CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 2, 2009

H.R. 3619
Coast Guard Authorization Act of 2010

As ordered reported by the House Committee on Transportation and Infrastructure on September 24, 2009

SUMMARY

H.R. 3619 would amend various laws that govern the activities of the U.S. Coast Guard (USCG). The bill also would authorize appropriations totaling $9 billion through fiscal year 2014, primarily for ongoing USCG operations during fiscal year 2010. CBO estimates that appropriating the amounts specifically authorized by the bill or estimated to be necessary to carry out certain titles would result in discretionary spending of about $8.8 billion over the 2010-2014 period.

Implementing title V, which addresses the Coast Guard’s acquisition practices, could result in future savings in discretionary spending, but CBO cannot estimate such savings or clearly identify how much of that savings should be attributed to the legislation rather than to reforms that the Coast Guard has already begun implementing under existing authority.

H.R. 3619 could increase revenues from civil penalties, but CBO estimates that any such increases would be less than $500,000 a year.

Other provisions of the bill also would affect direct spending, primarily by directing the Coast Guard to donate rather than sell certain property (resulting in a loss of offsetting receipts). We estimate that those provisions would increase direct spending by a total of $3 million over the 2010-2019 period.

H.R. 3619 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would impose new requirements on vessel owners and operators and others in the maritime industry. The bill also would increase the costs of complying with existing mandates related to protections for active-duty personnel in the Coast Guard. The aggregate costs of the mandates in the bill on

private-sector entities are uncertain because many of them would depend on regulations to be developed under the bill. Consequently, CBO cannot determine whether those costs would exceed the annual threshold established in UMRA for private-sector mandates ($139 million in 2009, adjusted annually for inflation). CBO estimates that such costs would not exceed the annual threshold established in UMRA for intergovernmental mandates ($69 million in 2009, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 3619 are summarized in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 400 (transportation).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3619 will be enacted early in fiscal year 2010 and that the amounts specifically authorized by the bill or estimated to be necessary will be appropriated for each year. Estimated outlays are based on historical spending patterns for the authorized activities.

Spending Subject to Appropriation

The authorization levels shown in the table are those specified or estimated to be necessary for Coast Guard activities and for certain new programs of the Department of Transportation (DOT). The table excludes $25 million to be derived from the Oil Spill Liability Trust Fund (OSLTF) for USCG operating and research expenses because that amount is already authorized under existing law.

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]						
Reauthorization of USCG Activities [b]						
Authorization Level	8,604	0	0	0	0	8,604
Estimated Outlays	5,742	1,514	664	380	128	8,428
Great Lakes Icebreaker Replacement						
Authorization Level	153	0	0	0	0	153
Estimated Outlays	18	38	34	28	17	135
USCG Acquisition Reform						
Estimated Authorization Level	5	0	0	0	0	5
Estimated Outlays	3	2	0	0	0	5
Maritime Workforce Development						
Authorization Level	22	22	22	22	22	110
Estimated Outlays	14	17	19	19	20	89
Marine Safety						
Estimated Authorization Level	8	8	8	8	8	40
Estimated Outlays	6	8	9	9	8	40
Other Grants, Studies, and Programs						
Estimated Authorization Level	16	14	24	24	21	100
Estimated Outlays	13	15	22	24	22	96
Total Proposed Changes						
Estimated Authorization Level	8,808	44	54	54	51	9,011
Estimated Outlays	5,796	1,594	748	460	195	8,792

Note: USCG = U.S. Coast Guard; components may not sum to totals because of rounding.

a. Enacting H.R. 3619 would result in small increases in revenues from criminal and civil fines and penalties (and associated direct spending from the Crime Victims Fund), but CBO estimates that those changes would be insignificant. We also expect that enacting the bill could result in additional direct spending associated with extending expiring maritime documents and with conveying certain Coast Guard property. In total, those provisions would increase direct spending by an estimated $3 million over the 2010-2019 period.

b. The USCG received appropriations totaling about $8.3 billion for fiscal year 2009, including $240 million under the American Recovery and Reinvestment Act of 2009.

Reauthorization of USCG Activities. Title I would reauthorize funding for ongoing USCG activities for 2010. Specifically, the title would authorize the appropriation of about $6.9 billion for USCG operations (including $134 million for reserve training and $13 million for environmental compliance), about $1.6 billion for capital acquisitions, $16 million for the alteration of bridges, and nearly $30 million for research programs. Of the amounts authorized by title I, $45 million would be derived from the OSLTF.

CBO estimates that appropriating the amounts specified in title I for ongoing USCG activities would cost $8.4 billion over the 2010-2014 period. About $180 million of the authorized amounts would be spent after 2014.

Title I also would authorize the appropriation of about $1.4 billion for Coast Guard retirement benefits in fiscal year 2010, but that amount is excluded from this estimate because such benefits are considered an entitlement under current law and are not subject to appropriation. Thus, authorizing the $1.4 billion would have no additional budgetary impact.

Great Lakes Icebreaker Replacement. Title IV would authorize the appropriation of $153 million to construct an icebreaker ship for the Coast Guard to use on the Great Lakes. Assuming appropriation of the authorized amount, CBO estimates that building the new icebreaker would cost $135 million over the 2010-2014 period. The remaining $18 million would be spent after 2014.

USCG Acquisition Reform. Title V addresses the contracting practices used by the Coast Guard to acquire capital assets such as vessels and aircraft. Assuming appropriation of the necessary amounts, CBO estimates that implementing title V would cost the USCG about $5 million over the next two years, mostly to develop life-cycle cost estimates for current acquisition initiatives. We estimate that other administrative costs for additional testing and certification (and to develop life-cycle cost estimates for major acquisition initiatives in the future) would not significantly affect the agency's annual budget.

Title V would restrict the Coast Guard's reliance on private entities to manage major acquisitions and would require the agency to revise other procurement practices to rectify problems identified by the Department of Defense (DoD) and other federal agencies. It also would require that many future acquisitions be open to competition and be subject to specified testing, analysis, and certification requirements. Finally, the title would require the Coast Guard to hire additional contracting and management personnel and to produce various reports on its acquisition activities.

The contracting reforms required by H.R. 3619 could result in lower procurement expenditures in the future. Much of the long-term savings, however, might occur even in the absence of the legislation because the Coast Guard is already implementing many of those reforms, including hiring additional contracting personnel. CBO cannot estimate the likely size of cost savings from improving procurement practices or clearly identify what proportion of such savings would be attributable to the legislation and what share would result from changes that the Coast Guard is already implementing.

Any savings realized by the Coast Guard as a result of the legislation would depend on future changes in the level of discretionary appropriations for capital acquisitions. Annual funding for Coast Guard acquisition has risen rapidly in recent years—from about $640 million in fiscal year 2002 to nearly $1.6 billion for 2009. (The 2009 figure includes nearly $100 million provided by the American Recovery and Reinvestment Act of 2009.) Most of the increase over this period stems from new funding for the Integrated Deepwater Initiative, which will provide for the replacement of many of the agency's vessels, aircraft, and other assets at an estimated cost of between $25 billion to $30 billion over the next 25 years.

Maritime Workforce Development. Title VI would authorize appropriations totaling $110 million over the 2010-2014 period (and $22 million in 2015) for DOT's Maritime Administration to provide loans and grants to students attending certain maritime training institutions.

Of the amounts authorized by title VI, $10 million would be available in each of fiscal years 2010 through 2015 for loans to students that enroll in one of the six state maritime academies or in another maritime training institution operated by a commercial and nonprofit organization. The legislation also would authorize the appropriation of $1 million in each year over the same period to administer the new loan program. Under the bill, principal and interest payments made by the borrower would be deposited into a revolving loan fund and would be available to cover administrative costs as well as to make new loans without further appropriation action.

The Federal Credit Reform Act (FCRA) requires that the budgetary impact of federal credit programs, including the loan program that would be established by this legislation, be measured in terms of the net present value of estimated cash flows. That measure is known as the subsidy cost. Under FCRA, agencies must receive an appropriation equal to the estimated subsidy cost before making loans. FCRA further specifies that repayments of loans are unavailable for spending and that new loan obligations may be made only to the extent that new budget authority is provided in advance. In other words, direct loan repayments are not available to "revolve" into new loans. Instead, such repayments are a means of financing the original loans. In CBO's view, the concept of using loan repayments to cover administrative costs and make new loans, as proposed in title VI, is inconsistent with the requirements of FCRA. It is possible that this inconsistency would result in the program not being implemented or being implemented in a form other than that proposed by the bill.

For the purposes of this estimate, CBO assumes that the loan program would be implemented as directed by the legislation and that amounts collected from loan repayments would be available to the program for administrative expenses and to make new loans. In that case, the effective subsidy cost of the loans would be 100 percent because cash flows into the government from borrower repayment would not be credited to the original loan (as normally would be required under FCRA) but would be used to cover other costs of the program. Therefore, CBO estimates that the provision of $60 million in loan subsidy over the 2010-2015 period, as authorized by the bill, would yield a loan volume of $60 million.

Based on expected demand for student loans and historical expenditures of other loan programs operated by the Maritime Administration, CBO estimates that implementing the new loan program would cost $37 million over the next five years, including $5 million for administrative costs, and $29 million after 2014.

The title also would authorize the appropriation of $10 million in each of fiscal years 2010 through 2015 for grants to maritime training institutions to establish demonstration projects to increase mariner recruitment, training, and retention. The legislation would authorize the appropriation of $1 million in each year over the same period to administer the new grants. Based on the historical spending pattern of other grant programs operated by the agency, CBO estimates that implementing this provision would cost $52 million over the next five years, including $5 million for administration, and $14 million after 2014.

Marine Safety. Title VIII would amend laws governing marine safety programs carried out by the Coast Guard. CBO estimates that implementing title VIII would cost $40 million over the 2010-2014 period, assuming appropriation of the amounts specifically authorized by the title or estimated to be necessary for regulatory and administrative expenses.

Title VIII would authorize the appropriation of $3 million annually (through 2014) for each of two new programs to fund grants to state, local, or other nonfederal entities. The grants would be awarded by the Coast Guard for research and training to improve safety on fishing vessels. In addition, the title would authorize $1 million for a study on the use of blended fuels by marine vessels. CBO estimates that appropriating the amounts specifically authorized by title VIII would cost $31 million over the 2010-2014 period.

The title also would require the Coast Guard to promulgate and enforce new rules and regulations addressing other marine safety issues, including recordkeeping, safety equipment, and spill protection for vessels that carry over 600 cubic meters of fuel oil. In addition, the title would extend the life of several advisory committees, some of which receive financial support from the Coast Guard. Based on information provided by the agency, CBO estimates that carrying out the required studies and rulemakings and supporting advisory committees would cost about $9 million over the 2010-2014 period.

Other Grants, Studies, and Programs. H.R. 3619 would authorize appropriations for several new programs, most of which would be carried out by the Coast Guard. CBO estimates that appropriating the authorized amounts would cost $96 million over the 2010-2014 period. (An additional $24 million would be spent from those authorizations after 2014, including $20 million authorized to be appropriated for 2015.) The proposed authorizations include:

- $7.5 million for programs to assist colleges and other institutions that serve minority students. The programs would include management internships, an aviation officer initiative, and cooperative research laboratories.

- $70 million over the 2010-2014 period (plus $20 million in 2015) to support shipping in the Arctic. The proposed funding would support USCG programs such as aids to navigation, icebreaking, oil spill prevention and response and search and rescue. A portion of the funding ($5 million for each of fiscal years 2011 through 2015) would be used by the Department of Transportation for demonstration projects to reduce vessel emissions or discharges of pollutants.

- $10 million over the 2010-2013 period for projects carried out by the Great Lakes Maritime Research Institute.

- $1 million for 2010 to conduct an assessment of vessel traffic risk for Cook Inlet, Alaska.

- $5 million for a study of an underground oil spill on the Brooklyn shore of Newtown Creek in New York.

- An estimated $6 million over the 2010-2014 period to promulgate safety regulations, develop training curricula, and establish certification and inspection procedures to address the safety of passengers and crewmembers on cruise vessels.

Based on information provided by the Coast Guard, CBO estimates that carrying out the provisions of other titles of the bill would have no significant effect on the agency's operating budget. Those provisions include requirements to reorganize leadership positions in the agency, provide additional port security assets in the Virgin Islands, and expand the use of canine teams to detect narcotics and explosives at ports.

Direct Spending

The bill would authorize the Coast Guard to sell about three acres of property in Cheboygan, Michigan, and spend the proceeds on environmental restoration projects.

Because such proceeds, if collected under current law, could not be spent without further appropriation action, enacting this provision would increase direct spending over the 2010-2019 period. CBO estimates that any such increase would be about $1 million over the 2010-2019 period.

Several provisions of the bill would direct the USCG to donate real and personal property to various parties such as nonprofit organizations or local governments. CBO estimates that one of the properties—a 5.5-acre parcel of land in the city of Marquette, Michigan—has significant market value. Based on local property values and on information provided by the General Services Administration regarding disposal of surplus USCG property, we estimate that donating the Marquette parcel to the city (rather than selling it under existing authority) would result in a loss of offsetting receipts of about $2 million over the next 10 years. We expect that all of the other affected property would either be retained by the Coast Guard or eventually given to other entities under current law; therefore, donating those assets would result in no loss of offsetting receipts.

Title VIII would authorize the USCG to extend certain expiring marine licenses, certificates of registry, and merchant mariners' documents. Because the extension could delay the collection of fees charged for renewal of such documents, enacting this provision could reduce offsetting receipts (considered an increase in direct spending) over the next year or two. Some of those receipts may be spent without further appropriation, however, to cover collection costs. CBO estimates that the net effect on direct spending from enacting this provision would be insignificant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3619 contains intergovernmental and private-sector mandates as defined in UMRA because it would impose new requirements on vessel owners and operators and others in the maritime industry. The bill also would increase the costs of complying with existing mandates related to protections for active-duty personnel in the Coast Guard. The aggregate costs of the mandates in the bill on private-sector entities are uncertain because many of them would depend on regulations to be developed under the bill. Consequently, CBO cannot determine whether those costs would exceed the annual threshold established in UMRA for private-sector mandates ($139 million in 2009, adjusted annually for inflation). CBO estimates that such costs would not exceed the annual threshold established in UMRA for intergovernmental mandates ($69 million in 2009, adjusted annually for inflation).

UMRA excludes from the application of that act any legislative provision that is necessary for the ratification or implementation of international treaty obligations. CBO has determined that section 812 of H.R. 3619 falls within that exclusion; therefore, we have not reviewed it for intergovernmental or private-sector mandates.

Mandates That Apply to Both Public and Private Entities

Safety Equipment and Management Requirements. H.R. 3619 would require certain commercial and public vessels to carry approved survival craft that ensure that no part of an individual is immersed in water. All survival craft would have to meet this standard by January 1, 2015. The costs to comply with this mandate would depend on how the Coast Guard implements the new standard. However, based on information about the range in costs of survival crafts, CBO expects that the cost of replacing hundreds of survival craft on private vessels would probably be relatively small. Further, because most public vessels do not use survival craft that immerse individuals in water, CBO estimates that additional costs to public entities would be minimal.

The bill also would require owners and operators of certain domestic passenger vessels to implement safety management procedures as determined by the Secretary of Homeland Security. According to the Coast Guard and industry sources, the costs to public and private entities could vary widely depending on the coverage and scope of those procedures. However, only a small number of public entities would be affected by those requirements, and CBO estimates that the cost to those entities to be small. Because a large number of private entities could be affected by those requirements and the nature of future regulations is uncertain, CBO cannot estimate the total cost of this mandate to private entities.

Other Mandates on the Maritime Industry. The bill also would impose new requirements on businesses in the maritime industry. For example, the bill would impose new security requirements on operators of hazardous material facilities; require owners and operators of public and commercial vessels to comply with new recordkeeping requirements; require ports to include in their security plans provisions that allow crew members, pilots, and representatives of crew members to leave and reboard ships without paying escort fees; and provide whistleblower protections for maritime employees. CBO estimates that the additional costs to comply with those mandates would be small because compliance probably would involve only small adjustments, if any, in current procedures.

Increasing Authorized Coast Guard Personnel. The bill would increase the costs of complying with existing intergovernmental and private-sector mandates by increasing the number of active-duty personnel in the Coast Guard. The additional personnel would be eligible for protections under the Servicemembers Civil Relief Act (SCRA). Under SCRA, servicemembers have the right to maintain a single state of residence for purposes of paying state and local personal income taxes. They also have the right to request a deferral in the payment of certain state and local taxes and fees. SCRA also requires creditors to charge no more than 6 percent interest on servicemembers' obligations when such obligations predate active-duty service and allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. Extending these existing protections to additional servicemembers would constitute mandates as defined in UMRA and could result in lost revenues to government and private-sector entities.

The number of active-duty servicemembers covered by SCRA would increase by less than 1 percent, CBO estimates. Servicemembers' utilization of the various provisions of the SCRA depends on a number of uncertain factors, including how often and how long they are deployed. CBO expects, however, that relatively few of the added servicemembers would take advantage of the deferrals in certain state and local tax payments; the lost revenues to those governments thus would be insignificant. Moreover, because the increase in the number of active-duty servicemembers covered by SCRA would be so small, CBO expects that the increased costs for private-sector entities also would be small.

Mandates That Apply to Private Entities Only

Safety Requirements for Cruise Vessels. Owners and operators of cruise vessels would be required to meet certain safety standards, post information about the location of U.S. embassies and consulates for countries on the voyage itinerary, and limit crew access to passenger cabins. The bill also would require cruise lines to maintain a log book of alleged crimes, report suspected criminal activities that occur on their vessels to the appropriate law enforcement authorities, and provide online access to data on criminal acts that occur on cruise vessels. In addition, the bill would require cruise lines to adhere to specific procedures when assisting victims of a sexual assault and to carry certain medical supplies and equipment designated for use in such cases. Lastly, cruise lines would be required to have at least one crewmember trained in crime scene investigation onboard while the vessel is in service.

According to the Maritime Administration and the U.S. Coast Guard, between 125 and 150 cruise vessels that access U.S. ports would have to comply with the requirements in the bill. Industry representatives indicate that those vessels already comply with most of the bill's requirements and that any needed adjustments in current practice would probably be minor. CBO therefore expects that the incremental costs of the mandates would fall below the annual threshold established in UMRA.

Safety Requirements for Commercial Fishing Vessels. H.R. 3619 would impose new safety requirements on owners and operators of commercial fishing vessels. The bill would require the individuals in charge of commercial fishing vessels operating beyond three nautical miles of the U.S. coast to keep a record of equipment maintenance and to pass a safety training program and a refresher training once every five years. The cost of recordkeeping would be minimal. The new safety training program, however, would have to include training in collision prevention, personal survival, and emergency medical care. According to industry sources, the cost of similar training programs currently available is between $100 and $500 per person. Those sources also indicate that thousands of U.S. commercial fishing captains nationwide and others would have to comply with the training requirement. The bill would establish a grant program to provide funding for training on commercial fishing safety.

The bill also would establish safety equipment standards for certain commercial fishing vessels operating beyond three nautical miles of the coast. In addition, beginning in 2010, the bill would require that such vessels that are less than 50 feet in length be constructed in a manner that provides a level of safety equivalent to the minimum safety standards established by the Coast Guard that apply to recreational vessels. The cost to comply with those mandates would depend on the standards to be set by the Coast Guard.

Safety Requirements for Other Vessels. The bill would authorize the Coast Guard to establish standards for the use of emergency locator beacons on recreational vessels and for the installation and use of lifesaving devices on non-propelled vessels such as barges. If the Coast Guard establishes either of those standards, it would impose a private-sector mandate. CBO cannot estimate the cost of complying with the mandate because it would depend on future regulations.

The bill also would require all oil tankers in Prince William Sound to be escorted by two towing vessels. Current law only requires two escort vessels for single-hulled tankers. Because the current practice is to provide two escort vessels for all tankers, CBO estimates that the incremental cost to comply with the mandate would be minimal.

PREVIOUS CBO ESTIMATES

On September 24, 2009, CBO transmitted a cost estimate for S. 1194, the Coast Guard Authorization Act of Fiscal Years 2010 and 2011, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 8, 2009. The Senate bill contains lower funding levels for most activities, would authorize appropriations for both 2010 and 2011 rather than just 2010, and would include authorizations for some programs carried out by the National Oceanic and Atmospheric Administration. The CBO cost estimates for the two versions of the legislation reflect those differences. The estimates also reflect the costs of carrying out other titles added to H.R. 3616 for cruise-ship safety, maritime security, and other activities.

On June 10, 2009, CBO transmitted a cost estimate for S. 685, the Oil Spill Prevention Act of 2009, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 20, 2009. The CBO estimate of that legislation is the same for similar provisions in title VIII of H.R. 3619.

CBO also submitted cost estimates for several pieces of legislation that were previously ordered reported by the House Committee on Transportation and Infrastructure that are also contained in H.R. 3619. Those include:

- H.R. 1747, the Great Lakes Icebreaker Replacement Act, as ordered reported on April 2, 2009 (estimate transmitted on April 15, 2009);
- H.R. 1665, the Coast Guard Acquisition Reform Act of 2009, as ordered reported on April 2, 2009 (estimate transmitted on April 15, 2009);
- H.R. 2652, the Maritime Safety Act of 2009, as ordered reported on June 4, 2009 (estimate transmitted on June 23, 2009);
- H.R. 2650, the Coast Guard Modernization Act of 2009, as ordered reported on June 4, 2009 (estimate transmitted on June 23, 2009);
- H.R. 2651, the Maritime Workforce Development Act, as ordered reported on June 4, 2009 (estimate transmitted on July 13, 2009);
- H.R. 3376, the United States Mariner and Vessel Protection Act of 2009, as ordered reported on July 30, 2009 (estimate transmitted on August 13, 2009); and
- H.R. 3360, the Cruise Vessel Security and Safety Act of 2009, as ordered reported on July 30, 2009 (estimate transmitted on August 19, 2009).

The CBO cost estimates for those earlier bills or acts are the same as those for similar provisions contained in H.R. 3619.

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