CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 21, 2008

H.R. 7112
Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2008

As passed by the U.S. House of Representatives on September 26, 2008

SUMMARY

The act would authorize appropriations for two programs in the Department of the Treasury that combat financial crimes, and for the Bureau of Industry Security (BIS) within the Department of Commerce, which helps certain countries improve controls over their exports. This legislation also would limit trade with Iran and allow the President to impose sanctions on certain individuals. Finally, the act would allow state and local governments to divest themselves of assets related to entities that make certain investments in Iran's energy sector.

CBO estimates that implementing the act would cost $102 million in 2009 and $496 million over the 2009-2013 period, assuming appropriation of the necessary amounts. In addition, CBO estimates that provisions of H.R. 7112 would, if enacted, both increase and decrease revenues, but that there would be no significant net effect on revenues over the 2009-2018 period. CBO estimates that enacting the legislation also would have an insignificant effect on direct spending.

The act 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. H.R. 7112 would impose private-sector mandates, as defined in UMRA, by prohibiting certain imports from and exports to Iran. It also could impose mandates by freezing the assets of certain individuals under conditions specified in the act. In addition, the act would require financial institutions that hold the funds and other assets of the individuals subject to the sanction to report such information. Finally, the act could impose a mandate on exporters by specifying additional license requirements on exports to certain countries that are designated by the Secretary of Commerce as Destinations of Possible Diversion Concern. The cost of complying with those mandates is uncertain because it would depend on whether and how some measures would be applied and because CBO lacks information on the value of lost profits to importers and exporters under the trade ban. Therefore, CBO cannot determine whether the aggregate cost to comply with the mandates in the act would exceed

the annual threshold for private-sector mandates established in UMRA ($136 million in 2008, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 7112 is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense), 150 (international affairs), 370 (commerce and housing credit), and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2009	2010	2011	2012	2013	2009-2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]						
Department of the Treasury Programs						
Estimated Authorization Level	153	158	163	0	0	474
Estimated Outlays	98	175	161	38	0	472
Department of Commerce Programs						
Estimated Authorization Level	3	3	3	3	3	15
Estimated Outlays	2	3	3	3	3	14
Reports						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Total Changes						
Estimated Authorization Level	158	163	168	5	5	499
Estimated Outlays	102	180	166	43	5	496

a. Enacting this legislation also would have an insignificant net effect on direct spending and revenues over the 2009-2018 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the estimated and authorized amounts will be appropriated each year (beginning with 2009 funding, which we assume will be provided by March 2009), and that spending will follow historical patterns for similar programs and activities.

Spending Subject to Appropriation

H.R. 7112 would authorize appropriations for programs within the Department of the Treasury and the Department of Commerce. In total, CBO estimates that implementing the act would cost $496 million over the 2009-2013 period, assuming appropriation of the necessary amounts.

Department of the Treasury Programs. Section 105 would authorize the appropriation of $153 million for 2009 and such sums as may be necessary for 2010 and 2011 for the Office of Financial Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network. Those offices received a total of about $145 million in 2008. Based on information from the Department of the Treasury, CBO expects that $153 million, adjusted for anticipated inflation, would be sufficient for fiscal years 2010 and 2011 to continue the efforts of those offices to ensure the international financial system is not used to support terrorism. Under that assumption, CBO estimates that implementing section 105 would cost $472 million over the 2009-2013 period.

Department of Commerce Programs. Title III would establish new programs within BIS to improve controls over certain domestic exports to end-users that cannot be identified or to entities that are owned or controlled by the government of Iran. The act would require the Secretary of Commerce, in consultation with the Secretary of State and the Secretary of the Treasury, to identify a list of countries that have inadequate export and reexport controls and that fail to prevent diversion of U.S. goods to unknown parties.

BIS would be authorized to help those countries strengthen their systems for controlling exports. With assistance from BIS, countries on the list would have one year to improve their export control systems. Additional export licensing requirements would be imposed on countries that fail to cooperate or to make adequate improvements.

Based on information from BIS, CBO estimates that about 20 additional staff members would be needed to track export enforcement trends, to monitor activities within the countries of concern, to help such countries improve their export control systems, and to meet the new licensing requirements. Thus, CBO estimates that implementing those provisions would cost $2 million in 2009 and $14 million over the 2009-2013 period.

Reports. Several sections would require the Director of National Intelligence and the President to provide the Congress with a variety of reports about Iran, including details of investments in and trade with Iran by the United States and other countries. Based on the costs to prepare similar reports, CBO estimates that preparing those reports would cost about $2 million annually.

Revenues and Direct Spending

Several provisions would affect direct spending and revenues, but CBO estimates that the net effect on each would be insignificant over the 2009-2018 period.

Prohibition on Imports. The act would prohibit the importation of Iranian products into the United States. Based on the composition of recent imports from Iran, CBO expects that the aggregate trade volume subject to customs duties would decrease, reducing revenues by an estimated $2 million over the 2009-2013 period and $6 million over the 2009-2018 period.

Consular Fees. Section 109 would require the Department of State to increase a fee charged for certain nonimmigrant visas by $1 (from $131 to $132) for a period of nine months. Currently, the department retains those fee collections and spends them on border security. Additional amounts collected under the act, however, would be deposited in the Treasury (as revenues). CBO estimates that the department would collect fees from roughly six million applicants and that this provision would increase revenues by $5 million in 2009 and by $1 million in 2010, for a total of $6 million over the 2009-2018 period.

Civil and Criminal Penalties. The act would impose civil and criminal penalties for violations of the new sanctions. Collections of civil penalties are recorded in the budget as revenues. Collections of criminal penalties also are recorded in the budget as revenues, deposited in the Crime Victims Fund, and later spent without further appropriation. CBO estimates that any additional revenues and direct spending that would result from those penalties would not be significant because of the relatively small number of cases likely to be involved.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 7112 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 7112 contains private-sector mandates, as defined in UMRA. However, CBO cannot determine whether the aggregate cost to comply with those mandates would exceed the annual threshold for private-sector mandates established in UMRA ($136 million in 2008, adjusted annually for inflation).

The act could impose mandates on some businesses by banning all imports from and exports to Iran, with the exception of agricultural commodities, food, medicine, medical devices, certain informational materials, other humanitarian assistance, and components for commercial passenger aircraft produced in the United States. The act would, however, allow the President to waive those sanctions if the President determines it is in the interest of national security to provide such waivers. In the event that such sanctions are imposed, the cost to comply with the mandate would be the forgone net income attributed to the sale of those items prohibited under the sanctions. According to the Department of Commerce, in 2007 the United States imported from Iran about $173 million in goods, mostly carpets and foodstuffs, and exported $146 million in goods, mostly items that would be excluded from the export ban. The cost of the ban is uncertain because CBO lacks information on the value of lost income to importers and exporters.

The act also could impose private-sector mandates by directing the President to freeze the funds and other assets of certain Iranian government officials, and the assets of their family members and associates to whom such officials have transferred assets on or after January 1, 2008. Some of those individuals may reside in the United States. Because the Iranian government officials who would be subject to sanctions have not been named, the cost of that mandate also is uncertain. In addition, the act would impose a mandate on financial institutions that hold funds and other assets of the persons designated as subject to sanctions by requiring them to report such information. CBO expects the cost to comply with this reporting requirement to be small.

Finally, by imposing new license requirements on exporters of certain products, conditioned upon whether the country where exports are sent has been designated as a Destination of Possible Diversion Concern, the act could impose a mandate. Because of uncertainty about what countries would be designated, if any, and what products would be subject to additional licensing requirements for export to those countries, the cost of complying with this mandate is unknown.

PREVIOUS CBO ESTIMATES

On July 31, 2008, CBO transmitted a cost estimate for an identically titled bill as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on July 17, 2008. Both versions of the legislation are similar, but H.R. 7112 contains a provision that would increase revenues by imposing additional fees for nonimmigrant visas. CBO estimates that enacting H.R. 7112 would have no significant net effects on revenues, whereas the Senate bill would reduce revenues by $6 million over the 2009-2018 period, CBO estimated. In addition, CBO estimates that H.R. 7112 would have lower discretionary costs in 2009 due to a later assumed enactment date. (CBO's estimate of discretionary costs over the five-year period are unchanged.) CBO found that the Senate bill would impose substantially the same private-sector mandates as those contained in H.R. 7112. The cost of complying with those mandates is uncertain because of a lack of information about import markets and the assets that would be subject to the sanctions.

ESTIMATE PREPARED BY:

Federal Spending: Matthew Pickford and Susan Willie
Federal Revenues: Sunita D'Monte and Zachary Epstein
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Jacob Kuipers

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis