



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 16, 2003

S. 165

Air Cargo Security Improvement Act

*As ordered reported by the Senate Committee on Commerce, Science,
and Transportation on March 13, 2003*

SUMMARY

S. 165 would impose new duties on the Transportation Security Administration (TSA) within the Department of Homeland Security. The bill would require the TSA to regularly inspect air shipping facilities, expand the Federal Flight Deck Officer Program by allowing pilots of air cargo aircraft to be armed, establish an industry-wide database of cargo shippers, and create a security training program for air cargo handlers.

Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 165 would cost \$417 million over the 2004-2008 period. Enacting S. 165 would not affect direct spending or revenues.

S. 165 would allow eligible cargo pilots, regardless of state laws, to carry firearms within and across state borders and would protect those pilots and air carriers from liability for certain actions. These provisions would expand existing intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates, however, that these provisions would impose no costs on state, local, or tribal governments. Thus, new mandate costs would not exceed the threshold established by that act (\$59 million in 2003, adjusted annually for inflation). The remaining provisions of the bill contain no intergovernmental mandates.

S. 165 would impose private-sector mandates as defined in UMRA on carriers that transport cargo and facilities that provide flight training to foreign candidates. The cost to comply with those mandates would depend on the standards to be developed after enactment. However, based on information on current industry practices from the TSA and industry representatives, CBO expects that the costs to comply with the mandates would not exceed the annual threshold established by UMRA for private-sector mandates (\$117 million in 2003, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 165 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

| | By Fiscal Year, in Millions of Dollars | | | | |
|---|--|------|------|------|------|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| CHANGES IN SPENDING SUBJECT TO APPROPRIATION | | | | | |
| Estimated Authorization Level | 80 | 83 | 86 | 89 | 92 |
| Estimated Outlays | 68 | 83 | 85 | 89 | 92 |

BASIS OF ESTIMATE

CBO estimates implementing S. 165 would cost \$417 million over the 2004-2008 period. A description of the costs is provided below. For this estimate, CBO assumes that S. 165 will be enacted by the end of fiscal year 2003 and that the necessary amounts will be appropriated for each year. We also assume that these appropriations would be adjusted to reflect anticipated inflation for each year. The estimated costs are based on information from the Transportation Security Administration and the Air Line Pilots Association.

Inspection of Air Shipping Facilities and Training Cargo Handlers

S. 165 would require the TSA to establish a system for regular inspections of shipping facilities that handle air cargo to ensure that appropriate security protocols are observed. Under current law, the TSA employs about 50 cargo security inspectors. To inspect every air cargo facility once a year, TSA estimates that it would need to hire 500 inspectors. CBO estimates that each inspector would cost about \$120,000 each year, including the cost of training and supervision. Hence, CBO estimates that this provision would cost about \$50 million in 2004 and about \$290 million over the 2004-2008 period. The bill also would require the TSA to create a security training program for air cargo handlers. Based on information from the TSA, CBO estimates that creating such a program would cost about \$250,000.

Arming Cargo Pilots

CBO estimates that TSA would need about \$16 million in 2004 and \$83 million over the 2004-2008 period to arm and equip pilots of cargo aircraft. Under current law, the TSA trains and equips pilots on passenger aircraft to carry firearms as federal flight deck officers. The bill would expand that program to include pilots of cargo aircraft. Based on information from the Air Line Pilots Association, CBO estimates that about 25 percent of the 8,000 active cargo pilots would apply and qualify for the program. CBO expects that the number of participants in the program would remain relatively steady over time as pilots retire who are replaced by new participants.

We estimate that the program would spend an average of about \$8,000 for each federal flight deck officer, including the cost of weapons, ammunition, training, and travel. Because all pilots would receive updated training and equipment, such costs would continue each year. CBO estimates that it would cost an additional \$500,000 each year to maintain a staff of about six people to manage the expanded program.

Database of Cargo Shippers

S. 165 would require the TSA to establish an industry-wide database of air cargo shippers that use passenger aircraft. More than 50 air carriers transport air cargo on passenger aircraft. The largest carriers of air cargo conduct business with nearly 2 million shippers per day. Because the population of shippers would change each year, the costs of maintaining a database of known shippers would be ongoing. Based on the number of shippers that would need to be tracked and the cost of private systems to track shippers, CBO estimates that maintaining an industry-wide database of known shippers would cost about \$10 million dollars a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 165 would amend the Homeland Security Act of 2002 to expand participation in the federal flight deck program. The bill would permit deputized cargo pilots to carry firearms into any state, regardless of state firearm laws, and would extend liability protection to eligible carriers and cargo pilots for damages resulting from the pilot's defense of the aircraft (with some exceptions). The increase in the type of pilots eligible to carry firearms and afforded the liability protection are expansions of existing mandates as defined in UMRA because they expand the scope of preemptions of state firearm and liability laws. CBO estimates, however, that such preemptions would not affect state budgets because, while they would limit the application of state law, they would impose no duties on states that would result in additional spending.

The remaining provisions of S. 165 contain no intergovernmental mandates as defined in UMRA. However, airports could be indirectly affected by provisions that would authorize TSA to install machinery and systems to enhance security. For example, airports might need to give up space to accommodate security improvements. CBO cannot predict exactly how airports would be affected because regulations regarding such enhancements have yet to be implemented. However, any resulting costs likely would not be large.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 165 would impose private-sector mandates as defined in UMRA on air carriers that transport cargo and on facilities that provide flight training to foreign candidates. The costs to comply with those mandates would depend on standards to be developed after enactment. However, based on information on current industry practices from the TSA and industry representatives, CBO expects that the costs to comply with the mandates would not exceed the annual threshold established by UMRA for private-sector mandates (\$117 million in 2003, adjusted annually for inflation).

S. 165 would require air carriers that operate all-cargo aircraft to establish and implement a security plan. The requirements in the security plan would be based on standards to be set by the Under Secretary of Transportation for Security. According to industry representatives, many businesses have already undertaken several measures to upgrade security. To the extent that future security regulations mirror those measures, the industry would not bear substantial additional costs associated with the mandate. Based on information on industry practices from the TSA and representatives for air carriers transporting cargo, CBO expects that the costs of compliance would not be great.

Current law requires facilities that provide flight training to submit certain information to the Attorney General on foreign candidates requesting initial training to operate aircraft weighing 12,500 pounds or more. S. 165 would require such training facilities to submit that information on foreign candidates requesting initial training on any aircraft, regardless of size. Based on information from the Department of Justice and representatives of flight training facilities, CBO estimates that the incremental cost to comply with this mandate would be under \$2 million annually.

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