CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 7, 2017

S. 1591
Otto Warmbier Banking Restrictions Involving North Korea Act of 2017

As reported by the Senate Committee on Banking, Housing, and Urban Affairs on November 16, 2017

S. 1591 would modify sanctions on North Korea in a number of ways. The bill would require the Secretary of the Treasury to impose sanctions on foreign financial institutions that provide financial services to any person sanctioned under the North Korean Sanctions and Policy Enforcement Act (NKSPEA), an executive order, or a United Nations Security Council (UNSC) Resolution. Under the bill options for further sanctions could include blocking assets and restricting or prohibiting correspondent or payable-through accounts in the United States. (Correspondent accounts allow banks to send money to each other internationally and are essential for banks to access foreign financial systems and for customer payments.) Oher changes to sanctions on North Korea in S. 1591 include an expansion of the mandatory designations under NKSPEA related to trade and transactions in a variety of goods and services.

The bill also would expand the reporting requirements of the Department of the Treasury to the Congress on a variety of topics, including North Korean financial networks, certain transactions with North Korea, and the combating of human trafficking. Among other changes, the bill would designate a new office within the Office of Terrorism and Financial Intelligence (OFTI) to combat illicit financing of human trafficking.

Using information about the costs of similar activities, CBO estimates that expanding the duties of OFTI, implementing the reporting requirements, and administering the sanctions under S. 1591 would cost about $1 million over the 2018-2022 period; such spending would be subject to the availability of appropriated funds.

Enacting S. 1591 would increase the number of people and entities that would be subject to civil or criminal penalties. Penalties are recorded in the budget as revenues and a portion of those penalties can be spent without further appropriation. Pay-as-you-go procedures apply to this bill because enacting it would affect direct spending and revenues. However, CBO estimates that implementing the additional sanctions would affect very few people or entities because of the broad scope of restrictions that exist under current law and executive orders that address financial and other interactions with

North Korea. Thus, CBO estimates that enacting the bill would have insignificant effects on both revenues and direct spending.

CBO estimates that enacting S. 1591 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

S. 1591 would impose an intergovernmental mandate, as defined in the Unfunded Mandates Reform Act (UMRA), on states that plan to divest from companies that invest in North Korea. The bill would require those states to notify affected companies and delay divestment until 90 days after issuing the notice, and it would require states to give the companies an opportunity to demonstrate that they do not invest in North Korea. States that plan to divest from such companies also would have to notify the Department of Justice. If states do not comply with the requirements of the bill, the bill would preempt state laws that would otherwise require such divestments. CBO estimates that the cost to comply with the mandate would be small and fall below the annual threshold for intergovernmental mandates established in UMRA ($78 million in 2017, adjusted annually for inflation).

S. 1591 also would impose a private-sector mandate as defined in UMRA by eliminating an existing right of action against asset managers that divest from companies that invest in North Korea. The cost of the mandate would be the forgone net value of awards and settlements that would have been awarded for such claims in the absence of the bill. CBO estimates that the value of such claims would fall below the annual threshold for private-sector mandates established in UMRA ($156 million in 2017, adjusted annually for inflation).

The CBO staff contacts for this estimate are Jacob Fabian (for federal costs) and Amy Petz (for mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis, and John McClelland, Assistant Director for Tax Analysis.