CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 27, 2001

A bill to reauthorize the Export-Import Bank of the United States

As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on July 18, 2001

SUMMARY

The bill would extend the authority of the Export-Import Bank of the United States (Eximbank) to enter into new direct loan obligations and new guaranteed loan commitments through 2006. The bill would authorize new efforts by the U.S. government to bring export financing (so called "market windows") offered by certain foreign banks owned or supported by their governments into compliance with the terms of the export credit arrangement among the major exporting countries. It would also increase the Eximbank's set-aside for financing exports by small businesses from 10 percent to 18 percent of its credit obligations and commitments. Finally, the bill would continue the sub-Saharan Africa Advisory Committee and add new reporting requirements.

Assuming the appropriation of the necessary amounts, CBO estimates that implementing the bill would cost $202 million in 2002 and $3.2 billion over the 2002-2006 period. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

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

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Budget Authority [a]	910	49	41	37	31	31
Estimated Outlays	813	628	306	186	102	68
Proposed Changes						
Estimated Authorization Level [b]	0	887	918	946	971	993
Estimated Outlays	0	202	571	725	834	889
Spending Under the Bill						
Estimated Authorization Level [a b]	910	936	959	983	1,002	1,024
Estimated Outlays	813	830	877	911	936	957

a. The 2001 level is the amount appropriated for that year.
b. The estimate assumes that funding for Eximbank would continue at the 2001 level adjusted for inflation. Funding at the 2001 level without adjustment for inflation would lower outlays by $7 million in 2002 and by $0.2 billion over the 2002-2006 period.

BASIS OF ESTIMATE

The Eximbank provides about $12 billion annually in loans and guarantees to finance the export of United States' goods and services. The bill would extend the Eximbank's authority to provide financing through 2006, an additional five years. The estimate assumes the Eximbank would receive appropriations for administrative expenses and the cost of new loans and guarantees, as defined by the Federal Credit Reform Act, at the start of each fiscal year and that outlays would follow historical patterns.

CBO's estimate of spending under current law assumes there would be no future appropriations for the cost of new credits and that administrative expenses would be reduced to the level necessary to service outstanding credits. Under the bill, CBO assumes that spending by the Eximbank would continue at the 2001 level adjusted for inflation.

The bill would encourage the Eximbank to seek negotiations that would bring the terms of market windows and the information made available about them into compliance with the export credit arrangement of the Organization for Economic Cooperation and Development. The bill would authorize the Eximbank to offer financing on terms and conditions more generous than permitted under the arrangement, if necessary, to advance those negotiations, or if a foreign government refuses to provide information on its market windows. Based on information from the Administration, it appears that the most likely variances from arrangement terms that could be offered under the bill would be longer loan maturities or increased financing to cover 100 percent of value of an export.

Market windows are typically available to borrowers with low or moderate risk. CBO estimates that increasing the maximum maturity of Eximbank's credits from 12 years to 15 years would increase the cost of moderate risk credits by 2 percent. For example, providing $1 billion in financing with longer terms would require an additional $20 million in subsidy appropriations. Similarly, financing 100 percent of the value of $1 billion in exports would increase the cost of financing by another $10 million.

Given the uncertainty of how the Eximbank might implement the new provision and what its potential future financing requirements might be, CBO estimates that Eximbank could continue to provide $12 billion to $14 billion a year in financing under the bill with a subsidy appropriation at baseline levels. This estimate takes into account the fact that, while more generous terms would increase the cost of financing any particular export, the Office of Management and Budget's economic and technical assumptions for 2002 would lower the estimated cost of Eximbank financing in general. A program level of $13 billion in new credits in 2002 would require $100 million less in subsidy appropriations than it did in 2001. Higher costs for credits targeted at market windows could be offset by the lower estimated cost of lending within arrangement terms.

Increasing the set-aside for exports by small businesses to 18 percent would bring the statutory floor to about the ratio of current operations. Based on information from the Eximbank, CBO estimates that increasing the set-aside would not significantly affect its lending and that the other provisions in the bill would not significantly increase the institution's administrative expenses.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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