CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 12, 2018

S. 2717
Maritime Authorization and Enhancement Act for Fiscal Year 2019

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on April 25, 2018

SUMMARY

S. 2717 would reauthorize programs administered by the Maritime Administration (MARAD), which oversees the nation's merchant marine—the civilian mariners and fleet of U.S. vessels engaged primarily in waterborne commerce. CBO estimates that implementing S. 2717 would cost $500 million over the 2019-2023 period, assuming appropriation of the authorized amounts.

S. 2717 also would permanently extend MARAD's authority to issue war risk insurance to certain vessels. Enacting that provision would affect direct spending; therefore pay-as-you-go procedures would apply, but CBO estimates that any such effects would be negligible in any year. Enacting the bill would not affect revenues.

CBO estimates that enacting S. 2717 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2717 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 effect of S. 2717 is shown in the following table. The costs of the legislation fall primarily within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars						
	2018	2019	2020	2021	2022	2023	2019-2023
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Authorization Level	0	500	0	0	0	0	500
Estimated Outlays	0	219	126	114	41	0	500

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2717 will be enacted near the start of fiscal year 2019.

S. 2717 would authorize appropriations totaling $500 million in 2019 for programs administered by MARAD, including:

- $300 million to plan, design, and construct training vessels through the National Security Multi-Mission Vessel Program;
- $69 million for the U.S. Merchant Marine Academy;
- $60 million for operations and program support provided by MARAD's headquarters;
- $33 million to guarantee loans used to construct or modernize U.S. vessels or shipyards;
- $32 million to provide financial and other support to state maritime academies; and
- $6 million to dispose of vessels in the National Defense Reserve Fleet.

By comparison, funding provided to MARAD for those activities in 2018 totals $554 million. Assuming appropriation of the amounts authorized under S. 2717, CBO estimates that implementing the bill would cost $219 million in 2019 and $500 million over the 2019-2023 period. That estimate is based on historical spending patterns for MARAD.

This estimate does not include spending for the Maritime Security Program, through which MARAD maintains a core fleet of privately owned U.S. flag ships operating in international commerce that are also available to provide additional capacity to support the Department of Defense during war and national emergencies. S. 2717 would authorize $300 million for that program in 2019—the same amount that is already authorized for that year under current law. As a result, this estimate includes no additional spending related to that program, which would fall within budget function 050 (defense).

PAY-AS-YOU-GO CONSIDERATIONS

S. 2717 would permanently extend MARAD's authority to issue war risk insurance to certain vessels. Under current law, MARAD is authorized, through 2020, to provide such insurance to owners of private vessels (in exchange for premiums) and to indemnify (at no cost) vessels operating on behalf of the U.S. government. Because any spending for claims related to such insurance would not be contingent on further legislation, enacting the proposed extension would increase direct spending. However, using information from MARAD, CBO estimates that, on average, expected costs for claims stemming from both the premium and nonpremium lines of insurance issued to vessels (including offsetting receipts from premiums charged to owners of private vessels) would be negligible in any year.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 2717 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

S. 2717 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On May 18, 2018, CBO transmitted a cost estimate for H.R. 5515, the National Defense Authorization Act for Fiscal Year 2019, as reported by the House Committee on Armed Services on May 15, 2018. H.R. 5515 would authorize appropriations for MARAD that total $565 million—$65 million more than the amounts authorized under S. 2717; as a result, our estimate of MARAD-related spending under H.R. 5515 is higher. Both bills would permanently extend the agency's authority to issue war risk insurance for certain vessels; our estimates of the budgetary effects stemming from those provisions are the same.

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