CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 31, 2016

H.R. 5711
A bill to prohibit the Secretary of the Treasury from authorizing certain transactions by a U.S. financial institution in connection with the export of a commercial passenger aircraft to the Islamic Republic of Iran

As ordered reported by the House Committee on Financial Services on July 13, 2016

CBO estimates that implementing H.R. 5711 would have no significant cost to the federal government. Enacting the legislation could affect direct spending and revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that any effects on direct spending or revenues would be negligible.

H.R. 5711 would amend current law to prohibit U.S. financial institutions from facilitating the sale of commercial aircraft to Iran. CBO estimates that administering the prohibition would have a negligible cost to the Treasury Department; any spending would be subject to the availability of appropriated funds.

Because the bill would expand the types of trade with Iran that are prohibited and subject from civil and criminal penalties under current law, it could increase revenues and associated direct spending; however, CBO estimates that the net budgetary effect of any additional penalties assessed and spent under the bill would be negligible in any year.

CBO estimates that enacting H.R. 5711 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5711 would impose a private-sector mandate, as defined in Unfunded Mandates Reform Act (UMRA), on U.S. financial institutions by prohibiting them from engaging in transactions that facilitate the sale of commercial aircraft to Iran. The prohibition would limit an activity that may be permitted under current law. The cost of the mandate would be the value of income that U.S. financial institutions would forgo. Although some manufacturers have tentative agreements to sell or lease aircraft to Iran under current law, those sales are contingent on approval by the Treasury Department.

The size and timing of mandate costs are uncertain and would depend on the timing and likelihood of those institutions engaging in transactions to facilitate such sales and on the potential financing structure of such transactions. Should a U.S. financial institution engage in such a transaction, annual interest payments alone (which would be forgone under the bill) could easily reach UMRA's $154 million threshold. However, because the exact structure and terms of any potential deal are uncertain, CBO cannot determine the amount of lost profits that would result from forfeiting a potential deal. Current restrictions, including a ban on certain transactions with Iran appear to be making U.S. banks reluctant to finance any deals with Iran. They may be allowing foreign institutions to lead the way by financing the initial sales of aircraft to Iran in order to learn more about the potential risks to such an investment. Given these uncertainties, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation) in the first five years the mandate is effective.

H.R. 5711 contains no intergovernmental mandate as defined in UMRA and would not affect the budgets of state, local, or trial governments.

The CBO staff contacts for this estimate are Pamela Greene and Matthew Pickford (for federal revenues and spending) and Logan Smith (for the private-sector impact). This estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.