CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 29, 2006

S. 1052
Transportation Security Improvement Act of 2005

As reported by the Senate Committee on Commerce, Science, and Transportation on February 27, 2006

SUMMARY

S. 1052 would authorize appropriations for security-related programs carried out by the Department of Homeland Security (DHS) and the Department of Transportation (DOT). CBO estimates that implementing the bill would cost over $3 billion in 2007 and nearly $12 billion over the 2007-2011 period, assuming appropriation of the authorized and estimated amounts. Enacting the bill would not affect direct spending or revenues.

S. 1052 contains several intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), because it would require rail carriers, motor carriers, and importers of foreign goods to comply with reporting requirements and certain security procedures. The aggregate cost to public entities and the private sector for complying with those mandates is uncertain and would depend on regulations that have not yet been made. Due to the small number of entities involved, CBO estimates that the aggregate costs for public entities to comply with those mandates would not exceed the annual threshold established by UMRA for intergovernmental mandates ($64 million in 2006, adjusted annually for inflation). In contrast, CBO cannot determine whether the aggregate costs to the private sector would exceed the annual threshold for private-sector mandates ($128 million in 2006, adjusted annually for inflation). Other provisions of the bill would authorize more than $1.3 billion in grants for which state, local, tribal and private-sector entities would be eligible. Any costs those entities would incur to comply with conditions of federal assistance would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1052 is shown in the following table. The costs of this legislation fall within budget functions 400 (transportation) and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for the Transportation Security Administration						
Budget Authority [a]	3,042	0	0	0	0	0
Estimated Outlays	3,304	1,183	440	300	160	24
Proposed Changes:						
Net Funding for the Transportation Security Administration						
Estimated Authorization Level [b]	0	3,470	3,382	3,533	0	0
Estimated Outlays	0	2,601	3,317	3,492	947	28
Cargo Security						
Authorization Level	0	233	242	254	0	0
Estimated Outlays	0	186	217	250	50	25
Interagency Port Centers						
Estimated Authorization Level	0	50	50	50	10	15
Estimated Outlays	0	10	30	50	55	15
Rail and Surface Transportation Security						
Estimated Authorization Level	0	227	223	223	0	0
Estimated Outlays	0	227	223	223	0	0
Total Proposed Changes						
Estimated Authorization Level	0	3,980	3,897	4,060	10	15
Estimated Outlays	0	3,024	3,787	4,015	1,052	68
Spending Under S. 1052						
Estimated Authorization Level [a]	3,402	3,980	3,897	4,060	10	15
Estimated Outlays	3,304	4,207	4,227	4,316	1,212	92

a. The 2006 level is the net amount appropriated to the Transportation Security Administration for security-related activities.

b. Estimated amounts reflect gross spending authority and offsetting collections from fees.

BASIS OF ESTIMATE

CBO estimates that S. 1052 would authorize net appropriations totaling nearly $12 billion over the 2007-2011 period for federal programs related to transportation security. That amount includes funds to support programs related to aviation security and other activities of the Transportation Security Administration (TSA). It also includes funds to improve the security of rail, surface, and cargo transportation and maritime ports through programs administered by DOT and DHS, including the United States Coast Guard (USCG).

For this estimate, CBO assumes that S. 1052 will be enacted before the end of 2006 and that the amounts authorized or estimated to be necessary will be appropriated each year. Estimated outlays are based on historical spending patterns for existing or similar programs.

Transportation Security Administration

S. 1052 would specifically authorize gross appropriations totaling $18.4 billion over the 2007-2009 period for programs administered by TSA. Most of that amount—$15.8 billion—would be authorized for aviation security, particularly for salaries for screeners of passengers and baggage and related expenses. The remaining $2.6 billion would support other TSA programs.

For this estimate, CBO assumes that a portion of the $15.8 billion authorized for aviation security would come from certain fees that TSA is authorized to collect to offset the agency's costs. (Under existing law, TSA's authority to collect and spend such fees is subject to appropriation.) Based on information from TSA, CBO estimates that such fees would offset $8 billion in spending for aviation security over the 2007-2009 period, thus reducing the net level of funding from the U.S. Treasury that would be necessary to implement the bill. Accordingly, we estimate that fully funding aviation security programs under S. 1052 would require net appropriations totaling $7.8 billion over the 2007-2009 period. Assuming appropriation of the amounts specifically authorized by the bill and the collection of aviation fees (as authorized under existing law), we estimate that net outlays would total $1.8 billion in 2007 and $7.8 billion over the 2007-2011 period.

S. 1052 would authorize additional appropriations for TSA totaling $2.6 billion over the 2007-2009 period, including:

- $1.6 billion for administration and general support of TSA programs;

- $723 million for programs related to surface transportation;

- $201 million for research related to transportation security; and

- $96 million for programs related to intelligence.

Based on information from TSA and historical spending patterns for those activities, CBO estimates that funding those programs as specified under S. 1052 would cost $771 million in 2007 and $2.6 billion over the 2007-2011 period.

Cargo Security

S. 1052 would authorize the appropriation of $532 million over the 2007-2009 period for U.S. Customs and Border Protection within DHS to improve the security and screening of cargo shipments to the United States. The bill also would authorize the appropriation of $197 million over that period for the agency's Customs-Trade Partnership Against Terrorism program. CBO estimates that implementing those provisions would cost $186 million in 2007 and $728 million over the 2007-2011 period, assuming appropriation of the authorized amounts.

Interagency Port Centers

Title V would require the United States Coast Guard to establish interagency operation centers to improve security at high-risk ports. Under the bill, the centers would be staffed by the USCG in conjunction with the Department of Defense and other federal and nonfederal agencies. Based on the cost of establishing similar facilities over the past few years, CBO estimates that the USCG and other federal agencies would spend a total of about $160 million over the next five years to establish, equip, and operate interagency centers at roughly 15 new locations. We estimate that $150 million of this amount would be used for construction, purchases of security and other equipment, and other upfront activities, all of which would cost between $5 million and $15 million per center, depending on its proposed location and size. We further estimate that, once each center has been completed, the federal government would spend between $1 million and $5 million to operate it each year. Total operating costs over the next five years would be about $10 million because very few centers would be completed over that period.

Rail and Surface Transportation Security

S. 1052 would authorize the appropriation of $671 million over the 2007-2009 period for DOT programs to improve the security of freight and passenger rail transportation. That amount includes $668 million for grants to Amtrak to support projects to improve the safety of Amtrak tunnels in New York, Maryland, and the District of Columbia. It also includes $3 million for the preliminary design of a new tunnel in Baltimore, Maryland. Based on information from DOT and assuming appropriation of the specified amounts, CBO estimates that implementing provisions related to rail security would cost $225 million in 2007 and $671 million over the 2007-2011 period.

Also, CBO estimates that implementing other provisions of S. 1052 would require $2 million in additional funding for DOT in 2007. That amount includes $1 million for the cost of establishing regulations related to a proposed reporting requirement for certain motor carriers with permits to carry hazardous materials, and $1 million for a study on security issues related to the trucking industry. Assuming appropriation of the necessary amounts, CBO estimates that those activities would cost $2 million in 2007.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

By requiring rail carriers, motor carriers, and importers of foreign goods to comply with reporting requirements and certain security procedures, S. 1052 contains several intergovernmental and private-sector mandates, as defined in UMRA. The aggregate cost for complying with these mandates is uncertain and would depend on regulations that have not yet been made. Due to the small number of entities involved, CBO estimates that the aggregate costs for public entities to comply with those mandates would not exceed the annual threshold established by UMRA for intergovernmental mandates ($64 million in 2006, adjusted annually for inflation). In contrast, CBO cannot determine whether the aggregate costs to the private sector would exceed the annual threshold for private-sector mandates ($128 million in 2006, adjusted annually for inflation). Other provisions of the bill would authorize more than $1.3 billion in grants for which state, local, tribal and private-sector entities would be eligible. Any costs they would incur to comply with conditions of federal assistance would be incurred voluntarily.

Mandates that Affect Both the Public and Private Sector

By requiring rail carriers to train certain workers in security procedures and granting whistle-blower protections to their employees, S. 1052 would impose both intergovernmental and private-sector mandates as defined in UMRA.

Rail Worker Security Training. Based on regulations to be established by DHS, section 310 would require rail carriers to create and submit plans for security training and then complete the training for all front-line workers. Front-line workers are defined in the bill as security personnel, dispatchers, train operators, other onboard employees, maintenance and maintenance support personnel, bridge tenders as well as other appropriate employees of rail carriers as defined by the Secretary. CBO estimates that approximately 190,000 public and private-sector employees—about 85 percent of which are private-sector employees— would fit the definition of front-line workers.

According to experts from the rail industry, the amount of training required varies depending on the industry sector (passenger vs. freight). It is likely that in either sector, the regulations issued by DHS would require additional training over and above current practice. Further, it is likely that many employees would need to be trained more than once over a five-year period. Therefore, it is likely that under new regulations, costs to train workers would exceed current costs for security training. Because this mandate depends upon the future actions of DHS, for which information currently is not available, CBO cannot estimate the total cost of this mandate. CBO expects, however, that the incremental cost would be small for public entities, while the additional cost for the private sector could be substantial, depending on the guidelines set forth by DHS.

Whistle Blower Protection. Section 311 would prohibit rail carriers from discharging or discriminating against any employee who reports a perceived threat to security or testifies before the Congress or at any federal or state proceeding regarding such a threat. Under current law, employees are protected if they report any safety issues. Granting additional whistle-blower protections would impose both an intergovernmental and a private-sector mandate as defined in UMRA on rail carriers. Because compliance with these broader whistle-blower protections likely would involve only a small adjustment in administrative procedures, however, CBO estimates that the provision would impose only minimal additional costs on rail carriers.

Security Grants

The bill would authorize about $1.3 billion over three years for grants to improve the security of passenger and freight rail, terminals, establish a rail security and research program, and to upgrade Amtrak tunnels in New York, Baltimore, and Washington, D.C. To the extent that state, local, or tribal governments or private-sector entities apply for and receive such grants, these provisions would provide benefits to those entities. Any costs resulting from complying with the conditions of the grants would be incurred voluntarily.

Mandates that Affect Only the Private Sector

S. 1052 contains several private-sector mandates, as defined in UMRA, on motor carriers, rail carriers, pipeline operators and U.S. importers. The bill would require that rail carriers and motor carriers develop various security plans, as well as authorize new requirements to be imposed on operators of transmission pipelines in the future. Finally, the bill would require that U.S. importers who ship goods via cargo containers provide entry data before loading the containers for shipment.

Requirements on Motor Carriers. Section 401 would expand the number of hazardous materials for which transporters must prepare and maintain a written route plan. Under current law, transporters of certain hazardous materials must prepare a written route plan and supply a copy to both the motor vehicle driver and the shipper. The bill would expand that requirement to include transporters of the remaining hazardous materials for which DOT requires motor carriers to hold a safety permit to transport. According to industry sources, the cost to comply with this requirement would be significant because of the time-intensive nature of preparing a route plan for each shipment of the covered hazardous materials. Industry sources estimate the cost to develop each route plan could average about $50. CBO has been unable to obtain data on the annual number of shipments of the hazardous materials referred to in section 401. Thus, CBO cannot estimate the total cost of complying with this mandate.

Amtrak. S. 1052 would require Amtrak to submit a plan to the Chairman of the National Transportation Safety Board that would be invoked in case of a railway accident involving loss of life. According to industry sources, Amtrak has a contingency plan in place for responding to the needs of families of rail accident passengers that is similar to the provisions contained in the bill. The bill would authorize $500,000 to be appropriated in 2007 to complete the required plan. The bill also would require that Amtrak participate in a working group that would be required to submit a report on securing the northern border. CBO estimates that the cost of providing that report would be nominal.

Requirements on Hazmat Carriers. Section 312 would require rail carriers who transport high hazard materials, as defined in the bill, to develop a security threat mitigation plan for such material. Currently, DOT (requires rail carriers who transport these hazardous materials to submit a security plan. However, the bill would expand current requirements on rail carriers to include submitting a list of routes used to transport high hazard materials, addressing options for temporary shipment suspension, and assessing risks to high consequence targets. According to railroad industry sources, rail carriers are complying with current DOT regulations. Because rail carriers are already complying with many of the provisions in the legislation, CBO estimates that the additional cost to comply with the mandate would be minimal.

Requirements on Operators of Transmission Pipelines. Section 407 would authorize the Secretary of Homeland Security to establish and enforce new security regulations on operators of transmission pipelines. According to industry sources in both the natural gas and oil pipeline industries, all pipeline operators are abiding by current guidelines, as set forth by the Pipeline Security Information Circular issued by DOT on September 5, 2002. If the Secretary were to impose more-stringent security regulations on pipeline operators, those entities could face increased costs; however, without information about such requirements, CBO cannot determine the cost of compliance.

Requirements on Importers. Section 505 would require importers who ship goods to the United States via cargo containers to provide entry data to Customs and Border Protection at least 24 hours prior to loading the containers with the importer's shipments. Under current law, importers must provide the same entry data, but they may provide it at any time prior to the containers arrival in the United States. The provisions in the bill would require importers to provide entry data more quickly than under current law. Because importers are currently providing the required entry data, CBO estimates that the cost of providing the data earlier in the process of shipping would be minimal.

PREVIOUS CBO ESTIMATE

On September 30, 2005, CBO transmitted a cost estimate for S. 1516, the Passenger Rail Investment and Improvement Act of 2005, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 28, 2005. Provisions of S. 1516 that would authorize grants to Amtrak to support security improvements are substantively similar to provisions in S. 1052, and our estimates of the cost of implementing them are the same for the two bills.

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