CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 8, 2014

S. 1275
Revitalizing the Economy of Fisheries in the Pacific Act

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on April 9, 2014

SUMMARY

S. 1275 would direct the Secretary of Commerce, upon an affirmative vote in a referendum, to amend the terms for repayment of an advance made by the government in 2003 to buy back fishing permits in the Pacific Coast fishery for groundfish. The bill also would set a new limit on fees that are assessed on members of the affected fishery to repay the advance.

CBO estimates that implementing S. 1275 would increase direct spending by $7 million over the 2015-2024 period; therefore, pay-as-you-go procedures apply. CBO estimates that implementing S. 1275 would have an insignificant effect on spending subject to appropriation; enacting the bill would not affect revenues.

S. 1275 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 effect of S. 1275 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	7	0	0	0	0	0	0	0	0	0	7	7
Estimated Outlays	7	0	0	0	0	0	0	0	0	0	7	7

BASIS OF ESTIMATE

S. 1275 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, the National Marine Fisheries Service (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.

Direct Spending

Assuming that the lower rate for assessments would be approved in the referendum, and based on information from NMFS, CBO expects that enacting S. 1275 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 S. 1275, 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 S. 1275 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 can be made without a subsequent appropriation, the cost of this legislation would be an increase in direct spending.

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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 S. 1275 would be reflected in the budget as a change in revenues.

Spending Subject to Appropriation

The bill 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 NMFS, CBO estimates that the costs of conducting that referendum would not be significant.

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 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. 1275 as ordered reported by the Senate Committee on Commerce, Science, and Transportation on April 9, 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

S. 1275 contains no intergovernmental or private-sector mandates as defined in UMRA.

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