CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 13, 2009

H.R. 2651
Maritime Workforce Development Act

As ordered reported by the House Committee on Transportation and Infrastructure on June 4, 2009

SUMMARY

H.R. 2651 would authorize appropriations totaling $110 million over the 2010-2014 period, and $22 million in 2015, for the Maritime Administration to provide loans for students attending certain maritime training institutions. Such funding also would be used to award grants to those institutions to increase the recruitment, training, and retention of merchant mariners. Assuming appropriation of the specified amounts, CBO estimates that implementing the bill would cost about $90 million over the 2010-2014 period, and $42 million after 2014. Enacting the legislation would not affect direct spending or revenues.

H.R. 2651 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 H.R. 2651 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
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Maritime Career Training Loan Program						
Authorization Level	11	11	11	11	11	55
Estimated Outlays	5	7	8	8	9	37
Maritime Grant Program						
Authorization Level	11	11	11	11	11	55
Estimated Outlays	9	10	11	11	11	52
Total Spending Under H.R. 2651						
Authorization Level	22	22	22	22	22	110
Estimated Outlays	14	17	19	19	20	89

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2010 and that the amounts specified will be provided for each year.

Maritime Career Training Loan Program

H.R. 2651 would authorize the appropriation of $10 million in each of fiscal years 2010 through 2015 for the Maritime Administration to provide loans to students that enroll in one of the six state maritime academies or in another maritime training institution operated by a commercial and nonprofit organization. The legislation also would authorize the appropriation of $1 million in each year over the same period to administer the new loan program.

Individual loans would be for a maximum of $15,000 per year and could only be used to cover expenses related to books, tuition, required fees, travel to and from training facilities, and room and board. Students accepting a loan would be required to serve on a vessel owned or operated by the United States for at least 18 months following graduation. Repayment would begin nine months after graduation at an interest rate that would vary depending on the date of initial disbursement. Principal and interest payments made by the borrower would be deposited into a revolving loan fund. Those amounts would be available to cover administrative costs as well as to make new loans under the program, without further appropriation action.

The Federal Credit Reform Act (FCRA) requires that the budgetary impact of federal credit programs, including the loan program that would be established by this legislation, be measured in terms of the net present value of estimated cash flows. That measure is known as the subsidy cost. Under FCRA, agencies must receive an appropriation equal to the estimated subsidy cost before making loans. FCRA further specifies that repayments of loans are unavailable for spending and that new loan obligations may be made only to the extent that new budget authority is provided in advance. In other words, direct loan repayments are not available to "revolve" into new loans. Instead, such repayments are a means of financing the original loans. In CBO's view, the concept of using loan repayments to cover administrative costs and make new loans, as proposed in H.R. 2651, is inconsistent with the requirements of FCRA. It is possible that this inconsistency would result in the program not being implemented or being implemented in a form other than that proposed by the bill.

For purposes of this estimate, CBO assumes that the loan program would be implemented as directed by the legislation and that amounts collected from loan repayments would be available to the program for administrative expenses and to make new loans. In that case, the effective subsidy cost of the loans would be 100 percent because cash flows into the government from borrower repayment would not be credited to the original loan (as normally would be required under FCRA) but would be used to cover other costs of the program. Therefore, CBO estimates that the provision of $60 million in loan subsidy over the 2010-2015 period, as authorized by the bill, would yield a loan volume of $60 million.

Based on expected demand for student loans and historical expenditures of other loan programs operated by the Maritime Administration, CBO estimates that implementing the new loan program would cost $37 million over the next five years, including $5 million for administrative costs, and $29 million after 2014.

Maritime Grant Program

H.R. 2651 would authorize the appropriation of $10 million in each of fiscal years 2010 through 2015 for the Maritime Administration to award grants to maritime training institutions to establish demonstration projects and other programs to increase mariner recruitment, training, and retention. The legislation also would authorize the appropriation of $1 million in each year over the same period to administer the new program. Based on the historical spending pattern of other grant programs operated by the agency, CBO estimates that implementing this provision would cost $52 million over the next five years, including $5 million for administration, and $14 million after 2014.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2651 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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