



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 2007

H.R. 2798 **Overseas Private Investment Corporation Reauthorization Act of 2007**

*As ordered reported by the House Committee on Foreign Affairs
on June 26, 2007*

SUMMARY

H.R. 2798 would extend through 2011 the authority of the Overseas Private Investment Corporation (OPIC) to issue political risk insurance and to finance investments in developing countries and emerging market economies with direct loans and loan guarantees. Additionally, the bill would require OPIC to give preferential treatment to a variety of projects, including those in less-developed countries, those that respect workers' rights, those that promote the use of alternative energy sources, and those that agree to an international standard for transparency for projects that involve extractive industries, like mining and drilling. H.R. 2798 also would require OPIC to publish summaries of each project it approves on its Internet Web site, use competitive bidding to select managers for its investment funds, and create an office of accountability. Finally, the bill would allow OPIC to operate in Iraq on a permanent basis as well as in Gaza and Sudan with the concurrence of the Secretary of State.

CBO estimates that implementing H.R. 2798 would cost \$6 million in 2008 and \$74 million over the 2008-2012 period, assuming appropriation of the estimated amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 2798 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. 2798 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					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for OPIC						
Estimated Authorization Level ^a	-124	-193	-190	-189	-195	-209
Estimated Outlays	-62	-144	-165	-176	-191	-207
Proposed Changes						
Estimated Authorization Level ^b	0	33	30	29	35	4
Estimated Outlays	0	6	7	12	23	26
Spending Under H.R. 2798 for OPIC						
Estimated Authorization Level	-124	-160	-160	-160	-160	-205
Estimated Outlays	-62	-138	-158	-164	-168	-181

Note: OPIC = Overseas Private Investment Corporation.

- a. The 2007 level is the amount appropriated for that year plus the estimated amount of offsetting collections for negative subsidy receipts in OPIC's credit program account and for collections in OPIC's noncredit account. The 2008-2012 levels are CBO's baseline projections for collections and administrative spending sufficient to service OPIC's outstanding portfolio.
- b. The estimated authorization level reflects the amount OPIC requested for its 2008 appropriation, adjusted for inflation, minus the estimated amount OPIC would need to service its outstanding portfolio of insurance, loans, and loan guarantees.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted before the end of fiscal year 2007, that the necessary funds and authority will be provided in annual appropriation acts near the start of each fiscal year, and that outlays will follow historical spending patterns for OPIC activities.

OPIC insures investors in developing countries and emerging markets against losses due to expropriation, currency inconvertibility, and damage that results from political violence. In addition, OPIC provides direct loans and loan guarantees to finance such investment. The bill would authorize OPIC to issue new insurance policies and to make direct loans and loan guarantees through 2011, to the extent the necessary authority and funds are provided in annual appropriations acts.

The estimated spending under current law assumes that OPIC continues to service its outstanding insurance and credits and to receive collections on its investments in U.S. securities, but that it issues no new insurance policies and finances no new investments after

September 30, 2007. (Interest on existing securities brings in collections of more than \$200 million a year to the OPIC account, but that interest is paid by the U.S. Treasury and thus shows up as an offsetting payment elsewhere in the federal budget.) CBO expects that administrative expenses under current law would gradually be reduced to the minimum rate necessary to service outstanding insurance and credits.

CBO estimates that funding for administrative expenses and the cost of credit would be provided in annual appropriations acts at the level requested by OPIC for 2008—\$77 million—adjusted for inflation. Additionally, we expect that under H.R. 2798, OPIC would continue to issue new insurance policies through 2011. Because the bill would extend OPIC’s authorities through 2011 only, we estimate that funding in 2012 would only be needed for the administrative expenses of servicing outstanding insurance, direct loans, and loan guarantees.

For the past few years, the subsidy rate for many loan guarantees made by OPIC has been negative, thus generating discretionary offsetting collections. CBO estimates that under current law those collections would gradually decline from \$36 million in 2007 to \$6 million in 2011. Under the bill, CBO estimates that negative subsidy collections would increase by \$114 million over the 2008-2012 period, and those collections are reflected in the net estimated costs over the 2008-2012 period.

Based on information from OPIC, CBO estimates that the new requirements in H.R. 2798 would not significantly affect the costs of OPIC’s operations. Accordingly, CBO estimates that extending OPIC’s authorization through 2011 would have a net cost of \$6 million in 2008 and \$74 million over the 2008-2012 period, assuming appropriation of the necessary funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2798 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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