CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 1, 2011

H.R. 2072
Securing American Jobs Through Exports Act of 2011

As ordered reported by the House Committee on Financial Services on June 22, 2011

SUMMARY

H.R. 2072 would extend through 2015 the authority of the Export-Import Bank of the United States (Ex-Im) to provide loans and insurance to finance exports of U.S. products and services. The bill also would gradually raise to $160 billion the total amount of insurance, loan guarantees, and loans that Ex-Im can have outstanding at any time. Finally, it would prohibit the bank from doing business with entities who cannot certify that neither they nor their business partners or affiliates have engaged in certain business dealings with Iran.

CBO estimates that implementing the legislation would increase spending by about $170 million over the 2012-2016 period, assuming appropriation of the necessary amounts. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 2072 contains no intergovernmental or private-sector mandates as defined in Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2072 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Reauthorization and Increased Exposure Cap						
Administrative Expenses						
Estimated Authorization Level	58	88	106	126	98	476
Estimated Outlays	48	79	99	117	96	439
Subsidy Costs (Positive Subsidies)						
Estimated Authorization Level	76	87	101	116	0	380
Estimated Outlays	17	50	69	88	74	298
Collections (Negative Subsidies)						
Estimated Authorization Level	-117	-304	-502	-712	-534	-2,169
Estimated Outlays	-117	-304	-502	-712	-534	-2,169
Spending of Collections						
Estimated Authorization Level	50	50	50	50	0	200
Estimated Outlays	0	11	31	39	45	126
Subtotal						
Estimated Authorization Level	67	-79	-245	-420	-436	-1,113
Estimated Outlays	-52	-164	-303	-468	-319	-1,306
Certifications Regarding Iran						
Additional Administrative Expenses						
Estimated Authorization Level	6	6	8	9	6	35
Estimated Outlays	6	6	7	8	6	33
Lost Collections						
Estimated Authorization Level	47	147	310	544	408	1,456
Estimated Outlays	47	147	310	544	408	1,456
Lower Spending of Collections						
Estimated Authorization Level	0	0	-1	-50	0	-51
Estimated Outlays	0	0	0	0	-12	-12
Subtotal						
Estimated Authorization Level	53	153	317	503	414	1,440
Estimated Outlays	53	153	317	552	402	1,477
Total Changes						
Estimated Authorization Level	120	74	72	83	-22	327
Estimated Outlays	1	-11	14	84	83	171

BASIS OF ESTIMATE

H.R. 2072 would extend and modify Ex-Im's authority to provide export financing through 2015 (an additional four years). CBO estimates that implementing the legislation would increase spending by $171 million over the 2012-2016 period, assuming appropriation of the estimated amounts.

The bill does not authorize the appropriation of specific amounts. CBO assumes that appropriations would continue for both the administrative costs and the subsidy costs of new loans and guarantees as defined in the Federal Credit Reform Act (FCRA).[1] Certain loan guarantees have a negative subsidy (that is, they result in net additional collections); under current law, Ex-Im uses those collections to fully offset both of those costs, and spends any excess on providing additional loans and guarantees with positive subsidy costs. CBO expects that Ex-Im would continue that practice under the bill. For the purpose of this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2012, that the estimated authorization amounts would be appropriated near the start of each year, and that outlays will follow historical patterns.

Reauthorization and Increased Exposure Cap

The Export-Import Bank assists in financing the export of U.S. goods and services by providing products such as loans, loan guarantees, and export credit insurance. The bank's authority to enter into new agreements expires at the end of fiscal year 2011; however, under current law, the bank would continue to operate for some years after that date to service its existing contracts.

As required under FCRA, Ex-Im receives appropriations each year to cover its administrative expenses and the positive subsidy costs of its loans and insurance. Ex-Im also provides loans on which it makes a profit—also known as a negative subsidy. In recent years, Ex-Im has generated sufficient receipts through those negative subsidy loans to more than offset its other costs. It uses some of those excess receipts to provide additional loans and the remainder are retained as balances or returned, eventually, to the U.S. Treasury. The dollar amount of loans, guarantees, and insurance that Ex-Im can have outstanding at any given time is limited by a cap on its exposure.

Section 3 would allow the bank to continue providing new loans, guarantees, and insurance through 2015. Section 4 would increase Ex-Im's maximum allowable financial exposure to $120 billion in 2012, $140 billion in 2013, and $160 billion each year thereafter. CBO

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a direct loan or loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses, offset by any payments to the government, including origination fees, other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are recorded in the budget when the loans are disbursed.

estimates that such an increase would allow Ex-Im to continue expanding at its recent rate of about 15 percent a year. Together, CBO estimates that implementing sections 3 and 4 would decrease spending subject to appropriation by $1.3 billion over the 2012-2016 period, assuming appropriations action consistent with the bill. The components of this estimate are discussed below.

Administrative Expenses. Based on information from Ex-Im, CBO estimates that the bank would require additional appropriations of $58 million in 2012 for administrative expenses. Over the 2013-2015 period, CBO estimates that Ex-Im's administrative expenses would grow by 10 percent each year. In 2016, when the bank's authorization would again expire, CBO estimates the additional amounts needed would begin to decline. Assuming appropriation of the estimated amounts, CBO estimates that under sections 3 and 4, administrative expenses would increase by about $440 million over the 2012-2016 period.

Positive Subsidy Costs. CBO further estimates that in 2012 Ex-Im would require appropriations of $76 million for the subsidy cost of new agreements (that amount is identical to the President's request for 2012). Over the 2013-2015 period, CBO estimates that Ex-Im's originations and the subsidy appropriations required would grow by 15 percent each year. In 2016, when Ex-Im's authorization would expire, the bank would not need a subsidy appropriation. Assuming appropriation of the estimated amounts, CBO estimates that subsidy costs under sections 3 and 4 would increase by about $300 million over the 2012-2016 period.

Negative Subsidies. Ex-Im's long-term loan guarantees have negative subsidy rates and generate collections for the bank. CBO estimates that under sections 3 and 4, Ex-Im would collect an additional $117 million in 2012 and $2.2 billion over the 2012-2016 period. Each year in annual appropriations acts, Ex-Im is authorized to use the negative subsidy receipts it has generated to offset the amounts that would otherwise need to be appropriated for administrative expenses and the positive subsidy costs of new loans and insurance.

Spending of Collections. Assuming those appropriations, CBO further estimates that after using its collections to offset its administrative expenses and subsidy costs, Ex-Im would spend about $125 million of its excess collections over the 2012-2016 period. (Those amounts would be used for loans and insurance that have a positive subsidy cost. Ex-Im has indicated that because of limited demand for such deals, it does not anticipate using more than $50 million a year in such authority.)

Certifications Regarding Iran

Section 19 of the bill would require applicants for Ex-Im products to certify that since July 1, 2010, neither they nor their business partners or affiliates have engaged in any activities for which sanctions might be imposed under various laws and regulations pertaining to Iran. It would prohibit the bank from doing business with entities that cannot make such certifications. Ex-Im has indicated that complying with those requirements would both lower the volume of certain lucrative deals and increase its administrative costs. CBO estimates that implementing this provision would have a net cost of about $1.5 billion over the 2012-2016 period, assuming appropriation of the necessary amounts.

Most of the deals that would be affected by the prohibition in section 19 would be long-term loan guarantees with negative subsidy rates that generate collections for Ex-Im. A reduction in the volume of such deals would lower Ex-Im's collections. Based on information from Ex-Im, CBO estimates that the bank would originate 40 percent fewer loans and guarantees and that collections would fall by almost $1.5 billion over the 2012-2016 period. In 2015, collections would no longer be sufficient to offset Ex-Im's other costs, thereby reducing spending of those collections.

Based on information from Ex-Im, CBO estimates that in 2012 the bank would require additional appropriations of $6 million for administrative expenses to collect and process the required certifications. After adjusting for inflation, CBO estimates that the administrative costs associated with implementing this provision would amount to $33 million over the 2012-2016 period, assuming appropriation of the estimated amounts.

It is unclear whether section 19 is intended to apply retrospectively to Ex-Im's existing contracts. If Ex-Im concludes that is the case, it could be forced to cancel contracts with entities found to have links with Iran. Any resulting penalties, reimbursements, or reductions in spending would be considered direct spending; however, in the absence of clear Congressional intent CBO expects that the requirement would only be applied to new deals and Ex-Im would not cancel any existing contracts.

Government Accountability Office Report

The bill would require the Government Accountability Office (GAO) to conduct a study and report to the Congress on the methodology Ex-Im uses to estimate how its financing promotes job creation. GAO also would be required to conduct biennial audits of bank transactions. Based on information from GAO, CBO estimates that implementing those requirements would cost less than $500,000 over the 2012-2016 period, assuming availability of appropriated amounts.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2072 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2072 would prohibit Ex-Im from guaranteeing, insuring, or extending credit to any applicant that cannot certify that since July 1, 2010, neither they nor their business partners or affiliates has engaged in activities with Iran for which sanctions may be imposed under various laws and regulations. If Ex-Im concludes that those provisions would apply retroactively, it would be forced to terminate existing contracts with entities found to have certain ties to Iran. Such an action would impose new conditions on existing agreements, and therefore, would constitute a mandate on certain private-sector entities. However, in the absence of clear Congressional intent to terminate existing contracts, CBO expects that the requirement would only apply to new Ex-Im contracts. Requirements that are imposed pursuant to new voluntary contracts with the federal government are not considered mandates under UMRA. Consequently, CBO expects the bill would impose no private-sector mandates as defined in UMRA.

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