CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 18, 2001

S. 1214
Port and Maritime Security Act of 2001

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on August 2, 2001

SUMMARY

S. 1214 would extend, through fiscal year 2006, the increase in vessel tonnage duties that was enacted in 1990 by Public Law 101-508. The fee increase would otherwise expire on September 30, 2001. The bill would make most of the offsetting receipts earned as a result of the extension available for spending without further appropriation to finance a new program to enhance security at U.S. ports.

CBO estimates that enacting S. 1214 would reduce direct spending by $33 million in fiscal year 2003, by $65 million over the 2003-2006, and by $9 million over the 2003-2011 period. Pay-as-you-go procedures would apply to S. 1214 because it would affect direct spending. The bill also would authorize the appropriation of $10 million for each of fiscal years 2003 through 2006.

S. 1214 contains both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Because of uncertainties about which ports would be affected and how certain costs would be measured, CBO cannot determine whether the costs of all of the mandates contained in S. 1214 would exceed the thresholds established by UMRA ($56 million for intergovernmental mandates and $113 million for private-sector mandates in 2001, adjusted annually for inflation). The bill also would authorize loan guarantees and grants to offset some mandate costs.

MAJOR PROVISIONS

S. 1214 would establish a new port security program to be carried out primarily by the Department of Transportation (DOT), acting through the U.S. Coast Guard and the Maritime Administration (MARAD). The bill would provide budget authority for each of fiscal years 2003 through 2006 for key program elements as follows:

- $1 million for a port security task force, to help federal agencies implement the act and to coordinate security programs and operations;

- $3 million to establish local port security committees to review port security vulnerability assessments and to implement security guidance developed by the task force and DOT;

- $10 million for the Coast Guard and local port authority committees to develop and conduct seaport security vulnerability assessments and for MARAD to collect and maintain security maps and charts of U.S. ports;

- $0.5 million for MARAD to establish a program to assist foreign seaport operators in carrying out programs similar to those established by the bill for U.S. ports;

- $2.5 million for each of 2003 and 2004 and $1 million for each of 2005 and 2006 for DOT to carry out a program to train and certify maritime security professionals;

- $8 million and $10 million for loan guarantees and grants, respectively, for the construction or acquisition of port security infrastructure or equipment, with an additional $2 million for related administrative costs;

- $15 million (for 2003), $16 million (for 2004), $18 million (for 2005), and $19 million (for 2006) for the U.S. Customs Service to purchase screening and detection equipment;

- $1 million for appropriate federal agencies and states to enhance the collection and retrieval of information on crime affecting seaports; and

- $1 million for DOT and other federal agencies to establish dockside inspection facilities at U.S. ports.

The bill would finance these activities and purchases by extending certain tonnage duties, which are paid by commercial ships entering U.S. ports. Public Law 101-508, which has been extended twice before, increased per-ton duties from $0.02 to $0.09 (up to a maximum of $0.45 per ton per year) on vessels entering the United States from foreign ports in the western hemisphere and from $0.06 to $0.27 (up to a maximum annual duty of $1.35 per ton) on those arriving from other foreign ports. S. 1214 would extend these rates beyond their current expiration date (the end of fiscal year 2002) through fiscal year 2006. Under S. 1214, the amounts collected from the higher rates would be available without further appropriation for port security programs (as detailed above).

S. 1214 also would authorize the appropriation of $10 million for each of fiscal years 2003 through 2006 for additional loan guarantees to improve port security infrastructure.

Other bill provisions would require the Coast Guard, MARAD, and the U.S. Customs Service to promulgate various regulations, conduct studies, and prepare reports in support of the new port security programs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting S. 1214 would increase offsetting receipts (an offset against direct spending) by between $56 million and $59 million annually through 2006, or by $230 million over the 2003-2006 period. Over this same period, the bill also would create new budget authority of between $54 million and $57 million each year, resulting in additional direct spending of $165 million through 2006 and about $56 million thereafter. In addition, CBO estimates that discretionary spending to implement the bill would total $28 million over the 2003-2006 period. The estimated budgetary impact of S.1214 is shown is shown in the following table. The costs of this legislation fall within budget functions 400 (transportation) and 750 (administration of justice).

	2002	2003	2004	2005	2006
CHANGES IN DIRECT SPENDING					
Extension of Tonnnage Duties					
Estimated Budget Authority	0	-56	-57	-58	-59
Estimated Outlays	0	-56	-57	-58	-59
Spending for Port Security Programs					
Estimated Budget Authority	0	54	55	56	57
Estimated Outlays	0	23	38	50	54
Net Change in Direct Spending					
Estimated Budget Authority	0	-2	-2	-2	-2
Estimated Outlays	0	-33	-19	-8	-5
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
MARAD Loan Guarantees–Port Security Programs					
Authorization Level	0	10	10	10	10
Estimated Outlays	0	3	6	9	10

BASIS OF ESTIMATE

Estimated offsetting receipts from extending increased tonnage duties are based on the level of shipping traffic anticipated at U.S. ports. In the absence of this legislation, such duties are expected to fall to their pre-1990 levels of less than $20 million annually. Annual budget authority and authorization levels are as specified in the bill for specific program elements. Outlays are based on historical rates for similar programs of the affected agencies.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	0	-33	-19	-8	-5	34	17	4	1	0
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1214 would require the Coast Guard to conduct "security vulnerability assessments" for the 50 ports that it determines to be the most strategic ports in the United States. Section 6 would require the port authorities and maritime terminal authorities at ports that have been assessed to establish maritime transportation security programs within one year after the assessment is complete. Under the bill, such security programs would have to provide for physical security of seaport areas; procedural security for processing passengers, cargo, and crew members; a credentialing process to limit access to sensitive areas; a process to limit vehicular access to seaport areas; restrictions on carrying firearms; and a certification program for private security officers. Because port and maritime authorities include public and private-sector entities, such requirements would be both intergovernmental and private-sector mandates as defined by UMRA.

Based on information from the Coast Guard about the cost of improving security at U.S. ports, CBO expects that the costs to individual ports to comply with the mandate would likely be significant, ranging from about $14 million to $24 million per port. Which ports would be affected by the mandate and the specific level of security improvements they would be required to undertake, however, would be determined by the vulnerability assessments to be conducted by the Coast Guard after the bill's enactment. Consequently, CBO cannot estimate either the total costs to comply with the mandate or when such costs would be incurred over time. Furthermore, because ports generally consist of both public and private-sector operations, CBO cannot determine how those costs would be split between the public and private sector.

The bill would authorize loan guarantees and grants for improving the security infrastructure at any U.S. seaport involved in international trade. This financial assistance would be available to offset some of the costs incurred in implementing the seaport security programs. Grants would not exceed 75 percent of the cost of individual projects.

Other provisions of the bill would provide grants to states to bring their databases on cargo theft in line with federal databases containing the same type of information.

Section 16 would require the Customs Service to promulgate regulations imposing new reporting requirements on certain importers concerning their manifest entries. These regulations would impose a private-sector mandate on importers to transmit electronically all ocean manifests to the Customs Service in sufficient time for the information to be used effectively. An ocean manifest is a detailed listing of the entire cargo loaded into a ship, identifying the cargo and where and how it is stowed. Because importers already have ocean manifest information available, the cost to transmit such information electronically would be minimal.

Section 16 also would require importers to provide information about all entries of goods, including in-bond entries, before the goods are released for shipment from the seaport of first arrival. In-bond goods are admitted provisionally to a country (under customs supervision) either for storage in a bonded warehouse or for shipment to another point. Under current law, importers do not have reporting requirements for in-bond entries at the time of entry into the United States. Importers do, however, have to provide information on in-bond goods to the authorities in the country where the goods are finally delivered. Therefore, the cost to importers to report information on such merchandise to the Customs Service would be minimal.

Section 17 would impose a mandate by extending certain vessel tonnage duties through fiscal year 2006. Under current law, the duties would revert to a lower rate at the end of fiscal year 2002. UMRA is unclear about how to measure the cost of extending an existing mandate that has not yet expired. On the one hand, UMRA may be interpreted as requiring the direct cost to be measured relative to a case that assumes the current rate of tonnage duties will decline after the expiration date. Under this assumption, CBO estimates that the direct cost of the mandate would be $56 million in 2003, rising about $1 million per year through 2006. On the other hand, UMRA may be interpreted to mean that direct cost of the mandate in the bill could be measured relative to the costs of the existing mandate. Assuming the second interpretation, the mandate would impose no additional costs on the private sector.

Because of the uncertainties about which ports would be affected by the requirement to improve security and how to measure the costs of extending a mandate that has not expired, CBO cannot determine whether the aggregate costs of the mandates contained in the bill would exceed the annual thresholds established by UMRA ($56 million for intergovernmental mandates and $113 million for private-sector mandates in 2001, adjusted annually for inflation).

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