CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 23, 2016

S. 2276
SAFE PIPES Act

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on December 9, 2015

SUMMARY

The Pipeline and Hazardous Materials Safety Administration (PHMSA) oversees the safety of pipelines that transport natural gas or hazardous liquids and provides grants to states for programs to ensure pipeline safety. S. 2276 would require PHMSA to pursue a variety of regulatory and administrative activities related to such programs and would authorize appropriations for those purposes. The bill also would authorize PHMSA to establish safety standards for certain underground natural gas storage facilities, assess fees on entities that operate such facilities, and spend such fees—subject to authority provided in advance in appropriation acts—to ensure that such facilities meet those standards.

CBO estimates that implementing S. 2276 would require gross appropriations totaling $525 million over the 2017-2021 period. CBO also estimates that those appropriations would be offset by $462 million in fees paid by pipeline owners, which are considered offsets to discretionary spending. Assuming appropriation of amounts specified and estimated to be necessary, CBO estimates that the resulting net outlays would total $50 million over the 2017-2021 period.

In addition, CBO estimates that enacting S. 2276 would increase revenues from assessments on entities that operate certain underground natural gas storage facilities by $17 million over the 2017-2026 period. Pay-as-you-go procedures apply because enacting the legislation would affect revenues. Enacting S. 2276 would not affect direct spending.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 2276 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) by establishing new safety standards on storage facilities for natural gas and imposing new fees. Based on information from PHMSA and industry sources, CBO estimates the aggregate cost of the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($77 million and $154 million in 2016, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 2276 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Spending for Pipeline Safety and Related Activities						
Estimated Authorization Level	168	174	177	3	3	525
Estimated Outlays	82	147	168	90	25	512
Offsetting Collections from User Fees						
Estimated Authorization Level	-151	-154	-157	0	0	-462
Estimated Outlays	-151	-154	-157	0	0	-462
Estimated Net Changes						
Estimated Authorization Level	17	20	20	3	3	63
Estimated Outlays	-69	-7	11	90	25	50
CHANGES IN REVENUES [a]						
Assessments for Underground Natural Gas Storage Facilities	0	0	2	2	2	7

Note: Components may not sum to totals because of rounding.

a. CBO estimates that enacting S. 2276 would increase revenues by $17 million over the 2019-2026 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2276 will be enacted near the start of fiscal year 2017 and the amounts authorized and estimated to be necessary over the 2017-2021 period will be appropriated each year. Estimates of outlays are based on historical spending patterns for pipeline safety programs.

Spending Subject to Appropriation

S. 2276 would reauthorize the laws that govern PHMSA's role in pipeline safety. The bill would specify new administrative requirements and authorize the agency to establish and enforce safety standards for certain underground natural gas storage facilities. The bill also would require the Government Accountability Office (GAO) and other agencies to conduct a variety of studies and reports related to pipeline safety and related activities.

CBO estimates that implementing the bill would require appropriations totaling $168 million in 2017 and $525 million over the 2017-2021 period. (By comparison, CBO estimates that funding related to PHMSA's pipeline safety programs in 2016 totals $147 million.) The amounts authorized by the bill include:

- $513 million specifically authorized for PHMSA's pipeline safety programs;
- $9 million in estimated authorizations stemming from PHMSA's authority to spend, subject to authority provided in advance in appropriation acts, proposed assessments on entities that operate certain underground natural gas storage facilities; and
- $3 million for GAO and other agencies to carry out various reporting and administrative requirements.

Assuming appropriation of the authorized and estimated amounts, CBO estimates that resulting discretionary outlays would total $512 million over the 2017-2021 period, and $13 million in later years. CBO also estimates that those outlays would be offset by $462 million in fees paid by entities that operate pipelines and related facilities regulated by PHMSA. Under current law, such annual fees are based on appropriations provided for pipeline safety and related activities and are recorded as discretionary offsetting collections.

Revenues

S. 2276 would authorize PHMSA to regulate the safety of certain underground natural gas storage facilities. To cover the cost of regulating such facilities, the bill would direct the Secretary of Transportation to impose fees on entities that operate such facilities. In CBO's view, such regulatory fees should be recorded as revenues because of their compulsory nature. Under the bill, PHMSA's authority to spend those fees would be subject to appropriation.

Based on information from PHMSA and the natural gas industry about the anticipated costs to establish and implement the proposed safety standards, CBO estimates gross revenues from such fees would total about $3 million annually starting in 2019 (the year when CBO expects PHMSA would issue regulations as required by the bill) and $24 million through 2026. Because excise taxes and other indirect business taxes (such as the proposed assessment under S. 2276) reduce the base of income and payroll taxes, higher amounts of those indirect business taxes would lead to reductions in revenues from income and payroll taxes. As a result, gross assessments would be partially offset by a loss of receipts of about 25 percent each year. Thus, CBO estimates that enacting S. 2276 would increase net revenues by $17 million over the 2019-2026 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 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. 2276, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on December 9, 2015

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	-2	-2	-2	-2	-2	-2	-2	-2	-7	-17

Note: Components may not sum to totals because of rounding.

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2276 would impose intergovernmental and private-sector mandates as defined in UMRA by establishing new safety standards for storage facilities for natural gas and by imposing new fees. Because the majority of pipelines and facilities that would be affected are owned by private entities, CBO estimates that the aggregate cost of the mandates on public entities would fall below the annual threshold established in UMRA for intergovernmental mandates ($77 million in 2016, adjusted annually for inflation). Based on information from PHMSA and industry sources, CBO estimates the aggregate cost of the mandates on private entities also would fall below the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation).

Mandates that Apply to Both Public and Private Entities

The bill would impose a mandate on operators of underground natural gas storage facilities by directing the Secretary of Transportation to establish safety standards for those facilities. According to the Department of Energy, there are about 400 underground natural gas storage facilities in the United States, and the vast majority of the facilities are operated by private entities. The industry recently issued voluntary standards for ensuring the safety and integrity of natural gas storage facilities. CBO estimates that the incremental cost of the mandate would be minimal for facilities that are currently working to comply with those industry standards. Moreover, based on information from industry sources, CBO estimates that the aggregate cost of the mandate on all private facilities could total tens of millions of dollars annually.

The bill also would impose a mandate on operators of underground natural gas storage facilities by requiring those operators to pay fees to the Secretary of Transportation. The fees would be used offset the cost of establishing and implementing the safety standards for those facilities. CBO estimates that those fees would total $3 million annually beginning in 2019.

Mandate that Applies to Private Entities Only

The bill would impose a mandate on operators of oil pipelines by requiring those operators, when preparing an oil spill response plan, to take into consideration discharges of oil into navigable water or on adjoining shorelines that may be covered in whole or in part by ice. Operators of oil pipelines must prepare response plans pursuant to current law. The cost of the mandate would depend on whether operators need to amend current plans to address discharges onto ice. Based on information from PHMSA and industry sources, CBO estimates that the cost of the mandate would not be substantial.

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