



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 7, 1999

A bill to amend the Foreign Assistance Act of 1961 to reauthorize the Overseas Private Investment Corporation

*As ordered reported by the Senate Committee on Foreign Relations
on March 23, 1999*

SUMMARY

The bill would authorize the Overseas Private Investment Corporation (OPIC) to issue new investment insurance and provide investment financing through 2003. New insurance would generate offsetting collections from premiums, but new financing would require advance appropriation for the cost of any loan or guarantee to be extended. Assuming funding through 2003 at the 1999 level adjusted for inflation, CBO estimates that the bill would lower discretionary outlays by \$12 million over the next five years. (If funding were maintained at the 1999 level, the reduction in discretionary outlays would be \$30 million over the five-year period.) Because the bill 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 (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 150 (international affairs).

BASIS OF ESTIMATE

OPIC insures U.S. investors in developing countries and emerging markets against losses due to expropriation, currency inconvertibility, and damage due to political violence. In addition, OPIC provides loans and guarantees to finance such investment. The bill would authorize

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
Insurance Program^a						
Spending Under Current Law						
Estimated Authorization Level	-282	-294	-280	-291	-280	-270
Estimated Outlays	-282	-294	-280	-291	-280	-270
Proposed Changes ^a						
Estimated Authorization Level	0	-9	-24	-38	-49	-49
Estimated Outlays	0	-9	-24	-38	-49	-49
Spending Under the Bill						
Estimated Authorization Level	-282	-303	-304	-329	-329	-319
Estimated Outlays	-282	-303	-304	-329	-329	-319
Credit Subsidy						
Spending Under Current Law						
Estimated Authorization Level ^b	50	0	0	0	0	0
Estimated Outlays	37	42	32	19	12	5
Proposed Changes						
Estimated Authorization Level	0	51	52	53	54	0
Estimated Outlays	0	2	10	24	33	38
Spending Under the Bill						
Estimated Authorization Level ^b	50	51	52	53	54	0
Estimated Outlays	37	43	42	43	44	43
Administrative Expenses						
Spending Under Current Law						
Estimated Authorization Level ^b	35	33	29	24	20	20
Estimated Outlays	34	33	30	25	20	20
Proposed Changes						
Estimated Authorization Level	0	1	6	12	18	17
Estimated Outlays	0	1	5	11	17	17
Spending Under the Bill						
Estimated Authorization Level ^b	35	34	35	36	38	37
Estimated Outlays	34	34	35	36	37	37
Total Spending Subject to Appropriation						
Spending Under Current Law						
Estimated Authorization Level ^{ab}	-197	-261	-251	-267	-260	-250
Estimated Outlays	-211	-220	-218	-247	-249	-245
Proposed Changes ^c						
Estimated Authorization Level	0	43	34	27	23	-32
Estimated Outlays	0	-7	-9	-3	1	6
Spending Under the Bill ^c						
Estimated Authorization Level ^{ab}	-197	-218	-217	-240	-237	-282
Estimated Outlays	-211	-226	-227	-250	-248	-239

a. Budget authority and outlays for OPIC's insurance program are generally negative because of income from offsetting collections.

b. The 1999 level is the amount appropriated for that year.

c. These figures include funding for administrative expenses and subsidy costs with adjustments for inflation. If spending for these purposes were projected at the 1999 level, authorizations and outlays would be \$25 million and \$18 million less, respectively, over the five-year period.

OPIC to issue new insurance and to provide investment credits through 2003 to such extent as may be provided in annual appropriation acts. The estimate assumes enactment of the bill and funding of OPIC's programs over the next four years at the 1999 level, adjusted for inflation. CBO used historical spending rates to estimate outlays.

Insurance Program. CBO estimates that, under the bill, OPIC would issue \$5 billion to \$6 billion in new insurance each year through 2003. We estimate that the new insurance would generate net collections of \$169 million over the next five years, assuming 20 percent of the policies are not renewed each year and premium income of 0.33 percent on the amount of outstanding insurance.

Credit Subsidy. CBO estimates that funding OPIC's credit program at the 1999 level (\$50 million) adjusted for inflation for the next four years would increase outlays by \$107 million over the 2000-2004 period. If appropriations of \$50 million a year were provided, additional outlays would be \$103 million over the five-year period.

Administrative Expenses. The estimate assumes that under current law OPIC's administrative expenses would be gradually reduced by 50 percent in real terms to a level sufficient to service its outstanding insurance and finance portfolios. Under the bill, the estimate assumes that administrative expenses would be funded at the 1999 level adjusted for inflation except for the \$2 million in emergency appropriations. Thus, CBO estimates an increase in spending of \$51 million over current law. (If funding were maintained at the 1999 level, additional spending for administrative expenses would total \$37 million over the 2000-2004 period.)

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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