CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 24, 2009

S. 1194
Coast Guard Authorization Act for Fiscal Years 2010 and 2011

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 8, 2009

SUMMARY

S. 1194 would amend various laws that govern the activities of the U.S. Coast Guard (USCG). The bill also would authorize appropriations totaling nearly $16.4 billion through fiscal year 2014, primarily for ongoing USCG operations during 2010 and 2011. CBO estimates that appropriating the amounts specifically authorized by the bill (or estimated to be necessary to carry out title V) would result in discretionary spending of about $16 billion over the 2010-2014 period.

Implementing title V, which addresses the Coast Guard's acquisition practices, could result in future savings in discretionary spending, but CBO cannot estimate such savings or clearly identify how much of that savings should be attributed to the legislation rather than to reforms that the Coast Guard has already begun implementing under existing authority.

Enacting S. 1194 would increase direct spending by an estimated $6 million over the 2010-2019 period. First, the bill would increase certain annual payments made from the Oil Spill Liability Trust Fund (OSLTF) by $4 million over the 2010-2019 period. The bill also would reduce offsetting receipts (a credit against direct spending) by directing the Coast Guard to donate—rather than sell—certain properties to local governments in Michigan. We estimate that the resulting loss of receipts would total about $2 million over the 2010-2019 period. Enacting S. 1194 would not affect revenues.

S. 1194 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would increase the costs of complying with existing mandates related to active-duty personnel in the Coast Guard.

The bill also would impose additional intergovernmental mandates by preempting state laws. CBO estimates that the compliance costs for public entities would not exceed the annual threshold established in UMRA for intergovernmental mandates ($69 million in 2009, adjusted annually for inflation). In addition, the bill would impose additional private-sector mandates on owners and operators of certain vessels and facilities. The cost of most of the mandates on private entities would be small; however, the costs of some mandates are uncertain and would depend on future regulations. Therefore, CBO cannot determine whether the aggregate cost of the mandates in the bill would exceed the annual threshold established in UMRA for private-sector mandates ($139 million in 2009, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 1194 are summarized in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 400 (transportation).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1194 will be enacted early in fiscal year 2010 and that the amounts specifically authorized by the bill or estimated to be necessary will be appropriated for each year. Estimated outlays are based on historical spending patterns for the authorized activities.

Spending Subject to Appropriation

The proposed authorization levels shown in the table are those specified by S. 1194 for ongoing Coast Guard activities and for certain new or existing programs of the Department of Transportation (DOT) and the National Oceanic and Atmospheric Administration (NOAA). The table excludes $24 million to be derived from the OSLTF for USCG operating expenses because that amount is already authorized under existing law.

	By Fiscal Year, In Millions of Dollars						
	2010	2011	2012	2013	2014	2010-2014	2010-2019
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
USCG Authorizations [a]							
Authorization Level	8,083	8,083	0	0	0	16,166	16,166
Estimated Outlays	5,489	6,886	1,987	927	449	15,738	16,166
USCG Acquisition Reform							
Estimated Authorization Level	5	0	0	0	0	5	5
Estimated Outlays	3	2	0	0	0	5	5
LORAN-C							
Authorization Level	37	37	0	0	0	74	74
Estimated Outlays	29	35	7	2	1	74	74
Grants to Tribes for Oil Spill Recovery							
Authorization Level	1	1	1	1	1	3	3
Estimated Outlays	1	1	1	1	1	3	3
NOAA Authorizations [b]							
Authorization Level	26	25	25	25	25	126	251
Estimated Outlays	17	22	24	25	25	113	238
Total Proposed Changes							
Estimated Authorization Level	8,152	8,146	26	26	26	16,374	16,499
Estimated Outlays	5,539	6,946	2,019	955	476	15,933	16,486
CHANGES IN DIRECT SPENDING							
Estimated Budget Authority	0	*	*	*	*	2	6
Estimated Outlays	0	*	*	*	*	2	6

Notes: USCG = U.S. Coast Guard; NOAA = National Oceanic and Atmospheric Administration; LORAN-C = Long-Range Aid to Navigation; * = less than $500,000; numbers may not add up to totals because of rounding.

a. The USCG received appropriations totaling over $8.3 billion for fiscal year 2009, including $240 million under the American Recovery and Reinvestment Act of 2009.

b. NOAA authorizations and outlays of $25 million a year would continue over the 2015-2019 period.

USCG Authorizations. Title I would reauthorize funding for ongoing USCG activities for 2010 and 2011. Specifically, for each of the two years, title I would authorize the appropriation of about $6.7 billion for USCG operations (including $134 million for reserve training and $13 million for environmental compliance), about $1.4 billion for capital acquisitions, and nearly $20 million for research programs. Of the amounts authorized by title I for each year, $44 million would be derived from the OSLTF.

CBO estimates that appropriating the amounts specified in title I for ongoing USCG activities would cost nearly $5.5 billion in 2010 and by about $15.7 billion over the 2010-2014 period.

Title I also would authorize the appropriation of about $1.4 billion for Coast Guard retirement benefits in each of fiscal years 2010 and 2011, but those amounts are excluded from this estimate because such benefits are considered an entitlement under current law and are not subject to appropriation. Thus, authorizing those amounts would have no additional budgetary impact.

USCG Acquisition Reform. Title V addresses the contracting practices used by the Coast Guard to acquire capital assets such as vessels and aircraft. Assuming appropriation of the necessary amounts, CBO estimates that implementing title V would cost the USCG about $5 million over the next two years, mostly to develop life-cycle cost estimates for current acquisition initiatives. We estimate that other administrative costs for additional testing and certification (and to develop life-cycle cost estimates for major acquisition initiatives in the future) would not significantly affect the agency's annual budget.

Title V would restrict the Coast Guard's reliance on private entities to manage major acquisitions and would require the agency to revise other procurement practices to rectify problems identified by the Department of Defense (DoD) and other federal agencies. It also would require that many future acquisitions be open to competition and be subject to specified testing, analysis, and certification requirements. Finally, the title would require the Coast Guard to hire additional contracting and management personnel and to produce various reports on its acquisition activities.

The contracting reforms required by S. 1194 could result in lower procurement expenditures in the future. Much of the long-term savings, however, might occur even in the absence of the legislation because the Coast Guard is already implementing many of those reforms, including hiring additional contracting personnel. CBO cannot estimate the likely size of cost savings from improving procurement practices or clearly identify what proportion of such savings would be attributable to the legislation and what share would result from changes that the Coast Guard is already implementing.

Any savings realized by the Coast Guard as a result of the legislation would depend on future changes in the level of discretionary appropriations for capital acquisitions. Annual funding for Coast Guard acquisition has risen rapidly in recent years—from about $640 million in fiscal year 2002 to nearly $1.6 billion for 2009. (The 2009 figure includes nearly $100 million provided by the American Recovery and Reinvestment Act of 2009.) Most of the increase over this period stems from new funding for the Integrated Deepwater Initiative, which will provide for the replacement of many of the agency's vessels, aircraft, and other assets at an estimated cost of between $25 billion to $30 billion over the next 25 years.

LORAN-C. Title VI would authorize the appropriation of $37 million for each of fiscal years 2010 and 2011 to the Department of Transportation to reimburse the Coast Guard for operating the current system of long-range aids to navigation (known as LORAN-C). Appropriating the authorized amounts would cost $74 million over the 2010-2014 period.

Grants to Tribes for Oil Spill Recovery. Title VII would authorize the appropriation of $500,000 a year through 2014 for grants and other assistance to tribal governments. The funding would be used by the tribes to help respond to oil spills. Appropriating the authorized amounts would cost about $3 million over the 2010-2014 period.

NOAA Authorizations. S. 1194 would authorize appropriations for certain programs carried out by NOAA. CBO estimates that appropriating those amounts would cost $113 million over the 2010-2014 period. The authorizations for NOAA include:

- $15 million a year from the OSLTF for oil-spill response and damage assessments;
- $10 million a year through 2014 for a program to prevent oil spills from small vessels; and
- $0.7 million in 2010 to conduct an emergency drill in the Olympic Coast National Marine Sanctuary.

Changes in Direct Spending

Enacting section 814 would increase the annual payment made from the Oil Spill Liability Trust Fund to OSRI (an Alaska-based research institute) by an estimated $400,000, resulting in additional direct spending of about $4 million over the 2010-2019 period.

Under current law, OSRI receives an annual payment from the OSLTF equal to the interest credited (in the previous year) on $22.5 million of that fund's unspent balances. Such payments—about $1 million a year—are not subject to appropriation action and are used by the institute to carry out research on oil spills.

Section 814 would increase the portion of the trust fund’s principal that would be held on behalf of OSRI by about $13 million, resulting in the increase in annual payments beginning in 2011.

Title IX would direct the USCG to donate certain real and personal property located in Michigan to local governments. CBO estimates that one of the affected assets—a 5.5-acre parcel of land in the city of Marquette—has significant market value. Based on local property values and on information provided by the General Services Administration regarding disposals of surplus USCG property, we estimate that donating the Marquette parcel to the city (rather than selling it under existing authority) would result in a loss of offsetting receipts of about $2 million over the next 10 years. We expect that all of the other affected property would either be retained by the Coast Guard or eventually donated to local governments under current law; therefore, donating those assets would result in no loss of offsetting receipts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1194 would impose mandates, as defined in UMRA, because it would increase the costs of complying with existing intergovernmental and private-sector mandates related to active-duty personnel in the Coast Guard. The bill also would impose additional intergovernmental mandates by preempting state laws. CBO estimates that the compliance costs for public entities would not exceed the annual threshold established in UMRA for intergovernmental mandates ($69 million in 2009, adjusted annually for inflation).

The bill also would impose additional new safety requirements on private entities. The costs to private entities to comply with some of the mandates in the bill are uncertain and would depend, in part, on future regulations. Therefore, CBO cannot determine whether the aggregate cost of the mandates in the bill would exceed the annual threshold established in UMRA for private-sector mandates ($139 million in 2009, adjusted annually for inflation).

Mandates that Apply to both Public and Private Entities

Increasing Authorized Coast Guard Personnel. The bill would increase the costs of complying with existing intergovernmental and private-sector mandates by increasing the number of active-duty personnel in the Coast Guard. The additional personnel would be eligible for protections under the Servicemembers Civil Relief Act (SCRA). Under SCRA, servicemembers have the right to maintain a single state of residence for purposes of paying state and local personal income taxes. They also have the right to request a deferral in the payment of certain state and local taxes and fees. SCRA also requires creditors to charge no more than 6 percent interest on servicemembers' obligations when such obligations predate active-duty service and allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. Extending these existing protections to additional servicemembers would constitute mandates as defined in UMRA and could result in lost revenues to government and private-sector entities.

The number of active-duty servicemembers covered by SCRA would increase by less than 1 percent, CBO estimates. Servicemembers' utilization of the various provisions of the SCRA depends on a number of uncertain factors, including how often and how long they are deployed. CBO expects, however, that relatively few of the added servicemembers would take advantage of the deferrals in certain state and local tax payments; the lost revenues to those governments thus would be insignificant. Moreover, because the increase in the number of active-duty servicemembers covered by SCRA would be so small, CBO expects that the increased costs for private-sector entities also would be small.

Mandates That Apply to Public Entities Only

In addition to the mandates discussed above, the bill would preempt state and local authority governing vessels transferring oil. The bill also could preempt state authority by granting privately owned watercraft equal access to the Atlantic Intracoastal Waterway. Because preemptions limit the authority of state and local governments, they are considered intergovernmental mandates under UMRA, but CBO estimates that those preemptions would not impose significant additional costs on state, local, or tribal governments as regulators.

Mandates that Apply to Private Entities Only

Standards for Facilities and Vessels that Transfer Oil. S. 1194 would require certain facilities and vessels to meet new safety standards when transferring oil. The bill would direct the Coast Guard to issue regulations to reduce the risk of oil spills in such operations. In implementing the standards, the Secretary would have to consider updating equipment requirements and operational procedures in high-risk areas. The costs of those requirements are uncertain and would depend upon future actions of the Secretary.

Extension of Financial Responsibility Requirements. The bill would extend to tank vessels weighing more than 100 gross tons the current requirement that vessels establish and maintain evidence of financial responsibility sufficient to meet their liability in the event of an oil spill. According to the Coast Guard, such evidence is usually established through an insurance guarantee. In effect, this provision would require owners and operators to show proof of the insurance that they are already required to carry under current law. Consequently, CBO estimates that the cost to comply with this requirement would be small.

Inspection Requirements for Towing Vessels. The bill would require the Secretary of Homeland Security to issue a final rule for inspections of towing vessels within two years of the date of enactment. Current law requires the Secretary to issue regulations for the inspection of towing vessels and authorizes the Secretary to establish a safety management system. To the extent that the bill would accelerate the implementation of any of those requirements, the bill would impose a private-sector mandate. Based on information from the Coast Guard, CBO expects that the cost of the mandate, if imposed, would be relatively small.

ESTIMATE PREPARED BY:

Federal Spending: Deborah Reis
Impact on State, Local, and Tribal Governments: Ryan Miller
Impact on the Private Sector: Amy Petz and Jacob Kuipers

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis