CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 27, 2011

H.R. 2845
Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011

As ordered reported by the House Committee on Transportation and Infrastructure on September 8, 2011

SUMMARY

The Pipeline and Hazardous Materials Safety Administration (PHMSA) oversees the safety of pipelines that transport gas or hazardous liquids and provides grants to states for programs to ensure pipeline safety. For those activities, H.R. 2845 would authorize gross appropriations of $505 million over the 2012-2016 period. CBO expects, however, that about $434 million of those appropriations would be offset by fees paid by pipeline operators over the four-year period. In addition, subject to provisions in appropriation acts, CBO estimates that the bill would authorize PHMSA to collect and spend about $10 million over the 2012-2016 period to recover its costs of conducting safety reviews at a pipeline project in the state of Alaska. CBO estimates that implementing H.R. 2845 would have a net cost of $45 million over the 2012-2016 period, assuming appropriation of the specified and estimated amounts.

Pay-as-you-go procedures apply because enacting the legislation could affect revenues. H.R. 2845 would increase certain civil penalties for violating pipeline safety regulations. Civil penalties are recorded in the budget as revenues and deposited in the general fund of the Treasury. However, CBO estimates that any increase in civil penalties would be small and would have no significant effect on the federal budget over the next 10 years. Enacting the bill would not affect direct spending.

H.R. 2845 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would impose new requirements on both public and private operators of natural gas pipelines. The bill would impose additional private-sector mandates on operators of hazardous liquid pipelines. Because of the relatively small number of public entities affected, CBO estimates that the aggregate cost of intergovernmental mandates in the bill would fall below the annual threshold established in UMRA ($71 million in 2011, adjusted annually for inflation). Because many

of the mandates on private entities would depend on future regulations, CBO cannot determine whether the aggregate cost of the private-sector mandates would exceed the annual threshold established in UMRA ($142 million in 2011, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2845 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2011-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Spending for Pipeline Safety						
Estimated Authorization Level	124	125	125	126	5	505
Estimated Outlays	61	107	120	125	66	479
Offsetting Collections from User Fees and Alaska Pipeline Design Review						
Estimated Authorization Level	-106	-107	-107	-109	-5	-434
Estimated Outlays	-106	-107	-107	-109	-5	-434
Estimated Net Spending						
Estimated Authorization Level	18	18	18	18	0	72
Estimated Outlays	-45	0	13	16	61	45

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2845 will be enacted near the end of 2011 and that the authorized amounts for the 2012-2016 period will be appropriated each year. Estimates of spending are based on historical spending patterns for pipeline safety programs.

Spending Subject to Appropriation

Spending for Pipeline Safety. H.R. 2845 would reauthorize the laws that govern PHMSA’s role in pipeline safety. CBO estimates that the bill would authorize the appropriation of $505 million for PHMSA’s pipeline safety activities over the 2012-2016 period. (In 2011, PHMSA appropriations for pipeline safety totaled $106 million.) The bill would require PHMSA to revise certain pipeline safety regulations and to complete a number of studies and reports concerning pipeline safety. CBO estimates that implementing those provisions would cost $479 million, assuming appropriation of the specified and necessary amounts. However, CBO expects that more than 85 percent of those costs would be recovered by PHMSA via user fees. CBO also expects that most of the remaining spending would be appropriated from fees deposited into the Oil Spill Liability Trust Fund.

Offsetting Collections from User Fees and Alaska Pipeline Design Review. Under provisions of the bill, CBO estimates that PHMSA would collect $434 million in user fees over the 2012-2016 period. Those amounts include user fees authorized under current law based on the appropriated level of funding and new fees for PHMSA activities related to the approval of a large pipeline in Alaska.

Revenues

H.R. 2845 would increase the maximum penalties PHMSA can impose for certain violations of safety regulations that cause serious environmental damage or result in serious injuries or death. The bill also would permit the imposition of new penalties for obstructing inspections or investigations by PHMSA. Based on PHMSA's past penalty collections, CBO estimates that those provisions would result in revenue increases of less than $500,000 in any year over the 2012-2021 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. Enacting H.R. 2845 would have a negligible effect on revenues.

INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT

H.R. 2845 would impose mandates on public and private entities that operate natural gas pipelines and additional private-sector mandates on operators of hazardous liquid pipelines. Because of the relatively small number of public entities affected, CBO estimates that the aggregate cost of intergovernmental mandates in the bill would fall below the annual threshold established in UMRA ($71 million in 2011, adjusted annually for inflation). Because many of the mandates on private entities would depend on future regulations, CBO cannot determine whether the aggregate cost of the private-sector mandates would exceed the annual threshold established in UMRA ($142 million in 2011, adjusted annually for inflation).

Mandates that Apply to Both Public and Private Entities

Integrity Management. The bill would authorize PHMSA to extend existing planning, testing, and safety requirements to additional pipelines. CBO cannot determine the costs of the mandates for private-sector entities because they would depend on future regulations. However, based on information from PHMSA and industry sources about the cost to comply with existing standards, the cost of imposing such standards on additional pipelines could be significant. Because of the relatively small number of public entities affected, CBO estimates that the cost to state and local governments would be small.

Shut-Off Valves. The bill would authorize PHMSA to require operators of transmission pipelines to install shut-off valves in new transmission pipelines and in ones that are entirely replaced. According to industry sources, such valves currently cost $100,000 to $500,000 per valve depending on the size of the pipeline. The number of valves to be installed would depend on the spacing required between valves and areas where operators would have to install them. Because such requirements would be developed as part of future regulations, CBO has no basis for determining the cost of the mandate to private-sector entities. Because of the relatively small number of public entities affected, CBO estimates the cost to state and local governments would be small.

Notification and Reporting Requirements. The bill would require pipeline operators to notify emergency responders of accidents or incidents within specified time limits. The bill also would require operators of cast iron gas pipelines to provide information on the management and replacement of pipelines to PHMSA. CBO estimates that the cost of those mandates to public and private entities would be minimal.

Mandates that Apply to Private Entities Only

Leak Detection. The bill would require operators of hazardous liquid pipelines, such as oil pipelines, to use leak detection technologies where feasible. Under the bill, PHMSA would be authorized to designate pipelines from a total of 176,000 miles of pipeline. Because the cost of the mandate would depend on such future PHMSA regulations, CBO has no basis for determining the cost of this mandate.

Oil Flow Lines. The bill could impose a mandate on pipeline operators that transport oil by allowing PHMSA to collect additional data on oil flow lines. Because CBO does not know what information PHMSA would require operators to report, we have no basis for determining the cost of the mandate.

Fees. The bill would authorize PHMSA to collect new fees on construction projects that are large or use new technology. Based on information from PHMSA on the expenses it would incur because of the bill, CBO estimates that PHMSA would charge an average of $107 million in additional fees per year to pipeline operators over the 2012-2015 period as a result of enactment of the bill.

Other Requirements. The bill would impose two other new requirements on pipeline operators. Specifically, the bill would impose additional safety requirements on pipelines transporting biofuels and impose minimum safety standards for pipelines transporting carbon dioxide in a gaseous state. Based on information from industry sources and PHMSA, CBO estimates that the cost of each of those mandates would fall well below the annual threshold established in UMRA.

PREVIOUS CBO ESTIMATE

On June 9, 2011, CBO transmitted a cost estimate for S. 275, the Pipeline Transportation Safety Improvement Act of 2011, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 5, 2011. That bill would authorize the pipeline safety activities conducted by PHMSA for three years; funds for the agency would be authorized for four years. The gross authorization of appropriations in S. 275 totaled $420 million. The CBO cost estimates reflect those differences.

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