CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 11, 2007

H.R. 1400
Iran Counter-Proliferation Act of 2007

As ordered reported by the House Committee on Foreign Affairs on June 26, 2007

SUMMARY

H.R. 1400 would authorize the appropriation of funds for two specific programs within the Department of Treasury relating to financial crimes and terrorism. The bill also would authorize an exchange program with Iran. Additionally, the bill would ban the import of certain items from Iran and would allow the President to impose sanctions on certain individuals. Finally, the bill would prohibit the transfer of nuclear material, components, or technology to countries that are assisting Iran to develop nuclear technology.

CBO estimates that implementing H.R. 1400 would cost $116 million in 2008 and $490 million over the 2008-2012 period, assuming appropriation of the necessary funds. In addition, enacting the bill would reduce revenues by less than $500,000 in 2008, by $2 million over the 2008-2012 period, and by $4 million over the 2008-2017 period. Enacting H.R. 1400 would not affect direct spending.

H.R. 1400 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. 1400 would impose private-sector mandates, as defined in UMRA, by requiring sanctions on certain imports and exports with Iran. Based on information from the Departments of Commerce and State, CBO expects that the direct cost of complying with the mandates would fall below the annual threshold for private-sector mandates established by UMRA ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1400 is summarized in Table 1. The costs of this legislation falls within budget functions 150 (international affairs), 750 (administration of justice), and 800 (general government).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 1400

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION [a]						
Spending Under Current Law						
Budget Authority [b]	110	0	0	0	0	0
Estimated Outlays	110	27	0	0	0	0
Proposed Changes						
Department of Treasury Programs						
Estimated Authorization Level	0	145	149	153	0	0
Estimated Outlays	0	111	147	151	36	0
Exchange Programs						
Estimated Authorization Level	0	10	10	10	11	11
Estimated Outlays	0	5	9	10	10	11
Total Changes						
Estimated Authorization Level	0	155	159	163	11	11
Estimated Outlays	0	116	156	161	46	11
Spending Under H.R. 1400						
Estimated Authorization Level [b]	110	155	159	163	11	11
Estimated Outlays	110	143	156	161	46	11

a. In addition to the amounts shown above, enacting H.R. 1400 also would lower revenues by less than $500,000 a year over the 2008-2012 period, totaling $2 million over that period. For the changes in revenues over the 10-year period, see Table 2.

b. The 2007 level is the estimated budget authority available for two programs in the Department of Treasury: the Office of Terrorism and Financial Intelligence ($39 million) and the Financial Crimes Enforcement Network ($71 million).

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that the bill will be enacted before the start of fiscal year 2008 and that spending will follow historical outlay patterns for similar programs.

Spending Subject to Appropriation

H.R. 1400 would authorize appropriations for specific programs within both the Department of Treasury and the Department of State. In total, CBO estimates that implementing these authorizations would cost $490 million over the 2008-2012 period, assuming appropriation of the estimated amounts.

Department of Treasury Programs. In total, section 402 would authorize the appropriation of $145 million in 2008 and such sums as may be necessary for 2009 and 2010; $59 million for the Office of Terrorism and Financial Intelligence and $86 million for the Financial Crimes Enforcement Network, both of which are in the Department of Treasury. Based on information from the Department of Treasury, CBO expects that $145 million, adjusted for inflation, would be sufficient for fiscal years 2009 and 2010. Accordingly, CBO estimates that implementing section 402 would cost $111 million in 2008 and $445 million over the 2008-2012 period, assuming appropriation of the estimated amounts.

Exchange Programs. Section 403 would authorize the President to implement an exchange program with Iran and would authorize the appropriation of $10 million in 2008 to implement that program. Because the exchange program has a permanent authorization, CBO estimates that the bill also would authorize funding for fiscal years 2009 through 2012 equal to the $10 million authorized for 2008, adjusted for inflation. Thus, CBO estimates that implementing section 403 would cost $5 million in 2008 and $45 million over the 2008-2012 period, assuming appropriation of the estimated amounts.

Revenues

Section 202 would disallow imports of certain foodstuffs and carpets from Iran. CBO estimates that this provision would reduce revenues by less than $500,000 in 2008, by $2 million over the 2008-2012 period, and by $4 million over the 2008-2017 period, as shown in Table 2.

TABLE 2. ESTIMATED CHANGES IN REVENUES UNDER H.R. 1400

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
Estimated Revenues	*	*	*	*	*	*	*	*	-1	-1	-2	-4

Note: * = revenue loss of less than $500,000.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1400 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. 1400 would impose private-sector mandates, as defined in UMRA, by requiring sanctions on certain imports and exports with Iran. The bill would impose sanctions by terminating the authority contained in existing regulation that allow the import of carpets and certain foodstuffs into the United States. The bill also would impose other sanctions by prohibiting the export of civil aviation equipment to Iran. According to the Departments of Commerce and State, in 2006 the United States imported from Iran about $143 million in carpets and foodstuffs and exported to Iran about $15,000 in civil aviation equipment. While CBO lacks information on the value of lost profits to importers and exporters resulting from the prohibition on those items, CBO expects that the direct cost of complying with those mandates would fall below UMRA's annual threshold ($131 million in 2007, adjusted annually for inflation).

PREVIOUS CBO ESTIMATES

On June 13, 2007, CBO transmitted a cost estimate for a similar bill, H.R. 2347, the Iran Sanctions Enabling Act of 2007, as ordered reported by the House Committee on Financial Services on May 23, 2007. CBO determined that the bill contained a private-sector mandate on entities participating in certain private pension plans. CBO, however, could not determine whether the aggregate cost of the mandates would exceed the annual threshold.

On February 27, 2007, CBO transmitted an estimate for H.R. 957, a bill to amend the Iran Sanctions Act of 1996 to expand and clarify the entities against which sanctions may be imposed, as ordered reported by the House Committee on Foreign Affairs on February 15, 2007. That bill is similar to section 304 of H.R. 1400 and the estimated costs are the same. CBO determined that the bill contained no new mandates as defined in UMRA.

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