



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 25, 2006

H.R. 6060
Department of State Authorities Act of 2006

*As ordered reported by the House Committee on International Relations
on September 13, 2006*

SUMMARY

H.R. 6060 would revise the pay structure for the Foreign Service and modify several other administrative authorities of the Department of State. CBO estimates that implementing the bill would cost \$570 million over the 2007-2011 period, assuming appropriation of the necessary amounts. Enacting the legislation would not significantly affect direct spending or receipts.

H.R. 6060 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because provisions extending diplomatic privileges and immunities to three new entities and their members would preempt certain state and local laws. CBO estimates that the cost to state and local governments, in the form of lost tax revenues and increased law enforcement costs, would be small and would not exceed the annual threshold established in UMRA (\$64 million in 2006, adjusted annually for inflation).

H.R. 6060 would also authorize the Secretary of State to increase the dollar amounts of certain surcharges related to consular services. Currently, the Department of State does not plan to raise those surcharges, and thus, CBO expects that this bill would impose no mandate on the private sector in the near term.

However, if the Secretary determines that the surcharges should be raised, such an increase would impose a private-sector mandate as defined in UMRA on individuals who apply for passports or immigrant visas. Because CBO cannot predict when or in what amount the department might increase those surcharges in the future, we have no basis for estimating whether the bill would impose private-sector mandates with costs that exceed the annual threshold established by UMRA (\$128 million in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 6060 is shown in Table 1. The costs of this legislation fall within budget functions 150 (international affairs) and 750 (administration of justice).

TABLE 1. BUDGETARY IMPACT OF H.R. 6060, THE DEPARTMENT OF STATE AUTHORITIES ACT OF 2006

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority ^a	4,828	0	0	0	0	0
Estimated Outlays	5,141	1,845	844	459	174	44
Proposed Changes						
Estimated Authorization Level	0	37	104	138	143	147
Estimated Outlays	0	35	104	140	143	147
Spending Under H.R. 6060						
Estimated Authorization Level ^a	4,828	37	104	138	143	147
Estimated Outlays	5,141	1,880	948	599	317	191
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	*	*	*	*	*
Estimated Outlays	0	*	*	*	*	*
CHANGES IN REVENUES						
Estimated Revenues	0	*	*	*	*	*

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

a. The 2006 level is the amount appropriated for that year for Diplomatic and Consular Programs and Assistance for the Independent States of the Former Soviet Union.

BASIS OF ESTIMATE

Most of the bill's budgetary impact would stem from pay reform for the Foreign Service. The bill also contains several provisions that would affect direct spending and revenues by less than \$500,000 a year.

For this estimate, CBO assumes that this legislation will be enacted near the start of fiscal year 2007, that the amounts necessary to implement the bill will be appropriated for each year, and that outlays will follow historical spending patterns for similar programs.

Spending Subject to Appropriation

CBO estimates that H.R. 6060 would authorize the appropriation of \$37 million in 2007 and \$570 million over the 2007-2011 period (see Table 2).

TABLE 2. CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 6060

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
Locality-based Pay Adjustments					
Estimated Authorization Level	32	99	136	141	145
Estimated Outlays	32	99	136	141	145
Maternal and Prenatal Care					
Estimated Authorization Level	3	3	0	0	0
Estimated Outlays	1	3	2	0	0
Education Allowances					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Total Changes in Spending Subject to Appropriation Under H.R. 6060					
Estimated Authorization Level	37	104	138	143	147
Estimated Outlays	35	104	140	143	147

Locality-based Pay Adjustments. Sections 14, 15, and 16 would amend current law to allow the State Department to increase pay for Foreign Service officers posted overseas to compensate for the loss of locality pay. Based on information from the department about how the pay reform would be phased in, CBO estimates such locality-based pay adjustments

would cost about \$32 million in 2007, \$99 million in 2008, and an average of \$141 million a year over the 2009-2011 period, assuming appropriation of the necessary funds.

Maternal and Prenatal Care. Section 13 would authorize the appropriation of such sums as may be necessary for the Republic of Belarus and Ukraine to improve maternal and prenatal care to help prevent birth defects and complications in pregnancy related to the Chernobyl disaster. Based on the cost of similar programs, CBO estimates that this provision would cost about \$3 million in both 2007 and 2008.

Education Allowances. Section 3 would authorize payments for certain educational expenses of dependent children of Foreign Service employees posted overseas. Based on information from the department, CBO estimates implementing this provision would cost about \$2 million annually.

Direct Spending and Revenues

CBO estimates that several provisions in H.R. 6060 would affect direct spending and revenues by less than \$500,000 a year.

Passport and Visa Fees. Three sections of the bill would affect passport and visa fees. Section 2 would broaden the department's authority to use fees collected for certain non-immigrant visa categories to investigate fraud in other visa categories (it would not affect the collection of fees). Information from the Department of State indicates that it spends all the fees in the same year they are collected (about \$32 million a year). Therefore, CBO estimates that this provision would not increase spending.

Section 7 would grant the Secretary of State the discretion to waive passport execution and issuance fees for humanitarian reasons or law enforcement purposes. Under current law, passport fees range from \$67 to \$97, and all but \$18 of such fees are recorded as revenues. Based on information from the department, CBO expects that implementing this bill would not significantly increase the number of applicants eligible for fee waivers.

Section 8 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 imposes a \$12 surcharge on passport fees and a \$45 surcharge on immigrant visa fees. Receipts from those surcharges are recorded as offsetting collections (that is, offsets to outlays) and are used by the department 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. Ultimately, a change would

have little impact on net outlays because any increase in the surcharges would be offset by a corresponding increase in spending.

Criminal Penalties. Section 5 would raise governmental receipts (revenues) by establishing new criminal penalties that would be assessed against persons interfering with the protective functions of special agents of the State Department. 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.

Diplomatic Immunity. Section 9 would extend diplomatic privileges and immunities to the African Union Mission, the Bank of International Settlements, and the Permanent Observer Mission of the Holy See to the United Nations. Under current law, international organizations and their employees that enjoy diplomatic privileges and immunities are exempt from paying property taxes, customs duties, and internal revenue taxes on imports, and from certain judicial proceedings. CBO estimates that a small number of people and properties would benefit from this provision, and that the forgone taxes, duties, fines, and criminal penalties would be less than \$500,000 a year.

Palazzo Corpi Building. Section 10 of the bill would allow the Department of State to sell the historic Palazzo Corpi building in Istanbul, which is now vacant and does not meet current safety standards for United States consulates. Under current law, any proceeds from the sale of buildings overseas are retained by the department as offsetting collections and used for the maintenance and construction of embassies or consulates. According to the department, a 2005 assessment estimated the building could fetch \$4 million, but the department has no plans to sell the building. Therefore, CBO estimates that this provision would not affect direct spending.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 6060 contains an intergovernmental mandate as defined in UMRA because provisions extending diplomatic privileges and immunities to three new entities and their members would preempt certain state and local laws. Under current law, organizations and individuals with such protections are exempt from paying state and local sales, property, and use taxes. In addition, those individuals may be immune from prosecution or fines by state and local law enforcement authorities and may require additional police protection in certain circumstances. Because the number of people and properties that would benefit from those protections is small, CBO estimates that the cost to those governments, in the form of lost

tax revenues and increased law enforcement costs, would be small and would not exceed the annual threshold established in UMRA (\$64 million in 2006, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 6060 would authorize the Secretary of State to increase the dollar amounts of certain surcharges related to consular services in support of increased border security that are in addition to current passport and immigrant visa fees. Currently, the Department of State does not plan to raise these surcharges, and thus, CBO expects that this bill would impose no mandate on the private sector in the near term.

However, if the Secretary determines that the surcharges should be raised, such an increase would impose a private-sector mandate as defined in UMRA on individuals who apply for passports or immigrant visas. Because CBO cannot predict when or in what amount the department might increase those surcharges in the future, we have no basis for estimating whether the bill would impose private-sector mandates with costs that exceed the annual threshold established by UMRA (\$128 million in 2006, adjusted annually for inflation). Receipts from those surcharges are estimated to be less than \$300 million in 2007, so it would require a significant increase in those surcharges to reach that threshold.

PREVIOUS CBO ESTIMATE

On July 1, 2005, CBO transmitted a cost estimate for H.R. 2601, the Foreign Relations Authorization Act, Fiscal Years 2006 and 2007, as ordered reported by the House Committee on International Relations on June 9, 2005. Sections 305 and 909 of H.R. 2601 are similar to sections 16 and 13 of H.R. 6060, but the estimated budget impact differs due to the later enactment date assumed for H.R. 6060 and more recent information from the State Department. Section 301 of H.R. 2601 is identical to section 3 of H.R. 6060, as are their estimated costs.

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. Sections 201 and 301 of S. 600 are identical to sections 5 and 3 of H.R. 6060, as are their estimated costs.

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