

September 23, 2003

Honorable Don Nickles
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared an estimate of the effects on direct spending of H.R. 13, the Museum and Library Services Act of 2003 as cleared by Congress on September 16, 2003. (The act will not affect revenues.)

H.R. 13 will increase total indemnity limits under the Arts and Artifacts Indemnity Act from \$5 billion to \$8 billion. The Arts Indemnity Act authorizes the Federal Council on the Arts and Humanities to enter into agreements to cover certain eligible works of art while traveling on exhibition in the United States or abroad. Coverage includes the time objects are in transit and while they are on exhibition.

According to information from the National Endowment for the Arts, there have been two claims totaling \$105,000 since 1976, the first year of the program. Loss or damage claims are first paid out of the Arts and Artifacts Indemnity Fund—a gifts and donations fund for this purpose. The fund currently has a balance of \$280,000. If claims total more than the \$280,000, additional funding would have to be provided. All of the spending would be considered direct spending. Although the government will be exposing itself to more risk if the indemnity limits were raised by \$3 billion, CBO estimates that such spending would be less than \$500,000 in each fiscal year. That estimate is based on previous years' experience. However, an actual loss or damage is impossible to predict; therefore, the cost could be much greater.

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The act also will increase the limit for a single exhibition from \$500 million to \$600 million and change the deductible limits, but CBO estimates that these changes will have negligible costs.

If you wish further details on this estimate we will be pleased to provide them. The CBO staff contact is Donna Wong.

Sincerely,

Douglas Holtz-Eakin
Director

cc: Honorable Kent Conrad
Ranking Member

Honorable Judd Gregg
Chairman
Committee on Health, Education,
Labor and Pensions

Honorable Edward M. Kennedy
Ranking Member

Identical letter sent to the Honorable Jim Nussle.