



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 6, 2010

H.R. 5509 **Chesapeake Bay Program Reauthorization and Improvement Act**

As ordered reported by the House Committee on Agriculture on July 28, 2010

SUMMARY

H.R. 5509 would reauthorize and amend the Environmental Protection Agency's (EPA's) Chesapeake Bay program. This legislation would authorize appropriations for EPA over the 2011-2015 period to provide grants to state agencies or municipalities to construct wastewater and stormwater treatment projects. In addition, it would establish the Independent Evaluation and Technical Advisory Committee to review and report on restoration activities in the Chesapeake Bay. H.R. 5509 also would establish the Chesapeake Bay Nutrient and Sediment Trading Commission to oversee and administer a trading program for certain point and nonpoint sources of nutrients and sediment in Delaware, Maryland, New York, Pennsylvania, Virginia, West Virginia, and the District of Columbia. Finally, enacting this legislation would require the U.S. Department of Agriculture (USDA) to establish a pilot program for creating environmental service markets (that is, markets for carbon storage, flood control, and other projects that do not typically compensate farmers and landowners).

Assuming appropriation of the necessary amounts, CBO estimates that implementing this legislation would cost \$2.4 billion over the 2011-2015 period.

Pay-as-you-go procedures do not apply to H.R. 5509 because the bill would not affect direct spending or revenues.

H.R. 5509 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this legislation is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 350 (agriculture).

	By Fiscal Year, in Millions of Dollars					2011- 2015
	2011	2012	2013	2014	2015	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Grants						
Estimated Authorization Level	1,000	1,000	1,000	1,000	1,000	5,000
Estimated Outlays	40	240	540	740	840	2,400
Other EPA and USDA Programmatic Costs						
Estimated Authorization Level	5	7	8	10	10	41
Estimated Outlays	2	5	8	9	10	34
Total Changes						
Estimated Authorization Level	1,005	1,007	1,009	1,010	1,010	5,041
Estimated Outlays	42	245	548	749	850	2,434

Note: EPA = Environmental Protection Agency; USDA = United States Department of Agriculture.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted in 2010, that the necessary amounts will be appropriated for each year, and that outlays will follow the historical patterns of spending for similar programs.

This legislation would authorize the appropriation of such sums as may be necessary for EPA to provide grants to state agencies or municipalities in the Chesapeake Bay region to construct wastewater and stormwater treatment systems to meet certain water quality standards. Based on information from several states within the Chesapeake Bay watershed about the need for additional investment in wastewater and stormwater treatment, CBO estimates that constructing the necessary systems to meet water quality goals for the bay would cost billions of dollars. Costs related to stormwater projects, in particular, would be very costly given that most existing treatment systems in the region would need retrofitting. Furthermore, in 2004, the Chesapeake Bay Watershed Blue Ribbon Finance Panel estimated that about \$13 billion over a six-year period was necessary to fund water treatment facilities to achieve water quality standards in the bay.

Historically, federal appropriations for EPA's Clean Water Revolving Fund, which supports the construction of wastewater treatment projects nationwide, have averaged about \$1 billion annually over the last several years (excluding stimulus funding).

Given those considerations, CBO estimates that about \$1 billion a year from discretionary funding would be needed over the next five years to begin constructing the projects necessary to restore water quality in the bay. We also expect that funding at this level would need to be maintained for several years after 2015 to achieve the standards.

Based on information from EPA and USDA, CBO estimates that, assuming appropriation of the necessary amounts, implementing this legislation also would cost \$34 million over the next five years for additional personnel, contractor costs, and information technology to support the various activities required under this bill. That amount includes several million dollars for USDA to establish and implement assurance standards for the bay. (Although the bill specifies that 35 percent of the amounts appropriated for grants would be directed to USDA to address assurance standards, CBO estimates that significantly less funding would be needed.) Other activities that would be funded include establishing and overseeing the new advisory committee and commission established under the bill, developing technical guidelines for operating the nutrient and sediment credit trading system, and establishing a pilot program for certain environmental services.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5509 contains no intergovernmental or private-sector mandates as defined in UMRA. State and local governments would benefit from grants authorized by the bill. Any costs to those governments would be incurred voluntarily as a condition of federal assistance.

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