



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 27, 2018

### **H.R. 5819** **BURMA Act of 2018**

*As ordered reported by the House Committee on Foreign Affairs on May 17, 2018*

#### **SUMMARY**

H.R. 5819 would authorize the appropriation of \$196 million for humanitarian assistance in Burma and the surrounding region, and impose sanctions on people and entities that are responsible for human rights violations in that country. CBO estimates that implementing H.R. 5819 would cost \$198 million over the 2019-2028 period, assuming appropriation of the specified and estimated amounts.

In addition, CBO estimates that enacting H.R. 5819 would increase revenues by \$60 million, and direct spending by \$20 million, over the 2019-2028 period. Because the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting H.R. 5819 would not increase net direct spending by more than \$2.5 billion or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5819 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

By imposing sanctions on certain Burmese officials, H.R. 5819 could prohibit entities in the United States from engaging in activities that would otherwise be permitted under current law, such as accessing property that would be frozen by the sanctions. Such a prohibition is a mandate under UMRA. CBO estimates that the aggregate cost of the mandates would fall well below the annual threshold established in UMRA for private-sector mandates (\$160 million in 2018, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of H.R. 5819 is shown in the following table. The costs of the legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars												2019-	2019-
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028	
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>														
Estimated Authorization Level	0	196	*	*	*	*	*	*	*	*	*	197	198	
Estimated Outlays	0	132	29	20	10	5	*	*	*	*	*	197	198	
<b>INCREASES IN REVENUES</b>														
Estimated Revenues	0	2	4	6	6	7	7	7	7	7	7	25	60	
<b>INCREASES IN DIRECT SPENDING</b>														
Estimated Budget Authority	0	1	2	3	3	3	3	3	1	0	0	13	20	
Estimated Outlays	0	*	1	2	3	3	3	3	3	1	0	10	20	
<b>NET DECREASE (-) IN THE DEFICIT FROM INCREASES IN DIRECT SPENDING AND REVENUES</b>														
Impact on Deficit	0	-2	-3	-4	-3	-3	-3	-3	-4	-7	-7	-15	-40	

Numbers may not add up to totals because of rounding; \* = between zero and \$500,000.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5819 will be enacted near the start of fiscal year 2019, that the specified amounts will be appropriated shortly thereafter. CBO estimates that outlays will match historical spending patterns for similar activities.

### Spending Subject to Appropriation

Assuming appropriation of the specified and estimated amounts, CBO estimates that implementing H.R. 5819 would cost \$198 million over the 2019-2028 period, primarily from a specified authorization of \$196 million for humanitarian assistance.

**Humanitarian Assistance.** Section 201 would authorize the appropriation of \$196 million in 2019 for humanitarian assistance to Burma, Bangladesh, and the surrounding region. Based on information from the Department of State and the U.S. Agency for International Development about ongoing similar activities, and assuming appropriation of the specified amount, CBO estimates that outlays for that assistance would total \$196 million over the 2019-2023 and 2019-2028 periods.

**Other provisions.** Several provisions would have insignificant costs when taken individually. Those provisions would:

- Require the Department of State and the Department of the Treasury to enforce sanctions against people and entities found to be responsible for human rights violations in Burma;
- Require the Department of State to submit to the Congress a periodically updated list of certain entities in Burma’s gemstone and mining industries that meet or are trying to meet transparency standards for their industry;
- Require the Department of State to provide guidance to U.S. companies that import gemstones and jewelry about how to exercise due diligence when using items that may be of Burmese origin;
- Require the Administration to provide to the Congress a strategy to promote economic development in Burma and to report on its implementation; and
- Require the Administration to report to the Congress on engagement between the U.S. military and the Burmese military and on ethnic cleansing and other human rights abuses occurring in Burma.

Using information from the Administration about the costs of enforcing sanctions and preparing similar reports, CBO estimates that implementing those provisions would cost less than \$500,000 each year, total \$1 million over the 2019-2023 period, and \$2 million over the 2019-2028 period. Any such spending would be subject to the availability of appropriated funds.

Finally, section 401 would authorize the Department of State to provide assistance to entities that investigate and preserve evidence of ethnic cleansing, genocide, and war crimes in parts of Burma and to support transitional justice (measures to promote peace and justice in countries transitioning out of armed conflict or repression). The department currently provides assistance to entities that are documenting human rights violations in Burma. Although it is possible that the department would increase such assistance under the bill, CBO has no basis for estimating such additional amounts. In addition, CBO has no basis for estimating when or in what form the department would provide additional assistance for transitional justice.

### **Direct Spending and Revenues**

Section 203 would impose mandatory sanctions for a period of eight years on current and former officials of the Burmese military who are responsible for human rights abuses.

Sanctions also would apply to entities owned or controlled by those officials, and any person who has knowingly provided support to those officials or their family members. Sanctions include the blocking and freezing of assets and visa ineligibility.

CBO expects that revenues from penalties would increase under provisions of the bill that would impose economic sanctions on foreign individuals and entities. Based on information from the Office of Foreign Assets Control and analysis of violations and penalties assessed under prior Burmese sanctions programs, CBO estimates that enacting the bill would increase revenues by \$60 million over the 2019-2028 period.

Under current law, half of all civil penalty revenues collected from a violation of any license, order, regulation, or prohibition issued under the International Emergency Economic Powers Act is deposited into the Victims of State Sponsored Terrorism (VSST) Fund. Payments out of the VSST Fund are awarded to US persons affected by acts of international terrorism and are recorded on the budget as direct spending. In total, CBO estimates that enacting the bill would increase direct spending from the fund by \$20 million over the 2019-2028 period. The VSST Fund sunsets in 2026 and amounts in the fund may not be obligated after January 1, 2026. CBO expects any obligated amounts to be spent by 2027.

Enacting H.R. 5819 also would increase the number of people who would be denied visas by the State Department. Most visa fees are retained by the department and spent without further appropriation, but some fees are deposited into the Treasury as revenues. CBO estimates that implementing the visa sanctions under H.R. 5819 would affect very few additional people and thus would have insignificant effects on revenues and direct spending.

## **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 and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

**CBO Estimate of Pay-As-You-Go Effects for H.R. 5819 as ordered reported by the House Committee on Foreign Affairs on May 17, 2018**

	By Fiscal Year, in Millions of Dollars												2018-	2018-
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028	
<b>NET DECREASE (-) IN THE DEFICIT</b>														
Statutory Pay-As-You-Go Effect	0	-2	-3	-4	-3	-3	-3	-3	-4	-7	-7	-15	-40	
<b>Memorandum:</b>														
Changes in Outlays	0	0	1	2	3	3	3	3	3	1	0	10	20	
Changes in Revenues	0	2	4	6	6	7	7	7	7	7	7	25	60	

**INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting H.R. 5819 would not increase net direct spending by more than \$2.5 billion or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2029.

**MANDATES**

H.R. 5819 contains no intergovernmental mandates as defined in UMRA.

By imposing sanctions on certain Burmese officials, H.R. 5819 could prohibit entities in the United States from engaging in activities that would otherwise be permitted under current law, such as accessing property that would be frozen by the sanctions. Such a prohibition is a mandate under UMRA. The cost of the mandate would be any income that U.S. entities lose because they no longer have access to the property in question or because they may no longer engage in transactions prohibited by the bill. Because the sanctions focus only on officials in Burma who have committed certain violations, CBO expects that the number of entities and individuals in the United States that could be affected by the legislation would be small. Furthermore, CBO expects that the loss of income from any incremental restrictions in the bill would be small. Therefore, CBO estimates that the aggregate cost of the mandates would fall well below the annual threshold established in UMRA for private-sector mandates (\$160 million in 2018, adjusted annually for inflation).

## **PREVIOUS CBO ESTIMATE**

On March 7, 2018, CBO transmitted a cost estimate for S. 2060 as reported by the Senate Committee on Foreign Relations on February 12, 2018. The two bills are similar; however H.R. 5819 would authorize the appropriation of a higher amount for humanitarian assistance and would impose secondary sanctions related to human rights violations on non-Burmese individuals and entities. As a result, CBO's estimates of the cost of implementing humanitarian assistance and the additional revenues and direct spending related to sanctions under H.R. 5819 are correspondingly higher.

## **ESTIMATE PREPARED BY**

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