CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 21, 2017

S. 1096
Maritime Administration Authorization and Enhancement Act for Fiscal Year 2018

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 18, 2017

SUMMARY

S. 1096 would reauthorize programs administered by the Maritime Administration (MARAD), which operates the United States Merchant Marine Academy (USMMA) and oversees the nation's merchant marine—the civilian mariners and fleet of U.S. vessels engaged primarily in waterborne commerce. The bill would provide mandatory funding for the USMMA to continue to operate in the event of a lapse of discretionary appropriations to MARAD. S. 1096 also would provide contract authority—a mandatory form of budget authority—for MARAD to pursue certain projects on the basis of agreements with nonfederal entities that commit to making future donations to the agency.

CBO estimates that enacting S. 1096 would increase direct spending by $1.1 billion over the 2018-2027 period. We also estimate that implementing the bill would cost $272 million over the 2018-2022 period, assuming appropriation of authorized and estimated amounts.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues.

CBO estimates that enacting S. 1096 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2028.

S. 1096 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 effect of S. 1096 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
INCREASES IN DIRECT SPENDING													
USMMA Activities													
Estimated Budget Authority	0	101	104	106	109	112	114	117	121	124	127	532	1,135
Estimated Outlays	0	76	93	103	108	111	113	116	120	123	126	491	1,089
INCREASES IN SPENDING SUBJECT TO APPROPRIATION													
MARAD Activities													
Authorization Level [a]	0	212	35	35	0	0	0	0	0	0	0	282	282
Estimated Outlays	0	107	49	49	46	21	10	0	0	0	0	272	282

Note: USMMA = U.S. Merchant Marine Academy; MARAD = Maritime Administration.

a. The authorization level for MARRAD does not include the $101 million authorized for USMMA activities because CBO considers that to be direct spending under the bill.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1096 will be enacted near the end of fiscal year 2017 and that appropriations will be provided for each fiscal year. Estimates of outlays are based on historical spending patterns for the affected programs.

Direct Spending

Under current law, funding for the USMMA, which trains officers for the country's marine transportation and defense needs, is provided in annual appropriation acts. S. 1096 would authorize the appropriation of $101 million for the USMMA in 2018, but starting in 2018, S. 1096 would provide mandatory funding for the USMMA to continue to operate for any period of time during which discretionary funds are not available to the academy. Because the bill would make amounts automatically available without further legislation, it would increase direct spending. Scorekeeping guidelines adopted by the Congress and the Administration require CBO to prepare cost estimates for bills without taking into account any possible future legislation. Based on the authorized level of funding and accounting for anticipated inflation, CBO estimates that enacting this provision would increase direct spending by $1.1 billion over the 2018-2027 period because CBO does not assume that subsequent appropriation bills would provide this funding. The Congress appropriated $83 million for the USMMA in 2017.

In addition, S. 1096 would provide contract authority—a mandatory form of budget authority—for MARAD to pursue certain projects on the basis of agreements with nonfederal donors that commit to making gifts to the agency. The bill would specify the types of agreements that would be considered "qualified guarantees" of donations, which would be paid over time, to support near-term spending for projects with costs of at least $1 million. Under S. 1096, such agreements would allow MARAD to incur obligations in advance of the gift being received (this type of spending authority is known as contract authority) and regardless of whether sufficient funds are available to complete the project.

The magnitude of contract authority stemming from qualified guarantees under S. 1096 is uncertain, but CBO estimates that any net change in direct spending resulting from MARAD's use of such guarantees probably would be insignificant over the 2018-2027 period. Under current law, the USMAA receives donations (which are recorded as reductions in direct spending) of between $1 million and $1.5 million annually and spends about the same amount. CBO expects that the new authority would not affect the timing, magnitude, or efforts supported by those routine donations and the subsequent spending.

According to MARAD, allowing donors to support major projects with donations that could be paid over several years could help the agency attract larger donations in the future. Any such increase in donations would be fully offset by a corresponding increase in mandatory outlays resulting from contract authority created by the qualified guarantees, which would occur sooner and over a shorter period of time than the associated offsetting receipts from donations. As a result of those potential timing lags, CBO expects that authorizing MARAD to incur upfront obligations on the basis of qualified donation guarantees could increase net direct spending in early years, but any such near term increases would be fully offset by subsequent reductions in net direct spending when donations are received. However, based on information about the relatively limited use of similar authorities by military academies, CBO expects that that any net changes in direct spending attributable to extending such authority to MARAD would not exceed $500,000 over the 2018-2027 period.

Spending Subject to Appropriation

S. 1096 would authorize appropriations for MARAD totaling $383 million, including $313 million for 2018 and $35 million in both 2019 and 2020. The agency received an appropriation of $223 million for those activities in 2017. The amount authorized for 2018 includes $101 million for the USMMA; however, as previously discussed, S. 1096 also would provide mandatory funding for the academy's operations. After accounting for that mandatory funding, CBO estimates that S. 1096 would authorize appropriations totaling $282 million over the 2018-2020 period for MARAD. The authorization includes:

- $59 million for operations and program support provided by MARAD's headquarters;

- $36 million for a program to build new vessels that could perform multiple missions related to national security;

- $35 million annually over the 2018-2020 period for assistance to support capital improvements and worker training programs at small shipyards and maritime communities;

- $33 million to guarantee loans to construct or modernize U.S. vessels or shipyards;

- $30 million to provide financial and other support to state maritime academies; and

- $20 million for disposal of vessels in the National Defense Reserve Fleet.

Based on historical spending patterns for activities administered by MARAD, CBO estimates that outlays would total $107 million in 2018 and $272 million over the 2018-2022 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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1096, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 18, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	76	93	103	108	111	113	116	120	123	126	491	1,089

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1096 contains no intergovernmental or private-sector mandates as defined in UMRA and would benefit state maritime academies and other public institutions by authorizing federal financial and technical assistance for maritime education. Any costs incurred by those entities would result from voluntary commitments.

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