CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 29, 2007

H.R. 2830
Coast Guard Authorization Act of 2007

As ordered reported by the House Committee on Transportation and Infrastructure on June 28, 2007

SUMMARY

H.R. 2830 would authorize the appropriation of $7.2 billion through fiscal year 2012, primarily for activities of the U.S. Coast Guard (USCG) for 2008. CBO estimates that appropriation of the authorized amounts for discretionary programs would result in outlays of about $5 billion in fiscal year 2008 and $7.2 billion over the 2007-2012 period. (About $100 million would be spent after 2012, including $9 million specifically authorized to be appropriated for 2013.)

Several provisions of H.R. 2830 could result in small changes in offsetting receipts (a credit against direct spending), primarily from fees on commercial vessels, but CBO estimates that any net change would be minimal. We estimate that enacting this legislation would increase revenues from civil penalties by $10 million in 2008, by $31 million over the 2008-2012 period, and by $56 million over the 2008-2017 period.

H.R. 2830 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt some state laws and impose new requirements that affect public transportation vessels. The aggregate cost to public entities of complying with those mandates is uncertain and would depend, in part, on future regulations. Because of the small number of entities involved, however, CBO estimates that those costs would not exceed the annual threshold established in UMRA for intergovernmental mandates ($66 million in 2007, adjusted annually for inflation).

H.R. 2830 contains several private-sector mandates as defined in UMRA. The bill would require manufacturers, owners, and operators of certain vessels equipped to carry ballast water to comply with treatment requirements. In addition, the bill includes new safety requirements on owners and operators of commercial fishing, passenger, and transport vessels, and other requirements on the maritime industry. Because the costs to comply with some of those mandates would be substantial, CBO estimates that the aggregate cost of the

mandates in the bill to private entities would exceed the annual threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 2830 are summarized in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
USCG Spending Under Current Law						
Budget Authority/Authorization Level [a]	7,164	26	0	0	0	0
Estimated Outlays	6,533	1,706	902	424	199	102
Proposed Changes						
Reauthorization of USCG Spending						
Authorization Level	0	7,120	0	0	0	0
Estimated Outlays	0	4,975	1,210	470	273	80
Ballast Water Treatment						
Authorization Level	0	31	31	31	31	31
Estimated Outlays	0	23	29	30	31	31
Other USCG Programs						
Authorization Level	0	7	7	5	6	3
Estimated Outlays	0	7	7	5	6	3
Total Proposed Changes						
Authorization Level	0	7,158	38	36	37	34
Estimated Outlays	0	5,005	1,246	505	310	114
Total Spending Under H.R. 2830						
Authorization Level	7,164	7,184	38	36	37	34
Estimated Outlays	6,533	6,711	2,148	929	509	216
REVENUES						
Estimated Revenues	0	8	7	6	5	5

a. The 2007 level is the amount appropriated for that year for USCG discretionary programs. The $26 million shown for 2008 is the amount authorized to be appropriated from the Oil Spill Liability Trust Fund for Coast Guard operating expenses and research.

BASIS OF ESTIMATE

Spending Subject to Appropriation

The proposed authorization levels shown in the table are those specified by the bill for discretionary accounts, excluding $26 million to be derived from the Oil Spill Liability Trust Fund (OSLTF). That amount, which consists of $24 million for operating expenses and $2 million for research, is already authorized under existing law. Estimated outlays are based on historical spending patterns for the Coast Guard.

For 2008, title I of the bill would authorize the appropriation of about $6.1 billion for USCG operations, including $127 million for reserve training and $12 million for environmental compliance. That title also would authorize the appropriation of about $1 billion for capital acquisitions and other multiyear projects, including $19 million for research activities and $16 million for bridge alterations. Of the amounts authorized, $46 million would be derived from the OSLTF, including $26 million that is already authorized under existing law.

Title V would require the Coast Guard to establish new standards and procedures for controlling the spread of aquatic invasive species through discharges of ballast water (water that is carried in tanks by some ships to maintain stability). For this purpose, title V would authorize appropriations of $31 million a year. Of this amount, about $22 million would be allocated for USCG activities and about $9 million would be provided to the National Oceanic and Atmospheric Administration for related projects.

Other titles of the bill would authorize the appropriation of $3 million for each of fiscal years 2008 through 2012 for grants to local governments, nonprofit organizations, and others for training programs on fishing vessel safety, between $2 million and $3 million a year through 2011 to the Great Lakes Maritime Research Institute for maritime studies, and about $2 million for each of 2008 and 2009 for assessments of vessel traffic risk in Alaska.

The bill also would authorize the appropriation of about $1.2 billion for Coast Guard retirement benefits in 2008, but that amount is excluded from this estimate because such benefits are considered an entitlement under current law and are not subject to appropriation. Thus, the authorization has no additional budgetary impact.

Changes in Direct Spending

Section 323 would authorize the Coast Guard to extend for one year certain expiring maritime licenses, certificates of registry, and merchant mariner documents. The authority to provide such extensions would apply through June 2009. Because the extensions would delay the collection of USCG fees charged for such documents, enacting this provision could reduce offsetting receipts (an offset against direct spending) over the next year or two. Some of those receipts may be spent without further appropriation, however, to cover collection expenses. CBO estimates that the net effect in direct spending from enacting the bill would be less than $500,000 a year in 2008 and 2009.

Several provisions of H.R. 2830 would direct the USCG to donate real and personal property to various parties such as local governments or nonprofit organizations. Because some of the affected vessels, aircraft, and real estate could have been sold as surplus property under existing law, donating such assets could result in foregone offsetting receipts. Based on information provided by the Coast Guard, however, CBO estimates that such losses would be less than $100,000 a year.

Revenues

H.R. 2830 would establish new penalties and raise the cost of certain existing penalties, resulting in estimated new revenue collections of $31 million over the 2008-2012 period and $56 million over the 2008-2017 period.

Section 304 would impose a new civil penalty on individuals on vessels with a controlled substance, section 308 would impose a civil penalty on vessel owners or operators who do not keep mariner records for at least five years, and section 503 would raise civil penalties for ballast water management violations. CBO estimates that those provisions would increase revenues by less than $500,000.

Additionally, section 602 would impose new civil penalties for smuggling people into the United States via vessels, with the penalties varying based on the physical condition of the individuals being smuggled. The Coast Guard expects that it would be able to collect penalties of about $100,000 yearly from less than 100 smugglers. The estimated revenues are based on information from the Coast Guard, including the numbers of alien migrant interdictions and estimates of the number of individuals who are injured or die while being smuggled, as well as CBO's estimate of the deterring effect of the proposed legislation on smuggling. CBO estimates that this provision would increase revenues by $8 million in 2008, by $30 million over the 2008-2012 period, and by $54 million over the 2008-2017 period.

The 10-year effect on revenues is detailed below.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
	By Fiscal Year, in Millions of Dollars											
CHANGES IN REVENUES												
Penalties for Alien Smuggling	8	7	6	5	5	5	5	5	5	5	31	56

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2830 contains intergovernmental mandates as defined in UMRA because it would preempt some state laws and impose new requirements that affect some public transportation vessels. The aggregate cost to public entities of complying with those mandates is uncertain and would depend, in part, on future regulations. Because of the small number of entities involved, however, CBO estimates that those costs would not exceed the annual threshold established in UMRA for intergovernmental mandates ($66 million in 2007, adjusted annually for inflation). Other provisions of the bill would benefit state and local governments.

Safety Management

The bill would require passenger vessels to implement safety management procedures as determined by the Secretary. According to government and industry sources, the costs to public entities could vary widely depending on the coverage and scope of those procedures. However, only a small number of public entities would be affected by those requirements.

Ballast Water Treatment

Current regulations require U.S. and foreign vessels with ballast tanks that operate in the waters of the United States and that are bound for ports or places in the United States to report on and conduct activities relating to ballast water exchange. The bill would place additional requirements on those vessels by requiring new systems for treating ballast water. Vessels owned by state and local governments that do not meet exemption standards would be required to comply. The duty to comply would be an intergovernmental mandate as defined in UMRA. CBO estimates, however, that the costs to those entities would be small because we expect that few publicly owned vessels would be affected by the regulations.

The bill also would preempt state and local laws that would be inconsistent or conflict with the new federal requirements. (The bill would specifically preserve state and local authority to impose greater penalties or fees for acts or omissions that are violations of the act.) This preemption constitutes a mandate as defined in UMRA, however, any costs to state and local governments would be minimal.

The bill also would give the Secretary of Transportation authority to subpoena information in the course of an investigation related to the ballast water requirements. State, local, and tribal governments, if subpoenaed by the Secretary, would be required to provide testimony, documents, or other evidence. CBO expects that the Secretary would likely exercise this authority sparingly and that the costs to comply with a subpoena would not be significant.

Other Mandates

Several other mandates in the bill would impose minimal additional costs on public entities, in CBO's estimation. Those mandates would:

- Require ports to include in their security plans provisions that allow crew members to leave and reboard ships without paying escort fees;

- Prohibit state and local governments from providing security for liquified natural gas terminals without the approval of the Coast Guard;

- Prohibit the Secretary from approving survival craft that do not keep passengers out of the water;

- Require ferry operators to document accidents and injuries, hours in service, and terms of employment for certain employees; and

- Prohibit ferry operators from discharging or discriminating against any employee who reports safety-related information.

CBO estimates that the additional costs to comply with those mandates would be small because compliance likely would involve only a small adjustment in current procedures, or because public entities would be unlikely to engage in the prohibited activities.

Other Impacts

Other provisions of the bill would benefit state and local governments. In particular, the bill likely would increase sales tax receipts in Idaho and Alaska by clarifying that certain providers of recreation vessels are subject to sales taxes on rentals. The bill also would benefit state and local governments and public universities by conveying certain boathouses, ships, aircraft, and land rights to those governments and entities, and by authorizing certain grant programs.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2830 would impose private-sector mandates, as defined in UMRA, on owners and operators of certain vessels and others in the maritime industry. Those mandates include, but are not limited to:

- Standards for treating ballast water for certain vessels;
- Safety equipment and management requirements for commercial vessels;
- Safety requirements for fishing industry vessels; and
- Security, employee protection, and other requirements on businesses and employees in the maritime industry.

The aggregate cost of the mandates in the bill is uncertain because the cost of many of the mandates would depend on regulations to be developed under the bill. However, because the costs to comply with some of the mandates would be substantial, CBO estimates that the aggregate cost to private entities would exceed the annual threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

Ballast Water Treatment Standards

The bill would require certain vessels equipped to carry ballast water and manufacturers of such vessels to comply with new ballast water treatment requirements. Owners and operators of vessels would be required to conduct all ballast water treatment operations in accordance with a management and treatment system that meets the requirements of this bill and is approved by the Secretary. In addition, new vessels built after 2008 would have to meet specific design and construction requirements for water treatment systems to be eligible to operate in U.S. waters.

According to several industry experts and the Coast Guard, water treatment systems currently available would cost between $300,000 and $1 million to install per ballast system. Some vessels that would need those systems may have as many as 20 ballast tanks. Each tank would have to be fitted with a ballast water treatment system. Consequently, CBO estimates that the cost for the private sector to comply with this mandate would exceed the threshold for private-sector mandates in at least one of the next five years.

Safety Equipment and Management Requirements for Commercial Vessels

H.R. 2830 would require owners and operators of commercial vessels to carry survival craft as approved by the Secretary that ensure that no part of an individual is immersed in water. All survival craft would have to meet this standard by January 1, 2013. According to the Coast Guard, current regulations do not require vessels to meet this standard. The cost to the industry to comply with this mandate would depend on how the Secretary implements the standard. However, because the mandate would affect commercial fishing, passenger, and transport vessels, each of which may carry as many as hundreds of survival craft, CBO estimates that total compliance costs for the industry could be substantial.

The bill would also require a safety management system for certain domestic passenger vessels, similar to the existing requirement for passenger vessels on foreign voyages. The bill would direct the Secretary to establish regulations requiring the management systems to include a safety and environmental protection policy, and operational and emergency procedures, among other requirements. CBO cannot estimate the total cost of this mandate because it would depend on future regulations.

Safety Requirements for Fishing Industry Vessels

H.R. 2830 would impose new safety requirements on owners and operators of commercial fishing vessels. The bill also would require the individuals in charge of commercial fishing vessels operating beyond three nautical miles of the U.S. coast to keep a record of equipment maintenance and to pass a safety training program and a refresher training once every five years. The cost of recordkeeping would be minimal. The new safety training program, however, would have to include training in collision prevention, personal survival, and emergency medical care, and issue a certificate to individuals upon successful completion of the program. According to industry sources, the cost of similar training programs is between $100 and $500 per person. Such sources also indicate that thousands of U.S. commercial fishing captains and others would have to comply with the training requirement. The bill also would establish a grant program to provide funding for training on commercial fishing safety.

The bill would establish safety equipment standards for certain commercial fishing industry vessels operating beyond three nautical miles of the coast. In addition, beginning in 2008, the bill would require that such vessels that are less than 50 feet be constructed in a manner that provides a level of safety equivalent to the minimum safety standards established by the Secretary that apply to recreational vessels. The cost to comply with those mandates would depend on the standards to be set by the Secretary.

Other Mandates on the Maritime Industry

The bill also would impose new requirements on businesses and employees in the maritime industry. For example, the bill would impose new security requirements on liquified natural gas facilities; require commercial vessels to comply with new recording requirements; and provide certain whistleblower protections for maritime employees. CBO estimates that the additional costs to comply with many of those mandates would be small because compliance likely would involve only a small adjustment in current procedures. The cost of some of the mandates, however, would depend on regulatory action taken under the bill.

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