CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 10, 2009

S. 685
Oil Spill Prevention Act of 2009

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

SUMMARY

S. 685 would address maritime safety issues, including spills of fuel oil from vessels. Based on information provided by the U.S. Coast Guard and assuming appropriation of the necessary amounts, CBO estimates that implementing S. 685 would cost about $7 million over the 2010-2014 period. Implementing section 9 could reduce offsetting receipts from commercial fees charged by the Coast Guard, but CBO estimates that any such reductions would be minimal and would be partially offset by reductions in direct spending. Enacting S. 685 would not affect revenues.

S. 685 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill, however, contains private-sector mandates as defined in UMRA on U.S. merchant mariners and U.S. ship owners. While the cost of one of the mandates is likely to be small, the cost to comply with the other mandate is uncertain. Consequently, CBO cannot determine whether the aggregate costs to comply with the private-sector mandates in the bill would exceed the annual threshold established in UMRA ($139 million in 2009, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 685 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	3	2	2	*	*	7
Estimated Outlays	2	3	2	*	*	7

Note: * = less than $500,000.

BASIS OF ESTIMATE

For this estimate CBO assumes that S. 685 will be enacted near the end of fiscal year 2009 and that the amounts specifically authorized by the legislation or estimated to be necessary will be appropriated for each year. Estimated outlays are based on historical spending patterns for similar programs.

Spending Subject to Appropriation

Under section 2 of the bill, newly constructed ships that have an aggregate capacity of at least 600 cubic meters of fuel oil would be required to be built with a double hull or other protection against spills. CBO estimates that implementing this provision would cost the Coast Guard less than $500,000 annually, assuming the availability of appropriated funds. The agency would need such additional amounts to promulgate and enforce new regulations.

The bill also would require the Coast Guard to conduct studies on marine casualties or environmental threats and on the need for tractor tugboats to escort vessels that carry large amounts of fuel into U.S. ports. CBO estimates that the total cost of conducting the two studies in 2010 would be about $500,000, assuming availability of the necessary amounts.

Finally, section 10 would establish a Support of Seafarers Fund to pay the expenses of seamen who are abandoned by their ships or who must remain in the United States as witnesses in certain legal proceedings. The proposed fund would be available to pay seamen’s wages and subsistence, medical care, repatriation, and other expenses. The fund would receive appropriated amounts (at an authorized level of $1.5 million for each of fiscal years 2010 through 2012), and any amounts transferred from other federal accounts, or reimbursed by ship owners.

Assuming appropriation of the amounts authorized to be paid into the new fund, CBO estimates that implementing section 10 would increase discretionary spending by $4.5 million over the 2010-2014 period. We estimate that direct spending of amounts transferred to the fund from other accounts or amounts reimbursed by ship owners (which would be treated as offsetting receipts, a credit against direct spending) would be minimal and would have no net impact on the federal budget.

Direct Spending

Section 9 would authorize the Coast Guard to extend for one year certain expiring marine licenses, certificates of registry, and merchant mariner documents. The authority to provide such extensions would apply through December 11, 2011. Because the extensions would delay the collection of fees charged for renewal of such documents, enacting this provision could reduce offsetting receipts (an offset against direct spending) over the next year or two. Some of those receipts may be spent without further appropriation, however, to cover collection expenses. CBO estimates that the net effect on direct spending from enacting this provision would be less than $500,000 in each of fiscal years 2010 and 2011.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 685 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill, however, contains private-sector mandates as defined in UMRA on U.S. merchant mariners and U.S. ship owners. While the cost of one of the mandates is likely to be small, the cost to comply with the other mandate is uncertain. Consequently, CBO cannot determine whether the aggregate costs to comply with the private-sector mandates in the bill would exceed the annual threshold established in UMRA ($139 million in 2009, adjusted annually for inflation).

Section 4 of the bill would require U.S. merchant mariners to comply with new medical standards established by the U.S. Coast Guard to ensure that the physical condition of all merchant mariners (approximately 220,000 currently employed) is adequate for them to safely carry out their duties onboard vessels. The standards would be based on a future study by the U.S. Coast Guard and consultation with the advisory committee established under the bill. The cost to comply with the mandate would depend on standards to be issued under the bill. Because the scope and stringency of those standards are uncertain, the cost is uncertain.

Section 10 would require ship owners to pay certain expenses of seamen who are abandoned under the conditions specified in the bill. The bill would require ship owners who do not pay those expenses to reimburse the Support of Seafarers Fund the total amount paid from the fund to support the seamen, plus a surcharge of 25 percent.

According to industry sources, situations in which ship owners would have to pay such expenses are rare, and payments would likely be low. Therefore, CBO estimates that the cost to ship owners to comply with this mandate would likely be minimal.

The Unfunded Mandates Reform Act 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 2 of S. 685 falls within that exclusion; therefore, we have not reviewed it for intergovernmental or private-sector mandates.

ESTIMATE PREPARED BY:

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

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis.