CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 2, 2007

S. 509
Aviation Security Improvement Act

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on February 13, 2007

SUMMARY

S. 509 would extend and reauthorize certain federal programs related to aviation security that are primarily implemented by the Transportation Security Administration (TSA) within the Department of Homeland Security (DHS). CBO estimates that implementing the legislation would result in new discretionary spending of $6.8 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

In addition, S. 509 would affect direct spending by authorizing TSA to collect, over the 2008-2028 period, $250 million annually in fees from airline passengers and spend those amounts to improve security measures at airports. CBO estimates that such fees would initially exceed spending, resulting in a net reduction in direct spending of $225 million in 2008 and $500 million over the next 10 years. Those savings would eventually be fully offset by corresponding increases in direct spending after the agency's authority to collect fees expires in 2028, resulting in no net change in direct spending over the long run.

S. 509 would authorize airports to leverage, by issuing tax-exempt bonds, certain funds they receive as grants from TSA. The Joint Committee on Taxation (JCT) estimates that resulting reductions in revenues would total $98 million over the 2008-2017 period.

S. 509 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

S. 509 could impose private-sector mandates as defined in UMRA. The bill would require DHS to implement a system to screen all cargo transported on passenger aircraft operated by certain air carriers. The requirements established under the bill could impose mandates on entities that send cargo on passenger aircraft or certain air carriers. Because the screening system has not been established, CBO does not have enough information to determine whether the system would impose mandates or whether the direct cost would exceed the

annual threshold established by UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 509 is shown in Table 1. The costs of this legislation fall within budget function 400 (transportation).

TABLE 1. BUDGETARY EFFECTS OF S. 509

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Net Spending Under Current Law for Aviation Security						
Estimated Budget Authority [a]	2,367	0	0	0	0	0
Estimated Outlays	3,075	773	221	97	30	20
Proposed Changes						
Net Funding for Aviation Security						
Estimated Authorization Level	0	2,493	2,571	0	0	0
Estimated Outlays	0	1,255	2,286	1,169	252	102
In-Line Baggage Screening						
Authorization Level	0	450	450	0	0	0
Estimated Outlays	0	45	150	248	248	158
Cargo Security Provisions						
Estimated Authorization Level	0	102	114	106	98	100
Estimated Outlays	0	72	111	104	97	99
Other Activities						
Estimated Authorization Level	0	72	79	87	96	104
Estimated Outlays	0	47	72	86	95	104
Total Changes						
Estimated Authorization Level	0	3,117	3,214	193	194	204
Estimated Outlays	0	1,419	2,619	1,607	692	463
Net Spending Under S. 509 for Aviation Security						
Estimated Authorization Level [a]	2,367	3,117	3,214	193	194	204
Estimated Outlays	3,075	2,192	2,840	1,704	722	483

Continued

TABLE 1. BUDGETARY EFFECTS OF S. 509 (Continued)

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
CHANGES IN DIRECT SPENDING AND REVENUES						
Net Aviation Security Fees and Spending [b]						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	-225	-162	-88	-25	0
Estimated Revenues	0	*	*	-2	-4	-8

Sources: Congressional Budget Office; Joint Committee on Taxation.

NOTE: Negative numbers indicate reductions in spending or reductions in revenues; * = between -$500,000 and zero.

a. The 2007 level is the net amount appropriated for that year for aviation security.

b. The legislation's changes in direct spending would have no net effect over time.

BASIS OF ESTIMATE

CBO estimates that implementing S. 509 would cost $6.8 billion over the 2008-2012 period, assuming appropriation of the amounts authorized and estimated to be necessary. In addition, over the next 10 years, CBO estimates that the bill would increase both offsetting receipts and direct spending by about $2.5 billion, resulting in a net reduction in direct spending of $500 million over that time. (Over the long run, however, we estimate that the bill would have no net effect on direct spending.) Finally, S. 509 would result in forgone revenues totaling $98 million over the next 10 years. For this estimate, we assume that the legislation will be enacted before the end of fiscal year 2007 and that the necessary amounts will be appropriated each year. Estimated outlays are based on historical spending patterns for existing or similar programs.

Spending Subject to Appropriation

CBO estimates that implementing S. 509 would cost about $6.8 billion over the 2008-2012 period, assuming appropriation of the necessary amounts. Most of that funding would be used to continue TSA's existing aviation security programs. Other amounts would be used for in-line baggage screening systems at airports, activities related to cargo security, and other aviation security activities.

Aviation Security. The bill would authorize the appropriation of sums necessary for TSA's aviation security programs for fiscal years 2008 and 2009, particularly for salaries for screeners of passengers and baggage, and for related expenses. CBO estimates that implementing those programs would require gross appropriations totaling $10.1 billion over the next two years. (The gross appropriation level for aviation security programs in 2007 is $4.8 billion.) That estimate is based on information from TSA regarding the cost of continuing existing programs and implementing certain new provisions of S. 509. Those provisions would lift the existing cap on the number of full-time equivalent staff TSA may employ and require TSA or DHS to:

- Strengthen passenger prescreening and security at airport checkpoints;
- Establish certain appeal and redress procedures for passengers wrongly delayed or prohibited from boarding a flight;
- Certify aviation security programs at foreign repair stations; and
- Implement systems to grant airline crews expedited access through airport screening checkpoints.

CBO assumes that a portion of the $10.1 billion authorized for aviation security over the 2008-2009 period would come from certain fees that TSA is authorized to collect to offset the agency's costs. Most of those collections would result from fees charged on tickets sold by commercial airlines. Additional collections would result from security fees paid directly to TSA by air carriers. Under existing law, TSA's authority to collect and spend such fees is subject to appropriation.

Based on information from TSA about the anticipated numbers of airline passengers and travel patterns, CBO estimates that such fees would offset nearly $5 billion of the amounts provided for aviation security over the 2008-2009 period, thus reducing the net appropriation that would be necessary to implement the legislation. Accordingly, we estimate that fully funding aviation security programs under S. 509 would require net appropriations totaling about $5.1 billion over the 2008-2009 period—averaging about $2.5 billion a year. (By comparison, net appropriations totaled a little under $2.4 billion for 2007.) We estimate that the net outlays resulting from such funding would total $5.1 billion over the 2008-2009 period.

In-Line Baggage Screening. S. 509 would authorize the appropriation of $450 million in each of fiscal years 2008 and 2009 for grants to airports. Airports would use those amounts to install in-line systems to screen checked baggage. (These systems allow checked baggage to be screened within an airport's baggage conveyor system.) Based on information from TSA and historical spending patterns for such grants, CBO estimates that fully funding this provision would cost $45 million in 2008 and $849 million over the 2008-2012 period, with additional spending of $51 million occurring in later years.

Cargo Security. S. 509 would direct TSA and DHS to undertake efforts to enhance the security of cargo transported aboard passenger aircraft. Specifically, the legislation would require the TSA to establish a system for screening such cargo that provides a level of security comparable to the level of effort for passenger-checked baggage. The legislation also would require DHS to expedite certain research and establish a pilot program to support projects to improve the safety of cargo transported aboard passenger aircraft. Finally, S. 509 would direct TSA to purchase blast-resistant cargo containers and distribute them to certain air carriers. Taken together, CBO estimates that those provisions would cost $72 million in 2008 and $483 million over the next five years.

Enhanced Cargo Screening. S. 509 does not specify how TSA should enhance cargo screening. According to the agency, it is currently in the process of evaluating a range of technologies and systems that could be used to strengthen its current risk-based techniques to selectively screen air cargo. For this estimate, CBO assumes that, under S. 509, the agency would double its current level of effort related to screening air cargo. Under the legislation, the agency would hire more cargo inspectors and program managers and develop a program to certify cargo shippers. Based on current levels of spending for cargo screening, CBO estimates that those activities would cost $45 million in 2008 and $298 million over the next five years.

DHS research programs. The bill would require DHS to establish a program to fund projects to deploy and test certain technologies, particularly to mitigate the risk of explosions aboard passenger aircraft. S. 509 specifies that technologies studied should include blast-resistant cargo containers and other technologies to enhance the security of cargo. Based on information from DHS about the cost of similar programs, CBO estimates the proposed projects would cost $15 million in 2008 and $135 million over the next five years.

Blast-Resistant Cargo Containers. Based on information from TSA, CBO estimates that purchasing and distributing blast-resistant cargo containers to air carriers would cost $12 million in 2008 and $50 million over the 2008-2012 period, with additional spending continuing beyond that time. That estimate assumes that the containers are provided to nearly 600 wide-body aircraft over a three-year period and includes annual costs to repair and maintain them.

Other Provisions. CBO estimates that implementing other provisions of S. 509 would require appropriations totaling $438 million over the next five years. That amount includes:

- $258 million for DHS programs to conduct research and develop technologies related to transportation security;

- $105 million to train and expand the use of canine teams in detecting explosives at airports, and;

- $75 million for grants to enhance security at general aviation airports.

Those estimates are based on information from TSA regarding costs of existing or similar programs. Based on historical spending patterns, CBO estimates that fully funding those activities would cost $47 million in 2008 and $404 million over the next five years, assuming appropriation of the necessary amounts.

Direct Spending and Revenues

The legislation's effect on direct spending and revenues over the next 10 years is shown in Table 2.

Direct Spending. S. 509 would authorize TSA to spend, without further appropriation, $250 million annually over the 2008-2028 period from TSA's aviation security capital fund. TSA would use amounts in that fund to help airports install certain equipment to screen checked baggage. CBO estimates that this provision would increase direct spending by $25 million in 2008 and $2 billion over the next 10 years.

To offset the cost of those activities, the legislation would authorize the agency to collect passenger fees totaling $250 million a year over the 2008-2028 period. Under current law, such fees may be collected only to the extent provided for in advance in appropriations acts, and income from those fees is recorded as an offset to appropriated spending for TSA's existing aviation security programs. S. 509 would require TSA to collect $2.5 billion over the 2008-2017 period from passengers without subsequent legislation. Because S. 509 would cause such fees to be used to finance activities related to installing screening equipment and improving explosives detection at airport checkpoints, such fees would not be available to reduce the costs of other TSA spending. In other words, the collections under S. 509 would lead to a reduction in the amount of fees recorded as offsets to appropriated spending—essentially changing some discretionary offsetting collections into mandatory offsetting receipts. By doing so, those collections would no longer be available to offset annual discretionary appropriations.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES UNDER S. 509

	By Fiscal Year, in Millions of Dollars									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CHANGES IN DIRECT SPENDING [a]										
Aviation Security Capital Fund										
Gross Spending										
Estimated Budget Authority	250	250	250	250	250	250	250	250	250	250
Estimated Outlays	25	88	162	225	250	250	250	250	250	250
Offsetting Receipts										
Estimated Budget Authority	-250	-250	-250	-250	-250	-250	-250	-250	-250	-250
Estimated Outlays	-250	-250	-250	-250	-250	-250	-250	-250	-250	-250
Net Spending										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-225	-163	-88	-25	0	0	0	0	0	0
CHANGES IN REVENUES										
Estimated Revenues	*	*	-2	-4	-8	-11	-14	-17	-19	-22

Sources: Congressional Budget Office; Joint Committee on Taxation.

NOTE: Negative numbers indicate reductions in spending or reductions in revenues. * = between -$500,000 and zero.

a. The legislation's changes in direct spending would have no net effect over time.

Based on historical spending patterns for similar activities, CBO estimates that fees collected under this provision would exceed the amounts spent for installation of screening equipment over the next few years. Hence, we estimate that enacting S. 509 would reduce net direct spending by $225 million in 2008 and $500 million over the next 10 years. (After TSA's authority to collect fees expires in 2028, those savings would eventually be offset by corresponding increases in direct spending.)

Revenues. S. 509 would authorize airports to leverage certain funds they receive as grants from TSA. The Joint Committee on Taxation estimates that, under the legislation, airports would use this authority to issue additional tax-exempt bonds, and that consequent reductions in revenues would total $98 million over the 2008-2017 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 509 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would authorize grants for which state and local governments would be eligible to apply. Any resulting costs to those entities would result from complying with conditions of aid.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 509 could impose private-sector mandates as defined in UMRA. The bill would require DHS to implement a system to screen all cargo transported on passenger aircraft within three years of enactment. The system would be required, at a minimum, to provide a level of security comparable to the level of security in effect for passenger checked baggage. The requirements established under the bill could impose mandates on entities that send cargo on passenger aircraft or certain air carriers. Under current law, DHS is required to provide for the screening of all property, including cargo and other articles, that are carried aboard a passenger aircraft. According to government sources, however, DHS would have to enhance its current screening system to meet the requirements of the bill and such enhancements could impose mandates on the private sector.

Because the screening system has not been established, CBO does not have enough information to determine whether the system would impose new mandates or whether the direct cost would exceed the annual threshold established by UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On February 2, 2007, CBO transmitted a cost estimate for H.R. 1, the Implementing the 9/11 Commission Recommendations Act of 2007, as passed by the House of Representatives on January 9, 2007. Title IV of that legislation contains provisions that would affect aviation security programs.

Differences in our estimates of discretionary spending under title IV of H.R. 1 and S. 509 result primarily because H.R. 1 would authorize appropriations to continue existing aviation programs over a longer period of time. In addition, we estimate that implementing provisions of H.R. 1 that would require TSA to inspect 100 percent of all cargo transported aboard passenger aircraft would cost significantly more than provisions of S. 509 related to air cargo security.

Differences in the estimates of direct spending under H.R. 1 and S. 509 result because the two pieces of legislation would extend TSA's Aviation Capital Security Fund for different periods of time.

S. 509 contains provisions that the Joint Committee on Taxation estimates would increase the level of tax-exempt bonds, causing reductions in revenues. Title IV of H.R. 1 would not affect revenues.

Neither title IV of H.R. 1 nor S. 509 contain intergovernmental mandates as defined in UMRA. H.R. 1 would require DHS to establish a system to inspect 100 percent of cargo carried aboard certain passenger aircraft by the end of fiscal year 2009. Because the system has not been established, CBO did not have enough information to determine if the system would impose new mandates on private-sector entities or whether the direct cost would exceed the annual threshold.

ESTIMATE PREPARED BY:

Federal Costs: Megan Carroll
Impact on State, Local, and Tribal Governments: Sarah Puro
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis