



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 2, 2007

H.R. 1684 **Department of Homeland Security Authorization Act** **for Fiscal Year 2008**

As ordered reported by the House Committee on Homeland Security on March 28, 2007

SUMMARY

H.R. 1684 would authorize the appropriation of \$39.9 billion for fiscal year 2008 to fund operations of the Department of Homeland Security (DHS). The bill also would authorize the appropriation of \$456 million over the 2009-2012 period for certain DHS programs. In addition, CBO estimates that the bill would authorize the appropriation of \$40 million over the 2009-2012 period for several other programs within DHS. CBO estimates that implementing H.R. 1684 would cost \$39.5 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

We estimate that enacting the legislation would increase revenues by \$19 million over the 2008-2012 period and \$46 million over the 2008-2017 period by allowing Customs and Border Protection officers to increase contributions to their retirement funds. Enacting the bill could affect direct spending, but we estimate that any such effects would not be significant.

H.R. 1684 contains both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of those mandates would be well below the annual thresholds established by UMRA (\$66 million for intergovernmental mandates and \$131 million for private-sector mandates in 2007, adjusted annually for inflation). The bill also would create new grant programs that would benefit state, local, and tribal governments and would alter some existing programs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1684 is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense), 300 (natural resources and environment), 400 (transportation), 450 (community and regional

development), 550 (health), 600 (income security), 750 (administration of justice), and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
DHS Spending Under Current Law						
Estimated Budget Authority ^a	33,962	0	2,175	0	0	0
Estimated Outlays	41,192	17,111	10,072	5,192	3,235	885
Proposed Changes:						
DHS Operations ^b						
Authorization Level	0	39,625	0	0	0	0
Estimated Outlays	0	22,982	8,321	5,547	1,981	15
Programs with Specified Funding:						
Grants to Prevent Document Fraud						
Authorization Level	0	120	100	80	0	0
Estimated Outlays	0	26	68	98	71	33
Metropolitan Medical Response System						
Authorization Level	0	63	63	63	63	0
Estimated Outlays	0	4	20	43	59	59
Other Programs with Specified Funding						
Authorization Level	0	28	28	28	28	3
Estimated Outlays	0	22	28	28	28	8
Other DHS Programs						
Estimated Authorization Level	0	28	27	8	2	2
Estimated Outlays	0	25	27	10	3	2
Total Changes						
Estimated Authorization Level ^b	0	39,863	218	179	93	5
Estimated Outlays	0	23,060	8,464	5,726	2,142	117
Spending Under H.R. 1684						
Estimated Authorization Level	33,962	39,863	2,393	179	93	5
Estimated Outlays	41,192	40,171	18,536	10,918	5,377	1,002

CHANGES IN REVENUES

Estimated Revenues ^c	0	5	3	3	4	4
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- a. The estimated 2007 level is the amount of appropriations less offsetting collections for that year for operations of DHS. The 2009 level reflects an advance appropriation for a biodefense countermeasures program.
- b. Section 101 of H.R. 1684 would authorize the appropriation of \$39,863 million for fiscal year 2008 for DHS. Of that amount, the bill would authorize funding for certain programs in 2008; the remainder is shown as "DHS operations."
- c. CBO estimates that enacting H.R. 1684 would increase revenues by an additional \$27 million over the 2013-2017 period.

BASIS OF ESTIMATE

CBO estimates that implementing H.R. 1684 would cost \$39.5 billion over the 2008-2012 period, assuming appropriation of the amounts authorized and estimated to be necessary. For this estimate, we assume that such amounts will be appropriated for each year. Estimated outlays are based on historical spending patterns for existing or similar programs.

We estimate that enacting H.R. 1684 would increase revenues by \$46 million over the 2008-2017 period. In addition, CBO estimates that the bill would have an insignificant effect on direct spending.

Spending Subject to Appropriation

H.R. 1684 would authorize appropriations for DHS operations in 2008, including funding for document fraud grants, medical-response programs, and other activities. It also would authorize appropriations in 2009 and later years for these programs.

DHS Operations for Fiscal Year 2008. Section 101 would authorize the appropriation of \$39.9 billion for fiscal year 2008 to fund the operations of DHS. Of that amount, the bill would authorize specific funding levels for certain programs, covering a little more than \$200 million of the \$39.9 billion total. Those specified amounts are detailed below, along with authorizations for the 2009-2012 period.

DHS Programs with Specified Funding Levels. The bill also would authorize the appropriation of \$456 million over the 2009-2012 period to fund certain DHS programs.

Grants to Prevent Document Fraud. H.R. 1684 would authorize the appropriation of \$100 million for 2009 and \$80 million for 2010 for grants to states to prevent fraudulent use of identification cards and other documents. CBO estimates that this program would cost \$176 million over the 2009-2012 period. (Of the 2008 authorization total, the bill would authorize the appropriation of \$120 million for such grants in that year.)

Metropolitan Medical Response System. H.R. 1684 would authorize the appropriation of \$63 million annually over the 2009-2011 period for DHS to assist local jurisdictions in responding to incidents involving mass casualties. CBO estimates that this program would cost about \$120 million over the 2009-2012 period. (Of the 2008 authorization, the bill would authorize funding of \$63 million for that year.)

Other Programs. H.R. 1684 would authorize the appropriation of \$25 million annually over the 2009-2011 period for DHS to establish a program to foster international cooperation on scientific research. The bill also would authorize the appropriation of \$3 million annually over the 2009-2012 period to provide training on civil liberties issues to employees of fusion centers (state, local, and regional organizations that aim to prevent terrorist activity). CBO estimates that implementing these programs would cost about \$85 million over the 2009-2012 period. (The bill also specifies \$28 million in authorized funding for those activities from the 2008 total.)

Other DHS Programs. In addition, CBO estimates that the bill would authorize the appropriation of \$40 million over the 2009-2012 period for several other programs within DHS.

H.R. 1684 would authorize the appropriation of sums necessary for fiscal years 2008 and 2009 for DHS to prepare assessments of terrorist threats using chemical, biological, nuclear, and other weapons or agents. Based on information from DHS about the funding provided for threat assessments for fiscal year 2007, CBO estimates that implementing this provision would cost \$20 million in 2009. (Of the 2008 authorization total, CBO estimates that the bill would authorize \$20 million for this activity.)

H.R. 1684 would authorize appropriations for fiscal years 2009 and 2010 for the DHS Office of the Inspector General (IG) to increase oversight of the Secure Border Initiative program. The bill would authorize the appropriation of at least 6 percent of the total IG budget for 2009 and at least 7 percent of the IG budget for 2010 for increased oversight activities. The fiscal year 2007 appropriation for the IG was \$85.2 million. Adjusting the 2007 level for anticipated inflation, CBO estimates that this provision would require additional funding of \$5 million in 2009 and \$6 million in 2010. (Of the 2008 authorization total, the bill would authorize the appropriation of \$6 million for increased oversight activities.)

Finally, H.R. 1684 would establish a program to improve systems to detect and combat biohazards. Based on information from DHS, CBO estimates that this program would require additional funding of about \$2 million annually. (Of the 2008 total, CBO estimates that the bill would authorize \$2 million for this activity.)

Revenues and Direct Spending

H.R. 1684 would allow certain Customs and Border Protection officers to elect law enforcement officer coverage under Title V of the United States Code within five years of the bill's enactment. CBO estimates that employee contributions would increase by \$19 million over the 2008-2012 period and by \$46 million over the 2008-2017 period.

Based on data provided by the Office of Customs and Border Protection and the Office of Personnel Management, CBO estimates that, in 2008, roughly 9,000 border patrol agents would be subject to treatment as federal law enforcement officers (LEOs) under the Federal Employees Retirement System (FERS). (This number would grow over time because newly hired border patrol agents would all come under the LEO classification.) As such, they would be required to pay an additional 0.5 percent of salary as retirement contributions, and earn higher accrual rates for their retirement benefits. Because of the more attractive retirement benefits offered LEOs, CBO assumes that 90 percent of officers under age 40 would opt for LEO status. (Because one needs 20 years of LEO status to receive the benefits accorded LEOs and there is a mandatory retirement age of 57, few agents over age 40 would switch status.)

CBO estimates that the additional FERS contributions would total about \$3 million in 2008 (based on an average salary of \$60,000) and grow to \$6 million annually by 2016. In addition, current agents who opt for LEO status could elect to have the status retroactively applied to service beginning in January 2003. Those agents could either make a lump-sum payment of 0.5 percent of salary for those years of service or accept an actuarial reduction in benefits equal to those contributions. In either case, service beginning in 2003 would be treated as LEO service for calculating retirement benefits. CBO assumes that 20 percent of agents would make lump-sum payments, and those payment would total \$2 million in 2008. The 20 percent assumption is consistent with the experience in the late 1980s when federal retirees were allowed to withdraw their own retirement contributions in exchange for an actuarially reduced benefit. In total, H.R. 1684 would increase revenues by \$5 million in 2008, \$19 million over the 2008-2012 period, and \$46 million over the 2008-2017 period.

H.R. 1684 would establish a new federal crime relating to alien smuggling. Because those prosecuted and convicted under the bill could be subject to criminal fines, the federal government might collect additional fines if the legislation is enacted. Criminal fines are recorded as revenues, then deposited in the Crime Victims Fund, and later spent. CBO expects that any additional revenues and direct spending would not be significant because of the small number of cases likely to be affected.

Persons prosecuted and convicted under the bill also could be subject to the seizure of certain assets by the federal government. Proceeds from the sale of such assets would be deposited into the Assets Forfeiture Fund and spent from that fund, mostly in the same year. Thus, enacting H.R. 1684 could increase both revenues deposited into the fund and direct spending from the fund. However, CBO estimates that any increased revenues or spending would be negligible.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1684 contains both intergovernmental and private-sector mandates, as defined in UMRA. CBO estimates that the cost of those mandates would be well below the annual thresholds established by UMRA (\$66 million for intergovernmental mandates and \$131 million for private-sector mandates in 2007, adjusted annually for inflation). The bill also would create new grant programs that would benefit state, local, and tribal governments and would alter some existing programs.

Mandates on Public and Private Entities

The bill would increase the cost of an existing mandate on sponsors of exchange visitors and on colleges and universities that accept international students. Under current law, those sponsors and schools collect and submit information about courses of study, addresses, and work activities for visitors and students who have F, J, or M visas. They currently track about 1 million visitors and students and send information to the Department of Homeland Security using a Web-based interface, known as the Student and Exchange Visitor Information System (SEVIS). This bill would require those sponsors and schools to ensure that the visitors and students are active participants in their program and are observed at least once every 60 days. That observation could be done in person or electronically. The total direct cost of the mandate would depend on regulations yet to be issued by DHS and would include the costs for observation, training, and upgrades for software. Based on information from industry sources, CBO expects that the incremental costs of complying with those new requirements would be small relative to the annual UMRA thresholds.

Additional Private-Sector Mandate

H.R. 1684 would impose another private-sector mandate, as defined in UMRA, by prohibiting individuals and entities from using specific words, initials, titles, or the insignia of DHS in connection with certain activities without written permission. The bill would expand restrictions beyond those in current law. The cost of the mandate would be the cost of acquiring written permission to use such words or symbols or the forgone net value attributable to such uses in the event that permission is not granted. Based on information from DHS, CBO expects that the direct cost to comply with the mandate would be minimal.

Other Impacts on State, Local, and Tribal Governments

The bill would create two new grant programs that would benefit state, local, and tribal governments. Section 1112 would create the Metropolitan Medical Response System to help local governments prepare for incidents that result in mass casualties. Section 1113 would create a grant program to increase the security of identity documents issued by state governments and to decrease the potential for those documents to be used fraudulently. Assuming the appropriation of authorized amounts, CBO estimates that those governments would receive about \$480 million over the 2008-2012 period. In addition to creating new grant programs, the bill also would add new requirements to several existing grant programs. Any costs to state, local, and tribal governments for participating in the new or existing grants would be incurred voluntarily as a condition of receiving federal assistance.

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