CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 24, 2013

H.R. 2848
Department of State Operations and Embassy Security Authorization Act, Fiscal Year 2014

As ordered reported by the House Committee on Foreign Affairs on August 1, 2013

SUMMARY

H.R. 2848 would authorize appropriations for the Department of State. CBO estimates that implementing the bill would have discretionary costs of $14.6 billion over the 2014-2018 period, assuming appropriation of the specified and estimated amounts. CBO estimates that enacting the bill would increase direct spending by $1 million over the 2014-2023 period and have insignificant effects on revenues; thus, pay-as-you-go procedures apply.

H.R. 2848 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would impose private-sector mandates, as defined in UMRA, by extending passport surcharges that are currently set to expire and by authorizing the Secretary of State to restrict or revoke passports issued to sex offenders. CBO estimates that the aggregate cost of mandates on private entities would total about $330 million, and thus exceed the annual threshold established in UMRA for private-sector mandates ($150 million in 2013, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2848 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	2014	2015	2016	2017	2018	2014-2018
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[a]						
Department of State						
Authorization Level	15,557	0	0	0	0	15,557
Estimated Outlays	7,783	3,146	1,624	1,310	703	14,566
Comparability Pay for Overseas Postings						
Estimated Authorization Level	49	0	0	0	0	49
Estimated Outlays	26	18	5	1	*	49
Contracts for Overseas Guards						
Estimated Authorization Level	0	*	*	9	9	19
Estimated Outlays	0	*	*	8	9	18
Security Enhancements at Overseas Schools						
Estimated Authorization Level	0	*	*	*	*	2
Estimated Outlays	0	*	*	*	*	2
Total Changes						
Estimated Authorization Level	15,606	1	1	10	10	15,627
Estimated Outlays	7,809	3,164	1,629	1,320	713	14,635

Notes: Components may not sum to totals because of rounding.

* = less than $500,000.

a. In addition to the budgetary effects shown above, CBO estimates that over the 2014-2023 period, H.R. 2848 would increase direct spending by $1 million. The bill also contains provisions that would affect revenues, but CBO estimates that those effects would be insignificant.

BASIS OF ESTIMATE

For this estimate, CBO assumes H.R. 2848 will be enacted near the start of fiscal year 2014, that the specified and estimated authorizations will be appropriated near the start of each fiscal year, and that outlays will follow historical patterns for similar and existing programs.

Spending Subject to Appropriation

Most of the bill's impact on spending subject to appropriation would stem from specified authorizations of about $15.6 billion in 2014 for the Department of State. Those amounts represent a decrease of $0.2 billion (1 percent) from the amounts provided in 2013. CBO estimates that implementing those provisions would have discretionary costs of about $14.6 billion over the 2014-2018 period, assuming appropriation of the specified amounts. (The remainder would be spent after 2018.)

Other provisions in the bill—primarily extending through 2014 the authority to provide comparability pay for overseas postings—also would have discretionary costs. CBO estimates that implementing those provisions would require appropriations of $70 million over the 2014-2018 period, with outlays of $69 million over that period.

Department of State. The authorizations of appropriations in the bill would cover the operating expenses and other ongoing programs and activities of the Department of State. As detailed below, CBO estimates that implementing those provisions would cost about $14.6 billion over the 2014-2018 period, assuming appropriation of the specified amounts.

Operating Expenses. Section 101 would authorize the appropriation of almost $12 billion in 2014 for the State Department's operating expenses and programs. CBO estimates that implementing that section would have discretionary costs of $11 billion over the 2014-2018 period.

Contributions to International Organizations and Commissions. Sections 102, 103, and 104 would authorize the appropriation of about $3.5 billion in 2014 for contributions to international organizations and international peacekeeping activities and for various international commissions. In total, CBO estimates that implementing those provisions would result in discretionary costs of about $3.5 billion over the 2014-2018 period.

National Endowment for Democracy. Section 105 would authorize the appropriation of $0.1 billion in 2014 for the National Endowment for Democracy. CBO estimates that implementing that provision would have discretionary costs of $0.1 billion over the 2014-2018 period.

Comparability Pay for Overseas Postings. Section 306 would increase compensation for Foreign Service Officers (FSOs) who are not members of the Senior Foreign Service and are posted overseas. Under current law, FSOs based in the United States receive comparability pay in addition to their base pay, to reduce the disparity between federal and nonfederal workers. Under current law, FSOs who are posted overseas receive two-thirds of that comparability pay, but that authority expires in 2013. The bill would extend that authority through 2014.

Over 85 percent of FSOs work for the Department of State. Amounts authorized under the bill for the department's operating expenses include the cost of providing comparability pay in 2014. Thus, CBO's estimate for this provision only addresses additional pay for FSOs employed by the U.S. Agency for International Development (USAID) and other agencies.

According to USAID and the American Foreign Service Association, roughly 1,950 FSOs are currently posted overseas by agencies other than the Department of State. Those individuals have an average basic pay (without comparability pay) of about $89,000. In comparison, FSOs of an equivalent rank posted in Washington, D.C., have an average basic pay, including comparability pay, of about $110,555, a difference of 24 percent. Comparability pay as a percent of base pay has not increased since 2010, and CBO expects that it will remain at 24 percent in 2014. Thus, after accounting for inflation, CBO estimates that providing two-thirds of such comparability pay for overseas postings would require additional appropriations of $29 million in 2014.

That increase in pay also would lead to an increase in other benefits paid to FSOs, such as life insurance, hardship pay, and danger pay. According to the Department of State, those types of compensation have historically averaged 71 percent of basic pay. Therefore, CBO estimates that under the bill, in 2014, the department would require additional appropriations of about $20 million for other compensation, for a total requirement of $49 million that year. Assuming appropriation of the necessary amounts, CBO estimates that discretionary costs for implementing this section would total $49 million over the 2014-2018 period. (Section 306 would not increase retirement benefits, because FSOs who retire from overseas postings have their annuities calculated as though their official duty station had been Washington, D.C.)

Contracts for Overseas Guards. Section 422 would expand the department's authority to hire local guards under more flexible contracts (known as "best-value") at overseas posts that face significant security threats. Best-value contracts allow the department to consider past performance, expertise, and other factors in addition to price. In most cases under current law, the department must accept the lowest bid that meets all technical criteria; however, it has limited authority to accept best-value contracts in Iraq and Afghanistan.

Based on information provided by the department, CBO estimates that under this provision five high-threat posts would become eligible for best-value contracts when their existing contracts expire—one in 2014 and four in 2017. The total value of the existing five-year contracts for those posts is more than $115 million. Based on the department's experience with best-value contracts, CBO estimates that new contracts at those posts would cost 40 percent more than existing ones, or about $9 million a year after all five contracts are phased in. CBO estimates that the department would require appropriations of less than $500,000 each year in 2014, 2015, and 2016 to pay for the one post that would convert in 2014 (costs in 2014 would be covered by specified authorizations in title I) and $9 million each year in 2017 and 2018 (four posts would convert in 2017). Assuming appropriation of the necessary amounts, CBO estimates that implementing this section would have discretionary costs of $18 million over the 2014-2018 period.

Security Enhancements at Overseas Schools. Section 424 would allow the department to pay for security enhancements at schools used by the children of U.S. diplomats posted overseas. Based on information provided by the department, CBO estimates that the department would spend less than $500,000 each year, for a cost of $2 million over the 2014-2018 period, assuming the availability of appropriated funds.

Direct Spending and Revenues

The bill contains provisions that would, on net, increase direct spending by $1 million over the 2014-2023 period, and would have insignificant effects on revenues.

International Litigation Fund. Section 201 would allow the State Department's International Litigation Fund to retain and spend awards of costs and attorney's fees that result from decisions by international tribunals in cases successfully defended by the department. Under current law, those amounts are deposited in the Treasury as miscellaneous receipts. Based on information from the department, CBO estimates that the additional spending would be less than $500,000 each year but total $1 million over the 2014-2023 period.

Consular Fees. Two sections in title II would affect the State Department's authority to collect and spend certain consular fees. Because the department is authorized to spend such collections, those sections would have no significant net impact on the deficit.

Section 211 would extend through 2016 a surcharge on passport and passcard fees; those surcharges are scheduled to expire in 2013. Adult applicants currently pay a $22 surcharge for passports and passcards while minors pay $22 for a passport and $15 for a passcard. Each year over the 2014-2016 period, the department expects to issue more than 13 million passports to adults and minors, 1.5 million passcards to adults, and about 450,000 passcards to minors. Based on that information, CBO estimates the department would collect and spend an additional $330 million each year over that same period.

Section 212 would permanently increase the cost of a border crossing card (BCC) for minors from Mexico. Under current law, the BCC fee for minors is $15. The department retains $13 and remits $2 to the Treasury. The bill would raise that fee to equal half the fee for machine-readable visas (currently $160). The dollar amount of the fee deposited as revenues would be unchanged. Based on information from the department, CBO estimates that it would collect an additional $65 on roughly 450,000 BCCs each year, for a total of $29 million, and would spend roughly the same amount.

Passports for Sex Offenders. Section 213 would authorize the Secretary of State to restrict or revoke the passport or passcard of an individual who has been convicted of a sex offense overseas. Those individuals would remain eligible to reapply for a new passport or passcard. Because some passport and passcard fees are remitted to the Treasury, enacting this provision would increase revenues; however, CBO estimates that very few people would be affected and that any budgetary effects would be insignificant.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. Enacting H.R. 2848 would increase direct spending by allowing the department to retain and spend awards of costs and attorney's fees that are currently deposited in the Treasury as miscellaneous receipts. CBO estimates that additional spending would be less than $500,000 each year and total $1 million over the 2014-2023 period. Enacting H.R. 2848 also would affect direct spending by increasing certain consular fees. Because those amounts would be spent without further appropriation, the net effect of those changes would be insignificant. Finally, enacting the bill would increase revenues from passport fees; however, CBO estimates very few people would be affected and those effects would be insignificant.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2848 as ordered reported by the House Committee on Foreign Affairs on August 1, 2013

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
					NET INCREASE IN THE DEFICIT								
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	0	1

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2848 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2848 would impose private-sector mandates, as defined in UMRA, on individuals who apply for passports or passcards and on some individuals who have been convicted of or adjudicated for certain sex offenses. CBO estimates that the aggregate direct costs of the mandates would total about $330 million each year over the 2014-2016 period and exceed the annual threshold established in UMRA for private-sector mandates ($150 million in 2013, adjusted annually for inflation).

The bill would extend the authority of the Secretary of State to collect a surcharge on the filing fee of each passport or passcard application through the end of fiscal year 2016.

Because passports and passcards can only be issued by the federal government using its sovereign power, increasing the cost of applying for those documents would impose a mandate on individual applicants. According to information from the Department of State, the current surcharge is $22 for passports or passcards and $15 for passcards obtained for minors. They expect to issue about 15 million passports and passcards annually over the 2014-2016 period. Based on those data, CBO estimates that the private sector would pay additional fees amounting to about $330 million annually over the same period.

The bill also would authorize the Secretary to restrict or revoke passports issued to sex offenders. The Secretary would be authorized to limit the length of time that a passport issued to a registered sex offender is valid. In addition, the Secretary would be authorized to revoke the passport of an individual convicted of or adjudicated for certain sex offenses in another country. A sex offender whose passport was revoked for such an offense would be able to reapply for a passport upon their return to the United States. The cost of this mandate would be any forgone income directly related to the loss of a passport and the cost of replacing or renewing a passport. Because only a very small number of individuals would likely be affected by the restrictions in the bill, CBO expects that the cost of this mandate would be small.

The increased fee for border crossing cards would not impose a private-sector mandate because those fees would be paid to certain banks that are not on U.S. soil.

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