



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 29, 2016

H.R. 5208
North Korea State Sponsor of Terrorism Designation Act of 2016

*As ordered reported by the House Committee on Foreign Affairs
on June 16, 2016*

H.R. 5208 would require the Department of State to report to the Congress on the involvement of the North Korean government in terrorist acts, terrorist groups, arms proliferation, cyber-attacks or hacking, assassination attempts, and similar activities. If the department concluded that the North Korean government is involved in such activities it would be required to consider whether to designate that government as a state sponsor of terrorism. If the department decided against such a designation it would be required to justify that decision to the Congress. On the basis of costs for similar reporting requirements, CBO estimates that implementing the bill would cost less than \$500,000 over the 2017-2021 period; such spending would be subject to the availability of appropriated funds.

Pay-as-you-go procedures do not apply because enacting H.R. 5208 would not affect direct spending or revenues. CBO estimates that enacting H.R. 5208 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5208 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. If the Department of State designates North Korea as a state sponsor of terrorism, doing so would trigger additional U.S. sanctions against the country. Those sanctions would impose private-sector mandates, as defined in UMRA, if they prohibit transactions with U.S. entities. The cost of the mandates would be any foregone income directly related to the prohibited transactions. Because of the broad scope of existing U.S. sanctions against North Korea, CBO expects the number of U.S. entities and individuals affected by the legislation would be very small. Further, CBO expects that the loss of income from any restrictions imposed by the bill would be relatively low. Therefore, CBO estimates that the aggregate cost of the mandates, if imposed, would fall below the annual threshold for private-sector mandates established in UMRA (\$154 million in 2016, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sunita D'Monte (for federal costs) and Logan Smith (for private-sector mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.