CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 21, 2000

Defense and Security Assistance Act of 2000

As ordered reported by the House Committee on International Relations on June 29, 2000

SUMMARY

The Defense and Security Assistance Act of 2000 would make several changes to current law, including authorizing the transfer of 12 naval vessels and other excess defense articles and waiving certain charges for the sale of helicopters to Colombia. The bill would amend laws governing sales of military equipment that would lower offsetting receipts (a form of direct spending) by about $16 million over the 2001-2005 period. Because it would affect direct spending, the bill would be subject to pay-as-you-go procedures.

In addition, the bill would affect spending subject to appropriation by authorizing such sums as may be necessary for the cost of subsidizing the sale of four naval vessels. CBO estimates that the cost of the subsidy would be $31 million, but does not expect any outlays from that authorization. CBO estimates that the cost of other provisions would be less than $500,000 a year, assuming appropriation of the necessary amounts.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Naval Vessel Transaction Fund						
Estimated Authorization Level	0	31	a	a	a	a
Estimated Outlays	0	a	a	a	a	a
CHANGES IN DIRECT SPENDING						
Loss of Offsetting Receipts from Stockpile Transfers and Helicopter Sales						
Estimated Budget Authority	0	6	5	5	0	0
Estimated Outlays	0	6	5	5	0	0

a. Less than $500,000.

Spending Subject to Appropriation

CBO estimates that the bill would have an insignificant effect on spending subject to appropriation over the next five years.

Naval Vessel Transaction Fund. Title II of the bill would authorize the transfer of 12 naval vessels to foreign countries. It would authorize the sale of four vessels, with payments to be made in installments over a number of years. The other eight would be given away.

CBO estimates the transfers would not affect outlays because we do not expect any of the four authorized sales to take place and because there would be no forgone receipts from giving away the other eight vessels. If the government did sell the four ships with payments to be made over a period of more than 90 days, such sales would meet the definition of direct loans subject to the requirements of the Federal Credit Reform Act of 1990 and would require an appropriation for the cost of the subsidy. The bill would authorize the appropriation of such sums as would be necessary for that purpose. CBO estimates that the subsidy authorization would amount to $31 million, based on information from the Department of Defense (DoD) and military attaches that the asking price for the four ships would be approximately $170 million. Because CBO expects that the countries would prefer that their ships be produced locally, we expect that the sales of those four ships and consequent outlays and offsetting receipts would not occur. That is, we estimate no outlays from the $31 million authorization and no collections of sales receipts.

Other Provisions. The bill contains three provisions that would cost less than $500,000 annually. Section 103 would authorize the use of DoD funds to package and transport excess defense articles to Mongolia. Section 105 would require an annual report on exports of defense articles. Section 107 would require an annual report on how government-to-government transfers of defense items, defense services, and technologies are used.

Direct Spending

CBO estimates that the bill would lower offsetting receipts by $16 million over the 2001-2003 period.

Stockpile Transfers. The bill would permit the Secretary of Defense to augment defense appropriations over the next three years by exchanging items in the War Reserve Stockpile for Allies with Israel for cash, services, waiver of charges, and other items of value. Under current law, DoD has the authority to sell defense items from stock, but the cash proceeds from sales are returned to the Treasury. CBO expects that under the bill DoD would barter with Israel instead of selling items to it. Based on information form DoD, CBO estimates that if the bill were enacted, forgone sales would total about $5 million a year.

Helicopter Sales. The bill would waive the payment by Colombia of certain charges associated with its purchase of five helicopters. The charges for the nonrecurring costs of research, development, and production total $1 million. Waiving the charges would lower offsetting receipts by that amount in 2001.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	6	5	5	0	0	0	0	0	0	0
Changes in receipts	Not applicable										

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.

PREVIOUS CBO ESTIMATE

On April 6, 2000, CBO transmitted a cost estimate for S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000, as ordered reported by the Senate Committee on Foreign Relations. Both S. 2382 and this bill would authorize the sale of naval vessels and the exchange of items in the War Reserves Stockpile for Allies with Israel. S. 2382 would authorize the sale of twice as many naval vessels as this bill, and CBO estimates the subsidy authorization would be correspondingly larger. The Senate bill would authorize the exchange of stockpile items with Israel for five years instead of three years as in the House bill; thus, CBO's estimate of forgone offsetting receipts is $10 million higher for S. 2382.

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