



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 16, 2015

S. 1611 **Coast Guard Authorization Act of 2015**

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on June 25, 2015*

SUMMARY

S. 1611 would authorize appropriations totaling \$17.5 billion over the 2016-2017 period, for operations of the United States Coast Guard (USCG) and the Federal Maritime Commission (FMC). The bill also would amend laws that govern the activities of USCG, FMC, and the Maritime Administration within the Department of Transportation. Assuming appropriation of the specified amounts, CBO estimates that implementing the legislation would cost \$16.6 billion over the 2016-2020 period.

Because enacting this legislation would increase direct spending, pay-as-you-go procedures apply; however, CBO estimates that the effect on direct spending would be insignificant in each year and over the 2016-2025 period. Enacting S. 1611 would not affect revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2026.

S. 1611 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state and local laws relating to ballast water and other discharges of vessels. Although the preemption would limit the application of state and local laws and regulations, CBO estimates that the bill would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

S. 1611 contains several private-sector mandates as defined in UMRA on manufacturers and importers of certain water treatment technology, manufacturers of small boats, and owners and operators of vessels. Although the incremental costs of compliance are uncertain, on balance, CBO expects the aggregate cost of the mandates would probably fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1611 is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense) and 400 (transportation).

	By Fiscal Year, in Millions of Dollars					2016- 2020
	2016	2017	2018	2019	2020	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
United States Coast Guard						
Authorization Level	8,704	8,704	0	0	0	17,408
Estimated Outlays	5,761	7,225	2,098	984	520	16,588
Federal Maritime Commission						
Authorization Level	25	25	0	0	0	49
Estimated Outlays	23	24	2	0	0	49
Total						
Authorization Level	8,729	8,729	0	0	0	17,458
Estimated Outlays	5,784	7,249	2,100	984	520	16,637

Note: Details may not sum to totals because of rounding.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1611 will be enacted near the end of calendar year 2015 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.

Changes In Spending Subject To Appropriation

United States Coast Guard. S. 1611 would authorize the appropriation of \$8.7 billion for ongoing USCG activities for each of fiscal years 2016 and 2017. In 2015 the USCG received an appropriation of \$8.4 billion. Specifically, the bill would authorize the appropriation of \$17.4 billion for USCG operations including about \$14 billion for operations and maintenance, \$3.1 billion for capital acquisitions, \$280 million for reserve training, \$40 million for research programs, and \$33 million for environmental compliance. Among the new USCG responsibilities in the bill, S. 1611 would direct USCG to:

- Submit various reports to the Congress, including a study of alternative methods of notifying members of the Coast Guard of their monthly earnings, an assessment of oil spill response activities in the Great Lakes, and quarterly reports on the risks associated with major acquisition programs;
- Remove certain restrictions on the use of federal funds for establishing a national Coast Guard museum. No funds have yet been appropriated for the museum;
- Establish standards and regulations concerning incidental discharge of vessel ballast water; and
- Require new congressional training courses for officers working with the Congress.

Assuming appropriation of the amounts specified in the bill, CBO estimates that implementing the USCG provisions of S. 1611 would cost \$16.6 billion over the 2016-2020 period and an additional \$0.5 billion after 2020. Historically, a small amount of the funds appropriated to the USCG remain unspent.

Federal Maritime Commission. S. 1611 would authorize the appropriation of nearly \$25 million, annually for 2016 and 2017 for the operations of the FMC. The agency received an appropriation of \$26 million in 2015. The FMC regulates shipping activities in the United States. CBO estimates that implementing those provisions would cost \$49 million over the 2016-2020 period, assuming appropriation of the authorized amounts.

Changes In Direct Spending

CBO estimates that enacting four provisions of S. 1611 would increase total direct spending by less than \$500,000 over the 2016-2025 period.

Section 208 would reduce offsetting receipts (which are treated as increases in direct spending). The legislation would authorize the USCG to cancel debt owed to the federal government that was incurred by an officer of the Coast Guard while on active duty. Under current law, the USCG may waive the debt incurred by enlisted members of the Coast Guard, and the legislation would expand the eligible group to include officers. Those debts primarily arise from administrative overpayments. Based on information from the USCG, CBO estimates that enacting this provision would increase direct spending by an insignificant amount in every year and over the 2016-2025 period.

Title V would amend how funds are distributed from the Sport Fish Restoration and Boating Safety Trust Fund (SFRBTF). Under current law, receipts from various taxes on fuel and fishing equipment are deposited in the SFRBTF and distributed for a variety of purposes, including conservation grants, fishery restoration, and boating safety. The legislation would adjust the allocation of amounts that could spend from the SFRBTF but

would not affect the total amount available to be spent from the fund. CBO estimates that changing the allocation would have a negligible effect on spending from the fund.

Section 217 would direct the Coast Guard to issue guidance related to the eligibility of members of the Coast Guard with combat-related disabilities to receive special compensation. Under current law, that special compensation is classified as direct spending. Based on information provided by USCG, CBO estimates enacting this provision would not significantly increase the number of individuals receiving special compensation. Therefore, CBO estimates that enacting the provision would increase direct spending by an insignificant amount.

Finally, Title VI would authorize the conveyance of a few Coast Guard properties in California and Alaska at either no cost or fair market value. Based on information from the USCG, CBO expects that the property conveyances authorized in S. 1611 would have no significant effect on the budget because the properties will not generate any receipts to the federal government through lease or sale under current law and because the fair market value of the properties that would be sold is less than \$100,000.

PAY-AS-YOU-GO CONSIDERATIONS:

The Statutory Pay-As-You-Go Act of 2010 established budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. Enacting S. 1611 would increase direct spending. However, the net changes in outlays that are subject to pay-a-you-go procedures would not be significant. Enacting the bill would not affect revenues.

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2026.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1611 contains intergovernmental mandates as defined in UMRA. The bill would preempt state and local laws relating to ballast water and other discharges of vessels by establishing a national uniform standard and a set of best management practices. Although the preemption would limit the application of state and local laws and regulations, CBO estimates that the bill would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

ESTIMATED IMPACT ON THE PRIVATE-SECTOR

S. 1611 would impose several private-sector mandates as defined UMRA. Specifically, the bill would:

- Restrict the sale of technology to treat ballast water;
- Impose safety requirements on certain vessels carrying flammable liquids;
- Require manufacturers of small boats to use updated standards for stability and floatation tests; and
- Accelerate requirements related to oil spill response in the Puget Sound.

Although the incremental costs of compliance are uncertain, on balance, CBO expects the aggregate cost of the mandates would probably fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted for inflation).

Regulation of Ballast Water Treatment Technology

The bill would prohibit manufacturers and importers from selling certain water treatment technology unless it has been certified by the USCG or by a foreign entity that uses equivalent standards. The cost of the mandate would be the cost of obtaining certification and any net loss of income from forgone sales. Under current law, manufacturers of water treatment technology already need to obtain USCG certification because owners of vessels that use such technology are required to install USCG-certified technology by a certain date. If the certification process under the bill is very similar to the certification process conducted under current law, the incremental cost of complying with the mandate would be small.

Regulation of Vessels Carrying Flammable Liquid Cargo

The bill would restore USCG authority to regulate tender vessels of not more than 500 gross tons that carry flammable cargo in bulk. Doing so would make such vessels subject to existing safety regulations. Tender vessels supply, store, or transport fish, fish products, or materials related to fishing or fish preparation to or from fishing vessels and fish processing facilities. Based on information from industry sources, CBO expects that the mandate could affect a few hundred vessels. The cost of the mandate is uncertain because CBO lacks sufficient information about the extent to which those vessels would already be in compliance with the safety regulations and about the cost to achieve compliance. However, based on information about the size of the industry, the average value of gross profits, and the costs of complying with similar requirements, CBO expects the cost of this mandate would not be substantial.

Requirements for Stability and Floatation Tests

The bill also would impose a mandate on manufacturers of small boats by requiring those manufacturers to use updated engine weights when conducting stability and floatation tests. The standard required by the bill would reflect a voluntary industry standard. According to information from industry experts, most small boats sold in the United States have passed the stability and floatation tests that use the updated engine weights. Consequently, CBO expects the cost to comply with this mandate would be small.

Acceleration of Oil Spill Response Requirements

The bill would impose a mandate by accelerating requirements related to oil spill response in the Puget Sound. Current law requires USCG to conduct 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 the date the bill is enacted. By doing so, the bill would require owners and operators of some vessels to comply with requirements related to oil spill responses earlier than currently anticipated. Based on information from the USCG rulemaking, CBO anticipates that any additional cost to comply with those requirements sooner than under current law would be small.

PREVIOUS CBO ESTIMATE

On May 14, 2015, CBO transmitted a cost estimate for H.R. 1987, the Coast Guard Authorization Act, as ordered reported by the House Committee on Transportation and Infrastructure on April 30, 2015. The two bills contain multiple similar provisions, including several land conveyances and the waiver of debt incurred by officers of the Coast Guard. Those provisions are similar, and CBO's estimate of the budgetary effects are the same.

On April 6, 2015, CBO transmitted a cost estimate for S. 834, the Sport Fish Restoration and Recreational Boating Safety Act, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on March 25, 2015. S. 834 is nearly identical to Title V of S. 1611, and CBO's estimate of the budgetary effects are the same.

On July 29, 2015, CBO transmitted a cost estimate for S. 373, the Vessel Incidental Discharge Act, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on February 26, 2015. That legislation is similar to Title VIII of S. 1611, and CBO's estimate of the budgetary effects are the same.

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