



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 11, 2003

H.R. 1950

Foreign Relations Authorization Act, Fiscal Years 2004 and 2005

As ordered reported by the House Committee on Energy and Commerce on July 9, 2003

SUMMARY

CBO estimates that H.R. 1950 would authorize appropriations of \$32.2 billion for the Department of State and related agencies, and for various security and economic assistance programs. Implementing the bill would result in additional discretionary spending of \$30.5 billion over the 2004-2008 period, assuming appropriation of the authorized amounts, CBO estimates. The bill also contains several provisions that would affect direct spending and revenues. CBO estimates that enacting those provisions would increase direct spending by \$25 million over the 2006-2008 period and have an insignificant effect on revenues.

H.R. 1950 also would affect trade in defense articles and services. It would give the President authority to control transfers within the United States of defense articles and defense services to foreign persons. It would lower the standard for violation of arms-export regulations and increase certain fines for violations of export controls. In addition, the bill would call for stringent control and scrutiny of the export of missile technology and would authorize the President to sanction any foreign governmental entity that the President determines has facilitated violations of export controls of missile equipment or technology. CBO estimates the trade-related provisions would not significantly affect federal spending.

H.R. 1950 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 H.R. 1950 is shown in Table 1. 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 existing programs, except as

otherwise described. The costs of this legislation fall within budget functions 050 (national defense), 150 (international affairs), 300 (natural resources and environment), and 800 (general government).

TABLE 1. BUDGETARY IMPACT OF H.R. 1950, THE FOREIGN RELATIONS AUTHORIZATION ACT, FISCAL YEARS 2004 AND 2005

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for the State Department, Related Agencies, and Various Assistance Programs						
Authorization Level ^{a, b}	17,937	900	0	0	0	0
Estimated Outlays	17,650	7,067	3,117	1,773	995	520
Proposed Changes						
Estimated Authorization Level	0	15,221	15,570	476	478	479
Estimated Outlays	0	9,991	13,644	3,945	1,737	1,231
Spending Under H.R. 1950 for the State Department, Related Agencies, and Various Assistance Programs						
Estimated Authorization Level ^{a, b}	17,937	16,121	15,570	476	478	479
Estimated Outlays	17,650	17,058	16,761	5,718	2,732	1,751
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	*	*	5	10	10
Estimated Outlays	0	*	*	5	10	10

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

a. The 2003 level is the amount appropriated for that year and includes appropriations provided in Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act, 2003.

b. Public Law 106-113, an act making consolidated appropriations for the fiscal year ending September 30, 2000, and for other purposes, authorized appropriations of \$900 million for Embassy Security, Construction, and Maintenance in 2004.

BASIS OF ESTIMATE

H.R. 1950 would provide a comprehensive two-year authorization of appropriations for the State Department and related agencies, and it would authorize appropriations for various security and economic assistance programs. In addition, the bill contains several provisions that would affect direct spending and revenues.

Spending Subject to Appropriation

CBO estimates that Divisions A and B of H.R. 1950 would authorize appropriations of about \$32 billion for the Department of State and related agencies and for various security and economic assistance programs. CBO estimates that implementing the bill would result in additional discretionary spending of \$30.5 billion over the 2004-2008 period, assuming appropriation of the authorized amounts.

Division A—Department of State Authorization Act, Fiscal Years 2004 and 2005. CBO estimates that Division A would authorize appropriations of about \$9.3 billion in 2004, \$10.7 billion in 2005, and \$0.1 billion a year over the 2006-2008 period for the Department of State and related agencies (see Table 2). It would specifically authorize appropriations of \$9.3 billion in 2004, \$10.1 billion in 2005, and some small amounts over the 2006-2008 period. In addition to the costs covered by the specified authorizations, the division contains provisions primarily dealing with international peacekeeping, public diplomacy, and personnel, that CBO estimates would require additional appropriations of almost \$0.9 billion over the 2004-2008 period to implement. CBO estimates that implementing this division would cost almost \$19.5 billion over the 2004-2008 period, assuming appropriation of the specified and estimated amounts.

TABLE 2. ESTIMATED SPENDING SUBJECT TO APPROPRIATION FOR DIVISION A OF H.R. 1950

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
Spending Under Current Law for the State Department and Related Agencies						
Authorization Level ^{a, b}	9,257	900	0	0	0	0
Estimated Outlays	8,998	3,338	1,649	1,065	657	347
Proposed Changes						
Estimated Authorization Level	0	9,340	10,694	106	108	109
Estimated Outlays	0	6,422	8,534	2,587	1,179	762
Spending Under Division A of H.R. 1950 for the State Department and Related Agencies						
Estimated Authorization Level ^{a, b}	9,257	10,240	10,694	106	108	109
Estimated Outlays	8,998	9,760	10,183	3,652	1,836	1,109

a. The 2003 level is the amount appropriated for that year and includes appropriations provided in Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act, 2003.

b. Public Law 106-113, an act making consolidated appropriations for the fiscal year ending September 30, 2000, and for other purposes, authorized appropriations of \$900 million for Embassy Security, Construction, and Maintenance in 2004.

International Peacekeeping. Section 113 would authorize the appropriation of \$550 million in 2004 and such sums as may be necessary in 2005 for contributions to international

peacekeeping activities. Based on information from the Department of State and adjusting for inflation, CBO estimates that the department would require \$560 million in 2005.

Middle East Broadcasting Network. Section 501 would authorize annual grants for a Mideast Radio and Television Network to provide radio and television broadcasts to the Middle East region. Under current law, Radio Sawa provides radio programming to the Middle East at an annual cost of about \$10 million. The Broadcasting Board of Governors (BBG) plans to add a satellite television network that would provide news, entertainment, and information programs to complement this radio programming. Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act, 2003, provided \$26 million in 2003 for start-up costs of the network. The bill provides an authorization of appropriations of \$47 million in each of 2004 and 2005 only. Based on information from the BBG, CBO estimates that operating costs for this television network would be \$37 million a year over the 2004-2008 period, and the costs for Radio Sawa would continue at about \$10 million a year.

Exchange Programs. Section 251 would establish new educational and cultural exchange programs and expand existing ones in countries with predominantly Muslim populations. Section 112 would authorize the appropriation of \$35 million a year for this purpose in 2004 and 2005. CBO estimates that continuing these programs would cost an additional \$112 million over the 2006-2008 period.

Promotion of Free Media. Section 607 would establish an International Free Media Fund within the department to promote the development of free and independent media all over the world. The bill would authorize appropriations of \$15 million in 2004 for this purpose. Section 608 would require the BBG to support free media, especially in countries where it is reducing or discontinuing international broadcasting, and would authorize appropriations of \$2.5 million each year in 2004 and 2005 for this purpose.

Hardship and Danger Pay Allowances. Section 307 would increase the cap on hardship and danger pay allowances from 25 percent to 35 percent of basic pay for State Department employees serving overseas. Based on information from the Department of State, CBO estimates implementing this section would cost \$8 million to \$9 million annually over the 2004-2008 period.

Office of Global Internet Freedom. Section 524 would authorize the BBG to establish an Office of Global Internet Freedom to prevent foreign governments from censoring or

jamming the Internet and persecuting their citizens who use the Internet. The bill would specifically authorize appropriations of \$8 million a year in 2004 and 2005 to establish and operate this office. CBO estimates implementing this section would cost \$8 million to \$9 million annually over the 2004-2008 period.

Indefinite Authorizations for Currency Fluctuations. Section 113(c) would authorize the appropriation of such sums as may be necessary in 2004 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 costs associated with currency fluctuations.

Colin Powell Center for American Diplomacy. Section 230 would authorize the Secretary of State to establish the Colin Powell Center for American Diplomacy at the Harry S. Truman Building in Washington, D.C. According to the Department of State, it would establish the center through a partnership with the nonprofit Foreign Affairs Museum Council (FAMC). The department would provide the space, staff, and security for the center, while FAMC would provide funding from private sources. A feasibility study is currently underway, and the department was unable to provide details that would allow CBO to estimate the operating costs of the center.

Reporting Requirements. Division A includes several provisions that would expand or introduce new reporting requirements. Combined, these provisions would raise spending subject to appropriation by about \$2 million annually, but each provision would likely cost less than \$500,000 a year.

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

- Section 206 would authorize a demonstration program in library sciences to help foreign governments improve literacy and public education in their countries by establishing or upgrading public library systems.
- Section 224 would reduce by about half the reimbursement rate paid by the Department of State to the Department of Defense (DoD) for transporting armored vehicles by air. Over the 2000-2002 period, the department reimbursed DoD an

average of \$2 million a year. Based on this information, CBO estimates that implementing this section would save the department \$1 million a year, which would be offset by additional costs to DoD of the same amount.

- Section 301 would authorize an exchange program for the assignment of civil and foreign service employees to fellowship positions in foreign governments, and the reciprocal assignment of foreign government employees as fellows in the department.
- Section 302 would clarify the department's authority to settle claims of back pay and other administrative claims and grievances.
- Section 310 would give the department greater flexibility in awarding meritorious step increases in salaries.
- Section 504 would authorize the BBG to conduct a pilot program to promote travel and tourism by broadcasting information on regions of the United States that rely on tourism.
- Subtitle C of title V would transfer all functions and assets of the BBG and the International Broadcasting Bureau to a new independent agency named the International Broadcasting Agency.

Division B—Defense Trade and Security Assistance Reform Act of 2003. Division B would tighten regulation of trade in defense and dual-use articles and technologies and authorize funding for various security assistance programs (see Table 3). Unlike Division A, which provides a comprehensive two-year authorization of appropriations of foreign relations authorizations, this division would authorize funding for various programs, projects, and activities through specific and indefinite authorizations of appropriation or through earmarks of funds not authorized elsewhere in the bill. For this estimate, CBO treats these earmarks as authorizations of appropriations since there are no amounts authorized for the programs in general. CBO estimates that implementing Division B would cost \$3.6 billion in 2004 and \$11.1 billion over the 2004-2008 period, assuming the appropriation of the necessary amounts.

TABLE 3. ESTIMATED SPENDING SUBJECT TO APPROPRIATION FOR DIVISION B OF H.R. 1950

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
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Spending Under Current Law for Various Security Assistance Programs						
Budget Authority ^a	8,680	0	0	0	0	0
Estimated Outlays	8,652	3,729	1,468	708	339	173
Proposed Changes						
Estimated Authorization Level	0	5,881	4,876	370	370	370
Estimated Outlays	0	3,569	5,110	1,359	558	470
Spending Under Division B of H.R. 1950 for Various Security Assistance Programs						
Estimated Authorization Level ^a	8,680	5,881	4,876	370	370	370
Estimated Outlays	8,652	7,298	6,578	2,067	897	643

a. The 2003 level is the amount appropriated for that year and includes appropriations provided in Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act, 2003.

Security Assistance and Related Provisions. Title XIII would authorize the appropriation of \$4.4 billion for foreign military financing and \$91.7 million for international military education and training in 2004.

Sections 1321 and 1322 would authorize foreign military financing and Economic Support Fund appropriations for Israel and Egypt through 2005. The sections would specify formulas that would continue through 2005 the gradual reduction of economic assistance to those two countries and the increase in foreign military financing for Israel begun in 1999. For Israel, section 1321 would authorize foreign military financing of \$2.160 billion in 2004 and \$2.220 billion in 2005, and Economic Support Fund appropriations of \$480 million in 2004 and \$360 million in 2005. For Egypt, section 1322 would authorize foreign military financing for Egypt of \$1.3 billion in both 2004 and 2005 and Economic Support Fund appropriations of \$575 million in 2004 and \$535 million in 2005.

Section 1337 would authorize the appropriation of \$60 million a year for the nonproliferation fund in 2004 and 2005 and \$25 million a year in 2004 and 2005 to secure highly enriched uranium in the states of the former Soviet Union.

Missile Threat Reduction Assistance. Title XIV would authorize the appropriation of \$250 million for assistance to countries that agree to destroy their ballistic missiles and their facilities for producing those missiles. Under the bill, the President would determine the terms and conditions for providing the assistance which could be economic or military in character. For this estimate, CBO assumes the funds would be appropriated at the rate of \$50 million a year over the 2004-2008 period and the rate of spending would be comparable to that for the Former Soviet Union Threat Reduction.

Belarus. Title XVI would authorize the appropriation of such sums as may be necessary in 2004 and 2005 for assistance and radio broadcasting to promote the development of democracy and civil society in Belarus. The assistance could be used to develop democratic parties, nongovernmental organizations, an independent broadcasting and print media, or to observe elections. Based on information from the State Department, CBO estimates that funding for such assistance in Belarus would continue at the 2003 level of \$10 million each year. Based on information from the BBG, CBO further estimates that funding for international broadcasting to Belarus would double to \$3 million a year, for an increase of \$1.5 million each year over the amount authorized in Division A of the bill.

Israeli-Palestinian Peace Enhancement Act. Title XVII would express the sense of the Congress with respect to U.S. recognition of a Palestinian state and express a willingness to provide substantial economic and humanitarian assistance to such a state. It would authorize the appropriation of such sums as may be necessary to promote the economic and civil development of a Palestinian state. However, the President must certify a binding peace agreement between Israel and the Palestinians has been achieved under a set of conditions before any assistance may be provided to a Palestinian state. The President may waive the certification and the restrictions would not apply to humanitarian or development assistance provided to nongovernmental organizations for the benefit of the Palestinian people. CBO estimates that implementing title XVII would cost \$0.8 billion over the 2004-2008 period, assuming the appropriation of the necessary amounts. The estimate assumes that funding in 2004 would continue at the 2003 rate and would increase to over \$0.3 billion a year over the 2006-2008 period.

It is difficult to estimate the cost of implementing title XVII because of the uncertainty over when or whether Israel and the Palestinians may reach an agreement recognizing a two-state solution to peace in the Middle East region. Under the roadmap to a permanent two-state solution, as outlined by the State Department on April 30, 2003, the goal would be a permanent status agreement in 2005. CBO estimates that substantially increased funding for the Palestinian people could begin by that year.

The bill provides no guidance for interpreting the intent of the phrase “substantial economic and humanitarian assistance.” For the purpose of the estimate, CBO assumes that funding in 2004 for West Bank/Gaza in the Economic Support Fund would continue at the \$75 million funding level appropriated for 2003 and triple to \$225 million in 2005. For the 2006-2008 period, we assume that the funding for a Palestinian state would be increased by the \$95 million that the United States has in the past contributed for assistance to the Palestinian people through the United Nations Relief and Works Agency for Palestinian Refugees. That increase would raise funding to \$320 million a year. In the past, breakthrough agreements such as the Camp David accords and peace with Jordan have been followed by bilateral assistance appropriations of billions or many hundreds of millions of dollars. Funding after a true peace agreement between Israel and the Palestinians could be much higher than CBO estimates. Without an agreement, funding would be much lower.

Miscellaneous Provisions. Title XVIII contains a number of provisions that would authorize appropriations for various economic and security assistance programs. They include:

- Section 1803 would authorize \$2 million a year in 2004 and 2005 for a cooperative development program with Israel.
- Section 1806 would authorize \$25 million a year in 2004 and 2005 for economic assistance for East Timor.
- Section 1807 would authorize \$15 million a year in 2004 and 2005 for grants to individuals and groups supporting democracy building efforts in Cuba.
- Section 1809 would authorize \$18.6 million a year in 2004 and 2005 for a Congo Basin forest partnership program.
- Section 1810 would authorize \$10 million for programs to provide equipment and training to law enforcement officials, prosecutors, and judges in foreign countries in interpreting intellectual property laws and in complying with obligations under various international copyright and intellectual property treaties and agreements.
- Section 1811 would authorize assistance to law enforcement agencies in India and Ireland in 2004 and 2005. Based on information from the State Department, CBO estimates that implementing the provision would cost \$3 million each year, assuming the appropriation of the necessary funds.

- Section 1812 would authorize \$24 million in 2004 and such sums as may be necessary in 2005 for the human rights and democracy fund administered by the Department of State. Based on information from the Department of State, CBO estimates funding in 2005 would continue at the level specified for 2004.
- Section 1815 would authorize the appropriation of \$1 million in 2004 and such sums as may be necessary in 2005 for a grant to the African Society for programs in Africa. CBO estimates funding in 2005 would continue at the level specified for 2004.

Direct Spending and Revenues

CBO estimates that several provisions in the bill would increase direct spending or have an insignificant effect on receipts.

Transfer of Defense Articles in the U.S. War Reserve Stockpile for Allies (USWRSA). Section 1332 would extend for five years the President's authority to transfer to Israel obsolete or surplus defense articles in the USWRSA 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 DoD.

According to DoD, much of the materiel in the USWRSA in Israel was used in the recent Iraq conflict and the department is conducting a new inventory to determine what stocks remain. DoD also indicates that the existing authority has not been used for Israel in the past, though similar authority has been used for the stockpile in Korea. Given the current status of the USWRSA in Israel, CBO estimates the authority would not be used in 2004 and probably not in 2005. If the authority provided in section 1332 were used to the same extent as that for the stockpile in Korea, CBO estimates forgone receipts would total between \$5 million and \$10 million a year over the 2006-2008 period.

Cost-Sharing for New Diplomatic Facilities. Section 227 would allow the Department of State, beginning in 2005, to charge a fee to every federal agency that has a presence at any U.S. diplomatic facility to help fund the construction of new diplomatic facilities. The amount of the fee charged would be determined by a formula that takes into account the number of employees assigned to each diplomatic mission. Based on information from OMB and the Department of State, CBO estimates that construction of new diplomatic

facilities could cost about \$1 billion a year over the next several years and that roughly 40 percent of these costs would be born by federal agencies other than the Department of State. Because the collection and spending of the fees would not be subject to the annual appropriation process, this provision would affect direct spending. CBO estimates that collections from the new fee would offset spending on construction, and that this proposal would not significantly increase or decrease federal spending as a whole, but would merely shift costs from the Department of State to other federal agencies. Ultimately, all such federal costs are and still would be subject to appropriation of the necessary amounts. (That is, the only direct spending effects relate to the intragovernmental transfers and their use by the Department of State.)

Colin Powell Center for American Diplomacy. Section 230 would authorize the Secretary to provide museum visitor and educational outreach services at the center and to sell, trade, or transfer documents and articles that are displayed at the center. Any proceeds generated from these services or sales would be retained and spent by the center. CBO estimates that this provision would have an insignificant net effect on direct spending.

Arms Export Controls. Provisions in titles XI and XII would revise licensing requirements for the export of certain defense articles and technology and would lower the standard and increase fines for violations of export controls. CBO estimates implementing the provisions would have an insignificant effect on receipts and direct spending.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1950 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 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. Several sections in Division A of H.R. 1950 are similar or identical to sections of S. 925 and would have similar costs. (The Senate bill would authorize appropriations only for 2004, whereas H.R. 1950 would authorize appropriations for 2004 and 2005.)

On June 9, 2003, CBO transmitted an 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. Several sections in Division B of H.R. 1950 are similar or identical to sections of S. 1161 and would have similar costs; however, the Senate bill would provide a more comprehensive authorization of appropriations for economic and security assistance programs in 2004.

On June 11, 2003, CBO transmitted a cost estimate for H.R. 1950, as reported by the House Committee on International Relations on May 16, 2003. On June 30, 2003, CBO transmitted a cost estimate for H.R. 1950, as ordered reported by the House Committee on Armed Services on June 26, 2003. H.R. 1950, as reported by the Committee on International Relations, as ordered reported by the Committee on Armed Services, and as ordered reported by the Committee on Energy and Commerce all have similar or identical sections and would have similar costs; however, the Committee on Energy and Commerce's version of the bill does not include a provision relating to climate change.

In total, the three versions of H.R. 1950 would all have estimated discretionary costs of about \$30.5 billion over the 2004-2008 period, and they all would have estimated direct spending of about \$25 million over the next five years.

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