CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 6, 2000

Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000

As ordered reported by the Senate Committee on Foreign Relations on March 23, 2000

SUMMARY

CBO estimates that the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 would authorize appropriations of $7.3 billion over the 2000-2005 period for economic and security assistance programs. (About $5.2 billion of the total would be for appropriations in 2001.) Assuming the appropriation of the authorized amounts, CBO estimates that implementing the bill would cost about $6.4 billion over the 2000-2005 period.

In addition to affecting discretionary spending, the bill would amend laws governing sales of military equipment that would lower offsetting receipts (a form of direct spending) by about $45 million a year. The bill also would affect governmental receipts (i.e., revenues), but by less than $500,000 a year. Because it would affect direct spending and receipts, the bill would be subject to pay-as-you-go procedures.

The bill would authorize $3.9 billion for foreign military financing and other security assistance programs in 2001. It would authorize $600 million over the 2000-2003 period for a contribution to a trust fund to pay for a portion of the cost of reducing the debts of highly indebted poor countries (HIPC) by multilateral development banks. The bill would authorize $150 million for contributions to new trust funds within the World Bank to help developing countries fight HIV/AIDS and to educate orphans in sub-Saharan Africa. It would authorize $420 million for bilateral and multilateral programs to fight infectious diseases and additional amounts for other programs. It would authorize the transfer of 17 naval vessels to foreign countries, authorize new assistance programs, reform procedures for imposing bilateral trade sanctions, and otherwise address foreign policy.

The Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 would impose private-sector and intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs of those mandates would not exceed the

thresholds established in UMRA ($109 million in 2000 for private-sector mandates and $55 million in 2000 for intergovernmental mandates, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in Table 1. The costs of this legislation fall within budget functions 150 (international affairs) and 050 (national defense).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF THE TECHNICAL ASSISTANCE, TRADE PROMOTION, AND ANTI-CORRUPTION ACT OF 2000

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority [a]	5,388	0	0	0	0	0
Estimated Outlays	3,587	2,830	1,314	587	56	33
Proposed Changes						
Estimated Authorization Level	210	5,222	698	450	450	250
Estimated Outlays	53	2,435	1,470	1,442	569	423
Spending Under the Bill						
Estimated Authorization Level [a]	5,598	5,222	698	450	450	250
Estimated Outlays	3,639	5,264	2,784	2,028	625	457
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	45	45	45	45	45
Estimated Outlays	0	45	45	45	45	45
CHANGES IN REVENUES						
Estimated Revenues	0	b	b	b	b	b

a. The 2000 level is the amount appropriated for that year for economic and security assistance programs.
b. Less than $500,000.

BASIS OF ESTIMATE

The bill would affect spending subject to appropriation, direct spending, and revenues. For purposes of this estimate, CBO assumes appropriation of most of the authorized amounts by

October 1, 2000. We assume that some of the funds for the HIPC trust fund would be provided by June 1, 2000, and that additional amounts for HIPC and other programs would be provided as needed over the 2002-2005 period. We also assume that outlays would follow historical patterns for the affected programs, or for similar programs in the case of new activities.

Spending Subject to Appropriation

In some instances, the bill would authorize appropriations or earmark amounts for 2001 and other years. Those amounts are shown in Table 2. In other instances, the bill would provide changes in areas where no program level authorization currently exists. While section 10 of Public Law 91-672 requires that appropriations for foreign assistance be authorized by law, that provision is routinely waived by foreign operations appropriation acts. For the purpose of the estimate, changes in authorizations are shown in Table 3 relative to the funding level for 2000.

Authorization of Program Levels. The bill would authorize appropriations for program levels in several areas and earmark amounts in other areas.

Foreign Military Financing. The bill would authorize the appropriation of $3,627 million for foreign military financing (FMF) in 2001. Within that amount, the bill would earmark $1,980 million for Israel and require the disbursement of the funds within 30 days of their appropriation or October 31, 2000, whichever is the later. Requiring early disbursement would shift outlays of $550 million into 2001 from 2002.

Contributions to the HIPC Trust Fund. The bill would authorize the appropriation of $600 million over the 2000-2003 period for a contribution to a HIPC trust fund. That trust fund would be managed by the World Bank to compensate the various multilateral development banks for a portion of the cost of reducing their loans to certain countries under a proposal announced in June 1999, at a summit in Cologne, Germany.

CBO assumes that the contribution under the bill would be funded over a three-year period with the first installment in a fiscal year 2000 supplemental as requested by the President. We also assume that the contribution would be provided as a letter of credit issued to the HIPC trust fund at the time a country and its creditors agree upon a plan for debt relief and poverty reduction and that the outlay would occur when the country satisfies all conditions in the plan. Thus, outlays would be spread over the next five years.

Other World Bank Trust Funds. The bill would authorize the Secretary of the Treasury to negotiate with the World Bank and other donor countries to create two new trust funds within the bank. The first trust fund would provide grants to countries eligible to borrow from the bank to help them deal with the HIV/AIDS epidemic. The second trust fund would support primary and secondary education programs for orphans in sub-Saharan Africa. The bill would authorize the appropriation in 2001 of $100 million for a contribution to the HIV/AIDS fund and $50 million for a contribution to the sub-Saharan Africa fund.

TABLE 2. AUTHORIZATIONS OF PROGRAM LEVELS IN THE TECHNICAL ASSISTANCE, TRADE PROMOTION, AND ANTI-CORRUPTION ACT OF 2000

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
Foreign Military Financing						
Authorization Level	0	3,627	0	0	0	0
Estimated Outlays	0	2,030	716	834	27	7
Contributions to the HIPC Trust Fund						
Estimated Authorization Level	210	150	240	0	0	0
Estimated Outlays	53	111	186	147	92	12
Other World Bank Trust Funds						
Authorization Level	0	150	0	0	0	0
Estimated Outlays	0	0	9	38	38	30
Reconstruction Assistance						
Estimated Authorization Level	0	200	200	200	200	200
Estimated Outlays	0	14	76	126	156	172
Transition Assistance to Yugoslavia						
Estimated Authorization Level	0	0	200	200	200	0
Estimated Outlays	0	0	50	120	157	127
Enterprise Funds						
Estimated Authorization Level	0	50	50	50	50	50
Estimated Outlays	0	4	19	32	39	43
Naval Vessel Transaction Fund						
Estimated Authorization Level	0	60	0	0	0	0
Estimated Outlays	0	0	0	0	0	0
Other Authorized Programs						
Authorization Level	0	737	0	0	0	0
Estimated Outlays	0	258	282	96	38	20
Other Earmarked Programs						
Authorization Level	0	248	8	0	0	0
Estimated Outlays	0	18	132	49	21	12
Total						
Estimated Authorization Level	210	5,222	698	450	450	250
Estimated Outlays	53	2,435	1,470	1,442	569	423

TABLE 3. CHANGES IN AUTHORIZATIONS OF APPROPRIATIONS AS COMPARED TO THE 2000 APPROPRIATIONS LEVELS

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
Future Funding for Israel					
Economic Support Fund for Israel					
Estimated Authorization Level	-109	-229	-349	-469	-589
Estimated Outlays	-109	-229	-349	-469	-589
Foreign Military Financing for Israel					
Estimated Authorization Level	(60)[a]	120	180	240	300
Estimated Outlays	(60)[a]	120	180	240	300
Special Drawdown Authority					
Estimated Authorization Level	50	50	50	50	50
Estimated Outlays	38	47	49	49	50
Total Changes from 2000					
Estimated Authorization Level	-59	-59	-119	-179	-239
Estimated Outlays	-71	-62	-120	-180	-239

a. The amount for 2001 is included in the authorized amounts shown in Table 2 and is not added into the total for this table.

Based on experience with other facilities operated by multilateral development banks, CBO estimates that it will take the bank and donor community more than one year to organize the operations of the trust fund and to begin making grants. CBO assumes that project selection and subsequent grants would augment lending by the bank, thus limiting administrative overhead. We also assume that the appropriated amounts would be provided to the trust fund as a letter of credit that would be drawn upon as needed to finance the grants, thus spreading outlays over a number of years. Using those assumptions, CBO estimates that approximately 75 percent of the authorized amounts would be disbursed over the next five years. CBO also estimates that the costs of negotiations and reporting requirements would be negligible.

Reconstruction Assistance. The bill would authorize the use of disaster assistance funds for reconstruction in general and for Kosovo in particular. The cost of reconstruction from natural or man-made disasters is usually many multiples of the cost of immediate relief. CBO assumes that funding for disaster assistance would double to finance reconstruction, an increase of $200 million per year in new funding. CBO estimates that the resulting spending would increase by $544 million over the next five years.

Transition Assistance to Yugoslavia. The bill would authorize the President to provide assistance to Yugoslavia should he determine that the country is committed to democratic principles and the rule of law, and respects internationally recognized human rights. 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. Assuming that Yugoslavia will undergo a similar transition in 2002, CBO estimates that spending would increase by $454 million over the next five years.

Enterprise Funds. The bill would authorize the President to use development assistance or the economic support fund to support private-sector enterprise funds outside Eastern Europe and the new independent states of the former Soviet Union. The President has used existing authority to support enterprise funds in those two regions over the past decade. Those funds range in size from $30 million to $260 million with the typical capitalization of $50 million. CBO estimates that the new enterprise funds would increase spending by $137 million over the next five years assuming one new enterprise fund a year with a grant of $50 million each.

Naval Vessel Transaction Fund. The bill would authorize the transfer of 17 naval vessels to foreign countries. The bill would authorize the sale of eight vessels by installments to be paid over a number of years. The other nine would be given away.

CBO estimates the transfers would not affect outlays because it does not expect any of the eight authorized sales to take place under the bill and because there would be no forgone receipts from giving away the other nine vessels. If the government did sell the eight ships in installments 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, which the bill would authorize in such sums as would be necessary. CBO estimates that the subsidy authorization would amount to about $60 million based on information from the Department of Defense and military attaches that the asking price for the eight ships would be approximately $260 million dollars. Because CBO expects that the countries would prefer that their ships be produced locally, we expect that the sales of those eight ships and consequent outlays and offsetting receipts would not occur. That is, we estimate no outlays from the $60 million authorization, and no collections of sales receipts.

Other Authorized Programs. The bill would also authorize appropriations for four sets of programs as follows:

- $420 million to fight infectious diseases—$360 million for bilateral assistance to fight HIV/AIDS and tuberculosis, $50 million for a contribution to the Global Alliance for Vaccine Initiative, and $10 million for a contribution to the International AIDS Vaccine Initiative;

- $202 million for nonproliferation and antiterrorism assistance;

- $65 million for international military education and training; and

- $50 million to promote democracy in Yugoslavia.

Based on historical spending patterns for similar programs, CBO estimates that appropriation of the authorized amounts would increase outlays by $694 million over the next five years.

Other Earmarked Programs. The bill would earmark funds not otherwise authorized for various programs:

- $150 million increase for microenterprise grants;

- $60 million for certain environmental programs;

- $25 million for East Timor;

- $16 million for transition assistance to Sudan over a two-year period; and

- $5 million for a new microfinance loan facility.

The earmarks would increase spending by $232 million over the next five years, assuming appropriation of the authorized amounts.

Changes in Authorizations of Appropriations. In addition to authorizing program levels, the bill contains provisions that would lead to changes in future spending, assuming the appropriations of the necessary funds, but for which no amounts are authorized or earmarked. In Table 3, those implicit changes to future funding levels are shown relative to the funding level for 2000. Because these changes relate to programs not currently authorized and not authorized in this bill, the net change in outlays shown in Table 3—totaling -$672 million over the 2001-2005 period—are not included in either Table 1 or Table 2.

Future Funding for Israel. The bill contains provisions that would combine to lower future aid to Israel. One provision would gradually eliminate grants to Israel from the economic support fund by reducing the authorization of future appropriations by $120 million a year through 2008. (In 2001, the reduction would amount to $11 million less or $109 million because of the across-the-board cut required by Public Law 106-113.) Another provision would authorize that future FMF funding for Israel be increased by $60 million each year over the same period.

Special Drawdown Authority. The bill would raise by $50 million per year the limit on the President's authority to draw upon the resources of the Department of Defense (DoD) for various needs, including international emergencies. It would add antiterrorism and nonproliferation assistance to the purposes for which the special authority could be used. Other provisions of the bill would authorize the use of DoD's resources to transport excess defense articles to Mongolia and would double the tonnage limit on excess defense articles that DoD may ship on a space available basis. Assuming the appropriation of the necessary funds, CBO estimates that the provisions could increase spending by $233 million over the next five years.

Direct Spending

CBO estimates that the bill would lower offsetting receipts for the Department of Defense by $225 million over the next five years and would have other insignificant effects on direct spending.

Discounted Sales of Defense Equipment. Section 772 would authorize the President to sell defense articles not intended to be replaced at reduced prices if it would facilitate the sale of new defense articles or if it served the national interest. Under current law, the President can sell excess defense articles at a market-determined price or give the items away. Not all defense articles covered by this provision are considered excess to U.S. defense needs; however, section 772 would apply in either case. CBO estimates that if the new authority would be used to lower prices by 5 percent to 10 percent, offsetting receipts to DoD would fall by $40 million per year.

Stockpiles Transfers. The bill would permit the Secretary of Defense to augment defense appropriations over the next five 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. CBO estimates that if the bill were enacted forgone sales would total about $5 million a year based on information from DoD.

Financing the Cost of the HIPC Trust Fund. Public Law 106-113 authorized the U.S. Executive Director of the International Monetary Fund (IMF) to vote for the Fund's plan to revalue a portion of its gold holdings and to transfer resources held in a special reserve account to a trust fund to be used for debt relief. That law permits the IMF to use only 9/14 of such earnings for debt relief. The bill would strike that restriction, but CBO does not expect that change to have a budgetary impact.

The revaluation and transactions with member countries will lower the IMF's net income by an estimated $120 million a year. Lower income for the IMF could affect the U.S. budget if the IMF should lower the rate of interest that it pays on the U.S. reserve position in the Fund. Based on information from the Treasury Department, CBO assumes the United States would oppose reducing the rate of remuneration.

Trade Sanctions Reform and Export Enhancement. The bill would exempt medicine, medical devices, and commercial sales of agricultural commodities from current and future unilateral economic sanctions imposed by the United States on a foreign country or entity, unless the Congress enacts a joint resolution approving a report by the President describing and justifying the proposed sanctions. Current sanctions would continue, however, on sales of agricultural commodities supported with certain federal export subsidies or financing. The bill would require that any such unilateral sanction terminate two years after its effective date unless the Congress approves an extension.

The bill could affect direct spending if unilateral agricultural sanctions are imposed less frequently or are of shorter duration than under current law. CBO has no basis for predicting the likelihood, duration, or market effects of future sanctions, or the likelihood of future Congressional action to approve or disapprove of such sanctions. But the bill would not affect most federally supported sales of agricultural commodities, and thus, CBO estimates that enacting this provision would probably have no significant budgetary impact.

Other Direct Spending Provisions. The bill contains other provisions that would directly affect spending; however, CBO estimates that their budgetary impact would not be significant.

Section 802 would provide the authority to deobligate funds and reobligate them for the purpose of an orderly closure of programs that are forced to terminate under provisions of the Foreign Assistance Act. The authority would include the international military education and training and foreign military financing programs. The bill would provide authority to make an equitable settlement of termination claims by contractors under certain relatively rare circumstances. CBO estimates the new authority would not significantly affect spending.

The bill would create a permanent working capital fund for the Agency for International Development. CBO estimates spending from the fund would net to zero over time.

Revenues

Section 778 of the bill would increase the maximum fine for failure to file information or reports with the Secretary of the Treasury in connection with the export or transportation of cargo from $1,000 to $10,000. The bill also would create a $10,000 fine for persons who knowingly fail to file, or submit false export information through the shipper's export declaration or the automated export system. Based on information from the U.S. Customs Service, CBO estimates that these changes would increase revenues by less than $500,000 annually.

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 and governmental receipts that are subject to pay-as-you-go procedures are shown in Table 4. (The estimated effects on receipts are less than $500,000 a year.) For the 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.

TABLE 4. ESTIMATED EFFECTS ON DIRECT SPENDING AND RECEIPTS

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	45	45	45	45	45	45	45	45	45	45
Changes in receipts	0	0	0	0	0	0	0	0	0	0	0

ESTIMATED INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 would impose private-sector and intergovernmental mandates, as defined in UMRA. CBO estimates that the cost of those mandates would not exceed the thresholds established by UMRA ($109 million in 2000 for private-sector mandates and $55 million in 2000 for intergovernmental mandates, adjusted annually for inflation).

Section 778 of title VII would increase the cost of an existing private-sector mandate on carriers of international cargo. Under current law, international carriers are required to either submit declaration forms prior to shipment or within four days after shipment, provided that they have a $1,000 bond on file with the Treasury Department. This bill would increase the cost of that mandate by requiring a $10,000 bond for carriers that wish to submit forms after departure. According to information provided by the Customs Service, most international carriers file bonds allowing them to submit late declarations. To comply with the mandate under this bill, carriers could either file all forms prior to shipment or secure a more costly bond. Based on information provided by industry sources, CBO estimates that the direct costs of complying with the mandate would be minor.

Section 127 of title I would impose a mandate on exporters of agricultural commodities, medicine, and medical devices to countries found by the Secretary of State to be providing support for acts of international terrorism. The bill would require those exporters to apply for one-year licenses and to complete contracts within 12 months. Although that provision would subject exports to certain countries to more restrictive controls, costs to exporters could be offset by that provision's easing of export restrictions to other terrorist-supporting nations. The termination of unilateral agricultural and medical sanctions in section 123 could also provide savings to exporters of those commodities. Based on information provided by government sources, CBO estimates the net costs that the bill would impose on such exporters would not be significant.

Title V of the bill contains provisions that would impose private-sector and intergovernmental mandates by prohibiting certain transactions involving Serbia and the government of Yugoslavia. However, based on information provided by the Treasury Department about new regulatory authority provided in the bill, CBO expects that the provisions would largely maintain current policy and thus would have little impact on the private sector or on state, local, or tribal governments.

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