CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 21, 2001

Foreign Relations Authorization Act, Fiscal Years 2002 and 2003

As ordered reported by the Senate Committee on Foreign Relations on August 1, 2001

SUMMARY

The bill would authorize appropriations for the Department of State and related agencies for 2002 and 2003. CBO estimates that appropriation of the authorized amounts would result in additional discretionary spending of $17.3 billion over the 2002-2006 period.

CBO estimates that enacting the legislation would increase direct spending by $835 million in 2002 and by $893 million over the 2002-2006 period, and also would increase revenues by $5 million over the same period. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs), 300 (natural resources and environment), 600 (income security), and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority [a]	6,974	0	0	0	0	0
Estimated Outlays	6,686	1,472	677	282	73	2
Proposed Changes						
Estimated Authorization Level	0	8,653	9,107	16	6	3
Estimated Outlays	0	6,612	7,978	1,716	755	288
Spending Under the Bill						
Estimated Authorization Level [a]	6,974	8,653	9,107	16	6	3
Estimated Outlays	6,686	8,084	8,655	1,998	827	290
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	9	14	14	15	15
Estimated Outlays	0	835	14	14	15	15
CHANGES IN REVENUES						
Estimated Revenues	0	1	1	1	1	1

a. The 2001 level is the amount appropriated for that year for the various foreign relations programs authorized by the bill.

BASIS OF ESTIMATE

Most of the bill's budgetary impact would stem from authorizations for current programs administered by the Department of State and related agencies. In addition, some of the bill's provisions would affect direct spending and revenues.

Spending Subject to Appropriation

This estimate assumes the legislation will be enacted by October 1, 2001. CBO also 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 $17.3 billion over the 2002-2006 period, assuming appropriation of the authorized amounts. The bill would authorize appropriations for programs administered by the Department of State and related agencies. In 2001, these programs received appropriations of almost $7 billion and the bill would re-authorize them at higher levels—$8.6 billion for fiscal year 2002 and $9.1 billion for 2003. The programs authorized by the bill include administration of foreign affairs, educational and cultural exchanges, international broadcasting, migration and refugee assistance, and contributions to international organizations and peacekeeping. In addition, the bill contains other provisions with potential discretionary costs, as described below.

Title VII. Title VII would address specific regional issues or authorize appropriations for new assistance programs.

East Timor. Sections 731 through 739, the East Timor Transition to Independence Act of 2001, would authorize the appropriation of $25 million for development assistance to East Timor in 2002 and 2003. It also would authorize assistance from other U.S. agencies which CBO estimates would cost less than $500,000 a year, assuming the availability of appropriated funds.

Clean Water. The Clean Water for the Americas Partnership Act of 2001 (sections 751 through 762 of this bill) would authorize the appropriation of $10 million a year in 2002, 2003, and 2004 for a new program to promote the export of U.S. goods and technology to address environmental problems in Latin America, especially water quality and energy efficiency. The bill would authorize the Foreign Commercial Service of the Department of Commerce to open technology centers throughout Latin America to link environmental technology firms in the United States with local organizations in Latin America and would authorize the Trade and Development Agency to provide grants for pre-feasability studies for water projects. CBO assumes the authorized amounts would be split between the two agencies.

Middle East. The Middle East Peace Commitments Act of 2001 (sections 701 through 704 of this bill) would require the President to report on whether the Palestinian Authority and Palestinian Liberation Organization are complying with their commitments to peace with Israel and to impose a set of sanctions against those two organizations, or their constituent parts, if he finds they have not. Because the listed sanctions may be waived by the President and would exempt humanitarian assistance, CBO estimates the provisions would have no significant budgetary effects.

Tibet. Subtitle B of title VII, the Tibetan Policy Act of 2001, would set policy guidelines for United States' efforts to preserve the distinct identity of the Tibetan people and would require the President to report on those efforts. Because subtitle B would not expand existing authorities, CBO estimates implementing it would have no significant costs.

Reform of Certification Procedures Applicable to Certain Drug Producing or Trafficking Countries. Section 742 would modify, for a three-year period, procedures for providing bilateral assistance to countries that are known to be heavily involved in narcotics trafficking and that have not taken significant steps to curb such trafficking as outlined in international agreements. Nations identified under those requirements would be ineligible for aid from the United States unless the President determines that the aid is vital to the national interests of the United States or the country is making substantial efforts to adhere to its international agreements. The new procedures would replace the current practice of delaying obligations and conducting a Congressional review of Presidential determinations before funds are released. CBO estimates that this provision would result in no significant budgetary effect because the provision would not alter the amount of bilateral assistance provided to affected countries.

Other Provisions. In addition, title VII includes several other provisions that would affect spending subject to appropriation.

- Section 771 would extend the authority of the International Religious Freedom Act through 2005 and authorize appropriations of $3 million each year in 2002 through 2005 for the expenses of the commission created by that act.

- Section 772 would extend the authority the United States Senate Caucus on International Narcotics Control from 2002 through 2005 and would authorize appropriations of $370,000 each year for that purpose.

- Section 773 would authorize appropriations of $20 million a year in 2002 and 2003 for a Human Rights and Democracy Fund.

- Section 775 would authorize assistance to improve building construction practices in Latin America but does not specify the amount of money allocated for this activity. Based on information from the U.S. Agency for International Development (USAID), CBO estimates that the program would be implemented through grants from the USAID with a funding level of $2 million each year.

Retirement Provisions. Two sections of the bill would affect retirement benefits for certain federal workers. Section 320 would provide federal retirement credit to individuals who served abroad between December 31, 1988, and May 24, 1998, in temporary assignments where credit was not originally awarded under the Foreign Service retirement system or the retirement system for other federal workers. This provision would allow these employees to have any such service credited to the Federal Employee Retirement System (FERS). Workers who choose to have this service credited to FERS must make a payment into the Civil Service Retirement and Disability Fund (CSRDF) equal to the amount the worker would have paid into the fund (plus interest) as if the service had originally been credited under FERS. The employing agency would also be required to make a similar payment. According to the State Department, about 300 individuals would take service credits under this provision. CBO estimates that under section 320, federal agencies would have to make payments totaling $2 million into the CSRDF in 2002, with only negligible payments in subsequent years.

Section 321 would change the computation of retirement benefits for members of the Foreign Service who have served in overseas stations. For the purposes of calculating retirement benefits, salary and wages for service served overseas would be treated as if the worker's salary and wages were subject to locality-based pay adjustments for Washington, D.C. during that time. In addition, the percentage of pay that both employees and the agency make into the Foreign Service Retirement and Disability Fund (FSRDF) would be increased. CBO estimates that agency payments into the FSRDF would increase by $2 million in 2002 and by $24 million over the 2002-2011 period.

Payments made by agencies into the CSRDF and the FSRDF come from appropriated funds. The bill's retirement provisions would also affect revenues and direct spending (as described later).

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.

Indefinite Authorizations. Section 103(c) would authorize such sums as may be necessary in 2002 and 2003 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. 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 additional costs associated with currency fluctuations.

Section 223 would establish an advisory committee on cultural diplomacy and authorize such sums as may be necessary for its operation. CBO estimates this provision would cost less than $500,000 a year over the 2002-2005 period.

Section 502 would authorize such sums as may be necessary for additional international broadcasting activities during crises abroad. The provision would restrict such amounts to a maximum of $10 million. CBO has no basis for estimating the need for such emergency broadcasting services; therefore, this estimate includes no costs for the provision.

Direct Spending and Revenues

CBO estimates that the bill would increase direct spending by $835 million in 2002, and $893 million over the 2002-2006 period.

Payment of United Nations Arrears. Sections 401 and 402 would amend current law to permit the release of arrearage payments to the United Nations. CBO estimates that under the bill, the State Department would release $826 million in 2002 that cannot be released under current law. (This estimate assumes that the bill is enacted near the start of fiscal year 2002. If the bill were enacted by mid-September, CBO estimates that $582 million would be released in fiscal year 2001 and that the remaining $244 million would be released in 2002.)

In 1999, Public Law 105-277 appropriated $475 million for arrearage payments. An additional $351 million was provided in 2000 in Public Law 106-113. Under current law, however, those funds cannot be disbursed until certain conditions have been met. One of those conditions—which has not been met and cannot be waived—is that the United Nations lower the United States' assessment rate for peacekeeping activities from 31 percent to 25 percent. The bill would drop this requirement and also would ease other conditions attached to the funds appropriated in 2000. These changes would permit disbursement of the $826 million that has already been appropriated. Because this provision would affect outlays from funds already appropriated and would not depend on future appropriation action, the additional outlays are considered direct spending for scorekeeping purposes.

Consular Fees. Section 214 would amend current law pertaining to fees for international adoptions and affidavits of support (which are required documents in certain immigration cases). Under current law, the spending of these fees is subject to appropriation. By removing this restriction, the bill would raise direct spending by $9 million in 2002 and $14 million a year in subsequent years.

Virtual Locality Pay for Foreign Service Personnel. Section 321 would change the computation of retirement benefits for members of the Foreign Service who have served in overseas stations. For the purposes of calculating retirement benefits, salary and wages for service provided outside the United States would be treated as if the worker's salary and wages were subject to locality-based pay adjustments for Washington, D.C. during that time.

In addition, the percentage of pay that both employees and the agency make into the Foreign Service Retirement and Disability Fund would be increased. CBO estimates that about 150 new retirees each year would be affected by this provision, and payments made by employees into the fund would increase by $1 million a year between 2002 and 2011. Those payments are recorded in the budget as revenues.

Finally, CBO projects that retirement benefits paid from the FSRDF would increase by less than $500,000 in 2002 and by a total of $16 million over the 2002-2011 period. Such payments from the fund constitute direct spending.

Fees for Machine-Readable Visas. Section 231 would extend, through 2003, the Secretary of State's authority to charge a fee for machine-readable visas and to spend the collections on consular activities. Authority to collect and spend these fees through 2002 was provided in Public Law 106-553. Based on information from the Department of State, CBO estimates the department would collect and spend $368 million in 2003 under this authority.

Miscellaneous Provisions. Several provisions in the bill would have little or no effect on direct spending or revenues.

Reimbursements for Emergency Overseas Evacuation. Section 201 would allow the State Department to seek reimbursements for the emergency evacuation of employees of the U.S. government, their dependents, private U.S. citizens, and foreign nationals. According to the department, this section of the bill codifies existing practice and would have no impact on the budget.

Reimbursements for International Litigation Fund. Section 204 would allow the State Department to retain, as reimbursement for preparing or prosecuting a claim against a foreign government or entity, a portion of awards received. Based on information from the department, CBO estimates that it would collect and spend less than $1 million a year.

International Boundary and Water Commission. Section 213 would allow the International Boundary and Water Commission to receive and spend funds from the North American Development Bank for its ongoing activities on the land and water boundary between the United States and Mexico. The provision would thus have no net budgetary impact.

Lower Consular Fees. Section 232 would prohibit the State Department from charging consular fees for notarial acts or authentications related to international adoptions. Based on information from the department, CBO estimates this provision would lower collections by less than $500,000 a year.

Reimbursements for Training Services. Section 317 would permanently extend a pilot program to provide training and related services on a reimbursable basis. CBO estimates the department would collect and spend less than $500,000 a year.

Retirement Credit for Overseas Service. Section 320 would provide federal retirement credit to individuals who served abroad between December 31, 1988, and May 24, 1998, in temporary assignments where credit was not originally awarded under the Foreign Service retirement system or the retirement system for other federal workers. This provision would allow these employees to have any such service credited to Federal Employee Retirement System. Workers who choose to have this service credited to FERS must make a payment into the Civil Service Retirement and Disability Fund equal to the amount the worker would have paid into the fund (plus interest) if the service had originally been credited under FERS. According to the State Department, about 300 individuals would take service credits under this provision. CBO estimates that all employee payments into the CSRDF would increase revenues by less than $500,000 a year. The increase in mandatory benefit payments from the CSRDF to these individuals would also be less than $500,000 a year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	835	14	14	15	15	15	16	17	17	18
Changes in receipts	0	1	1	1	1	1	1	1	1	1	1

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On May 10, 2001, CBO prepared a cost estimate for S. 219, as ordered reported by the Senate Committee on Foreign Relations on April 5, 2001. Section 742 of the bill is similar to S. 219, and their costs are identical.

On May 4, 2001, CBO prepared a cost estimate for H.R. 1646, as ordered reported by the House Committee on International Relations on May 2, 2001. H.R. 1646 contains several provisions that are similar to those in the bill. CBO estimated that H.R. 1646 would raise spending subject to appropriation by $16.2 billion over the 2002-2006 period and direct spending by $726 million over the 2001-2006 period.

On February 13, 2001, CBO prepared a cost estimate for S. 248, as passed by the Senate on February 7, 2001. That act would have released arrearage payments of $582 million in 2001. Section 401 of the bill is identical to S. 248, but CBO now estimates these funds would likely be released in 2002 instead of 2001.

ESTIMATE PREPARED BY:

State Department: Sunita D'Monte
Development and Security Assistance: Joseph C. Whitehill
Retirement: Geoffrey Gerhardt
Impact on State, Local, and Tribal Governments: Elyse Goldman
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis