



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 1, 2005

H.R. 2601

Foreign Relations Authorization Act, Fiscal Years 2006 and 2007

As ordered reported by the House Committee on International Affairs on June 9, 2005

SUMMARY

H.R. 2601 would specifically authorize appropriations totaling \$10.8 billion in 2006 and \$10 billion in 2007 for the Department of State, international broadcasting activities, international assistance programs, and related agencies. The bill also contains several indefinite authorizations and provisions that would raise the cost of discretionary programs for contributions to international peacekeeping, public diplomacy, personnel, and other programs over the 2006-2010 period. CBO estimates that those indefinite authorizations and provisions would require appropriations of almost \$1.9 billion over the 2006-2010 period. In addition, the legislation would authorize the spending of additional funds totaling almost \$0.5 billion for several international assistance programs. In total, CBO estimates that implementing the bill would cost about \$22.3 billion over the 2006-2010 period, assuming the appropriation of the necessary amounts.

The bill contains provisions that would both increase and decrease direct spending, primarily from the reappropriation of funds that would be made available in the State Department's Buying Power Maintenance Account and from the sale of naval vessels. We estimate that enacting H.R. 2601 would increase direct spending by \$7 million in 2006 and \$56 million over the 2006-2015 period. Those totals include estimated receipts for asset sales of \$32 million over the 2006-2007 period. (Asset sale receipts are a credit against direct spending.) Finally, CBO estimates the bill would increase governmental receipts (i.e., revenues) by an insignificant amount each year by creating new criminal penalties related to protective functions of State Department special agents.

H.R. 2601 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2601 is shown in Table 1. The costs of this legislation fall within budget functions 050 (national defense), 150 (international affairs), 300 (natural resources and environment), 750 (administration of justice), and 800 (general government).

TABLE 1. BUDGETARY IMPACT OF H.R. 2601, THE FOREIGN RELATIONS AUTHORIZATION ACT, FISCAL YEARS 2006 AND 2007

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for State Department, International Assistance Programs, and Related Agencies						
Estimated Authorization Level ^a	19,418	0	0	0	0	0
Estimated Outlays	20,011	8,762	3,936	2,183	988	431
Proposed Changes						
Estimated Authorization Level	0	11,209	11,507	145	146	151
Estimated Outlays	0	7,080	9,606	3,224	1,376	972
Spending Under H.R. 2601 for State Department, International Assistance Programs, and Related Agencies						
Estimated Authorization Level ^a	19,418	11,209	11,507	145	146	151
Estimated Outlays	20,011	15,842	13,542	5,407	2,364	1,403
CHANGES IN DIRECT SPENDING (EXCLUDING ASSET SALES) ^b						
Estimated Budget Authority	0	81	21	21	21	21
Estimated Outlays	0	33	14	11	11	11
ASSET SALES						
Estimated Budget Authority	0	-26	-6	0	0	0
Estimated Outlays	0	-26	-6	0	0	0
CHANGES IN REVENUES						
Criminal Penalties for Interference with State Department Special Agents						
Estimated Revenues	0	*	*	*	*	*

NOTE: * = Less than \$500,000.

- a. The 2005 level is the amount appropriated for that year for the State Department, International Assistance programs, and Related Agencies.
- b. These amounts do not include costs for section 205 of the bill because CBO cannot estimate the timing or amount of increase in surcharges for passport and immigrant visas.

BASIS OF ESTIMATE

Most of the bill's budgetary impact would stem from authorizations for the Department of State, international broadcasting activities, international assistance, and related agencies. The bill also includes "earmarks" for programs and activities for which funds have not otherwise been authorized or appropriated. In this estimate, such earmarks are treated as new authorizations and their budgetary impact is included with spending subject to appropriation. The bill also contains provisions that would both increase and decrease direct spending, primarily from the reappropriation of funds that would be made available in the State Department's Buying Power Maintenance Account and from the sale of naval vessels. Finally, a provision that would create new criminal penalties would affect governmental receipts.

For this estimate, CBO assumes that this legislation will be enacted near the start of fiscal year 2006, that the specified and estimated authorization amounts will be appropriated near the start of each fiscal year, and that outlays will follow historical spending patterns for existing and similar programs.

Spending Subject to Appropriation

The bill contains provisions that would affect costs for personnel, contributions to international organizations, foreign assistance, and other programs. H.R. 2601 would authorize appropriations at the specified level of \$10.8 billion in 2006 and \$10 billion in 2007. The bill also would authorize such sums as may be necessary over the 2006-2010 period for several other programs, and would also earmark spending of funds not specifically authorized elsewhere in the bill for additional spending in 2006 and 2007. CBO estimates that combined those provisions would authorize additional appropriations of about \$430 million in 2006 and \$2.4 billion over the 2006-2010 period. In total, CBO estimates that the bill would authorize the appropriation of about \$11.2 billion in 2006 and \$23.2 billion over the 2007-2010 period.

Specified Authorizations. The authorizations of appropriations in this bill would cover the operating expenses and programs of the Department of State, the Broadcasting Board of Governors (BBG), and related agencies, as well as a few international assistance programs. As shown in Table 2, H.R. 2601 would authorize the appropriation, over the next two years, of \$16.2 billion for the State Department for programs related to the conduct of foreign affairs, international organizations, and other associated programs, \$2.4 billion for foreign information and exchange activities, and \$2.1 billion for international assistance and other programs.

TABLE 2. SPENDING SUBJECT TO APPROPRIATION IN H.R. 2601, THE FOREIGN RELATIONS AUTHORIZATION ACT, FISCAL YEARS 2006 AND 2007

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
SPECIFIED AUTHORIZATIONS					
Conduct of Foreign Affairs					
Authorization Level	8,529	7,690	0	0	0
Estimated Outlays	5,332	6,760	1,620	1,021	723
Foreign Information and Exchange Activities					
Authorization Level	1,203	1,223	2	2	2
Estimated Outlays	827	1,144	359	69	25
International Assistance and Other Programs					
Authorization Level	1,046	1,071	3	3	3
Estimated Outlays	726	1,027	319	32	20
Subtotal, Specified Authorizations					
Authorization Level	10,778	9,984	5	5	5
Estimated Outlays	6,885	8,931	2,298	1,122	768
ESTIMATED AUTHORIZATIONS					
Earmarks of Funds Not Specifically Authorized					
Estimated Authorization Level	226	225	0	0	0
Estimated Outlays	51	127	116	67	44
Assessed Contributions to International Organizations and Peacekeeping					
Estimated Authorization Level	92	1,060	0	0	0
Estimated Outlays	90	420	631	0	0
Personnel Benefits					
Estimated Authorization Level	45	82	122	125	129
Estimated Outlays	36	72	111	120	125
ADVANCE Democracy Act of 2005					
Estimated Authorization Level	53	63	3	1	1
Estimated Outlays	13	34	32	17	12
Office Building for American Institute in Taiwan					
Estimated Authorization Level	0	78	0	0	0
Estimated Outlays	0	12	23	35	8
International Assistance					
Estimated Authorization Level	14	14	14	14	15
Estimated Outlays	4	9	12	14	14
Miscellaneous Provisions					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Subtotal, Estimated Authorizations					
Estimated Authorization Level	431	1,523	140	141	146
Estimated Outlays	195	675	926	254	204
Total Authorizations					
Estimated Authorization Level	11,209	11,507	145	146	151
Estimated Outlays	7,080	9,606	3,224	1,376	972

Earmarks of Funds Not Specifically Authorized. The bill contains several earmarks of specified and unspecified amounts for programs that are not otherwise authorized in the bill. For the purposes of this estimate, earmarks for programs not otherwise authorized are treated as an authorization for the specified or estimated amounts. Those programs with earmarks not otherwise authorized are the Economic Support Fund (ESF), the Foreign Military Financing Program, International Organizations and Programs, and Assistance for the Independent States of the Former Soviet Union. The Congress provided an appropriation for each of those programs for 2005. In total, CBO estimates that these earmarks would total \$226 million in 2006 and \$225 million in 2007. (Those amounts do not include the earmark for the Human Rights and Democracy Fund discussed below under the heading “ADVANCE Democracy Act.”)

Economic Support Fund. CBO estimates that under the bill, earmarks for the ESF would total \$203 million in 2006 and \$205 million in 2007. These amounts include specific earmarks for both 2006 and 2007 of \$50 million for Afghanistan for programs related to elections, \$20 million for a contribution to the International Fund for Ireland, and \$12 million for Zimbabwe for assistance to support democracy.

In addition, section 923 would earmark such sums as may be necessary for the Middle East Partnership Initiative, an ongoing program within the ESF, for 2006 and 2007. Based on information from the State Department, CBO estimates that this authorization level would total \$120 million in 2006 and \$122 million in 2007. Section 922 would also earmark such sums as may be necessary for a new program, the Inter-Arab Democratic Charter, for 2006 and 2007. Based on the size of similar programs within the State Department, CBO estimates that this program would effectively authorize about \$1 million in both 2006 and 2007.

Assistance for the Independent States of the Former Soviet Union. CBO estimates that earmarks for this account would total \$15 million in both 2006 and 2007. Section 908 would earmark \$12 million in both 2006 and 2007 from this account for assistance to promote democracy in the Republic of Belarus. In addition, section 909 would earmark such sums as may be necessary from this account for the Republic of Belarus and Ukraine to improve maternal and prenatal care to help prevent birth defects and pregnancy complications related to the cleanup of the Chernobyl disaster. Based on the cost of similar programs, CBO estimates that this earmark would total \$3 million in both 2006 and 2007.

Sustainable Development Assistance. Section 901 would earmark \$5 million in both 2006 and 2007 for the creation of obstetric fistula centers for surgery to repair the fistulas and for activities to reduce the incidence of obstetric fistulas.

International Organizations and Programs. Section 1009 would earmark \$1.5 million from this account in 2006 for a voluntary contribution to the United Nations Children's Fund to conduct a study on the worldwide incidence and prevalence of autism.

Foreign Military Financing. Section 756 would earmark \$1 million in 2006 from the Foreign Military Financing Program for the provision of not more than four excess coastal patrol boats to Mozambique.

Assessed Contributions to International Organizations and Peacekeeping. Three provisions in the bill contain indefinite authorizations affecting the United States' assessed contributions to international organizations and peacekeeping. In total, CBO estimates the following provisions would cost \$90 million in 2006 and \$1.1 billion over the 2006-2010 period, assuming appropriation of the necessary amounts.

Assessed Contributions to International Peacekeeping. Section 102 would authorize the appropriation of such sums as may be necessary in 2007 for contributions to international peacekeeping. CBO estimates this provision would require additional appropriations of \$1.05 billion in 2007 (the specific authorization for 2006 of \$1.04 billion, adjusted for inflation).

Assessed Contributions to the International Atomic Energy Agency (IAEA). Section 403 would authorize the appropriation of such sums as may be necessary to permit the State Department to pay the United States assessed contributions to the IAEA in a timely fashion. Under current law, these contributions are due near the start of the calendar year, but are usually appropriated and remitted to the IAEA after the start of the fiscal year—a delay of at least nine months. Based on information from the department, CBO estimates the bill would authorize the appropriation of \$84 million in 2006, thereby allowing the department to pay both calendar year 2005 and calendar year 2006 assessments in fiscal year 2006.

Currency Fluctuations. Section 102 would authorize the appropriation of such sums as may be necessary in 2006 and 2007 to compensate for adverse fluctuations in exchange rates that might affect contributions to international organizations. Any funds appropriated for this purpose would be obligated and expended subject to certification by the Office of Management and Budget. CBO estimates that the dollar will decline roughly 2 percent in 2006 and that the Department of State would require an additional \$8 million that year to fully pay assessed contributions to international organizations. Currency fluctuations over the longer term are extremely difficult to project, and they could result in spending either more or less than the amounts specifically authorized in the bill for contributions to international organizations and programs. Therefore, this estimate assumes no additional spending for currency fluctuations in 2007.

Personnel Benefits. The bill contains several provisions that would provide benefits to State Department personnel and would increase costs by \$36 million in 2006 and about \$465 million over the 2006-2010 period, assuming the appropriation of the necessary funds.

Locality-based Pay Adjustments. Section 305 would amend current law to allow the department to increase pay for Foreign Service officers posted overseas to compensate for the loss of locality pay. Based on information from the department, CBO estimates such locality-based pay adjustments would cost about \$28 million in 2006, \$63 million in 2007, and an average of \$110 million a year over the 2008-2010 period, assuming the appropriation of the necessary funds.

Hardship and Danger-Pay Allowances. Section 303 would increase the cap on hardship allowances and danger-pay allowances from 25 percent to 35 percent of basic pay for employees serving overseas. Based on information from the Department of State, CBO estimates implementing this section would cost about \$6 million a year, assuming the appropriation of the necessary funds.

Educational Expenses of Dependent Children. Section 301 would authorize payments for certain educational expenses of dependent children of Foreign Service employees posted overseas. Section 506 would allow the BBG to pay for the educational expenses of certain dependents of employees in the Commonwealth of the Northern Mariana Islands. Based on information from the Department of State and the BBG, CBO estimates implementing these provisions would cost about \$3 million annually, assuming the appropriation of the necessary funds.

Death Gratuity. Section 310 would amend current law to allow the State Department to pay a minimum gratuity of \$100,000 to the surviving dependents of any Foreign Service employee who dies as a result of injuries sustained in the performance of duty abroad. According to information from the department, no gratuities had been paid for several years before 2005, and only 2 gratuities have been paid so far in 2005. Based on this information and assuming that these trends continue, CBO estimates implementing this provision would cost about less than \$500,000 a year, assuming the availability of appropriated funds.

ADVANCE Democracy Act. Title VI would authorize the Secretary of State to expand or create new programs to promote democracy and human rights overseas. Specifically, it would earmark \$50 million in 2006 and \$60 million in 2007 for the Human Rights and Democracy Fund, an existing program within the Economic Support Fund. Because H.R. 2601 would not specifically authorize appropriations for the ESF, this estimate treats this earmark as a new authorization of appropriations.

In addition, the title contains several other provisions, listed below, that contain both specific and indefinite authorizations. Based on information from the State Department, CBO estimates that these provisions would authorize the appropriation of an additional \$3 million a year in 2006 and 2007. Thus, CBO estimates that the total authorizations of appropriations in the ADVANCE Democracy Act would be \$53 million in 2006, \$63 million in 2007, and about \$120 million over the 2006-2010 period.

Among the many requirements of Title VI, it would:

- Establish a new office with the Department of State to promote the transition of nondemocratic and partly democratic countries to democracy,
- Authorize a pilot program to establish two regional “Democracy Hubs” at United States missions overseas,
- Require an annual report listing and describing countries that are deemed to be nondemocratic or in transition to democracy,
- Require the department to convene a working group to review progress in promoting democracy,
- Establish a Democracy Promotion and Human Rights Advisory Board to review and recommend strategies for promoting democracy and human rights, and to prepare a study on United States’ democracy assistance,
- Establish a Web site for global democracy and human rights,
- Require training for Foreign Service officers in promoting democracy, and
- Establish an International Center for Democratic Transitions.

Office Building for American Institute in Taiwan (AIT). Section 215 would amend current law to authorize such sums as may be necessary for the construction of a new office building for the AIT in Taipei, Taiwan. Public Law 106-212 authorized the appropriation of \$75 million for the facility without fiscal year limitation. According to the Department of State, the projected cost of the building is now \$153 million, and roughly \$20 million has been spent on site acquisition and design. CBO estimates a net increase in authorization of \$78 million and assumes that construction would begin in 2007 and end in 2010.

International Assistance. The bill contains provisions that would add new purposes for which international assistance programs could be used and thus would provide an implicit authorization for these new purposes. In total, CBO estimates that these authorizations would total \$14 million in 2006 and about \$70 million over the 2006-2010 period.

International Disaster and Famine Assistance. Section 907 would allow assistance for disaster preparedness to include activities that would mitigate the effects of natural disasters. Such activities would include assisting communities to build in safer locations, construct sturdier dwellings, and enforce sound building codes and practices. Based on similar efforts for famine relief, CBO estimates that this provision would authorize about \$10 million a year for these activities. After adjusting for annual inflation and the normal spending patterns for this account, CBO estimates that implementing this provision would cost \$3 million in 2006 and \$39 million over the 2006-2010 period, assuming appropriation of the estimated amounts.

Economic Support Fund. Section 931 would allow grants to pro-democracy groups or human rights organizations in countries that the State Department has determined support terrorism. Under current law, groups operating in those countries are not allowed to receive such funds. Based on the size of similar programs for promoting democracy operated out of the ESF, CBO estimates that this provision would authorize about \$4 million a year for these grants. After adjusting for annual inflation and the normal spending patterns for this account, CBO estimates that implementing this provision would cost about \$1 million in 2006 and \$14 million over the 2006-2010 period, assuming appropriation of the estimated amounts.

Sustainable Development Assistance. Section 910 would authorize the President to provide assistance to foreign countries to address non-infectious diseases, such as heart disease. Based on information from the State Department, CBO does not expect the President to use this authority.

Miscellaneous Provisions. H.R. 2601 also contains several provisions that CBO estimates would have an insignificant individual impact on spending subject to appropriation, but in total would increase spending by \$1 million a year, assuming the availability of appropriated funds.

- Section 317 would establish a new office at the State Department to encourage foreign countries to develop a culture of lawfulness. Information from the department indicates the office would have a staff of three people.
- Section 401 would authorize U.S. participation in the Regional Emerging Disease Intervention Center in Singapore.

- The bill includes numerous provisions that would expand or introduce new reporting requirements and other provisions that would eliminate or consolidate existing reporting requirements.

Direct Spending

The bill contains provisions that would both increase and decrease direct spending, primarily from the reappropriation of funds that would be made available in the State Department's Buying Power Maintenance Account and from the sale of naval vessels. We estimate that enacting H.R. 2601 would increase direct spending by \$7 million in 2006 and \$56 million over the 2006-2015 period (see Table 3). Those totals include estimated receipts for asset sales of \$32 million over the 2006-2007 period. (Asset sale receipts are a credit against direct spending.)

Buying Power Maintenance Account. The State Department may maintain an approved level of program activity in the face of currency fluctuations through a Buying Power Maintenance Account. Under current law, the Secretary of State may transfer any current funds in excess of needs that result from an increase in the purchasing power of the dollar from accounts under "Administration of Foreign Affairs" to the Buying Power Maintenance Account. The funds in the account are available for transfer back to those accounts only to offset future adverse fluctuations in exchange rates or overseas wage or price levels. The Secretary may also transfer unavailable balances into the Buying Power Maintenance Account, but only to the extent and in such amounts as specifically provided in advance in appropriation acts. No appropriation act has ever provided that authority. Section 204 of the bill would strike the requirement for appropriation action, thus allowing the Secretary to transfer lapsed funds into the Buying Power Maintenance Account and making them available to offset future adverse currency fluctuations.

TABLE 3. ESTIMATED DIRECT SPENDING IN THE FOREIGN RELATIONS AUTHORIZATION ACT, FISCAL YEARS 2006 AND 2007

	By fiscal year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING (EXCLUDING ASSET SALES) ^a										
Buying Power Maintenance Account	80	20	20	20	20	0	0	0	0	0
Estimated Budget Authority	32	13	10	10	10	2	*	*	0	0
Estimated Outlays										
Medical Reimbursements										
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1
Estimated Outlays	1	1	1	1	1	1	1	1	1	1
Subtotal										
Estimated Budget Authority	81	21	21	21	21	1	1	1	1	1
Estimated Outlays	33	14	11	11	11	3	1	1	1	1
ASSET SALES										
Estimated Budget Authority	-26	-6	0	0	0	0	0	0	0	0
Estimated Outlays	-26	-6	0	0	0	0	0	0	0	0
TOTAL CHANGES IN DIRECT SPENDING										
Estimated Budget Authority	55	15	21	21	21	1	1	1	1	1
Estimated Outlays	7	8	11	11	11	3	1	1	1	1

NOTE: * = less than \$500,000.

a. These amounts do not include costs for section 205 of the bill because CBO cannot estimate the timing or amount of increase in surcharges for passport and immigrant visas.

According to the *Treasury Combined Statement on Receipts, Outlays, and Balances, 2004*, the Department of State had \$80 million in unobligated, unavailable balances in various accounts in the Administration of Foreign Affairs Bureau at the start of 2005. Under the bill, such balances could be transferred into the Buying Power Maintenance account upon enactment and made available to meet adverse exchange-rate fluctuations. In addition, CBO estimates approximately 0.5 percent of obligated balances, or about \$20 million, would be deobligated each year and reappropriated under the bill. Because we estimate the dollar will decline in value over the next year, we estimate that about half of the funds would be transferred out of the Buying Power Maintenance Account and spent. In total, we estimate direct spending of about \$80 million over the 2006-2015 period.

Medical Reimbursements. Section 203 would provide the State Department greater flexibility in retaining reimbursements for funding medical care provided to employees and

eligible family members overseas. Based on information from the department, CBO estimates that it would collect and spend between \$500,000 and \$1 million a year.

Surcharges on Passport and Visa Fees. Section 205 would authorize the Secretary of State to administratively increase the dollar amount of certain surcharges on passport and immigrant visa fees. Under current law, the department charges a \$12 surcharge on passport fees and a \$45 surcharge on immigrant visa fees, and retains the proceeds for spending related to border security. The department has no current plans to raise these surcharges, and CBO has no basis for estimating when or in what amount changes might be made. (Neither the collection nor the spending of these surcharges is subject to appropriation, thus any increase in collections and spending would constitute direct spending.)

International Litigation Fund. Section 202 would allow the State Department's International Litigation Fund to retain awards of costs and attorneys' fees that result from a decision by an international tribunal. Based on information from the department, CBO estimates that the Department of State would collect and spend less than \$500,000 a year under this provision.

Asset Sales

Section 751 would authorize the transfer of eight naval vessels to foreign countries: five by grant and three by sale. Based on information from the Navy regarding the value of these ships and recent experience with actual sales and grants, CBO estimates the sales would increase offsetting receipts by \$32 million over the 2006-2007 period.

Revenues

Section 201 would raise governmental receipts (revenues) by establishing new criminal penalties that would be assessed against persons interfering with the protective functions of State Department special agents. CBO estimates that the increase in revenues would not be significant in any year. Collections of criminal fines are deposited in the Crime Victims Fund and are later spent. CBO estimates that the criminal penalties that would be established under the bill would increase direct spending from the Crime Victims Fund by less than \$500,000 per year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2601 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On March 18, 2005, CBO transmitted a cost estimate for S. 600, the Foreign Affairs Authorization Act, Fiscal Years 2006 and 2007, as ordered reported by the Senate Committee on Foreign Relations on March 10, 2005. Several sections of the two bills are identical or similar and would have similar estimated costs. S. 600 would authorize the appropriation of specific amounts that match the President's request for 2006 and such sums as may be necessary for 2007. In addition, S. 600 would be the first comprehensive foreign assistance authorization act since the mid-1980s—authorizing funding for most existing assistance programs and also several new ones—while the scope of H.R. 2601 is somewhat more-limited. S. 600 would not authorize the sale or grant of naval vessels, as the House bill would do. Other differences in the cost estimates reflect differences in the two bills.

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