



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 27, 2012

S. 2101 **Iran Sanctions, Accountability, and Human Rights Act of 2012**

*As reported by the Senate Committee on Banking, Housing, and Urban Affairs
on February 13, 2012*

SUMMARY

S. 2101 would broaden sanctions against entities engaging in certain transactions with Iran and Syria. Specifically, the bill would impose sanctions against entities that:

- Participate in joint ventures with the government of Iran to expand uranium mining or production;
- Sell or lease technology that would improve or expand Iran's ability to develop domestic petroleum sources, or refine petroleum and petrochemicals;
- Transfer goods or technology that would be used to abuse the human rights of Iranian and Syrian citizens;
- Provide material support to the Iranian Revolutionary Guard Corps; or
- Provide payment information services to the Central Bank of Iran or other financial institutions that engage in certain transactions with Iran.

The bill also would expand reporting requirements for the Departments of State and the Treasury, as well as the Government Accountability Office (GAO). Finally, the bill would require publicly traded companies to disclose certain information to the Securities and Exchange Commission (SEC) related to financial dealings with Iranian companies or their affiliates. CBO estimates that implementing the provisions of S. 2101 would have a discretionary cost of \$38 million over the 2012-2017 period to meet additional administrative requirements under the bill, assuming appropriation of the necessary amounts.

In addition, enacting S. 2101 would increase civil penalties (revenues) by \$9 million over the 2013-2022 period and have insignificant effects on direct spending; therefore, pay-as-you-go procedures apply.

S. 2101 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO expects that few public entities would be affected by those mandates and estimates that the cost to governmental entities would fall well below the annual threshold for intergovernmental mandates established in UMRA (\$73 million in 2012, adjusted annually for inflation). Because of uncertainty about how the mandates would be implemented, CBO cannot determine whether the aggregate cost of the private-sector mandates would exceed the annual threshold established in UMRA (\$146 million in 2012, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2101 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs), 370 (commerce and housing credit), and 800 (general government).

	By Fiscal Year, in Millions of Dollars						2012- 2017
	2012	2013	2014	2015	2016	2017	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	3	8	8	8	9	9	45
Estimated Outlays	1	5	7	8	8	9	38
CHANGES IN REVENUES							
Total Changes in Revenues ^a	0	*	1	1	1	1	4

Note: * = less than \$500,000.

a. CBO estimates that over the 2012-2022 period, enacting S. 2101 would increase revenues by \$9 million.

BASIS OF ESTIMATE

For this estimate, CBO assumes S. 2101 will be enacted in fiscal year 2012, that the estimated authorizations will be appropriated for each fiscal year, and that outlays will follow historical patterns for similar and existing programs.

Spending Subject to Appropriation

S. 2101 would expand sanctions against entities engaging in certain transactions with Iran and Syria. The bill would broaden reporting requirements of the Departments of State and the Treasury, GAO, and the SEC.

Based on information from the State Department, CBO estimates that the department would hire an additional 12 people and require annual appropriations of about \$4 million a year to implement the bill's provisions. In addition to those direct hires, CBO expects that the department would require another \$2 million a year for outside consultants and data services to monitor ongoing commercial activity that might be subject to sanctions under the bill. In total, CBO estimates that implementing provisions affecting the Department of State would cost \$30 million over the 2012-2017 period, assuming appropriation of the necessary amounts.

Other provisions would increase administrative costs of the Department of the Treasury, GAO, and the SEC; CBO estimates that implementing those provisions would cost \$8 million over the 2012-2017 period, assuming appropriation of the necessary amounts.

Direct Spending and Revenues

Enacting S. 2101 would expand the scope of violations of U.S. economic sanctions that would be subject to civil penalties under the International Emergency Economic Powers Act. The bill would make domestic parent companies liable for violations of sanctions against Iran that are committed by their foreign subsidiaries. CBO estimates that enacting this provision would increase revenues from civil penalties by \$4 million over the 2013-2017 period and by \$9 million over the 2013-2022 period.

Enacting other provisions in the bill would affect the level of revenues and direct spending related to criminal penalties, visa fees, and blocked assets. However, CBO estimates that such effects would be insignificant.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues under S. 2101 that are subject to those pay-as-you-go procedures are shown in the following table. (Enacting the bill would have insignificant effects on outlays from direct spending).

CBO Estimate of Pay-As-You-Go Effects for S. 2101 as reported by the Senate Committee on Banking, Housing, and Urban Affairs on February 13, 2012

By Fiscal Year, in Millions of Dollars

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022
--	------	------	------	------	------	------	------	------	------	------	------	------	------

NET DECREASE (-) IN THE DEFICIT

Statutory Pay-As-You-Go Impact	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-9
--------------------------------	---	---	----	----	----	----	----	----	----	----	----	----	----

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2101 would impose intergovernmental and private-sector mandates as defined in UMRA by expanding the list of transactions associated with Iran and Syria for which entities may be sanctioned and by increasing the number of entities responsible for complying with those prohibited transactions. The bill also would impose a mandate on state governments by preempting some state property laws. In addition, the bill would impose a mandate on private-sector entities by increasing reporting requirements on issuers of financial securities.

CBO expects that few public entities would be affected by the sanction provisions, and the cost of the preemption mandate would be insignificant. Therefore, in aggregate, CBO estimates that the cost of the intergovernmental mandates in S. 2101 would fall well below the annual threshold established in UMRA (\$73 million in 2012, adjusted annually for inflation). The cost of some of the mandates on private entities would depend on how the changes to sanctions would be implemented. Consequently, CBO cannot determine whether the aggregate cost of the private-sector mandates would exceed the annual threshold established in UMRA (\$146 million in 2012, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On December 13, 2011, CBO transmitted a cost estimate for H.R. 1905, the Iran Threat Reduction Act of 2011. That bill also would amend and expand existing sanctions against Iran, authorize assistance to promote democracy and access to information in that country, and increase the levels of existing civil penalties for violating trade sanctions. The estimate for H.R. 1905 reflects additional discretionary costs for foreign assistance programs that

are not included in S. 2101 as well as higher revenues related to civil penalties. The differences in the estimated costs of the two bills reflect the differences in the language of the bills.

ESTIMATE PREPARED BY:

Federal Costs: Susan Willie, Sunita D'Monte, and Matthew Pickford
Impact on State, Local, and Tribal Governments: J'nell Blanco
Impact on the Private Sector: Marin Randall

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis