



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 28, 2006

H.R. 4954

Security and Accountability For Every Port Act

As ordered reported by the House Committee on Homeland Security on April 26, 2006

SUMMARY

CBO estimates that H.R. 4954 would authorize the appropriation of \$8.9 billion over the 2007-2011 period for Department of Homeland Security (DHS) programs to improve the security of U.S. ports, for the Domestic Nuclear Detection Office within DHS, and for the United States Coast Guard's integrated deepwater program (IDP). In addition, the bill would specifically authorize the appropriation of an additional \$881 million in 2012 for port security programs. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 4954 would cost \$7.4 billion over the 2007-2011 period and additional spending of more than \$2 billion after 2011. Enacting the bill could affect direct spending and receipts, but we estimate that any such effects would not be significant.

H.R. 4954 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs to intergovernmental entities, including public ports, would total less than \$10 million annually, and would not exceed the threshold established in UMRA (\$64 million in 2006, adjusted for inflation).

H.R. 4954 would impose new private-sector mandates, as defined in UMRA, on owners and operators of maritime terminal facilities. CBO estimates that the direct cost of complying with those mandates would be small and would fall below the annual threshold for private-sector mandates (\$128 million in 2006, adjusted annually for inflation). In addition, the bill would require the Secretary of DHS to review and issue certain regulations. Because those regulations have not been established, CBO cannot determine if additional mandates would be imposed. Therefore, CBO cannot determine whether the aggregate direct cost of complying with all of the private-sector mandates that may be imposed by the bill would exceed the annual threshold.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4954 is shown in the following table. The costs of this legislation fall within budget functions 400 (transportation), 450 (community and regional development), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Programs						
Authorized by H.R. 4954						
Budget Authority ^a	1,441	0	0	0	0	0
Estimated Outlays	769	534	363	150	70	40
Proposed Changes:						
DHS Programs to Improve Port Security						
Authorization Level	0	801	801	821	841	861
Estimated Outlays	0	307	520	724	835	855
Domestic Nuclear Detection Office						
Estimated Authorization Level	0	536	552	569	586	603
Estimated Outlays	0	268	437	557	574	591
Integrated Deepwater Program						
Authorization Level	0	1,892	0	0	0	0
Estimated Outlays	0	189	530	530	284	151
Other DHS Programs						
Estimated Authorization Level	0	4	2	2	2	2
Estimated Outlays	0	3	2	2	2	2
Total Changes						
Estimated Authorization Level	0	3,233	1,355	1,391	1,428	1,466
Estimated Outlays	0	767	1,488	1,812	1,694	1,599
Spending Under H.R. 4954						
Estimated Authorization Level ^a	1,441	3,233	1,355	1,391	1,428	1,466
Estimated Outlays	769	1,302	1,851	1,962	1,764	1,639

a. The 2006 level is the amount appropriated for that year for most programs authorized by H.R. 4954. These programs include the container security initiative, the customs-trade partnership against terrorism, the Domestic Nuclear Detection Office, and the integrated deepwater program. The total does not include any funding for maritime security command centers because this information is not available.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted before the end of 2006. CBO estimates that implementing H.R. 4954 would cost about \$7.4 billion over the 2007-2011 period, assuming appropriation of the authorized and estimated amounts. Enacting the bill could increase both direct spending and receipts, but CBO estimates that any such effects would not be significant in any year.

Spending Subject to Appropriation

For this estimate, CBO assumes that the amounts authorized or estimated to be necessary will be appropriated for each year. Estimated outlays are based on historical spending patterns for existing or similar programs.

DHS Programs to Improve Port Security. H.R. 4954 would authorize the appropriation of:

- \$20 million for fiscal year 2007 for DHS to verify the identity of individuals with access to secure areas of seaports;
- \$60 million for each of fiscal years 2007 through 2011 for DHS to establish or expand security command centers at selected seaports;
- \$400 million for each of fiscal years 2007 through 2011 for DHS to make grants to improve the security of U.S. ports, especially those at greatest risk;
- \$300 million over the 2007-2011 period for DHS to hire new inspection officers at U.S. ports (\$20 million for 2007, increasing to \$100 million for 2011);
- \$5 million for each of fiscal years 2007 through 2011 for DHS to identify high-risk containers moving through international commerce;
- \$196 million for each of fiscal years 2007 through 2011 for the container security initiative, a DHS program to examine containers at foreign ports before they are shipped to the United States;
- \$75 million for each of fiscal years 2007 through 2011 for DHS to form partnerships with importers and other entities to improve security at U.S. ports; and
- \$25 million for each of fiscal years 2007 through 2011 for operation safe commerce, a DHS program that would provide grants to improve cargo inspection at U.S. ports.

Assuming appropriation of the authorized amounts, CBO estimates that implementing these programs would cost about \$3.2 billion over the 2007-2011 period.

Domestic Nuclear Detection Office. H.R. 4954 would authorize the appropriation of \$536 million for fiscal year 2007 and necessary amounts for each subsequent fiscal year for the Domestic Nuclear Detection Office in DHS. CBO estimated the necessary funding levels in future years by adjusting 2007 funding for anticipated inflation. Thus, implementing this section would cost about \$2.4 billion over the 2007-2011 period.

Integrated Deepwater Program. H.R. 4954 would authorize the appropriation of nearly \$1.9 billion for fiscal year 2007 for the IDP, the Coast Guard's 25-year, \$26 billion program to modernize its aircraft and vessel fleets and improve its command, control, and logistics systems. CBO estimates that implementing this section would cost about \$1.7 billion over the 2007-2011 period.

Other Programs. H.R. 4954 would direct DHS to consolidate its port security training programs, establish a border patrol unit for the U.S. Virgin Islands, and carry out pilot programs and reports relating to port security. Based on information from DHS, CBO estimates that it would cost about \$10 million over the 2007-2011 period to implement these provisions.

Receipts and Direct Spending

H.R. 4954 would establish new criminal penalties for the improper use of certain trade data. Thus, the federal government might collect additional fines if the bill is enacted. Collections of criminal fines are deposited in the Crime Victims Fund and later spent. CBO expects that any additional receipts and direct spending would not be significant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4954 contains intergovernmental mandates as defined in UMRA because it would require state and local entities (including law enforcement and port authorities) to participate in staffing command centers for maritime security, resubmit security plans in certain circumstances, and hire a United States citizen for the position of chief security officer. Only the provisions that would require state and local entities to participate in staffing command centers for maritime security would impose significant costs on intergovernmental entities. Based on information from industry and governmental sources, CBO estimates that the costs to intergovernmental entities of these provisions likely would total less than \$10 million

annually and would not exceed the threshold established in UMRA (\$64 million in 2006, adjusted annually for inflation).

Other provisions of the bill would authorize more than \$400 million annually, for fiscal years 2007 through 2012 to improve security and cargo inspection at United States ports. To the extent that state, local, or tribal governments apply for and receive such grants, these provisions would provide benefits to those entities. Any costs resulting from complying with the conditions of the grants would be incurred voluntarily.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4954 would impose new private-sector mandates, as defined in UMRA, on owners and operators of maritime terminal facilities. CBO estimates that the direct cost of complying with those mandates would be small and would fall below the annual threshold for private-sector mandates (\$128 million in 2006, adjusted annually for inflation). In addition, the bill would require the Secretary of DHS to review and issue certain regulations. Because those regulations have not been established, CBO cannot determine if additional mandates would be imposed. Therefore, CBO cannot determine whether the aggregate direct cost of complying with all of the private-sector mandates that may be imposed by the bill would exceed the annual threshold.

H.R. 4954 would impose mandates on owners and operators of maritime terminal facilities. The bill would require owners and operators of maritime terminal facilities to resubmit their security plans for approval upon transfer of ownership or operation of their facility. The bill also would require that the individual having full authority to implement security actions at a terminal facility be a citizen of the United States. Based on information from industry and government sources, CBO expects that the total direct cost of complying with those requirements would be small relative to UMRA's annual threshold.

The bill also would require the Secretary of DHS to review and promulgate regulations regarding the security of the international supply chain. Those regulations could impose new mandates on shipping carriers and owners and operators of maritime terminal facilities. The provisions would require the Secretary to issue rules on:

- The transmission of certain data to DHS prior to the loading of cargo for shipment to the United States;
- Minimum standards and verification procedures for securing and sealing containers in transit to the United States; and
- The identification of high-risk containers in the international supply chain.

Because those regulations have not been established, CBO cannot determine if such regulations would impose new mandates on the private sector.

PREVIOUS CBO ESTIMATE

On March 29, 2006, CBO transmitted a cost estimate for S. 1052, the Transportation Security Improvement Act of 2005, as reported by the Senate Committee on Commerce, Science, and Transportation on February 27, 2006. CBO estimated that implementing S. 1052 would cost over \$3 billion in 2007 and nearly \$12 billion over the 2007-2011 period, assuming appropriation of the necessary amounts. Differences between the bills are reflected in the two cost estimates.

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