CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 4, 2001

H.R. 1646
Foreign Relations Authorization Act, Fiscal Years 2002 and 2003

As ordered reported by the House Committee on International Relations on May 2, 2001

SUMMARY

The bill would authorize appropriations for the Department of State and related agencies for 2002 and 2003. CBO estimates that appropriation of the authorized amounts would result in additional discretionary spending of $16.2 billion over the 2002-2006 period. The legislation also would increase direct spending by $582 million in 2001 and by $244 million over the 2002-2006 period, and would result in receipts from asset sales totaling an estimated $100 million. CBO estimates that H.R. 1646 would increase governmental receipts (revenues) by an insignificant amount each year by increasing the amount of existing civil penalties and creating new criminal penalties related to export controls. Because the bill would affect direct spending and revenues, pay-as-you-go procedures would apply.

H.R. 1646 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. The bill would impose a private-sector mandate, but CBO estimates that the direct cost of the mandate would fall well below the annual threshold established by UMRA ($113 million in 2001, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1646 is shown in the following table. CBO assumes that the authorized amounts would be appropriated by the start of each fiscal year and that outlays would follow historical spending patterns. The costs of this legislation fall within budget functions 050 (national defense), 150 (international affairs), 300 (natural resources and environment), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority [a]	7,915	0	0	0	0	0
Estimated Outlays	7,225	1,745	999	620	285	122
Proposed Changes						
Authorization Level[b]	0	8,251	8,299	1	1	1
Estimated Outlays	0	6,321	7,456	1,555	631	228
Spending Under H.R. 1646						
Authorization Level [a b]	7,915	8,251	8,299	1	1	1
Estimated Outlays	7,225	8,066	8,455	2,175	916	350
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	*	*	*	*	*	*
Estimated Outlays	582	244	*	*	*	*
ASSET SALES						
Estimated Budget Authority	0	-18	-82	0	0	0
Estimated Outlays	0	-18	-82	0	0	0
CHANGES IN REVENUES						
Estimated Revenues	*	*	*	*	*	*

NOTE: * = Less than $500,000.

a. The 2001 level is the amount appropriated for that year.
b. The amounts shown reflect anticipated inflation; without adjustments for inflation, the total would be roughly $180 million lower.

BASIS OF ESTIMATE

Spending Subject to Appropriation

CBO estimates that implementing H.R. 1646 would cost $16.2 billion over the 2002-2006 period, assuming appropriation of the authorized amounts. The bill would authorize appropriations of $8.2 billion for fiscal year 2002. For 2003, it would specify authorizations totaling $954 million and would authorize such sums as may be necessary for a number of programs and activities. Assuming that the latter are funded at the 2002 level adjusted for inflation, CBO estimates that the 2003 authorizations would total $8.3 billion. (If the indefinite authorizations for 2003 were assumed to be funded at the 2002 level, the 2003 authorizations would total $8.1 billion.) In addition, the bill contains other provisions with potential budgetary impacts.

Indefinite Authorizations for Currency Fluctuations. Section 104(c) would authorize such sums as may be necessary in 2002 and 2003 to compensate for adverse fluctuations in exchange rates that might affect contributions to international organizations. Any funds appropriated for this purpose would be obligated and expended subject to certification by the Office of Management and Budget. Currency fluctuations are extremely difficult to estimate in advance, and they could result in spending either higher or lower than the amounts specifically authorized in the bill for contributions to international organizations and programs. Therefore, this estimate includes no costs associated with currency fluctuations.

Miscellaneous Provisions. Section 821 would authorize the use of Department of Defense (DoD) funds to pack and transport excess defense articles to certain East European and Central Asian countries in 2002 and 2003. This authority has been used infrequently in the past. Based on information provided by the Department of Defense, CBO estimates that enacting the provision could add $1 million to defense spending in each of the fiscal years 2002 and 2003, assuming the appropriation of the necessary funds.

The bill includes several provisions that would expand or introduce new reporting requirements. Combined, these provisions would raise spending subject to appropriation by about $1 million annually, but each provision would probably cost less than $500,000 a year.

Direct Spending, Asset Sales, and Revenues

CBO estimates that the bill would increase direct spending by $582 million in 2001 and $244 million in 2002, result in receipts from asset sales totaling $100 million, and increase revenues by less than $500,000 annually.

Payment of United Nations Arrears. Section 601 would amend current law to permit the release of arrearage payments to the United Nations. CBO estimates that under the bill, the State Department would release $582 million in 2001 and $244 million in 2002 that cannot be released under current law. In 1999, Public Law 105-277 appropriated $475 million for arrearage payments. An additional $351 million was provided in 2000 in Public Law 106-113. Under current law, however, those funds cannot be disbursed until certain conditions have been met. One of those conditions—which has not been met and cannot be waived—is that the United Nations lower the United States' assessment rate for peacekeeping activities from 31 percent to 25 percent. The bill would drop this requirement and would also ease other conditions attached to the funds appropriated in 2000. These changes would permit disbursement of the $826 million that has already been appropriated. Because this provision would affect outlays from funds already appropriated and would not depend on future appropriation action, the additional outlays are considered direct spending for scorekeeping purposes.

Fees for Machine Readable Visas. The bill would extend, through 2003, the Secretary of State's authority to charge a fee for machine readable visas and to spend the collections on consular activities. Authority to collect and spend these fees through 2002 was provided in Public Law 106-553. Based on information from the Department of State, CBO estimates the department would collect and spend $368 million in 2003 under this authority.

Authority to Transfer Naval Vessels. H.R. 1646 would authorize the transfer of 14 naval vessels to foreign countries. It would authorize the sale of seven vessels; the other seven would be given away. Information from DoD indicates that the asking price for the seven ships would be approximately $175 million. There is significant uncertainty as to whether all seven vessels would be sold and what the sale price might be. Reflecting this uncertainty, CBO estimates that receipts from these sales would total $18 million in 2002 and $82 million in 2003.

Miscellaneous Provisions. Several provisions in the bill would have little or no effect on direct spending or revenues.

Reimbursements for International Litigation Fund. The bill would allow the State Department to retain, as reimbursement for preparing or prosecuting a claim against a foreign government or entity, a portion of awards received. Based on information from the Department of State, CBO estimates the department would collect and spend less than $1 million a year.

Export Controls. H.R. 1646 would raise governmental receipts (revenues) by increasing the amount of existing civil penalties and establishing new criminal penalties that would be assessed against exporters who fail to submit accurate information to the Department of Commerce (DOC). Based on information from that department, CBO estimates that the increase in revenues would not be significant in any year. Collections of criminal fines are deposited in the Crime Victims Fund and are spent in subsequent years. Based on information from the DOC, CBO estimates that the criminal penalties that would be created under H.R.1646 would increase direct spending from the Crime Victims Fund by less than $500,000 per year.

Reimbursements for Emergency Overseas Evacuation. H.R. 1646 would allow the State Department to seek reimbursements for the emergency evacuation of employees of the U.S. government, their dependents, private U.S. citizens, and foreign nationals. According to the

Department of State, this section of the bill codifies existing practice and would have no impact on the budget.

Foreign National Retirement Plans. The bill would amend section 3968 of the Foreign Service Act of 1980 (Public Law 96-465), which provides for the compensation and benefits of foreign nationals who work for the United States abroad. Under the Foreign Service Act, the Department of State is authorized to set aside funds on the behalf of employees for the purpose of paying them a lump-sum payment once they retire or terminate employment. Although such deposits are not being made at the present time, current law allows the State Department to retain a private financial institution for the purpose of holding and investing those funds. The bill would give the State Department the option of depositing these monies into a fund established by the U.S. Treasury Department. The funds would be the property of the federal government regardless of where they are held. Thus, CBO estimates that this provision would have no budgetary impact.

Official Reception and Representation Expenses. Section 811 would increase the amount that the DoD can spend on official reception and representation expenses from foreign military sales receipts by $14,000 each year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up 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
Changes in outlays	582	226	-82	0	0	0	0	0	0	0
Changes in receipts	0	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1646 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1646 would impose a private-sector mandate by requiring exporters or their agents, not covered under current regulations, to file Shippers Export Declarations through the Automated Export System (AES). Based on information provided by the Bureau of the Census, CBO estimates that the cost of filing through the AES would be minimal as the system is a free, on-line, electronic reporting system. Most exporters are currently required to file their reports through the AES. The cost for the remaining exporters to shift from their current filing process to the electronic system required in the bill would be small. Thus, the direct cost of the mandate in the bill would fall well below the annual threshold established by UMRA ($113 million in 2001, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On February 13, 2001, CBO prepared a cost estimate for S. 248 as passed by the Senate. That act would release arrearage payments of $582 million in 2001. Section 601 of H.R. 1646 is similar to S. 248, but it would, in addition, authorize the release of $244 million in 2002.

ESTIMATE PREPARED BY:

Federal Costs:
- State Department: Sunita D'Monte
- Security Assistance: Joseph Whitehill
- Export Controls: Ken Johnson and Erin Whitaker
- Foreign National Retirement Plan: Geoffrey Gerhardt

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis