



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 14, 2018

H.R. 5141 **United States-Israel Security Assistance Authorization Act of 2018**

As ordered reported by the House Committee on Foreign Affairs on May 9, 2018

SUMMARY

H.R. 5141 would authorize the appropriation of \$3.3 billion annually over the 2019-2023 period for assistance to Israel under the Foreign Military Financing (FMF) program. It also would authorize the Department of Homeland Security (DHS) to provide grants to support cybersecurity research and development and the commercialization of cybersecurity technology. Finally, it would authorize ongoing programs to collaborate with Israel and require several reports to the Congress on aspects of our relationship with that country.

In total, on the basis of information from the Administration about spending patterns for ongoing programs, and assuming authorization of the specified and estimated amounts, CBO estimates that implementing H.R. 5141 would cost \$16.5 billion over the 2019-2023 period.

Enacting the bill would affect direct spending, although the net effect over the 2019-2028 period would be negligible. Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 5141 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5141 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 5141 is shown in the following table. The costs of the legislation fall primarily within budget functions 150 (international affairs) and 750 (administration of justice).

| | By Fiscal Year, in Millions of Dollars | | | | | | 2019- 2023 |
|---|--|-------|-------|-------|-------|-------|---------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | |
| INCREASES IN SPENDING SUBJECT TO APPROPRIATION | | | | | | | |
| Assistance to Israel | | | | | | | |
| Authorization Level | 0 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 16,500 |
| Estimated Outlays | 0 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 16,500 |
| DHS Grant Program | | | | | | | |
| Estimated Authorization Level | 0 | 1 | 1 | 1 | 1 | 1 | 5 |
| Estimated Outlays | 0 | 1 | 1 | 1 | 1 | 1 | 5 |
| Reporting Requirements | | | | | | | |
| Estimated Authorization Level | 0 | * | * | * | * | * | 1 |
| Estimated Outlays | 0 | * | * | * | * | * | 1 |
| Total | | | | | | | |
| Estimated Authorization Level | 0 | 3,301 | 3,301 | 3,301 | 3,301 | 3,301 | 16,506 |
| Estimated Outlays | 0 | 3,301 | 3,301 | 3,301 | 3,301 | 3,301 | 16,506 |

Components may not sum to totals because of rounding; DHS = Department of Homeland Security; * = less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5141 will be enacted near the start of fiscal year 2019 and that the authorized and estimated amounts will be appropriated near the start of each fiscal year. Estimated outlays are based on historical patterns for similar and existing programs.

Spending Subject to Appropriation

In total, assuming appropriation of the specified and estimated amounts, CBO estimates that implementing H.R. 5141 would cost \$16.5 billion over the 2019-2023 period.

Assistance to Israel. Section 103 would authorize the appropriation of \$3.3 billion in grants annually over the 2019-2023 period for assistance under the FMF program. CBO estimates that implementing those grants would cost \$3.3 billion each year and total \$16.5 billion over that period.

U.S. assistance to Israel is generally pledged in 10-year government-to-government Memoranda of Understanding (MOUs). Under the most recent MOU in 2016, the U.S.

pledged \$33 billion in FMF grants to Israel, i.e. \$3.3 billion each year over the 2019-2028 period. Under the previous MOU which runs through 2018, the U.S. provided \$3.1 billion to Israel each year.

DHS Grant Program. Section 201 would direct DHS to establish a grant program to support cybersecurity research and development and the commercialization of cybersecurity technology over a seven-year period. Grant recipients would have to initiate joint ventures that would include both U.S. and Israeli participants (such as academic institutions). From information provided by DHS, CBO estimates that the new grant program would cost about \$1 million annually; such spending would be subject to the availability of appropriated funds.

Reporting Requirements. H.R. 5141 contains several provisions affecting reporting requirements that CBO estimates would cost less than \$500,000 individually, but in total would cost \$1 million over the 2018-2023 period, subject to the availability of appropriated funds.

Miscellaneous Provisions. Three sections in H.R. 5141 would encourage or authorize federal departments or agencies to collaborate with their Israeli counterparts. On the basis of information from those federal entities, CBO estimates that they would maintain their current efforts under existing authorities and that implementing these provisions would not affect the federal budget:

- Section 203 would encourage the National Aeronautics and Space Administration to work with the Israeli Space Agency;
- Section 204 would authorize the U.S. Agency for International Development to enter into agreements with Israel to collaborate in developing countries; and
- Section 205 would authorize the Department of Defense (DoD) to enter into agreements with Israel to collaborate on developing technologies to deter certain unmanned aerial vehicles.

Direct Spending

Sections 105 and 107 could affect Foreign Military Sales (FMS), a mandatory program used to transfer defense articles and services to foreign countries. The foreign country pays all costs associated with a sale; therefore, CBO estimates that enacting those provisions would have no net effect on direct spending over the 2019-2028 period.

Section 105 would authorize the transfer of precision guided munitions to the War Reserve Stockpile for Allies in Israel (WRSA-I) and from WRSA-I to Israel. Section 107 would extend through 2023 the President’s authority to transfer obsolete or surplus defense articles in WRSA-I to Israel. Transfers from WRSA-I may be made in return for concessions to be negotiated by DoD, such as cash, services, waiver of charges otherwise payable by the United States, or other items of value. DoD has indicated that transfers to Israel in recent years have been made through FMS and paid for with funds Israel receives under FMF rather than negotiating concessions. CBO expects that this practice is likely to continue.

Section 109 would extend through 2023 the availability of existing appropriations to guarantee loans to Israel. Israel last used the authority in 2005 and pays an up-front fee to cover the expected subsidy costs of those loan guarantees. Thus, CBO expects that if the authority were used to guarantee any new loans, it would have no net budgetary effect.

PAY-AS-YOU-GO CONSIDERATIONS

Enacting the bill would affect direct spending, although the net effect over the 2019-2028 period would be negligible. Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 5141 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 5141 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY

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