Hospitals Weatherization (DOE)	29	19
Federal Alternative-Fuel Vehicle Acquisition (DOE) - E.O. problem?	20	28
Enhanced Natural Resource Protection (Interior)	2,972	349
Historic Preservation Repair and Maintenance (Interior)	37	23
Watershed Resource Restoration Grants (EPA)	50	47
"Green" Programs (EPA) immense leverage for efficiency $'s.	8	23
Wastewater State Revolving Funds (EPA) Accelerated from 94	1,927	845
Federal Buildings Energy Efficiency (multi-agency) - E.O. problem?	28	19
TOTAL Stimulus (budget authority)	**7,535**	**1,983**

II. Investment	1994 BA Baseline	 Investment	1994-97 Total Investment
Drinking Water State Revolving Funds (EPA)	0	599 New programs	3,599
Clean Water State Revolving Funds (EPA)	0	1,198	7,198
Wastewater Grants to Cities with Extraordinary Needs (EPA)	0	100 - Boston Harbor	100
Safety of Dams on Indian Reservations (Interior)	11	18	108
Water Resources Development (Army Corps of Engineers)	1,595	96	576
Watershed Resource Restoration (EPA)	51	30	180
Defense Environmental Cleanup and Compliance (DOD)	4,014	1,400	n/a
Environmental Restoration and Waste Management (DOE)	5,695	481	2,829
Forests for the Future (USDA)	0	30	180
Weather Service Modernization (NOAA)	466	217	400
Environmental Technology (EPA)	121	36	406
"Green" Programs (EPA)	8	15	90
Natural Res. Protection & Env. Infrastructure (Interior/USDA)	4,760	252	1,723
Tree Planting Initiative (USDA/SBA)	66	41	263
National Research Initiative (USDA)	100	30	510
Forestry Research Initiative (USDA)	206	20	307
Rural Water/Wastewater Loans and Grants (USDA)	490	172	892
Federal Alternative-Fuel Vehicle Acquisition (DOE)	17	18	108

Environmental Budget: Major Items

(changes to baseline, dollars in millions)

II. Investment (continued)	1994 BA Baseline	1994 BA Investment	1994-97 Total Investment
Energy Efficiency in Federal Buildings (multi-agency)	151	94	1,400
Increase Weatherization Grants (DOE)	179	60	360
Energy Conservation and Renewable Energy Programs (DOE)	789	120	1,320
Natural Gas R&D: Emphasize Utilization (DOE)	87	14	263
U.S. Global Change Research Program (multi-agency)	1,344	133	2,038
Wetlands Reserve Program (USDA)	426	--	--
TOTAL Investment (budget authority)	**20,576**	**5,174**	**24,850**

III. Savings	1997 Outlays Baseline	1997 Outlays Savings	1994-97 Total Savings
Complete Wastewater Treatment Grants Authorization (EPA)	2,716	1,947	4,104
Reduce Construction Funding for Water Projects (Interior/Army)	2,066	92	398
* Phaseout Below-Cost Timber Sales (Forest Service)	1,844	28	72
Increase Private Sector Superfund Financing (EPA)	1,713	109	308
Phase-in Increased Inland Waterway User Fees (Army)	109	460	820
* Increase Grazing Fees (Interior/USDA)	35	35	76
Implement a Federal Irrigation Water Surcharge (Interior)	0	15	45
* Hardrock Mining Royalties (Interior)	0	277	471
Hardrock Mining Holding Fees (Interior)	80	80	320
TOTAL Savings (outlays)	**8,563**	**3,043**	**6,614**

IV. Revenue	1994 Baseline	1997 Revenue	1994-97 Total Revenue
Introduce a Broad-Based Energy Tax	0	22,147	50,072

V. Other	1994 BA Baseline	1994 BA Budget	1994-97 Total
DOI Federal Land Acquisition (LWCF)	284	-77	-77

* Not in the reconciliation package, but will be either implemented administratively (below-cost timber and grazing fees) or through comprehensive legislation (hardrock royalties).

06-Apr-93

Environmental Budget: Major Items

(changes to baseline)

	(dollars in millions)
I. Stimulus	**1993 BA**
Watershed Projects (USDA)	47
Enhanced Natural Resource Protection (USDA/Forest Service)	188
Rural Water/Wastewater Loans and Grants (USDA)	348
Increase Weatherization Grants (DOE)	47
Schools and Hospitals Weatherization (DOE)	19
Federal Alternative-Fuel Vehicle Acquisition (DOE)	28
Enhanced Natural Resource Protection (Interior)	349
Historic Preservation Repair and Maintenance (Interior)	23
Watershed Resource Restoration Grants (EPA)	47
"Green" Programs (EPA)	23
Wastewater State Revolving Funds (EPA)	845
Federal Buildings Energy Efficiency (multi-agency)	19
TOTAL Stimulus (budget authority)	**1,983**
II. Investment	**1994 BA**
Drinking Water State Revolving Funds (EPA)	599
Clean Water State Revolving Funds (EPA)	1,198
Wastewater Grants to Cities with Extraordinary Needs (EPA)	100
Safety of Dams on Indian Reservations (Interior)	18
Water Resources Development (Army Corps of Engineers)	96
Watershed Resource Restoration (EPA)	30
Defense Environmental Cleanup and Compliance (DOD)	1,400
Environmental Restoration and Waste Management (DOE)	481
Forests for the Future (USDA)	30
Weather Service Modernization (NOAA)	217
Environmental Technology (EPA)	36
"Green" Programs (EPA)	15
Natural Res. Protection & Env. Infrastructure (Interior/USDA)	252
Tree Planting Initiative (USDA/SBA)	41
National Research Initiative (USDA)	30

06-Apr-93

Environmental Budget: Major Items

(changes to baseline)

	(dollars in millions)
II. Investment (continued)	**1994 BA**
Forestry Research Initiative (USDA)	20
Rural Water/Wastewater Loans and Grants (USDA)	172
Federal Alternative-Fuel Vehicle Acquisition (DOE)	18
Energy Efficiency in Federal Buildings (multi-agency)	94
Increase Weatherization Grants (DOE)	60
Energy Conservation and Renewable Energy Programs (DOE)	120
Natural Gas R&D: Emphasize Utilization (DOE)	14
U.S. Global Change Research Program (multi-agency)	133
Wetlands Reserve Program (USDA)	--
TOTAL Investment (budget authority)	**5,174**
III. Savings	**1997 Outlays**
Complete Wastewater Treatment Grants Authorization (EPA)	1,947
Reduce Construction Funding for Water Projects (Interior/Army)	92
* Phaseout Below-Cost Timber Sales (Forest Service)	28
Increase Private Sector Superfund Financing (EPA)	109
Phase-in Increased Inland Waterway User Fees (Army)	460
* Increase Grazing Fees (Interior/USDA)	35
Implement a Federal Irrigation Water Surcharge (Interior)	15
* Hardrock Mining Royalties (Interior)	277
Hardrock Mining Holding Fees (Interior)	80
TOTAL Savings (outlays)	**3,043**
IV. Revenue	**1997 Revenue**
Introduce a Broad-Based Energy Tax	22,147
V. Other	**1994 BA**
DOI Federal Land Acquisition (LWCF)	-77

* Not in the reconciliation package, but will be either implemented administratively (below-cost timber and grazing fees) or through comprehensive legislation (hardrock royalties).

Revised
April 6, 1993

Environmental Budget: Major Items
(changes to baseline)

I. Stimulus

Watershed Projects (USDA) -- ($47M in 1993 BA)

This proposal would provide an additional $47 million in FY 1993 to help reduce a backlog of Soil Conservation Service (SCS) emergency watershed projects that are currently eligible for Federal assistance. These projects address local watershed problems caused by soil erosion, sedimentation, and flood damage. SCS projects may also improve water quality and supply in rural areas.

Enhanced Natural Resource Protection (USDA/Forest Service) -- ($188M in 1993 BA)

This proposal would provide $188 million in FY 1993 to protect and rehabilitate America's inventory of natural and rural assets, restore facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction, and other similar projects that stimulate economic growth and employment in rural areas.

Rural Water/Wastewater Loans and Grants (USDA) -- ($348M in 1993 BA)

This proposal would increase the Rural Development Administration's FY 1993 loan authority from $600 million to $1.1 billion and its grant authority from $390 million to $672. To comply with clean water standards set by EPA, rural America's water and wastewater needs total roughly $10 billion by the year 2000. Often many small, poor, rural communities are unable to meet these clean water and wastewater standards without Federal assistance.

Increase Weatherization Assistance Program (DOE) -- ($47M in 1993 BA)

This proposal would increase funds by $47 million in FY 1993 BA to States to help pay for home weatherization improvements for low-income citizens. Matching funds (at least 1:1) will be required from States or utilities. This will encourage State weatherization programs to take advantage of utilities' demand-side management (rebate and discount) programs, and ensure that the funds go to States that demonstrate a serious commitment to low-income weatherization activities.

Schools and Hospitals Weatherization (DOE) -- ($19M in 1993 BA)

The Institutional Conservation Program provides formula grants to States for weatherization and other energy-efficiency improvements at public institutions, such as schools and hospitals. A small amount of matching funding is currently required in the program -- about 20 percent. This proposal would provide a one-time supplement to the Institutional Conservation Program to raise the available funding during FY 1993 from $28 million to $47 million, an increase of $19 million.

Federal Alternative-Fuel Vehicle Acquisition (DOE) -- ($28M in 1993 BA)

The Energy Policy Act of 1992 mandates the acquisition of increasing numbers of alternative-fueled vehicles, reaching 33 percent of new light-duty vehicle purchases in FY 1997 and 75 percent in FY 1999. This initiative would provide $28 million in FY 1993 for the acquisition of alternative-fueled vehicles. This expands upon the Alternative Motor Fuels (AMFA) purchases currently funded by appropriations to the Department of Energy. DOE pays the extra cost of alternative fuel vehicles over the normal cost of the same vehicle in a conventional-fuel design. Any agency that purchases Federal fleet vehicles (e.g., DOD, GSA) is eligible to receive such assistance.

Enhanced Natural Resource Protection (Interior) -- ($349M in 1993)

This proposal would protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction and other similar projects that stimulate economic growth and employment in rural and urban areas. The work would be located at resource areas managed by the Department of the Interior (National Park Service, Fish and Wildlife Service, Bureau of Land Management, and Bureau of Indian Affairs). Funds would supplement existing National Park Service operating programs such that facilities or services previously scheduled to be closed in 1993 would remain open.

Historic Preservation Repair and Maintenance (Interior) -- ($23M in 1993 BA)

The Administration proposes $23 million to fund a backlog of brick and mortar rehabilitation projects, emergency surveys, engineering reports, and deferred maintenance at National Trust for Historic Preservation Museum properties across the Nation, and other priority State and tribal projects.

Watershed Resource Restoration Grants (EPA) -- ($47M in 1993 BA)

This proposal would supplement current funding with an additional $47 million for non-point source grants under Section 319 of the Clean Water Act. Non-point source pollution, such as runoff from farms, mining sites and city streets, is now the largest cause of pollution in our Nation's waters. Reductions in non-point source pollution would help restore watersheds and estuaries, leading to increased numbers of fish and other aquatic life, and improving fishing and recreational opportunities in urban, suburban, and rural areas.

"Green" Programs (EPA) -- ($23M in 1993 BA)

This proposal would expand EPA's voluntary "Green" programs by $23 million in FY 1993 over the current $8 million funding level. During the past two years, EPA launched its "Green Lights" program to encourage Fortune 500 companies to convert profitably into more energy-efficient lighting, which will reduce electricity generation and reduce greenhouse gas emissions. These programs can be expanded to include energy-efficient industrial motors, heating/ventilation/air conditioning (HVAC), residential clothes washers and dryers, and heat pumps.

Wastewater Treatment State Revolving Funds (EPA) -- ($845M in 1993 BA)

This proposal would provide $845 million in capitalization grants to State Revolving Funds (SRFs), which make low-interest loans to municipalities for construction of sewage treatment facilities. This would accelerate completion of an $18 billion wastewater treatment grant authorization that is scheduled to end in FY 1994. The funding would supplement $2.5 billion in FY 1993 enacted funding for EPA wastewater treatment grants.

Federal Buildings Energy Efficiency (multi-agency) -- ($19M in 1993 BA)

Both Administration policy and the Energy Policy Act of 1992 require that Federal agencies reduce their energy consumption per square foot of facilities by 20 percent by the year 2000, relative to their consumption in 1985. This stimulus initiative ($19 million in FY 1993 BA), when combined with the investment of $1.3 billion above the baseline in the outyears, moves quickly to meet this goal. Not all of the funds would go to the Department of Energy. Direct appropriations are requested for the top four energy-using agencies (the Departments of Defense, Energy, and Veterans' Affairs, and the General Services Administration) roughly in proportion to how much energy each one uses. A fund will be set up at DOE to help finance improvements in other agencies.

II. Investment

Drinking Water State Revolving Funds (EPA) -- ($599M in 1994 BA; $1B per year 1995-97)

This proposal would provide $1 billion per year in new capitalization grants to State Revolving Funds in FY 1995-97 for the purpose of making low-interest loans to help municipalities comply with Safe Drinking Water Act (SDWA) requirements. EPA estimates that States and localities will need to invest $10 billion in drinking water infrastructure through 1998 to meet SDWA requirements. In the past, the Federal Government has not provided funding to meet the capital costs of these SDWA requirements other than in rural areas.

Clean Water State Revolving Funds (EPA) -- ($1,198M in 1994 BA; $2B per year 1995-97)

This proposal would provide $2 billion per year in FY 1995-97 under a new authorization for capitalizing Clean Water State Revolving Funds (SRFs). These SRFs would make low- interest loans to municipalities for construction of projects to address water quality problems. These funds would help municipalities comply with recent requirements for stormwater control and help implement management plans for restoring estuaries.

Wastewater Grants for Cities with Extraordinary Needs (EPA) -- ($100M in 1994 BA)

This proposal would provide $100 million in 1994 for one or more needy cities with high capital needs for secondary treatment infrastructure and high user charges. For FY 1995, the Administration is reviewing several options to establish a self-financing fund to address the infrastructure needs of cities that face exceptionally burdensome costs to meet secondary treatment standards.

Safety of Dams on Indian Reservations (Interior) -- ($18M in 1994 BA; $30M per year 1995-97)

This proposal would accelerate repairs and safety improvements to the inventory of dams administered by the Bureau of Indian Affairs (BIA). The BIA is responsible for ensuring the general safety and structural integrity of all dams located within the boundaries of Indian reservations. BIA is responsible for 54 dams presenting a high or significant hazard potential to human life and property should failure occur. In 1989, the Department of Interior's Inspector General reported that 31 of these 54 high or significant hazard dams were in poor or unsatisfactory condition. This investment proposal would ensure that identified rehabilitation and repair work could be performed on BIA dams that are ready for corrective action.

Water Resources Development (Army Corps of Engineers) -- ($96M in 1994 BA; $160M per year 1995-97)

Corps of Engineers water projects provide flood damage reduction, inland and harbor waterway transportation, hydropower, and environmental restoration benefits. The projects, though, are aging: more than 50 percent of these projects are over three decades old. Nearly one quarter exceed 50 years of age. In spite of a growing backlog, resources for maintaining these projects have stayed largely constant.

Watershed Resource Restoration (EPA) -- ($30M in 1994 BA; $50M per year 1995-97)

This proposal would double the current funding level of $50 million annually for non-point source grants under Section 319 of the Clean Water Act. Non-point source pollution such as runoff from farms, mining sites and city streets, is now the largest cause of pollution in our Nation's waters. Reductions in non-point source pollution would help restore watersheds and estuaries, leading to increased numbers of fish and other aquatic life, and improving fishing and recreational opportunities in urban, suburban, and rural areas.

Defense Environmental Cleanup and Compliance (DOD) -- ($1,400M in 1994 BA)

This proposal would provide an additional $1,400 million in FY 1994 for environmental planning, compliance, pollution prevention, and restoration at Department of Defense facilities. It would provide significant increases in funding for Defense environmental restoration activities, and fund necessary environmental measures at closing bases. This proposal would ensure that DOD continues to make major progress in environmental cleanup and compliance at its facilities.

Environmental Restoration and Waste Management (DOE) -- ($481M in 1994 BA; $3.5B total 1994-97)

The Department of Energy is responsible for the management and disposal of a wide variety of radioactive and hazardous wastes resulting from over forty years of activities conducted in the Government's atomic weapons program and from the Department of Energy's research and enriched uranium activities. The investment reflects the Administration's emphasis on reversing the imbalance in priorities between weapons production and the environment.

Forests for the Future (USDA) -- ($30M in 1994 BA; $50M per year 1995-97)

Recognizing the importance of global forests, the budget would propose an investment of $30 million in FY 1994 and $50 million per year for 1995-1997, towards the international goal of reducing world-wide deforestation. At the 1992 Rio "Earth Summit", the U.S. proposed that all countries join in doubling international forest assistance. This investment would be a downpayment towards the commitment to fund initial partnership activities with both foreign nations and domestic and international non-governmental organizations. Funds would be used, in part, to support integrated resource management, assist scientific research on tropical forests and biodiversity, assist local communities in forest resource management, improve inventory and management of large forests, develop institutions that can attract private investment in forest conservation, and reforest degraded lands.

Weather Service Modernization (NOAA) -- ($217M in 1994 BA; $400M total 1994-97)

NOAA is now in the process of modernizing National Weather Service systems. Under the Administration's plan, by the turn of this century, NOAA would operate one of the most advanced weather warning and prediction networks in the world. New observation systems such as doppler radars and weather satellites would provide for more accurate and timely forecasts. These improvements would translate into lives saved and damages averted, and benefit all sectors of the economy that rely on accurate warnings and forecasts for planning.

Increase Investment in Environmental Technology (EPA) -- ($36M in 1994 BA; $625M total 1995-97)

This proposal would increase funding for environmental engineering and technology development by $36 million in FY 1994, a total of $625 million through 1998, and a total of $1.85 billion over nine years. The focus of this initiative would be long-term research and pollution prevention by EPA, other Federal agencies, and the private sector. The goal is to develop more advanced environmental systems and treatment techniques that can yield environmental benefits and increase exports of "green" technologies.

"Green" Programs (EPA) -- ($15M in 1994 BA; $25M per year 1995-97)

This proposal would provide an additional $25 million annually for EPA's voluntary "Green" programs in FY 1995-1997. During the past two years, EPA launched its "Green Lights" program to encourage Fortune 500 companies to convert profitably into more energy-efficient lighting, which will reduce electricity generation and greenhouse gas emissions. These programs can be expanded to include energy efficient industrial motors, heating/ventilation/air conditioning (HVAC), residential clothes washers and dryers, and heat pumps.

Natural Resource Protection and Environmental Infrastructure (Interior/USDA) -- ($252M in 1994 BA; $1,723M total 1994-97)

The proposal would provide $252 million in 1994 ($173 million for Interior and $79 million for USDA) to protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources and improve public access to them. This funding would be targeted toward the backlog of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction and other similar projects that stimulate economic growth and employment in rural and urban areas. Interior bureaus affected are the National Park Service, Fish and Wildlife Service, and Bureau of Land Management. The USDA bureau affected is the Forest Service. As part of the Environmental Infrastructure component of this initiative, the U.S. Geological Survey will expand facilities to receive environmental data from satellites.

Tree Planting Initiative (USDA/SBA) -- ($41M in 1994 BA; $263M total 1994-1997)

This proposal would provide $41 million ($25M USDA; $16M SBA) for an expanded tree planting initiative. The program has two principal components: a rural initiative providing cost-sharing to non-industrial private forest land owners for tree planting; and an urban initiative focusing on technical assistance and community grants to promote urban tree planting and forestry practices. Reforestation and stand improvement on these lands can result in increased environmental benefits such as removing more carbon dioxide from the air.

National Research Initiative (USDA) -- ($30M in 1994 BA; $480M total 1995-97)

The Nation faces major challenges to ensure the food supply's safety and quality, sustain natural resources, and continue the competitiveness of U.S. agricultural products in global trade. In order to meet these challenges, this proposal would provide $30 million for additional competitively awarded research grants in 1994 that would support approximately 500 additional research projects in areas such as food safety, sustainable agricultural production, forestry research and biotechnology.

Forestry Research Initiative (USDA) -- ($20M in 1994 BA; $287M 1995-97)

This proposal would provide approximately $300 million over four years to the Forest Service, the Cooperative State Research Service, and the Extension Service to increase the breadth and depth to which forestry research areas are investigated. Research funded by this proposal would provide the necessary information to help the Nation develop sound forest-related policies that would both provide resources to meet ever-increasing demands for forest products from the population and sustain forest ecosystems.

Rural Water and Wastewater Loans and Grants (USDA) -- ($172M in 1994 BA; around $240M per year 1995-97)

This proposal would increase Rural Development Administration loan authority from $600 million to $876 million and its grant authority from $390 million to $541 million in FY 1994. Without Federal assistance, small water and wastewater systems face extraordinarily large increases in water and sewer charges associated with evolving environmental standards. To comply with clean water standards set by EPA, rural America's water and wastewater needs total roughly $10 billion by the year 2000. Often many small, poor, rural communities are unable to meet these clean water and wastewater standards without Federal assistance.

Federal Alternative-Fuel Vehicle Acquisition (DOE) -- ($18M in 1994 BA; $30M per year 1995-98)

The Energy Policy Act of 1992 mandates the acquisition of increasing numbers of alternative-fueled vehicles, reaching 33 percent of new light-duty vehicle purchases in FY 1997 and 75 percent in FY 1999. This initiative carries on the effort begun in the stimulus package; it would provide $18 million in 1994 and $30 million per year from 1995 through 1998 for the acquisition of alternative-fueled vehicles. This expands upon the Alternative Motor Fuels Act (AMFA) purchases currently funded by appropriations to the Department of Energy. DOE pays the extra cost of alternative-fuel vehicles over the normal cost of the same vehicle in a conventional-fuel design. Any agency that purchases Federal fleet vehicles (e.g., DOD, GSA) is eligible to receive such assistance.

Energy Efficiency in Federal Buildings (multi-agency) -- ($94M in 1994 BA; $1.4B total 1994-97)

Both Administration policy and the Energy Policy Act of 1992 requires that Federal agencies reduce their energy consumption per square foot of facilities by 20 percent by the year 2000, relative to their consumption in 1985. Current Federal investment in such improvements is running around $150 million per year government-wide. Not all of the funds would go to the Department of Energy. Direct appropriations are requested for the top four energy-using agencies (the Departments of Defense, Energy, and Veterans' Affairs, and the General Services Administration) roughly in proportion to how much energy each one uses. A fund would be set up at DOE to help finance improvements in other agencies. DOE's support activities would also be increased, with 720 energy managers trained and 600 site energy audits performed in 1994 and a total of more than 9,000 energy managers trained and 4,600 sites audited in 1994-1998.

Increase Weatherization Assistance Program (DOE) -- ($60M in 1994 BA; $100M per year 1995-97)

This proposal would increase funds to States to help pay for home weatherization improvements for low-income citizens. Matching funds (at least 1:1) would be required from States or utilities. This would encourage State weatherization programs to take advantage of utilities' demand-side management (rebate and discount) programs, and ensure that the funds go to States that demonstrate a serious commitment to low-income weatherization activities.

Energy Conservation and Renewable Energy Programs (DOE) -- ($120M in 1994 BA; $1.8B total 1994-98)

The Energy Policy Act of 1992 contains numerous responsibilities for the Department of Energy. This initiative would ramp up funding in these areas, starting with $120 million over the baseline in FY 1994, rising to $600 million in FY 1998, for a five-year total increase over baseline of $1.8 billion in BA. The increased funding would be distributed roughly equally among four major program areas: solar and renewable energy, and industrial, transportation, and buildings conservation R&D. The funds will not only accelerate development of cost-effective technologies in each of those areas, but also promote the commercialization of technologies now becoming available, and promote increased exports of these technologies as well. The largest increases would go to technology transfer and commercialization, biofuels development, advanced materials (especially ceramics), industrial wastes and materials processing, electric and hybrid vehicles, and modeling of building systems interactions.

Natural Gas R&D: Emphasize Utilization (DOE) -- ($14M in 1994 BA; $381M total 1994-98)

The Administration is committed to expanding the use of natural gas because it is one of the most environmentally friendly fuels. This proposal would double Research and Development on gas utilization by focusing, for example, on fuel cells and advanced utility-scale turbines.

U.S. Global Climate Change Research (multi-agency) -- ($133M in 1994 BA; $2.0B total 1994-97)

Improving our understanding of the climate system is one of the six initiatives being addressed by the Federal Coordinating Council for Science, Engineering, and Technology (FCCSET). The climate initiative coordinates the research done on this topic at over a dozen different Federal agencies. It is focused on understanding the processes involved in climate change and a key component of the U.S. action plan at the recent "Earth Summit" negotiations.

Wetlands Reserve Program (USDA)

Full funding of the Wetlands Reserve Program (WRP) would be maintained, allowing one million wetlands acres to be enrolled under permanent easements by the end of 1995: approximately $370 million in 1994 and $411 million in 1995 would be included for the WRP.

III. Savings

Completion of Wastewater Treatment Construction Grants Authorization, Except NAFTA (EPA) -- ($1.9B in 1997 outlay savings)

With the $845 million in wastewater stimulus funding provided in FY 1993, the $18 billion authorization under the 1987 Water Quality Act, which was designed to end Federal assistance, would be virtually completed a year ahead of schedule. As these loans are repaid, States would be able to make a new round of loans due to the self-sustaining nature of the State Revolving Funds. The Budget also proposes (under Investment) a new $2 billion annual authorization for capitalizing Clean Water State Revolving Funds for low-interest loans to municipalities to address water quality problems.

Reduce Construction Funding for Low-Priority Water Projects (Interior/Army) -- ($92M in 1997 outlay savings)

This proposal would reduce or stretch-out funding for certain Army Corps of Engineers and Bureau of Reclamation water resources projects. These projects are often environmentally destructive.

Phaseout Below-Cost Timber Sales (Forest Service) -- ($28M in net 1997 outlay savings)

Timber sales from some National Forests do not cover the costs to the Government of making the timber available for sale. This proposal would gradually eliminate sales in those forests where timber-sale program costs exceed timber-sale revenue. This phaseout would be implemented administratively.

Increase Private Sector Superfund Financing (EPA) -- ($109M in 1997 outlay savings)

In line with the "polluter pays" principle, this proposal would increase the proportion of hazardous waste sites cleaned up by private parties (as allowed by law) without affecting protection of human health and the environment. The proposal would preserve Federal Superfund money only for sites where there are no viable private parties to undertake the cleanup to ensure that the greatest number of sites can be cleaned up with the limited funding available in the Superfund trust fund.

Phase-in Increased Inland Waterway User Fees (Army Corps of Engineers) -- ($460M in 1997 outlay savings)

This proposal would increase the Federal fuel tax over several years to $1.00 in 1997. The revenue would be used to offset the cost of operating and maintaining the inland waterway system, the most Federally subsidized transportation mode.

Increase Grazing Fees (Interior/USDA) -- ($35M in 1997 outlay savings)

This proposal would increase grazing fees on public lands as negotiated by the Secretaries of Interior and Agriculture, who would be given the flexibility to develop alternative approaches to the current formula. Note: This proposal is not in the reconciliation package, but would be implemented administratively.

Implement a Federal Irrigation Water Surcharge (Interior) -- ($15M in 1997 outlay savings)

This proposal would authorize a per acre-foot surcharge on water sales to Reclamation projects throughout the West (except for the Central Valley Project in California, for which a similar surcharge was recently enacted). Revenue from the surcharge would be deposited into a special fund for use (subject to appropriation) in mitigating irrigation-caused adverse impacts on fish and wildlife. The surcharge would also encourage more rational water use that would reduce the harmful impacts of non-point source pollution.

Permanently Extend Hardrock Mining Holding Fees and Institute Hardrock Mining Royalties (Interior) -- (Holding Fees: $80M in 1997 outlay savings; Hardrock Royalties: $277M in 1997 outlay savings)

This proposal would permanently authorize charging a $100 per claim holding fee on all hardrock claims on Federal lands (such a fee was initially enacted in FY 1993), and establish a 12.5 percent royalty to the gross value of the hardrock minerals extracted from mining claims on public lands. The claimant would be relieved of annual work requirements, which should increase flexibility on timing the development of claims. It would also reduce unnecessary ground disturbance to satisfy current law. The new royalty would be phased in over three years to reduce the impact on the mining industry and local communities. Receipts from hard rock mining royalties would be shared with the States where the mining occurs. Note: The hardrock royalty proposal is not in the reconciliation package, but would be pursued as part of the Administration's effort to achieve comprehensive mining law reform.

IV. Revenue

Introducing a Broad-Based Energy Tax -- (raises $22.1B in 1997, net of offsets)

A broad-based tax is proposed on energy, based on the energy content of the fuel (measured in British Thermal Units or BTUs). The energy tax would encourage conservation by making energy more expensive, reduce pollution, and decrease the country's dependence on foreign energy suppliers. Despite a drop in oil prices during the Persian Gulf War, this country still depends on foreign sources for nearly half of its oil and about one-fifth of its total energy. Most types of energy would be taxed at the rate of $.257 per million BTUs, while refined petroleum products would be taxed at the rate of $.599 per million BTUs. The higher rate on refined petroleum products is intended to promote energy security and the use of cleaner burning fuels. The energy tax would be accomplished by proposed increases in transfers under the Low-Income Home Energy Assistance (LIHEAP) and Food Stamp Programs, to alleviate the burden of the energy tax on low-income households outside of the labor force and the tax system. The new tax would raise $22.1 billion in 1997 (net of the offsets).

V. Other

Federal Recreational Land Acquisition and State Grants (LWCF) -- (-$77M in 1994 BA)

The Land and Water Conservation Fund (LWCF) supports land acquisition at national parks, forests, wildlife refuges, and other public lands managed by Interior and USDA; and grants for State acquisition and development of recreation lands and outdoor recreation facilities. This proposal would reduce Department of the Interior Federal land acquisition funds by $77 million from the FY 1993 enacted level in order to fund primarily National Park and Bureau of Indian Affairs operations. The Secretary would also emphasize land exchanges over direct acquisitions. The Forest Service part of LWCF Federal land acquisition and DOI State grants would be funded at about FY 1993 levels.

Congress of the United States
House of Representatives
Washington, DC 20515

March 24, 1993

The Honorable Louis Stokes
Chairman, House Appropriations Subcommittee on VA,
HUD and Independent Agencies
H143 Capitol
Washington, DC 20515-6032

Dear Chairman Stokes:

We want to congratulate you on your new Chairmanship and bring a matter to your attention. We strongly support the Environmental Protection Agency's use of $5 million of existing funding in the Agency's FY 1993 budget to carry out projects under the Forests for the Future initiative (FFI). We want to offer you some background to demonstrate the importance of this program and ask for your help in ensuring that it is properly funded. We are certainly sensitive to federal budgetary constraints, but this project involves reprogramming a modest amount of existing funding and, if successful, could demonstrate a way to save our economy millions of dollars in climate change compliance costs in the future.

We have been involved in advancing related measures for the past three years-- long before the Bush Administration was willing to take the climate change issue seriously. In the past two Congresses, we sponsored legislation that would reduce greenhouse gas emissions cost-effectively by permitting utilities to offset their emissions in a variety of ways, including reforestation. Last year, we added our proposal to the Energy Policy Act as a voluntary program to encourage companies to reduce emissions early. In addition, the U.S. ultimately supported provisions in the Rio Climate Convention, called "Joint Implementation," which authorize industrialized nations to meet their treaty obligations jointly with developing nations. Taken together, these provisions will allow U.S. firms to make emissions reductions by funding reduction programs abroad.

As you may know, one way carbon dioxide can be reduced in the atmosphere is by planting new trees to absorb it from the atmosphere and fix it as wood. Recent studies show that international tree planting projects may well be the most cost effective response to climate change, but few companies have been willing to invest money in these innovative projects until they learn more from the pioneering efforts of others. So far, we have seen very few pioneers. If funded to go forward, the FFI program will be invaluable in creating prototypes for private firms to replicate with private money in the near future. They will demonstrate the bio-physical issues associated with carbon sequestration, biodiversity and forest management. In addition, FFI projects will establish intergovernmental and public-private partnerships to explore and resolve the legal, institutional and economic issues that must be settled in order to attract private investments into similar projects. In fact, the United States presented a draft "National Action Plan for Global Climate Change" at the International Negotiating Committee meeting in Geneva, Switzerland in December, 1992, and it included mention of FFI's possible involvement in private joint implementation projects that hopefully will be part of our final plan.

Global climate change is the first major environmental issue where America will benefit from clean-up no matter where on the globe it occurs. In other words, our climate in the U.S. is likely to benefit just as much from trees planted abroad as from carbon dioxide cleaned-up in America-- only the international clean-up could potentially save us billions of dollars. Furthermore, FFI presents a unique opportunity for the federal government's expert environmental agency to focus a clear eye on the environmental benefits to our climate domestically from international projects. While other federal agencies also undertake tree planting projects, none matches EPA's sharp focus on climate change benefits in FFI.

If our nation is to confront climate change and enjoy economic growth, the success of these projects is critical. Both the new Energy law and the Rio treaty are designed to encourage parties, either voluntarily or under obligation, to make overall reductions in greenhouse gas emissions in the least expensive ways possible.

In short, the projects being developed under FFI can deliver a variety of environmental benefits while offering models for economically efficient strategies for cutting carbon emissions— an approach which we have been trying to advance for several years. In the end, these programs are crucial in enabling our nation to enjoy environmental improvement and economic growth, and we urge you to approve their funding.

Sincerely,

JIM COOPER
Member of Congress

MIKE SYNAR
Member of Congress

cc: Senator Barbara Mikulski
Carol Browner, EPA Administrator
Katie McGinty, Special Assistant to the President for Environment

House Approps. - Stokes subcommittee - denying carryover $. Chairman leaning away from Int'l.

NAFTA / NAD. - Need sustained standing

Subcommittee proposed EDA budget 1.9 m - across board for Int'l Act. Attitude is unreceptive abroad - against border stuff -

Thinking it is pass-thru money. Subcommittee w/ purely domestic.

22nd - full markup.

1.9 - across the board - all int. activities - at EDA discretion. Passing the buck - Internally estimate impact on offices.

Out of Jurisdiction

green programs - fine

In accordance with Statute 321:85, this message has been written in language simple enough for a **Republican** to understand.

Sep 20, 1997

659-3683

Jan. 21, 47

$13/56

Navy / Interior

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