



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 23, 2018

H.R. 5576 **Cyber Deterrence and Response Act of 2018**

*As ordered reported by the House Committee on Foreign Affairs
on June 28, 2018*

H.R. 5576 would codify and broaden existing sanctions on foreign persons and agencies of foreign states that are responsible for or provided support for harmful cyber-attacks on the United States. Several executive orders have imposed sanctions related to similar activities; those sanctions include freezing assets held in the United States and prohibiting entry into the United States. The bill would broaden applicable sanctions to include withdrawing or suspending foreign assistance, voting against loans from international financial institutions, prohibiting federal procurement, denying exports licenses, and blocking financial transfers and payments.

Implementing H.R. 5576 would increase administrative costs at the Department of State and the Department of the Treasury. However, based on the costs of implementing similar sanctions, CBO estimates that implementing the bill would cost less than \$500,000 over the 2019-2023 period. That spending would be subject to the availability of appropriated funds.

Under H.R. 5576, the President could limit foreign assistance to governments that he determines have supported harmful cyber-attacks on the United States; however, CBO has no basis for estimating such amounts because we cannot determine whether, when, or in what amounts such restrictions might be imposed.

Enacting H.R. 5576 would increase the number of people who would be subject to civil or criminal penalties. Penalties are recorded as revenues, and a portion of those penalties can be spent without further appropriation. Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply. However, CBO expects H.R. 5576 would affect very few additional people and thus would have insignificant effects on both revenues and direct spending.

CBO estimates that enacting H.R. 5576 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5576 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

By imposing sanctions on certain foreign entities that engage in cyberattacks against the United States, H.R. 5754 would prohibit entities in the United States from engaging in activities that would otherwise be permitted under current law, such as accessing property that has been frozen by the sanctions. Such a prohibition would be a mandate under 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. Because the sanctions focus only on foreign entities that commit cyberattacks against the United States, and because many of those entities are already targeted by existing sanctions, CBO expects that the number of entities and individuals in the United States that could be affected by the legislation would be small. Furthermore, CBO expects that the loss of income from any incremental restrictions in the bill would be small. Therefore, CBO estimates that the aggregate cost of the mandates would fall well below the annual threshold established in UMRA for private-sector mandates (\$160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sunita D'Monte (for federal costs) and Jon Sperl (for mandates). The estimate was reviewed by Leo Lex, Deputy Assistant Director for Budget Analysis.