



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 11, 2014

H.R. 4742 **Strengthening Fishing Communities and Increasing Flexibility in Fisheries Management Act**

As ordered reported by the House Committee on Natural Resources on May 29, 2014

SUMMARY

H.R. 4742 would amend the Magnuson-Stevens Fishery Conservation and Management Act (MSA) and authorize the appropriation of \$1.6 billion through 2018 to carry out that act. The bill also would direct the Secretary of Commerce, upon an affirmative vote in a referendum, to amend the terms for repayment of an advance made in 2003 to buy back fishing permits in the Pacific Coast fishery for groundfish. Finally, the legislation would set a new limit on fees that are assessed on members of the affected fishery to repay the advance.

CBO estimates that implementing H.R. 4742 would cost \$1.5 billion over the 2015-2019 period and \$72 million after 2019, assuming appropriation of the authorized amounts. CBO estimates that implementing the bill would increase direct spending by \$7 million over the 2015-2024 period; therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

H.R. 4742 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4742 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Authorization Level	397	397	397	397	0	1,588
Estimated Outlays	258	337	385	397	139	1,516
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	7	0	0	0	0	7
Estimated Outlays	7	0	0	0	0	7

a. CBO estimates that enacting H.R. 4742 would have no effect on direct spending in the 2020-2024 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted by the end of 2014 and that the authorized amounts will be appropriated for each fiscal year.

Spending Subject to Appropriation

H.R. 4742 would authorize the appropriation of \$1.6 billion over the 2015-2018 period to carry out activities under the MSA. CBO estimates that implementing the legislation would cost about \$1.5 billion over the 2015-2019 period and \$72 million after 2019, assuming appropriation of the authorized amounts.

Title I of the bill would authorize the appropriation of \$397 million a year over the 2015-2018 period to carry out activities under the MSA. That act requires the National Oceanic and Atmospheric Administration (NOAA) to preserve sustainable fish populations in waters off the coasts of the United States using various methods, including limiting the amount of fish that can be harvested annually and enforcing laws that prohibit foreign fishing. In 2014, NOAA received appropriations totaling \$507 million to carry out activities under the MSA.

Title I also would make amendments to the MSA, including provisions that would create new guidelines for establishing or modifying annual catch limits, require regional fishery management councils to make publicly-available audio or video recordings of their meetings, and direct NOAA to issue new regulations related to the collection of data from fisheries.

Title II would direct the Secretary of Commerce to conduct a referendum that would allow members of the affected fishery to agree to a new, lower assessment rate to repay the advance. Based on information from the National Marine Fisheries Service (NMFS), CBO estimates that the costs of conducting that referendum would not be significant.

Direct Spending

H.R. 4742 would direct the Secretary of Commerce to hold a referendum that would allow eligible members of a Pacific Coast fishery to vote to assess themselves at a lower rate to repay an advance that the government made in 2003. At that time, NMFS provided \$46 million in funds to buy out certain fishing permits in an effort to remove excess fishing capacity in the fishery. Of that amount, \$36 million was considered a loan to the remaining members of the Pacific Coast fishery, which was made after a referendum in which eligible members of the fishery agreed to assess themselves to repay the advance based on the value of the catch (“ex-vessel” value) in the affected fishery.

Assuming that the lower rate for assessments would be approved in the referendum, and based on information from NMFS, CBO expects that enacting H.R. 4742 would result in a change in cash flows associated with the advance made to fishery members in 2003. Under current law, CBO expects the members of the fishery to remit about \$2.5 million per year to fully repay the advance under the original terms. Under H.R. 4742, CBO expects the annual assessment would fall to about \$1.5 million and that the advance would be repaid over the next 45 years (compared with 30 years under current law).

Consistent with the way the original advance and subsequent repayments have been treated in the budget, CBO considers those effects to be a modification to the terms of an existing loan.¹ Hence, the net cost to the government is measured as the difference between the discounted present value of the stream of assessment payments anticipated under current law and the stream of payments that would occur under the bill. Because the payments would be stretched out over a longer period of time, their value to the government on a present-value basis would be smaller. Therefore, CBO estimates that enacting H.R. 4742 would increase the cost of the original advance by \$7 million, which would be recorded in the budget in the year of enactment. Because the modification to the repayment agreement

1. Although the original advance was treated as a loan in the budget, CBO considers that treatment inappropriate. Under the Federal Credit Reform Act, a direct loan is defined as a disbursement of funds to a nonfederal borrower under a contract that requires repayment. A disbursement by the government should not be considered a direct loan, however, if the duty to repay the government arises from an exercise of sovereign power, tort liability, or some other noncontractual obligation.

Therefore, in CBO’s view, such an advance should be recorded as an outlay when it is made, and the subsequent stream of annual repayments should be shown in the budget on a cash basis as federal revenues because the requirement to pay the assessment is compulsory. The government’s sovereign power is used to establish and enforce this assessment, which must be paid by all members of the fishery regardless of how they voted in the referendum. If the 2003 advance had been recorded in the budget to reflect these circumstances, then the proposed change to the repayment schedule under H.R. 4742 would be reflected in the budget as a change in revenues.

can be made without a subsequent appropriation, the cost of this legislation would be an increase in direct spending.

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 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 H.R. 4742, as ordered reported by the House Committee on Natural Resources on May 29, 2014

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	7	0	0	0	0	0	0	0	0	0	7	7

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4742 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit states by reauthorizing a number of programs that support fish conservation and management initiatives. Any costs they might incur would result from complying with conditions for receiving federal assistance.

PREVIOUS CBO ESTIMATE

On September 8, 2014, CBO transmitted a cost estimate for S. 1275, the Revitalizing the Economy of Fisheries in the Pacific Act (REFI Pacific Act), as ordered reported by the Committee on Commerce, Science, and Transportation on April 9, 2014. S. 1275 is similar to the provisions in title II of H.R. 4742, and the CBO cost estimates for those provisions are the same.

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