



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 12, 2018

H.R. 5677 **International Security Assistance Act of 2018**

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

SUMMARY

H.R. 5677 would authorize the sale of a naval vessel, amend several authorities of the Departments of State and Defense to provide security assistance to foreign countries, and require the Department of State to designate personnel to coordinate security assistance and train them for that purpose. In total, CBO estimates that implementing the legislation would cost \$27 million over the 2019-2023 period, assuming appropriation of the necessary amounts.

In addition, CBO estimates that enacting H.R. 5677 would decrease direct spending by \$10 million over the 2019-2028 period. Because the bill would affect direct spending, pay-as-you-go procedures apply. The bill would not affect revenues.

CBO estimates that enacting H.R. 5677 would not have a significant effect on direct spending in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5677 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. 5677 is shown in the following table. The costs of the legislation fall within budget functions 050 (national defense) and 150 (international affairs).

	By Fiscal Year, in Millions of Dollars						2019- 2023
	2018	2019	2020	2021	2022	2023	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	6	6	6	6	6	30
Estimated Outlays	0	4	5	6	6	6	27
INCREASES AND DECREASES (-) IN DIRECT SPENDING							
Estimated Budget Authority	0	-10	*	*	*	*	-10
Estimated Outlays	0	-10	*	*	*	*	-10

* = between -\$500,000 and \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5677 will be enacted near the start of fiscal year 2019 and that the estimated amounts will be appropriated each fiscal year.

Spending Subject to Appropriation

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 5677 would cost \$27 million over the 2019-2023 period, primarily for personnel to coordinate international security assistance.

Security Assistance. Title II would authorize creation of an Office of Security Assistance within the Department of State to serve as a central interagency coordinator. It also would require the department to identify countries that receive priority for security assistance and to designate a person stationed in each of those countries, and in each regional bureau in Washington, D.C., to be coordinators for such assistance. Designated coordinators would be required to receive specialized training for that role.

The department indicated that about 15 countries would likely be listed as priority recipients and that it has the necessary staff at all its regional bureaus and about half the listed countries. On the basis of information from the department about its personnel and training costs, CBO estimates that implementing the provisions affecting security coordination would require seven additional Foreign Service officers to serve overseas at an annual cost of about \$700,000 per officer (that includes costs for pay, travel, housing, medical care, and other allowances) and three additional staff for the new office at an annual cost of about \$200,000 each. In total, CBO estimates that implementing those provisions would require additional appropriations of \$6 million a year, and cost

\$27 million over the 2019-2028 period, assuming appropriation of the necessary amounts.

Reporting Requirements. H.R. 5677 would repeal some existing reporting requirements for the department and require new reports, including one from the General Accountability Office. On net, CBO estimates that providing the reports required under the bill would cost less than \$500,000 over the 2018-2023 period, subject to the availability of appropriated funds.

Peacekeeping Operations. The bill would make permanent authorities provided under recent appropriations acts, including the Consolidated Appropriations Act, 2018 (Public Law 115-141). Those authorities allow the Department of State to use funds appropriated for peacekeeping operations to support the internal security forces of countries and to disarm, demobilize, and reintegrate former terrorists into civilian society. On the basis of information from the department about its current efforts, CBO estimates that implementing those provisions would not affect the department's spending.

Direct Spending

Several provisions in H.R. 5677 would affect direct spending. CBO estimates that enacting the bill would decrease direct spending by \$10 million over the 2019-2028 period.

Sale of Naval Vessel. Section 111 would authorize the sale of the Oliver Hazard Perry class frigate USS Robert G. Bradley (FFG-49) to the government of Bahrain. That authority would expire three years after the bill is enacted. On the basis of information from the Navy, CBO estimates that Bahrain would purchase the frigate in 2019 and pay roughly \$80 million. About \$10 million of that amount would be deposited in the Treasury, and the remainder would be paid directly to a shipyard located in the United States for refurbishing the frigate.

Export Licenses. Section 103 would amend the President's authority to exempt foreign countries from the Department of State's export licensing requirements. The department requires U.S. exporters to register before they can obtain licenses to sell defense articles to foreign countries; registration fees are retained and spent by the department. Under current law, countries that enter into a bilateral agreement with the United States may be exempt if their export controls are comparable to those of the United States. The bill would limit that exemption to certain major allies and amend the requirements related to export controls. On the basis of information from the department about current exemptions and the existing licensing process, CBO estimates that enacting this provision would have insignificant effects on the collection and spending of registration fees.

Foreign Military Sales. Other provisions in the bill could affect the Foreign Military Sales program (FMS), a mandatory program used to transfer defense articles and services to foreign countries. The program operates at no net cost to the federal government; therefore, CBO estimates that enacting these provisions would have no net effect on direct spending over the 2019-2028 period:

- Section 102 would authorize the Department of Defense to repurchase significant military equipment that was sold to foreign countries, either for its own use or for sale to another country through FMS;
- Section 110 would broaden eligibility for transfers of excess defense articles to include regional and international organizations; and
- Section 112 would authorize the President to expedite transfers, leases, and loans of defense articles and services to major defense partners.

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 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. 5677 as ordered reported by the House Committee on Foreign Affairs on May 9, 2018

	By Fiscal Year, in Millions of Dollars											2018- 2023	2018- 2028
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Effect	0	-10	0	0	0	0	0	0	0	0	0	-10	-10

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 5677 would not have a significant effect on direct spending in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 5677 contains no intergovernmental or private-sector mandates as defined in UMRA.

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