

CBO

**Funding for
International Affairs
Activities,
Within and Outside
Agencies' Base Budgets**



DECEMBER 2018

Notes

The years referred to in this chart book are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end.

All costs are expressed in 2018 dollars and are adjusted for inflation using the Bureau of Economic Analysis's gross domestic product price index.

On the cover: The U.S. Embassy in Kabul, Afghanistan, hosted a ceremony in 2017 commemorating the terrorist attacks of September 11, 2001. Considerable amounts of nonbase funding have been devoted to activities in Afghanistan. Photo courtesy of the State Department.



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Funding for International Affairs Activities, Within and Outside Agencies' Base Budgets

Summary

The Congress provides the State Department, the Agency for International Development, and other agencies a “base budget” each year to fund ongoing activities related to international affairs.¹ In addition to that base budget, in recent years the agencies have received other funding—referred to as “nonbase” in this report—in three forms:

- Supplemental appropriations that are made outside the normal annual appropriation process;
- Emergency appropriations (which may or may not be supplemental) designated for addressing unanticipated needs; and
- Funding to support overseas contingency operations (OCO).² In recent years, this third

1. For this report, CBO analyzed appropriations for budget function 150, international affairs, including funding for the State Department, USAID, the Millennium Challenge Corporation, the Peace Corps, and the Department of Agriculture’s food aid programs.

2. The term “OCO funding” came into broad usage in 2009. Before then, such funding was typically referred to using the more general term “supplemental funding.” Funding designated for OCO was first provided for

category has accounted for most nonbase funding.

In this report, the Congressional Budget Office analyzes the recent use of nonbase appropriations for international affairs activities. Among CBO’s key findings are the following:

- Nonbase appropriations for international affairs activities grew rapidly during the early years of the United States’ military operations in Afghanistan and Iraq, but they decreased in 2010 and were not provided in 2011.
- After the enactment of the Budget Control Act of 2011 (BCA), agencies once again received nonbase funding for international affairs activities, most of which was designated for OCO. By providing some of the annual appropriation in the form of OCO funding, lawmakers were, under the rules set by the BCA, able to free up funding for other nondefense discretionary budget accounts.
- The agencies have used nonbase funding to cover expenses that would otherwise have been

international affairs activities in 2012 to support activities in Afghanistan, Iraq, and Pakistan, among other places.

paid for by their base budget. Those expenses have included operations and programs in countries with extraordinary policy and security challenges.

Background

The base budget for international affairs is intended to fund the day-to-day activities that support the government’s longer-term projects and objectives. For example, the State Department includes in its base budget the estimated costs of operating embassies and consulates around the world. Funding for the base budget is provided by the Congress through the regular appropriations process or is sustained through continuing resolutions.

By contrast, nonbase appropriations are intended to be used when circumstances arise that were not anticipated when the base budget was prepared, such as wars, natural disasters, or epidemic outbreaks abroad. For example, combating an Ebola outbreak in Africa might be funded by a nonbase appropriation.

The BCA capped discretionary appropriations; if appropriations exceed the caps, across-the-board reductions of discretionary funding automatically take effect (a procedure referred to as

sequestration).³ That legislation also established a separate designation for funding for overseas contingency operations. The caps on discretionary appropriations are automatically adjusted to accommodate amounts designated as either OCO or emergency funding.

Because OCO-designated funds are not constrained by those caps, the BCA's rules encourage the Congress and the executive branch to categorize appropriations as OCO-related, even if they are for activities that would otherwise be incorporated in the base budget. The term "OCO-for-base funding" refers to such OCO appropriations that support activities that would most likely continue even if the overseas contingency operations ended and U.S. troops were recalled from abroad.⁴ Activities do not have to be linked with a formal Department of Defense overseas contingency operation to be supported by OCO funding.

OCO-for-base funding is problematic primarily because it understates the cost of current base-budget activities and increases the likelihood of

3. See Lynn M. Williams and Susan B. Epstein, *Overseas Contingency Operations Funding: Background and Status*, Report for Congress R44519 (Congressional Research Service, February 7, 2017); and Susan B. Epstein, *The Budget Control Act, Sequestration, and the Foreign Affairs Budget: Background and Possible Impacts*, Report for Congress R42994 (Congressional Research Service, December 20, 2013).

4. See Government Accountability Office, *Defense Budget: Obligations of Overseas Contingency Operations Funding for Operation and Maintenance Base Requirements*, GAO-18-202R (January 10, 2018), www.gao.gov/products/GAO-18-202R.

errors in planning for future budgets.⁵ If OCO appropriations ended, the base budget for international affairs might need to be increased to continue funding the programs and activities that have been supported by OCO appropriations.

Sources

For this report, CBO analyzed budget requests for international affairs activities for 1998 to 2018. Those data are from two reports prepared by the Congressional Research Service and from the Congressional budget justifications that the State Department compiles and submits annually as part of the appropriations process.⁶ The budget justifications provide the actual spending data from two years earlier; for example, the department's 2018 budget justification provides

5. CBO has also examined the use of OCO-for-base funding to fund the Department of Defense's activities. See Congressional Budget Office, *Funding for Overseas Contingency Operations and Its Impact on Defense Spending* (October 2018), www.cbo.gov/publication/54219.

6. In Exhibits 1 and 2, the 1998–2015 data are from Susan B. Epstein, *Department of State and Foreign Operations Appropriations: History of Legislation and Funding in Brief*, Report for Congress R44637 (Congressional Research Service, September 15, 2016), and the 2016 and 2017 data are from the State Department's 2018 and 2019 Congressional budget justifications. The 2018 data come from Susan B. Epstein, Marian L. Lawson, and Cory R. Gill, *Department of State, Foreign Operations and Related Programs: FY2019 Budget and Appropriations*, Report for Congress R45168 (Congressional Research Service, October 1, 2018), <https://go.usa.gov/xPW8K>. CBO used the Bureau of Economic Analysis's gross domestic product price index to adjust all dollar values in this report to fiscal year 2018 dollars to allow comparisons across years.

actual spending for 2016. CBO used actual spending data for every year except 2018. It used estimates for that year because data on actual spending were not available.

Over the years, the names of budget categories have been changed and accounts have been moved from one category to another.⁷ To allow for comparisons over time, CBO used the budget categories and account categorizations provided in the Congressional budget justification for fiscal year 2019.

7. For instance, the category now referred to as "multilateral development banks" was, until the 2016 Congressional budget justification, called "international financial institutions." That category comprises funds that the Treasury provides to multilateral financial institutions, which offer loans and grants to public- and private-sector entities in developing countries. In the budget justifications published before 2012, the international narcotics control and law enforcement (INCLE) account was categorized as bilateral economic assistance rather than as international security assistance. The INCLE account funds international counternarcotics activities, anticrime programs, and other law enforcement activities. CBO tallied all INCLE appropriations under international security assistance. For more on the budget categories and explanations of various accounts that fund international affairs activities, see Curt Tarnoff and Cory R. Gill, *Department of State, Foreign Operations Appropriations: A Guide to Component Accounts*, Report for Congress R40482 (Congressional Research Service, January 9, 2017), <https://go.usa.gov/xPW85>.



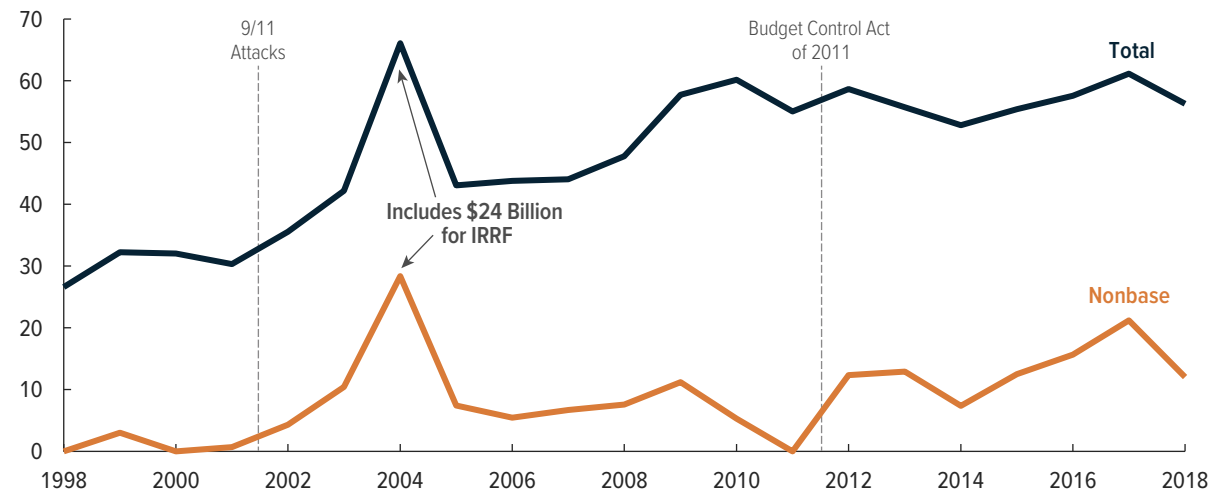
Trends in Funding for International Affairs Activities



Exhibit 1.

Appropriations for International Affairs Activities, 1998 to 2018

Billions of 2018 Dollars



Source: Congressional Budget Office, using data from the Congressional Research Service and the State Department.

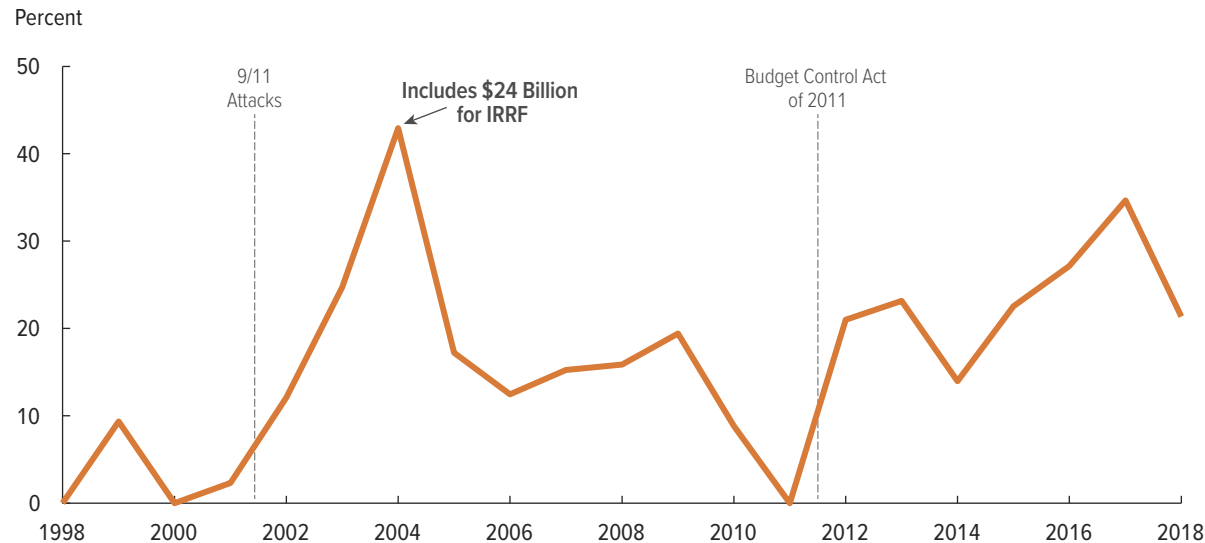
IRRF = Iraq Relief and Reconstruction Fund.

For this analysis of recent discretionary appropriations for international affairs activities, the Congressional Budget Office identified three periods on the basis of differences in how total funding was appropriated. The first, 1998 to 2001, includes the appropriations made before the terrorist attacks of September 11, 2001, and the United States' subsequent military actions in Afghanistan and Iraq. The second period spans the years 2002 to 2011, when U.S. military operations in those conflicts were most intense. The third period, 2012 to 2018, includes the years since the Budget Control Act of 2011 took effect.

Total discretionary appropriations for international affairs activities (adjusted to remove the effects of inflation) changed very little during the first period, but they grew markedly during the second period. Those appropriations remained comparatively stable at that higher level from 2012 to 2018. ♦

Exhibit 2.

Nonbase Funding as a Share of Total Appropriations for International Affairs Activities, 1998 to 2018



Source: Congressional Budget Office, using data from the Congressional Research Service and the State Department.

IRRF = Iraq Relief and Reconstruction Fund.

Since 2002, about 20 percent of the total appropriations for international affairs activities have been nonbase appropriations, on average. But that percentage has varied widely, peaking at 43 percent in 2004, dropping to zero in 2011, and spiking again in 2017.

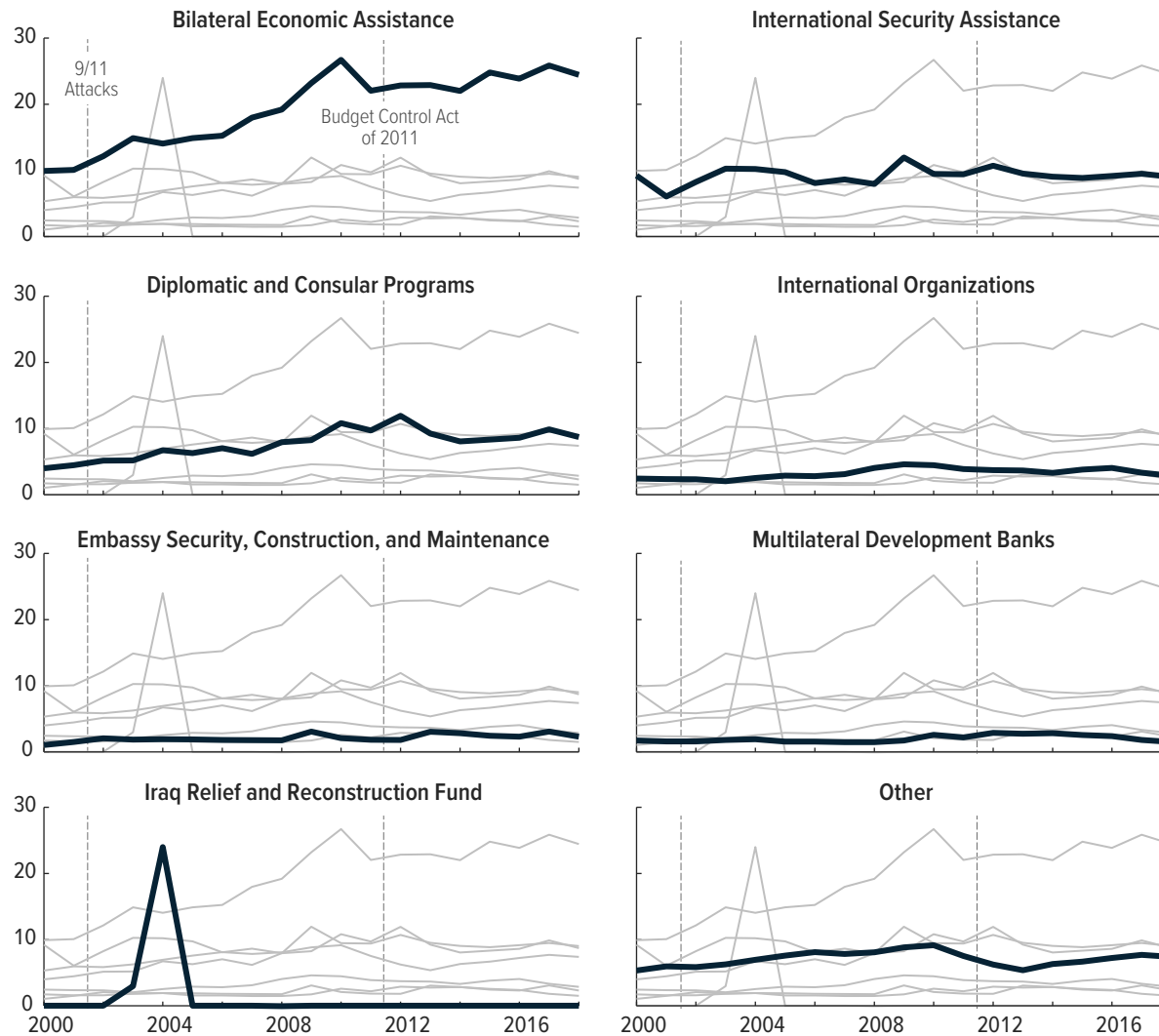
Limited nonbase appropriations were provided between 1998 and 2001, but such appropriations' share of total funding for international affairs activities rose dramatically after the United States began military operations in the Middle East. Nonbase appropriations rose to a 43 percent share of total appropriations in 2004, when lawmakers approved an emergency supplemental appropriation of \$24 billion (in 2018 dollars) for the Iraq Relief and Reconstruction Fund. Nonbase funding accounted for 10 percent to 20 percent of the total appropriations from 2005 to 2009 before falling to less than 10 percent in 2010 and to zero in 2011.

After enactment of the Budget Control Act of 2011 (BCA), nonbase appropriations—dominated by funding for overseas contingency operations—rose once again: They averaged 24 percent of the total appropriations for international affairs activities from 2012 to 2018, peaking at almost 35 percent in 2017 before dropping to 21 percent in 2018. On average, nonbase appropriations accounted for a larger share of the activities' total funding in the years after the BCA was enacted than they did during the period of large-scale operations in Iraq and Afghanistan. ♦

Exhibit 3.

Appropriations for International Affairs Activities, by Budget Category, 2000 to 2018

Billions of 2018 Dollars



In every year except 2004, the largest share of appropriations for international affairs activities was for bilateral economic assistance—namely humanitarian, development, and other types of programs conducted by government agencies that further U.S. foreign policy objectives. From 2000 to 2018, funding for bilateral economic assistance also grew more than funding for any other budget category, rising from \$10 billion (about 29 percent of the total appropriations) in 2000 to \$24 billion (43 percent of total appropriations) in 2018.

The next largest categories in most years were international security assistance and diplomatic and consular programs. ♦

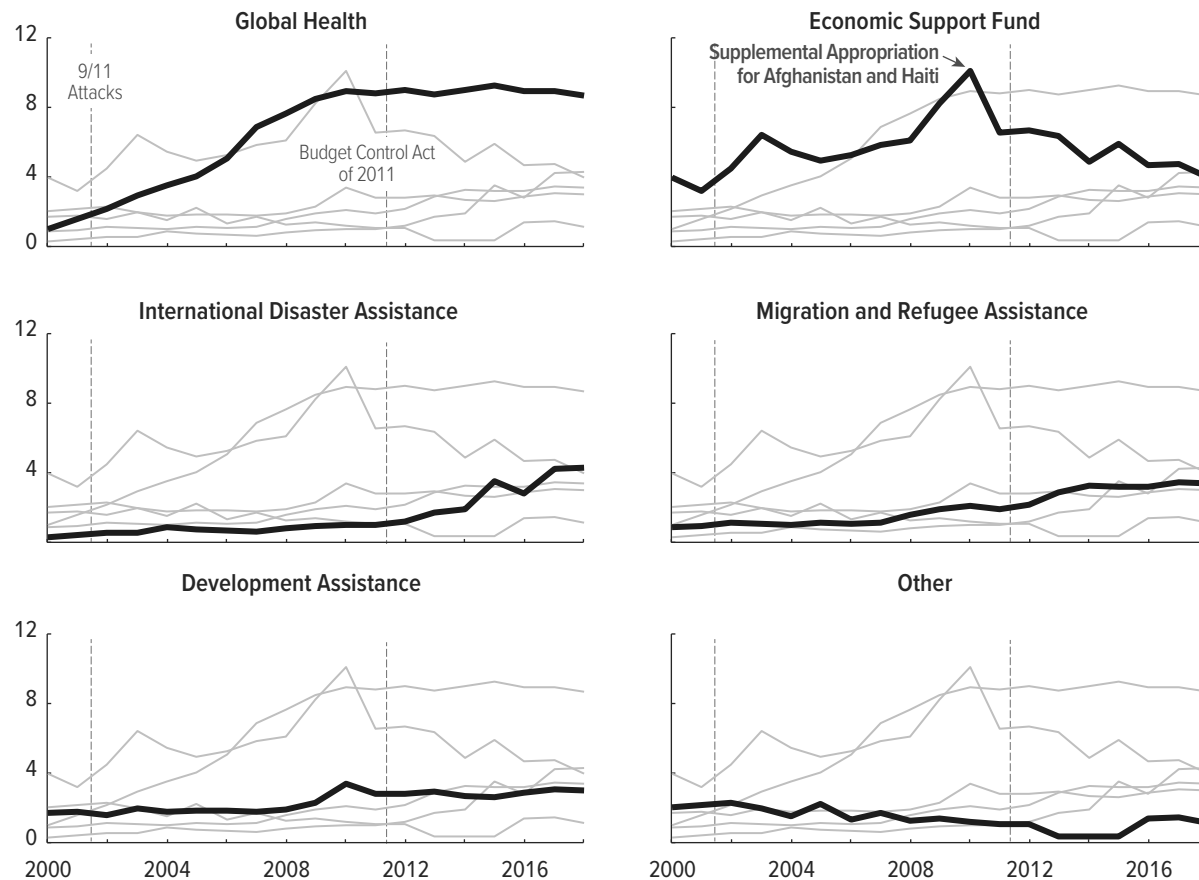
Source: Congressional Budget Office using data from the Congressional Research Service and the State Department.

Amounts shown include both base and nonbase appropriations.

Exhibit 4.

Funding for Bilateral Economic Assistance, 2000 to 2018

Billions of 2018 Dollars



Source: Congressional Budget Office, using data from the Congressional Research Service and the State Department.

Totals include both base and nonbase appropriations.

Because bilateral economic assistance has accounted for the largest share of the budget for international affairs activities and for most of the growth in such spending since 2000, CBO examined the accounts that make up that budget category. Funding for global health grew significantly from 2000 to 2011, rising to be more than double the size of any other account in the budget category in 2018. The State Department and the Agency for International Development use such funds to combat infectious diseases—including HIV/AIDS, malaria, and tuberculosis—and to improve maternal and child health, assist vulnerable children, and support family planning and reproductive health initiatives.

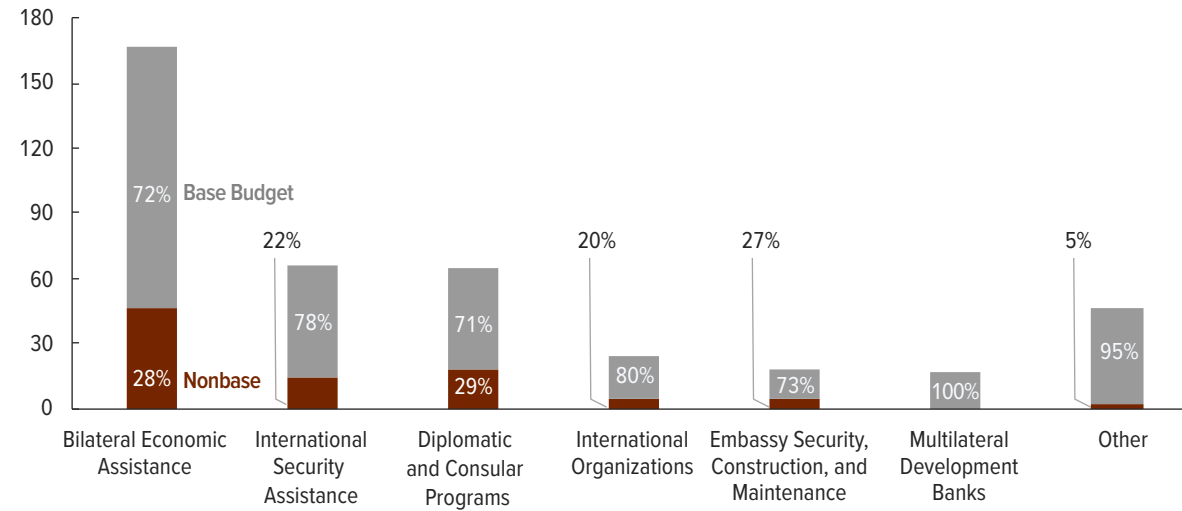
Also in the category of bilateral economic assistance is the Economic Support Fund, which provides economic aid to foreign countries in order to advance U.S. political and strategic goals. In the mid-2010s, recipients of such assistance included Afghanistan, Iraq, South Sudan, Egypt, Colombia, and Jordan. Nonbase appropriations have been used to provide such funding. In 2010, for example, nonbase funding was designated for Haiti in the wake of the magnitude 7.0 earthquake that hit the country in January 2010.

Funding for other accounts that are used to provide bilateral economic assistance—including those for international disaster assistance, migration and refugee assistance, and development assistance—also grew from 2000 to 2015, but by much less than appropriations for the global health account grew. ♦

Exhibit 5.

Composition of Total Appropriations for International Affairs Activities by Budget Category, 2012 to 2018

Billions of 2018 Dollars



Source: Congressional Budget Office, using data from the Congressional Research Service and the State Department. The percentages indicate nonbase and base-budget funding's shares of the total appropriations in each category.

Since the Budget Control Act of 2011 took effect in 2012, most of the major budget categories related to international affairs have relied on nonbase appropriations; only funding for multilateral development banks came solely from base-budget appropriations. Nonbase funding's share of total appropriations was largest—between 27 percent and 29 percent—for the following budget categories: diplomatic and consular programs; bilateral economic assistance; and embassy security, construction, and maintenance.

The diplomatic and consular programs account is one of the largest of the State Department's operating accounts. It includes salaries of nearly two-thirds of the department's employees as well as operational support, public diplomacy, and security for its embassies and consulates. State Department officials told the Congressional Budget Office that, with limited exceptions, nonbase appropriations have not funded regular workforce salaries, but they have been used to fund additional costs, such as danger pay for employees deployed in certain countries. ♦



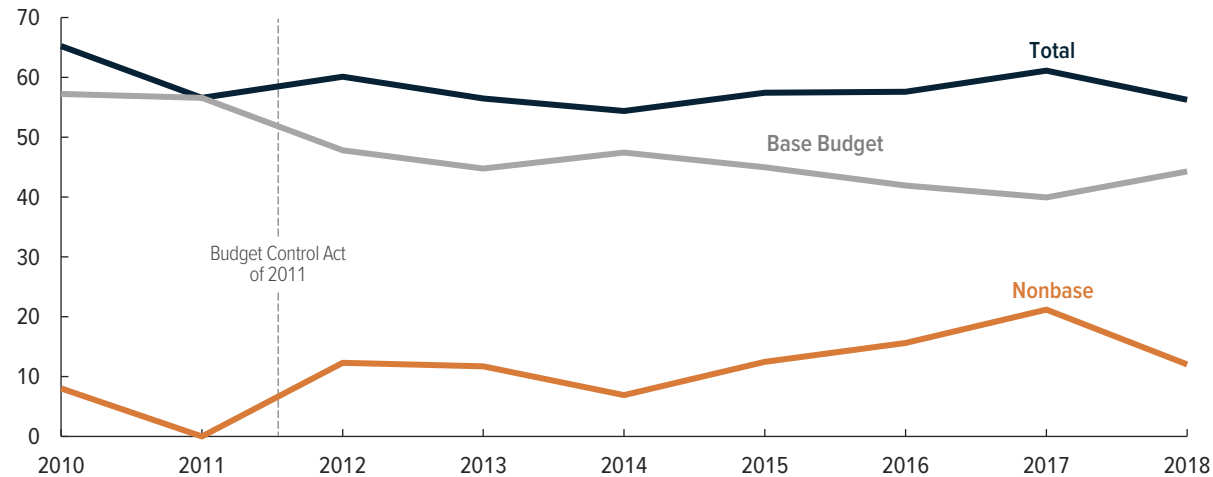
The Use of Nonbase Appropriations for Base-Budget Activities



Exhibit 6.

Base-Budget and Nonbase Appropriations for International Affairs Activities, 2010 to 2018

Billions of 2018 Dollars



Source: Congressional Budget Office, using data from the Congressional Research Service and the State Department.

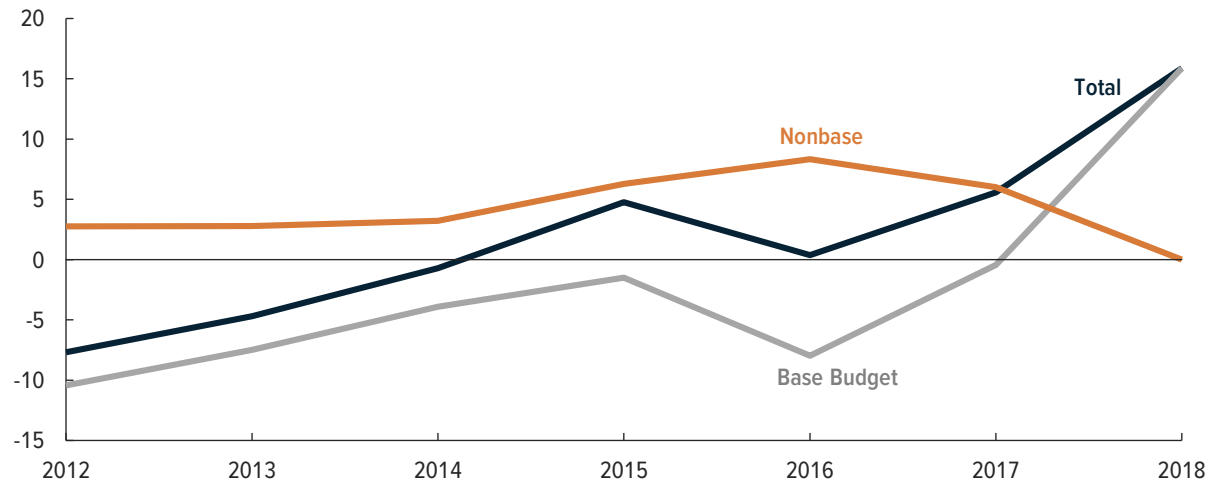
After the Budget Control Act of 2011 was enacted in 2011, base-budget appropriations for international affairs activities fell, and nonbase appropriations increased. The total budget for such activities, however, remained relatively stable, suggesting that funding for base budget activities was shifted to nonbase appropriations, which were overwhelmingly for overseas contingency operations.

Some accounts experienced marked changes over time. For instance, the account from which the United States draws its contributions to the United Nations’ peacekeeping operations (an account in the international organizations budget category) was funded almost entirely in the base budget from 2010 to 2015, but from 2016 to 2018, a sizable portion of its funding came from nonbase appropriations. Similarly, the Economic Support Fund (in the category of bilateral economic assistance) was funded mostly in the base budget before 2015, but primarily through nonbase appropriations from 2015 to 2018. ♦

Exhibit 7.

Differences Between Appropriated and Requested Funding for International Affairs Activities, 2012 to 2018

Billions of 2018 Dollars



Source: Congressional Budget Office, using data from the Congressional Research Service and the State Department.

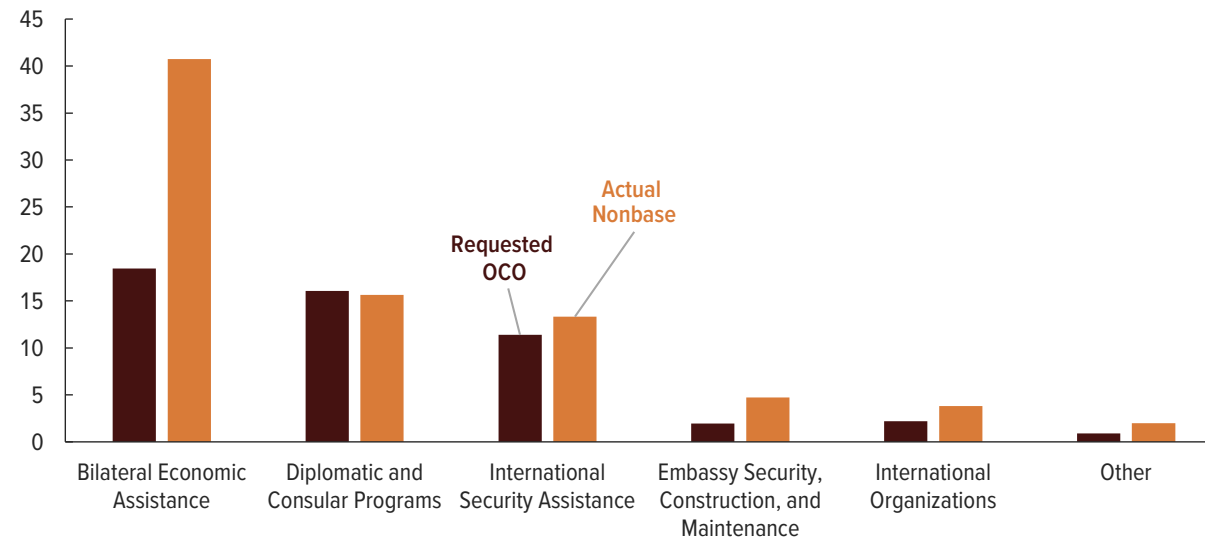
Each year from 2012 to 2017, the Congress appropriated more nonbase funding for international affairs activities—but less base-budget funding—than agencies requested. Doing so allowed lawmakers to free up nondefense discretionary funding that might otherwise have gone to the agencies' base budget for use by other federal departments while still operating within the constraints of the Budget Control Act of 2011 and thus avoiding sequestration. In 2016, for example, the Congress appropriated \$8 billion less for the base budget for international affairs activities than the agencies requested, but it offset that decrease by increasing the nonbase appropriation by a similar amount. Thus, total funding for those activities roughly equaled the requested amount.

The pattern was very different in 2018. The base-budget request for international affairs activities for 2018 was about \$12 billion less than the base-budget request for 2017. However, the Congress provided base-budget funding in an amount near that of previous years, which represented a considerable increase from the Administration's request. Lawmakers did not add to the nonbase funding request as they had in the previous years, though they did provide the full nonbase amount requested. ♦

Exhibit 8.

Requested OCO Funding and Actual Nonbase Appropriations for International Affairs Activities, by Category, 2012 to 2017

Billions of 2018 Dollars



Source: Congressional Budget Office, using data from the State Department.

OCO = overseas contingency operations.

The nonbase funding that the Congress has provided for international affairs activities in excess of agencies' requested amounts was not evenly distributed among budget categories. Between 2012 and 2017, the Congressional Budget Office estimates, most of that additional nonbase funding was for bilateral economic assistance, which is the budget category with the most nonbase funding for base-budget activities.

The Congress provided appropriations that were significantly greater than the requested amounts for three accounts that fund bilateral economic assistance: the Economic Support Fund; the international disaster assistance account, which funds relief and rehabilitation efforts for nations struck by natural and manmade disasters and other emergencies; and the migration and refugee assistance account, which provides aid to refugees and supports resettlement initiatives.

The largest account in the bilateral economic assistance category, global health, did not receive any funding for overseas contingency operations between 2012 and 2017. The comparatively small amounts of the nonbase appropriations for that account addressed specific emergencies, including the Ebola epidemic in West Africa in 2015 and the Zika outbreak in the Americas in 2016. ♦



About This Document

The Congressional Budget Office prepared this report at the request of the Chairman of the Senate Budget Committee. In keeping with CBO's mandate to provide objective, impartial analysis, this document makes no recommendations.

Edward G. Keating and Matthew Woodward created the report with guidance from David Mosher. Sunita D'Monte, David Newman, and Rebecca Verreau assisted in this research; Susanne Mehlman provided useful comments; and Carla Tighe Murray fact-checked the document.

Ivan Eland of the Independent Institute, Susan Epstein of the Congressional Research Service, and Michael O'Hanlon of the Brookings Institution also provided helpful comments. (The assistance of external reviewers implies no responsibility for the final product, which rests solely with CBO.)

Jeffrey Kling, John Skeen, and Robert Sunshine reviewed this report; Bo Peery edited it; and Jorge Salazar prepared it for publication. An electronic version of this report is available on CBO's website (www.cbo.gov/publication/54848).

CBO continually seeks feedback to make its work as useful as possible. Please send any feedback to communications@cbo.gov.

Keith Hall
Director
December 2018