CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 11, 2007

S. 1892
Coast Guard Authorization Act for Fiscal Year 2008

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on August 2, 2007

SUMMARY

S. 1892 would specifically authorize appropriations of $7.1 billion through fiscal year 2012, primarily for activities of the U.S. Coast Guard (USCG) for 2008. The bill also would authorize the appropriation of whatever amounts are necessary for the Coast Guard to acquire two icebreakers. CBO estimates that implementing the bill would result in discretionary spending of $1.7 billion in fiscal year 2008 and nearly $3.6 billion over the 2008-2012 period, assuming appropriation of the authorized and necessary amounts.

CBO estimates that enacting S. 1892 also would result in new direct spending of $147 million over the 2008-2012 period and $207 million over the 2008-2017 period, most of which would stem from permanently authorizing a USCG housing program.

We estimate that enacting this legislation would increase revenues from civil penalties by $8 million in 2008, by $31 million over the 2008-2012 period, and by $56 million over the 2008-2017 period.

S. 1892 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would impose new requirements on owners and operators of certain vessels and ports. In addition, the bill would require public and private entities to respond to subpoenas. The aggregate costs to public and private entities of complying with those mandates are uncertain and would depend, in part, on future regulations. CBO estimates that the costs of those mandates 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 public entities involved. The cost of many of the mandates on private entities would be small relative to the annual threshold established by UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation). However, because the cost of some of the mandates would depend on future

regulations, CBO cannot determine whether the aggregate cost of private-sector mandates in the bill would exceed the annual threshold.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 1892 are summarized in Table 1. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 400 (transportation).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1892

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Specified Authorizations for USCG and NOAA					
Authorization Level	7,120	93	37	28	27
Estimated Outlays	4,978	1,275	513	305	109
USCG Icebreakers					
Estimated Authorization Level	1,450	0	25	25	25
Estimated Outlays	165	425	420	274	235
Total Changes					
Estimated Authorization Level	8,570	93	62	53	52
Estimated Outlays	5,143	1,700	933	579	344
DIRECT SPENDING [a]					
Estimated Budget Authority	100	30	21	21	21
Estimated Outlays	5	35	46	36	26
REVENUES [b]					
Penalties for Smuggling Aliens	8	7	6	5	5

Note: USCG = U.S. Coast Guard; NOAA = National Oceanic and Atmospheric Administration.

a. See Table 3 for estimates of direct spending over the 2008-2017 period.

b. See Table 4 for the estimated revenue impact over the 2008-2017 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1892 will be enacted early in fiscal year 2008 and that the amounts authorized by the bill and estimated to be necessary for Coast Guard icebreakers will be appropriated for each year.

Spending Subject to Appropriation

The proposed authorization levels shown in Table 2 are those specified by the bill for the Coast Guard and for the National Oceanic and Atmospheric Administration (NOAA) and the amounts estimated to be necessary for USCG icebreakers as authorized by title IX. The table excludes $24 million to be derived from the Oil Spill Liability Trust Fund (OSLTF) for USCG operating expenses because that amount is already authorized under existing law. Estimated outlays are based on historical spending patterns for the Coast Guard and NOAA.

USCG Authorizations for Fiscal Year 2008. Title I would reauthorize funding for ongoing USCG activities for 2008. Specifically, title I would authorize the appropriation of about $6 billion for USCG operations, including $127 million for reserve training and $12 million for environmental compliance activities. Title I also would authorize the appropriation of about $1 billion for capital acquisitions and other multiyear projects, including $18 million for research activities and $3 million for bridge alterations. Of the amounts authorized by title 1, $44 million would be derived from the OSLTF.

CBO estimates that appropriating the amounts specified in title I for ongoing USCG activities would increase discretionary spending by $4.9 billion in 2008 and $6.9 billion over the 2008-2012 period.

Title I also would authorize the appropriation of about $1.2 billion for Coast Guard retirement benefits in 2008, but that amount is excluded from this estimate because such benefits are considered an entitlement under current law and are not subject to appropriation. Thus, the authorization of those amounts has no additional budgetary impact.

USCG Icebreakers. For fiscal year 2008, section 917 would authorize the appropriation of whatever amounts are necessary to acquire two new icebreakers and to achieve and maintain full operational capability of the rest of the agency's icebreaker fleet (currently three ships). CBO estimates that implementing section 917 would increase discretionary spending by $165 million in 2008 and nearly $1.5 billion over 2008-2012 period, assuming appropriation of the necessary amounts.

TABLE 2. SPENDING SUBJECT TO APPROPRIATIONS UNDER S. 1892

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]					
Reauthorization of USCG Spending					
Estimated Authorization Level	7,028	0	0	0	0
Estimated Outlays	4,914	1,192	463	269	80
USCG Icebreakers					
Estimated Authorization Level	1,450	0	25	25	25
Estimated Outlays	165	425	420	274	235
Other USCG Programs					
Authorization Level	31	33	5	3	2
Estimated Outlays	25	31	10	5	2
NOAA Authorizations					
Authorization Level	61	60	32	25	25
Estimated Outlays	39	52	40	31	27
Total Changes					
Estimated Authorization Level	8,570	93	62	53	52
Estimated Outlays	5,143	1,700	933	579	344

a. The USCG has not yet received a full-year appropriation for fiscal year 2008. Appropriations to the agency for 2007 totaled to nearly $7.2 billion.

Assuming appropriation of the necessary amounts, CBO estimates that the USCG would spend about $1.4 billion over the next five years to purchase two icebreakers. (Costs to operate and maintain the two new vessels would total about $50 million a year beginning in 2013.) We estimate that an additional $50 million would be spent over the 2008-2010 period to recondition an existing USCG icebreaker, which is currently out of operation. Operating and maintaining that vessel would cost about $10 million in 2010 and about $25 million annually thereafter. This estimate is based on information provided by the Coast Guard regarding the cost of constructing, operating, and maintaining such vessels to agency specifications.

Other USCG Authorizations. The bill also would authorize appropriations for other USCG activities. CBO estimates that the appropriation of those amounts would increase discretionary outlays by $25 million in 2008 and by $73 million over the 2008-2012 period. Those authorizations include:

- $25 million for each of fiscal years 2008 and 2009 to support LORAN-C navigation,
- $2 million for each of fiscal years 2008 through 2010 for grants to develop sensors that detect oil discharges,
- $1.8 million for each of fiscal years 2008 and 2009 to prepare assessments of vessel traffic in Alaska,
- $1 million for each of fiscal years 2008 and 2009 to operate a Web-based risk-management system to help reduce accidents and fatalities,
- $1 million annually through 2012 for the Delaware River and Bay Oil Spill Advisory Committee,
- $0.5 million annually through 2012 to help tribal governments participate in oil spill recovery activities, and
- An estimated $200,000 in 2008 for a study of the Olympic Coast's need for a tugboat to respond to emergencies.

Section 916 would establish a Support of Seafarers Fund to pay the expenses of seamen who are abandoned by their ships or who must remain in the United States as witnesses in certain legal proceedings. The proposed fund would be available to pay seamen's wages and subsistence, medical care, repatriation, and other expenses. The fund would receive amounts appropriated to it (at an authorized level of $1.5 million for each of fiscal years 2009 through 2011), transferred from other federal accounts, or reimbursed by shipowners.

Assuming appropriation of the amounts authorized to be paid into the new fund, CBO estimates that implementing this provision would increase discretionary spending by $4.5 million over the 2009-2012 period. We estimate that direct spending of amounts transferred to the fund from other accounts or amounts reimbursed by ship owners (which would be treated as offsetting receipts, a credit against direct spending) would be minimal.

NOAA Authorizations. S. 1892 would authorize appropriations for several programs carried out by NOAA. CBO estimates that appropriating those amounts would increase discretionary outlays by $39 million in 2008 and by $189 million over the 2008-2012 period. The authorizations for NOAA include:

- $28 million for each of fiscal years 2008 and 2009 for financial assistance to certain Alaskan communities under the Fur Seal Act,

- $15 million a year from the OSLTF for oil-spill response and damage assessments,

- $10 million a year through 2012 for a program to prevent oil spills from small vessels,

- $7 million for each of fiscal years 2008 through 2010 to purchase environmental data obtained from unmanned aerial vehicles, and

- $0.7 million in 2008 to conduct an emergency drill in the Olympic Coast National Marine Sanctuary.

Changes In Direct Spending

Several provisions of the bill would increase direct spending or reduce offsetting receipts (a credit against direct spending). CBO estimates that those provisions would increase net direct spending by $5 million in fiscal year 2008, by $147 million over the 2008-2012 period, and by $207 million over the 2008-2017 period (see Table 3).

TABLE 3. ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 1892

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN DIRECT SPENDING												
USCG Housing Authority												
Estimated Budget Authority	100	30	20	20	20	10	0	0	0	0	190	200
Estimated Outlays	5	35	45	35	25	20	15	10	10	0	145	200
Payments to the Oil Spill Recovery Institute												
Estimated Budget Authority	*	*	*	1	1	1	1	1	1	1	2	7
Estimated Outlays	*	*	*	1	1	1	1	1	1	1	2	7
Total Changes												
Estimated Budget Authority	100	30	21	21	21	11	1	1	1	1	193	208
Estimated Outlays	5	35	46	36	26	21	16	11	11	1	147	207

Note: * = less than $500,000.

USCG Housing Authority. Section 910 would repeal the expiration date on the Coast Guard's authority to finance housing construction for its military employees through private developers. CBO expects that this provision would enable the Coast Guard to execute new contracts with developers to build several military housing projects over the next 10 years, thereby increasing direct spending by $5 million in 2008, by $145 million over the 2008-2012 period, and by about $200 million over the 2008-2017 period.

The Coast Guard was authorized to use direct loans and loan guarantees, lease-purchases, limited partnerships, and similar means to finance projects for employees' housing, but that authority expired at the end of fiscal year 2007. Based on the agency's current plans, we expect that, if the authority is made permanent, the Coast Guard would execute agreements with private developers to provide employees with over 1,100 housing units. We expect that such housing would be acquired by leasing federal land to developers, who would then construct apartment buildings, townhouses, or other dwellings that would be rented primarily to Coast Guard military personnel. The developers would thus recoup their investments through the Coast Guard's annual appropriations over the life of the buildings.

CBO estimates that such USCG housing projects would encompass nearly 750 units in Cape May, New Jersey, and various locations in Alaska, for a total obligation of about $130 million over fiscal years 2008 and 2009. We estimate that the agency would finalize several smaller projects in each of fiscal years 2010 through 2013 for an additional obligation of $70 million.

Because entering into such leases would effectively obligate the federal government to pay the costs of employees' housing in advance of annual appropriations, the full cost of those projects—an estimated $200 million—should be recorded in the budget as new budget authority at the time of the lease agreements. Based on spending patterns for similar construction, we estimate that outlays for the projects would total about $80 million through 2012 and $180 million through 2017. For this estimate, CBO assumes that the leases would be similar to arrangements made by other federal agencies with developers, under which the federal government assumes substantial risk, and that spending would be recorded over each project's construction period.

The Coast Guard could execute additional agreements for housing after 2013, but CBO has no basis for estimating the costs of such potential obligations. Current USCG plans have focused on housing needs in New Jersey and Alaska, and the agency's plans for other locations have not advanced sufficiently to enable CBO to estimate future obligations.

Oil Spill Recovery Institute (OSRI). Section 717 would increase direct spending from the Oil Spill Liability Trust Fund by about $500,000 a year beginning in 2009 by requiring the

Secretary of the Treasury to pay more of that fund's annual interest earnings to OSRI, an Alaska-based research institute.

Under current law, OSRI receives payments from the OSLTF equal to the interest earned in the previous year on $22.5 million of that fund's balances. Such payments—recently less than $1 million a year—are not subject to appropriation action and are used by the institute to carry out research on oil spills. Section 717 would increase the portion of the OSLTF's principal whose interest earnings would be allocated to OSRI by nearly $13 million, resulting in an increase in annual payments to the institute beginning in 2009. Based on CBO's current projections of interest rates, we estimate that this provision would increase direct spending by about $500,000 in fiscal year 2008, by $3 million over the 2008-2012 period, and by $7 million over the 2008-2017 period.

Other Direct Spending Provisions. Several provisions of S. 1892 would direct the USCG to donate real and personal property to various parties such as local governments or nonprofit organizations. Because some of the affected vessels, real estate, or personal property could have been sold as surplus property under existing law, donating such assets could result in forgone offsetting receipts. Based on information provided by the Coast Guard, CBO estimates that such losses would be less than $500,000 a year.

Revenues

S. 1892 would establish new penalties, mostly for the smuggling of aliens, resulting in estimated new revenue collections of $31 million over the 2008-2012 period and $56 million over the 2008-2017 period (see Table 4).

Title VI would impose new civil penalties for smuggling people into the United States on vessels, with the penalties varying based on the physical condition of the individuals being smuggled. The Coast Guard expects that it would collect new penalties under the bill from fewer than 100 smugglers a year, at a rate of about $100,000 per violation. Based on other information obtained from the Coast Guard regarding the number of individuals who are injured or die while being smuggled and on CBO assumptions regarding the effectiveness of federal penalties on smuggling activities, we estimate that enacting title VI would increase revenues by $8 million in 2008. We expect that the number of violations would fall after 2008.

Additionally, section 1004 would impose a civil penalty for violating conditions for conveying vessels. Currently, U.S. vessels may be transferred to eligible entities for certain uses. The bill would apply certain conditions to such transfers; if those conditions are violated, penalties could be imposed. Because of the small number of cases likely to be involved, CBO estimates that this provision would have no significant effect on revenues.

TABLE 4. ESTIMATED REVENUE IMPACT OF S. 1892

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN REVENUES												
Penalties for Smuggling Aliens	8	7	6	5	5	5	5	5	5	5	31	56

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1892 would impose intergovernmental and private-sector mandates, as defined in UMRA, on owners and operators of certain vessels and ports. Those mandates include a requirement on ports to allow crew members to leave and reboard ships without paying escort fees and a requirement to respond to subpoenas issued by the Secretary of Transportation. CBO estimates that the costs of those mandates would not exceed the annual threshold established by UMRA for intergovernmental mandates ($66 million in 2007, adjusted annually for inflation) due to the small number of public entities involved.

In addition, the bill would impose new safety and security requirements on private entities. The aggregate cost to private entities of complying with some of the mandates in the bill is uncertain and would depend, in part, on future regulations. Because the costs of some of the mandates would depend on future regulations, CBO cannot determine whether the aggregate cost of the mandates 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

Seamen's Shoreside Access. The bill would require ports to include in their security plans provisions that allow crew members to leave and reboard ships without paying escort fees. According to industry sources, fewer than 20 publicly or privately operated terminals are currently charging such fees. Moreover, few vessels dock at ports that charge such fees. CBO estimates, therefore, that the costs to those ports would be minimal.

Subpoena Authority. The bill also would give the Secretary of Transportation 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 Private Entities Only

The bill would impose new safety and security requirements on owners and operators of certain vessels and facilities. Those requirements include but are not limited to safety standards and security requirements for transporting oil and hazardous cargo; a requirement to provide evidence of financial responsibility for oil spills; and a requirement to fund a tug to be available for emergency assistance.

Standards for Facilities and Vessels that Transfer Oil. The bill would require certain facilities and vessels to meet new safety standards when transferring oil. The bill would direct the Secretary of Homeland Security to issue regulations to reduce the risk of oil spills in such operations. In implementing the standards, the Secretary would have to consider updating equipment requirements and operational procedures in high-risk areas. Because the cost of the requirements would depend upon the future actions of the Secretary, about which information is not available, CBO cannot estimate the cost of this mandate.

Security for Certain Facilities. The bill would authorize the Secretary of Homeland Security to require certain facilities to share in the Coast Guard's costs of providing security for the transportation of especially hazardous cargo to those facilities. In the event that the Secretary implements such a program, designated facilities would be required to pay a share of the Coast Guard's costs, based on a formula developed by the Secretary. Because the costs of compliance, if any, would depend upon the future actions of the Secretary, about which information is not available, CBO cannot estimate the costs of this mandate.

Extension of Financial Responsibility. The bill would require owners and operators of tank vessels weighing between 100 gross tons and 300 gross tons to establish evidence of financial responsibility for any future oil spill. According to the Coast Guard, such evidence is usually established through an insurance guarantee. In effect, this provision would require owners and operators to show proof of insurance that they are required to carry under current law. According to industry sources, few entities own or operate tank vessels weighing less than 300 gross tons. Consequently, CBO estimates that the cost to comply with this requirement would be small relative to the annual threshold established by UMRA.

Year-Round Response Tug. The bill would require a tug boat that is capable of providing rapid assistance and towing capability to disabled vessels to be stationed in the entry to the Strait of Juan de Fuca at Neah Bay year-round. A rescue tug is currently available (and funded) only during the winter months. Tank vessels that are required to have an emergency response plan could be required to share the costs of funding the response tug year-round. Based on information from the Coast Guard, CBO expects that the costs of complying with the mandate would be small relative to the annual threshold.

Other Impacts

The bill also would benefit state and local governments as well as public universities by conveying certain boathouses, ships, aircraft, and land rights to those governments and entities, and by authorizing grant programs.

PREVIOUS CBO ESTIMATES

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. On September 29, 2007, we transmitted a cost estimate for H.R. 2830 as ordered reported by the House Committee on Homeland Security. Both versions of H.R. 2830 and S. 1892 would authorize appropriations for ongoing USCG activities for 2008, but the three bills authorize different amounts (and somewhat different activities), as reflected in the CBO cost estimates.

Two differences in the bills involve significant amounts. First, S. 1892 would extend the Coast Guard's authority to acquire employee housing through third-party financing arrangements, resulting in new direct spending of $200 million over the 2008-2017 period. In addition, the Senate bill would authorize the appropriation of whatever amounts are necessary (an estimated $1.45 billion) for the acquisition, operation, and maintenance of polar icebreakers. Neither version of H.R. 2830 contains either of those provisions.

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