



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 25, 2007

Foreign Investment and National Security Act of 2007

*As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs
on May 16, 2007*

The legislation would amend the Defense Production Act of 1950 to establish in law the Committee on Foreign Investment in the United States (CFIUS). The committee would consist of at least nine permanent members with seven full members, including the Secretaries of the Treasury, Homeland Security, Commerce, Defense, State, and Energy, as well as the Attorney General and two ex-officio members including the Secretary of Labor and the Director of National Intelligence to coordinate the review of foreign investment in the United States that involves national security or critical infrastructure. The legislation would formalize and expand the review and investigation process. In addition, the legislation would require specific reports by the Department of the Treasury on the previous work of CFIUS and on foreign investment in the United States.

CBO expects that complying with the bill's provisions would increase the administrative expenses of some federal agencies, including the Department of the Treasury, but because of the confidential nature of the CFIUS review process, the number of agencies involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill. Additional costs over the 2007-2012 period, however, would generally come from agencies' salary and expense budgets which are subject to annual appropriation. Such costs would probably total at least a few million dollars per year.

Enacting the legislation would likely increase collections of civil penalties for the violations related to the review process. Such collections are recorded in the budget as revenues and deposited in the Treasury. CBO estimates that the additional collections of civil penalties would not be significant because of the relatively small number of cases likely to be involved. Enacting the bill would not affect direct spending.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

On February 16, 2007, CBO provided a cost estimate for H.R. 566, the National Security Foreign Investment Reform and Strengthened Transparency Act of 2007, as ordered reported by the House Committee on Financial Services on February 13, 2007. The two bills are concerned with CFIUS but have some different provisions. H.R. 566 would authorize the appropriation of \$10 million annually over the 2008-2011 period. The Senate legislation does not authorize the appropriation of a specific amount to implement the CFIUS responsibilities.

The CBO staff contact for this estimate is Matthew Pickford. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.