CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 2, 2001

S. 149
Export Administration Act of 2001

As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on March 22, 2001

SUMMARY

The bill would replace the expired Export Administration Act of 1979 (EAA) and would update the system for applying export controls and penalties on American business for national security or foreign policy purposes. Since the expiration of the EAA in 1994, the President has extended export controls pursuant to his authority under the International Emergency Economic Powers Act. The Bureau of Export Administration (BXA) in the Department of Commerce administers export controls.

CBO estimates that implementing S. 149 would cost about $377 million over the 2001-2006 period, assuming the appropriation of the necessary amounts. Because the bill would increase criminal and civil penalties for violations of export controls, CBO estimates governmental receipts would increase by $23 million over the 2002-2006 period. CBO estimates that the increase in criminal penalties would cause direct spending from the Crime Victims Fund to rise by about $7 million over the 2002-2006 period. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

S. 149 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. This bill would codify existing administrative policy and regulatory practice.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
CHANGE IN REVENUES AND DIRECT SPENDING						
Estimated Revenues	0	0	2	5	8	8
Estimated Budget Authority	0	0	0	1	2	4
Estimated Outlays	0	0	0	1	2	4
SPENDING SUBJECT TO APPROPRIATION						
EAA Spending by the Bureau of Export Administration Under Current Law						
Budget Authority [a]	51	0	0	0	0	0
Estimated Outlays	52	9	3	0	0	0
Proposed Changes						
Estimated Authorization Level	22	84	88	92	96	0
Estimated Outlays	6	86	85	91	95	14
EAA Spending by the Bureau of Export Administration Under S. 149						
Estimated Authorization Level [a]	73	84	88	92	96	0
Estimated Outlays	58	95	88	91	95	14

a. The 2001 level is the amount appropriated to the BXA for that year.

BASIS OF ESTIMATE

S. 149 would authorize the BXA to control the export of certain items from the United States for national security or foreign policy purposes. Generally, export controls would not apply to products that are mass-market items or available from foreign sources at a comparable price and quality. When fully phased in, CBO estimates that provisions of the Export Administration Act of 2001 would increase revenues by about $8 million a year beginning in fiscal year 2005 and direct spending by about $4 million a year beginning in 2006. In addition, we estimate that implementing the bill would cost $377 million over the 2001-2006 period, assuming appropriation of the necessary amounts.

Revenues

Since the 1994 expiration of the Export Administration Act of 1979, criminal and civil penalties for violating export control laws have been collected under the International Economic Emergency Powers Act. S. 149 would significantly raise the maximum criminal fines that could be imposed for violations of export controls. The bill would set the maximum criminal fines at 10 times the value of the exports involved, or $5 million for corporations and $1 million for individuals, whichever is greater. Under the bill, civil penalties of up to $500,000 could also be imposed for violations of the law. On average, about three years elapse between the initial investigation of violations of export control law and the collection of a penalty. Because the amount of a fine is based on the law in force at the start of an investigation, CBO does not expect penalties under the new law to be collected until fiscal year 2003. Based on information from the Department of Commerce, CBO estimates that enacting the bill would increase receipts from civil penalties by $4 million a year and receipts from criminal penalties by another $4 million a year beginning in 2005.

Direct Spending

Collections of criminal fines are recorded in the budget as governmental receipts (i.e., revenues), which are deposited in the Crime Victims Fund and spent in subsequent years. When fully phased in, the additional direct spending resulting from the increase in criminal penalties would be about $4 million a year beginning in 2006, because spending from the Crime Victims Fund lags behind the collection of criminal fines by about a year.

Spending Subject to Appropriation

BXA is responsible for implementing the EAA. Based on information from the Department of Commerce, CBO estimates that, with current funding, the BXA will spend about $52 million in 2001 on this effort. S. 149 would authorize the appropriation of between $72 million and $76 million a year for the Department of Commerce to implement the provisions of the bill during the 2002-2005 period. Also, the bill would authorize additional appropriations of at least $3.5 million annually to hire 20 employees to establish a best practices program for exporters, at least $4.5 million annually to hire 10 overseas investigators, $5 million to enhance the BXA's program to verify the end use of controlled exports, at least $5 million to procure a computer system for export licensing and enforcement, and $4 million annually to hire and train additional license review officers.

Based on information from the BXA, CBO estimates that implementing a best practices program for exporters would cost about $4 million a year, stationing overseas investigators would cost about $5 million a year, hiring and training license review officers would cost $4 million a year, and procuring the computer system would cost about $1 million in 2001 and $4 million in 2002. Any such spending would be subject to appropriation of the necessary amounts. Based on the agency's historical spending patterns, CBO estimates that implementing the bill would cost $377 million over the 2001-2006 period. This estimate assumes that funds are appropriated for the BXA through 2005, as provided in section 607 of the bill.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act establishes pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	0	0	1	2	4	4	4	4	4	4
Changes in receipts	0	0	2	5	8	8	8	8	8	8	8

INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT

S. 149 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments. This bill would codify existing administrative policy and regulatory practice.

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