CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 3, 2000

S. 1796
Justice for Victims of Terrorism Act

As reported by the Senate Committee on Judiciary on March 9, 2000

S. 1796 would enable victims of Iranian terrorism who have won judgments against Iran in U.S. courts to collect monetary damages from that country—primarily by obtaining certain funds currently held by the U.S. government. As shown in the following table, CBO estimates that enacting this bill would increase direct spending by about $420 million in 2001; therefore, pay-as-you-go procedures would apply.

Although the bill would pertain to victims of other nations that sponsor terrorism, CBO does not expect that any budgetary effects would result from judgments against other nations. Enactment of S. 1796 could result in savings in later years if future disbursements that would otherwise have to be made under current law were reduced because of the payments made in 2001. CBO has no basis for estimating these effects—if any—because they would depend on future decisions of the international Iran-U.S. Claims Tribunal and the responses of the United States and Iran to these decisions.

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	420	a	a	a	a
Estimated Outlays	420	a	a	a	a

a. S. 1796 could result in savings after 2001, but CBO has no basis for estimating such savings—if any—because they would depend on future decisions made by the Iran-U.S. Claims Tribunal, the United States, and Iran.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

Iran is one of seven countries that is designated by the federal government as a sponsor of terrorism. (The provisions of S. 1796 would apply to the other six nations as well; however, according to information from the Department of State, the only budgetary effect of the bill would involve assets of Iran.) Under current law, victims of state-sponsored terrorism may pursue claims against that state's government in U.S. courts. Information from the Department of State indicates that victims of Iranian terrorism have won punitive and compensatory damages in U.S. courts that exceed $650 million.

The U.S. government currently holds, in the Foreign Military Sales (FMS) Trust Fund, about $400 million previously paid by Iran for the purchase of military equipment that was not delivered. The disposition of those funds is currently before the Iran-U.S. Claims Tribunal, an international body established to settle disputes between the two nations. Under current law, victims of terrorist acts may attach, by judicial order, property of the Iranian government held by the United States. Victims, however, have been unable to obtain payment in satisfaction of those judgments because the funds they have attached are protected by the federal government's sovereign immunity. As a result, those judgments remain unpaid.

By explicitly waiving the federal government's sovereign immunity, S. 1796 would remove a barrier to the execution of the victims' judgments. That action would likely result in the payment of the judgment claims from the FMS Trust Fund. As a result, CBO estimates that enacting this provision would increase direct spending by $400 million in fiscal year 2001. CBO cannot determine whether the payment of these claims to terrorist victims would reduce, eliminate, or leave unaltered any liability of the United States to Iran, which is yet to be determined by the Iran-U.S. Claims Tribunal. Thus, it is possible that some or all of the funds we estimate will be paid to victims of terrorism under this bill could be offset by a reduction in payments that would be made from the FMS Trust Fund to Iran under current law. CBO, however, has no basis for predicting the future decisions of the Iran-U.S. Claims Tribunal, nor the response of the governments to such decisions.

The bill would also make possible the attachment of certain other Iranian assets in this country, including properties such as former consular buildings in the United States. Under current law, the President has authority to preclude such assets from attachment and execution to satisfy judgments against states that sponsor terrorism. The President has exercised that authority for Iranian diplomatic and consular properties. S. 1796 would limit that authority for some assets. Based on information from the Treasury Department, CBO estimates the value of Iranian assets in this country (including certain real properties and rental income from leasing some of this property) that could be seized under this provision to be about $20 million.

The United States has a custodial responsibility under international agreements to maintain diplomatic properties belonging to Iran; therefore, the federal government would likely be liable to Iran for the loss of property and rental proceeds. If those properties are seized, CBO anticipates that the United States would have to promptly reimburse Iran for their value. We estimate that outlays for this purpose would total about $20 million by the end of fiscal year 2001.

The CBO staff contacts for this estimate are Lanette J. Keith, John R. Righter, and Joseph C. Whitehill. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.