CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 25, 2009

S. 1308
Maritime Administration Act of 2010

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 8, 2009

SUMMARY

S. 1308 would amend various laws governing the activities of the Maritime Administration (MARAD) and would authorize appropriations for that agency, mostly for fiscal year 2010. Assuming appropriation of the amounts specifically authorized and estimated to be necessary, CBO estimates that implementing S. 1308 would result in outlays of $223 million over the 2010-2014 period. Additional amounts could be spent for the port development program authorized by section 8 of S. 1308, but such spending could occur in the absence of this legislation and also would be subject to future appropriation action.

Enacting S. 1308 also would increase direct spending by allowing MARAD to spend, without further appropriation, amounts credited as interest earnings on any unspent balances in a proposed fund for port development projects and by authorizing the agency to pay certain former employees for accrued leave. We estimate that direct spending under the bill would total $190 million over the 2010-2019 period. Enacting the bill would not affect revenues.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1308 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars						
	2010	2011	2012	2013	2014	2010-2014	2010-2019
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
MARAD Activities							
Authorization Level	178	10	10	10	0	208	208
Estimated Outlays	145	29	22	10	2	208	208
Short Sea Transportation Grants							
Estimated Authorization Level	15	0	0	0	0	15	15
Estimated Outlays	5	5	5	0	0	15	15
Total Changes							
Estimated Authorization Level	193	10	10	10	0	223	223
Estimated Outlays	150	34	27	10	2	223	223
CHANGES IN DIRECT SPENDING [a]							
Estimated Budget Authority	20	20	20	20	20	100	200
Estimated Outlays	10	20	20	20	20	90	190

a. CBO estimates that direct spending under S. 1308 would be $20 million a year over the 2015-2019 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1308 will be enacted near the end of fiscal year 2009 and that the amounts newly authorized by the bill will be appropriated for each year. Estimated budget authority for provisions that may affect direct spending is based on information provided by MARAD. Estimated outlays are based on historical spending patterns for MARAD activities.

Spending Subject to Appropriation

Maritime Operations and Grants. CBO estimates that implementing S. 1308 would increase discretionary spending by $223 million over the 2010-2014 period, including $153 million for MARAD operations, $15 million for the agency's program to dispose of obsolete vessels in the National Defense Reserve Fleet (both specifically authorized for fiscal year 2010), $10 million specifically authorized for each of fiscal years 2010 through 2013 for MARAD’s Internet programs, and an estimated $15 million for 2010 for grants to states and other entities to encourage the use of short-distance shipping by sea (short sea transportation grants).

S. 1308 also would authorize appropriations for other MARAD programs, including $174 million for subsidies to U.S. flag vessels under the maritime security program, $19.5 million for reimbursements to vessel owners for repairs made in U.S. shipyards, and $36 million for the cost of making maritime loan guarantees. Those amounts are not shown in the table, however, because they are already authorized under current law.

Port Infrastructure Development. Section 8 of the bill would direct MARAD to create a program to develop and improve port facilities. Under this section, MARAD would act as the lead entity for port development projects nationwide and would coordinate activities among participants, including ports, states, businesses, and the many federal agencies that are typically involved in such projects (such as the U.S. Army Corps of Engineers).

Section 8 also would establish a Port Infrastructure Development Fund (PIDF) to be available to MARAD to administer and finance port development projects. The PIDF would receive amounts appropriated to MARAD (or other federal agencies and transferred to MARAD), contributions from nonfederal partners such as local port authorities, and (as discussed below under Direct Spending) interest credited on unspent balances in the fund.

The effect of section 8 on discretionary spending is uncertain, largely because funding for port development projects can occur even in the absence of this legislation. The federal government already finances many projects at U.S. ports through MARAD and other agencies within the Departments of Transportation (DOT), Homeland Security, and Defense. Several of those projects (most notably, those in Hawaii, Alaska, and Guam) are being managed by MARAD in much the same manner as authorized in section 8. The cost of such projects varies widely from as little as a few million at smaller facilities to over $500 million at larger ports. The federal share of those costs also varies widely, from less than 10 percent to over 50 percent.

Based on information provided by states, port authorities, and MARAD, we expect that U.S. ports will spend between $5 billion and $10 billion over the next 10 years to improve and develop their facilities. We expect that some portion of this spending would be financed by the federal government, but any such financing could also be provided in the absence of this legislation. Therefore, CBO has not attributed any additional discretionary costs to the provisions in section 8.

Direct Spending

Two provisions of S. 1308 could increase direct spending. Section 8 would allow MARAD to spend amounts credited as interest on unspent balances in the PIDF. CBO expects that transfers into the PIDF would begin early in fiscal year 2010 and would include over $600 million from amounts previously appropriated for specific port development projects (for example, the Anchorage initiative), from transfers of related federal funds (for example, DOT grants for intermodal projects), or from deposits of reprogrammed funds (such as emergency appropriations to certain states such as Mississippi). We estimate that interest credited on those amounts and other appropriations or cost-sharing contributions to the PIDF would increase direct spending by $190 million over the 2010-2019 period. We expect that MARAD would use those amounts to fund smaller projects at U.S. ports.

Section 4 would allow MARAD to use balances of previously appropriated funds to make lump-sum payments to former employees of the U.S. Merchant Marine Academy for unused annual leave. Because this amount would not have been spent under current law, CBO estimates that this provision would increase direct spending by about $200,000 in fiscal year 2010.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1308 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize grants to states for marine transportation infrastructure and relative initiatives. Any costs to state, local, or tribal governments would result from complying with conditions of assistance.

PREVIOUS CBO ESTIMATE

On June 22, 2009, CBO transmitted a cost estimate for H.R. 2647, the National Defense Authorization for Fiscal Year 2010, as ordered reported by the House Committee on Armed Services on June 18, 2009. H.R. 2647 would authorize funding for MARAD operations and ship disposal at the same level as under S. 1308 but would not authorize appropriations for short sea transportation grants or for MARAD’s Internet program. The House legislation also would allow the agency to pay accrued leave to certain former employees, as would S. 1308. Other provisions of the two versions of the legislation are different, however, as reflected in the CBO cost estimates.

ESTIMATE PREPARED BY:

Federal Costs: Deborah Reis
Impact on State, Local, and Tribal Governments: Ryan Miller
Impact on the Private Sector: Patrice Gordon

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis