



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 5, 2004

H.R. 10 **9/11 Recommendations Implementation Act**

*As ordered reported by the House Committee on Government Reform
on September 29, 2004*

SUMMARY

H.R. 10 would affect the intelligence community, terrorism prevention and prosecution, and border security, as well as international cooperation and coordination. Title I would establish an Office of the National Intelligence Director (NID) to manage and oversee intelligence activities of the U.S. government, including foreign intelligence and counterintelligence activities. The legislation would transfer some existing intelligence organizations to that office and would establish a National Counterterrorism Center and one or more national intelligence centers within the Office of the NID. Title II would authorize funding for law enforcement, counterterrorism activities, and programs related to aviation safety. Title III would increase the number of agents performing border security and immigration functions, improve the security of identity documents such as driver's licenses, and increase the number of consular officers within the Department of State. Title IV would authorize funds for a number of international cooperation programs. Finally, title V would reauthorize and restructure several homeland security programs.

CBO estimates that implementing H.R. 10 would cost about \$560 million in 2005 and almost \$14.7 billion over the 2005-2009 period, assuming appropriation of the specified and estimated amounts. That total does not include possible additional costs associated with implementing provisions dealing with the creation of an interoperable data system for exchanging law enforcement and intelligence data or the establishment of a Federal Bureau of Investigation (FBI) reserve service because CBO does not have sufficient information to estimate those costs at this time. With regard to the FBI reserve service, CBO cannot predict when a national emergency would occur, but expects that costs for the proposed reserve service would likely be insignificant in most years.

The bill also contains provisions that would decrease direct spending. In particular, it would establish a fund within the Department of Homeland Security (DHS) to enhance efforts to detect explosives at security checkpoints in airports; authorize the collection and spending of \$30 million a year of fees from airline passengers in 2005 and 2006 for that purpose; allow

the Director of the FBI to waive the mandatory retirement requirement for agents until age 65; and extend indefinitely the authority of the Central Intelligence Agency (CIA) to offer incentive payments to employees who voluntarily retire or resign. CBO estimates that enacting those provisions would decrease direct spending by about \$25 million in 2005, \$4 million over the 2005-2009 period, and \$2 million over the 2005-2014 period. The estimate of direct spending does not include the effects of extending the authority of the CIA to offer incentive payments to employees who voluntarily retire or resign because the data needed to prepare such an estimate are classified. Enacting H.R. 10 would not affect receipts.

H.R. 10 contains several intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that those mandates, in aggregate, would impose costs on state, local, and tribal governments totaling more than \$600 million over fiscal years 2005 through 2009. CBO estimates that the costs in at least one of those years would exceed the threshold established in UMRA (\$60 million in 2004, adjusted annually for inflation). The bill would authorize appropriations for grants to states to cover such costs.

CBO has not completed an analysis of the bill's impact on the private sector. That analysis will be provided later in a separate report.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 10 is summarized in Table 1. The costs of this legislation fall within budget functions 050 (national defense), 400 (transportation), 450 (community and regional development), 550 (health), 750 (administration of justice), and 800 (general government).

BASIS OF ESTIMATE

Most of H.R. 10's effects on the federal budget would be subject to appropriation of amounts necessary to implement the bill. For this estimate, CBO assumes that the bill will be enacted by the end of the calendar year, that all such amounts will be appropriated near the start of each fiscal year, and that outlays will follow historical patterns for similar activities.

TABLE 1. BUDGETARY IMPACT OF H.R. 10, THE 9/11 RECOMMENDATIONS IMPLEMENTATION ACT, AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON GOVERNMENT REFORM

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Estimated Authorization Level	1,184	5,076	1,393	4,750	5,315
Estimated Outlays	558	4,339	2,145	3,319	4,317
CHANGES IN DIRECT SPENDING ^b					
Estimated Budget Authority	*	*	*	*	*
Estimated Outlays	-25	-12	19	10	5

NOTE: * = Between zero and -\$500,000.

a. These amounts do not include the costs of section 2192 because CBO cannot estimate such costs at this time. The amounts also exclude the costs associated with establishing a reserve service within the Federal Bureau of Investigation. Any such costs would be insignificant in most years, and CBO has no basis for predicting when a national emergency would occur.

b. These amounts do not include the costs of section 1061 because the data needed to prepare an estimate are classified.

Spending Subject to Appropriation

H.R. 10 contains provisions that would affect the intelligence community, terrorism prevention and prosecution, and border security, as well as international cooperation and coordination. Table 2 presents CBO's estimates of the cost of those provisions. In total, we estimate that implementing H.R. 10 would cost almost \$14.7 billion over the 2005-2009 period, assuming appropriation of the specified and estimated amounts. That total does not include the possible additional costs associated with implementing provisions dealing with the creation of an interoperable data system for exchanging law enforcement and intelligence data or the establishment of an FBI reserve service because CBO does not have sufficient information to estimate those costs at this time. With regard to the FBI reserve service, CBO cannot predict when a national emergency would occur, but expects that costs for the proposed reserve service would likely be insignificant in most years.

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 10 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON GOVERNMENT REFORM

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
Reform the Intelligence Community					
Estimated Authorization Level	40	235	75	90	70
Estimated Outlays	30	60	110	145	140
Combating Financial Crimes					
Authorization Level	51	0	0	0	0
Estimated Outlays	36	15	0	0	0
Aviation Security					
Estimated Authorization Level	528	4,343	330	0	0
Estimated Outlays	238	3,666	957	340	0
Improve Intelligence Capabilities of the FBI					
Estimated Authorization Level	4	5	6	7	8
Estimated Outlays	3	5	6	8	8
Increase the Number of Border Patrol and Immigration Agents					
Estimated Authorization Level	0	174	526	981	1,451
Estimated Outlays	0	165	509	958	1,427
Grants to Improve Security of Driver's Licenses					
Estimated Authorization Level	80	30	30	10	10
Estimated Outlays	80	30	30	10	10
New Standards for Issuance of Birth and Death Certificates					
Estimated Authorization Level	330	20	30	40	50
Estimated Outlays	70	150	160	35	45
Expand Immigration Services at Foreign Airports					
Authorization Level	49	88	137	0	0
Estimated Outlays	39	80	127	28	0
Increase the Number of Consular Officers					
Estimated Authorization Level	0	33	62	93	125
Estimated Outlays	0	27	54	84	115
Reform International Cooperation and Coordination					
Estimated Authorization Level	17	17	17	7	7
Estimated Outlays	7	15	17	15	9

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
First-Responder Grants					
Estimated Authorization Level	0	0	0	3,314	3,381
Estimated Outlays	0	0	0	1,491	2,350
Counternarcotics Office					
Estimated Authorization Level	6	6	6	6	6
Estimated Outlays	4	6	6	6	6
Security Clearance Modernization					
Estimated Authorization Level	23	68	116	143	147
Estimated Outlays	21	64	111	140	147
Public Safety Communications Interoperability					
Estimated Authorization Level	6	6	6	6	6
Estimated Outlays	5	6	6	6	6
Information-Sharing Network					
Estimated Authorization Level	50	51	52	53	54
Estimated Outlays	25	50	52	53	54
Total Changes ^a					
Estimated Authorization Level	1,184	5,076	1,393	4,750	5,315
Estimated Outlays	558	4,339	2,145	3,319	4,317

NOTE: FBI = Federal Bureau of Investigation.

a. These amounts do not include the costs of section 2192 because CBO cannot estimate such costs at this time. The amounts also exclude the costs associated with establishing a reserve service within the Federal Bureau of Investigation. Any such costs would be insignificant in most years, and CBO has no basis for predicting when a national emergency would occur.

Reform the Intelligence Community. Title I would reform the intelligence community by establishing the position of National Intelligence Director and an Office of the National Intelligence Director to manage and oversee intelligence activities of the U.S. government, including foreign intelligence and counterintelligence activities. The legislation also would transfer some existing organizations, specifically the Office of the Deputy Director of Central Intelligence for Community Management and the Terrorist Threat Integration Center (TTIC), to that office and would establish a National Counterterrorism Center and one or more national intelligence centers within the Office of the NID. The bill would expand language training within the intelligence community and authorize additional scholarships for new recruits. Finally, the legislation would establish a civilian linguist reserve corps.

CBO estimates that implementing title I and other provisions relating to the intelligence community would cost about \$490 million over the 2005-2009 period (see Table 3). These costs are in addition to those that would be incurred under current law by the Office of the Deputy Director of Central Intelligence for Community Management and the Terrorist Threat Integration Center. The estimated costs include expenses to establish, house, and administer the new Office of the National Intelligence Director and implement other specified programs, such as improving training programs and establishing a scholarship program.

TABLE 3. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION FOR REFORMING THE INTELLIGENCE COMMUNITY UNDER H.R. 10 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON GOVERNMENT REFORM

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
Create the Office of the National Intelligence Director					
Estimated Authorization Level	15	210	50	80	60
Estimated Outlays	10	35	80	135	130
Other Program Authorizations					
Estimated Authorization Level	25	25	25	10	10
Estimated Outlays	20	25	25	10	10
Total Changes					
Estimated Authorization Level	40	235	75	90	70
Estimated Outlays	30	60	110	145	140

Create the Office of the National Intelligence Director. CBO estimates that establishing, housing, and administering the Office of the NID would cost about \$390 million over the 2005-2009 period.

The bill would transfer the Office of the Deputy Director of Central Intelligence for Community Management (identified as the Intelligence Community Management Account within the budget) and the TTIC to the Office of the NID.

The Intelligence Community Management Account (ICMA) was established by Congressional direction to provide resources that directly support the Director of the Central Intelligence Agency and the intelligence community as a whole in coordinating cross-program activities. Because part of its budget is classified, CBO does not know the overall size of this organization. Unclassified budgets for the ICMA indicate that the office has a staff of about 300 people who develop the National Foreign Intelligence Program budget,

oversee research and development activities, and develop intelligence plans and requirements, but the Congress also authorizes and appropriates funds for additional staff in the classified portion of the intelligence budget.

Similarly, CBO has no budget information on the TTIC, but public information released by the White House indicates that the center opened in May 2003 with a staff of about 60 people working alongside the counterterrorism offices of the Federal Bureau of Investigation and the CIA. That same information indicates that the Administration expects to eventually staff the TTIC with between 200 and 300 people to serve as the hub for all intelligence regarding terrorist threats.

CBO expects that the NID would require staff to perform its authorized functions in addition to the staff transferred from the ICMA and the planned staff for the TTIC. Because much of the detailed information regarding the organization, staffing levels, and budgets of the intelligence community are classified at a level above clearances held by CBO employees, CBO has used information about staff requirements from similar organizations within the Department of Defense (DoD), the Department of Homeland Security, and other federal agencies to attempt to estimate the number of additional staff that might be needed by the NID. Based on that analysis, CBO estimates that the NID might need to hire around 300 new staff, including appointees such as principal and deputy directors, key managers such as a general counsel, a civil liberties protection officer, personnel to perform administrative functions such as policy development and budget and finance activities, and personnel for the National Counterterrorism Center and one or more national intelligence centers. CBO expects that many of these new hires would be staff transferred from other organizations within the intelligence community but that those other organizations would eventually fill many of the vacated positions within their organizations over about a four year period following enactment of this legislation.

Based on information about the staffing levels and costs for the administrative offices of the Department of Defense, the Department of Homeland Security, and other agencies, CBO estimates that the personnel and related expenses to provide centralized leadership, coordination, and support and analytical services for the Office of the National Intelligence Director would eventually cost around \$45 million annually, but that costs would be much lower in the first few years as positions are filled. CBO estimates that such costs would be minimal in the first year and total about \$130 million over the 2005-2009 period.

Section 1094 would express the sense of the Congress that the permanent location of the NID headquarters be at a location other than the George Bush Center for Intelligence in Langley, Virginia. For this estimate, CBO assumes that the Director's office and associated staff would occupy the space currently used by the Intelligence Community Management staff until fiscal year 2007. Starting in 2007, CBO assumes that the office would move to new

office space in a building owned by the General Services Administration (GSA) until a new building can be built for its use. CBO estimates that initially GSA would need to renovate and furnish office space for the NID staff. (After 2009, CBO expects that these positions would be relocated to the new permanent NID headquarters.) CBO estimates that the GSA rental payments would reach about \$20 million a year and total about \$40 million over the 2007-2009 period. Additional costs to purchase computers, network equipment, and supplies in the first few years following the relocation into the GSA-owned building also would be significant. CBO estimates that those costs would total \$30 million over the 2007-2009 period.

CBO assumes that GSA would construct a new building on land already owned by the federal government to serve as the headquarters for the Office of the NID. Based on information provided by GSA about recent federal office building projects, CBO estimates that planning and design of the new headquarters would cost \$15 million over the 2005-2006 period, and that constructing the facility to house NID employees would cost about \$175 million over the 2006-2009 period. (An additional \$20 million in spending would occur in 2010 to complete construction of the new building.) CBO assumes that the headquarters would be located on property already owned by the federal government in the Washington, D.C. area. If GSA had to buy land for the building site, costs would be higher. CBO assumes that construction of the new facility would not start until sometime in late 2006 and would be completed after 2009. Therefore, CBO estimates that no costs associated with furnishing, equipping, and maintaining the new space would be incurred during the 2005-2009 period nor would there be costs to relocate NID staff from the interim offices to the new headquarters over that period.

Other Program Authorizations. Title I also would authorize the President and the NID to initiate or enhance several programs within the intelligence community. Based on information from the Administration and on the costs of other similar efforts, CBO estimates that those efforts would cost about \$20 million in 2005 and total around \$90 million over the 2005-2009 period, subject to appropriation of the specified and estimated amounts.

- Section 1052 would authorize the appropriation of an additional \$2 million a year to carry out the grant program for the National Flagship Language Initiative, which was established to improve higher education in foreign languages that the Secretary of Defense has identified as critical to the interests of the national security of the United States. CBO estimates that implementing this section would cost \$10 million over the 2005-2009 period, assuming appropriation of the specified amounts.
- Section 1053 would establish a new scholarship program within the National Security Education Trust Fund. The scholarships would be available to students who are U.S. citizens and are native speakers of a foreign language that is identified as critical to

the national security interests of the United States. The scholarships would enable those students to pursue English language studies at an institution of higher education in the United States to attain proficiency in those skills. The bill would authorize the appropriation of \$4 million a year starting in 2005 for these scholarships. CBO estimates that the costs for the scholarship program would total about \$20 million over the 2005-2009 period, assuming appropriation of the specified amounts.

- Section 1055 would establish a program operated jointly by the NID and the Department of Defense to advance foreign language skills in languages that are critical to the capability of the intelligence community to carry out national security activities. Under this provision, personnel from the intelligence community could be reimbursed for the total cost of tuition and training in foreign language studies undertaken at educational institutions that have entered into educational partnerships with the U.S. government. In addition, federal agencies would be allowed to provide financial assistance to those educational institutions, including the loan of equipment and instructional materials. CBO has no specific information about how this joint NID/DoD program would be implemented. Assuming that participation levels would be similar to those for another foreign language program offered within the National Security Education Trust Fund, CBO estimates that the new program would cost about \$1 million a year.
- Section 1056 would allow the NID to establish a civilian linguist reserve corps consisting of U.S. citizens with advanced levels of proficiency in foreign languages. CBO assumes that members of the reserve corps would receive pay, transportation, and per diem when performing work for the federal government as requested by the President. The pilot project would be conducted for a three-year period, starting in 2005. Based on information provided by the staff of the National Security Education Program, CBO expects that the reserve corps would consist of about 150 people at any given time and cost about \$50 million over the 2005-2007 period.
- Section 1062 would establish an Emerging Technologies Panel within the National Security Agency to advise the NID on the research, development, and application of existing and emerging science and technology advances, advances in encryption, and other topics. Based on the budgets of other advisory panels, CBO estimates that the costs to operate this panel would be about \$1 million in 2005 and would total \$10 million over the 2005-2009 period.

Combating Financial Crimes. Sections 2101 and 2102 would authorize the appropriation of \$51 million for fiscal year 2005 for the Financial Crimes Enforcement Center to improve its computer systems and to assist states and localities in combating financial crimes. CBO

estimates that this provision would result in outlays of \$36 million in 2005 and \$15 million in 2006, assuming appropriation of the specified amount.

Aviation Security. Title II would authorize the appropriation of the funds necessary to continue aviation security programs in 2006 and to deploy explosive-detection equipment at airport check points. Based on information from DHS and current funding levels, CBO estimates that title II would authorize the appropriation of about \$5.2 billion over the 2005-2007 period for aviation security programs administered by DHS. We estimate that most of that amount—roughly \$4 billion—would be authorized to be appropriated in fiscal year 2006 for ongoing programs administered by the Transportation Security Administration (TSA) and for the federal air marshals. (That estimate is net of almost \$2 billion in offsetting collections from passenger and air-carrier fees that we assume will continue to be collected by TSA in 2006 to partly offset the cost of aviation security programs in that year.) This estimate also includes almost \$1 billion over the 2005-2007 period for installing explosive-detection equipment at airport screening checkpoints and \$70 million in 2005 for programs to better control access to airports, improve passenger screening, and train federal law enforcement officials in certain counterterrorism measures. In addition, title II would specifically authorize the appropriation of \$95 million in 2005 for security projects at airports and \$2 million for a pilot program to test technology to reduce the threat of explosions of baggage and cargo on commercial flights. Assuming appropriation of the specified and estimated amounts, CBO estimates that implementing all of these provisions would cost \$238 million in 2005 and \$5.2 billion over the 2005-2009 period.

Improve the Intelligence Capabilities of the FBI. Section 2193 would direct the FBI to continue to improve the intelligence capabilities of the bureau and to develop and maintain a national intelligence workforce within the FBI. Today, the FBI spends about \$30 million on counterterrorism training. Since 2002, more than 1,500 agents have been added to the bureau's staff to meet its counterterrorism mission, an increase of about 20 percent. In addition, since the events of September 11, 2001, the FBI has partnered with other intelligence agencies to provide training in counterterrorism and counterintelligence to its staff, and it plans to increase that training in the future. CBO assumes that implementation of this bill would require the agency to conduct more extensive training than is currently planned. Based on information from the bureau, we estimate that this additional training would cost \$3 million in 2005 and almost \$30 million over the 2005-2009 period, assuming appropriation of the necessary amounts.

Interoperable Law Enforcement and Intelligence Data System. Under the Enhanced Border Security and Visa Entry Reform Act of 2002 (Public Law 107-173), the Administration is required to integrate all law enforcement data into an interoperable electronic data system known as the Chimera system. However, the act did not establish a firm date by which the Administration must deploy a fully operational Chimera system.

Section 2192 would transfer the responsibility for this activity to the NID. The provision would direct the NID to design a state-of-the-art Chimera system with both biometric identification and linguistic capabilities satisfying the best technology standards, and to deliver a fully operational system by September 11, 2007, for use by the intelligence community, federal law enforcement agencies, and counterterrorism personnel to collect and share information. Although CBO believes that establishing a firm deadline for the operational system would likely result in increased discretionary spending in the near term, CBO does not have sufficient information to estimate that increase at this time. Absent information as to whether this transfer would result in changes to the system, CBO also cannot estimate whether any long-term costs would result from this transfer.

Increase the Number of Border Patrol and Immigration Agents. Sections 3003 and 3004 would direct DHS to increase the number of border patrol agents by 2,000 per year and the number of investigators of immigration violations by 800 each year over the 2006-2010 period. Implementing this provision would increase the number of federal agents by 14,000 by 2010. Assuming appropriation of the necessary amounts, CBO estimates that this provision would cost \$165 million in fiscal year 2006 and \$3.1 billion over the 2006-2009 period.

Grants to Improve the Security of Driver's Licenses. Section 3055 would authorize the appropriation of such sums as necessary for fiscal years 2005 through 2009 for DHS to make grants to states to cover the costs of improving the security of driver's licenses as required by the bill. Based on information from states and from the American Association of Motor Vehicle Administrators (AAMVA), CBO estimates that implementing this provision would cost \$80 million in 2005 and \$160 million over the 2005-2009 period, assuming appropriation of the necessary amounts.

New Standards for Issuance of Birth and Death Certificates. Sections 3062 and 3063 would require new federal standards governing the issuance and management of birth certificates recognized by the federal government. Section 3064 would require the establishment of a uniform electronic birth and death registration system, and section 3065 would extend that system to allow electronic verification of vital records.

Maintaining birth and death records has long been a function of state governments. The Secretary of Health and Human Services, acting through the Centers for Disease Control and Prevention (CDC), currently works with states to compile birth and death data for epidemiological studies. H.R. 10 would authorize the Secretary to expand that cooperation to the formal linking of birth and death records for purposes of preventing fraud and other government uses. The bill also would authorize the appropriation of such sums as may be necessary for these activities, including grants to states to comply with these new requirements.

Based on information from the CDC and the National Association for Public Health Statistics and Information Systems, CBO estimates that implementing the new security standards and building the electronic system of vital records would cost \$460 million over the 2005-2009 period, assuming appropriation of the necessary amounts. That cost would be for grants to states to meet the new federal requirements. Of these amounts, \$70 million in 2005 and \$330 million over the 2005-2009 period would cover start-up costs, including digitalizing old birth and death certificates, building electronic systems for reporting deaths in some states, upgrading security arrangements, and acquiring computer infrastructure. CBO estimates that operating the new system for vital records over the 2006-2009 period would cost \$130 million. We expect that the system would be fully operational in 2009, at which point annual operating costs would total \$50 million.

Expand Immigration Services at Foreign Airports. Sections 3082 and 3083 would authorize the appropriation of \$49 million for 2005, \$88 million for 2006, and \$137 million for 2007 for DHS to expand preinspection services and immigration security at foreign airports. CBO estimates that implementing this provision would cost \$274 million over the 2005-2009 period, assuming appropriation of the specified amounts.

Increase the Number of Consular Officers. Section 3084 would authorize the Secretary of State to increase the number of consular officers by 150 each year over the number allotted in the previous year during the 2006-2009 period. It also would authorize the Secretary to provide additional training to consular officers in the detection of fraudulent documents presented by applicants for admission into the United States. Based on the average cost of training and stationing consular officers overseas, CBO estimates that implementing the provision would cost \$27 million in 2006 and \$280 million over the 2006-2009 period.

Reform International Cooperation and Coordination. Title IV would require the President to produce numerous reports, express the sense of the Congress on many issues, and urge the President to seek agreements with other countries to improve cooperation in the global fight against terrorist organizations. The title also would authorize some additional spending. Subtitle D, the Afghanistan Freedom Support Act Amendments of 2004, would authorize additional rule-of-law, disarmament, and counternarcotics activities in Afghanistan by the U.S. Department of State, but would not increase the overall authorization of appropriations above the \$425 million authorized for each of fiscal years 2005 and 2006 in current law.

Title IV contains three indefinite authorizations of appropriations and other provisions that CBO estimates would cost \$7 million in 2005 and \$63 million over the 2005-2009 period, assuming appropriation of the necessary amounts. In the cases where the same provision has been included in other bills at specified authorization levels, CBO used that authorization

level for this estimate. CBO assumes that spending for these programs will follow the historical pattern of similar programs.

- Section 4041 would authorize the appropriation of such sums as may be necessary in 2005, 2006, and 2007 to provide grants to American-sponsored schools in predominately Muslim countries to provide scholarships to students from lower- and middle-income families of those countries. H.R. 4303, the American Education Promotion Act, as ordered reported by the House Committee on International Relations on June 24, 2004, would authorize the appropriation of \$5 million each year for such grants. That amount is included in this estimate.
- Section 4042 would authorize the appropriation of such sums as may be necessary in 2005, 2006, and 2007 for grants by the National Endowment for Democracy to enhance free and independent media worldwide. H.R. 1950, the Foreign Relations Authorization Act, Fiscal Years 2004 and 2005, as reported by the House Committee on International Relations on May 16, 2003, would have authorized \$15 million for such grants. CBO assumes the amount would be provided in three equal installments over the three-year period.
- Section 4103 would authorize the appropriation of such sums as may be necessary for programs to reduce the number of shoulder-fired missiles. For the purpose of the estimate, CBO assumed the appropriation of \$5 million each year, an amount similar to the cost of other programs for reducing the availability of small arms.
- Section 4035 would establish within the Department of State an Office on Multilateral Negotiations. In our estimate for H.R. 4053, the United States International Leadership Act of 2004, as ordered reported by the House Committee on International Relations on March 31, 2004, CBO estimated that establishing and operating an Office on Multilateral Negotiations would cost \$2 million a year.
- Sections 4011 and 4012 would require the Secretary of State to fill vacancies on the Arms Control and Nonproliferation Advisory Board and to provide resources to procure the services of experts and consultants. Based on the cost of other advisory boards, CBO estimates that implementing these sections would cost less than \$200,000 a year.

First-Responder Grants. Subtitle A of title V would authorize funding for grants to state and local governments for staff and equipment to respond to acts of terrorism and natural disasters. It would authorize the Secretary of the Department of Homeland Security to change the criteria used to distribute funding for four existing first-responder grant programs—the State Homeland Security, the Urban Area Security Initiative, the Law Enforcement Terrorism Prevention, and the Citizen Corps grant programs. Assuming

appropriation of the necessary funds, CBO estimates that implementing this subtitle would cost \$3.8 billion over the 2008-2009 period.

Almost \$10 billion has been appropriated for first-responder grants since fiscal year 2003, including about \$3 billion in fiscal year 2004. The Office of Domestic Preparedness (within DHS) derives its primary authority to distribute grants to states and localities to prepare and respond to terrorism from the USA Patriot Act (Public Law 107-56). That law authorized the appropriation of such sums as necessary for first-responder grants through fiscal year 2007. This subtitle would supersede this authority for first-responder grants in the Patriot Act and continue the authorization to appropriate such sums as necessary after 2007.

For this estimate, CBO assumes that the amount in CBO's baseline—\$3.3 billion—would be appropriated for first-responder grants in 2008 and that 2009 funding levels for first-responder grants would continue at that level, adjusted for anticipated inflation.

Counternarcotics Office. Section 5025 would authorize the appropriation of \$6 million in fiscal year 2005 to strengthen the authority of the Counternarcotics Officer at DHS. Under the bill, the Office of Counternarcotics Enforcement would be responsible for coordinating policies and federal operations aimed at preventing the entry of illegal drugs into the United States. DHS currently has a Counternarcotics Officer within the Chief of Staff's office. According to that office, the Counternarcotics Office is working with limited authority to coordinate the agency's anti-drug effort. Assuming the appropriation of the necessary amounts to continue this effort over the next five years, CBO estimates that implementing this provision would cost \$28 million over the 2005-2009 period.

FBI Reserve Service. Section 5053 would allow the FBI to establish a reserve service consisting of former employees of the FBI who would be eligible for temporary reemployment during a period of national emergency. Under the bill, the total number of personnel in this reserve service could not exceed 500 individuals. Members of the reserve service would receive reimbursement for transportation and per diem expenses when participating in any training, and members who are retired federal employees would be allowed to collect both pay and retirement benefits during their period of reemployment. CBO cannot predict when a national emergency might occur, so no costs are included in this estimate for activating the proposed FBI Reserve Service. In most years, CBO expects that the cost associated with the reserve service would be insignificant—mostly covering limited training time, per diem, and transportation expenses. In an emergency, if all members of the reserve corps were reemployed for six months, the costs would total about \$25 million.

Security Clearance Modernization. Beginning five years after enactment of this bill, section 5076 would require the Office of Personnel Management (OPM) to achieve a 60-day turnaround period for all security clearances requested by federal agencies. Currently, OPM

anticipates that by the fall of 2005 the typical turnaround period for security clearances will be approximately 120 days. Based on information from OPM, CBO expects that approximately 1,700 new investigators would have to be hired over the next three years to meet the 60-day standard. With an average annual cost of about \$80,000 per investigator, and assuming the appropriation of the necessary amounts, CBO estimates that this provision would cost \$483 million over the 2005-2009 period.

Interoperability of Public Safety Communications. Section 5131 would establish a program within DHS to provide assistance and training to enhance the interoperability of public safety communication among federal, state, and local governments in high-risk jurisdictions. DHS currently conducts activities to enhance communications; however, according to that office, it is working with limited funds and legal authority. Based on information from DHS, CBO estimates that implementing this section would cost \$29 million over the 2005-2009 period.

Information-Sharing Network. Section 5134 would direct the President to establish a “trusted information network” to promote sharing of intelligence and homeland security information among all relevant federal departments, state and local authorities, and relevant private-sector entities. That section also would create an executive council chaired by the Director of the Office of Management and Budget to implement and manage the network and create an advisory board to advise the President and the executive council on policy, technical, and management issues related to the design and operation of the network. Finally, the section would authorize the appropriation of \$50 million in fiscal year 2005 and such sums as may be necessary for each subsequent year for this effort. For this estimate, absent an understanding of the information networks in place today within the intelligence community, the requirements for establishing such an information-sharing network, and the timelines needed to do so, CBO has projected the \$50 million authorized for 2005 over the 2006-2009 period with annual adjustments for anticipated inflation. Thus, CBO estimates that implementing this section would cost about \$235 million over the 2005-2009 period. (The Department of Defense recently completed the purchase of equipment for upgrading its intelligence network to improve the sharing of national security intelligence, surveillance and reconnaissance, and command and control information sharing at a cost of nearly \$1 billion.)

Direct Spending

The bill contains provisions that would decrease direct spending (see Table 4). CBO estimates that enacting those provisions would decrease direct spending by about \$25 million in 2005, \$4 million over the 2005-2009 period, and \$2 million over the 2005-2014 period. The estimate of direct spending does not include spending associated with extending the

authority of the CIA to offer incentive payments to employees who voluntarily retire or resign because the data needed to prepare such an estimate are classified.

TABLE 4. CHANGES IN DIRECT SPENDING UNDER H.R. 10 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON GOVERNMENT REFORM ^a

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	-25	-12	19	10	5	3	*	*	*	*

NOTE: * = Between zero and -\$500,000.

a. These amounts do not include the costs of section 1061 because the data needed to prepare an estimate are classified.

Authority to Offer Incentive Payments to Employees of the CIA Who Voluntarily Resign or Retire. Section 1061 would extend indefinitely the authority of the CIA to offer incentive payments to employees who voluntarily retire or resign. Under current law, this authority would expire on September 30, 2005. This section also would eliminate the requirement that the CIA make a deposit to the Civil Service Retirement and Disability Fund equal to 15 percent of final pay for each employee who accepts an incentive payment. Extending authority to offer incentive payments to these employees could increase outlays from the Civil Service Retirement System in the near term, although those amounts would be offset by reduced retirement payments in later years. CBO cannot provide an estimate of the direct spending effects because the data needed for such an estimate are classified.

Aviation Security. Section 2177 would establish a fund within DHS to enhance efforts to detect explosives at security checkpoints in airports. The bill would authorize the collection and spending of \$30 million a year of fees from airline passengers in 2005 and 2006.

The cost of the new program would be offset by fee collections authorized under the bill. TSA already collects a \$2.50 fee from airline passengers each time they board an aircraft (with a maximum of \$5.00 per one-way trip). Under current law, such fees may be collected only to the extent provided for in advance in appropriations acts, and income from those fees is recorded as an offset to appropriated spending. H.R. 10 would require TSA to collect up to \$30 million a year from passengers without appropriation action. Under H.R. 10, we estimate that the agency would collect that amount each year. Because H.R. 10 would cause such fees to be used to finance the activities related to explosives detection at airport checkpoints, such fees would not be available to reduce the costs of other TSA spending. In

other words, the collections under H.R. 10 would lead to a reduction in the amount of fees recorded as offsets to appropriated spending—essentially changing some discretionary offsetting collections into mandatory offsetting receipts.

Based on historical spending patterns for similar activities, CBO estimates that fees collected under this provision would exceed the amounts actually spent for explosives detection for the next few years. Hence, we estimate that enacting section 2177 would reduce net direct spending by \$37 million in 2005 and 2006, but would increase net direct spending in later years and have no net impact on the budget over the 2005-2014 period.

Increased Fines for New Federal Crimes. Several sections in title II would establish new federal crimes for offenses relating to the commission of terrorist acts. Because those prosecuted and convicted under the bill could be subject to fines, the federal government might collect additional fines if the legislation is enacted. Criminal fines are deposited as receipts in the Crime Victims Fund and later spent. CBO expects any additional revenues and direct spending under the bill would be negligible because of the small number of cases involved.

Authority to Waive Separation Age Requirement for FBI Agents. Section 5051 would provide the FBI with the ability to allow agents to remain at the agency beyond the age of 60. Under current law, FBI agents are required to retire at age 57, although the agency's director may waive that requirement until the agent turns 60. This section would allow the director to waive the mandatory retirement requirement until age 65. This authority would last through the end of 2009, at which time the waiver authority would revert to current law. Information provided by the FBI indicates that the agency issues waivers to between 25 and 75 employees annually. By expanding the current waiver authority, CBO expects the bill would cause some FBI employees to retire later than they otherwise would have. We anticipate this would cause retirement annuities to fall in the near term, and to increase after the expanded waiver authority expires in 2009. CBO estimates this section would reduce direct spending for retirement benefits by less than \$500,000 in 2005 and by a total of \$2 million over the 2005-2014 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 10 contains several intergovernmental mandates as defined in UMRA. The major mandates would require state, local, and tribal governments to significantly change the way they process and issue driver's licenses, identification cards, and birth and death certificates. The costs to state, local, and tribal governments would depend on federal regulations that are yet to be developed. However, based on information from state agencies, CBO estimates that, in aggregate, the intergovernmental mandates in the bill would impose costs on state, local,

and tribal governments totaling more than \$600 million over fiscal years 2005 through 2009. CBO estimates that the costs in at least one of those years would exceed the threshold established in UMRA (\$60 million in 2004, adjusted annually for inflation). The bill would authorize appropriations for grants to states to cover such costs.

Intergovernmental Mandates with Significant Costs

Driver's Licenses. H.R. 10 would effectively require state agencies that issue driver's licenses to comply with new standards for producing, verifying, and ensuring the security of driver's licenses and identification cards. Those provisions would be effective three years after the bill's enactment. CBO considers these standards to be mandates because any driver's licenses issued after that time would be invalid for federal identification purposes unless they met those requirements.

Based on information from AAMVA and other groups representing state and local governments, CBO expects that states would face significant additional costs to administer the new system. Specifically, state licensing agencies would be required to verify, with the issuing agency, each document presented as proof of identification, residency, and citizenship status. Agencies such as the Social Security Administration currently charge a fee for each verification, and assuming that other agencies would charge similar fees, states would incur ongoing costs as well as one-time costs to upgrade computer systems to meet those requirements. States also would face significant costs to upgrade computer systems to digitize and store electronic copies of all source documents and to create and maintain the Driver's License Agreement, an interstate database to share driver information. Finally, certain states that do not currently require background checks for certain employees would face additional costs to complete those checks.

CBO assumes that states would begin to establish procedures for complying with these standards in 2005, the year following the bill's enactment; we estimate that they would incur additional costs totaling \$80 million during that first year and another \$80 million over fiscal years 2006 through 2009.

Issuance and Verification of Vital Statistics Information. H.R. 10 also would impose several intergovernmental mandates with significant costs on state, local, and tribal agencies that issue birth and death certificates. Those agencies would effectively be required to print birth certificates on safety paper, to establish a central database of vital information, and to ensure that certain employees have security clearances. Those provisions also would be effective three years after the bill's enactment. Certificates issued after that date would be invalid for certain purposes unless they met those requirements. We estimate that state, local, and tribal governments would face additional costs to comply with those requirements

totaling more than \$70 million in 2005, and almost \$400 million over fiscal years 2006 through 2009. Most of those costs would be for upgrading computer software and hardware, and for staff time to convert existing paper records into electronic records. These are mostly one-time costs that would be incurred over the five-year period.

Mandates with No Significant Costs

The bill also contains several other inter-governmental mandates, but CBO expects that they would probably not impose significant additional costs on state, local, or tribal governments. Specifically, the bill would:

- Require state licensing agencies to include minimum features on all driver's license and identification cards, including full legal name, date of birth, gender, driver's license or identification number, photo, legal address, physical security features, and machine-readable technology. According to AAMVA, all states currently include these minimum features on licenses.
- Require state agencies to meet minimum standards before issuing driver's licenses, including documenting the individual's name, date of birth, address, and proof of Social Security number (SSNs). While states currently set their own standards for such information, all states currently require at least this minimum documentation.
- Require states to maintain a database of driver information; require states to implement training classes for employees to identify fraudulent documents; and require documents and supplies to be securely stored. According to state officials, all states currently comply with those requirements.
- Require offices that maintain vital information to comply with requirements for securing their buildings. Based on information from representatives of state offices of vital statistics, CBO believes that most offices already would be in compliance, assuming that the Secretary of the Department of Homeland Security would establish minimum security requirements in any event.
- Require that state and local governments limit access to birth and death certificates. Fourteen states currently allow public access to those records, but CBO estimates that they would incur no additional costs to limit access.
- Prohibit states from accepting any foreign document, other than an official passport, for identification purposes for the issuance of driver's licenses. Currently, at least 10 states accept identification cards issued by foreign governments, such as the

"matricula consular" issued by Mexico. This prohibition would preempt state authority.

- Require states to resolve any discrepancies that arise from verifying Social Security numbers, though the language is unclear as to what specific actions would be required. Currently, at least two states prohibit their employees from enforcing immigration laws, and many of those discrepancies may be related to immigration. This requirement might preempt those state laws.
- Prohibit states from displaying Social Security numbers on driver's licenses or from including Social Security numbers in bar codes, magnetic strips, or similar devices. CBO has found few instances where states used SSNs as identifiers on licenses or coded SSNs in some other manner on the license.
- Require all law enforcement officers who are armed, including state and local personnel, to have a standardized credential when traveling on aircraft. CBO assumes TSA would establish and issue such credentials.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO has not completed an analysis of the bill's impact on the private sector. That analysis will be provided later in a separate report.

PREVIOUS CBO ESTIMATES

On October 4, 2004, CBO transmitted cost estimates for H.R. 10, as ordered reported by the House Committee on Armed Services and the Permanent Select Committee on Intelligence. On October 5, 2004, CBO transmitted a cost estimate for H.R. 10 as reported by the House Committee on Financial Services. The versions of the legislation approved by those three committees are similar, and the cost estimates are identical. The House Government Reform version contains an authorization of appropriations for an information-sharing network that was not addressed by the other versions of the bill.

On September 24, 2004, CBO transmitted a cost estimate for S. 2840, the National Intelligence Reform Act of 2004, as reported by the Senate Committee on Governmental Affairs. Both bills would create a new Office of the National Intelligence Director and reform certain aspects of the intelligence community. In addition, H.R. 10 would reform terrorism prevention and prosecution, border security, and international cooperation and coordination activities—areas not addressed by S. 2840. Differences in the estimated costs reflect differences between the two bills.

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