CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 13, 2006

H.R. 5782

Pipeline Safety Improvement Act of 2006

As ordered reported by the House Committee on Transportation and Infrastructure on July 19, 2006

SUMMARY

Under current law, the Pipeline and Hazardous Materials Safety Administration (PHMSA) within the Department of Transportation (DOT) oversees the safety of pipelines that carry either gas or hazardous liquids and provides grants to states for pipeline safety programs. For these activities, H.R. 5782 would authorize gross appropriations of about $330 million over the 2007-2010 period. Under the bill, about $253 million of those appropriations would be offset by the collection of fees paid by pipeline operators over the five-year period.

In addition, the bill would authorize the appropriation of $24 million over the 2007-2010 period for PHMSA to provide grants to local governments for emergency management and would authorize the appropriation of $8 million over the period for grants to state programs that help excavators coordinate their work with the operators of underground pipelines and grants to local communities to improve pipeline safety. Finally, CBO estimates that implementing certain studies and rules required by the bill would cost about $1 million over the 2007-2010 period, assuming appropriation of the necessary amounts.

Assuming appropriation of the authorized amounts, CBO estimates that implementing H.R. 5782 would have a net cost of $93 million over the 2007-2011 period. Enacting H.R. 5782 also would affect revenues, but CBO estimates that such effects would not be significant. Enacting the bill would not affect direct spending.

H.R. 5782 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate costs to state, local, and tribal governments, while uncertain, likely would not exceed the threshold established in UMRA ($64 million in 2006, adjusted annually for inflation).

H.R. 5782 also contains private-sector mandates, as defined in UMRA, on operators of distribution and transmission pipelines for natural gas or liquids by increasing fees and imposing new safety standards. Because many of those mandates would require the Department of Transportation to prescribe new safety standards for which information currently is not available, CBO cannot determine the direct costs of complying with all of the mandates in the bill or whether the costs would exceed the annual threshold established by UMRA ($128 million for private-sector mandates in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5782 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION [a]						
Pipeline Safety Spending Under Current Law						
Estimated Net Budget Authority [b]	14	0	0	0	0	0
Estimated Outlays	12	34	10	2	0	0
Proposed Changes:						
Estimated Net Authorization Level [b]	0	28	27	28	28	0
Estimated Net Outlays	0	-15	13	22	25	48
Pipeline Safety Spending Under H.R. 5782						
Estimated Authorization Level	14	28	27	28	28	0
Estimated Outlays	12	19	23	24	25	48

a. H.R. 5782 also would increase revenues, but CBO estimates that those effects would not be significant.

b. The amounts shown are the difference between the bill's authorized funding levels, estimated outlays, and estimated fee collections for each year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5782 will be enacted near the start of fiscal year 2007 and that the authorized amounts will be appropriated for each year. Outlay estimates are based on the historical spending patterns of pipeline safety programs.

CBO estimates that implementing H.R. 5782 would cost $93 million over the 2007-2011 period. This estimate includes net spending of about $63 million for PHMSA's oversight activities and grants to state safety programs, reflecting the difference between gross authorized appropriations of about $330 million over the 2007-2010 period and authorized collections of almost $253 million from pipeline user fees over the same period. The gross authorization for those activities would average more than $80 million a year, and the fees would average more than $60 million a year. By comparison, the gross appropriation for those pipeline safety activities was $72 million in 2006, and CBO estimates that fee collections will total $58 million.

H.R. 5782 would impose civil penalties on any person who excavates in areas containing pipeline facilities without verifying the location of the pipelines or any person who fails to use location information provided at the site. Collections of these penalties are recorded in the budget as revenues. CBO estimates that implementing this legislation would increase penalties by less than $500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5782 contains intergovernmental mandates as defined in UMRA because it would place new requirements on operators of natural gas pipelines—including about 1,000 that are publicly operated. Specifically, section 3 would require pipeline operators to place certain equipment on service lines installed or repaired after enactment of the bill. The bill also would impose new federal standards for pipeline operators as well as new reporting requirements. Based on information from industry and governmental sources, CBO estimates that the aggregate costs to state, local, and tribal governments, while uncertain, likely would not exceed the threshold established in UMRA ($64 million in 2006, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5782 contains private-sector mandates, as defined in UMRA, on operators of distribution and transmission pipelines for natural gas or liquids by increasing fees and imposing new safety standards. Because many of those mandates would require DOT to prescribe new safety standards for which information currently is not available, CBO cannot determine the direct costs of complying with all of the mandates in the bill or whether the costs would exceed the annual threshold established by UMRA ($128 million for private-sector mandates in 2006, adjusted annually for inflation).

Pipeline Safety Fees

Section 2 contains a mandate on gas and liquid transmission operators. Under current law the Secretary collects fees from pipeline operators to offset a large portion of its gross appropriations. The provisions in this section would authorize the Secretary of Transportation to increase the pipeline safety user fee assessed to those operators. In general, the amount of fees collected under the bill would depend on the level of future appropriations. CBO expects that the annual fees collected over the 2007-2010 period would be higher than they were in previous years and that the fees collected would average more than $60 million a year over that period. By comparison, CBO estimates that fee collections in 2006 will total $58 million.

Safety Requirements

The bill would require operators of distribution pipelines to comply with a new distribution integrity management program to be established by DOT. Additionally, the bill would impose new federal standards for managing gas and hazardous liquid pipelines to reduce risks associated with human factors, including fatigue on all pipeline operators. Further, the bill would impose a new standard on all liquid pipeline operators, requiring them to implement some of the National Transportation Safety Board's recommendations on pipeline safety. Because the integrity management program and the safety standards would depend on the actions to be taken by the Secretary of Transportation, CBO has no basis for estimating the costs to the industry to comply with those regulations.

The bill also would require operators of gas and hazardous liquid pipelines to provide data relating to controller fatigue when completing Department of Transportation accident reporting forms. According to industry sources, the cost of complying with this mandate would be nominal.

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