Congressional Budget Office
Cost Estimate

October 29, 2019

At a Glance

S. 2297, Coast Guard Authorization Act of 2019

As reported by the Senate Committee on Commerce, Science, and Transportation on September 26, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	2,706	14,336	30,784
Revenues	*	*	*
Increase in the Deficit	2,706	14,336	30,784
Spending Subject to Appropriation (Outlays)	4,867	16,357	17,316

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	**> $5 billion**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**Yes, Under Threshold**

* = between zero and $500,000.

The bill would

- Reauthorize and amend programs administered by the Coast Guard (USCG) and the Federal Maritime Commission (FMC)
- Provide mandatory funding for the USCG to cover the cost of pay and benefits for certain personnel in the event of a lapse in discretionary appropriations for the USCG
- Make amounts in the Coast Guard Housing Fund and the Abandoned Seafarers Fund available for use without further appropriation
- Require the Government Accountability Office (GAO), the Department of Defense (DoD), and the Department of Homeland Security (DHS) to study and submit reports on maritime programs
- Impose a civil penalty on certain vessel operators who do not wear an engine cut-off switch

Estimated budgetary effects would primarily stem from

- Authorizing appropriations for USCG and FMC programs for fiscal years 2020 and 2021
- Permitting the USCG to incur certain obligations and expend federal funds without further appropriation

Areas of significant uncertainty include

- The timing and duration of possible lapses in discretionary appropriations
- The number of events that could cause additional payments to oil spill response organizations

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

S. 2297 would reauthorize and amend programs administered by the Coast Guard and the Federal Maritime Commission for fiscal years 2020 and 2021. It also would require the Departments of Defense and Health and Human Services and the Government Accountability Office to study and submit reports on USCG-related programs. The bill would impose a new civil fine on vessel operators who do not wear an engine cut-off switch.

S. 2297 would provide mandatory funding authority for up to 180 days for the USCG to cover the cost of pay and benefits for certain personnel in the event of a lapse in discretionary appropriations for the USCG. It also would authorize the USCG to spend certain funds without further appropriation, including amounts in the Coast Guard Housing Fund and the Abandoned Seafarers Fund.

Estimated Federal Cost

The estimated budgetary effect of S. 2297 is shown in Table 1. The costs of the legislation fall primarily within budget function 400 (Transportation).

Table 1.
Estimated Budgetary Effects of S. 2297

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Increases in Direct Spending											
Estimated Budget Authority [a]	2,706	2,782	2,866	2,949	3,033	3,117	3,200	3,287	3,377	3,467	14,336	30,784
Estimated Outlays	2,706	2,782	2,866	2,949	3,033	3,117	3,200	3,287	3,377	3,467	14,336	30,784
	Increases in Revenues											
Estimated Revenues	*	*	*	*	*	*	*	*	*	*	*	*
	Net Increase in the Deficit From Changes in Direct Spending and Revenues											
Effect on the Deficit	2,706	2,782	2,866	2,949	3,033	3,117	3,200	3,287	3,377	3,467	14,336	30,784
	Increases in Spending Subject to Appropriation											
Estimated Authorization [a]	8,866	8,450	0	0	0	0	0	0	0	0	17,316	17,316
Estimated Outlays	4,867	6,279	2,705	1,603	903	466	300	165	28	0	16,357	17,316

* = between zero and $500,000.

a. S. 2297 would provide appropriations for pay and allowances for some Coast Guard employees and contractors in the event of a lapse in annual appropriations. A full-year appropriation for the Coast Guard and the Federal Maritime Commission in fiscal year 2020 has not yet been enacted. Those agencies are currently operating through November 21, 2019 with appropriations provided under Public Law 116-59. On an annualized basis, that law provides about $10.3 billion for the activities authorized in S. 2297, reflecting the levels appropriated under P.L. 116-6 for fiscal year 2019. That does not affect the estimate of direct spending because more than 180 days remain in fiscal year 2020 after November 21, 2019.

Basis of Estimate

For this estimate, CBO assumes that S. 2297 will be enacted near the start of fiscal year 2020, that the authorized amounts will be provided as specified in the bill, and that outlays will follow historical spending patterns.

Under S. 2297, mandatory appropriations would be available, under certain circumstances, to provide pay and allowances to military members of the USCG (including active-duty members and reservists). The bill also would authorize the Coast Guard to provide pay and benefits to civilian and contract employees who the Commandant determines are eligible for that compensation. The latter group would include people who support the USCG or other armed forces, are exempted from furlough, or perform emergency work.

The associated spending under S. 2297 could only occur if future laws providing appropriations for DoD were in place. In that sense, such spending could be considered to be discretionary because it would technically be contingent on—and attributable to—future legislation. For this estimate, however, CBO has classified the potential budgetary effects of those provisions of S. 2297 as an increase in direct spending for two main reasons. First, if DoD's funding were already in place prior to a lapse in discretionary funding for the USCG, the authorities specified in S. 2297 would automatically take effect in the absence of any future legislation. Second, in CBO's view, S. 2297 would change current law by authorizing the USCG to obligate funds in the absence of future legislation.

Direct Spending and Revenues

S. 2297 would increase direct spending by $30.8 billion over the 2020-2029 period (see Table 2).

Table 2.
Estimated Increases in Direct Spending Under S. 2297

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Continuation of Pay and Benefits												
Estimated Budget Authority	2,698	2,774	2,857	2,940	3,024	3,108	3,193	3,280	3,370	3,460	14,293	30,704
Estimated Outlays	2,698	2,774	2,857	2,940	3,024	3,108	3,193	3,280	3,370	3,460	14,293	30,704
Other Provisions												
Estimated Budget Authority	8	8	9	9	9	9	7	7	7	7	43	80
Estimated Outlays	8	8	9	9	9	9	7	7	7	7	43	80
Total Changes												
Estimated Budget Authority	2,706	2,782	2,866	2,949	3,033	3,117	3,200	3,287	3,377	3,467	14,336	30,784
Estimated Outlays	2,706	2,782	2,866	2,949	3,033	3,117	3,200	3,287	3,377	3,467	14,336	30,784

Continuation of Pay and Benefits. Under current law, funding for USCG pay and benefits is provided in annual appropriation acts. Section 101 of S. 2297 would authorize appropriations for USCG operations for 2020 and 2021, but Section 221 would authorize the continuation of pay and benefits for certain USCG personnel during a lapse in appropriations as defined in the bill. Because the bill would make amounts automatically available without further legislation, it would increase direct spending. Scorekeeping guidelines adopted by the Congress and the Administration require CBO to prepare cost estimates for bills without taking into account any possible future legislation.

Using information from the USCG about the costs of providing pay, allowances, and benefits in 2019, CBO estimates that outlays for those purposes totaled about $5 billion for the fiscal year. That amount includes roughly $4 billion in pay and allowances for military personnel (including active-duty members and reservists) and nearly $1 billion for pay and benefits for civilian employees. In addition, CBO estimates that payments to USCG contractors in 2019 included about $120 million in personnel-related costs. That estimate is based on information from DoD about the proportion of its personnel that typically are engaged through contracts to perform work or services in support of military functions.

CBO estimates new direct spending for the USCG's personnel-related costs under S. 2297 would total roughly $30.7 billion through 2029, which reflects as specified in the bill, 180 days' worth of costs that could be incurred per year. The estimate incorporates CBO's projections of annual increases to military and civilian pay, and it accounts for information from the USCG about anticipated growth in the service's force strength.

In addition to providing mandatory appropriations for pay, allowances, and benefits to current USCG employees and contractors, S. 2297 would provide funding for retirement benefits to USCG retirees. Under current law, annual appropriation acts provide the budgetary resources needed to pay such benefits, but spending for USCG retired pay—which is governed by underlying laws regarding military retirement that specify benefit formulas and eligibility criteria—is classified as mandatory. The future spending for those retirement benefits is incorporated into CBO's baseline projections. Thus, enacting that provision of S. 2297 would not affect direct spending because it would not change the underlying laws governing retirement.

Other Provisions. Enacting other sections in S. 2297 would collectively increase direct spending by $80 million over the 2020-2029 period:

- Sections 229 and 410 would make amounts in the Coast Guard Housing Fund and the Abandoned Seafarers Fund, respectively, available for use without further appropriation. Using information from the USCG, CBO estimates that enacting those provisions would increase direct spending by $51 million over the 2020-2029 period.

- Section 223 would authorize the USCG to enter into research project transactions other than contracts and grants through fiscal year 2025. CBO estimates that enacting the provision would increase direct spending by $14 million over the 2020-2029 period.
- Section 309 would make payments received as part of international agreements for the USCG to maintain ice patrol services in the Atlantic Ocean available for use until expended. CBO estimates that implementing the provision would increase direct spending by $10 million over the 2020-2029 period.
- Section 421 would require the USCG to include language in certain contracts the agency signs with oil spill response organizations that would require the federal government to pay for some costs that those organizations could incur while responding to an oil spill. The costs of those contracts are paid from the emergency fund of the oil spill liability trust fund and are recorded in the budget as direct spending. Using information from the USCG and from the private sector on the use of contracts with those organizations and the cost to the government of covering additional liabilities, CBO estimates that enacting the provision would increase direct spending by $5 million over the 2020-2029 period.
- Section 204 would create a career intermission program that would authorize certain USCG members to take a temporary leave of absence and thus affect retirement and disability payments. Section 206 would renew USCG temporary early retirement authority. Both of those provisions would affect direct spending, but CBO estimates that the effects would not be significant over the 2020-2029 period.

In addition, S. 2297 would impose a new civil fine on certain vessel operators who do not wear an engine cut-off switch. Civil fines are recorded in the budget as revenues. However, CBO estimates that any additional collections would not be significant in any year and over the 2020-2029 period because of the relatively small number of cases likely to be affected.

Spending Subject to Appropriation

S. 2297 would authorize appropriations of $22.8 billion over the 2020-2024 period. However, as previously discussed, S. 2297 also would provide mandatory funding authority for a portion of USCG pay and benefits. After accounting for that mandatory authority in the years for which S. 2297 would authorize appropriations, CBO estimates that S. 2297 would authorize appropriations totaling $17.3 billion through 2021. Assuming appropriation of those amounts and based on historical spending patterns, CBO estimates that implementing the bill would cost $16.4 billion over the 2020-2024 period (see Table 3).

Table 3.
Estimated Increases in Spending Subject to Appropriation Under S. 2297

	By Fiscal Year, Millions of Dollars					
	2020	2021	2022	2023	2024	2020-2024
Coast Guard						
Estimated Authorization	8,828	8,414	0	0	0	17,242
Estimated Outlays	4,836	6,246	2,698	1,600	903	16,283
Federal Maritime Commission						
Authorization	29	30	0	0	0	59
Estimated Outlays	27	29	2	1	0	59
Other Agencies						
Estimated Authorization	9	6	0	0	0	15
Estimated Outlays	4	4	5	2	0	15
Total Changes						
Estimated Authorization	8,866	8,450	0	0	0	17,316
Estimated Outlays	4,867	6,279	2,705	1,603	903	16,357

Coast Guard. Taking into account the estimated $5.5 billion in mandatory funding authority provided under Section 221 through fiscal year 2021, S. 2297 would authorize appropriations totaling $8.8 billion in 2020 and $8.4 billion in 2021 for ongoing activities of the Coast Guard. The total authorized amount includes:

- $11.3 billion for operating expenses,
- $5.5 billion for capital spending to acquire and maintain mission-related vessels, aircraft, facilities, and infrastructure,
- $409 million for contributions to the Medicare-eligible retiree healthcare fund,
- $59 million for research and development programs, and
- $34 million for activities related to enforcing compliance with environmental regulations.

For fiscal year 2019, the Congress appropriated $7.8 billion for operations and support (including environmental compliance and restoration), $2.2 billion for capital expenditures, $199 million for contributions to the healthcare fund, and $20 million for research and development.

Federal Maritime Commission. S. 2297 would authorize the appropriation of $29 million in 2020 and $30 million in 2021 for the FMC, which regulates shipping activities in the United States. For fiscal year 2019, the Congress appropriated $27 million for the FMC.

Other Agencies. S. 2297 would require DoD, DHS, and GAO to study a wide range of programs related to the USCG. The bill also would reauthorize and amend fishing safety grant programs administered by the Department of Health and Human Services. CBO estimates that implementing those provisions would cost $15 million over the 2020-2024 period.

Uncertainty

Whether the authority provided under S. 2297 to provide for certain pay and benefits during a lapse in appropriations were triggered in the future, and the timing and magnitude of resulting direct spending, would depend on future legislative decisions of the Congress. As a result, CBO's estimate of additional direct spending under S. 2297 is uncertain.

For example, if the Congress were to continue to provide discretionary appropriations for the USCG in future years, direct spending under S. 2297 would probably be much less than indicated in this estimate. Historically, lapses in discretionary appropriations have been relatively infrequent and short-lived. CBO has no basis, however, for predicting the timing or duration of future lapses in discretionary funding.

The amount of mandatory budget authority provided under Section 221 of S. 2297 would depend on the number of personnel who would receive compensation under the bill, which is uncertain. Overall costs would depend on the size of the USCG workforce, which would depend on future administrative decisions about desired force strength. Furthermore, whereas armed forces personnel would qualify for pay and allowances under S. 2297, the Commandant would determine which civilian employees and contractors would qualify for pay and benefits. Also, because the current structure of the USCG's payments to contractors does not identify personnel-related costs, that component of CBO's estimate, which relies on historical analyses of comparable costs for DoD, is particularly uncertain.

In addition, CBO's estimate of the costs of implementing Section 421 of the bill could be higher or lower depending on the incidence of a potentially high cost event that would trigger a contract provision requiring the federal government to pay for additional costs incurred by organizations responding to an oil spill. While CBO's estimate of those costs represents the expected value of the cost to the government of such an event, that cost in any given year could be significantly higher if a qualifying event occurs and the federal government is liable for additional costs or zero if no qualifying events occur.

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 Table 4.

Table 4.
CBO's Estimate of Pay-As-You-Go Effects of S. 2297

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increase in the Deficit											
Pay-As-You-Go Effect	2,706	2,782	2,866	2,949	3,033	3,117	3,200	3,287	3,377	3,467	14,336	30,784

Increase in Long-Term Deficits:

CBO estimates that enacting S. 2297 would increase on-budget deficits by more than $5 billion in each of the four consecutive 10-year periods beginning in 2030.

Mandates:

S. 2297 would impose mandates on private-sector entities as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost of the mandates would fall well below the annual threshold established in UMRA for private-sector mandates ($164 million in 2019, adjusted annually for inflation).

The bill would require:

- Towing vessels that are performing regular harbor assistance to notify the Coast Guard within 24 hours that they intend to operate outside the federal boundary line,
- Operators of recreational watercraft to wear an engine cut-off switch if the vessel is so equipped, and
- Large overnight passenger vessels to ensure a physician is present and available to treat passengers in the event of an emergency.

CBO estimates that the cost to comply with those requirements would be very small.

Under current law, the Coast Guard requires large self-propelled vessels and vessels carrying combustible cargo to be equipped with automatic identification systems (AIS). S. 2297 would require the Secretary of Transportation to establish rules requiring AIS to be installed on vessels carrying flammable, combustible, or hazardous liquid cargo that do not have an independent means of propulsion. Those rules would be based on an evaluation of the need for such systems by a working group established in the bill.

Using industry data, CBO expects that several thousand vessels could be affected by the new requirement. The cost of installing the new system, if required, would depend on the rule to be issued by the Secretary of Transportation. Given the small number of vessels that could be affected by this provision, CBO estimates that cost to vessel operators comply with the mandate likely would be small as well.

S. 2297 contains no intergovernmental mandates as defined in UMRA.

Previous CBO Estimate:

On May 28, 2019, CBO transmitted a cost estimate for H.R. 367, the Pay Our Coast Guard Parity Act of 2019, as ordered reported by the House Committee on Transportation and Infrastructure on March 27, 2019. H.R. 367 is identical to section 221 of S. 2297 and CBO's estimated cost of implementing those provisions is the same.

On July 24, 2019, CBO transmitted a preliminary cost estimate for H.R. 3409, the Coast Guard Authorization Act of 2019, as provided to CBO on July 23, 2019. Section 212 of H.R. 3409 is similar to section 223 of S. 2297 and CBO's estimated cost of enacting those provisions is the same, adjusted for timing differences between the two pieces of legislation.

Estimate Prepared By

Federal Costs: Aaron Krupkin (USCG) and Stephen Rabent (oil spill programs)

Mandates: Brandon Lever

Estimate Reviewed By

Kim P. Cawley
Chief, Natural and Physical Resources Cost Estimates Unit

Susan Willie
Chief, Mandates Unit

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis

Theresa Gullo
Assistant Director for Budget Analysis