CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 26, 2014

H.R. 1771
North Korea Sanctions Enforcement Act of 2014

As ordered reported by the House Committee on Foreign Affairs on May 29, 2014

H.R. 1771 would expand existing sanctions against North Korea. CBO estimates that implementing the bill would cost $10 million over the 2015-2019 period, assuming appropriation of the estimated amounts. Pay-as-you-go procedures apply to this legislation because it would affect direct spending and revenues; however, CBO estimates that those effects would not be significant.

Provisions of H.R. 1771 would increase administrative costs of the Department of State and the Department of the Treasury. Based on information from the Administration, CBO estimates that the departments would hire 10 additional employees to implement the bill and would require additional appropriations averaging $2 million a year over the 2015-2019 period.

Sanctions required under the bill would probably increase the number of people who would be denied a visa by the Secretary of State. Most visa fees are retained by the department and spent without further appropriation, but some fees are deposited in the Treasury as revenues. CBO estimates that implementing those sanction provisions would affect very few people and, thus, have an insignificant budgetary effect.

Because the bill would expand the types of prohibited activities involving North Korea that are subject to civil and criminal penalties under current law, it could increase revenues and direct spending from the collection of those penalties; however, CBO estimates that the net budgetary effect of any additional penalties would be negligible for each year.

H.R. 1771 would impose both intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on public and private entities that export goods or services sent as foreign assistance. The bill would prohibit public and private entities in the United States from exporting defense-related items, data, and services that are sent as non-humanitarian assistance to countries that provide military equipment to North Korea. (For example, the prohibition could affect public universities or other organizations that provide research or technical assistance to such countries.) The bill also would impose a mandate on private entities by requiring the President to revoke licenses for transactions that lack financial controls to ensure that such transactions will not facilitate the proliferation of weapons or human rights abuses by the North Korean government.

The cost of the mandates would be the forgone net revenues from exports or transactions prohibited by the bill. Because of the small number of entities that would be affected and the broad scope of existing U.S. sanctions against North Korea, CBO expects that the aggregate cost of the mandates on public and private entities would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($76 million and $152 million, respectively, in 2014, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sunita D’Monte, Pamela Greene, and Matthew Pickford (for federal costs), Jon Sperl (for the intergovernmental impact), and Marin Burnett (for the private-sector impact). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.