CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 16, 2007

S. 1661
Travel Promotion Act of 2007

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

SUMMARY

S. 1661 would establish a new organization, the Corporation for Travel Promotion (the Corporation), to promote international tourism in the United States. The Corporation would be funded through amounts borrowed from the Treasury, assessments on private firms operating in the travel industry, and new fees charged to users of the visa waiver program.

Under S. 1661, all amounts available to the Corporation would be recorded as deposits into a new fund in the Treasury, and the Corporation would be authorized to spend amounts in that fund. CBO estimates that assessments imposed by the Corporation would increase revenues by an estimated $62 million over the 2009-2012 period and $145 million over the 2008-2017 period, net of income and payroll tax offsets. CBO also estimates that enacting S. 1661 would increase direct spending by $3 million in 2008, $65 million over the 2008-2012 period, and $180 million over the 2008-2017 period.

The bill also would establish the Office of Travel Promotion in the Department of Commerce (DoC) to develop programs to increase the number of international travelers coming to the United States and authorize the Office of Travel and Tourism Industries to expand its research activities. Finally, S. 1661 would authorize DHS to develop a program to improve the arrival process for international travelers in U.S. airports and to employ more customs officers at certain airports.

Based on information from DoC and DHS, CBO estimates that implementing S. 1661 would increase discretionary spending by about $38 million in 2008 and $282 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

S. 1661 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no cost on state, local, or tribal governments.

In the event that the Corporation imposes an assessment on firms in the travel industry, S.1661 would impose a private-sector mandate, as defined in UMRA, on the members of the industry who would be required to pay such an assessment. The Corporation could compel the payment of any assessments through the federal courts. Based on information from industry sources, CBO estimates that the cost to comply with the mandate would fall well below the annual threshold for private-sector mandates established by UMRA ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1661 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit) and 750 (administration of justice).

BASIS OF ESTIMATE

CBO expects that the cash flows related to the Corporation would appear on the budget as governmental receipts and direct spending because S. 1661 specifies that the Corporation's finances would operate through the U.S. Treasury, and its assessments would stem from an exercise of the sovereign power of the federal government.

For this estimate, CBO assumes that the bill would be enacted early in fiscal year 2008 and that the necessary amounts would be appropriated at the start of each fiscal year.

Revenues

S. 1661 would authorize the Corporation to impose an annual assessment on certain sectors of the travel industry, pending approval in a referendum by members of the travel industry. The Corporation also would be authorized to accept voluntary contributions from private sources either in cash or, with limitations, in goods and services. Such assessments and any voluntary contributions would be recorded on the federal budget as additional revenues.

CBO assumes that the annual assessment on the travel and tourism industry would total $20 million in 2009 as authorized by the bill. In subsequent years, CBO assumes that industry assessments would increase at the rate of inflation. We do not expect that the industry would make voluntary contributions that would substantially raise the Corporation's revenues above $20 million per year.

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1661

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN REVENUES [a]					
Estimated Revenues	0	15	15	16	16
CHANGES IN DIRECT SPENDING [a]					
Estimated Budget Authority	10	20	20	21	11
Estimated Outlays	3	14	14	19	15
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Department of Commerce					
Office of Travel Promotion					
Estimated Authorization Level	4	6	6	6	6
Estimated Outlays	3	5	5	6	6
Office of Travel and Tourism Industries					
Estimated Authorization Level	5	9	14	15	17
Estimated Outlays	4	8	13	14	16
Department of Homeland Security					
Additional CBP Officers					
Estimated Authorization Level	14	22	23	23	24
Estimated Outlays	13	21	23	23	24
Improved Airport Inspections					
Estimated Authorization Level	20	20	20	20	20
Estimated Outlays	18	20	20	20	20
Total Changes					
Estimated Authorization Level	43	57	63	64	67
Estimated Outlays	38	54	61	63	66

a. See Table 2 for changes in direct spending and revenues over the 2008-2017 period.

Gross assessments of about $20 million annually would be partially offset by a loss of receipts from income and payroll taxes of 25 percent. Because excise taxes and other indirect business taxes reduce the tax base of income and payroll taxes, higher amounts of those taxes would lead to reductions in income and payroll tax revenues. As a result, CBO estimates that enacting S. 1661 would increase net revenues by $62 million over the 2008-2012 period and $145 million over the 2008-2017 period.

Direct Spending

CBO assumes that the Corporation would exercise its borrowing authority in fiscal year 2008 to cover about $10 million in start-up and operating expenses. We assume that the Corporation would begin collecting assessments in 2009 and that it would spend the income from fees and assessments mostly in the year they are collected. CBO estimates that enacting S. 1661 would increase direct spending by $3 million in 2008, $65 million over the 2008-2012 period, and $180 million over the 2008-2017 period.

TABLE 2. CHANGES IN DIRECT SPENDING AND REVENUES UNDER S. 1661

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN REVENUES												
Changes in Revenues	0	15	15	16	16	16	16	17	17	17	62	145
CHANGES IN DIRECT SPENDING												
Gross Changes in Direct Spending												
Estimated Budget Authority	10	30	40	42	32	21	22	22	23	23	154	265
Estimated Outlays	3	24	34	40	36	27	23	22	22	21	137	252
Offsetting Receipts (DHS Visa Waiver Fees)												
Estimated Budget Authority	0	-10	-20	-21	-21	0	0	0	0	0	-72	-72
Estimated Outlays	0	-10	-20	-21	-21	0	0	0	0	0	-72	-72
Net Changes in Direct Spending												
Estimated Budget Authority	10	20	20	21	11	21	22	22	23	23	82	193
Estimated Outlays	3	14	14	19	15	27	23	22	22	21	65	180

For fiscal years 2009 through 2012, funds collected through an industry assessment (and any voluntary contributions) would be available to the Corporation to spend on its authorized activities and would be matched by a new fee that the Department of Homeland Security (DHS) would collect from users of the visa waiver program. Those fees would be available to the Corporation only to the extent that the Corporation provides matching funds from its assessments on industry participants and voluntary contributions. In 2009, fees could total up to 50 percent of private funds; in subsequent years, fees would have to be matched dollar-for-dollar with private funds. Based on its estimate that assessments would total $82 million over the 2009-2012 period, CBO estimates that the new DHS fees would bring in $72 million during that period. Fees collected under the visa waiver program are classified as offsetting receipts (a credit against direct spending). CBO assumes that the additional fees authorized by S. 1661 would receive the same budgetary treatment.

Spending Subject to Appropriation

Section 7 of S. 1661 would create the Office of Travel Promotion (OTP) to, among other things, serve as a liaison to the Corporation for Travel Promotion and to produce and distribute information about admission procedures for international travelers. Based on information from DoC, CBO estimates that the agency would hire 25 additional full-time employees to set up the OTP and undertake the duties outlined in the bill. CBO estimates that creating the OTP would cost $3 million in 2008 and $25 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Section 8 would broaden the research activities of the Office of Travel and Tourism Industries (OTTI) in the Department of Commerce. The bill would require OTTI to expand access to certain data, revise a survey of international travel patterns, and develop state-by-state estimates of foreign travel expenditures. Based on information from DoC, CBO estimates that the new requirements would cost $4 million in 2008 and $55 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Section 9 would direct DHS to hire an additional 200 Customs and Border Protection (CBP) officers during fiscal year 2008. Based on information from CBP, CBO estimates that the increase in staff would cost about $22 million annually, beginning in fiscal year 2009, including salaries, benefits, training, equipment, and support costs.

Section 9 also would direct DHS to establish a program to improve the inspection procedures and the treatment of passengers arriving at U.S. airports from overseas. The program would be implemented at the 20 airports with the highest number of foreign visitors. Based on information from DHS, CBO estimates that the program would cost $20 million annually (about $1 million for each airport).

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1661 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would authorize the Corporation to impose an annual assessment on certain U.S. members of the travel and tourism industry, provided industry members approve the assessment in a referendum. In the event that such an assessment is approved, S. 1661 would impose a private-sector mandate on the members of the international travel and tourist industry who would be required to pay the assessment. Based on information from sources in the travel industry, CBO estimates that payments of such assessments would total about $20 million per year, well below the annual threshold for private-sector mandates established by UMRA ($131 million in 2007, adjusted annually for inflation).

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