



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 19, 2011

S. 1400 **Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2011**

*As ordered reported by the Senate Committee on Environment and Public Works
on September 21, 2011*

SUMMARY

S. 1400 would establish the Gulf Coast Restoration Trust Fund (GCRTF) and would require that 80 percent of any administrative and civil penalties paid to the federal government under the Clean Water Act (CWA) in connection with the April 2010 explosion at the Deepwater Horizon facility in the Gulf of Mexico be deposited into that trust fund. The bill would also establish two smaller funds, which would receive interest credited to the GCRTF, to support programs that maintain the health of the Gulf of Mexico and oceans worldwide. Amounts in all three funds would be available for spending without further appropriation. Those amounts would otherwise be deposited in the Oil Spill Liability Trust Fund (OSLTF) and eligible to be spent only subject to further appropriation action.

CBO estimates that enacting the legislation would increase direct spending by \$1.2 billion over the 2012-2021 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. S. 1400 would not affect revenues.

The bill would require the Department of the Treasury to complete audits of spending from the GCRTF and to ensure compliance with the provisions of the legislation. CBO estimates that implementing those requirements would cost \$13 million over the 2012-2016 period, subject to appropriation of the necessary amounts.

The bill 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 impact of S. 1400 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and the environment).

	By Fiscal Year, in Millions of Dollars											2012-	2012-	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021		
CHANGES IN DIRECT SPENDING														
Gulf Coast Restoration Trust Fund														
Estimated Budget Authority	0	0	37	127	163	309	318	323	309	290	327	1,876		
Estimated Outlays	0	0	2	12	40	94	155	228	279	300	54	1,110		
Oceans Endowment and Gulf of Mexico Endowment														
Estimated Budget Authority	0	0	0	6	14	26	41	55	61	67	19	270		
Estimated Outlays	0	0	0	1	4	10	18	27	35	43	5	138		
Total Changes														
Estimated Budget Authority	0	0	37	133	177	335	359	378	370	357	346	2,146		
Estimated Outlays	0	0	2	13	44	104	173	255	314	343	59	1,248		
CHANGES IN SPENDING SUBJECT TO APPROPRIATION														
Department of the Treasury														
Estimated Authorization Level	0	0	5	5	5	10	10	10	10	10	15	65		
Estimated Outlays	0	0	3	5	5	7	10	10	10	10	13	60		

BASIS OF ESTIMATE

For this estimate, CBO assumes S. 1400 will be enacted early in fiscal year 2012 and that the necessary amounts to audit the new programs that the legislation would establish will be provided for each year.

Penalty Collections Under Current Law

The magnitude of any administrative and civil penalties that may be collected under the CWA because of the Deepwater Horizon incident and when the government might collect such penalties is uncertain. Under the CWA, penalties related to oil spills are generally based on the size of the discharge and the applicable penalty rate, which is higher for discharges caused by gross negligence. The CWA authorizes lower penalties to be assessed based on a number of considerations, including the financial position of the violator and whether the violator takes action to mitigate the damage from the spill. Negotiated settlements between the federal government and the entity responsible for an oil spill are also authorized by the CWA.

It is possible that any penalty payments related to the Deepwater Horizon incident will be received by the government only after a lengthy legal process that could take several years to resolve. In that case, penalty collections could be delayed until after 2021. On the other hand, they could be collected relatively quickly if a settlement with the violator is reached. CBO weighed the probabilities associated with those scenarios to estimate the magnitude

and the timing of penalties that may be paid under current law as a result of the Deepwater Horizon incident. Based on those probabilities, CBO estimates that revenues from civil penalties will total about \$2.3 billion over the 2012-2021 period. Under current law, those amounts would be deposited into the OSLTF and generally could only be spent if provided for in appropriation acts.

Direct Spending

Gulf Coast Restoration Trust Fund. S. 1400 would establish the GCRTF and require that 80 percent of any CWA penalties (estimated to total about \$1.9 billion over the 2012-2021 period) paid to the federal government in connection with the explosion at the Deepwater Horizon facility in the Gulf of Mexico be deposited into the fund. Balances in the GCRTF would be available, without further appropriation, to pay for environmental remediation and restoration projects in Alabama, Florida, Louisiana, Mississippi, and Texas. Because such projects have historically taken several years to complete, CBO estimates enacting this provision would increase direct spending by \$1.1 billion over the 2012-2021 period.

Oceans Endowment and Gulf of Mexico Endowment. S. 1400 would transfer any interest amounts credited to the GCRTF to two new funds—the National Endowment for the Oceans and the Gulf of Mexico Endowment. Under the provisions of the bill, those amounts, in addition to interest credited directly to the endowments, would be available to be spent without further appropriation for grants to states to engage in environmental research, restoration, or protection for the Gulf of Mexico or oceans worldwide. CBO estimates that enacting those provisions would increase direct spending by \$138 million over the 2012-2021 period.

Spending Subject to Appropriation

The bill would require the Department of the Treasury to complete audits of spending from the GCRTF and to ensure compliance with the provisions of the legislation. Based on historical spending for similar efforts, CBO estimates that enacting those requirements would cost \$13 million over the 2012-2016 period, subject to appropriation of the necessary amounts.

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. 1400, Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2011, as ordered reported by the Senate Committee on Environment and Public Works on September 21, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	2	13	44	104	173	255	314	343	59	1,248

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1400 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Those governments could benefit from grants authorized by the bill, but any costs would be incurred voluntarily as conditions of federal assistance.

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