

**H.R. 2444, Eastern European Security Act**

As ordered reported by the House Committee on Foreign Affairs on December 18, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	0	*	not estimated
Statutory pay-as-you-go procedures apply?	No	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between -\$500,000 and \$500,000.			

Under current law, the Department of State can make direct loans to members of the North Atlantic Treaty Organization to purchase U.S. defense articles. The department must charge an interest rate of at least 5 percent, and the loans must be repaid within 12 years. The subsidy costs of those loans are paid from discretionary appropriations.<sup>1</sup> H.R. 2444 would waive the restriction on interest rates, authorize an additional year for loan repayment, and allow the department to charge fees to recover the subsidy cost of the loans.

On the basis of information from the department about how it would implement the bill, CBO estimates that the department would lend up to \$4 billion each year and would charge interest and fees that are sufficient to substantially offset the cost of the loans. Thus, CBO estimates that implementing H.R. 2444 would have an insignificant effect on the federal budget; any costs would be subject to the availability of appropriated funds.

1. The subsidy cost is the estimated long-term cost to the government, calculated on a net-present-value basis. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. That value depends on the rate of interest (called the discount rate) used to translate future cash flows into current dollars.



Costs for those loans could be higher or lower than CBO estimates, depending on how the department implements H.R. 2444. Factors that would affect the cost of the loans include the fees and interest rates charged by the department and the creditworthiness of the borrowers.

The CBO staff contact for this estimate is Sunita D'Monte. The estimate was reviewed by Leo Lex, Deputy Director of Budget Analysis.