CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

Revised June 9, 2009

S. 1023
Travel Promotion Act of 2009

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 20, 2009

SUMMARY

S. 1023 would establish a new organization, the Corporation for Travel Promotion (the Corporation), to promote international tourism in the United States. The Corporation would be funded by amounts collected from private firms operating in the travel industry and new fees charged to users of the government's visa waiver program. Under the bill, those collections would be recorded as deposits into a new fund in the Treasury. The Corporation would be authorized to spend amounts in that fund, limited by the amount of funds received from voluntary contributions to the Corporation.

CBO estimates that assessments imposed by the Corporation would increase revenues by an estimated $135 million over the 2010-2019 period, net of income and payroll tax offsets. CBO also estimates that enacting S. 1023 would decrease direct spending by $290 million over the 2010-2019 period. In total, CBO estimates that enacting S. 1023 would reduce budget deficits by $425 million over the 2010-2019 period.

In addition, the bill would establish the Office of Travel Promotion in the Department of Commerce (DoC) to develop programs to increase the number of international travelers coming to the United States and would authorize the Office of Travel and Tourism Industries (OTTI) to expand its research activities. Based on information from DoC, CBO estimates that implementing those provisions would increase discretionary spending by about $80 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

S. 1023 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

In the event that the Corporation imposes assessments on firms in the travel industry, S.1023 would impose a private-sector mandate, as defined in UMRA, on the members of the industry who would be required to pay the assessments. The Corporation could compel the payment of the assessments through the federal courts. Based on information from industry sources, CBO estimates that the cost to comply with the mandate would fall well below the annual threshold for private-sector mandates established in UMRA ($139 million in 2009, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1023 is shown on the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 750 (administration of justice).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1023

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-2014
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	-80	-80	-60	-60	-60	-340
Estimated Outlays	-84	-125	-103	-68	-60	-440
CHANGES IN REVENUES[a]						
Estimated Revenues	0	15	15	15	15	60
NET CHANGE IN THE BUDGET DEFICIT FROM CHANGES IN REVENUES AND DIRECT SPENDING						
Change in Deficit[b]	-84	-140	-118	-83	-75	-500
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	9	15	20	21	22	87
Estimated Outlays	7	13	18	20	22	80

a. See Table 2 for changes in direct spending and revenues over the 2010-2019 period.

b. Negative numbers indicate decreases in the deficit. Positive numbers indicate increases in the deficit.

BASIS OF ESTIMATE

CBO believes that the Corporation should be classified as a government entity and that cash flows related to the Corporation should appear in the budget as governmental receipts and direct spending because S. 1023 specifies that the Corporation's finances would operate through the Treasury, and its assessments would stem from an exercise of the sovereign power of the federal government. Table 2 shows further detail about industry assessments, voluntary contributions and spending by the Corporation.

For this estimate, CBO assumes that the bill would be enacted before the end of fiscal year 2009 and that the necessary amounts would be appropriated at the start of each fiscal year.

TABLE 2. CHANGES IN DIRECT SPENDING AND REVENUES UNDER S. 1023

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN REVENUES												
Changes in Revenues	0	15	15	15	15	15	15	15	15	15	60	135
CHANGES IN DIRECT SPENDING												
Offsetting Receipts (DHS Visa Waiver Fees)												
Estimated Budget Authority	-90	-180	-180	-180	-180	0	0	0	0	0	-810	-810
Estimated Outlays	-90	-180	-180	-180	-180	0	0	0	0	0	-810	-810
Offsetting Receipts (Voluntary Contributions)	0	-20	-80	-80	-80	-80	-80	-80	-80	-80	-260	-660
Estimated Budget Authority	0	-20	-80	-80	-80	-80	-80	-80	-80	-80	-260	-660
Estimated Outlays												
Increase in Direct Spending Authority												
Estimated Budget Authority	10	120	200	200	200	100	100	100	100	100	730	1,230
Estimated Outlays	6	75	157	192	200	140	110	100	100	100	630	1,180
Net Changes in Direct Spending												
Estimated Budget Authority	-80	-80	-60	-60	-60	20	20	20	20	20	-340	-240
Estimated Outlays	-84	-125	-103	-68	-60	60	30	20	20	20	-440	-290
NET CHANGE IN THE BUDGET DEFICIT FROM CHANGES IN REVENUES AND DIRECT SPENDING												
Change in Deficit[a]	-84	-140	-118	-83	-75	45	15	5	5	5	-500	-425

a. Negative numbers indicate decreases in the deficit. Positive numbers indicate increases in the deficit.

Revenues

S. 1023 would authorize the Corporation to impose an annual assessment, initially set at $20 million, on certain sectors of the travel industry, pending approval in a referendum by firms operating in the travel industry. Such assessments would be recorded in the federal budget as revenues. CBO expects that the gross annual assessment on the travel and tourism industry would total $20 million each year as authorized by the bill.

Because excise taxes and other indirect business taxes such as those assessments reduce the tax base of income and payroll taxes, higher amounts of those taxes would lead to reductions in income and payroll tax revenues. As a result, gross assessments would be partially offset by a loss of receipts from income and payroll taxes of 25 percent. Thus, CBO estimates that enacting S. 1023 would increase net revenues by $15 million a year, about $135 million over the 2010-2019 period.

Direct Spending

For fiscal years 2010 through 2014, S. 1023 would require the Department of Homeland Security (DHS) to charge an additional fee to users of the visa waiver program—$10 per user—to offset some of the costs of the proposed Corporation. (Under current law, DHS is authorized to collect fees sufficient to cover the Department's operating costs.) Up to $100 million of amounts collected from the additional fee in the prior fiscal year would be available to the Corporation to spend each year. Based on historical participation in the visa waiver program, CBO estimates that about 18 million travelers will use the program annually. We estimate the additional fee would generate receipts of $810 million over the 2010-2014 period. Fees that DHS collects to admit overseas travelers are classified as offsetting receipts (a credit against direct spending).

The Corporation also would be authorized to accept voluntary contributions from private sources either in cash or, with limitations, in goods and services. Based on information from representatives of the travel industry, we expect that firms operating in the travel industry would make voluntary contributions sufficient to meet the bill's matching requirements that make additional fees from the visa waiver program available to the Corporation to spend. Voluntary contributions to the federal government also are classified as offsetting receipts (a credit against direct spending). CBO estimates that such contributions from the travel industry would increase offsetting receipts by $260 million over the 2010-2014 period and by $660 million over the 2010-2019 period.

S. 1023 would make available to the Corporation, in fiscal year 2010, $10 million of the new DHS fees collected in that year to cover the Corporation's start-up and operating expenses. We expect that the Corporation would not begin collecting assessments and voluntary contributions until 2011 and that it would spend the income from those sources to promote international tourism in the U.S. mostly in the year they are collected.

For fiscal years 2011 through 2014, S. 1023 would make up to $100 million of the new DHS fees available to the Corporation, but only to the extent that the Corporation receives additional voluntary contributions and assessments from private sources. The bill would set out specific matching requirements for the Corporation to meet in order to obtain the full amount of the new DHS fees. In 2011, amounts equal to twice the amounts collected in contributions and assessments would be available to the Corporation from the new fees. In subsequent years, total collections from the travel industry (both through assessments and contributions) would be matched dollar-for-dollar by the new DHS fees. Spending of the new fees could not exceed $100 million a year, even if private contributions to the Corporation exceed that level.

Based on information from representatives of the travel industry, CBO estimates that through 2014, the Corporation would attract sufficient funds (through both assessments and voluntary contributions) to obtain the maximum amount available from the DHS fees. After fiscal year 2014, we assume that the Corporation would continue to collect funds from the travel industry and spend them on activities authorized by the bill. In total, we estimate that direct spending would increase by $630 million over the 2010-2014 period and by nearly $1.2 billion over the 2010-2019 period. These amounts include spending of DHS fees, assessments and voluntary contributions. On balance, enacting S. 1023 would decrease net direct spending by $440 million over the 2010-2014 period and by $290 million over the 2010-2019 period.

Spending Subject to Appropriation

Section 7 would create the Office of Travel Promotion (OTP) within the Department of Commerce to coordinate activities with the Corporation and to distribute information to international travelers about procedures for admission to the United States. Based on information from the DoC, CBO estimates that the agency would hire an additional 25 full-time employees to set up the OTP and undertake the duties outlined in the bill. CBO estimates that creating the OTP would cost $3 million in 2010 and $25 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Section 8 would broaden the research activities of the Office of Travel and Tourism Industries in the DoC. The bill would require OTTI to expand access to certain data, revise a survey of international travel patterns, and develop state-by-state estimates of foreign travel expenditures. Based on information from DoC, CBO estimates that the new requirements would cost $4 million in 2010 and $55 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1023 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would authorize the Corporation to impose an annual assessment on certain U.S. members of the travel and tourism industry, provided industry members approve the assessment in a referendum. In the event that such an assessment is approved, S.1023 would impose a private-sector mandate on the members of the international travel and tourist industry who would be required to pay the assessment. Based on information from sources in the travel industry, CBO estimates that the payments of such assessments would total about $20 million per year, well below the annual threshold for private-sector mandates established in UMRA ($139 million in 2009, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On June 8, 2009, CBO transmitted an estimate for S. 1023, the Travel Promotion Act of 2009, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 20, 2009. That estimate incorrectly reported the legislation’s effect on the deficit for fiscal years 2011 and 2013. The total effect on the deficit for 2010-2014 and 2010-2019 was correctly reported in the original estimate, however, and is not changed in this revision.

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