CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 7, 2006

H.R. 282
Iran Freedom Support Act

As ordered reported by the House Committee on International Relations on March 15, 2006

SUMMARY

H.R. 282 would codify certain sanctions currently imposed by executive order with respect to Iran. Additionally, the bill would require the President to publish in the Federal Register a list of all foreign and domestic entities that have invested more than $20 million in Iran's energy sector. If an agency or instrumentality of a country, or a person owing allegiance to that country, has invested more than $20 million in Iran's energy sector, the bill would prohibit the provision of assistance to that country, unless the President certifies that such assistance is important for national security. Finally, the bill would authorize the appropriation of such sums as may be necessary for the President to provide assistance to individuals and organizations that support the establishment of democracy in Iran.

CBO estimates that implementing H.R. 282 would cost $1 million in 2006 and $81 million over the 2007-2011 period, assuming appropriation of the estimated amounts over the next several years. Enacting the bill would not affect direct spending or receipts.

H.R. 282 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. 282 would impose a private-sector mandate, as defined in UMRA. It would require managers of pension plans and mutual funds to notify investors if their plans or funds are invested in firms that have invested more than $20 million in Iran's energy sector. CBO expects that the direct cost of the mandate would not exceed the annual threshold established by UMRA for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 282 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					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Democracy Programs with Respect to Iran						
Estimated Budget Authority [a]	5	0	0	0	0	0
Estimated Outlays	10	1	1	0	0	0
Proposed Changes						
Estimated Authorization Level	15	20	20	20	20	20
Estimated Outlays	1	9	16	17	19	20
Spending Under H.R. 282 for Democracy Programs with Respect to Iran						
Estimated Authorization Level	20	20	20	20	20	20
Estimated Outlays	11	10	17	17	19	20

a. The 2006 level is the estimated amount appropriated for that year for programs that promote democracy in Iran.

BASIS OF ESTIMATE

H.R. 282 would authorize the appropriation of such sums as may be necessary to fund organizations and individuals that support democracy in Iran. Public Law 109-102, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, specified that $6.5 million be spent on programs that promote democracy in Iran and Syria, of which CBO estimates about $5 million would be for Iran. Additionally, the Administration has requested $15 million for programs to promote democracy in Iran in its request for a supplemental appropriation for 2006. Based on this and information from the Office of Management and Budget, CBO estimates that an appropriation of $20 million a year would be sufficient to meet the aims of H.R. 282. CBO expects that maintaining and publishing the list of entities that have invested more than $20 million in Iran's energy sector would have no significant effect on the budget.

For the purposes of this estimate, CBO assumes that H.R. 282 would be enacted before the end of the fiscal year. Accordingly, CBO estimates that implementing this legislation would increase spending by $1 million in 2006 and $81 million over the 2007-2011 period, assuming appropriation of the estimated amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 282 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

H.R. 282 would impose a private-sector mandate, as defined in UMRA. It would require managers of pension plans and mutual funds sold or distributed in the United States to notify investors of any funds that are invested in United States or foreign entities on the list to be published in the Federal Register that have invested more than $20 million in Iran's energy sector. The President would have to publish such a list within six months after the enactment of the bill, and every six months thereafter. The notification would have to be sent to investors within 30 days of the publication in the Federal Register. The notification also would have to be displayed prominently in every prospectus and every regular report provided to investors after the initial notification. The notification would include the following:

- The name or other identification of the entity;
- The amount of the investment in the entity;
- The potential liability to the entity if sanctions are imposed by the United States on Iran or on the entity; and
- The potential liability to investors if such sanctions are imposed.

Notification would not be required, however, if pension and mutual fund managers divest all investments in such entities.

Based on information from industry sources, CBO expects that the direct cost to comply with the mandate would small relative to the annual threshold.

ESTIMATE PREPARED BY:

Federal Costs: Sam Papenfuss
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Tyler Kruzich and Paige Piper/Bach

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis