CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 16, 1998

H.R. 3114
International Monetary Fund Reform and Authorization Act of 1998

As ordered reported by the House Committee on Banking and Financial Services on March 7, 1998

SUMMARY

H.R. 3114 would authorize appropriations for an increase in the United States' quota in the International Monetary Fund (IMF) equal to 10,622,500,000 Special Drawing Rights (SDR) and for an increase in the authority to make loans to the IMF equal to 2,462,000,000 SDR. In dollars, the authorizations would amount to approximately $14.5 billion and $3.4 billion, respectively. The authorizations would not directly affect federal outlays.

In addition, the bill would create a new advisory commission and would require additional reports. The new requirements are estimated to cost less than $500,000 a year, assuming the appropriation of the necessary funds.

Because H.R. 3114 would not affect direct spending or receipts, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3114 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs) and budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Proposed Changes						
Authorization Level	17,861	a	a	a	a	a
Estimated Outlays	0	a	a	a	a	a

a. Less than $500,000.

BASIS OF ESTIMATE

The estimate assumes enactment of the bill and subsequent appropriation of approximately $14.5 billion for the quota increase in the IMF and approximately $3.4 billion for authority to lend to the IMF under the New Arrangements to Borrow as requested by the President. The authorizations in the bill are specified in terms of Special Drawing Rights (or SDRs, a currency created by the IMF for the use of IMF members). In recent months, one SDR has been worth about $1.35.

The quota subscription would involve an exchange of monetary assets between the Treasury and the IMF. The United States would turn over one form of internationally acceptable money and in exchange receive rights to draw international reserves from the IMF pool. The IMF has requested that the U.S. quota increase be paid in SDRs, which the United States would ultimately purchase from other IMF members. Only one-quarter of the $14.5 billion increase in the U.S. quota, or about $3.6 billion, would be transferred to the IMF in the form of SDRs. The rest would be provided in a letter of credit, which the IMF could draw on as needed. Similarly, the $3.4 billion for the New Arrangements to Borrow would not involve cash payments to the IMF unless circumstances threatened international economic stability.

Exchanges of monetary assets—which change the composition but not the level of the government's holdings of cash, or its equivalent—are not counted as budgetary outlays. Accordingly, increasing the United States' IMF quota would not directly affect the budget surplus or deficit. The quota increase would ultimately increase the federal debt because the Treasury would have to purchase additional SDRs. To the extent that interest earnings received from the IMF on reserve holdings differ from the interest costs on the increase in the debt, the surplus or deficit could be affected. In addition, there would be a chance of gain or loss from currency fluctuations.

Finally, the bill would create a new advisory committee and require the Treasury to prepare additional reports. CBO estimates that preparing the reports and funding the advisory committee would cost less than $0.5 million annually.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The 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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