# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

April 24, 2003

## Foreign Relations Authorization Act, Fiscal Year 2004

*As ordered reported by the Senate Committee on Foreign Relations on April 9, 2003*

## SUMMARY


The bill would authorize appropriations of about $8.8 billion for the Department of State and related agencies for 2004. It also would authorize appropriations totaling about $1.7 billion for the Peace Corps over the 2004-2008 period. The bill also contains provisions that would raise the cost of discretionary programs for personnel and public diplomacy over the 2005-2008 period. CBO estimates that those provisions would require appropriations of $360 million over those four years. CBO estimates that appropriation of the authorized and estimated amounts would result in additional discretionary spending of $10.5 billion over the 2004-2008 period.

CBO estimates that the bill also would affect direct spending by less than $500,000 a year and increase governmental receipts (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.

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 the following table. CBO assumes that the authorized amounts will be appropriated by the start of each fiscal year and that outlays would follow historical spending patterns. The costs of this legislation fall within budget functions 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).

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **SPENDING SUBJECT TO APPROPRIATION** [a] | | | | | | |
| Spending Under Current Law for State Department, Peace Corps, and Related Agencies | | | | | | |
| Authorization Level [b, c] | 8,790 | 900 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 8,794 | 3,221 | 1,573 | 1,013 | 624 | 347 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 9,140 | 489 | 532 | 576 | 92 |
| Estimated Outlays | 0 | 6,132 | 2,102 | 1,066 | 911 | 305 |
| Spending Under the Foreign Relations Authorization Act, Fiscal year 2004 | | | | | | |
| Estimated Authorization Level [b, c] | 8,790 | 10,040 | 489 | 532 | 576 | 92 |
| Estimated Outlays | 8,794 | 9,354 | 3,675 | 2,078 | 1,535 | 652 |

a. The bill also would affect direct spending and receipts, but these effects would be less than $500,000 in each year.
b. The 2003 level is the amount appropriated for that year.
c. $900 million was authorized to be appropriated in 2004 by Public Law 106-113.

## BASIS OF ESTIMATE

### Spending Subject to Appropriation

The bill would authorize appropriations of $9.1 billion in 2004 and almost $10.5 billion over the 2004-2008 period. The bill also contains provisions that would affect costs for personnel and public diplomacy. In addition to the costs covered by the specified authorizations in the bill for 2004, implementing these provisions would require appropriations of $360 million over the 2005-2008 period. CBO estimates that implementing the bill would cost $10.5 billion over the 2004-2008 period, and an additional amount of about $200 million after 2008, assuming appropriation of the necessary amounts.

**Peace Corps.** Title IX of the bill would require the Director of the Peace Corps to develop a plan to increase the number of Peace Corps volunteers to twice the number of volunteers in service in 2002. It also would triple the readjustment allowance authorized to returning volunteers and would authorize appropriations to fund this growth through 2007. CBO estimates implementing these provisions would cost $280 million in 2004 and $1.6 billion over the 2004-2008 period, assuming the appropriation of the authorized amounts.

**Middle East Broadcasting Network.** Section 810 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 at an annual cost of about $10 million. The 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 provided $26 million in 2003 for start-up costs of the network. 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. The bill provides a specific authorization of appropriations of $47 million in 2004 only.

**Exchange Programs.** Sections 612 and 613 would establish new educational and cultural exchange programs and expand existing ones. Title I would authorize the appropriation of $30 million for this purpose in 2004. CBO estimates that continuing these programs would cost an additional $130 million over the 2005-2008 period.

**Corporation for National and Community Service**. Title IX also would authorize the appropriation of $10 million in 2004 to the Corporation for National and Community Service to provide grants to nonprofit organizations that support returned Peace Corps volunteers in promoting an understanding of other peoples on the part of the American people. CBO estimates implementing this section would cost $2 million in 2004, and $10 million over the 2004-2008 period.

**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 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. The bill provides a specific authorization of appropriations for $8 million in 2004 only.

**Indefinite Authorizations for Currency Fluctuations.** Section 103(c) would authorize 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.

**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, 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.

**Reimbursement Rate for Airlift Services.** Section 204 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 and CBO estimates that annual savings as a result of the bill would be roughly $1 million.

**Educational Expenses of Dependent Children.** Section 302 would authorize payments for certain educational expenses of dependent children of Foreign Service employees posted oversees. Based on information from the Department of State, CBO estimates implementing this section 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 6 months working at the Voice of America, Radio Free Europe/Radio Liberty, or Radio Free Asia. BBG would pay their salaries, living expenses, and travel costs. Based on information from 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, but each provision would probably cost less than $500,000 a year.

**Miscellaneous Provisions.** CBO estimates that several sections of the bill (including some from title III that would amend compensation benefits for State Department personnel) would have an insignificant impact on spending subject to appropriation:

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

- 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 of 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.

### Direct Spending and Revenues

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

**Cost-Sharing for New Diplomatic Facilities.** Section 206 would allow the Department of State, beginning in 2005, to charge a fee to every federal agency that has a presence at any United States 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 the Office of Management and Budget 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.)

**Law Enforcement.** 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 spent in subsequent years. CBO estimates that the criminal penalties that would be created under the bill would increase direct spending from the Crime Victims Fund by less than $500,000 per year.

**Reimbursements from the United States Olympic Committee.** Section 208 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 $3 million, but it is uncertain how much of this cost would be recovered.

**United States Diplomacy Center.** 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 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.

**Foreign Service Pay and Retirement.** 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 of State 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 terminations procedures for each Foreign Service class. CBO estimates that these three provisions would have an insignificant effect on direct spending.

## 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.

## ESTIMATE PREPARED BY:

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