



July 24, 2015

Honorable Mike Enzi
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Re: The Budgetary Impact of Reauthorizing the Export-Import Bank

Dear Mr. Chairman:

As you requested, and pursuant to section 3105 of S. Con. Res 11, the Concurrent Resolution on the Budget for Fiscal Year 2016, the Congressional Budget Office is providing two estimates of the costs of reauthorizing the Export-Import Bank through 2019 under Senate amendment number 2327, the Export-Import Bank Reform and Reauthorization Act of 2015. One estimate is based on procedures currently used in the federal budget as prescribed by the Federal Credit Reform Act of 1990 (FCRA). The other estimate is based on the market value of the federal government's obligations, often termed a fair-value estimate.

Estimate on a FCRA Basis

On a FCRA basis, CBO estimates that reauthorizing the Export-Import Bank beginning on October 1, 2015, would reduce spending subject to appropriation by \$2.3 billion over the 2016-2020 period, assuming annual appropriation action consistent with such a reauthorization. That estimate reflects the bank's recent experience; it comprises the budgetary effect of new loans and guarantees issued by the bank (a reduction in discretionary spending totaling \$2.6 billion over the 2016-2020 period) and additional administrative costs associated with those new commitments (totaling \$0.3 billion over that same period).

If the bank is reauthorized before the end of fiscal year 2015, the budgetary effects from any new loans or loan guarantees made during the remainder of 2015 would be treated as direct spending because they would occur as a direct result of this legislation. Assuming the amendment is enacted by early August 2015, CBO estimates that direct spending would decline by \$30 million in 2015.

Estimate on a Fair-Value Basis

On a fair-value basis, CBO estimates that reauthorizing the bank starting on October 1, 2015, would cost \$0.3 billion over the 2016-2020 period, assuming annual appropriation action consistent with the reauthorization. That estimate comprises the additional administrative costs that would be associated with the bank's credit activities during that period. CBO estimates that, on a fair-value basis, the budgetary effect of new loans and guarantees issued by the bank over the 2016-2020 period would be close to zero. If the Congress reauthorizes the bank by early August 2015, CBO estimates that, on a fair-value basis, direct spending would increase by \$4 million in 2015.

Differences from Previous Estimates

CBO's estimates of the FCRA and fair-value subsidy cost for the bank's loans and loan guarantees that would be issued under the legislation differ somewhat from its previous estimates of the bank's costs. In its 2014 report entitled *Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024*, CBO estimated that the lending activity of the Export-Import Bank would result in annual savings totaling \$1.4 billion on a FCRA basis and annual costs totaling \$0.2 billion on a fair-value basis. Those estimates were based on projections of more credit activity than CBO now anticipates and included the effects of commitments made in earlier years.

Moreover, recent information regarding changes that the bank plans to make in some of its programs, particularly a significant increase in fees the bank would charge in its long-term guarantee program starting in fiscal year 2016, suggests that the subsidy cost per dollar of credit activity might be less than CBO previously projected. However, such an increase in fees would probably result in less risky borrowers finding credit from other sources, leaving the bank with riskier and, hence, more costly loans. Those considerations are incorporated into CBO's current subsidy estimates. But, because the bank's authorization has expired, CBO could not review those changes with the bank, which makes the estimates more uncertain than in previous years.

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If you wish further details about this analysis, we will be pleased to provide them. The CBO staff contacts are Sunita D'Monte (for the FCRA estimate) and Mitchell Remy (for the fair-value estimate).

Sincerely,

for Robert A. Gushion

Keith Hall
Director

cc: Honorable Bernie Sanders
Ranking Member

Honorable Mark Kirk