CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 13, 2011

H.R. 1905
Iran Threat Reduction Act of 2011

As provided by the House Committee on Foreign Affairs on December 8, 2011

SUMMARY

H.R. 1905 would amend and expand existing sanctions against Iran. CBO estimates that implementing the bill would have a discretionary cost of $128 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

In addition, enacting the bill would increase revenues by $57 million over the 2012-2021 period and have insignificant effects on direct spending; therefore, pay-as-you-go procedures apply.

The sanctions contained in H.R. 1905 would be intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO cannot determine whether the cost of complying with those mandates would exceed the annual threshold for private-sector mandates ($42 million in 2011, adjusted annually for inflation). We estimate that compliance costs would not exceed the threshold for intergovernmental mandates ($71 million in 2011, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The bill would authorize assistance to promote democracy, Internet freedom, and access to information in Iran. The Near East Regional Democracy fund currently supports such initiatives; its funding was $35 million in 2011, and the President has requested the same amount for 2012. After adjusting that amount for anticipated inflation, CBO estimates that providing the authorized assistance would cost $115 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Other provisions would increase administrative costs of the Department of State, Department of the Treasury, International Trade Administration, and Securities and Exchange Commission; CBO estimates that implementing those provisions would have a discretionary cost of $13 million over the 2012-2016, assuming appropriation of the necessary amounts.

The costs of implementing H.R. 1905 fall primarily within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Near East Regional Democracy Fund						
Estimated Authorization Level	35	35	36	37	37	180
Estimated Outlays	4	18	27	32	35	115
Administrative Expenses						
Estimated Authorization Level	3	3	3	3	3	15
Estimated Outlays	2	3	3	3	3	13
Total Changes						
Estimated Authorization Level	38	38	39	40	40	195
Estimated Outlays	5	20	30	35	38	128
CHANGES IN REVENUES						
Total Changes in Revenues[a]	*	*	2	4	6	11

Note: Components may not sum to totals because of rounding; * = less than $500,000.

a. CBO estimates that over the 2012-2021 period, enacting H.R. 1905 would increase revenues by $57 million.

H.R. 1905 also contains provisions that would affect direct spending and revenues. The bill would establish minimum penalties for violations of trade sanctions that would be higher than the penalties imposed under current law. Based on data from the Treasury Department's Office of Financial Assets Control, CBO estimates that increasing those penalties would increase revenues by $11 million over the 2012-2016 period and $57 million over the 2012-2021 period.

Other provisions in the bill would have insignificant effects on direct spending and revenues. The bill would increase the number of people who would be denied a visa by the Secretary of State. Most visa fees are retained by the department and spent, but some fees are deposited in the Treasury as revenues. CBO estimates that implementing that provision would affect very few people and have insignificant effects on direct spending and revenues. The bill also could increase revenues and direct spending from the collection of civil and criminal penalties; however, CBO estimates that the net budgetary effect of any additional penalty collections would be negligible for each year.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues under H.R. 1905 that are subject to those pay-as-you-go procedures are shown in the following table. (Enacting the bill would have insignificant effects on outlays from direct spending).

CBO Estimate of Pay-As-You-Go Effects for H.R. 1905 as provided to CBO on December 8, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	-2	-4	-6	-8	-9	-9	-9	-9	-11	-57

Note: Components may not sum to totals because of rounding.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

By requiring the President to impose new sanctions related to the development of Iran's refined petroleum resources, and expanding the scope of entities that may be affected by those sanctions, this legislation would impose intergovernmental and private-sector mandates as defined in UMRA. The bill would impose new prohibitions on financial transactions and other activities that may aid Iran in producing and transporting refined oil products and increase the number of entities responsible for complying with new and existing sanctions. The cost of complying with the mandates would depend on how the sanctions would be implemented. Therefore, CBO cannot determine whether the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates ($142 million in 2011, adjusted annually for inflation). CBO expects few public entities would be affected and estimates that the aggregate cost of intergovernmental mandates would probably fall below the threshold established in UMRA ($71 million in 2011, adjusted annually for inflation).

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