



CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

July 17, 1998

S. 2282

Agriculture Export Relief Act of 1998

As cleared by the Congress and signed by the President on July 14, 1998

S. 2282 (Public Law 105-194), amends the Arms Export Control Act to exempt from sanctions imposed by the President any credit, credit guarantee, or other financial assistance provided by the Department of Agriculture for the purchase or other provision of food or agricultural commodities. This exemption applies only through September 30, 1999. S. 2282 also provides a permanent exemption from sanctions for similar U.S. government programs for medicines and medical equipment. In addition, it removes the prohibition on loans or credit from U.S. banks to governments of sanctioned countries for fertilizer purchases.

CBO estimates that the exemption of agricultural credit programs from sanctions through September 30, 1999, will increase outlays from direct spending by \$7 million in fiscal year 1998 and \$42 million over the 1998-2003 period. The costs of S. 2282 are attributable to Pakistan's recent testing of nuclear weapons, which triggered sanctions under the Arms Export Control Act. CBO estimates that the recent imposition of sanctions would have prevented previously anticipated sales of agricultural products to Pakistan under the export credit guarantee known as General Sales Manager-102 (GSM). Exempting agricultural export programs from the sanctions will allow those sales to go forward. The sales allowed under S. 2282 will increase federal spending by the amount of the credit subsidy for the sales partially offset by the effect of higher exports of wheat, and the resulting increase in wheat prices, on domestic marketing assistance loans. The estimated effects are shown in the following table. The costs of this legislation fall within budget function 350 (agriculture).

The impact on direct spending of S. 2282 comes from its impact on agricultural credit programs. Government credit programs for medicines and medical equipment are funded through annual appropriations and, thus, do not affect direct spending. The act's fertilizer provision affects only private transactions.

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	7	35	0	0	0	0
Estimated Outlays	7	24	11	0	0	0

In estimating the budgetary effects of legislative proposals, CBO takes into account not only any changes in law since its last baseline projections but also significant discrete events that alter the application of law when failure to do so would result in a clearly erroneous estimate. For instance, when the level of an upcoming statutory cost-of-living adjustment (COLA) for a federal benefit program is announced subsequent to publication of a baseline, CBO uses the announced level in estimating the cost of proposed legislation that would alter the COLA. This approach was taken in estimates of proposals that would have affected COLAs for veterans compensation in 1991 and for Food Stamps in 1992. Similarly, when a final court decision issued subsequent to completion of the baseline affects estimated spending or revenues, CBO takes the decision into account in estimating the effects of legislation that would overturn the decision. CBO applied this methodology earlier this month in estimating the impact of legislation to overturn a Supreme Court decision that limits eligibility for membership in credit unions. In the case of S. 2282, its enactment clearly would allow spending to increase compared with before enactment because of the imposition of sanctions on Pakistan on May 30, 1998.

The CBO staff contact for this estimate is Craig Jagger. The estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.