**CONGRESSIONAL BUDGET OFFICE**
**COST ESTIMATE**

April 1, 1998

# H.R. 1702
## The Commercial Space Act of 1997

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation on March 12, 1998*

## SUMMARY


H.R. 1702 would revise federal policies related to the procurement and licensing of services and products provided by the commercial space industry, and would authorize appropriations for the Office of Commercial Space Transportation (OCST, within the Department of Transportation) for fiscal years 1998 through 2000. The act would define space transportation services, remote sensing data, and space science data as "commercial items" for the purposes of procurement policies, and would require federal agencies to acquire these services from the private sector, subject to certain conditions. OCST would be given the authority to license space transportation systems that involve reentry vehicles, sites, and operations, and the National Oceanic and Atmospheric Administration (NOAA, within the Department of Commerce) would be required to change the process and conditions used to award licenses for remote sensing systems. The act also would require the National Aeronautics and Space Administration (NASA) and the Department of Defense (DoD) to conduct studies and comply with various procedural requirements.

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 1702 would result in increased discretionary spending of about $14 million over the 1998-2003 period. Because H.R. 1702 could affect direct spending and receipts, pay-as-you-go procedures would apply. CBO estimates, however, that any such effects would be negligible.

The act contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would impose no costs on state, local, or tribal governments. The act would impose new private-sector mandates, but CBO estimates that the cost of these mandates would not exceed the statutory threshold established by UMRA.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing H.R. 1702 would increase discretionary spending by about $14 million over the 1999-2003 period, assuming appropriation of the necessary amounts. For the purposes of this estimate, we assume that the appropriations will be provided near the beginning of each fiscal year and that outlays will follow the historical pattern for such activities. Enacting H.R. 1702 could affect both direct spending and receipts (revenues), but CBO estimates that the effects would not be significant. The costs of this legislation fall primarily within budget function 400 (transportation).

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| **SPENDING SUBJECT TO APPROPRIATION** | | | | | | |
| Spending Under Current Law | | | | | | |
| Budget Authority [a] | 6 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 6 | 1 | 0 | 0 | 0 | 0 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 7 | 7 | 0 | 0 | 0 |
| Estimated Outlays | 0 | 6 | 7 | 1 | 0 | 0 |
| Spending Under H.R. 1702 | | | | | | |
| Estimated Authorization Level [a] | 6 | 7 | 7 | 0 | 0 | 0 |
| Estimated Outlays | 6 | 7 | 7 | 1 | 0 | 0 |

a. The 1998 level is the amount appropriated for that year; it is equal to the amount that H.R.1702 would authorize for 1998.

### Spending Subject to Appropriation

The estimated discretionary spending reflects both the amounts authorized for OCST (about $6 million for 1999 and about $7 million for 2000) and the cost of the studies and reports that NASA and DoD would have to prepare (estimated to total $1 million in 1999). Defining space transportation services, remote sensing data, and space science data as "commercial items" could increase the time and effort involved in evaluating contracts because that designation would make it harder to obtain certain kinds of information from vendors on product specifications. CBO estimates, however, that this designation is unlikely to have a significant effect on costs in any year.

CBO estimates that directing NASA to purchase space science and Earth system data from commercial providers would not significantly affect federal spending in the near term. Assuming that NASA would purchase commercial data only if the terms of the acquisition would be cost-effective governmentwide, these provisions should not increase costs to the government. At the same time, very few commercial ventures now provide the kinds of data used by federal agencies, so there is little likelihood of significant near-term savings for the government from adopting the new policy.

Similarly, we estimate that little budgetary impact would result in the next five years from provisions requiring DoD and NASA to acquire space transportation systems from commercial providers. DoD's costs would change little in the near term, because the act exempts existing contracts and because DoD plans to increase its use of commercial services under current law. Likewise, most of NASA's missions already use commercial launch services, so the provisions are unlikely to affect the agency's spending. Provisions requiring DoD and NASA to justify their use of noncommercial services would not have a significant effect on their workload, assuming the agencies are able to prepare blanket determinations for classes of systems rather than for individual launches.

Finally, H.R. 1702 would strengthen the government's obligation to reimburse licensees of remote sensing systems for the cost of technical modifications needed to comply with conditions that DoD or the State Department impose on these licensees for purpose of national security. Because CBO expects these agencies to reimburse licensees for all appropriate costs under current law, we estimate that requiring such payments would not significantly change the amounts that would be paid. Other provisions would have little or no effect on discretionary spending.

**Direct Spending**

Increasing the government's use of commercial launch services would increase the use of federal launch property or services by the private sector. Under current law, nonfederal entities reimburse DoD and NASA for using such facilities, and agencies spend the proceeds to cover the costs incurred. Because any increase in collections resulting from additional commercial activity would be offset by new direct spending, the net effect of the act on direct spending would be negligible.

**Receipts (Revenues)**

H.R. 1702 would allow OCST to impose civil penalties for violations of licensing agreements for reentry systems, which could affect revenues. CBO estimates that any additional receipts from civil penalties associated with the OCST licensing activities authorized by this bill would be insignificant. To date, OCST has never collected a penalty for a violation of the licensing and related requirements of the commercial space transportation program.

## PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Enacting H.R. 1702 could affect both direct spending and receipts because of provisions involving collections for the use of federal launch services and civil penalties for failure to comply with space transportation regulations. CBO estimates, however, that these provisions would have little or no budgetary impact.

## ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1702 contains no intergovernmental mandates as defined in UMRA, and would impose no costs on state, local, or tribal governments. The legislation would broaden the scope of the Department of Transportation's commercial space transportation program to include in-space transportation and reentry activities, rather than just launch activities. One of the purposes of this program is to facilitate the participation of state governments in the provision of space transportation infrastructure, such as launch sites. The Secretary of Transportation is currently required to make excess launch property available to state governments. By broadening the scope of the program, H.R. 1702 would enable states to receive additional assistance if they choose to participate.

## ESTIMATED IMPACT ON THE PRIVATE SECTOR

Section 102 would require operators of reentry sites to obtain a license from the OCST for reentry sites, vehicles, and services. CBO estimates that the direct costs of this private-sector mandate would not exceed, in any one year, the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation).

## PREVIOUS CBO ESTIMATE

On June 24, 1997, CBO transmitted a cost estimate for H.R. 1702, as ordered reported by the House Committee on Science on June 18, 1997. Differences between the estimates are attributable to differences in the two versions of the legislation. CBO's estimate of total discretionary spending under H.R. 1702 as approved by the Senate Committee on Commerce, Science, and Transportation is higher than estimated for the House version largely because the Senate version includes authorizations of annual appropriations for OCST while the House version does not.

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