CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 31, 2008

Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2008

As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on July 17, 2008

SUMMARY

The bill would authorize appropriations for two programs in the Department of the Treasury that combat financial crimes, and for the Bureau of Industry Security (BIS) within the Department of Commerce, which helps certain countries improve their controls over exports. This legislation also would limit trade with Iran and allow the President to impose sanctions on certain individuals. Finally, the bill would allow state and local governments to divest their assets from entities that make certain investments in Iran's energy sector.

CBO estimates that implementing the bill would cost $121 million in 2009 and $496 million over the 2009-2013 period, assuming appropriation of the necessary amounts. In addition, CBO estimates that enacting the bill would reduce revenues by about $6 million over the 2009-2018 period. Enacting the legislation also could increase revenues and direct spending because additional criminal penalties might be imposed, but we expect that any such increase would not be significant because of the relatively small number of cases likely to be involved.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

The legislation would impose private-sector mandates, as defined in UMRA, by prohibiting imports from and exports to Iran. It also could impose mandates by freezing the assets of certain individuals under conditions specified in the bill. In addition, the bill would require financial institutions that hold the funds and other assets of the individuals subject to the sanction to report such information. Finally, the bill could impose a mandate on exporters by specifying additional license requirements on exports to certain countries that are designated by the Secretary of Commerce as Destinations of Possible Diversion Concern. The cost of complying with those mandates is uncertain because it would depend on whether and how some measures would be applied and because CBO lacks information on the value

of lost profits to importers and exporters under the trade ban. Therefore, CBO cannot determine whether the aggregate cost to comply with the mandates in the bill would exceed the annual threshold for private-sector mandates established in UMRA ($136 million in 2008, adjusted annually for inflation).

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 functions 150 (international affairs), 370 (commerce and housing credit), and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2009	2010	2011	2012	2013	2009-2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]						
Department of the Treasury Programs						
Estimated Authorization Level	153	158	163	0	0	474
Estimated Outlays	117	156	161	38	0	472
Department of Commerce Programs						
Estimated Authorization Level	3	3	3	3	3	15
Estimated Outlays	2	3	3	3	3	14
Reports						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Total Changes						
Estimated Authorization Level	158	163	168	5	5	499
Estimated Outlays	121	161	166	43	5	496

a. Enacting this legislation also would reduce revenues by $2 million over the 2009-2013 period and $6 million over the 2009-2018 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2009 and that spending will follow historical patterns for similar programs.

Spending Subject to Appropriation

The bill would authorize appropriations for programs within the Department of the Treasury and the Department of Commerce. In total, CBO estimates that implementing those programs would cost $496 million over the 2009-2013 period, assuming appropriation of the necessary amounts.

Department of the Treasury Programs. Section 105 would authorize the appropriation of $153 million for 2009 and such sums as may be necessary for 2010 and 2011 for the Office of Financial Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network. Based on information from the Department of the Treasury, CBO expects that $153 million, adjusted for anticipated inflation, would be sufficient for fiscal years 2010 and 2011 to continue the additional efforts of those offices to ensure the international financial system is not used to support terrorism. Under that assumption, CBO estimates that implementing section 105 would cost $472 million over the 2009-2013 period.

Department of Commerce Programs. Title III would establish new programs within BIS to improve controls over certain domestic exports to an end-user that cannot be identified or to an entity that is owned or controlled by the government of Iran. The bill would require the Secretary of Commerce, in consultation with the Secretary of State and the Secretary of the Treasury, to identify a list of countries that have inadequate export and reexport controls and fail to control exports that divert U.S. goods to unknown parties.

BIS would be authorized to help those countries strengthen their systems to control exports. If, after one year, a country on the list fails to cooperate with efforts to improve its export control system or is found to be involved in the illegal diversion of U.S. exports, it would be subject to additional export licensing requirements for certain technologies.

Based on information from BIS, CBO estimates that about 20 staff members would be needed to track export enforcement trends, to monitor activities within the countries of concern, to help such countries improve their export control systems, and to meet the new licensing requirements. CBO estimates that implementing those provisions would cost $2 million in 2009 and $14 million over the 2009-2013 period.

Reports. Several sections would require the Department of the Treasury and the President to provide the Congress with a variety of reports about Iran, including details of investments in Iran by the United States and other countries. The bill also would require a report on international efforts to promote the peaceful uses of nuclear fuel. Based on the costs to prepare similar reports, CBO estimates that preparing those reports would cost about $2 million annually.

Revenues and Direct Spending

Prohibition on Imports. The bill would prohibit the importation to the United States of any product of Iran. Based on the composition of recent imports from Iran, CBO expects that the aggregate trade volume subject to customs duties would decrease, reducing revenues by an estimated $2 million over the 2009-2013 period and $6 million over the 2009-2018 period.

Civil and Criminal Penalties. The bill would impose civil and criminal penalties for violations of the new sanctions. Collections of civil penalties are recorded in the budget as revenues. Collections of criminal penalties also are recorded in the budget as revenues, deposited in the Crime Victims Fund, and later spent without further appropriation. CBO estimates that any additional revenues and direct spending that would result from those penalties would not be significant because of the relatively small number of cases likely to be involved.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The legislation contains private-sector mandates, as defined in UMRA. However, CBO cannot determine whether the aggregate cost to comply with those mandates would exceed the annual threshold for private-sector mandates established in UMRA ($136 million in 2008, adjusted annually for inflation).

The bill would impose mandates on certain businesses by banning all imports from and exports to Iran, with the exception of agricultural commodities, medicine, medical devices, certain informational materials, and other humanitarian assistance. According to the Department of Commerce, in 2007, the United States imported from Iran approximately $173 million in goods, mostly carpets and foodstuffs, and exported $146 million in goods, mostly items that would be excluded from the export ban. The cost of the ban is uncertain because CBO lacks information on the value of lost profits to importers and exporters.

The bill also could impose private-sector mandates by directing the President to freeze the funds and other assets of certain Iranian government officials, and the assets of their family members and associates to whom such officials have transferred assets on or after January 1, 2008. Some of those individuals may reside in the United States. Because the

Iranian government officials who would be subject to sanctions have not been named, the cost of that mandate also is uncertain. The bill also would impose a mandate on financial institutions that hold funds and other assets of persons subject to sanctions by requiring them to report such information. CBO expects the cost to comply with this reporting requirement would be small.

Finally, by imposing new license requirements on exporters of certain products, conditioned upon whether the country where exports are sent has been designated as a Destination of Possible Diversion Concern, the bill could impose a mandate. Because of uncertainty about what countries would be designated, if any, and what products would be subject to additional licensing requirements for export to those countries, the cost of complying with the mandate is unknown.

PREVIOUS CBO ESTIMATES

On June 26, 2008, CBO transmitted a cost estimate for the Iran Sanctions Act of 2008 as ordered reported by the Senate Committee on Finance on June 18, 2006. Both bills contain provisions for the Department of the Treasury programs and the prohibition of imports from Iran. The Iran Sanctions Act of 2008 contained provisions for exchange programs with Iran and contributions to the International Atomic Energy Agency, as well as modified tax treatment for certain costs incurred by oil companies after the imposition of the sanctions that are not included in this bill. The Finance Committee's bill would require a ban on trade with Iran. It also would require the President to freeze the assets of certain family members and associates of Iranian government officials subject to sanctions, and would require any financial institution that holds funds and other assets of any designated person to report such information. The cost of complying with those mandates is uncertain because of a lack of information about import markets and the assets that would be subject to the sanction. The differences in CBO's estimates of the costs of the two bills reflect differences in the legislative language.

On July 11, 2007, CBO transmitted a cost estimate for a similar bill, H.R. 1400, the Iran Counter-Proliferation Act of 2007, as ordered reported by the House Committee on Foreign Affairs on June 26, 2007. H.R. 1400 contained similar language authorizing programs of the Department of the Treasury. H.R. 1400 also imposed private-sector mandates by requiring sanctions on certain imports and exports with Iran, but CBO expected that the direct cost of complying with those mandates would fall below UMRA's annual threshold.

On February 27, 2007, CBO transmitted a cost estimate for H.R. 957, a bill to amend the Iran Sanctions Act of 1996 to expand and clarify the entities against which sanctions may be imposed, as ordered reported by the House Committee on Foreign Affairs on

February 15, 2007. That bill is similar to sections 102 and 104 of this legislation, and the estimated costs for those sections are the same. CBO determined that H.R. 957 contained no new mandates as defined in UMRA.

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