CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 20, 2001

H.R. 3129

Customs Border Security Act of 2001

As ordered reported by the House Committee on Ways and Means on October 31, 2001

SUMMARY

H.R. 3129 would authorize appropriations for 2002 and 2003 for the U.S. Customs Service, the Office of the U.S. Trade Representative, and the International Trade Commission. The authorizations for the Customs Service would include funds for salaries and expenses, its Automated Commercial Environment (ACE) computer system, air and marine interdiction, reestablishment of Customs operations in New York City, and a program to prevent child pornography. This legislation would increase the personal duty exemption for travelers entering the United States. The bill also would make several changes to the current laws relating to overtime and premium pay for Customs officers. Finally, H.R. 3129 would direct the General Accounting Office (GAO) to prepare three reports on various Customs issues.

Because an appropriation for fiscal year 2002 for the Customs Service has already been enacted, H.R. 3129 would have a relatively small effect on spending in that year. CBO estimates that implementing H.R. 3129 would cost about $2.9 billion over the 2002-2006 period, assuming appropriation of the authorized and estimated amounts. (About $2.8 billion of this total would be spending for the Customs Service.) We estimate that enacting H.R. 3129 also would decrease revenues by about $4 million annually because of the increased personal duty exemption. Finally, the bill could have a negligible net impact on direct spending for overtime and premium pay for Customs officers. Because the bill would affect revenues and direct spending, pay-as-you-go procedures would apply.

H.R. 3129 would impose private-sector mandates, as defined by the Unfunded Mandates Reform Act (UMRA), on certain land, air, and vessel carriers. CBO estimates that the total direct cost of those mandates would fall below the annual threshold established by UMRA for private-sector mandates ($113 million in 2001, adjusted annually for inflation). The bill contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3129 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs), 750 (administration of justice), and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION					
Spending Under Current Law					
Budget Authority [a]	2,767	0	0	0	0
Estimated Outlays	2,649	515	160	0	0
Proposed Changes					
Estimated Authorization Level	107	2,825	0	0	0
Estimated Outlays	56	2,332	401	143	0
Spending Under H.R. 3129					
Estimated Authorization Level	2,874	2,825	0	0	0
Estimated Outlays	2,705	2,847	561	143	0
CHANGES IN REVENUES [b]					
Increased personal duty exemption					
Estimated Revenues	-4	-4	-4	-4	-4

a. The 2002 level is the amount appropriated for that year for the Customs Service, the Office of the United States Trade Representative, and the International Trade Commission.

b. For fiscal year 2002, most of the increased funding provided by H.R. 3129 would be for reestablishment of customs operations in New York City.

c. H.R. 3129 could also affect direct spending, but CBO estimates that any such effects would be less than $500,000 annually.

BASIS OF ESTIMATE

Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost about $2.9 billion over the 2002-2006 period. (About $2.8 billion of this total would be for spending by the Customs Service.) We estimate that enacting H.R. 3129 also would decrease revenues by about $4 million annually because of the increased personal duty exemption for travelers entering the United States. Enacting the bill could affect direct spending, but we estimate that any effects would be less than $500,000 annually.

Spending Subject to Appropriation

For this estimate, CBO assumes that the amounts authorized by the bill will be appropriated near the start of each fiscal year and that outlays generally will follow historical spending rates for the authorized activities or for similar programs.

Based on information from the Customs Service, CBO estimates that it would cost roughly $100 million over the 2002-2004 period to reestablish its operations in New York City. The agency's main facility in lower Manhattan, which housed 800 employees and contained several laboratories, was destroyed by the terrorist attacks on September 11, 2001. Funds would be used mostly to equip new office space for Customs employees and to replace the materials testing and crime investigation laboratories that were destroyed. Based on information from GAO, we estimate that the three reports required by the bill would cost about $1 million in 2002.

Revenues

H.R. 3129 would increase the personal-duty exemption for persons entering the United States from $400 to $800. This provision would increase the amount of goods that travelers from abroad could bring in free of duty. Based on information from the Customs Service, CBO estimates that this provision would decrease revenues by about $4 million each year.

Direct Spending

The provisions of H.R. 3129 that modify overtime and premium pay for Customs officers could affect direct spending since such costs are paid from funds not subject to annual appropriation. Some of the bill's provisions could increase these personnel costs, while other provisions would probably yield savings. CBO estimates that the net effect of H.R. 3129 on direct spending for overtime and premium pay would be less than $500,000 a year.

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 changes in outlays and revenues that would be subject to pay-as-you-go procedures are shown in the following table. For the purposes of pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	0	0	0	0	0	0	0	0	0
Changes in receipts	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 3129 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

H.R. 3129 would impose private-sector mandates, as defined by UMRA, on certain land, air, and vessel carriers seeking approval from the U.S. Customs Service for entry into the United States or for clearance to proceed from a port or place in the United States. The bill would require each land, air, or vessel carrier to provide by electronic transmission cargo manifest information in advance of such entry or clearance. The bill also would require such carriers with passengers arriving or departing the United States to provide by electronic transmission certain passenger and crew member manifest information in advance of such entry or clearance. According to the U.S. Customs Service, all U.S. air carriers and many cargo vessels currently provide such information on a voluntary basis. Based on information from representatives of the transportation industry, CBO estimates that the total direct cost to comply with mandates in the bill would fall below the annual threshold established by UMRA for private-sector mandates ($113 million in 2001, adjusted annually for inflation).

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