CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 13, 2016

S. 2937
Department of State Authorization Act, Fiscal Year 2017

As reported by the Senate Committee on Foreign Relations on May 17, 2016

SUMMARY

S. 2937 would restructure the Department of State's authority to collect and spend consular fees and make other changes to its operations. In particular, the bill would allow the department to spend fees it currently deposits in the Treasury without further appropriation action.

CBO estimates that enacting S. 2937 would increase direct spending by $6.5 billion over the 2017-2026 period; therefore, pay-as-you-go procedures apply. The bill also could have an insignificant effect on revenues. In addition, CBO estimates that implementing the bill would reduce net discretionary costs by about $50 million over the 2017-2021 period, assuming appropriation actions consistent with the bill.

CBO estimates that enacting S. 2937 would increase net direct spending and on-budget deficits by more than $5 billion in each of the four consecutive 10-year periods beginning in 2027.

S. 2937 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 effects of S. 2937 are shown in Table 1. The costs of this legislation fall primarily within budget function 150 (international affairs).

TABLE 1. BUDGETARY EFFECTS OF S. 2937, THE DEPARTMENT OF STATE AUTHORIZATION ACT, FISCAL YEAR 2017

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
INCREASES IN DIRECT SPENDING[a]						
Estimated Budget Authority	0	776	776	776	776	3,104
Estimated Outlays	10	264	598	753	812	2,437
DECREASES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	-9	-9	-9	-9	-9	-47
Estimated Outlays	-9	-9	-9	-9	-9	-46

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

a. Enacting S. 2937 would have effects beyond 2021. CBO estimates that over the 2017-2026 period, enacting the bill would increase direct spending by $6.5 billion and could have an insignificant effect on revenues (see Table 2).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2937 will be enacted near the start of fiscal year 2017, that appropriations will be consistent with the estimated authorizations for each year, and that outlays will follow historical patterns for similar and existing programs.

Direct Spending and Revenues

CBO estimates that enacting S. 2937 would increase direct spending by $6.5 billion over the 2017-2026 period and could have an insignificant effect on revenues (see Table 2).

Consular Fee Restructuring. Starting in 2018, section 302 would allow the department to retain almost all fees collected for consular services such as processing applications for passports and visas (certain special surcharges would be exempt) and to spend those fees, primarily on the service or activity that generated the fee. The department would have up to two years to use those funds. Amounts that remain unobligated at the end of the fiscal year following the year in which the fees were collected would be transferred to the Treasury.

TABLE 2. ESTIMATED DIRECT SPENDING EFFECTS OF S. 2937

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Consular Fee Restructuring												
Estimated Budget Authority	0	776	776	776	776	776	776	776	776	776	3,104	6,984
Estimated Outlays	0	155	543	698	757	776	776	776	776	776	2,153	6,033
Security Surcharges												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	99	45	45	45	40	25	25	25	25	234	374
Registration Fees for Defense Trade Controls												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	10	10	10	10	10	10	10	10	10	10	50	100
Amerasian Immigration												
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	-1
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	-1
Total Changes												
Estimated Budget Authority	0	776	776	776	776	776	776	776	776	776	3,104	6,983
Estimated Outlays	10	264	598	753	812	826	811	811	811	811	2,437	6,506

Note: Components may not sum to totals because of rounding; * = between -$500,000 and zero.

In 2015, the department retained more than $3.4 billion in various consular fees, and spent almost the same amount on consular activities, border security, and information technology. In addition, the department collected $0.8 billion in consular fees that were remitted to the Treasury as miscellaneous receipts. Under the bill, those latter receipts would be retained by the department and become available for spending without further appropriation.

The department indicated that it would use those additional amounts to broaden its border security and consular programs and would be able to obligate all those funds in the required time. On that basis, CBO estimates that the department would retain an additional $776 million each year, starting in 2018; spending from that permanent appropriation of consular fees would be $155 million in 2018, increase to $776 million a year by 2022, and total $6 billion over the 2017-2026 period.

Under current law, the department has the authority to revise consular fees (those retained by the department as well as those remitted to the Treasury) to recover costs. Most years the department conducts a detailed analysis of the costs incurred in recent years for each consular service or activity, and adjusts the level of each fee accordingly. The department indicated that it was unlikely to reduce fee levels as a result of the restructuring, and CBO does not have sufficient basis on which to estimate the timing or direction of subsequent fee changes, nor the associated effects on revenues and direct spending.

Security Surcharges. By providing the department broad authority to spend those fees on the service or activity that generated the fee, section 302 would give the department greater flexibility to spend surcharges it collects to combat visa fraud and to improve the security of passport and visa processing. Under current law, the spending of those surcharges is restricted to certain activities and the department has been unable to spend all of its available balances. On the basis of information from the department, CBO estimates it would spend an additional $0.4 billion over the 2017-2026 period.

Registration Fees for Defense Trade Controls. Section 407 would expand the purposes for which the State Department's Directorate of Defense Trade Controls (DDTC) can spend registration fees it collects from manufacturers and exporters of defense-related items. The DDTC collects about $45 million a year but is only allowed to spend those amounts on certain licensing, compliance, and enforcement activities. Under the bill, the DDTC could spend those fees for all its activities, thereby reducing the need for future appropriations. On the basis of information from the department about existing balances and expected future collections, CBO estimates that enacting this provision would increase direct spending for those purposes by $10 million each year and $100 million over the 2017-2026 period (reducing the need for future appropriations by the same amounts, as discussed below under the section titled "Spending Subject to Appropriation").

Amerasian Immigration. Section 307 would terminate Amerasians' special eligibility for immigrant visas, effective at the end of fiscal year 2017. Amerasians are defined as individuals born in Vietnam during the 1962-1975 period who were fathered by a U.S. citizen. Certain close relatives of the Amerasians are also eligible for immigrant visas. Like refugees, Amerasians and their relatives can participate in various means-tested federal programs—among them, Medicaid and the Supplemental Nutrition Assistance Program—if they are otherwise eligible for those programs.

Amerasian immigration has declined sharply from its peak during the 1989-1993 period. Very few individuals are still immigrating to the United States under that provision. Since fiscal year 2013, the State Department has, on average, provided immigrant visas to four Amerasians per year (plus another eight visas per year to their eligible relatives). Based on the rate of decline in Amerasian immigration over the past decade, CBO expects that section 307 would prevent three people per year from immigrating to the United States, on average, over the 2018-2026 period. On the basis of survey and administrative data about refugees' use of means-tested programs, CBO estimates that the decline in immigration would reduce direct spending by $1 million over the 2018-2026 period.

Other provisions. Other provisions in S. 2937 would affect direct spending and revenues, but CBO estimates that those effects would be insignificant over the 2017-2026 period.

- Section 208 would allow the department to extend consular immunities to foreign consular officials on a reciprocal basis, which could result in protections stronger or weaker than those provided in the Vienna Convention on Consular Relations. Enactment of this provision could affect revenues and direct spending from customs duties, taxes on imports, visa fees, civil and criminal penalties, and judicial proceedings.

- Section 304 would permanently increase the cost of a border crossing card for children from Mexico by an additional $65. CBO estimates that the department would collect almost $14 million each year, and would spend roughly the same amount.

- Section 409 would extend the authorization for the Fishermen's Protection Fund through 2018. That fund reimburses fishermen for certain financial losses incurred if their vessels are seized by a foreign nation. Owners of fishing vessels pay fees sufficient to cover the expected cost of those payments. However, the fund has not seen any activity in recent years. Thus, CBO estimates that any additional offsetting receipts from fees or spending for claims from extending this program would not be significant.

Spending Subject to Appropriation

S. 2937 would make changes to the operations of the Department of State. In total, CBO estimates that implementing the bill would reduce net costs for those operations by $46 million over the 2017-2021 period, assuming appropriation action consistent with the bill (see Table 3).

Registration Fees for Defense Trade Controls. As discussed above in the section titled "Direct Spending and Revenues," section 407 would expand the purposes for which the DDTC can spend registration fees, thereby reducing the need for future appropriations. On the basis of information from the department, CBO estimates that enacting this provision would reduce the need for future appropriations by $10 million a year over the 2017-2021 period.

TABLE 3. ESTIMATED EFFECTS OF S. 2937 ON SPENDING SUBJECT TO APPROPRIATION

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
INCREASES AND DECREASES (-) IN SPENDING SUBJECT TO APPROPRIATION						
Registration Fees for Defense Trade Controls						
Estimated Authorization Level	-10	-10	-10	-10	-10	-50
Estimated Outlays	-9	-10	-10	-10	-10	-49
Other Provisions						
Estimated Authorization Level	1	1	1	1	1	3
Estimated Outlays	*	1	1	1	1	3
Total Changes						
Estimated Authorization Level	-9	-9	-9	-9	-9	-47
Estimated Outlays	-9	-9	-9	-9	-9	-46

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

Other provisions. CBO estimates that implementing the following provisions alone would cost less than $500,000 a year; taken together, CBO estimates implementing those provisions would cost $3 million over the 2017-2021 period.

- Title I would require the department to provide a strategy and reports to the Congress on various aspects of United Nations peacekeeping programs.

- Sections 206, 207, 210, 211, and 212 would provide the department additional flexibility to hire staff or to pay bonuses to recruit, relocate, or retain staff.

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 outlays that are subject to those pay-as-you-go procedures are shown in Table 4.

TABLE 4. CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR S. 2937 AS REPORTED BY THE SENATE COMMITTEE ON FOREIGN RELATIONS ON MAY 17, 2016

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	10	264	598	753	812	826	811	811	811	811	2,437	6,506

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would increase net direct spending and on-budget deficits by more than $5 billion in each of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2937 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On June 27, 2016, CBO transmitted a cost estimate for S. 1635 as ordered reported by the House Committee on Foreign Affairs on May 26, 2016. Several provisions in S. 1635 are similar to provisions in S. 2937 and CBO's estimates of the costs of implementing those provisions are the same.

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