



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 5, 2016

### **H.R. 757** **North Korea Sanctions and Policy Enhancement Act of 2016**

*As ordered reported by the Senate Committee on Foreign Relations  
on January 28, 2016*

#### **SUMMARY**

H.R. 757 would expand existing sanctions against North Korea. It also would authorize the appropriation of \$50 million over the 2017-2021 period, primarily for expanding radio broadcasting and other programs to improve access to information in that country and providing humanitarian assistance to North Korean refugees. CBO estimates that implementing the act would cost \$44 million over the 2016-2021 period, assuming appropriation of the specified and estimated amounts.

Because enacting the legislation would affect direct spending and revenues, pay-as-you-go procedures apply; however, those effects would not be significant over the 2016-2026 period. CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

H.R. 757 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. H.R. 757 would impose private-sector mandates, as defined in UMRA, on entities that export goods or services sent as foreign assistance. Because of the small number of entities that would be affected and the broad scope of existing U.S. sanctions against North Korea, CBO expects that the aggregate cost of the mandates would probably fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation).

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

The estimated budgetary effect of H.R. 757 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars						2016-2021
	2016	2017	2018	2019	2020	2021	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>							
Specified Authorizations							
Authorization Level	0	10	10	10	10	10	50
Estimated Outlays	0	6	6	7	7	7	33
Administrative Costs							
Estimated Authorization Level	2	2	2	2	2	2	12
Estimated Outlays	1	2	2	2	2	2	11
Total Changes							
Estimated Authorization Level	2	12	12	12	12	12	62
Estimated Outlays	1	8	8	9	9	9	44

Note: In addition, enacting H.R. 757 would have an insignificant effect on direct spending and revenues over the 2016-2026 period.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 757 will be enacted early in fiscal year 2016, the amounts authorized will be appropriated near the start of each fiscal year, and outlays will follow historical patterns for similar and existing programs.

### Spending Subject to Appropriations

H.R. 757 would authorize the appropriation of \$10 million a year over the 2017-2021 period primarily for programs related to North Korea and expand existing sanctions against that country. Assuming appropriation of the authorized amounts and amounts necessary to administer the sanctions, CBO estimates that implementing the act would cost \$44 million over the 2016-2021 period.

**Specified Authorizations.** Section 403 would authorize the appropriation of \$8 million each year over the 2017-2021 period for several existing programs to provide radio broadcasting and other programs to improve access to information to North Koreans and humanitarian assistance to North Korean refugees. It also would authorize the appropriation of \$2 million each year over the 2017-2021 period to implement a new reporting requirement under the bill. However, that requirement is for a single report that would be submitted in 2017. CBO expects that any funding provided after 2017 for that

provision would not be available for spending on other purposes. CBO estimates that implementing those provisions would cost \$33 million over the 2016-2021 period.

**Administrative Costs.** Provisions of H.R. 757 would increase the administrative costs of the Department of State and the Department of the Treasury. Based on information from the Administration, CBO estimates that the departments would need to hire about 10 additional employees to implement the bill and would require additional appropriations averaging \$2 million a year over the 2016-2021 period. CBO estimates that implementing those provisions would cost \$11 million over the 2016-2021 period.

### **Direct Spending and Revenues**

Sanctions required under the act would probably increase the number of people who would be denied a visa by the Secretary of State. Most visa fees are retained by the department and spent without further appropriation, but some fees are deposited in the Treasury as revenues. CBO estimates that enacting the provisions related to sanctions would affect very few people, and would thus decrease revenues by an insignificant amount.

Because H.R. 757 would expand the types of prohibited activities involving North Korea that are subject to civil and criminal penalties and forfeitures under current law, it could increase revenues and the associated direct spending from the collection of those penalties and forfeitures. CBO estimates that the net budgetary effect of any additional penalties and forfeitures would be negligible for each year. (Under current law, half of the civil penalties and all of the criminal penalties and forfeitures imposed for violating sanctions are deposited into the United States Victims of State Sponsored Terrorism Fund to compensate certain victims of state sponsored terrorism.)

### **PAY-AS-YOU-GO CONSIDERATIONS**

Pay-as-you-go procedures apply to H.R. 757 because it would affect direct spending and revenues; however, CBO estimates that those effects would not be significant over the 2016-2026 period.

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

CBO estimates that enacting H.R. 757 would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 757 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 757 would impose private-sector mandates, as defined in UMRA, on entities that export goods or services sent as foreign assistance. The bill would prohibit entities in the United States from exporting items, data, and services related to defense that are sent as nonhumanitarian assistance to countries that provide military equipment to North Korea. The bill also would impose a mandate by requiring the President to revoke licenses for transactions that lack financial controls to ensure that such transactions will not facilitate the proliferation of weapons or human rights abuses by the North Korean government. The cost of the mandates would be the forgone net revenues from exports or transactions prohibited by the bill. Because of the small number of entities that would be affected and the broad scope of existing U.S. sanctions against North Korea, CBO expects that the aggregate cost of the mandates would probably fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation).

## **PREVIOUS CBO ESTIMATE**

On March 16, 2015, CBO transmitted a cost estimate for H.R. 757 as ordered reported by the House Committee on Foreign Affairs on February 27, 2015. The two versions of the legislation are similar; however, H.R. 757 as ordered reported by the Senate Committee on Foreign Relations contains specified authorizations of appropriations for the 2017-2021 period that were not present in the earlier version of the act. CBO's estimate of the discretionary costs of implementing the current version of the act reflects that difference.

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