CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 18, 2004

S. 2144
Foreign Affairs Authorization Act, Fiscal Year 2005

As ordered reported by the Senate Committee on Foreign Relations on March 4, 2004

SUMMARY

S. 2144 would authorize appropriations of $27.1 billion for the Department of State, international assistance programs, and related agencies for 2005. It also would authorize appropriations totaling about $0.9 billion for the Peace Corps over the 2006-2007 period. The bill also contains provisions that would raise the cost of discretionary programs for famine and reconstruction assistance, debt relief, public diplomacy, exchange programs, personnel, and other programs over the 2005-2009 period. CBO estimates that those provisions would require appropriations of $3.3 billion over those five years. CBO estimates that appropriation of the authorized and estimated amounts would result in additional discretionary spending of about $29.7 billion over the 2005-2009 period.

CBO estimates that S. 2144 would raise direct spending by less than $500,000 a year in 2005 and 2006, by $25 million over the 2007-2009 period, and a total of about $25 million over the 2005-2014 period, primarily from forgone asset sales receipts under section 2208—which would authorize the transfer of certain U.S. defense articles to Israel (instead of selling such surplus articles). The bill would also increase governmental receipts (i.e., revenues) by an insignificant amount each year by creating new criminal penalties related to law enforcement and protective functions of State Department special agents and guards.

S. 2144 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 S. 2144 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), 500 (education, training, employment, and social services), 600 (income security), 750 (administration of justice), and 800 (general government).

TABLE 1. BUDGETARY IMPACT OF S. 2144, THE FOREIGN AFFAIRS AUTHORIZATION ACT, FISCAL YEAR 2005 (By fiscal year, in millions of dollars)

	2004	2005	2006	2007	2008	2009
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for State Department, International Assistance Programs, and Related Agencies						
Estimated Authorization Level [a, b]	26,598	2,195	2,545	3,145	3,345	0
Estimated Outlays	24,542	13,275	7,699	5,224	4,205	3,495
Proposed Changes						
Estimated Authorization Level [c]	0	27,640	1,259	1,108	700	700
Estimated Outlays	0	12,947	8,521	4,260	2,513	1,476
Spending Under S. 2144 for State Department, International Assistance Programs, and Related Agencies						
Estimated Authorization Level [b, c]	26,598	29,835	3,804	4,253	4,045	700
Estimated Outlays	24,542	26,222	16,220	9,484	6,718	4,971
CHANGES IN DIRECT SPENDING AND REVENUES [d]						
Estimated Budget Authority	0	*	*	5	10	10
Estimated Outlays	0	*	*	5	10	10

NOTE: * = less than $500,000.

a. The estimated authorization levels over the 2005-2008 period are an estimate of international HIV/AIDS programs authorized by Public Law 108-25, the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003. That act authorized the appropriation of $15 billion for the 2004-2008 period for HIV/AIDS programs, including programs administered by the Department of Health and Human Services.

b. The 2004 level is the amount appropriated for that year.

c. These amounts do not include costs for sections 103(c) and 207 of S. 2144 because CBO cannot estimate the timing or amounts that may be necessary to implement those provisions.

d. CBO estimates that changes in revenues from new criminal penalties would be less than $500,000 in all years.

BASIS OF ESTIMATE

S. 2144 would authorize appropriations for the Department of State and international broadcasting activities for fiscal year 2005 and would authorize appropriations for the Peace Corps for the 2005-2007 period. It 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. Finally, the bill contains provisions that would increase direct spending by about $25 million over the next five years.

Spending Subject to Appropriation

S. 2144 would authorize appropriations of $27.1 billion in 2005 and $0.9 billion over the 2006-2009 period for the State Department, international assistance programs, the Peace Corps, and related agencies. In addition to those specified authorizations, the bill also contains provisions that would affect costs for famine and reconstruction assistance, debt relief, public diplomacy, exchange programs, personnel, and other programs. CBO estimates that implementing those provisions would require additional appropriations of $3.3 billion over the 2005-2009 period. For this estimate, CBO assumes that the authorized amounts will be appropriated by the start of each fiscal year and that outlays will follow historical spending patterns for the affected programs. CBO estimates that implementing the bill would cost about $29.7 billion over the 2005-2009 period, assuming appropriation of the necessary amounts (see Table 2).

Specified Authorizations. S. 2144 would authorize $7.9 billion in 2005 for the State Department for programs related to the administration of foreign affairs and international organizations, and $0.1 billion for other related programs. It would authorize $1.1 billion for international broadcasting and exchange activities.

The bill would authorize the appropriation of $9.9 billion in 2005 for international development and humanitarian assistance programs, including the Peace Corps, and $8.2 billion for international security assistance programs.

Title IX of the bill would authorize the appropriation of $1.3 billion over the 2005-2007 period for the Peace Corps. It also would require the Director of the Peace Corps to develop a plan to increase the number of volunteers in service to twice the number enrolled in 2002 and would increase the readjustment allowance authorized to returning volunteers from $125 for each month of service to $275 for each month of service. CBO estimates that implementing these provisions would cost about $275 million in 2005 and almost $1.3 billion over the 2005-2009 period, assuming the appropriation of the authorized amounts.

TABLE 2. SPECIFIED AND ESTIMATED AUTHORIZATIONS IN S. 2144

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
Specified Authorizations					
International Development and Humanitarian Assistance					
Authorization Level	9,897	443	485	0	0
Estimated Outlays	2,580	4,280	2,147	930	354
International Security Assistance					
Authorization Level	8,157	0	0	0	0
Estimated Outlays	4,483	1,996	855	424	192
Conduct of Foreign Affairs					
Authorization Level	7,938	0	0	0	0
Estimated Outlays	4,970	1,449	532	495	230
Foreign Information and Exchange Activities					
Authorization Level	1,064	0	0	0	0
Estimated Outlays	729	270	42	16	4
Other Programs					
Authorization Level	84	0	0	0	0
Estimated Outlays	60	13	9	3	0
Total Specified Authorizations					
Authorization Level	27,140	443	485	0	0
Estimated Outlays	12,822	8,008	3,585	1,868	780
Estimated Authorizations [a]					
Famine and Reconstruction Assistance					
Estimated Authorization Level	500	500	500	500	500
Estimated Outlays	125	350	450	495	498
Debt Relief					
Estimated Authorization Level	0	195	0	75	75
Estimated Outlays	0	81	114	31	75
Middle East Broadcasting Network					
Estimated Authorization Level	0	52	52	52	52
Estimated Outlays	0	44	51	52	52

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
Education and Training Programs					
Estimated Authorization Level	0	38	39	40	40
Estimated Outlays	0	19	34	37	39
Middle East Foundation					
Estimated Authorization Level	0	15	16	16	16
Estimated Outlays	0	6	11	14	15
Personnel and Other Programs					
Estimated Authorization Level	0	16	16	17	17
Estimated Outlays	0	13	15	16	17
Total Estimated Authorizations					
Estimated Authorization Level	500	816	623	700	700
Estimated Outlays	125	513	675	646	696
Total Authorizations					
Estimated Authorization Level	27,640	1,259	1,108	700	700
Estimated Outlays	12,947	8,521	4,260	2,513	1,476

a. All of the programs with estimated authorizations also have specified authorizations in 2005.

Title IX also would authorize the appropriation of $10 million to the Corporation for National and Community Service for grants to organizations that use returning Peace Corps volunteers to promote an understanding of other peoples on the part of the American people. Assuming that these funds will be appropriated for fiscal year 2005, CBO estimates that implementing this provision would cost $2 million in 2005 and $10 million over the 2005-2009 period.

Famine and Reconstruction Assistance. Section 2205 would expand the purposes for which appropriations for international disaster assistance may be provided to include programs of famine relief and reconstruction following manmade or natural disasters abroad. The bill would authorize $386 million in 2005 for international disaster and famine assistance; however, reconstruction following manmade or natural disasters can be very expensive and has often been funded by supplemental appropriations.

The United States provided over $0.6 billion in 1999 for Central America and the Caribbean to recover after disastrous hurricanes. Appropriations for the reconstruction of Iraq and Afghanistan totaled over $20 billion in 2003 and 2004. While continued funding at that level appears unlikely to be repeated, CBO estimates that meeting the expanded purposes could require appropriations of several hundred million to one billion dollars above the levels specified by the bill for countries emerging from conflict or civil strife such as Sudan, Liberia, or Haiti. Based on historical funding for similar activities, CBO estimates the costs for implementing this section could be $500 million each year over the 2005-2009 period, assuming the appropriation of the necessary funds.

Debt Relief. S. 2144 contains four provisions that address debt relief for developing countries:

- Section 2115 would require the President to cancel all bilateral debts owed by the Democratic Republic of the Congo to the U.S. government, subject to the availability of appropriations for the cost, as defined by the Federal Credit Reform Act, of cancelling those debts. It would authorize the appropriation of $105 million in 2005 for the cost of cancelling Congo's debts. Based on information from the Office of Management and Budget (OMB), CBO estimates the cost of cancelling all of the Congo's debts would be $300 million. The estimate assumes that the balance—$195 million—would be provided in 2006.

- Section 2114 would authorize the appropriation of $75 million in 2005 or 2006 for a contribution to the Heavily Indebted Poor Countries Trust Fund administered by the World Bank. This estimate assumes the appropriation of the authorized amounts in 2005 as requested by the President.

- Section 2116 would authorize the appropriation of $20 million in 2005 for debt relief under the Tropical Forest Conservation Initiative.

- Section 2222 would authorize the President to reduce the U.S. bilateral debt of low-income countries as part of multilateral debt-relief agreements limited to such extent or in such amounts as may be provided in advance in an appropriations act. The authorization that would be provided in section 2222 is the same as that contained in general provisions of annual appropriations acts for nearly a decade. The U.S. government has forgiven the bilateral debt that it once held for most of the world's poorest countries; however, it still holds the debt of some of the world's poorest countries, such as Afghanistan, Sudan, Somalia, and Liberia. At some point after

2005, these countries, or other poor countries, may meet the minimum requirements for multilateral debt relief as stipulated by the bill.

We cannot identify the exact timing of such action, given the experience of other countries emerging from internal conflict, we estimate that it would be at least two to three years after a reconstituted civilian government is established in those countries before any multilateral debt agreement would be negotiated. While the bill does not authorize the appropriation of any funds, CBO estimates that the present value of all debt of low-income countries held by the U.S. government to be between $250 million and $350 million. CBO estimates that implementing the program would not have a significant cost in the next few years, but could cost about $75 million a year for 2008 and 2009, assuming appropriation of the necessary amounts.

Middle East Broadcasting Network. Section 808 would authorize the Broadcasting Board of Governors (BBG) to make annual grants to a Middle East Broadcasting Network to provide radio and television broadcasts to the Middle East region. Under current law, Radio Sawa provides radio programming to the Middle East, and the Middle East Television Network (MTN) recently began television programming in the region. The BBG plans to integrate Radio Sawa and MTN to form a single broadcasting entity. Based on information from the BBG, CBO assumes that the BBG would provide grants of $45 million to the network in 2005 from amounts authorized in the bill. CBO estimates that operating costs for continuing this radio and television broadcasting network would be $52 million a year over the 2006-2009 period, assuming the appropriation of the necessary funds.

Education and Training Programs. Sections 612 and 613 would establish new educational and cultural exchange programs and expand existing ones. Section 803 would establish a new fellowship program for multidisciplinary training on nonproliferation issues. Section 814 would establish a new training program to combat copyright infringement. The bill would authorize the appropriation of $37 million for all of these programs in 2005. CBO estimates that continuing these programs would require an additional $157 million over the 2006-2009 period, or about $39 million a year over that period.

Global Pathogen Surveillance. Title XXIV would authorize a program of global pathogen surveillance to assist in the monitoring and response to bioterrorism and outbreaks of infectious disease. The bill would earmark $35 million from the amount authorized for Nonproliferation, Antiterrorism, Demining, and Related Assistance (NADR) to fund these activities. Specifically, it would authorize the Secretary of State to:

- Establish fellowships and training courses for health personnel in developing countries;

- Provide assistance for developing countries to purchase and maintain laboratory equipment, information technology, and communications equipment;

- Assign public health personnel to U.S. overseas missions and international organizations; to expand U.S. government laboratories abroad; and

- Establish and expand epidemiology training programs and regional health networks in developing countries.

Middle East Foundation. Section 2225 would authorize the Secretary to designate a nonprofit organization as the Middle East Foundation and to fund the organization through grants. The provision also would require the foundation to report to the Congress on its activities by January 31, 2006, and every year thereafter; thus establishing a long-term relationship between the Department of State and the foundation. While the provision is silent on the level of funding, last year in Senate Report 108-56, the committee recommended an initial funding of $15 million for the foundation. CBO assumes that grants in 2005 totaling that amount would come from funds authorized elsewhere in the bill, as requested by the President, and funding would continue over the 2006-2009 period at that rate adjusted for inflation, assuming the appropriation of the necessary funds.

Hardship and Danger Pay Allowances. Section 305 would increase the cap on hardship and danger pay allowances from 25 percent to 35 percent of basic pay for employees serving overseas. The bill would authorize the appropriation of $8 million in 2005 only. Based on information from the Department of State, CBO estimates implementing this section would cost between $11 million and $12 million annually over the 2006-2009 period, assuming the appropriation of the necessary funds. The increase in estimated costs from 2005 to 2006 is primarily due to higher staffing levels expected at the new embassy in Baghdad.

Radiological Terrorism Security. Title XXIII would authorize assistance to reduce the threat to diplomatic missions abroad from an attack using radioactive materials. In particular, it would authorize assistance to foreign countries to develop appropriate response plans and to train foreign personnel who would be the first to respond to such an attack. The bill would earmark $2 million from the amount authorized elsewhere in the bill for NADR to fund these activities.

Indefinite Authorizations for Currency Fluctuations. Section 103(c) would authorize such sums as may be necessary in 2005 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 OMB. Currency fluctuations are extremely difficult to estimate in advance, and they could result in spending either higher or lower than the amounts specifically authorized in the bill for contributions to international organizations and programs. Therefore, this estimate includes no costs associated with currency fluctuations.

Victims of Crime Office. Section 207 would create a Victims of Crime Office within the Department of State and authorize the department to provide services and financial assistance from its emergency fund to U.S. nationals who become crime victims overseas. The department is currently gathering information on the number of such crime victims and their needs. CBO cannot estimate the budgetary impact of this provision given the uncertainties associated with estimating how many individuals may be victimized and whether victims of terrorist acts would also be covered under this provision.

United States Diplomacy Center. Section 212 would authorize the Secretary of State to establish a United States Diplomacy Center at the Harry S Truman Building in Washington, D.C. According to the Department of State, the project is currently in its design phase and is expected to open in 2007. The department would provide the space, staff, and security for the center, while the nonprofit Foreign Affairs Museum Council would provide funding from private sources. CBO estimates implementing this section would cost $1 million a year over the 2005-2009 period. The department has requested, and the bill would provide, a specific authorization of appropriations for $1 million in 2005 only.

Educational Expenses of Dependent Children. Section 302 would authorize payments for certain educational expenses of dependent children of Foreign Service employees posted overseas. Section 816 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 $1 million annually.

Edward R. Murrow Fellowship Program. Section 622 would establish a new fellowship program at the BBG to allow 20 foreign national journalists each year to spend up to six months working at the Voice of America, Radio Free Europe/Radio Liberty, or Radio Free Asia. The BBG would pay the salaries, living expenses, and travel costs of those journalists. Based on information from the BBG, CBO estimates that implementing this section would cost roughly $1 million a year.

Reporting Requirements. The bill includes several provisions that would expand or introduce new reporting requirements. Combined, these provisions would raise spending subject to appropriation by about $1 million annually, CBO estimates.

Miscellaneous Provisions. CBO estimates that several sections of the bill would have an insignificant impact on spending subject to appropriation:

- Section 211 would authorize grants to promote agricultural biotechnology;

- Section 213 would authorize an educational program for young Latin American professionals to promote civilian control of government ministries with national security functions;

- Section 214 would extend the term of the Advisory Committee on Cultural Diplomacy through 2007;

- Section 301 would allow members of the Foreign Service to be assigned for one year to the North Atlantic Treaty Organization (NATO), the European Union (EU), or one of the NATO or EU members;

- Section 306 would allow the department to place members of the Foreign Service indicted for a crime on indefinite suspension without pay;

- Section 307 would clarify the department's authority to settle claims for back pay and other administrative claims and grievances;

- Section 312 would allow the department to pay a housing allowance to 10 more employees of the U.S. Mission to the United Nations in New York City;

- Section 313 would allow the department to pay members of the Senior Foreign Service (approximately 900 persons) based on individual performance. According to the department, it has not yet decided how it would implement such a system; and

- Section 2212 would authorize appropriations for educating children in Afghanistan about the dangers of land mines.

Direct Spending and Revenues

CBO estimates that S. 2144 would raise direct spending by less than $500,000 a year in 2005 and 2006, by $25 million over the 2007-2009 period, and a total of about $25 million over the 2005-2014 period. The bill would also increase governmental receipts (revenues) by less than $500,000 a year (see Table 3).

U.S. War Reserve Stockpile for Allies. Section 2208 would, for a five-year period, authorize the President to transfer to Israel obsolete or surplus defense articles in the U.S. War Reserve Stockpile for Allies in Israel in return for concessions to be negotiated by the Secretary of Defense. The concessions may include cash, services, waiver of charges otherwise payable by the United States, or other items of value. Since articles may be transferred by sale under current law, CBO estimates that the authority provided by the section could be used to negotiate noncash concessions thereby lowering offsetting receipts to the Department of Defense (DoD).

TABLE 3. ESTIMATED DIRECT SPENDING AND REVENUES IN S. 2144 (By fiscal year, in millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Changes in Outlays	0	*	*	5	10	10	*	*	*	*	*
Changes in Revenues	0	*	*	*	*	*	*	*	*	*	*

NOTE: * = less than $500,000.

According to DoD, similar authority was not used for Israel in the past, but certain missiles and other items are approaching the end of their shelf life and are no longer kept in the U.S. inventory, but could be transferred under the authority of this section rather than returned to the U.S. for disposal. Similar authority has been used for the stockpile in Korea. If the authority provided in section 2208 were used to the same extent as that for the stockpile in Korea, CBO estimates that forgone receipts would total between $5 million and $10 million a year over the 2007-2009 period.

Other Provisions. CBO estimates that several provisions in the bill would affect direct spending and revenues by less than $500,000 annually.

- Sections 201 and 203 would raise governmental receipts (revenues) by establishing new criminal penalties that would be assessed against persons interfering with the law enforcement and protective functions of State Department special agents and guards. 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.

- Section 205 would allow the Department of State to seek and retain reimbursement for security provided by special agents to the U.S. Olympic Team during the 2004 Summer Olympic Games in Athens, Greece. The department plans to deploy about 150 special agents at an estimated cost of about $5 million, but it is uncertain how much of this cost would be recovered.

- Section 206 would allow the State Department's International Litigation Fund to retain awards of costs and attorneys' fees as a result of a decision by an international tribunal. Based on information from the department, CBO estimates that it would collect and spend less than $500,000 a year.

- Section 212 would authorize the Secretary to provide museum visitor and educational outreach services and to sell, trade, or transfer documents and articles that are displayed at the United States Diplomacy Center. Any proceeds generated from these services or sales would be retained and spent by the center, and CBO estimates that this provision would have an insignificant net effect on direct spending.

- Several sections in title III of the bill would amend retirement benefits for State Department personnel. Section 303 would slightly broaden the authority of the department to temporarily rehire Foreign Service retirees without terminating their pension benefits. Section 309 would establish a 60-day deadline for the Office of Personnel Management to issue regulations in accordance with a previously enacted change in pension benefits for certain spouses of Foreign Service workers. Section 310 would change personnel review and termination procedures for each Foreign Service class. CBO estimates that these three provisions would have an insignificant effect on direct spending.

- Section 2106 would provide permanent authority to extend for one year the availability of annual appropriations for voluntary contributions to international organizations. CBO estimates the section would have no effect on outlays. Under most conditions, CBO would score such language as a reappropriation in 2005 except that similar language is contained in the foreign operations title of Public Law 108-199, the Consolidated Appropriation Act, 2004. Under current law, the fiscal year funds for 2004 covered by the proposed legislation are available for obligation through September 30, 2005. CBO also expects that the effect of the provision on future appropriations would be limited by general provisions of annual appropriations acts.

- Section 2207 would authorize the President to waive the requirement that a foreign government pay to the United States the net proceeds from the sale of any military equipment it has received from the United States on a grant basis. CBO estimates the forgone receipts would not be significant.

- Section 2240 would authorize the transfer of three naval vessels to foreign countries. It would authorize the sale of one vessel; the other two would be given away. Because there is significant uncertainty as to whether the vessel would be sold, CBO estimates that enacting the provision would not affect offsetting receipts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2144 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 ESTIMATES

On April 24, 2003, CBO transmitted a cost estimate for S. 925, the Foreign Relations Authorization Act, Fiscal Year 2004, as ordered reported by the Senate Committee on Foreign Relations on April 9, 2003. On June 9, 2003, CBO transmitted a cost estimate for S. 1161, the Foreign Assistance Authorization Act, Fiscal Year 2004, as reported by the Senate Committee on Foreign Relations on May 29, 2003. While those two bills authorized funding primarily for 2004, many of the same provisions are contained in S. 2144, and their estimated costs are similar.

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