CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 23, 2018

S. 2497
United States-Israel Security Assistance Authorization Act of 2018

As reported by the Senate Committee on Foreign Relations
on July 17, 2018

SUMMARY

S. 2497 would authorize the appropriation of $3.3 billion annually over the 2019-2028 period for assistance to Israel under the Foreign Military Financing (FMF) program. It also would authorize ongoing programs to collaborate with Israel and require reports to the Congress on aspects of our relationship with that country.

In total, CBO estimates that implementing S. 2497 would cost $16.5 billion over the 2019-2023 period, and $16.5 billion after 2023, assuming appropriation of the authorized amounts.

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 S. 2497 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2497 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 S. 2497 is shown in the following table. The costs of the legislation fall primarily within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars						
	2018	2019	2020	2021	2022	2023	2019-2023
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
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

In addition to the changes in spending subject to appropriation shown here (an increase of $16.5 billion over the 2019-2023 period), S. 2497 also would have effects beyond 2023. CBO estimates that implementing the bill would increase spending subject to appropriation by $33 billion over the 2019-2028 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2497 will be enacted near the start of fiscal year 2019 and that the authorized 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

Assuming appropriation of the specified amounts, CBO estimates that implementing S. 2497 would cost $16.5 billion over the 2019-2023 period and $33 billion over the 2019-2028 period.

Assistance to Israel. Section 103 would authorize the appropriation of $3.3 billion in grants annually over the 2019-2028 period for assistance under the FMF program. CBO estimates that implementing those grants would cost $3.3 billion each year.

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.

Reporting Requirements. S. 2497 contains two provisions requiring reports by the Departments of State and Commerce to the Congress on Israel's requirements for precision guided munitions and its eligibility to be exempted from certain export licensing requirements. Based on the costs of similar reporting requirements, CBO estimates that providing those reports would cost less than $500,000 over the 2019-2023 period. That spending would be subject to the availability of appropriated funds.

Miscellaneous Provisions. Three sections in S. 2497 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 201 would encourage the National Aeronautics and Space Administration to work with the Israeli Space Agency;

- Section 202 would authorize the U.S. Agency for International Development to enter into agreements with Israel to collaborate in developing countries; and

- Section 203 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 104 and 107 could affect Foreign Military Sales (FMS), a mandatory program used to transfer defense articles and services to foreign countries. Participating countries pay all costs associated with such sales; therefore, CBO estimates that enacting those provisions would have no net effect on direct spending over the 2019-2028 period.

Section 104 would extend through 2023 the President's authority to transfer obsolete or surplus defense articles in the War Reserve Stockpile for Allies in Israel (WRSA-I) to Israel. Section 107 would authorize the transfer of precision guided munitions to Israel; those sales could be made through a discretionary revolving fund or through WRSA-I. 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 would likely continue.

Section 105 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 S. 2497 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

S. 2497 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On June 14, 2018, CBO transmitted a cost estimate for H.R. 5141 as ordered reported by the House Committee on Foreign Affairs on May 9, 2018. Several provisions of H.R. 5141 are also contained in S. 2497; however, H.R. 5141 would authorize the appropriation of $3.3 billion each year only through 2023. CBO's estimate of the cost of implementing H.R. 5141 is correspondingly lower over the 2019-2028 period.

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