CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 24, 2006

H.R. 5681
Coast Guard Authorization Act of 2006

As ordered reported by the House Committee on Transportation and Infrastructure on June 28, 2006

SUMMARY

H.R. 5681 would authorize the appropriation of nearly $8 billion for discretionary activities of the U.S. Coast Guard (USCG), including $2 million annually for payments to the Great Lakes Maritime Research Institute (GLMRI) and $7 million for each of fiscal years 2007 and 2008 for the National Oceanic and Atmospheric Administration (NOAA). CBO estimates that appropriation of the authorized amounts for discretionary programs would result in outlays of about $4.9 billion in fiscal year 2007 and $7.7 billion over the 2007-2011 period. (About $300 million would be spent after 2011.)

Also, CBO estimates that enacting section 205 of the bill, which would permanently authorize a Coast Guard housing program, would result in new direct spending of $120 million over the 2007-2011 period and $200 million over the 2007-2016 period. Enacting this legislation could increase revenues from civil penalties, but CBO estimates that such increases would not be significant.

H.R. 5681 contains both an intergovernmental mandate and a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would impose requirements on owners and operators of certain port terminals. CBO estimates that the total direct cost of those mandates would fall below the annual thresholds established in UMRA ($64 million in 2006 for intergovernmental mandates and $128 million in 2006 for private-sector mandates, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 5681 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										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SPENDING SUBJECT TO APPROPRIATION											
USCG Spending Under Current Law											
Budget Authority/ Authorization Level [a]	7,140	26	0	0	0	0	0	0	0	0	0
Estimated Outlays	6,547	2,069	848	392	156	93	44	0	0	0	0
Proposed Changes											
Authorization Level	0	7,939	9	2	2	3	0	0	0	0	0
Estimated Outlays	0	4,864	1,484	771	433	171	106	63	42	21	0
USCG Spending Under H.R. 5681											
Authorization Level	7,140	7,965	9	2	2	3	0	0	0	0	0
Estimated Outlays	6,547	6,933	2,332	1,163	589	264	150	63	42	21	0
CHANGES IN DIRECT SPENDING											
Estimated Budget Authority	0	0	100	30	20	20	20	10	0	0	0
Estimated Outlays	0	0	5	35	45	35	25	20	15	10	10

a. The 2006 level is the amount appropriated for that year. The $26 million shown for 2007 is the amount already 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 total authorization level shown in the table is the sum of all amounts authorized in 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 2007, H.R. 5681 would authorize the appropriation of about $5.8 billion for USCG operations, including $124 million for reserve training, $12 million for environmental compliance, $2 million for the GLMRI, and $3 million to improve secure communications. The bill also would authorize about $2.1 billion for capital acquisitions and other multiyear projects, including $24 million for research activities and $17 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. The 2007 authorization level also includes $7 million for NOAA to purchase environmental data gathered by unmanned aerial vehicles.

The bill also would authorize the appropriation of about $1.1 billion for Coast Guard retirement benefits in 2007, 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.

Finally, the bill would authorize another $7 million for NOAA for 2008 and between $2 million and $3 million for the GLMRI for each of fiscal years 2008 through 2011.

Changes In Direct Spending

Section 205 would repeal the expiration date on the Coast Guard's authority to finance military housing construction through private developers. CBO expects that this provision would enable the Coast Guard to execute new contracts with developers to build several military housing projects over the next 10 years. We estimate that making the agency's housing authorities permanent would increase direct spending by about $120 million over the 2007-2011 period and by about $200 million over the 2007-2016 period.

Under current law, the Coast Guard is authorized to use direct loans and loan guarantees, lease-purchases, limited partnerships, and similar means to finance housing projects. That authority expires at the end of fiscal year 2007. To date, the Coast Guard has not used any of these mechanisms to acquire new housing, but based on USGS plans, CBO expects that, if its authority is made permanent, the agency would execute agreements with private developers to provide employees with over 1,100 units of housing. We expect that such housing would be acquired by leasing federal land to developers, who would then construct apartment buildings, townhouses, or other dwellings that would be rented primarily to Coast Guard military personnel. The developers would thus recoup their investments through the Coast Guard's annual operating appropriations over the life of the buildings.

CBO estimates that the first of such USCG housing projects would encompass nearly 750 units in Cape May, New Jersey, and various locations in Alaska, for a total obligation of about $130 million over fiscal years 2008 and 2009. We estimate that the agency would finalize several smaller projects in each of fiscal years 2010 through 2013, for an additional obligation of $70 million.

Because entering into such leases would effectively obligate the federal government to pay the costs of employee housing in advance of annual appropriations, the full cost of these projects—an estimated $200 million—should be recorded in the budget as new budget authority at the time of the lease agreements. For this estimate, CBO assumes that the leases will be similar to arrangements made by other federal agencies with developers, under which the federal government assumes substantial risk, and that spending would be recorded over each project's construction period. Based on spending patterns for similar construction, we estimate that outlays for the projects would total about $80 million through 2011 and $180 million through 2016.

The Coast Guard could execute additional agreements for housing after 2013, but CBO has no basis for estimating the costs of such potential obligations.

Revenues

Section 304 would increase the maximum civil penalty that may be imposed by the Coast Guard for violations of regulations on the anchoring of vessels in navigable waters of the United States. Section 305 would impose a new civil penalty on individuals on vessels or marine facilities found to be in possession of a controlled substance. CBO estimates that revenues resulting from these provisions would be less than $500,000 a year. Amounts collected would be deposited in the general fund of the U.S. treasury.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Section 307 contains an intergovernmental mandate as defined in UMRA because it would require ports to include in their security plans provisions that allow crew members to leave and reboard ships without paying escort fees. According to industry sources, very few—if any—publicly operated ports are currently charging such fees. CBO estimates, therefore, that the resulting costs to those ports would be insignificant and would not exceed the threshold established in UMRA ($64 million in 2006 adjusted annually for inflation).

Other provisions of the bill would benefit state and local government. In particular, section 302 would likely lead to increased sales tax receipts in Idaho and Alaska by clarifying that certain providers of recreation vessels are subject to sales taxes on rentals. Section 405 would benefit public universities in Minnesota and Wisconsin.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5681 would impose a private-sector mandate, as defined in UMRA, on owners and operators of certain private port terminals. The bill would require that each terminal facility provide a system for seamen assigned to a vessel at the facility to board and depart the vessel through the facility in a timely manner at no cost to the individual. Currently, owners of some terminals charge seamen fees to exit and reenter their terminal facilities. Industry sources claim that such fees can range from $100 to $300 to exit or reenter those terminals. According to government sources, most seamen, due to the high cost of the fees relative to their wages, choose not to exit their vessels at those terminals. Industry sources also estimate that very few privately operated terminals charge such fees. Based on information from government and industry sources, CBO estimates that the total direct cost of the mandate on terminal owners and operators would fall below the annual threshold established by UMRA for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On July 14, 2005, CBO transmitted a cost estimate for S. 1280, the Coast Guard Authorization Act of 2005. S. 1280 would authorize appropriations for the Coast Guard for 2006 and 2007. The cost estimates for the two bills reflect the different authorization periods and amounts. Also, S. 1280 would not affect the Coast Guard's housing authorities.

ESTIMATE PREPARED BY:

Federal Costs: Deborah Reis
Impact on State, Local, and Tribal Governments: Sarah Puro
Impact on the Private Sector: Craig Cammarata

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis