CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 27, 2015

S. 792
Nuclear Weapon Free Iran Act of 2015

As reported by the Senate Committee on Banking, Housing, and Urban Affairs on January 29, 2015

SUMMARY

S. 792 would impose new sanctions on Iran beginning in July 2015, unless that country has reached a long-term, comprehensive agreement on its nuclear program with the United States. Under the bill, preventing those sanctions from being imposed would require that the agreement be submitted to the Congress along with reports analyzing the extent to which such an agreement could be verified, and assessing the effects of recent sanctions relief on the Iranian economy. The President could waive the sanctions for 30 days at a time under specified conditions.

CBO estimates that enacting the bill would result in additional civil and criminal penalties. Civil penalties are deposited in the general fund of the Treasury; CBO estimates that the civil penalties would increase revenues by $1 million over the 2015-2020 period and by $4 million over the 2015-2025 period. Criminal penalties are deposited in the Crime Victims Fund and later spent; CBO estimates that the net budgetary effect of those additional penalties would be negligible. Pay-as-you-go procedures apply to this legislation because it would affect direct spending and revenues. Finally, CBO estimates that the administrative costs of implementing sanctions under the bill would total $5 million over the 2015-2020 period, assuming appropriation of the necessary amounts.

S. 792 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 bill would impose private-sector mandates, as defined in UMRA, if the new sanctions outlined in the bill were to go into effect. Those sanctions would expand existing prohibitions on transactions with persons or entities associated with the government of Iran and on transactions with entities operating in specific economic zones of Iran. Because the number and value of properties and transactions that could be affected by the sanctions is probably small, CBO expects that the cost of the mandates would fall below the annual threshold for private-sector mandates established in UMRA ($154 million in 2015, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 792 are shown in the following table. The costs of this legislation fall primarily within budget functions 150 (international affairs) and 800 (general government).

	By Fiscal Year, in Millions of Dollars						
	2015	2016	2017	2018	2019	2020	2015-2020
CHANGES IN REVENUES[a]							
Civil Penalties	0	*	*	*	*	*	1
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	*	1	1	1	1	1	5
Estimated Outlays	*	1	1	1	1	1	5

Note: * = less than $500,000.

a. CBO estimates that S. 792 would increase revenues by $4 million over the 2015-2025 period. Further, CBO estimates that the bill would have an insignificant effect on direct spending over the 2015-2025 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted in the summer of 2015, that the necessary amounts will be appropriated each year, and that outlays will follow historical spending patterns for the affected programs.

Direct Spending and Revenues

S. 792 would require the President to submit to the Congress, within five days of reaching any long-term, comprehensive agreement with Iran on that country's nuclear program, the following:

- The text of the agreement;
- A report by the Department of State assessing both the extent to which the department will be able to verify Iran's compliance with the agreement and any existing inadequacies in the international monitoring and verification system; and

- A report by the Department of the Treasury assessing how Iran's economy has benefitted from recent sanctions relief and how it might benefit from further relief under the agreement.

If no such agreement is reached or if the President does not make those submissions, the bill would impose a series of new sanctions on Iran and any sanctions that were waived, suspended, or deferred during the negotiations with that country would be reinstated. The President could waive those sanctions in 30-day increments if he made certain certifications to the Congress, including that Iran was not continuing to make progress on its nuclear program and was complying with interim agreements with respect to that program.

The bill would expand the types of prohibited activities involving Iran that are subject to civil and criminal penalties under current law. Under current law, the federal government collects a significant amount of revenue from penalties on violations of U.S. economic and trade sanctions imposed on targeted countries, regimes, individuals, and activities. Based on information from the Treasury Department's Office of Foreign Assets Control, CBO estimates that federal and state revenue combined from all such penalties, including amounts paid from settlements of apparent violations, has averaged several hundred million dollars annually in recent years, although the amount has varied widely from year to year. A portion of that amount represents payments to the federal government for violations of Iran sanctions. Penalties are typically assessed and paid several years after the prohibited activity. The bulk of penalties have stemmed from prohibited financial transactions.

The bill would expand the sectors in Iran with which activities are prohibited to include the automotive, construction, engineering, and mining sectors. The bill also would expand prohibited financial transactions beyond those covered by existing law, among additional sanctions. CBO estimates that the bill would expand the scope of activity that could be sanctioned, especially for the newly targeted sectors, in a way that would increase revenues from civil penalties by $4 million over the 2015-2025 period. CBO has no basis for determining when or if an agreement will be reached with Iran or whether the President would waive the additional sanctions if such an agreement is not reached. The estimate reflects the assumption that there is a 50 percent probability of the sanctions going into effect.

In addition, violations of the bill's provisions could increase revenues and direct spending from the collection of criminal penalties; however, CBO estimates that the net budgetary effect of any additional criminal penalties would be negligible.

Spending Subject to Appropriation

Provisions of the bill would increase the administrative costs of the federal agencies responsible for implementing sanctions or verifying the conditions under which the sanctions could be waived. Most of that work is performed by the Departments of State and the Treasury. Based on the costs of implementing previous sanctions, CBO estimates the departments would require additional funding of $1 million a year so that implementing the bill would cost $5 million over the 2015-2020 period, assuming appropriation of the necessary amounts.

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 that are subject to those pay-as-you-go procedures are shown in the following table. Enacting S. 792 would have no significant effect on direct spending.

CBO Estimate of Pay-As-You-Go Effects S. 792 as reported by the Senate Committee on Banking, Housing, and Urban Affairs on January 29, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	-1	-1	-1	-1	-4

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 bill would impose private-sector mandates, as defined in UMRA, if the sanctions outlined in the bill were implemented. In that case, the sanctions would expand existing prohibitions on transactions with persons or entities associated with the government of Iran and on transactions with entities operating in specific economic zones of Iran. The bill also would expand existing prohibitions on the opening of correspondent accounts and transactions in the United States by foreign financial institutions on behalf of an Iranian financial institution. Those prohibitions would be mandates on entities in the United States that engage in transactions with the persons or businesses sanctioned under the bill.

The cost of the mandates would be the forgone net income from the prohibited transactions, and would depend on the specific sanctions that were implemented. Because the number and value of properties and transactions that could be affected by the sanctions is probably small, CBO expects that the estimated cost of the mandates would fall below the annual threshold for private-sector mandates established in UMRA ($154 million in 2015, adjusted annually for inflation).

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