September 19, 2019

S. 398, Saudi Arabia Accountability and Yemen Act of 2019

As reported by the Senate Committee on Foreign Relations on July 30, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	6,000	6,000
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	6,000	6,000
Spending Subject to Appropriation (Outlays)	0	1	1

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

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

Bill Summary

S. 398 would suspend through fiscal year 2020 several pending arms sales to the Kingdom of Saudi Arabia. It also would require the Administration to impose sanctions on foreign persons (individuals or entities) who have interfered with humanitarian aid in Yemen, supported Houthi forces, or are responsible for the death of Jamal Khashoggi. Finally, the bill would require the Administration and the Government Accountability Office to provide several reports and briefings to the Congress.

Estimated Federal Cost

CBO estimates that enacting S. 398 would increase direct spending by $6 billion over the 2019-2024 period and would have insignificant effects on revenues. In addition, CBO estimates that imposing the sanctions and satisfying the reporting requirements would cost less than $500,000 each year and total $1 million over the 2019-2024 period. That spending would be subject to the availability of appropriated funds. The costs of the legislation fall within budget function 150 (international affairs).

Suspension of Arms Sales

S. 398 would suspend the sale of several types of defense items to Saudi Arabia. According to the Department of Defense (DoD), Saudi Arabia has more than 370 arms sales valued at

$129 billion pending through the Foreign Military Sales (FMS) program. DoD estimates that about 30 percent of those sales would be affected by the enactment of S. 398 and that it would cost $12 billion to terminate all those contracts. Because of the paucity of information from DoD about the probability that any particular contract would be canceled, CBO assumes that about half would be terminated at an estimated cost of $6 billion. The federal government could incur other costs as a result of terminating the contracts such as litigation expenses or storage fees for defense items. CBO has no basis for estimating those potential costs.

The estimated cost is uncertain primarily because CBO does not know how Saudi Arabia would respond to a one-year suspension of arms sales, the extent to which contracts would be terminated or deliveries would be delayed, or the timing of those effects. Other factors that contribute to the estimate's uncertainty include the potential that DoD would have to interdict and store items until deliveries resume and compensate Saudi Arabia or vendors for costs they incur as a result of the moratorium. In addition, the federal government could offset some of those costs by finding alternate buyers for items produced under contracts that are terminated.

Other Provisions

Imposing sanctions and providing reports required by S. 398 would increase the administrative costs of the Departments of State, Defense, and the Treasury. The bill also would require the Government Accountability Office to report to the Congress on U.S. military support to the Saudi-led coalition fighting in Yemen. On the basis of costs to satisfy similar requirements, CBO estimates that implementing those provisions would cost less than $500,000 each year and total $1 million over the 2019-2024 period. That spending would be subject to the availability of appropriated funds.

CBO estimates that imposing the sanctions required by the bill also would increase the number of people who would be denied visas by the Department of State and the number who would be subject to civil or criminal penalties for violating those sanctions. Most visa fees are retained by the department and spent without further appropriation, but some fees are deposited in the Treasury as revenues. Penalties also are recorded as revenues, and a portion of those penalties can be spent without further appropriation. Because CBO expects that very few additional people would be affected, CBO estimates that enacting S. 398 would have insignificant effects on both revenues and direct spending.

S. 398 would direct the Administration to restrict imports of items of archaeological or cultural importance from Yemen and to report annually to the Congress on those efforts. The United States imposes customs duties on some imports; those duties are deposited in the Treasury as revenues. CBO expects that few imports would be affected by the enactment of S. 398 and estimates that the reduction in revenues would be insignificant.

Mandates

S. 398 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost of the mandates would fall well below the threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

The bill would impose sanctions on foreign persons who have interfered with humanitarian aid in Yemen, supported Houthi forces, and are responsible for the death of Jamal Khashoggi. Those sanctions could prohibit individuals or 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 would be 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 persons in foreign countries who have committed violations outlined in the bill, CBO expects that the number of individuals or entities in the United States that could be affected by the legislation would be small and the loss of income from any incremental restrictions imposed by the bill would be small as well.

S. 398 also would impose a private-sector mandate on entities that import items from Yemen that are archaeologically or culturally significant. The bill would require those importers to provide documentation certifying that exportation of the items does not violate Yemeni law. Because few imports would be affected, CBO estimates that the cost of the mandate would be small.

S. 398 contains no intergovernmental mandates as defined in UMRA.

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