



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

October 16, 2007

**S. 1578**

**Ballast Water Management Act of 2007**

*As ordered reported by the Senate Committee on Commerce, Science,  
and Transportation on September 27, 2007*

**SUMMARY**

S. 1578 would require the U.S. Coast Guard (USCG) to establish new standards and procedures for controlling the spread of invasive species through ballast water (water that is carried in tanks by some ships to maintain balance). Assuming appropriation of the amounts authorized by the bill, CBO estimates that implementing S. 1578 would cost \$44 million in 2008 and \$260 million over the 2008-2012 period. (Of the amounts authorized, \$15 million would be spent after 2012.) CBO estimates that enacting S. 1578 could increase revenues (from violations of regulations on treating ballast water) and direct spending (from amounts collected as criminal penalties and spent from the Crime Victims Fund) by less than \$500,000 annually.

S. 1578 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would require owners, operators, and manufacturers of certain public and private vessels equipped to carry ballast water to comply with requirements for treating such water. In addition, the bill would require public and private entities to respond to subpoenas and would preempt some state and local laws.

The aggregate costs of complying with those mandates are uncertain and would depend, in part, on future regulations. CBO estimates that compliance costs for the intergovernmental mandates would not exceed the annual threshold established in UMRA for such mandates (\$66 million in 2007, adjusted annually for inflation) due to the small number of public entities involved. Because the cost of the treatment systems would be substantial for private-sector entities, however, CBO estimates that the aggregate cost to those entities would exceed the annual threshold established by UMRA for private-sector mandates (\$131 million in 2007, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1578 is shown 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				
	2008	2009	2010	2011	2012
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Authorization Level	55	55	55	55	55
Estimated Outlays	44	52	54	55	55

### BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1578 will be enacted near the beginning of fiscal year 2008 and that the authorized amounts will be appropriated for each year. Estimated outlays are based on historical spending patterns for similar programs.

S. 1578 would authorize appropriations of \$55 million for each of fiscal years 2008 through 2012. Under the bill, most of the funds would be used by the USCG to promulgate new regulations aimed at reducing the spread of invasive species through ballast water. The regulations would establish standards and procedures that must be followed by vessel operators when treating or discharging ballast water and sediment. Of the amounts authorized for each year, up to \$10 million could be provided to states under cooperative agreements, and \$5 million would be authorized for grants to develop treatment technologies. The bill also would establish civil and criminal penalties for violating federal regulations.

Assuming appropriation of the authorized amounts, CBO estimates that implementing S. 1578 would cost \$44 million in 2008, \$260 million over the 2008-2012 period, and \$15 million after 2012. We also estimate that any increased revenues from civil and criminal penalties established by the bill, and direct spending of revenues from criminal penalties (which are deposited in and spent from the Crime Victims Fund), would not exceed \$500,000 in any year.

## **ESTIMATED INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1578 would impose intergovernmental and private-sector mandates, as defined in UMRA, on owners, operators, and manufacturers of certain vessels and others in the maritime industry. The aggregate costs of those mandates are uncertain because they would depend, in part, on regulations to be developed under the bill. CBO estimates that costs to governmental entities would not exceed the annual threshold established in UMRA for intergovernmental mandates (\$66 million in 2007, adjusted annually for inflation) due to the small number of such entities involved. Because the cost of the treatment systems for ballast water would be substantial for private-sector entities, however, CBO estimates that the aggregate cost to those entities would exceed the annual threshold established by UMRA for private-sector mandates (\$131 million in 2007, adjusted annually for inflation).

### **Mandates that Apply to Both Public and Private Entities**

**Treatment of Ballast Water.** Current regulations require U.S. and foreign vessels with ballast tanks that operate in the waters of the United States and that are bound for ports or places in the United States to report on and conduct activities relating to the discharge of ballast water. The bill would place additional requirements on owners and operators of those vessels, including installing new treatment systems and keeping additional records of their operations. In addition, manufacturers of such vessels built after 2011 would have to meet specific design and construction requirements for treatment systems to be eligible to operate in U.S. waters.

According to several industry experts and the U.S. Coast Guard, water treatment systems currently available cost between \$300,000 and \$1 million to install per ballast system. Some vessels that would need those systems may have as many as 20 ballast tanks, and each tank would have to be fitted with a treatment system. CBO estimates that the cost to public entities would be small because we expect that few vessels owned by state and local governments would be affected. CBO estimates, however, that the cost for the private sector would exceed the threshold for private-sector mandates in at least one year over the 2008-2012 period.

**Subpoena Authority.** The bill also would give the Secretary of Transportation the authority to subpoena public and private entities in the course of an investigation related to a vessel conveyance. State, local, and tribal governments, as well as private-sector entities, if subpoenaed by the Secretary, would be required to provide testimony, documents, or other evidence. CBO expects that the Secretary would likely exercise this authority sparingly and that the costs to comply with a subpoena would not be significant for those entities.

## **Mandates that Apply to Public Entities Only**

**Preemption of State and Local Laws.** S. 1578 also would preempt state and local laws that would be inconsistent or conflict with the new federal requirements. (The bill would specifically preserve state and local authority to impose greater penalties or fees for acts or omissions that are violations of the act.) This preemption constitutes a mandate as defined in UMRA, but any costs to state and local governments would be minimal.

## **PREVIOUS CBO ESTIMATE**

On August 29, 2007, CBO transmitted a cost estimate for H.R. 2830, the Coast Guard Authorization Act of 2007, as ordered reported by the House Committee on Transportation and Infrastructure on June 28, 2007. Title V of H.R. 2830 and S. 1578 authorize similar activities. The total amounts authorized to be appropriated by S. 1578 are higher than those authorized by H.R. 2830, as reflected in the CBO cost estimates. Also, H.R. 2830 would not establish criminal penalties; S. 1578 would.

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