Congressional Budget Office
Cost Estimate

October 8, 2019

H.R. 4270, Placing Restrictions on Teargas Exports and Crowd Control Technology to Hong Kong Act

As ordered reported by the House Committee on Foreign Affairs on September 25, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	*	*	*
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	1	3	not estimated

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?	No

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

H.R. 4270 would prohibit the Departments of State and Commerce from issuing licenses for the export of defense articles and munitions to the Hong Kong police. It also would require the departments to report to the Congress on their implementation of the bill. Both departments have jurisdiction over U.S. exports of defense articles: the Department of State regulates items for military use, and the Bureau of Industry and Security (BIS) at the Department of Commerce regulates items for commercial or dual use.

Under H.R. 4270, BIS would not be able to issue licenses to export crime control and detection equipment to the Hong Kong police. On the basis of information from the bureau, CBO estimates that BIS would need to hire three additional enforcement personnel at an average annual cost of $180,000 to identify and investigate unlicensed exports. In addition, on the basis of information about the cost to prepare similar reports, CBO estimates that satisfying the bill's reporting requirement would cost less than $500,000 over the 2020-2024 period. In total, CBO estimates that those provisions would cost $3 million over the 2020-2024 period; such spending would be subject to the availability of appropriated funds.

CBO estimates that enacting H.R 4270 would increase direct spending and revenues by insignificant amounts. The Department of State requires manufacturers and exporters of defense items to register with its Directorate of Defense Trade Controls. The directorate

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

charges registration fees that start at $2,250; it charges higher fees for renewals and for exporters who apply for more than 10 licenses each year. It can spend those fees without further appropriation. The Department of Commerce does not charge fees for its export licenses. CBO expects that the State Department would deny only a few licenses. Furthermore, manufacturers would still be required to register with the directorate regardless of whether they export defense items. Thus, CBO estimates that the bill's enactment would have insignificant effects on net direct spending.

In addition, CBO estimates that enacting H.R. 4270 would increase the number of people who would be subject to civil or criminal penalties for violating U.S. export laws. Penalties 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 the bill's enactment would have insignificant effects on both revenues and direct spending.

The CBO staff contact for this estimate is Sunita D'Monte. The estimate was reviewed by Leo Lex, Deputy Assistant Director for Budget Analysis.