CBO TESTIMONY

Statement of
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on
H.R. 3967, the Helium Act of 1994

before the
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
U.S. House of Representatives

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NOTICE

This statement is not available for public release until it is delivered at 10:00 a.m. (EDT), Tuesday, April 19, 1994.

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Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to discuss the budgetary impacts of H.R. 3967, the Helium Act of 1994. The bill would amend the Helium Act to prohibit the Bureau of Mines from refining helium and selling refined helium, require the Secretary of the Interior to dispose of the United States' helium facilities and the federal helium reserve, and make other changes in the federal role in helium production. My statement will discuss the budgetary effects of the bill. I will outline the Congressional Budget Office's (CBO's) current baseline projections for the Bureau of Mines' helium program and present our analysis of the budgetary impact of the bill over the 1995-1999 period.

THE FEDERAL HELIUM PROGRAM

The United States has a crude helium reserve of about 31 billion cubic feet. This stockpile was acquired through purchases from private firms in the 1960s and 1970s and is maintained in the Cliffside Reservoir in Texas. Under the authority of the Helium Act Amendments of 1960, the federal helium program within the Bureau of Mines currently produces and refines helium for sale. The volume of federal sales is usually about 300 million cubic feet annually. Most of the sales are to other federal agencies (either directly or through intermediary contracts), primarily the National Aeronautics and Space Administration, the Department of Defense, and the Department of Energy.

CBO's current baseline estimates assume that the helium program will continue to refine helium and sell the refined product to other federal agencies at current rates. These sales will bring in about $20 million per year. We estimate that the program will earn additional revenues, totaling $10 million to $13 million a year, from sales to nonfederal entities and from contract fees related to the right to extract helium from natural gas produced on federal lands. These estimates are based on the agency's plans as described in the President's budget for fiscal year 1995, which indicated that the helium program will begin to raise storage and transportation fees, lower the price it charges federal agencies for refined helium, and sell small amounts of crude helium from the reserve. These changes are to begin in fiscal year 1995.

CBO estimates that operating costs for the helium fund will be about $21 million in fiscal year 1995, rising to about $24 million in fiscal year 1999. Capital expenditures will add another $1 million a year. The net budgetary impact under current law will be negative net outlays--or net receipts to the fund--of about $8 million a year (see Table 1).

TABLE 1. CBO BASELINE ESTIMATE FOR THE FEDERAL HELIUM FUND
(By fiscal year, in millions of dollars)

	1994	1995	1996	1997	1998	1999
Expenses						
Operating Costs	20	21	22	22	23	24
Capital Expenses	1	1	1	1	1	1
Total	21	22	23	23	24	25
Income						
Sales to Federal Agencies	21	20	20	20	20	20
Sales to Nonfederal Entities	5	5	5	6	7	7
Contract Fees for Extracting Helium on Federal Lands	5	5	5	6	6	6
Total	31	30	31	32	33	33
Net Outlays						
Outlays (Expenses Less Income)	-10	-8	-8	-8	-8	-8

SOURCE: Congressional Budget Office.

H.R. 3967, THE HELIUM ACT OF 1994

H.R. 3967 would direct the Secretary of the Interior to stop producing, refining, and marketing refined helium and would require the Secretary to dispose of all facilities associated with producing and refining helium. The bill would permit the Secretary to grant leasehold rights to helium on federal lands, sell crude helium from the federal reserve, and maintain the federal storage and transportation system for crude helium. H.R. 3967 would require

the Secretary to charge private users of the storage system fees sufficient to cover the costs of maintaining the system and to sell crude helium at rates that would not disrupt the market price for helium. The bill would require any private helium producer selling refined helium to federal customers to purchase crude helium from the federal reserve at a price determined by a formula, which involves the amount of the helium fund's outstanding debt to the Treasury as of October 1, 1993, and the quantity of crude helium stored in the federal reserve at Cliffside. Finally, the bill would provide for eliminating the helium stockpile beginning in the year 2014.

For purposes of developing an estimate of the bill's budgetary impact, CBO has assumed that H.R. 3967 would be enacted on or about October 1, 1994, and that federal production of refined helium would end a year later. We have also assumed that the government's sales of crude helium would begin a year after enactment of the bill--about when the federal refining activities cease. CBO anticipates that there would not be a market for federal crude helium beyond the sales of crude helium that the bill would require as a condition of the contract for sales of refined helium to federal agencies (about 300 million cubic feet annually). Based on the formula established in the bill, CBO estimates that the price of crude helium from the reserve would be about $40 per thousand cubic feet initially, rising to about

$42 per thousand cubic feet by fiscal year 1999. We do not expect federal leasing arrangements to change as a result of H.R. 3967.

THE BUDGETARY IMPACT OF H.R. 3967

As a public enterprise fund that is not controlled by appropriation action, the federal helium fund is subject to the pay-as-you-go (PAYGO) procedures of the Budget Enforcement Act. Consequently, any changes to the cash flow of the program mandated by authorizing legislation would be recorded on the PAYGO scorecard. CBO estimates that the changes in federal helium operations resulting from enactment of H.R. 3967 would produce a savings to the helium fund of about $25 million in its ongoing operations over fiscal years 1995 through 1999, plus receipts of less than $10 million from the sale of facilities and equipment related to the refining activities (see Table 2). Under standard scorekeeping procedures, the receipts from this sale of facilities and equipment would not be counted for PAYGO scoring.

Eliminating the sales of refined helium would result in a loss of revenues to the helium fund of about $25 million annually. These losses would be more than offset, however, by savings from eliminating the production costs for refining, producing, and marketing helium (about

TABLE 2. THE BUDGETARY IMPACT OF H.R. 3967 ON THE FEDERAL HELIUM FUND, RELATIVE TO THE CBO BASELINE
(By fiscal year, in millions of dollars)

	1994	1995	1996	1997	1998	1999
			CBO Baseline			
Expenses	21	22	23	23	24	25
Income	31	30	31	32	33	33
Net Outlays	-10	-8	-8	-8	-8	-8
			H.R. 3967			
Expenses	21	22	7	4	4	4
Income[a]	31	30	18	19	19	20
Net Outlays	-10	-8	-12	-15	-15	-16
			Difference			
Expenses	0	0	-16	-20	-20	-21
Income[a]	0	0	13	13	13	13
Net Outlays	0	0	-4	-7	-7	-8

SOURCE: Congressional Budget Office.

a. Does not include proceeds from the sale of facilities and equipment, which would amount to less than $10 million and would not count for PAYGO scoring.

$20 million annually) and new revenues from selling crude helium (about $11 million annually, once the new system is in place). The program would incur about $3 million in severance costs for employees who would be released, contract termination penalties, and other costs associated with ceasing production and closing down the federal facilities. Nevertheless, the

effect of the bill would be an increase in the net receipts of the helium fund, appearing as a decrease in net outlays on the budget, of about $7 million a year once the initial costs are incurred.

Based on previous studies of the issue for the Bureau of Mines, CBO estimates that the proceeds from the sale of facilities, equipment, and property held by the United States for the purpose of producing, refining, and marketing helium would total less than $10 million. We estimate that these sales would come from sales of equipment (such as railroad cars), rather than from the sale of helium facilities, which probably have little more than scrap value.

H.R. 3967 could also have a budgetary impact by affecting the price that federal agencies will have to pay for helium. Under the bill, federal agencies would purchase refined helium from private suppliers using a competitive bidding process, instead of buying it from the federal helium program. If the total price for helium and delivery increases, federal agencies would have higher outlays for the purchase of helium and might have to request additional appropriations. CBO estimates that any such change in costs would be minor.