



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 31, 2014

S. 1857
Egypt Assistance Reform Act of 2013

*As reported by the Senate Committee on Foreign Relations
on December 18, 2013*

S. 1857 would restrict certain types of foreign assistance to countries whose elected heads of government are deposed by a coup or military action and would condition assistance to Egypt on certain certifications by the Department of State. CBO estimates that implementing S. 1857 would have discretionary costs of less than \$500,000 over the 2014-2019 period, assuming the availability of appropriated funds. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

Under S. 1857, the Department of State would be required to report to the Congress when it determines that a coup or military action has taken place, and to suspend foreign assistance (with the exception of assistance for humanitarian needs and democracy programs) until a democratically elected government takes office. Recent appropriations acts for foreign assistance programs have contained similar restrictions. In addition, the bill would allow the President to waive those restrictions under certain circumstances after consulting with and reporting to the Congress. That waiver authority would have the potential to increase discretionary spending relative to current law, but CBO has no basis for projecting if or when circumstances might arise that would prompt the President to use the waiver authority.

Title II would condition military and economic assistance to Egypt on certain certifications by the Department of State, including that Egypt is implementing its 1979 peace treaty with Israel, countering terrorism and trafficking, supporting a transition to civilian government, and respecting human rights and due process of law. The bill would allow the President to waive those restrictions under certain circumstances after consulting with and reporting to the Congress. The bill also would require the department to submit to the Congress comprehensive strategies to overhaul the U.S. security relationship with Egypt and foreign assistance to that country. Finally, the bill would require that certain amounts of economic assistance for Egypt be spent on democracy and governance programs.

Impact on the Federal Budget

It is unclear whether the restrictions on foreign assistance to Egypt would further delay the distribution of existing appropriations for assistance to that country—the Administration has already delayed the transfer of some military equipment and cash transfers for economic assistance. Based on information from the department, CBO expects that any further delays from this legislation would be temporary and that the department would eventually spend those amounts. The department also indicated that implementing S. 1857 would result in additional costs to prepare reports and strategies and to consult with the Congress; CBO estimates that those costs would be less than \$500,000 over the 2014-2019 period, assuming the availability of appropriated funds.

Intergovernmental and Private-Sector Mandates

S. 1857 would impose mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on public and private entities that export items sent as foreign assistance. The bill would require individuals and entities engaged in transactions under export license agreements to terminate those agreements if a foreign government is deposed by a coup or military action. The bill also would prohibit the sale of defense articles and services to the government of Egypt unless the President provides certification to Congressional committees that providing the assistance is in the national security interest of the United States and that Egypt is taking actions to promote freedom and stability in the region.

CBO expects the prohibitions to affect few public-sector entities (most likely universities and research institutions) and estimates that the aggregate cost of the intergovernmental mandates would fall well below the annual threshold established in UMRA (\$76 million in 2014, adjusted annually for inflation).

The occurrence of future coups or military actions, the extent to which exporters would have to forgo business opportunities, and the value of those lost opportunities are uncertain. Therefore, CBO has no basis for estimating whether the aggregate cost of the mandates on private entities would exceed the threshold established in UMRA for private-sector mandates (\$152 million in 2014, adjusted annually for inflation).

Staff Contacts

The CBO staff contacts for this estimate are Sunita D'Monte (for federal costs), J'nell L. Blanco (for the intergovernmental impact), and Paige Piper/Bach (for the private-sector impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.