Congressional Budget Office
Cost Estimate

February 26, 2020

At a Glance

S. 482, Defending American Security from Kremlin Aggression Act of 2019

As reported by the Senate Committee on Foreign Relations on December 18, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	*	*	1
Revenues	*	*	1
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	*	191	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	Yes, Under Threshold
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	No	Contains private-sector mandate?	Yes, Cannot Determine Costs

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

The bill would

- Authorize appropriations to contribute to the Organisation for the Prohibition of Chemical Weapons (OPCW)
- Require the Administration to impose sanctions on individuals or entities engaged in certain activities directed by or for the benefit of the Russian government
- Impose intergovernmental and private-sector mandates by prohibiting individuals or entities in the United States affected by the bill's sanctions from engaging in certain activities and requiring U.S. title companies to report certain high-value transactions

Estimated budgetary effects would primarily stem from

- Authorizing appropriations for contributions to OPCW
- Establishing a new federal center to coordinate responses to threats from Russia
- Implementing sanctions

Areas of significant uncertainty include

- Predicting how and when the Administration would establish the new federal center to counter Russian threats and create an office to coordinate sanctions
- Anticipating the extent to which the Administration would impose sanctions and enforce new regulations on targeted entities, and how many entities would be affected by those efforts

Detailed estimate begins on the next page.

Bill Summary

S. 482 would authorize the appropriation of $150 million for contributions to the OPCW over the 2020-2025 period. It also would establish a new federal entity to counter threats from Russia and create an office at the Department of State to coordinate sanctions.

Estimated Federal Cost

The estimated budgetary effects of S. 482 are shown in Table 1. The costs of the legislation fall primarily within budget functions 050 (national defense), 150 (international affairs), and 750 (administration of justice).

Table 1.
Estimated Budgetary Effects of S. 482

	By Fiscal Year, Millions of Dollars						
	2020	2021	2022	2023	2024	2025	2020-2025
	Increases in Spending Subject to Appropriation						
Contribution to OPCW							
Authorization	25	25	25	25	25	25	150
Estimated Outlays	0	25	25	25	25	25	125
Center for Hybrid Threats from Russia							
Estimated Authorization	*	6	7	7	7	8	35
Estimated Outlays	*	6	7	7	7	8	35
Sanctions Office							
Estimated Authorization	*	4	4	5	5	5	23
Estimated Outlays	*	3	4	5	5	5	22
Public Diplomacy							
Estimated Authorization	*	1	1	1	1	1	5
Estimated Outlays	*	1	1	1	1	1	5
Regulation of Real Estate Transactions							
Estimated Authorization	*	1	*	*	*	*	2
Estimated Outlays	*	1	*	*	*	*	2
Other Provisions							
Estimated Authorization	*	*	*	*	*	*	2
Estimated Outlays	*	*	*	*	*	*	2
Total Changes							
Estimated Authorization	25	37	37	38	38	39	217
Estimated Outlays	*	36	37	38	38	39	191

In addition to the amounts shown here, enacting S. 482 would increase both direct spending and revenues by $1 million over the 2020-2030 period. On net, CBO estimates that enacting the bill would reduce the deficit by an insignificant amount.

Components may not sum to totals because of rounding; OPCW = Organisation for the Prohibition of Chemical Weapons;
* = between zero and $500,000.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted in fiscal year 2020 and that the authorized and estimated amounts will be appropriated each fiscal year. Under that assumption, the department could incur some costs in 2020, but CBO expects that most of the costs would be incurred in 2021 and later. CBO estimates that implementing the bill would cost a total of $191 million over the 2020-2025 period, subject to appropriation of the specified and estimated amounts. In addition, CBO estimates that enacting S. 482 would increase both revenues and direct spending by $1 million over the 2020-2030 period; it would reduce the deficit by an insignificant amount over that same period.

Spending Subject to Appropriation

CBO estimates that implementing S. 482 would cost $191 million over the 2020-2025 period.

Contribution to the Organisation for the Prohibition of Chemical Weapons (OPCW). Section 305 would authorize appropriations of $25 million each year over the 2020-2025 period for contributions to OPCW to increase its ability to identify and investigate attacks with chemical weapons. That organization seeks to eliminate the use of chemical weapons. CBO estimates implementing that provision would cost $125 million over the 2020-2025 period; the remaining amounts would be spent in 2026.

Center for Hybrid Threats from Russia. Section 704 would require the President to establish a new center to coordinate federal responses to threats from Russia, such as propaganda and disinformation campaigns, money laundering, and cybercrimes. CBO expects that the center, once established, would enhance the Administration’s analysis of such threats and would synchronize policy responses. On the basis of information about similar efforts, CBO estimates that the Administration would hire about 30 full-time employees to staff and operate the center. Salaries and benefits for those employees (averaging $185,000 in 2020 and adjusting for inflation) and other operating expenses would cost $35 million over the 2020-2025 period, CBO estimates.

Sanctions Office. Section 622 would establish a new Office of Sanctions Coordination at the Department of State. Section 212 would authorize the department to hire up to 20 employees to staff that office and to administer various sanctions. Using information about the average cost of employees at the department (about $185,000 in 2020) and adjusting for inflation, CBO estimates that hiring 20 employees and operating the new office would cost $22 million over the 2020-2025 period.

Public Diplomacy. Section 202 would permanently reauthorize the U.S. Advisory Commission for Public Diplomacy. On the basis of information from the commission, CBO estimates implementing that provision would cost about $500,000 each year.

That section also would require the Department of State to appoint a director to research and evaluate its public-diplomacy programs and to report to the Congress on the results. The director also would be required to provide guidance and training in those areas to public-diplomacy officers. The department is in the process of meeting most of those requirements; thus, CBO estimates implementing those requirements would cost less than $500,000 each year.

In total, CBO estimates that implementing those public diplomacy requirements would cost about $5 million over the 2020-2025 period.

Regulation of Real Estate Transactions. Section 702 would require some title insurance companies to report to the Department of the Treasury on purchases of residential properties that exceed certain prices. The department would issue regulations to establish price thresholds for various real estate markets in the United States. Under the new requirement, the department would gather information about individuals who enjoy property rights without owning legal titles (known as beneficial ownership). CBO estimates that the department would spend about $1 million in 2021 to develop and promulgate the necessary regulations. Beginning in 2022, CBO estimates that department would employ two additional employees to investigate the targeted purchases at an annual cost of about $150,000 each. In total, CBO estimates that implementing this provision would cost $2 million over the 2020-2025 period.

Other Provisions. CBO estimates that several provisions would each cost less than $500,000 each year. Those provisions include more than two dozen reporting requirements (primarily related to sanctions) and a requirement to expand a pilot program to train Department of State personnel on reducing corruption in foreign countries. In the aggregate, CBO estimates that implementing those provisions would cost $2 million over the 2020-2025 period.

Countering Russian Influence Fund. Section 705 would authorize the appropriation of $250 million each year in 2021 and 2022 for the Countering Russian Influence Fund. Public Law 116-93, the Further Consolidated Appropriations Act, 2020, authorized appropriations of that same annual amount for the 2020-2023 period. (That law also earmarked not less than $290 million for that purpose in 2020 from funds appropriated for international assistance.) Thus, enacting that section would not affect the authorized level for the fund relative to current law.

Revenues and Direct Spending

CBO estimates that enacting S. 482 would have insignificant effects on revenues and direct spending in each year and would increase both revenues and direct spending by $1 million over the 2020-2030 period. On net, CBO estimates that enacting the bill would reduce the deficit by insignificant amounts over the 2020-2030 period.

Sanctions. Under current executive orders, the United States has imposed sanctions affecting certain sectors of the Russia economy. S. 482 would require the Administration to impose additional sanctions on individuals and entities who:

- Invest in new Russian sovereign debt;
- Interfere in elections or democratic processes in the United States or other countries;
- Facilitate corruption in or on behalf of Russia;
- Engage in or support malicious cyber activities;
- Invest in certain Russian energy projects;
- Support military operations against Ukraine;
- Interfere with freedom of navigation in the Kerch strait; and
- Facilitate assassinations in other countries directed by Russia.

Those sanctions would deny affected people entry into the Unites States and would block transactions in assets and property that are in the United States or come under the control of U.S. persons. CBO estimates that enacting the bill 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 the sanctions (primarily those imposed for investing in newly issued Russian sovereign debt).

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. Using data from similar sanctions programs, CBO estimates that enacting the bill would have insignificant effects on revenues and direct spending in each year and would increase both revenues and direct spending by $1 million over the 2020-2030 period.

Other Provisions. CBO estimates that several other provisions of S. 482 would have insignificant effects on direct spending and revenues because few people would be affected:

- Title IV of the bill would create a new criminal violation for cyberattacks on critical infrastructure networks such as election systems, power plants, and hospitals;
- Section 501 would expand the coverage of current laws that prohibit the use of computers to interfere with voting systems; and
- Section 502 would require the government to deny entry into the United States to aliens who have interfered or who seek to interfere with a U.S. election, thereby reducing direct spending for certain federal benefits, such as emergency Medicaid.

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 and revenues that are subject to those pay-as-you-go procedures are shown in Table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of S. 482, the Defending American Security from Kremlin Aggression Act of 2019, as Reported by the Senate Committee on Foreign Relations on December 18, 2019

	By Fiscal Year, Millions of Dollars												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020-2025	2020-2030
	Net Increase or Decrease (-) in the Deficit												
Pay-As-You-Go Effect	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum:													
Changes in Outlays	0	0	0	0	0	0	0	0	0	0	0	0	1
Changes in Revenues	0	0	0	0	0	0	0	0	0	0	0	0	1

Increase in Long-Term Deficits: None.

Mandates

CBO has not reviewed section 501 of S. 482 for intergovernmental or private-sector mandates. Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provision that enforces constitutional rights of individuals. CBO has determined that section 501 falls within that exclusion because it would enforce constitutional rights related to voting.

Other provisions of S. 482 would impose intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the cost of complying with the intergovernmental mandate would not exceed the annual threshold established in UMRA, $84 million in 2020 (adjusted annually for inflation). CBO cannot determine whether the cost to comply with the private-sector mandates would exceed the threshold established in UMRA, $168 million in 2020 (adjusted annually for inflation).

Mandates on Private Entities

By imposing sanctions on certain high ranking officials, persons that support the malicious cyber activities of Russia, Russian financial institutions that support Russian interference in democratic elections, and various components of the Russian energy sector, S. 482 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 is a mandate as defined in 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. Through executive orders, current and previous administrations have imposed numerous sanctions on entities that would probably be sanctioned in the bill, and the authority to impose other sanctions on these entities has been provided in other public acts. Therefore, 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 new restrictions imposed by the bill would be small as well.

Section 702 of the bill would require U.S. title insurance companies to obtain, maintain, and report to the Treasury the beneficial owners of entities that purchase residential real estate in high-value transactions in geographically targeted areas. The department would determine the high-value threshold and the areas that would be subject to the reporting requirement. This provision would expand an existing mandate in a similar Geographic Targeting Order issued by the Financial Crimes Enforcement Network in 2018 for transactions in residential real estate paid in cash. Because the parameters of the regulation have not yet been developed by the agency, CBO cannot determine the cost to comply with the mandate.

Mandate on Public and Private Entities

Section 602 of the bill would prohibit U.S. entities from dealing in Russian sovereign debt if the Director of National Intelligence determines that Russia maliciously targeted election infrastructure with cyber activities. The prohibition would be issued within 60 days of the Director's determination, and within 90 days of the determination, U.S. entities would no longer be able to deal in Russian sovereign debt. If the Director issues such a determination, a mandate would be imposed on public and private entities by prohibiting them from making investment decisions that are permissible under current law.

The cost of the mandate would be forgone interest income of investors that move assets to bond vehicles with lower yields. CBO expects, however, that U.S. investors would seek debt instruments of equal or similar risk. Because other nations sell bonds at similar yields while also posing a similar risk to investors, CBO estimates that the net cost of the mandate on both public and private entities would be small.

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