CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 30, 2017

S. 1129
Coast Guard Authorization Act of 2017

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 18, 2017

SUMMARY

S. 1129 would authorize appropriations totaling $21.1 billion, primarily for ongoing activities of the Coast Guard (USCG). The bill also would authorize appropriations for the Federal Maritime Commission (FMC) and the National Oceanic and Atmospheric Administration (NOAA) and amend laws governing programs administered by all three agencies. Assuming appropriation of the specified amounts, CBO estimates that implementing the legislation would cost $19.3 billion over the 2018-2020 period.

CBO also estimates that S. 1129 would increase direct spending for retention bonuses paid to USCG personnel by $269 million over the 2018-2027 period. The bill also would affect revenues, but CBO estimates that any such changes would be insignificant. Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting S. 1129 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 2028.

S. 1129 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($78 million and $156 million in 2017, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 1129 is shown in the following table. The costs of this legislation fall within budget functions 400 (transportation) and 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars						
	2017	2018	2019	2020	2021	2022	2017-2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Coast Guard							
Authorization Level	0	9,465	9,804	0	0	0	19,269
Estimated Outlays	0	5,992	7,920	2,571	1,345	737	18,565
NOAA							
Authorization Level	0	183	183	183	183	0	732
Estimated Outlays	0	114	157	178	181	67	697
Federal Maritime Commission							
Authorization Level	0	28	28	0	0	0	56
Estimated Outlays	0	26	27	2	1	0	56
Total Changes							
Authorization Level	0	9,676	10,015	183	183	0	20,057
Estimated Outlays	0	6,132	8,104	2,751	1,527	804	19,318
INCREASES IN DIRECT SPENDING [a]							
Estimated Budget Authority	0	3	9	28	29	30	99
Estimated Outlays	0	3	9	28	29	30	99

Note: NOAA = National Oceanic and Atmospheric Administration.

a. CBO estimates that enacting S. 1129 would increase direct spending by $269 million over the 2017-2027 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1129 will be enacted before the end of fiscal year 2017, that the authorized amounts will be provided as specified in the bill, and that outlays will follow historical spending patterns.

Spending Subject to Appropriation

S. 1129 would authorize appropriations totaling $20.1 billion over the 2018-2021 period. Most of that amount—$19.3 billion—would support ongoing activities of the USCG over the next two years. The bill also would authorize appropriations totaling $732 million over the 2018-2021 period for NOAA and $56 million for the FMC.

Coast Guard. S. 1129 would authorize appropriations totaling $9.5 billion in 2018 and $9.8 billion in 2019 for ongoing activities of the Coast Guard. (The Congress provided about $8 billion for the agency in 2017.) That amount includes:

- $14.9 billion for operating expenses;
- $4 billion for capital spending to acquire and maintain mission-related vessels, aircraft, facilities, and infrastructure;
- $289 million for training reservists;
- $41 million for research programs; and
- $34 million for activities related to enforcing compliance with environmental regulations.

CBO estimates that implementing those provisions would cost $18.6 billion over the 2018-2022 period and an additional $0.7 billion after 2022.

NOAA. Title IX of the bill would authorize the appropriation of $183 million annually over the 2018-2021 period for NOAA to carry out hydrographic activities including: nautical mapping and charting, collecting hydrographic data, maintaining a geodetic reference system (a worldwide coordinate system used for navigation purposes), and measuring tides and currents. (Information about the level of funding provided to NOAA for 2017 was not available at the time of this estimate; in 2016 NOAA allocated $207 million to carry out similar activities.) CBO estimates that implementing title IX would cost $697 million over the 2018-2022 period.

Federal Maritime Commission. Title VII would authorize the appropriation of $28 million annually over the next two years for the FMC, which regulates shipping activities in the United States. (The Congress provided $27 million for that agency in 2017.) CBO estimates implementing those provisions would cost $56 million over the 2018-2022 period.

Direct Spending and Revenues

Enacting S. 1129 would increase direct spending mostly for continuation pay, a type of retention bonus paid to certain USCG servicemembers.

Continuation Pay. The National Defense Authorization Act of 2016 made significant changes to the retirement system that applies to members of the Uniformed Services, including most USCG servicemembers. Under the new retirement system, which will take effect on January 1, 2018, the agency is authorized to provide retention bonuses—called continuation pay—to members who have served for no less than 8 and no more than 12 years, if they commit to at least three additional years of service. The Secretary of Homeland Security has significant discretion in determining the amount of individuals' continuation pay, which is set at an amount that equals an individual's monthly basic pay times a multiplier of between 2.5 and 13 for active-duty members and between 0.5 and 6 for part-time reservists. Roughly 29,000 individuals—including about 3,800 officers and 25,500 enlisted members—have the option of enrolling in the new retirement system.

Section 206 would specify that mandatory appropriations available to the USGC for retired pay could be used to cover the USCG's costs for continuation pay. Under current law, CBO expects that funding for continuation pay will be drawn from discretionary appropriations provided for the salaries and expenses of USCG servicemembers. As a result, by expanding the purposes for which the agency could use mandatory appropriations to include continuation pay, enacting S. 1129 would increase direct spending.

The magnitude and timing of spending for continuation pay over the 10-year period covered by this estimate is uncertain and depends on a variety of factors—in particular, the number of existing members who opt into the new system and qualify for the benefit during that period. Opt-in decisions of those individuals will turn on multiple factors including their assessments of the value of their benefits under the new retirement system—including continuation pay—compared to the value of their benefits under the old system. As noted above, the Secretary has considerable discretion in setting multipliers that will determine individuals' continuation pay. For this estimate, CBO expects the Secretary will set those multipliers at levels high enough to retain existing servicemembers at rates that would ensure a stable force structure during the upcoming transition between retirement systems.

Specifically, based on an analysis of information from the USCG about historical continuation rates and estimates of multipliers required to maintain the existing force structure, CBO estimates that continuation pay for most enlisted servicemembers will be set at the minimum level required by law, resulting in continuation payments of roughly two-and-one-half times an individual's monthly base pay. In contrast, CBO expects that multipliers for officers will be considerably higher. CBO estimates that payments to active-duty officers will be close to one year's worth of basic pay; reservists' payments will equal about four months' worth. At those rates, CBO expects that nearly all existing officers with 10 or fewer years of service as of January 2018 will opt into the new system when it takes effect that year. Opt-in rates for enlisted members will be somewhat lower, CBO expects.

Given those expectations for how USCG will use its continuation pay authority, CBO estimates that direct spending for continuation pay under the bill would total $269 million over the 2018-2027 period. Payments would be modest in the first two years as relatively few individuals are expected to become eligible for continuation pay until 2020. Starting in that year, CBO expects spending for continuation pay would rise considerably, particularly for payments to officers, which would be steady thereafter, reflecting the expectation that a similar number of officers would become eligible in subsequent years. Overall spending for continuation payments would continue to climb gradually, reflecting both growth in the rate at which individuals qualify for benefits, and anticipated growth in rates of base pay for USCG servicemembers.

Other Provisions. CBO expects that enacting other provisions of S. 1129 would affect direct spending and revenues. However, based on an analysis of information from the affected agencies about the anticipated effects of such provisions, CBO estimates that any such changes, on net, would be insignificant. Those provisions would:

- Increase civil penalties (which are recorded as revenues) for violations of regulations related to the use of cut-off switches for engines used on recreational vessels;

- Modify time frames and fees related to certificates of documentation for recreational vessels;

- Allow the USCG to spend, without further appropriation, amounts credited to the Abandoned Seafarers Fund for the support costs of certain alien seafarers stranded within U.S. jurisdictions;

- Permit the USCG to rehire certain civilian retirees to serve among the agency's acquisitions workforce without affecting federal annuities paid to those individuals;

- Establish criminal penalties for violations of a prohibition against wearing the uniform of NOAA's commissioned officer corps without proper authorization;

- Require any individual who enlists and fails to fulfill the service requirements of NOAA's commissioned officer corps to repay that agency an amount equal to its costs to train that individual; and

- Allow NOAA to collect and spend, without further appropriation, monetary gifts to finance costs associated with planning the construction of a new port facility.

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. 1129 as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 18, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	3	9	28	29	30	32	33	34	35	36	99	269

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 1129 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 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1129 would impose intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the cost of the mandates would fall below the annual thresholds established in UMRA ($78 million for intergovernmental mandates and $156 million for private-sector mandates in 2017, adjusted annually for inflation).

Mandates That Apply to Both Public and Private Entities

The bill would impose intergovernmental and private-sector mandates on operators of marine terminals, such as port authorities and owners or operators of drawbridges. The bill would require those operators to submit reports on their business activities to the Federal Maritime Commission if requested. The bill would require owners or operators of drawbridges to notify the public of a temporary change to the operation of the bridge lasting 180 days or less. The bill also would require owners or operators of drawbridges to record drawbridge movements in a log and make the log available for inspection by the Coast Guard. CBO estimates that the cost of complying with those reporting requirements would be small.

Additionally, the bill could increase the costs of complying with existing mandates by making personnel in the NOAA commissioned officer corps eligible for protections under the Uniformed Services Employment and Reemployment Rights Act (USERRA). Protections under that act require public and private employers to grant various allowances to members of the uniformed services. Because the number of service members newly covered by USERRA would be so small (fewer than 400), CBO estimates that the incremental cost of compliance also would be small.

Mandates That Apply to Public Entities Only

The bill would preempt state and local laws in a number of ways. It would:

- Establish exclusive federal regulation of ballast water and other discharges of vessels through a national uniform standard and a set of best management practices;

- Exempt NOAA officers from an obligation to serve on juries if the service unreasonably conflicts with official duties or would adversely affect the readiness of a unit, command, or activity;

- Prohibit states from regulating engine cut-off switch requirements that are not identical to those authorized in the bill; and

- Allow health-care professionals to practice in states other than where they are licensed if they are members, employees, or contractors of the Coast Guard performing authorized duties.

Although those preemptions would limit the application of state and local laws, they would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

Mandates That Apply to Private Entities Only

The bill would impose a mandate on ocean carriers by subjecting any joint negotiations with tug operators to antitrust laws. That is, the bill would prohibit ocean carriers from jointly negotiating with tug operators unless those negotiations meet the criteria of federal antitrust laws. Under the bill, those carriers would need to enter into contracts individually with tug operators, which could result in higher costs. Currently, only one group of ocean carriers has the authority to jointly negotiate with tug operators and that authority has not yet been used. Based on those facts and information from industry sources, CBO estimates that those costs would not be substantial.

The bill also would impose a private-sector mandate on manufacturers of recreational vessels by requiring the installation of an engine cut-off switch on vessels 25 feet or less in length in accordance with an industry standard. (Cut-off switches turn off the engine if the operator is separated from the vessel.) Based on information from industry sources, CBO estimates that manufacturers would only need to install engine cut-off switches on about 5,000 vessels because manufacturers already include such switches on most recreational vessels covered by the mandate. On the basis of information about the cost of engine cut-off switches, CBO estimates that the cost of installing an engine cut-off switch on those vessels would be small. Additionally, the bill would require individuals to use an engine cut-off switch when operating a recreational vessel 25 feet or less in length. CBO estimates that the cost of using a cut-off switch would be small.

The bill also would prohibit individuals from wearing the uniform of the NOAA commission officer corps without authorization. CBO expects that the prohibition would affect few individuals. Consequently, the cost of the mandate would be negligible.

PREVIOUS CBO ESTIMATE

On March 3, 2017, CBO transmitted a cost estimate for S. 171, the National Oceanic and Atmospheric Administration Commissioned Office Corps Amendments and Hydrographic Services Improvement Act Reauthorization and Amendments Act of 2017, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on January 24, 2017. Title IX of S. 1129 is similar to S. 171, and our estimate of the cost of implementing those provisions is the same.

On February 22, 2017, CBO transmitted a cost estimate for S. 168, the Commercial Vessel Incidental Discharge Act, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on January 24, 2017. S. 168 is similar to title VIII of S. 1129, and our estimate of the cost of implementing those provisions is the same.

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