



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 22, 1999

### **H.R. 850**

#### **Protection of National Security and Public Safety Act**

*As ordered reported by the House Committee on Armed Services on July 21, 1999*

H.R. 850 would clarify the President's authority to control the export of encryption products. The effectiveness or strength of contemporary encryption products is measured by the number of bits that make up the key for the encryption algorithm. (The term "key" refers to the mathematical code used to translate encrypted information back into its original, unencrypted format.) Under current policy, domestic producers may export encryption products with key lengths of up to 56 bits and stronger products for specified industries.

Under the bill, the President would determine the maximum strength of encryption products that may be exported (with review and potential updates of that maximum every 180 days). In addition, the bill would allow the President to deny the export of any encryption product if the export of such product is contrary to the national security interest of the United States. H.R. 850 would establish a board to advise the President on the export of encryption products. Finally, the bill would require the Department of Commerce to conduct a market share survey of foreign markets for encryption products every six months.

Based on information from the Department of Commerce, CBO estimates that implementing H.R. 850 would cost about \$1 million a year, subject to appropriation of the necessary amounts. H.R. 850 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. H.R. 850 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

CBO has completed numerous other estimates of bills affecting the export of encryption products, including three versions of H.R. 850. Differences between this estimate and our previous estimates reflect differences between the bills. On April 21, 1999, CBO transmitted a cost estimate for H.R. 850 as ordered reported by the House Committee on the Judiciary on March 24, 1999. On July 1, 1999, CBO transmitted an estimate for H.R. 850 as ordered reported by the House Committee on Commerce on June 23, 1999. On July 16, 1999, CBO transmitted an estimate of H.R. 850 as ordered reported by the House Committee on International Relations on July 13, 1999. And on July 9, 1999, CBO transmitted an estimate

for S. 798, the Promote Reliable Online Transactions to Encourage Commerce and Trade (PROTECT) Act of 1999, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on June 23, 1999. CBO estimated that the versions reported by the Judiciary Committee and the International Relations Committee would each cost between \$3 million and \$5 million over the 2000-2004 period and that the House Commerce Committee's version of H.R. 850 and the Senate bill (S. 798) would each increase costs by at least \$25 million over the same period.

The CBO staff contact is Mark Hadley. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.