CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 26, 2003

S. 733
Coast Guard Authorization Act of 2003

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 31, 2003

SUMMARY

S. 733 would authorize appropriations for U.S. Coast Guard (USCG) activities for fiscal years 2004 and 2005. CBO estimates that appropriation of the authorized amounts would cost $4.1 billion in fiscal year 2004 and $11.8 billion over the 2004-2008 period. (About $0.3 billion would be spent after 2008.) We estimate that enacting S. 733 also would increase outlays from previously appropriated funds for bridge alterations by $2 million for each of fiscal years 2004 and 2005. This increase would be considered a change in direct spending. Finally, enacting the legislation could increase revenues from civil penalties, but CBO estimates that any increase would be less than $500,000 a year.

For fiscal year 2004, S. 733 would authorize the appropriation of about $6 billion for USCG operating expenses, capital projects, and research. Of this amount, $48.5 million would be derived from the Oil Spill Liability Trust Fund (OSLTF). The bill also would authorize the appropriation of $1 billion for Coast Guard retirement benefits for that year. For fiscal year 2005, the bill would authorize the appropriation of whatever amounts are necessary for these purposes. Finally, S. 733 would authorize the appropriation of $25 million to the Department of Transportation (DOT) in 2004 to reimburse the Coast Guard for operating the LORAN-C navigation system.

S. 733 contains an intergovernmental mandate and several private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the intergovernmental mandate and the total costs of the private-sector mandates would not exceed the annual thresholds established by UMRA ($59 million in 2003 for intergovernmental mandates, adjusted annually for inflation; and $117 million in 2003 for private-sector mandates, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 733 are summarized in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
USCG Spending Under Current Law						
Authorization Level[a]	5,702	29	29	0	0	0
Estimated Outlays	5,207	1,068	300	75	12	1
Proposed Changes						
Authorization Level	0	5,984	6,120	0	0	0
Estimated Outlays	0	4,149	5,293	1,480	586	289
USCG Spending Under S. 733						
Authorization Level[a]	5,702	6,013	6,149	0	0	0
Estimated Outlays	5,207	5,217	5,593	1,555	598	290
CHANGES IN DIRECT SPENDING[b]						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	2	2	0	0	0

a. The 2003 level is the amount appropriated for that year for USCG activities, reduced by across-the-board reductions and by a $17 million rescission in Capital Acquisition funds. The amount includes $400 million of Iraqi Freedom funds recently allocated to the Coast Guard from the Department of Defense and $25 million appropriated to DOT and transferred to the USCG for LORAN-C expenses. The existing authorization level of $29 million in 2004 and in 2005 is the amount already authorized to be appropriated from the OSLTF for USCG operating expenses and research.

b. S. 733 also could affect revenues (from civil penalties), but CBO estimates that any such effects are likely to be insignificant.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 733 will be enacted in the fall of 2003 and that the amounts authorized or estimated to be necessary will be appropriated for fiscal years 2004 and 2005, respectively. Estimated outlays are based on historical spending patterns for similar or existing programs.

Amounts authorized by the bill for Coast Guard retirement are not included in the table because such pay is an entitlement under current law and is not subject to appropriation.

Spending Subject to Appropriation

The authorization level for 2004 is the amount stated in the bill for USCG discretionary accounts, excluding $28.5 million of the $48.5 million to be derived from the OSLTF. (This amount, which consists of $25 million for the agency's operations and $3.5 million for research, is not a change in the agency's authorization level because such funding is already authorized under existing law.) For 2005, CBO estimated the necessary authorization level for the USCG based on the proposed 2004 funding level, adjusted for anticipated inflation and assuming the same amount of contributions from the OSLTF as assumed for 2004.

Under the bill, the $25 million authorized to be appropriated to DOT for 2004 is included in this estimate as a proposed change to USCG discretionary spending. DOT would use most of this funding to reimburse the Coast Guard for the LORAN-C navigation services that the USCG provides to the Federal Aviation Administration and other transportation agencies. The Coast Guard operates the LORAN-C system using a combination of direct appropriations and reimbursements from funds appropriated to other agencies. (No funding for this purpose would be authorized by the bill for 2005.)

Section 320 of the bill would direct the Coast Guard to make direct loans from the OSLTF to fishing and aquaculture businesses that have been harmed by oil spills but have not yet been compensated by the parties responsible for such spills. Based on historical experience involving oil spills that have affected such businesses and because of the small size and number of direct loans that are likely to be made, CBO estimates that implementing this section would cost less than $500,000 annually for direct loan subsidy costs under credit reform procedures.

Direct Spending

Section 203 would authorize the Coast Guard to use certain previously appropriated funds to finance alterations to bridges that obstruct navigation, as authorized under the Truman-Hobbs Act. This provision would authorize the agency to reprogram unspent funds remaining from completed bridge alteration projects. Based on information provided by the Coast Guard, CBO estimates that this new authority would increase outlays by $4 million over the next two years. Because the agency could spend the previously appropriated funds (which CBO estimates would not have been spent otherwise) without further Congressional action, this would be considered an increase in direct spending.

Changes to Coast Guard Housing Authorities

S. 733 would expand the Coast Guard's authority to finance the construction of military housing. CBO expects that enacting this section is unlikely to have a significant effect on the federal budget.

Under current law, the Coast Guard is authorized to use loan guarantees, barter arrangements, long-term leases, limited partnerships, and similar means to finance housing projects. Current law authorizes the appropriation of $40 million to the Coast Guard for housing projects and mandates that the total value of all federal obligations entered into for such projects may not exceed $40 million. That authority expires at the end of fiscal year 2007. To date, the agency has not initiated any housing projects under this authority.

The bill would amend current law to allow the USCG to provide direct loans to eligible parties for housing projects and to enable the agency to enter into housing partnerships with state or local governments. CBO does not expect that these changes would alter the timing or level of the costs of the USGS housing program. We expect that the authority to make direct loans probably would be no more or less useful to the Coast Guard than the financing tools it already has (but has not used) and is no more likely to be exercised. Further, the ability to directly negotiate partnerships with state and local governments is likely to be of use only in very limited situations involving leasing of state or local land. Because of the relatively small scale of Coast Guard housing projects, using the new authority provided under the bill to obtain state or local bond financing may not be possible or particularly beneficial. Financing of this type is likely to be useful only in localities where it may be possible to participate in larger Department of Defense (DoD) projects, but the Coast Guard's legal authority to cooperate with DoD in this or any other types of joint financing is uncertain and would not be clarified or otherwise affected by the enactment of S. 733.

Revenues

S. 733 would set greater maximum civil penalties for violations of various statutes enforced by the Coast Guard. Such penalties are recorded in the budget as revenues. CBO estimates that imposing the higher penalties would increase federal revenues by less than $500,000 annually.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Section 205 would expand the U.S. Coast Guard Auxiliary's status as an instrumentality of the United States to all of its activities, not just those in direct support of the Coast Guard. This designation would expand the Auxiliary's exemption from taxation to certain sales, purchases, and inventories. Such an extension expands an existing preemption and would therefore be an intergovernmental mandate as defined in UMRA. The direct costs of the mandate would be the revenue loss incurred by the few states (about five) that currently collect sales taxes from the Auxiliary. CBO estimates that those losses would be minimal and would not exceed the annual threshold established by UMRA ($59 million in 2003, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 733 would impose private-sector mandates as defined in UMRA. Based on information from government and industry sources, CBO estimates that the total cost of those mandates would fall below the annual threshold for private-sector mandates established by UMRA ($117 million in 2003, adjusted annually for inflation).

Section 302 would authorize the Coast Guard to prohibit the use of electronic or other devices on the bridge of a vessel that interfere with communications and navigation equipment. Currently, the Coast Guard, under certain circumstances, can establish vessel operating conditions as it determines necessary for the control of the vessel and safety of the port or the marine environment. Section 302 would expand and clarify this authority. According to the Coast Guard, the authority would continue to be used under the same circumstances and only with certain electronic devices. CBO estimates that the incremental costs to the private sector of complying with the mandate would be minimal.

Section 303 would require entities that charter documented vessels engaged in coastwise commercial trade and fishing to submit reports to the Coast Guard regarding the qualifications of their vessels to engage in such activities. According to the agency, those entities would be required to submit their operating documents to comply with the mandate. Because such entities already have their documentation available, the cost to submit the information would be minimal.

Section 317 would impose a private-sector mandate on owners and operators of nontank vessels by requiring them to prepare and submit to the President a plan for responding to a worst-case discharge, and to a substantial threat of such discharge, of oil or a hazardous substance. Nontank vessels are defined in the bill as self-propelled vessels of 400 gross tons or greater, other than tank vessels, which carry oil of any kind as fuel for main propulsion and are vessels of the United States. Currently, the International Maritime Organization (IMO) requires all vessels engaged in international shipping and transportation to have shipboard oil pollution emergency plans. According to the Coast Guard, the proposed requirement under the bill would parallel the IMO-required plans. According to industry sources, developing an oil spill response plan costs, on average, $1,000. Currently, there are no data on the number of U.S. nontank vessels which would be required to develop the oil response plans. However, according to the Coast Guard, no more than 40,000 of the nontank vessels exist worldwide. Thus, the incremental cost for owners and operators of U.S. nontank vessels to comply with the oil response plan requirement would fall well below the statutory threshold.

Section 317 also would impose a private-sector mandate on owners and operators of tank vessels and facilities by requiring them to prepare and submit to the federal government a plan for responding to a worst-case discharge, and to a substantial threat of such discharge, of a noxious liquid substance. According to the Coast Guard, approximately 2,900 tank vessels and facilities would be affected by the mandate. Tank vessels and facilities are currently required to comply with hazardous substance response planning under the Oil Pollution Act of 1990. The response plans for noxious liquid substances would be substantially similar to the response plans that are currently required for oil under that act. Thus, CBO estimates that the cost for the owners and operators to comply with the mandate would be small.

PREVIOUS CBO ESTIMATE

On July 22, 2003, CBO submitted a cost estimate for H.R. 2443, the Coast Guard Authorization Act of 2003, as ordered reported by the House Committee on Transportation and Infrastructure on June 25, 2003. The two bills contain different authorization levels and authorization periods, different provisions affecting direct spending, and different intergovernmental and private-sector mandates.

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