



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 11, 2002

H.R. 3983
Maritime Transportation Antiterrorism Act of 2002

*As ordered reported by the House Committee on Transportation and Infrastructure
on March 20, 2002*

SUMMARY

H.R. 3983 would establish a federal program to protect U.S. ports from terrorism. In addition, the bill would authorize the appropriation of \$75 million for each of fiscal years 2003 through 2005 for grants to help port facilities implement antiterrorism efforts.

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 3983 would cost \$240 million over the 2003-2007 period and \$3 million a year thereafter. Most of the funds that would be spent through 2007 would be used to implement the grant provisions of the legislation. Other than a new grant program, most of the activities mandated by the legislation are currently being carried out under the Coast Guard's existing authority. H.R. 3983 could increase federal receipts by establishing new civil penalties; therefore, pay-as-you-go procedures would apply to the legislation. CBO estimates, however, that any such increase would be less than \$500,000 annually.

H.R. 3983 contains both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Because of uncertainties about which ports, facilities, and vessels would be affected and how certain regulations and performance standards would be implemented, CBO cannot determine whether the costs of all of the mandates contained in H.R. 3983 would exceed the thresholds established by UMRA (\$58 million for intergovernmental mandates and \$115 million for private-sector mandates in 2002, adjusted annually for inflation). The bill also would authorize appropriations for grants to help port facilities to implement antiterrorism efforts.

MAJOR PROVISIONS

H.R. 3983 would establish a port security program to be carried out primarily by the Department of Transportation (DOT), acting through the U.S. Coast Guard. The bill would focus on the security of facilities at U.S. and foreign ports, as well as vessels using such facilities. Major elements of the program would include:

- Vulnerability assessments for each port that DOT believes is at high risk of a terrorist act;
- A national antiterrorism plan for deterring acts of terrorism directed at maritime transportation, and individual plans for areas at risk of attack;
- Maritime antiterrorism teams to protect the public as well as vessels, ports, facilities, and cargo in U.S. waters;
- Grants to ports to implement maritime antiterrorism plans or interim measures required by the Coast Guard—for this purpose the bill would authorize the appropriation of \$75 million a year over the 2003-2005 period;
- Assessments of foreign ports that vessels entering U.S. ports might visit, including recommended actions that such ports should take to enhance security and actions that the United States might take if foreign ports fail to maintain effective antiterrorism measures;
- Regulation of deepwater ports handling natural gas; and
- Other activities to regulate shipping of containerized cargo, require manifests of vessel passengers and crew, create a sea marshal program, and safeguard American ports.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The Coast Guard is implementing most of the provisions of H.R. 3983 under its existing authority. The following table shows the estimated costs of carrying out requirements of the bill that are in addition to those already authorized and planned, including grants for enhanced port security. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Estimated Authorization Level	78	78	78	3	3
Estimated Outlays	28	53	78	54	27

a. For fiscal year 2002, the Coast Guard is planning to spend about \$45 million for antiterrorism activities. To date, the agency has received about \$26 million for this purpose, and is seeking an additional \$19 million in a supplemental appropriation or reprogramming request for this year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3983 will be enacted during fiscal year 2002 and that the necessary amounts will be appropriated for each fiscal year. For fiscal years 2003 through 2005, section 2 of the bill authorizes the appropriation of \$75 million for grants to owners or operators of ports. In addition, CBO estimates it would cost \$3 million a year to assess security efforts at foreign ports and regulate U.S. deepwater ports that handle natural gas—activities that are not authorized under current law. Outlays for these activities are based on historical rates for similar Coast Guard programs.

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. Enacting H.R. 3983 could increase federal revenues by establishing civil penalties, but CBO estimates that any such increase would be less than \$500,000 annually.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3983 contains both intergovernmental and private-sector mandates as defined in UMRA. Because of uncertainties about which ports, facilities, and vessels would be affected and how certain regulations and performance standards would be implemented, CBO cannot determine whether the costs of all of the mandates contained in H.R. 3983 would exceed the thresholds established by UMRA (\$58 million for intergovernmental mandates and \$115 million for private-sector mandates in 2002, adjusted annually for inflation). The bill

also would authorize appropriations for grants to help port facilities to implement antiterrorism efforts.

Mandates that Affect Both the Public and Private Sector

Because facility and vessel owners and operators include both public and private-sector entities, the following requirements would be both intergovernmental and private-sector mandates as defined by UMRA.

Antiterrorism Plans. Section 2 would require the Coast Guard to perform port vulnerability assessments for each port, and for each facility in that port, believed to be at high risk of a catastrophic emergency, as defined in the bill. Based on the results of that assessment, certain facilities and vessel owners or operators would be required to develop and comply with their own antiterrorism plans.

The selected facilities and vessels that are required to develop the antiterrorism plans and the specific level of security improvements would be determined after the bill's enactment. Based on information from the Coast Guard, it is unclear what facilities and vessels would fall under this requirement. Consequently, CBO cannot estimate either the total costs to comply with the mandate or when such costs would be incurred.

Federal Transportation Identity Cards. Other provisions of section 2 would prohibit individuals from entering secure areas of specific facilities and vessels unless they meet certain conditions. Owners and operators would be required to check identification for all individuals and may have to hire additional personnel. CBO cannot estimate the cost of compliance with this mandate because the identification of the secure areas also is contingent upon the vulnerability assessments that will take place after enactment of the bill.

Automatic Identification System. Section 8 would require certain vessels built after December 31, 2002, to be equipped with an automatic identification system that would transmit the vessel's location and certain other information. This mandate would accelerate the Coast Guard's automatic identification system that is scheduled to begin in 2004 with staggered implementation dates. According to DOT, the cost of a transponder ranges from \$5,000 to \$12,000. The specific vessels required to be equipped with an automatic identification system would be determined by the Secretary after enactment of the bill.

Mandates that Affect the Private Sector Only

H.R. 3983 would impose mandates on shippers and certain persons involved in the transport of containerized cargo, and owners and operators of commercial vessels.

Shipping Container Security. Section 2 would require the Under Secretary of Transportation for Security to develop performance standards to enhance the physical security of shipping containers, including standards for seals and locks, no later than June 30, 2003. CBO cannot estimate the cost to comply with the mandate, however, since the details of the performance standards have not been established.

Electronic Notification. The bill would require shippers and certain persons involved in the transport of cargo to provide the Under Secretary of Transportation for Security, by electronic transmission, information on containerized cargo, no later than 24 hours before the cargo destined for the United States is loaded on a vessel. The bill also would require the operator of each commercial vessel arriving in the United States from a foreign port to provide to the Under Secretary, by electronic transmission, a passenger and crew manifest, in advance of the vessel arriving in the United States. Finally, the bill would require a commercial vessel entering the territorial sea of the United States to notify the Secretary by electronic transmission not later than 96 hours before that entry and to provide the information regarding the vessel, including its name, route, time of entry, and a description of dangerous or hazardous cargo. The above entities already transmit the information although not electronically. The additional cost to transmit the required information electronically would be minimal.

PREVIOUS CBO COST ESTIMATE

On September 18, 2001, CBO transmitted a cost estimate of S. 1214, the Port and Maritime Security Act of 2001, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on August 2, 2001. S. 1214 contains provisions similar to those of H.R. 3983, but the Senate bill encompasses other law enforcement activities such as drug interdiction. The Senate bill also would extend the collection of some vessel tonnage duties that will expire after 2002 and would make most of the duties available to the Coast Guard without further appropriation for implementing port security activities. As a result, most of the spending under S. 1214 would be financed from such fees, while the new spending under H.R. 3983 would all come from annual appropriations.

CBO identified intergovernmental and private-sector mandates in H.R. 3983 that are similar to those found in S. 1214. For example, both bills require that the Coast Guard conduct

vulnerability assessments for ports. CBO cannot determine the aggregate cost of the mandates in either version, in part because of the uncertainty about which ports would be affected.

ESTIMATE PREPARED BY:

Federal Costs: Deborah Reis

Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins

Impact on the Private Sector: Cecil McPherson and Jean Talarico

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis