CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 18, 2004

S. 2635

A bill to establish an intergovernmental grant program to identify and develop homeland security information, equipment, capabilities, technologies, and services to further the homeland security of the United States and to address the homeland security needs of federal, state, and local governments

As ordered reported by the Senate Committee on Governmental Affairs on July 21, 2004

SUMMARY

S. 2635 would establish a new grant program between the United States and Israel within the Department of Homeland Security. The bill would require the Secretary of Homeland Security to conduct an assessment of the needs of federal, state, and local governments for security information, equipment, capabilities, technology, or services and to make grants to joint U.S. and Israeli ventures to develop, and manufacture, products and services for those needs. The bill would authorize the appropriation of $25 million in 2005 and amounts necessary for such grants in 2006. CBO estimates that implementing the program would cost $47 million over the 2005-2009 period, assuming the appropriation of the necessary amounts. Enacting the bill would not effect direct spending on receipts.

The Secretary could require the Government of Israel to contribute to any grants made under the bill. Any joint venture between U.S. and Israeli entities would be eligible to apply for the grants, including businesses, academic institutions, or nonprofit organizations. The Secretary could require grant recipients to contribute up to 50 percent of the total proposed cost of any project. If appropriate, the Secretary could require grant amounts to be repaid to the government, including interest costs.

S. 2635 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Public academic institutions may benefit from grants for research and development of homeland security technology; any costs to those institutions would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2635 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce).

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	25	26	0	0	0
Estimated Outlays	0	8	25	11	3

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted near the end of 2004, that the $25 million authorized for 2005 will be appropriated near the start of the fiscal year, and that the same amount (adjusted for anticipated inflation) will be appropriated in 2006.

The bill would require Israel to provide matching funds for grants under the new program. According to information from the Department of State, the United States has not had any discussions with Israel on matching funds. CBO expects that having such discussions and reaching an agreement on funding would delay the start of operations until 2006. Once the program is established, CBO assumes spending would follow a pattern similar to other cost-shared partnership programs operated by the National Institute of Standards and Technology.

If the Secretary of Homeland Security uses a nongovernmental organization to manage the grant program, the bill would require him to establish an advisory board to monitor how the grants are awarded. Based on the cost of similar advisory boards, CBO estimates the cost to administer the program would be less than $100,000 each year.

Finally, the bill would authorize the Secretary to require recipients to repay the grant if appropriate. Other programs with similar repayment authority seldom use it and CBO estimates that collections under this provision, if any, would be insignificant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2635 contains no intergovernmental or private-sector mandates as defined in UMRA. Public academic institutions may benefit from grants for research and development of homeland security technology; any costs to those institutions would be incurred voluntarily.

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