CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 24, 2014

S. 2124
Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014

As reported by the Senate Committee on Foreign Relations on March 12, 2014

SUMMARY

S. 2124 would provide funds to implement a U.S. quota increase at the International Monetary Fund (IMF), rescind other funds previously appropriated for the IMF, and provide or authorize various forms of assistance to Ukraine and the surrounding region. It would require sanctions on individuals responsible for violence, corruption, human rights abuses, or undermining stability in Ukraine, and would authorize sanctions on certain individuals in Russia.

CBO estimates that enacting the bill would decrease direct spending by $373 million over the 2014-2024 period. S. 2124 would achieve that decrease mostly by rescinding funds that were provided as an emergency requirement. Certain sanctions, if enacted, would affect revenues, but CBO estimates that those effects would not be significant. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO estimates that the statutory pay-as-you-go effects of S. 2124 (which, by law, do not including the effect of rescinding funds provided under the emergency designation) would be to increase the deficit by $320 million over the 2014-2024 period.

In addition, the bill would authorize the appropriation of $100 million over the 2015-2017 period for security cooperation with Ukraine and other European countries in that region and $50 million in 2015 for efforts to strengthen democratic institutions, rule of law, civil society, and transparency in Ukraine. S. 2124 also would authorize assistance for the Ukrainian government's efforts to recover lost or stolen assets. CBO estimates that implementing those provisions would have discretionary costs of $142 million over the 2014-2019 period, assuming appropriation of the specified and estimated amounts.

S. 2124 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would impose a private-sector mandate, as defined in UMRA, to the extent that it would prohibit transactions with individuals sanctioned under the bill. CBO expects that few private entities would be affected by the mandate and

estimates that the cost of the mandate would fall below the annual threshold established in UMRA ($152 million in 2014, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 2124 are shown in the following table. The costs of this legislation fall primarily within budget functions 050 (national defense) and 150 (international affairs).

TABLE 1. BUDGETARY EFFECTS OF S. 2124, THE SUPPORT FOR THE SOVEREIGNTY, INTEGRITY, DEMOCRACY, AND ECONOMIC STABILITY OF UKRAINE ACT OF 2014

	By Fiscal Year, in Millions of Dollars						
	2014	2015	2016	2017	2018	2019	2014-2019
CHANGES IN DIRECT SPENDING[a]							
Estimated Authorization Level	-1,262	0	0	0	0	0	-1,262
Estimated Outlays	288	-94	-120	-93	-63	-53	-135
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	2	88	38	37	2	0	167
Estimated Outlays	2	12	34	38	35	21	142

a. CBO estimates that S. 2124 would reduce net direct spending over the 2014-2024 period by $373 million (see Table 2). Further, CBO estimates that S. 2124 would have insignificant effects on revenues over the 2014-2024 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2124 will be enacted in April 2014, that the necessary amounts will be appropriated each year, and that outlays will follow historical spending patterns for the affected programs.

Direct Spending and Revenues

Several provisions in S. 2124 would affect direct spending. CBO estimates that those provisions would decrease net direct spending by $373 million over the 2014-2024 period (see Table 2).

TABLE 2. ESTIMATED DIRECT SPENDING EFFECTS OF S. 2124

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN DIRECT SPENDING[a]													
Loan Guarantees for Ukraine													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	350	0	0	0	0	0	0	0	0	0	0	350	350
Quota Increase for the IMF													
Estimated Budget Authority	315	0	0	0	0	0	0	0	0	0	0	315	315
Estimated Outlays	79	16	16	16	16	16	16	16	16	16	16	159	239
Rescission of NAB Funding[b]													
Estimated Budget Authority	-1,261	0	0	0	0	0	0	0	0	0	0	-1,261	-1,261
Estimated Outlays	-63	-63	-63	-63	-63	-63	-63	-63	-63	-63	-63	-378	-693
Rescissions from State Department and Related Agencies' Accounts													
Estimated Budget Authority	-158	0	0	0	0	0	0	0	0	0	0	-158	-158
Estimated Outlays	-69	-13	-29	-18	-3	-1	0	0	0	0	0	-133	-133
Rescissions from Department of Defense Accounts													
Estimated Budget Authority	-158	0	0	0	0	0	0	0	0	0	0	-158	-158
Estimated Outlays	-9	-34	-44	-28	-13	-5	-2	-1	0	0	0	-133	-136
Sanctions													
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	*	*
Total Changes in Direct Spending													
Estimated Budget Authority	-1,262	0	0	0	0	0	0	0	0	0	0	-1,262	-1,262
Estimated Outlays	288	-94	-120	-93	-63	-53	-49	-48	-47	-47	-47	-135	-373
Memorandum													
Total Changes in Direct Spending Without Rescission of NAB Funding[b]													
Estimated Budget Authority	-1	0	0	0	0	0	0	0	0	0	0	-1	-1
Estimated Outlays	351	-31	-57	-30	0	10	14	15	16	16	16	243	320

Note: * = less than $500,000; IMF = International Monetary Fund; NAB = New Arrangements to Borrow.

a. In addition to the direct spending effects shown in the table above, CBO estimates that S. 2124 would have insignificant effects on revenues over the 2014-2024 period.

b. Funding for the NAB was provided by Public Law 111-32 and was designated as an emergency requirement pursuant to sections 403(a) and 423(b) of S. Con. Res. 13 (111th Congress), the concurrent resolution on the budget for fiscal year 2010.

Loan Guarantees for Ukraine. Section 4 would require the President to use unobligated balances from the Economic Support Fund to issue loan guarantees to Ukraine. The Administration has announced a plan to guarantee $1 billion in loans to Ukraine. Based on information from the Administration and recent credit ratings for that country, CBO estimates that the subsidy rate for those loan guarantees would be 35 percent and the subsidy cost would be $350 million in 2014. Because the bill would increase spending from existing appropriations, those outlays would be treated as direct spending.

Quota Increase for the IMF. Section 10 would appropriate roughly $63 billion for an increase in the U.S. quota at the IMF. The bill specifies that the increase be estimated on a present-value basis with a discount rate based on Treasury borrowing rates. Accordingly, and using an estimated subsidy rate of 0.5 percent that reflects the very low probability of costs being incurred by the federal government, CBO estimates that the quota increase would require funding of $315 million in 2014. Under a long-standing practice, 25 percent of the quota increase would be deposited with the IMF immediately; thus, CBO estimates costs of $79 million in 2014. CBO further estimates that implementing the quota increase would cost $16 million each year over the 2015-2024 period, for a total cost of $239 million over the 2014-2024 period.

Rescission of New Arrangements to Borrow (NAB) Funding. Section 10 also would rescind roughly $63 billion in NAB funding. The NAB is an agreement between the IMF and several countries to supplement lending from its quota resources. NAB funding was provided by Public Law 111-32 and was designated as an emergency requirement pursuant to sections 403(a) and 423(b) of S. Con. Res. 13, the concurrent resolution on the budget for fiscal year 2010. That legislation required CBO to estimate the costs of the NAB funding on a fair value basis, and CBO uses that same budgetary treatment to estimate the effects of rescinding that funding.

Accordingly, and using an estimated subsidy rate of 2 percent (the same rate used to record the costs of the appropriation), CBO estimates that rescinding $63 billion in NAB funding would reduce budget authority by $1.26 billion in 2014 and reduce outlays by $63 million each year over the 2014-2024 period.

Rescissions from State Department and Related Agencies' Accounts. Section 12 would rescind $158 million in appropriated funds or unexpended balances from several accounts within the State Department and related agencies. In total, CBO estimates that those rescissions would reduce outlays by $133 million over the 2014-2024 period.

Rescissions from Department of Defense Accounts. Section 13 would rescind $158 million in appropriated funds from several procurement accounts within the Department of Defense.[1] In total, CBO estimates that those rescissions would reduce outlays by $136 million over the 2014-2024 period.

Sanctions. Two sections of the bill would block the assets of certain individuals and prohibit their entry into the United States. Section 8 would require that those sanctions be applied to individuals responsible for violence, corruption, human rights abuses, or undermining stability in Ukraine, and section 9 would authorize those sanctions on certain individuals in Russia.

The Administration has already imposed such sanctions on some individuals. To the extent that sanctions imposed under S. 2124 would affect more individuals, the bill would increase the number of people who would be denied a visa by the Secretary of State and might be subject to civil or criminal penalties. Most visa fees are retained by the department and spent without further appropriation, but some fees are deposited in the Treasury as revenues. Civil penalties are deposited in the Treasury as revenues, while criminal penalties are deposited in the Crime Victims Fund and later spent. CBO estimates that implementing those sanction provisions would affect very few people and, thus, have insignificant effects on both revenues and direct spending over the 2014-2024 period.

Spending Subject to Appropriation

S. 2124 would authorize the appropriation of $150 million for assistance to Ukraine and other countries in the region. It also would authorize assistance for the Ukrainian government's efforts to recover lost or stolen assets. In total, CBO estimates that implementing the bill would have discretionary costs of $142 million over the 2014-2019 period, assuming appropriation of the specified and estimated amounts (see Table 3).

Security Assistance. Section 7 would authorize the appropriation of $100 million over the 2015-2017 period for enhanced security cooperation with Ukraine and other countries in Central and Eastern Europe. Assuming appropriation of the specified amounts, CBO estimates that implementing that assistance would have discretionary costs of $83 million over the 2014-2019 period.

Assistance to Promote Democracy, Good Governance, and Civil Society. Section 6 would authorize the appropriation of $50 million in 2015 to strengthen democratic

1. The Department of Defense funds that would be rescinded by the bill are from accounts that received appropriations originally provided to cover base budget costs as well as costs arising from overseas contingency operations (OCO). Under the Budget Control Act of 2011 (Public Law 112-25), appropriations to cover base budget costs are constrained by the discretionary caps for defense, while appropriations for OCO are not.

institutions, rule of law, civil society, and transparency in Ukraine. Assuming appropriation of the specified amounts, CBO estimates that implementing that assistance would have discretionary costs of $43 million over the 2014-2019 period.

Asset Recovery. Section 5 would authorize the Departments of Justice, State, and the Treasury to assist in the Ukrainian government's efforts to recover lost or stolen assets. Based on information from the Administration, CBO estimates that the additional personnel and technical assistance to implement that provision would require additional appropriations of about $2 million in 2014, $5 million a year in 2015 and 2016, and smaller amounts in 2017 and 2018. In total and assuming appropriation of the necessary amounts, CBO estimates that implementing that provision would have costs of $16 million over the 2014-2019 period.

TABLE 3. ESTIMATED EFFECTS OF S. 2124 ON SPENDING SUBJECT TO APPROPRIATION

	By Fiscal Year, in Millions of Dollars						
	2014	2015	2016	2017	2018	2019	2014-2019
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Security Assistance							
Authorization Level	0	33	33	34	0	0	100
Estimated Outlays	0	5	14	22	24	18	83
Assistance to Promote Democracy, Good Governance, and Civil Society							
Authorization Level	0	50	0	0	0	0	50
Estimated Outlays	0	3	15	13	9	3	43
Asset Recovery							
Estimated Authorization Level	2	5	5	3	2	0	17
Estimated Outlays	2	4	5	3	2	0	16
Total Changes							
Estimated Authorization Level	2	88	38	37	2	0	167
Estimated Outlays	2	12	34	38	55	21	142

Report on Russia. Section 11 would require the Department of Defense to submit annual reports to the Congress on the military power of the Russian Federation. CBO estimates that implementing that provision would cost less than $500,000 a year, assuming the availability of appropriated funds.

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 that are subject to those pay-as-you-go procedures are shown in the following table. Enacting S. 2124 would have no significant effect on revenues.

CBO Estimate of Pay-As-You-Go Effects for S.2124 as reported by the Senate Committee on Foreign Relations on March 12, 2014

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Total Changes	288	-94	-120	-93	-63	-53	-49	-48	-47	-47	-47	-135	-373
Less:													
Emergency Requirements[a]	-63	-63	-63	-63	-63	-63	-63	-63	-63	-63	-63	-378	-693
Statutory Pay-As-You-Go Impact	351	-31	-57	-30	0	10	14	15	16	16	16	243	320

a. Section 10 of S. 2124 would rescind funding for the NAB that was designated as an emergency requirement pursuant to sections 403(a) and 423(b) of S. Con. Res. 13 (111 Congress), the concurrent resolution on the budget for fiscal year 2010.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 2124 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would impose a private-sector mandate, as defined in UMRA, to the extent that it would prohibit transactions with individuals sanctioned under the bill. The Administration has already imposed sanctions on individuals determined to be responsible for certain actions and policies in Ukraine and individuals in Russia. CBO expects that the increase in the number of individuals subject to sanctions would be small relative to current law. Consequently, CBO estimates that few private entities would be affected by the mandate and that the cost of the mandate would fall below the annual threshold established in UMRA ($152 million in 2014, adjusted annually for inflation).

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