



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 28, 2000

H.R. 1064

Serbia Democratization Act of 2000

As passed by the House on September 25, 2000

SUMMARY

H.R. 1064 would impose numerous sanctions against the current governments of Serbia and Yugoslavia and would call upon the President to isolate Yugoslavia in international organizations. The act would authorize the appropriation of \$105 million in 2001 to promote the growth of civil society and democratic institutions in Serbia and for assistance to Montenegro. Should the President determine that Yugoslavia is committed to democratic principles, the rule of law, and internationally recognized human rights, the act would authorize assistance to help in the transition. Assuming the appropriation of the necessary amounts, CBO estimates that implementing the act would cost about \$0.5 billion over the 2001-2005 period. Because the act would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 1064 would impose private-sector mandates, as defined by the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the direct costs of those mandates would fall well below the annual threshold established by UMRA (\$109 million in 2000, adjusted annually for inflation). It contains no intergovernmental mandates as defined in 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. 1064 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					
	2000	2001	2002	2003	2004	2005
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority ^a	49	0	0	0	0	0
Estimated Outlays	16	25	18	11	6	4
Proposed Changes						
Estimated Authorization Level	0	105	200	200	200	0
Estimated Outlays	0	8	83	146	173	136
Spending Under H.R. 1064						
Estimated Authorization Level ^a	49	105	200	200	200	0
Estimated Outlays	16	33	101	157	179	140

a. The 2000 level is the amount appropriated for that year for economic and security assistance programs.

BASIS OF ESTIMATE

H.R. 1064 would authorize the appropriation in 2001 of \$50 million to promote democracy and civil society in Serbia, \$55 million for assistance to Montenegro, and \$0.35 million for a contribution to the Organization for Security and Cooperation in Europe. For this estimate, CBO assumes that H.R. 1064 will be enacted near the start of fiscal year 2001 and that the estimated amounts will be appropriated for each year. We used historical spending rates for similar programs to estimate outlays.

Countries in Eastern Europe and Eurasia have undertaken dramatic changes in the last decade and the United States has supported their transition with large multiyear assistance programs. Such assistance could be provided to Yugoslavia under H.R. 1064. Assuming that Yugoslavia will undergo a transition to more democratic principles, CBO estimates that H.R. 1064 would authorize assistance, beginning in fiscal year 2002, of \$200 million each year for three years. That funding level is comparable to U.S. assistance to other countries in the region that underwent similar changes in the last decade.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1064 contains no intergovernmental mandates as defined by UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1064 would impose private-sector mandates by prohibiting certain transactions with persons, or entities associated with Serbia and the government of Yugoslavia. Based on information provided by the Department of Treasury, CBO expects that the prohibitions in the act would largely maintain current policy and thus would have little impact on the private sector. Thus, the direct cost of mandates in the act would fall well below the annual threshold established by UMRA (\$109 million in 2000, adjusted annually for inflation).

PREVIOUS CBO ESTIMATES

H.R. 1064 is similar to S. 720, the Serbia Democratization Act of 1999, and title V of S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000, for which CBO provided cost estimates on August 4, 1999, and April 6, 2000, respectively. H.R. 1064 differs from those two Senate acts in the amount specifically authorized for 2001.

Unlike the Senate acts, H.R. 1064 contains a specific definition of "person" that does not include state, local, or tribal governments. Consequently, those governments would not be affected by the provisions contained in H.R. 1064.

ESTIMATE PREPARED BY:

Federal Costs: Joseph C. Whitehill
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Lauren Marks

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis