



November 15, 2007

Honorable Christopher J. Dodd  
Chairman  
Committee on Banking, Housing,  
and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

As you requested, CBO has reviewed an amendment to S. 2285, the Terrorism Risk Insurance Program Reauthorization Act of 2007, transmitted by the Committee on Banking, Housing, and Urban Affairs on November 14, 2007. CBO's estimate of the budgetary impact of enacting S. 2285, including the proposed amendment, is shown in the enclosed table. CBO estimates that the amendment would cause the Treasury to collect more revenues on an expedited basis in amounts sufficient to offset (over both the 2008-2012 period and the 2008-2017 period) the estimated cost for the bill as ordered reported by the committee on October 17, 2007. (CBO transmitted its estimate of the committee-approved version on October 29, 2007.)

The amendment would affect both the timing and amount of funds recovered through the program's recoupment mechanism. If the Treasury were required to make payments to property and casualty insurers under S. 2285 as amended by this proposal, the department would be required to estimate the total value of such payments and impose assessments on the industry to recover 133 percent of any payments before the end of 2017.

The amendment would not affect CBO's estimate of spending under S. 2285. CBO estimates that S. 2285 would increase direct spending by \$200 million in fiscal year 2008, \$3.1 billion over the 2008-2012 period, and \$6.6 billion over the 2008-2017 period. An additional \$1.1 billion would be spent after 2017. As noted in CBO's October 29 cost estimate, those amounts reflect an

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expected value, or weighted average, of potential payments under the legislation.

CBO estimates that S. 2285 with the proposed amendment would increase governmental receipts by about \$3.1 billion over the 2008-2012 period and by about \$6.6 billion over the 2008-2017 period, net of income and payroll tax offsets. (The amendment would increase and accelerate revenue collections by an estimated \$5.1 billion over that period, relative to the version of S. 2285 that was previously approved by the committee.)

Considering both the direct spending and revenue effects, CBO estimates that enacting the bill with the proposed amendment would reduce budget deficits or increase surpluses by less than \$50 million over the 2008-2012 and 2008-2017 periods.

I hope this information is helpful to you. If you wish further details, we will be pleased to provide them. The CBO staff contact for this estimate is Susan Willie.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag".

Peter R. Orszag  
Director

Enclosure

cc: Honorable Richard C. Shelby  
Ranking Member

Honorable Kent Conrad  
Chairman  
Committee on the Budget

Honorable Judd Gregg  
Ranking Member

**ESTIMATED COST OF S. 2285, THE TERRORISM RISK INSURANCE REVISION AND EXTENSION ACT OF 2007, WITH AN AMENDMENT TRANSMITTED TO CBO BY THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS ON NOVEMBER 14, 2007**

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
<b>CHANGES IN DIRECT SPENDING</b>												
<b>(as ordered reported)</b>												
Estimated Budget Authority	0.2	0.5	0.7	0.8	0.9	1.0	1.0	0.8	0.5	0.2	3.1	6.6
Estimated Outlays	0.2	0.5	0.7	0.8	0.9	1.0	1.0	0.8	0.5	0.2	3.1	6.6
<b>CHANGES IN REVENUES</b>												
<b>(as ordered reported)</b>												
Estimated Revenues	0.0	0.0	*	*	0.1	0.1	0.2	0.3	0.4	0.4	0.1	1.5
<b>Effect of Proposed Amendment on Revenues</b>												
Estimated Revenues	*	0.4	0.7	0.8	1.1	0.6	0.7	0.4	0.3	0.1	3.0	5.1
<b>NET IMPACT OF AMENDED LEGISLATION</b>												
Estimated Change in Deficit or Surplus <sup>a</sup>	-0.2	-0.1	*	*	0.3	-0.3	-0.1	-0.1	0.2	0.3	*	*

Note: \* = between 0 and \$50 million.

a. Negative numbers indicate an increase in the deficit or decrease in the surplus.