



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 11, 2006

**H.R. 4014
Millennium Challenge Reauthorization Act of 2006**

*As ordered reported by the House Committee on International Relations
on June 27, 2006*

SUMMARY

H.R. 4014 would authorize the appropriation of such sums as may be necessary for the Millennium Challenge Corporation (MCC) for fiscal years 2007 through 2009. The bill also would extend the time period for which aid could be provided under agreements between the United States and the recipient country. Additionally, it would allow for two agreements with one country to be in place concurrently. Finally, the bill would require the President to report on the recruitment and employment of members of minority groups and on the extent of contracts that the MCC signs with small businesses, minority-owned businesses, and business concerns owned by disadvantaged individuals.

CBO estimates that implementing H.R. 4014 would cost about \$4.4 billion over the 2007-2011 period, assuming appropriation of the estimated amounts. Additionally, CBO estimates that, by extending the allowable time period for providing aid for individual projects, the bill would increase direct spending by \$10 million in 2007, \$50 million over the 2007-2011 period, and \$100 million over the 2007-2016 period.

H.R. 4014 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 H.R. 4014 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					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for the Millennium Challenge Corporation						
Estimated Budget Authority ^a	1,752	0	0	0	0	0
Estimated Outlays	188	375	650	826	463	231
Proposed Changes						
Estimated Authorization Level	0	1,785	1,817	1,851	0	0
Estimated Outlays	0	134	628	1,296	1,542	831
Spending Under H.R. 4014 for the Millennium Challenge Corporation						
Estimated Authorization Level ^a	1,752	1,785	1,817	1,851	0	0
Estimated Outlays	188	509	1,278	2,122	2,005	1,062
CHANGES IN DIRECT SPENDING						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	10	10	10	10	10

a. The 2006 level is the amount appropriated for that year.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that H.R. 4014 will be enacted near the start of fiscal year 2007 and that the estimated amounts will be appropriated for each year.

Spending Subject to Appropriation

H.R. 4014 would authorize the appropriation of such sums as may be necessary for the Millennium Challenge Corporation for fiscal years 2007 through 2009. The MCC provides foreign assistance to countries that meet certain criteria with respect to economic freedom, just governance, and provision of public services. In 2006, the Congress appropriated more than \$1.7 billion for the MCC. CBO estimates that the 2006 amount, adjusted for inflation, would be sufficient to meet the goals and objectives of the Millennium Challenge Corporation. The first appropriation for the MCC was in 2004 and based on spending patterns for other new programs CBO expects that spending will gradually increase to levels similar to other foreign-aid programs. Accordingly, CBO estimates that implementing

H.R. 4014 would cost about \$130 million in 2007 and about \$4.4 billion over the 2007-2011 period, assuming appropriation of the estimated amounts.

Direct Spending

H.R. 4014 would increase spending of previously appropriated funds. Over the 2004-2006 period, the Congress appropriated more than \$4 billion for the MCC, though only about \$100 million has been spent through May of 2006. Under current law, the MCC cannot provide aid for projects that would take longer than five years to complete. Additionally, under current law, the MCC can only have one signed compact in effect with one country at any given time. Section 5 of H.R. 4014 would allow the MCC to fund projects that would take up to 10 years to complete and to have two compacts with one country in place concurrently.

CBO expects that these changes likely would increase outlays from the funds already appropriated for the MCC. Based on information from the Millennium Challenge Corporation, CBO estimates that enacting H.R. 4014 would increase direct spending outlays by \$10 million in 2007, \$50 million over the 2007-2011 period, and \$100 million over the 2007-2016 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4014 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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