



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 13, 2018

### **S. 3405** **Protecting and Securing Chemical Facilities** **from Terrorist Attacks Act of 2018**

*As ordered reported by the Senate Committee on Homeland Security  
and Governmental Affairs on September 26, 2018*

#### **SUMMARY**

S. 3405 would extend for five years the Chemical Facility Anti-Terrorism Standards (CFATS) program. CBO estimates that implementing the bill would cost \$348 million over the 2019-2023 period, assuming appropriation of the estimated amounts.

CBO also estimates that enacting S. 3405 would increase direct spending by \$2 million and would increase revenues by an insignificant amount over the 2019-2028 period; therefore, pay-as-you-go procedures apply.

CBO estimates that enacting S. 3405 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 3405 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) on operators of chemical facilities by reauthorizing existing security standards and duties under the CFATS program. CBO estimates the cost of the mandates would fall below the annual intergovernmental and private-sector thresholds established in UMRA (\$80 million and \$160 million in 2018, respectively, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effects of S. 3405 are shown in the following table. The costs of the legislation fall within budget functions 050 (national defense) and 800 (general government).

	By Fiscal Year, in Millions of Dollars					2019-
	2019	2020	2021	2022	2023	2023
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION<sup>a</sup></b>						
Estimated Authorization Level	60	74	76	79	81	370
Estimated Outlays	46	69	75	78	80	348
<b>INCREASES IN DIRECT SPENDING<sup>b</sup></b>						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	1	1	0	0	0	2

Enacting S. 3405 also would increase revenues by an insignificant amount over the 2019-2028 period.

- a. Implementing S. 3405 would require an additional appropriation of \$25 million in 2024, CBO estimates. Another \$45 million in estimated outlays would occur over the 2024-2028 period, assuming appropriation of the estimated amounts.
- b. Enacting S. 3405 would increase direct spending by \$2 million over the 2019-2028 period.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that S. 3405 will be enacted near the beginning of calendar year 2019. Outlays are based on historical spending patterns for similar programs.

### **Spending Subject to Appropriation**

S. 3405 would extend the CFATS program for five years after the date of enactment; the authority to carry out the current program will expire in January 2019. Under CFATS, the Department of Homeland Security (DHS) regulates security at facilities that manufacture, store, or distribute any of more than 300 chemicals that could be used by terrorists to cause mass injury or death. The regulations set minimum standards for perimeter security, access control, personnel security, and cybersecurity to reduce the risk that those chemicals could be stolen, released, or sabotaged. DHS provides technical assistance and inspects regulated facilities to ensure that they meet those standards.

For 2018, the Congress appropriated \$72 million for the CFATS program. CBO estimates that the reauthorization in the bill would cover the last three quarters of fiscal year 2019 through the end of the first quarter of fiscal year 2024; thus, the estimated amounts for

CFATS in fiscal years 2019 and 2024 cover only nine months and three months, respectively. On the basis of information from DHS, CBO estimates that implementing the program extension would cost \$346 million over the 2019-2023 period, assuming appropriation of the estimated amounts. Another \$45 million would be spent after 2023.

S. 3045 would require the Government Accountability Office and DHS to report to the Congress on the CFATS program. CBO estimates that in addition to the costs mentioned above, preparing those reports would cost \$2 million over the 2019-2023 period, CBO estimates.

Actual costs could differ if the Congress appropriates more or less than the amounts estimated here; such decisions could be based on information from federal agencies or other sources that differs from the information CBO used for this estimate.

### **Direct Spending**

Section 13 would require DHS to use appropriations that are available to the department under current law to obtain a third-party assessment of the effectiveness of the CFATS program. CBO expects that DHS would spend previously appropriated funds that would otherwise not be spent. Changes in outlays from enacted appropriations are classified as direct spending. On the basis of information from DHS, CBO estimates that the study would increase direct spending by \$2 million over the 2019-2028 period.

### **Revenues**

Reauthorizing the CFATS program also would extend DHS's authority to levy civil penalties against owners or operators of facilities that fail to comply with orders to correct deficiencies in their security plans. Funds collected under that authority are deposited in the Treasury and recorded as revenues. CBO estimates that DHS would collect less than \$500,000 over the 2019-2028 period.

### **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 and 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 S. 3405, the Protecting and Securing Chemical Facilities from Terrorist Attacks Act of 2018, as Ordered Reported by the Senate Committee on Homeland Security and Governmental Affairs on September 26, 2018**

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
<b>NET INCREASE IN THE DEFICIT</b>												
Statutory Pay-As-You-Go Effect	1	1	0	0	0	0	0	0	0	0	2	2

**INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting S. 3405 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

**MANDATES**

S. 3405 would impose intergovernmental and private-sector mandates as defined in UMRA on operators of chemical facilities. The bill would reauthorize existing security requirements, including vulnerability assessments and site security plans, under the CFATS program. Because chemical facilities are already subject to these mandates, the cost to comply with the reauthorization would be small. The bill also would introduce alternative processes for meeting some requirements and would ease the stringency of requirements on lower-risk facilities. These changes would further reduce the costliness of the mandates. In total, CBO estimates that the cost of the mandates would fall below the annual intergovernmental and private-sector thresholds established in UMRA (\$80 million and \$160 million in 2018, respectively, adjusted annually for inflation).

**ESTIMATE PREPARED BY**

Federal Costs: William Ma  
Mandates: Andrew Laughlin

**ESTIMATE REVIEWED BY**

David Newman

Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimates Unit

Susan Willie

Chief, Public and Private Mandates Unit

Leo Lex

Deputy Assistant Director for Budget Analysis