

Background: Helium Substitute Amendment

The substitute amendment that has been hot lined is a bipartisan amendment that reflects three central priorities for the legislation: (1) ensuring stable helium supplies for the U.S. economy, (2) ensuring a fair return for U.S. taxpayers, and (3) getting the U.S. Government out of the helium business. The Congressional Budget Office (CBO) estimates that over the next decade the revised Federal Helium Program proposed in the substitute amendment will generate net revenues of \$495 million. (The House bill was scored at \$340 million.)

Under current law -- The Helium Privatization Act, the Federal helium reserve closes on October 7th of this year. (The Privatization Act was passed in 1996.) The Reserve currently supplies 40% of U.S. helium demand. Without continued operation, there will be major disruptions in health care and industrial activities. There are no alternative sources of supply that can replace this amount of helium at this time. The legislation extends operation of the Helium Reserve for commercial sales for approximately six more years, so that alternative sources of supply can come on line. The Reserve would be closed in less than 10 years (by September 30, 2022). This transition period is divided into four phases:

Phase A: Allocation Transition: Permits continued operation of the Federal Helium System without change for one year (through September 30, 2014) in order to give BLM time to put new rules in place for running the program.

Phase B: Auction Implementation: Beginning in FY2015, the amendment requires BLM to begin to auction off increasing amounts of helium -- beginning at 10% a year -- and use those auctions to help set the price for all helium sales. The volume being auctioned increases steadily by an additional 15% percentage points annually for four years. (After six years, the BLM would auction all of the helium.) The amendment provides a 'safety valve' to allow for adjustment by the Secretary of the amounts auctioned or allocated if these proposed auction amounts are too high or too low.

The three helium refiners connected to the Federal Helium Reserve would have to make excess refining capacity available to others at commercially reasonable rates as a condition of their continued participation in helium allocations and auctions. This makes sure the auctions are genuine auctions. Without a way to have helium refined, no one but the existing three refiners would have any reason to bid in the auctions.

This phase ends in roughly 6 or 7 years when there are only 3 billion standard cubic feet of helium remain in the Federal Helium Reserve. This amount would still be available to Federal users, but not for commercial sale.

Phase C: Continued Access for Federal Users: Provides for sale of the remaining 3 billion cubic feet of crude helium to Federal users only. (This is not a permanent solution for Federal supplies and the amendment requires development of a long-term Federal helium procurement strategy.)

Phase D: Disposal of Assets: In less than 10 years (not later than September 30, 2022, BLM is required to sell off all of its facilities, equipment, and other real property in the Federal Helium System and get out of the helium business.

Expenditures

CBO estimates that these changes to the Helium Program will produce net revenues of roughly \$495 million. The amendment allocates this amount to the following purposes:

Federal Debt Reduction

Section 5 will dedicate at least \$51 million to debt reduction. This represents just over 10 percent of the revenues raised. The bill also provides that excess revenues beyond what is specifically spent or required to operate the helium program be returned to the Treasury for deficit reduction. By divesting all assets associated with the Federal Helium Reserve, the joint staff amendment also accomplishes a long-standing goal of fully removing the government from the helium business by the end of Fiscal Year 2022, thereby ensuring that it will not contribute to the federal deficit in the future.

Secure Rural Schools

Section 10(a) will authorize a one-year extension of the Secure Rural Schools and Community Self-Determination Act (SRS). Payments to counties are to be made at a 5% reduction from the level of payments made in 2013. The approximate cost for this one-year extension is \$270 million. In FY2012, over 700 counties in 41 states received some level of federal payment from the U.S. Forest Service (USFS) or Bureau of Land Management (BLM) programs that provide a steady source of revenue to mitigate the continued reductions in payments states would receive from the revenue-sharing associated with significantly declining Federal timber harvests. 19 members of the Committee represent states that get at least some SRS funding.

Abandoned Well Remediation

Section 10(b) will provide \$50 million to remediate abandoned oil and gas wells on current or former National Petroleum Reserve lands, primarily in Alaska. There are a number of wells drilled by the Federal government that have never been reclaimed in the Naval Petroleum Reserve in Alaska. The provision covers remediation on Federally-drilled wells on Federal lands, including Alaska.

National Park Service Maintenance Backlog

Section 10(c) will provide direct \$50 million in funding to address deferred National Park Service (NPS) maintenance and requires those federal funds to be matched, on a dollar-for-dollar basis, by non-Federal sources (for a total of \$100 million). This cost-sharing requirement will generate a greater impact on the maintenance backlog and contribute significantly to the goal of reducing it over time. The NPS currently has a deferred maintenance backlog of \$11.5 billion. Of that amount, \$5.2 billion is for deferred maintenance on paved roads throughout the system; \$2.5 billion is for bridges

and tunnels; and the remaining \$3.7 billion is for buildings, housing, campgrounds, trails, wastewater systems, water systems, and unpaved roads.

Abandoned Mine Land Fund

Section 10(d) will restore \$60 million in payments to states certified under the Abandoned Mine Lands (AML) program for FY2014. In 2012, the Conference Committee to H.R. 4348 (the Surface Transportation bill) imposed a \$15 million cap on how much certified states could receive each year under the AML program. This cap was imposed without debate, without hearings before the Senate and House committees of jurisdiction, and without consulting the Federal or state representatives of impacted communities. The cap has deprived Wyoming of hundreds of millions of dollars that they would have received. This provision will allow certified states to recover almost half of the losses that they would otherwise suffer in FY2014.

Soda Ash

Section 10(e) will reduce the royalty rate for soda ash production on federal lands to 4% of the value of the soda ash for two years from the date of enactment. The approximate cost for this provision is \$15 million. Currently, sodium leases (those for soda ash) on Federal lands cover over 100,000 acres in Wyoming, California, Colorado, and New Mexico and contribute nearly \$1 billion dollars annually to the U.S. balance of trade and \$20 million in federal royalties. It is the second ranked export from the Port of Portland.

In 2006, in order to address the growth of Chinese soda ash production and keep U.S. production cost competitive against Chinese exports, Congress passed the Soda Ash Royalty Reduction Act (P.L. 109-338). The 2006 Act reduced the royalty rate for any Federal leases associated with the production and sale of sodium compounds from between 6-8% to a minimum rate of 2% for five years after enactment (2006-2011). According to the Department of the Interior this led to a significant amount of production shifting from state leases onto Federal leases, increases in overall production on Federal lands, and total sales revenues more than doubling over the four-year period relative to the preceding four years. This royalty relief has since expired.