CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 13, 2012

S. 1665
Coast Guard Authorization Act for Fiscal Years 2012 and 2013

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 2, 2011

SUMMARY

S. 1665 would amend various laws that govern the activities of the United States Coast Guard (USCG). The bill also would authorize appropriations totaling about $19 billion, primarily for ongoing USCG operations during 2012 and 2013 ($8.5 billion has already been appropriated for fiscal year 2012). As a result, CBO estimates that appropriating the additional amounts specifically authorized by the bill and additional amounts estimated to be necessary would cost about $9.1 billion over the 2013-2017 period.

The bill also would increase the authority of the Coast Guard to receive direct appropriations from the Oil Spill Liability Trust Fund (OSLTF) in the event of a significant oil spill in United States waters. As a result, the bill would increase direct spending by $3 million over the 2012-2021 period, CBO estimates; therefore, pay-as-you-go procedures apply.

Enacting the bill could result in the collection of additional criminal or civil penalties because it would establish new penalties for certain violators of environmental law. Penalties are recorded as revenues and deposited in the U.S. Treasury. However, based on the small number of cases involved, CBO estimates that such collections would be minimal and the effect on revenues would be insignificant.

S. 1665 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 would impose additional private-sector mandates on owners and operators of vessels. CBO estimates that the aggregate cost of complying with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($73 million and $146 million, respectively, in 2012, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1665 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars						
	2012	2013	2014	2015	2016	2017	2012-2017
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
United States Coast Guard Authorizations							
Authorization Level [a]	119	8,645	0	0	0	0	8,764
Estimated Outlays	19	5,989	1,494	533	331	156	8,522
Polar Ice Breakers							
Estimated Authorization Level	0	1,750	0	0	0	0	1,750
Estimated Outlays	0	50	100	100	100	200	550
Seafarers Fund							
Authorization Level	2	2	2	0	0	0	5
Estimated Outlays	*	2	2	1	0	0	5
Total Changes							
Estimated Authorization Level	121	10,397	2	0	0	0	10,520
Estimated Outlays	19	6,041	1,596	634	431	356	9,077
CHANGES IN DIRECT SPENDING							
Oil Spill Liability Trust Fund [b]							
Estimated Budget Authority	*	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	*	1
CHANGES IN REVENUES							
Estimated Revenues	*	*	*	*	*	*	*

Note: * = less than $500,000.

a. The level for 2012 is the additional amount necessary to reach the total authorization under the bill. To date, about $8.5 billion has been appropriated for ongoing Coast Guard activities in 2012.

b. CBO estimates that direct spending under S. 1665 would total $3 million over the 2012-2022 period.

BASIS OF ESTIMATE

Spending Subject to Appropriation

For this estimate, CBO assumes that S. 1665 will be enacted in fiscal year 2012 and that the amounts authorized by the bill will be appropriated for each year. Estimated outlays are based on historical spending patterns for authorized activities.

CBO estimates that appropriating the amounts authorized by the bill and estimated to be necessary would cost about $9.1 billion over the 2012-2017 period. The cost estimate does not include $90 million in spending by the USCG that would be derived from the OSLTF for operating and research expenses because that amount is already authorized under existing law.

USCG Authorizations. S. 1665 would authorize funding for ongoing USCG activities for 2012 and 2013. Specifically, the bill would authorize the appropriation of about $17.3 billion for USCG operations (including about $14 billion for operations and maintenance, $2.8 billion for capital acquisitions, $274 million for reserve training, $40 million for research programs, $34 million for environmental compliance, and $32 million for construction on certain bridges). Those activities received appropriations totaling about $8.5 billion in 2012. The bill would authorize $8.6 billion for 2012, leaving a remaining authorization level for 2012 of $119 million. The bill also would extend the Coast Guard's authority to expedite the hiring of certain personnel in areas where there are staffing shortages and would give the Coast Guard additional flexibility in procurement. Assuming appropriation of the amounts specified in the bill for 2013, CBO estimates that implementing those provisions of S. 1665 would cost $8.5 billion over the 2012-2017 period.

The bill also would authorize the appropriation of about $1.4 billion for Coast Guard retirement benefits in fiscal year 2012 and about $1.5 billion for such benefits in fiscal year 2013, 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 the appropriation of those amounts would have no additional budgetary impact.

Polar Ice Breakers. Section 403 would require the USCG to acquire and maintain at least two vessels capable of breaking up heavy ice. Currently, the USCG has no such vessels in operation but is rehabilitating one vessel to provide such capabilities until 2020. The design and construction of a new icebreaker would take 8 to 10 years. As a result, the USCG would require appropriations to procure a vessel many years before that vessel is expected to be in service. Based on information from the USCG, building two polar icebreakers would cost about $1.8 billion ($875 million per vessel). CBO estimates that the

Coast Guard would spend about a third of the construction funds ($550 million) over the 2013-2017 period.

Seafarers Fund. Section 502 would authorize the appropriation of $1.5 million per year over the 2012-2014 period to support certain seamen who are required to remain in the United States as witnesses in judicial proceedings and who are not financially supported by the owner of their vessel or who were abandoned by their vessel. Based on information from the Coast Guard, CBO estimates that enacting the provisions of section 502 would cost about $5 million over the 2012-2017 period.

Direct Spending

Section 602 of the bill would authorize certain administrative costs to process claims to be taken from the OSLTF in cases where the President declares a future oil-spill incident to be a "spill of national significance." Under current law, the federal administrative costs to process claims are subject to appropriation. (In recent years, the USCG has received an appropriation of about $25 million for such activities.) Since 1990, there have been two oil spills of national significance. While the frequency of major spills remains subject to a great deal of uncertainty, CBO estimates that there will be few major spills in future years. The probability of such a spill in any given year is small but not zero. As a result, CBO estimates that implementing this provision would not increase direct spending by significant amounts in any one year; over the 2012-2022 period, we estimate that such spending would total about $3 million on an expected-value basis.

Revenues

Enacting the bill could result in the collection of additional civil or criminal penalties because it would establish new penalties for certain violators of environmental law. Those penalties would be deposited into the Seafarers Fund if the balances in that fund were below $5 million. Penalties are recorded as revenues and deposited in the U.S. Treasury. However, based on the small number of cases involved, CBO estimates that such collections would be minimal and the effect on revenues would be insignificant.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1665 as ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 2, 2011

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	1	3

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1665 contains intergovernmental and private-sector mandates as defined in UMRA because it would increase the costs of complying with existing mandates related to active-duty personnel in the Coast Guard. The bill would impose additional private-sector mandates on owners and operators of vessels. CBO estimates that the aggregate cost of complying with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($73 million and $146 million, respectively, in 2012, adjusted annually for inflation).

Mandates that Apply to Both Public and Private Entities

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. In addition, SCRA 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 public and private 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; thus, the lost revenues to those governments 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 Private Entities Only

The bill would impose a mandate by accelerating requirements related to oil spill response in the Puget Sound. Current law requires the Coast Guard to initiate a rulemaking that would modify the definition of the "higher volume port area" to move the western boundary of the higher volume port area in the Strait of Juan de Fuca. Modifying the definition will expand the area covered by various federal oil spill response regulations. The bill would codify the modified definition and make any requirements related to oil spill response applicable on July 1, 2012. By doing so, the bill would probably require private entities to comply with the existing requirements related to oil spill responses in higher volume port areas earlier than currently anticipated. According to industry sources, much of the industry already complies with the requirements for higher volume ports and the additional cost to comply with those requirements sooner than under current law would be small.

The bill also would require ship owners to pay certain expenses of seamen who are abandoned under the conditions specified in the bill. The bill would require ship owners who do not pay those expenses to reimburse the Support of Seafarers Fund the total amount paid from the fund to support the seamen, plus a surcharge of 25 percent.

According to industry sources, situations in which ship owners would have to pay such expenses are rare, and payments would probably be low. Therefore, CBO estimates that the cost to ship owners to comply with this mandate would be minimal.

PREVIOUS CBO ESTIMATE

On September 30, 2011, CBO transmitted a cost estimate for H.R. 2838, the Coast Guard and Maritime Transportation Act of 2011, as ordered reported by the House Committee on Transportation and Infrastructure. That bill also authorized programs operated by the Maritime Administration and the Federal Maritime Commission and would cost about $24.4 billion over the 2012-2016 period, CBO estimates. The CBO cost estimates reflect the different provisions in those legislative proposals. In addition, CBO’s estimate for H.R. 2838 was completed before appropriations for 2012 were enacted. This estimate (for S. 1665) reflects such appropriations.

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