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International Affairs Budget Trends, FY1980 – FY2000

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International Affairs Budget Trends, FY1980 – FY2000

Summary

There have been sharp debates during recent years in Congress and differences between the executive and legislative branches on the appropriate level of funding for U.S. foreign policy programs. Especially since 1995, the President and some lawmakers have been critical of amounts ultimately enacted, charging that congressional cuts placed foreign policy spending far below “traditional” levels and jeopardized important U.S. economic, security, and diplomatic interests overseas. Foreign policy spending has grown the past three years, largely through approval of emergency supplementals in support of international contingencies and disaster relief assistance.

Foreign policy spending supports a variety of U.S. government programs and activities, including foreign economic and military assistance, contributions to international organizations and multilateral financial institutions, State Department, and U.S. Agency for International Development (USAID), operating expenses, and export promotion programs.

International Affairs discretionary budget authority, measured in real terms, has experienced several cycles over the past two decades. There were periods of rapid growth followed immediately by sharp declines during the mid-1980s. After several years of relative stable budget levels in the late 1980s and early 1990s, amounts fell through FY1997. The foreign policy budget rose slightly in FY1998 but significantly in FY1999. Estimates for FY2000 are slightly below FY1999. Foreign policy funding for FY2000 (\$23.3 billion), in real terms, falls 5.4% below the annual average of \$24.61 billion for the past 21 years. As a percent of total U.S. government discretionary budget authority, international affairs spending is just slightly less than the 4.06% annual average level since FY1980. However, as a percent of the total federal budget, including discretionary and mandatory programs, foreign policy resources are about one-fifth less than the average annual percentage (1.571%) over the past 21 years.

Foreign aid budget authority experienced steady growth during the early 1980s with a spike in FY1985, declining levels in the late 1980s, and a further steady downward pattern since the end of the Cold War and Persian Gulf conflict. There was a sharp drop in FY1996 followed by an increase in FY1998 that has continued through FY2000. The current estimate for FY2000 of \$15.39 billion is higher than any year since FY1992, but lower than any time prior to FY1992, and 11.7% less than the annual average over the past 21 years.

Funding allocations for the conduct of foreign affairs and public diplomacy, activities largely overseen by the Department of State, have steadily risen, although with short-term reductions in the mid-1980s and the FY1996/97 period. Unlike other elements of the International Affairs budget, diplomatic programs for FY2000 are funded at a level about 28% higher than the average annual level of the past 21 years.

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International Affairs Budget Trends, FY1980 – FY2000

There have been sharp debates during recent years in Congress and differences between the executive and legislative branches on the appropriate level of funding for U.S. foreign policy programs. Especially since 1995, the President and some lawmakers have been critical of amounts ultimately enacted, charging that congressional cuts placed foreign policy spending far below “traditional” levels and jeopardized important U.S. economic, security, and diplomatic interests overseas. Foreign policy spending has grown the past three years, largely through approval of emergency supplementals in support of international contingencies and disaster relief assistance.

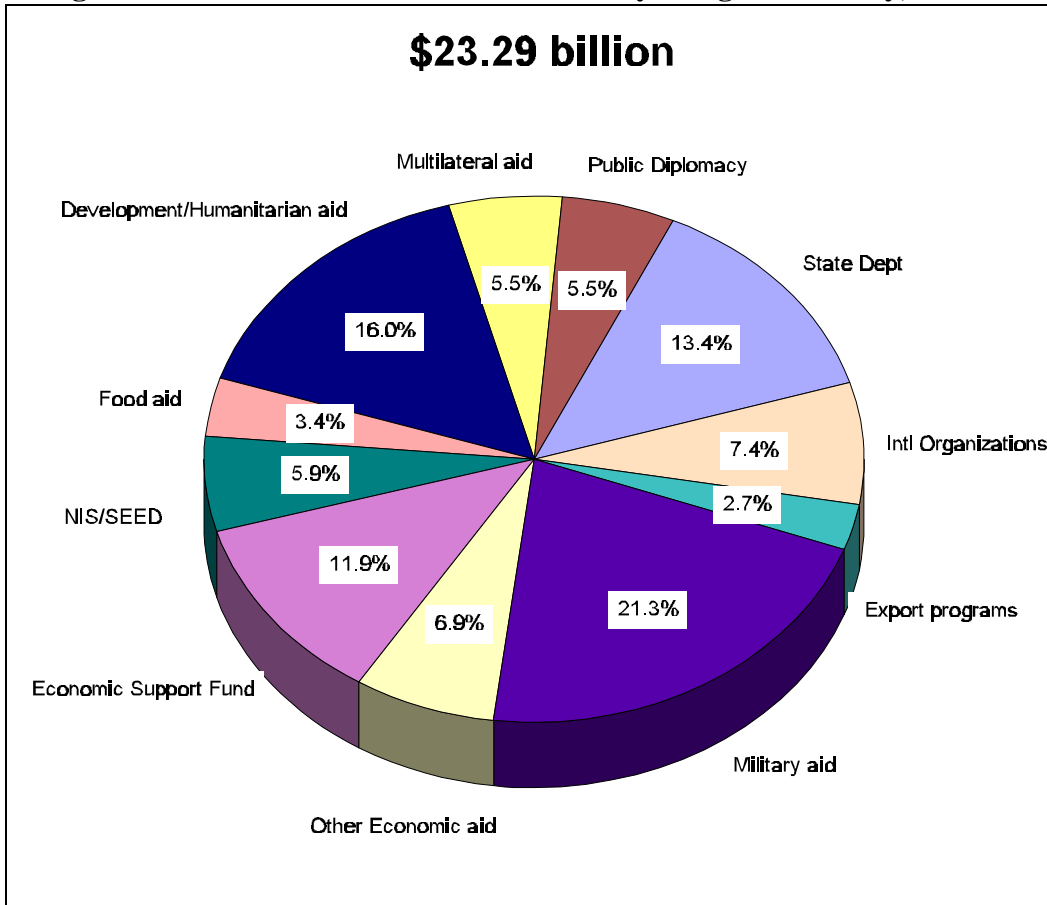
Foreign policy spending supports a variety of U.S. government programs and activities, including foreign economic and military assistance, contributions to international organizations and multilateral financial institutions, State Department and U.S. Agency for International Development (USAID) operating expenses, public diplomacy, arms control, and export promotion programs. Figure 1 illustrates the major components of the International Affairs Budget Function and shows current programmatic allocations for FY2000.

This report serves as a resource for the annual congressional debate on foreign policy spending, providing context and trend analysis of the past 20 years. It considers the full scope of the International Affairs budget, or Budget Function 150, as foreign policy spending is designated within the context of the Budget Resolution.¹ It also illustrates spending trends of the major components that make up Budget Function 150. Data are presented in terms of both current dollars and constant FY2000 dollars, the latter which takes into account the effects of inflation over time. Amounts are expressed as discretionary budget authority and outlays, representing the amount of funds Congress maintains direct control over through enactment of annual appropriation bills. Excluded are amounts for mandatory Foreign Service retirement programs, as well as resource flows of the Foreign Military Sales Trust Fund and other mandatory accounts that are not regulated through the appropriations process. Data also exclude funding for International Monetary Fund quota increases and for other IMF facilities, amounts that Congress has approved on five occasions in the past

¹ In this report, the terms international affairs, foreign policy, foreign affairs, and Function 150 are used interchangeably to refer to the International Affairs Budget Function.

20 years.² In each illustration, actual dollar trend lines are compared with 20-year annual averages of spending.

Figure 1. International Affairs Discretionary Budget Authority, FY2000



² The United States participates in the expansion of IMF resources or the creation of a new IMF facility, at irregular intervals. Although Congress provides new budget authority through appropriations for the full amount of U.S. participation, the transaction is considered as an exchange of assets between the United States and the IMF, and results in no outlays from the U.S. treasury. In short, the appropriations are offset by the creation of a U.S. counterpart claim on the IMF that is liquid and interest bearing. Including budget authority figures for the IMF creates “spikes” in selected years and tends to blur continuing trends in funding levels. Because of this, and the fact that IMF budget authority does not result in an outlay or have any impact on the federal deficit or surplus, amounts are excluded from this report.

Changes in Budget Scorekeeping Procedures and Problems with Precise Analysis of Spending Trends

Following enactment of the Budget Enforcement Act of 1990, the United States began applying in FY1992 different procedures for appropriating funds for credit programs. Prior to FY1992, Congress would appropriate the full value of *direct loans* issued by the U.S. government. For commercial loans *guaranteed* by the United States, Congress placed annual limitations on the total amount of these guarantees, but was not required to appropriate any funds. Under the terms of “credit reform,” Congress must now appropriate the subsidy value of both direct loans issued and loan guarantees backed by the government. In simple terms, the subsidy value, as determined by OMB, is an amount that represents the risk to the U.S. government in issuing or backing the loan, plus the extent to which, if any, the loan carries a concessional interest rate below market value. Accordingly, there are inherent problems with comparing trends before and after FY1992 for any element of discretionary spending that includes credit programs.

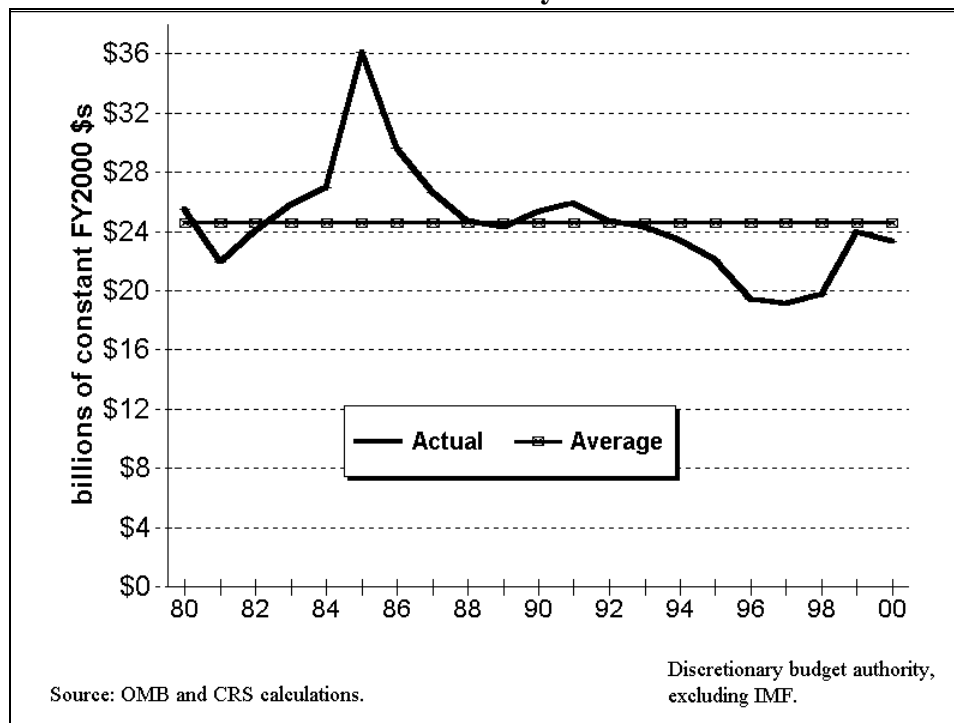
Several credit programs operate within Function 150, including direct loans under Foreign Military Financing (FMF) and (prior to FY1999) P.L. 480 food programs, loan guarantees issued by the Agency for International Development’s (USAID) Urban and Environmental Credit Office, and direct loans and loan guarantees managed by the Export-Import Bank and the Overseas Private Investment Corporation. Two examples illustrate the mixed impact on appropriation requirements of the “credit reform” policy changes that took effect for FY1992. In FY1997, Congress enacted a \$60 million subsidy appropriation for FMF direct loans, an amount that allowed the Defense Department to issue military aid loans with a total face value of \$540 million. Prior to FY1992, Congress would have had to appropriate the full \$540 million instead of the \$60 million subsidy that backed the loans. On the other hand, in the case of a loan guarantee, Congress approved in FY1997 a \$3.5 million subsidy appropriation permitting USAID’s Urban and Environmental Credit program to guarantee \$29.4 million in loans. These represent loans issued by commercial lenders for which the United States government guarantees repayment. Before FY1992, no appropriation would have been required. As seen in the two examples, Congress appropriated in FY1997 \$63.5 million in support of these programs. Budget rules that existed in the pre-credit reform period would have required an appropriation of \$540 million to implement these two activities in exactly the same way they were carried out in FY1997.

Because OMB has not adjusted its figures for pre-FY1992 credit programs, comparisons between the two time periods cannot be totally precise. Nevertheless, an assessment of funding trends before and after FY1992 is still useful in identifying an illustrative pattern of spending decisions. While the application of post-credit reform procedures, on balance, probably tends to overstate somewhat the degree of reductions in Function 150 spending during the mid-1990s, the extent of this overstatement does not appear to be sufficient to override the general conclusion that cuts in the international affairs budget were substantial. Comparison of the increases in FY1999 and FY2000 for Function 150 resources with pre-1992 levels face the same methodological problems. At a subfunction level, however, where no credit programs exist, such as for State Department and U.S. international exchange programs, the credit reform changes have no effect on measuring and comparing discretionary spending.

International Affairs Discretionary Budget Authority

International Affairs discretionary budget authority, measured in real terms, has experienced several cycles over the past two decades. There were periods of rapid growth followed immediately by sharp declines during the mid-1980s. After several years in the late 1980s and early 1990s of relative stable budget levels, amounts fell – at first gradually, and then sharply – through FY1997. The foreign policy budget rose slightly in FY1998 but significantly in FY1999 and FY2000 compared to amounts during the mid-1990s. The increases in FY1998 and FY1999 represented the first back-to-back years in which the international affairs budget grew compared with the previous year since FY1990/1991.

Figure 2. International Affairs Budget – Discretionary Budget Authority



The early-to-mid 1980s were marked by a steady increase in foreign policy spending, largely the result of rising amounts of security assistance allocated for strategic purposes in Central America, Pakistan, and “military base rights countries” such as the Philippines. At the same time that this growth in security-related aid peaked in FY1985, Congress approved two major supplementals: a \$2.25 billion economic aid package for Israel, Egypt, and Jordan, and about \$1 billion in famine relief for Africa. All of these factors combined to set foreign affairs discretionary budget authority at \$36.1 billion, in FY2000 dollars, a level about 36% higher than the current amount.

Absent the unique combination of these international demands that spiked aid spending in FY1985, and with intensifying pressure in Washington to reduce the federal deficit, Function 150 discretionary spending, like other federal spending, fell

abruptly in FY1986, and declined further in the next two years. The following period — FY1988 through FY1993 — marked a relatively stable level of foreign affairs budget authority, ranging in most years at roughly between \$24.3 and \$25.9 billion annually, as calculated in FY2000 dollars. To a considerable extent, this steady period can be attributed to annually negotiated budget agreements between the Administration and Congress for major discretionary spending categories, one of which was international affairs. A small, temporary upsurge occurred in FY1990/1991, primarily the result of a supplemental appropriation for aid to Panama and Nicaragua, additional costs associated with the Persian Gulf War, including supplemental assistance for Israel and Turkey, and added expenses for U.S. agencies operating in the Gulf region.

Although the foreign affairs budget had been on a long downward trend since FY1985, the drop in FY1994 was the first significant annual decrease in real terms since FY1988. The 3.7% real cut for FY1994 was followed by two years of increasingly larger reductions in real spending for foreign policy programs. FY1995 discretionary budget authority dropped 5.5% below FY1994, followed by an 11.9% cut in FY1996. Reductions continued for FY1997, although at a more modest 1.6% level.

This downward cycle reversed in FY1998, with international affairs budget authority rising by 3.5% in real terms over FY1997, followed by a far more significant rise — 21.1% — in foreign policy spending for FY1999. Only the 34% increase between FY1984 and FY1985 has exceeded the annual growth in foreign affairs budget authority that occurred in FY1999. In addition to approving modest increases for programs throughout the Function 150 account, Congress further agreed to nearly \$1 billion for U.S. arrearage payments to various international organizations and multilateral development banks, about \$1.5 billion for security upgrades at American embassies and missions around the world, and large supplementals for Central American victims of Hurricane Mitch (\$1 billion) and for Kosovo humanitarian aid relief (\$1.1 billion).

Foreign policy funding for FY2000, in real terms, falls below FY1999 by 2.9%, even though the budget continues relatively stable levels for regular international affairs programs. FY2000 further includes two special funding initiatives: a \$1.8 billion one-time aid package in support of the Wye River/Middle East peace accord and about \$1 billion for a Colombian counternarcotics program. With the exception of FY1999, the FY2000 foreign affairs budget is larger than any since FY1993. The FY2000 Function 150 discretionary budget authority of \$23.3 billion, nevertheless, is 5.4% below the annual average of \$24.61 billion for the past 21 years.

Table 1. International Affairs Discretionary Budget Authority
(\$s - billions)

Fiscal Year	Function 150 Current \$s	Function 150 Constant FY2000 \$s
1980	12.874	25.496
1981	12.194	21.928
1982	14.222	24.026
1983	16.017	25.834
1984	17.396	26.957
1985	24.057	36.126
1986	20.279	29.628
1987	18.800	26.602
1988	18.079	24.671
1989	18.537	24.301
1990	20.027	25.326
1991	21.321	25.901
1992	20.927	24.677
1993	21.194	24.279
1994	20.854	23.373
1995	20.166	22.079
1996	18.122	19.452
1997	18.150	19.138
1998	18.991	19.799
1999	23.414	23.986
2000 (est)	23.288	23.288

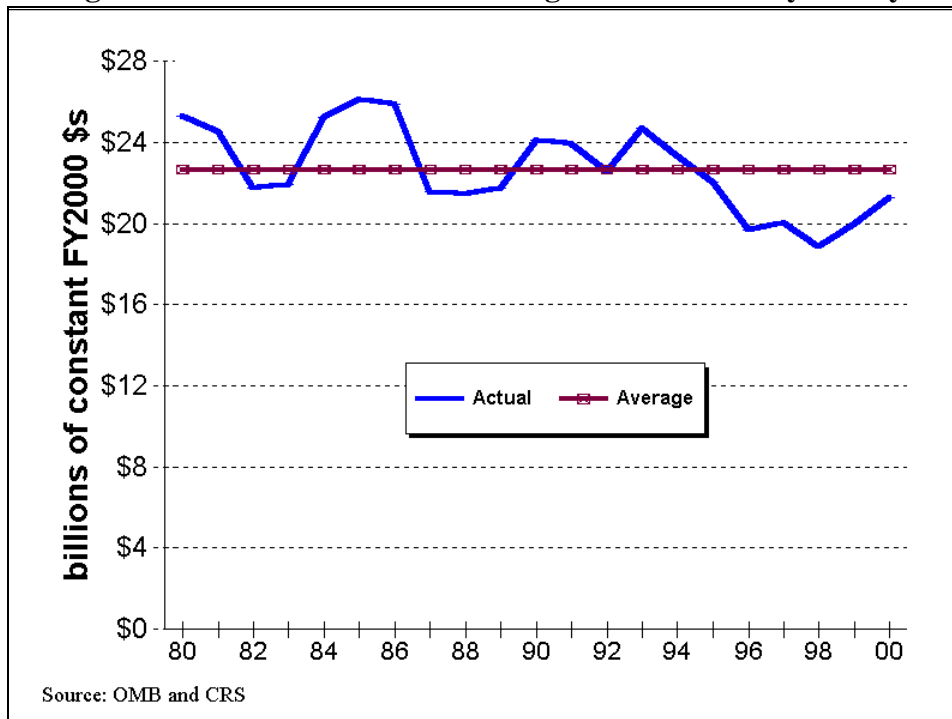
Budget Authority excludes International Monetary Fund in selected years.

Source: Office of Management and Budget and CRS calculations.

International Affairs Discretionary Outlays

Once Congress approves budget authority for International Affairs programs, the pace at which the funds are actually spent – or outlayed — varies widely. Salaries and expenses of USAID, assistance to Israel, and voluntary contributions to several international organizations, for example, outlay quickly, normally within the same fiscal year. Funds for bilateral development aid and contributions to the World Bank and other multilateral development institutions may not be spent for several years. As a result, the “spikes” and rapid reductions that characterize budget authority trends are flattened somewhat in outlay patterns.

Figure 3. International Affairs Budget – Discretionary Outlays



Function 150 outlays peaked in FY1986, lagging one year behind the high point of international affairs budget authority, fell sharply the next year, then continued on a generally upward trend through FY1993. As budget authority took a substantial downturn in FY1994, outlays followed immediately, declining from \$23.3 billion to under \$20 billion two years later. Although foreign affairs budget authority began to climb in FY1998, outlays hit a twenty-year low point of \$18.9 billion, in real terms, reflecting the sharp appropriation cuts of the two previous years. With significant increases in budget authority for FY1999 and FY2000, some of which target fast-disbursing, emergency requirements, Function 150 outlays have risen to an estimated \$21.3 billion for this year. Although they are at the highest level since FY1995, FY2000 foreign policy outlays fall 6% below the \$22.67 billion annual average for the past 21 years.

Table 2. International Affairs Discretionary Outlays
(\$s - billions)

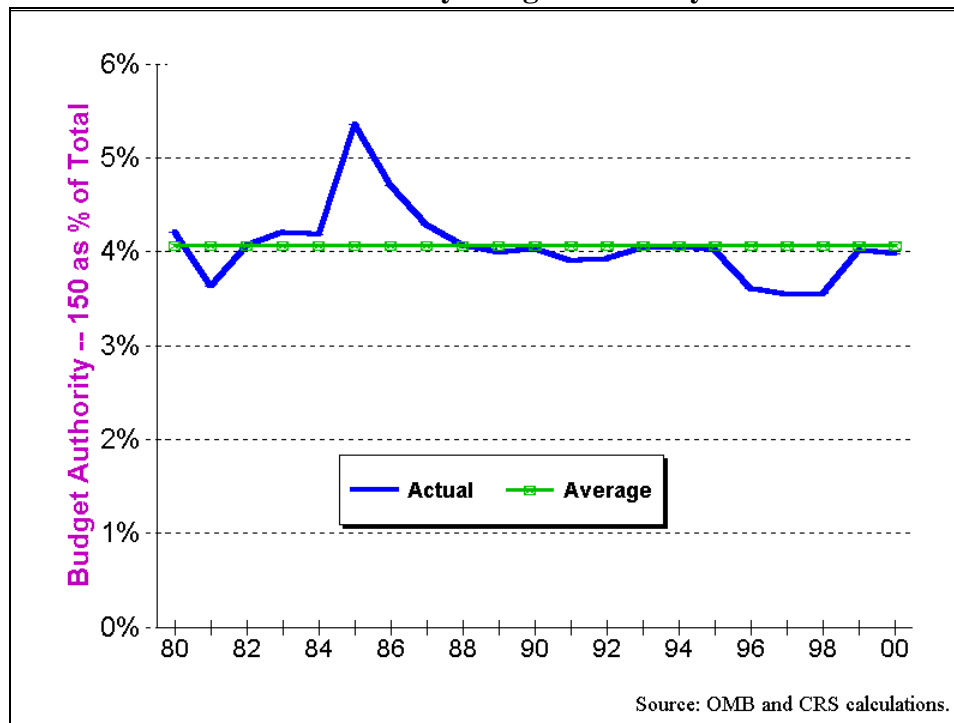
Fiscal Year	Function 150 \$s - Current	Function 150 \$s - Constant FY99
1980	12.775	25.300
1981	13.648	24.543
1982	12.881	21.760
1983	13.603	21.941
1984	16.267	25.207
1985	17.390	26.114
1986	17.708	25.871
1987	15.224	21.542
1988	15.743	21.483
1989	16.584	21.741
1990	19.056	24.098
1991	19.698	23.929
1992	19.160	22.593
1993	21.570	24.710
1994	20.806	23.320
1995	20.116	22.024
1996	18.336	19.682
1997	18.982	20.015
1998	18.101	18.871
1999	19.519	19.996
2000 (est)	21.305	21.305

Source: Office of Management and Budget and CRS calculations.

International Affairs Budget and Total Discretionary Funds

Another way of analyzing trends in International Affairs resources is to draw relationships between foreign policy spending and overall funding for total federal discretionary programs. This is relevant especially for the present debate over budgetary priority-setting decisions since it is within the roughly \$622 billion discretionary request for FY2001 that international affairs requirements must compete.

Figure 4. International Affairs Budget as a % of Total Federal Discretionary Budget Authority



Although the patterns are similar to those for budget authority dollar trends, the degree of sharp growth and decline are muted somewhat when measuring International Affairs discretionary BA as a % of total budget authority. One of the most notable trends is the substantial continuity in the amount of the budget authority devoted to international affairs, especially during the eight year period, FY1988 to FY1995. Although dollar amounts for foreign affairs may have risen somewhat in FY1991 and fallen through the next four years, Function 150's proportion of total discretionary budget authority deviated only slightly from a sustained level of 4% annually. In short, even though the foreign policy budget fell steadily in the early- to mid-1990s, it declined at roughly the same pace as the total for all other programs funded through discretionary spending. But in FY1996, this 4% share of total discretionary budget authority that had been sustained for eight years ended, and Function 150's proportion fell to 3.61%. In FY1997 and FY1998 it fell further to

about 3.55% of discretionary BA. What this meant was that at a time when Congress and the President had reduced total discretionary budget authority, resources for foreign policy programs declined even faster than other federal programs.

With the approval of higher amounts for Function 150 in FY1999 and FY2000, including embassy security, Central America hurricane relief, Kosovo humanitarian aid, Plan Colombia, and the Wye River/Middle East Peace supplementals, the foreign policy share of total discretionary budget authority rose once again to 4%, the highest level since FY1995. Currently, Function 150's share of total U.S. government discretionary budget authority is about 2.1% less than the 4.06% annual average level since FY1980.

International Affairs as a percent of total federal budget authority reflects a similar pattern as discretionary BA between FY1980 and FY2000. But as the non-discretionary portion of the federal budget has grown considerably relative to discretionary spending, Function 150, like other discretionary categories has fallen steadily over the past 15 years. International Affairs, which had fluctuated between 1.65% and 2.34% of total federal budget authority through FY1985, has declined in nearly each year since through FY1997. Foreign policy spending grew slightly in FY1998 and FY1999 relative to the total budget, but fell modestly in FY2000 to 1.29%. Except for FY1996-98, FY2000 is the lowest point over the past 21 years and is about one-fifth below the average annual percentage (1.57%) represented by Function 150 as a share of total federal budget authority.

Figure 5. International Affairs Budget as a % of Total Federal Budget Authority

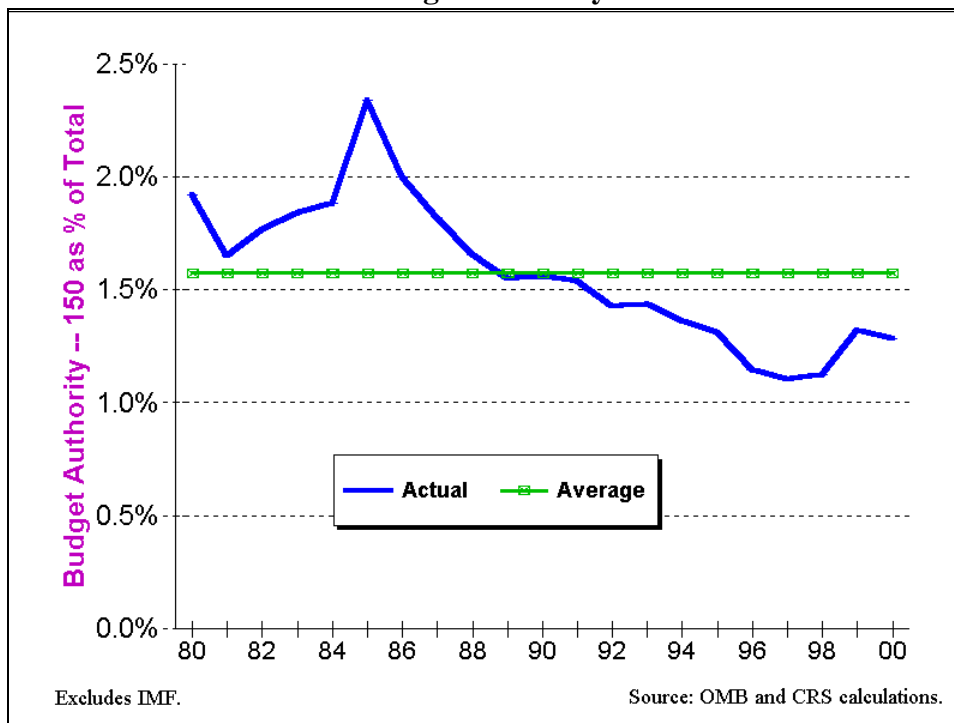


Table 3. International Affairs Budget As a % of Total Discretionary Budget Authority and Total Federal Budget Authority

Fiscal Year	Function 150 %-Discretionary BA	Function 150 %-Total BA
1980	4.208%	1.921%
1981	3.638%	1.647%
1982	4.072%	1.763%
1983	4.204%	1.841%
1984	4.186%	1.884%
1985	5.356%	2.339%
1986	4.713%	2.000%
1987	4.291%	1.820%
1988	4.064%	1.656%
1989	3.997%	1.550%
1990	4.032%	1.557%
1991	3.904%	1.538%
1992	3.933%	1.426%
1993	4.040%	1.437%
1994	4.049%	1.364%
1995	4.016%	1.310%
1996	3.606%	1.146%
1997	3.539%	1.105%
1998	3.555%	1.122%
1999	4.015%	1.318%
2000 (est)	3.977%	1.285%

Budget Authority excludes International Monetary Fund in selected years.

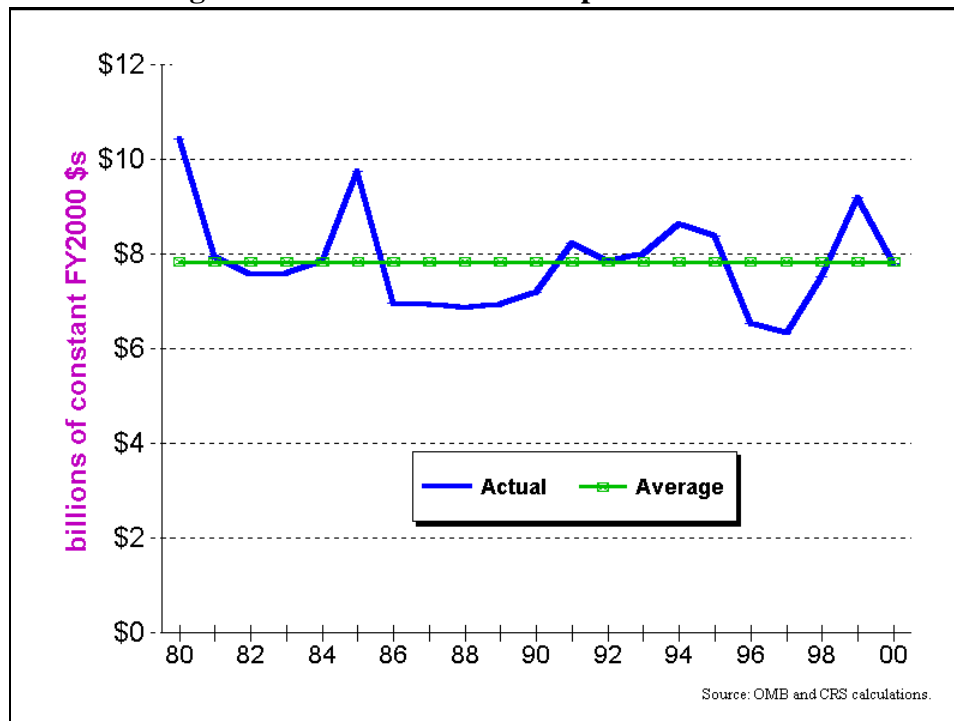
Source: Office of Management and Budget and CRS calculations.

International Development and Security Assistance

Function 150 is divided into five broad categories of subfunctions. Subfunctions 151 and 152 include development aid and security assistance programs, respectively, and are commonly referred to as the “foreign aid” budget.

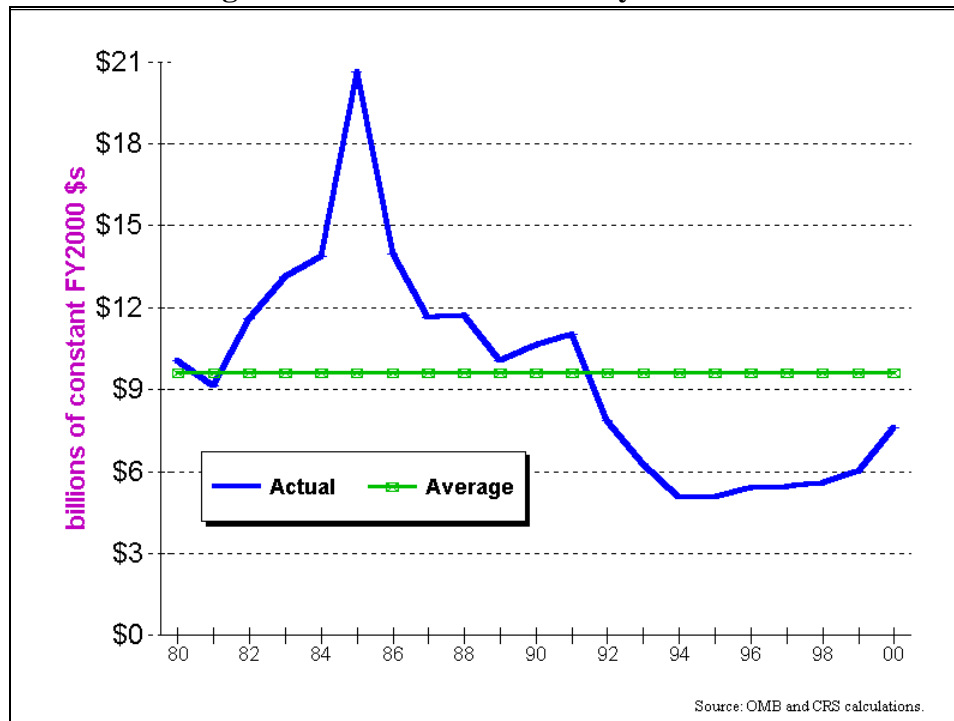
For development assistance, there have been several periods of decline and growth since 1980. The highest point of spending in real terms occurred in FY1980, followed closely by FY1985 when the United States provided large amounts of emergency food relief for famine-stricken Africa and paid some overdue contributions to multilateral development banks. Development assistance budget levels rose more gradually in the early-to-mid 1990s, prompted mainly by the opening of aid programs in Eastern Europe and the former Soviet Union. Development assistance experienced one of the sharpest annual cuts during the past two decades in FY1996 when spending fell, in real terms, by 22% from the previous year, and continued to drop slightly in FY1997. Congress reversed this pattern during the next two years when development aid grew annually, in real terms, by 19% and 22%, respectively. The FY1999 total of \$9.19 billion – an amount that was boosted by large supplementals especially for Central American hurricane relief and Kosovo humanitarian aid – was the largest since FY1985. Development aid spending in FY2000 declined somewhat to \$7.79 billion, even with the addition of a \$1 billion supplemental for a counternarcotics initiative in Colombia. Overall, the size of development aid discretionary budget authority at present is nearly identical to the subfunction’s annual average of \$7.83 billion since FY1980.

Figure 6. International Development Assistance



Security assistance accounts have experienced even wider budgetary swings over the past two decades, but in general, funding levels have fallen significantly since the mid-1980s. Following implementation of the Camp David accords in 1979, security aid resources grew steadily during the early-to-mid 1980s when the United States significantly increased assistance to Central America, Pakistan, and military base access countries, including the Philippines, Spain, and Portugal. The winding down of Cold War-related conflicts has contributed significantly to the reduction in security assistance budgets. By FY1994, security aid had largely been reduced to a concentration on Israel, Egypt, and other Middle East programs, plus relatively smaller sums for new and prospective members of NATO. Unlike development aid, which dropped significantly in FY1996/97, funding for security assistance increased in each of those years, and continued to rise through FY2000. The 26% increase in security aid for FY2000 was largely due to congressional approval of a \$1.8 billion package in support of the Wye River/Middle East peace accord providing supplemental assistance to Israel, Jordan, and the Palestinians. The FY2000 level of \$7.6 billion is the largest amount, in real terms, for security assistance since FY1992, but remains 21% less, in real terms, than the average annual amount of \$9.6 billion over the past two decades.³

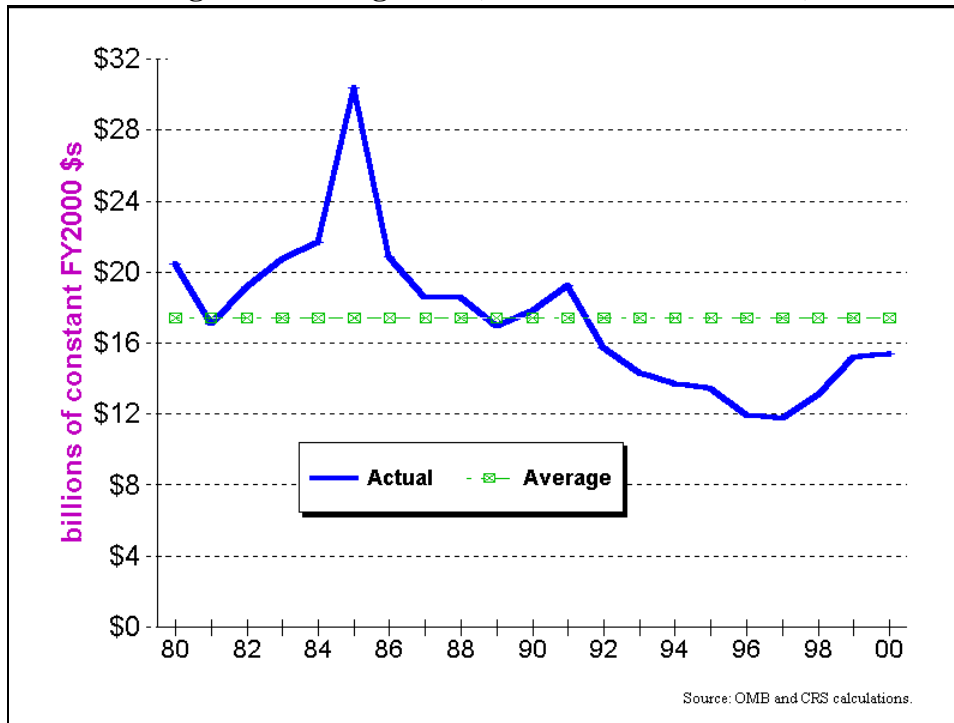
Figure 7. International Security Assistance



³ Credit reform budget process changes probably have had a greater impact in the security aid part of the Function 150 budget than anywhere else. If it were possible to adjust pre-1992 levels to conform to current budget scoring methods, the decline in security aid would not be as severe as these figures indicate. The cuts, however, would still be sizable.

The combined “foreign aid” budget authority trends — subfunctions 151 and 152 — are generally the same as those for development and security assistance: steady growth during the early 1980s with a spike in FY1985; declining levels in the late 1980s; a further steady downward pattern since the end of the Cold War and Persian Gulf conflict; a sharp drop in FY1996 followed by an increase in FY1998 that has continued through FY2000. The current estimate for FY2000 of \$15.39 billion is higher than any year since FY1992, but lower than any time prior to FY1992. It is about 11.7% less than the average annual amount (\$17.44 billion) over this period.

Figure 8. Foreign Aid (subfunctions 151 & 152)



**Table 4. International Development and Security Assistance
Subfunctions 151 and 152**
Discretionary Budget Authority
(\$s billions)

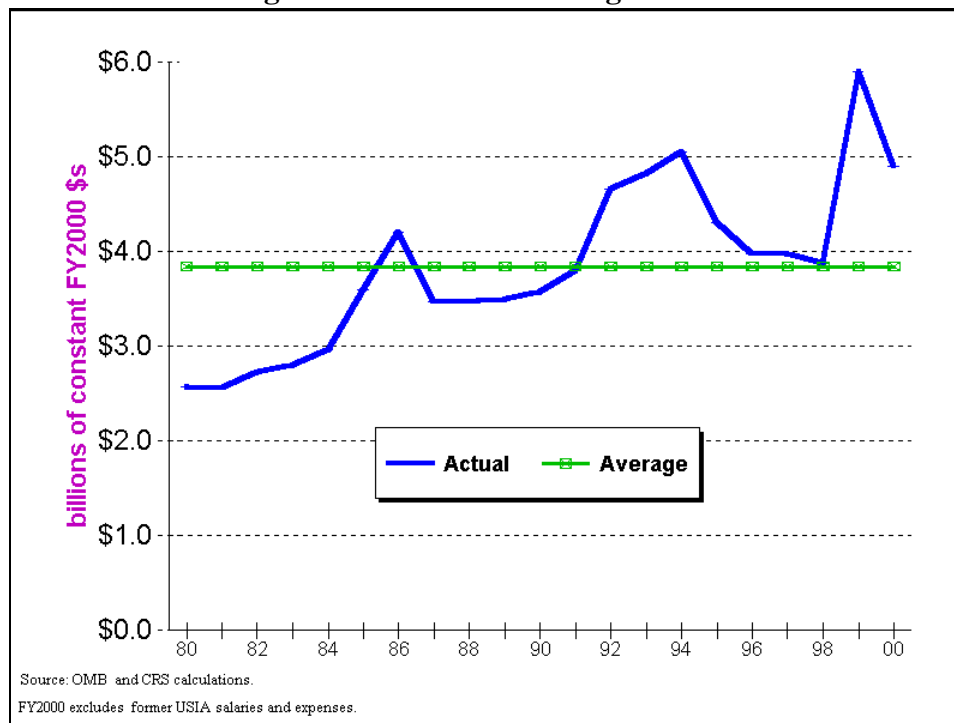
Fiscal Year	Intl Development Subfunction 151		Intl Security Subfunction 152		"Foreign Aid" Subfunctions 151 & 152	
	Current \$s	Constant \$s	Current \$s	Constant \$s	Current \$s	Constant \$s
1980	5.624	10.425	5.066	10.033	10.690	20.458
1981	4.420	7.948	5.068	9.114	9.488	17.062
1982	4.474	7.558	6.863	11.594	11.337	19.152
1983	4.711	7.598	8.142	13.132	12.853	20.730
1984	5.069	7.855	8.943	13.858	14.012	21.713
1985	6.496	9.755	13.730	20.618	20.226	30.373
1986	4.760	6.954	9.543	13.942	14.303	20.896
1987	4.902	6.936	8.213	11.621	13.115	18.557
1988	5.022	6.853	8.598	11.733	13.620	18.586
1989	5.296	6.943	7.666	10.050	12.962	16.993
1990	5.696	7.203	8.393	10.614	14.089	17.817
1991	6.778	8.234	9.061	11.007	15.839	19.241
1992	6.655	7.847	6.682	7.879	13.337	15.726
1993	6.992	8.010	5.491	6.290	12.483	14.300
1994	7.699	8.629	4.531	5.078	12.230	13.707
1995	7.761	8.388	4.626	5.065	12.387	13.453
1996	6.084	6.531	5.038	5.408	11.122	11.939
1997	6.005	6.332	5.159	5.440	11.164	11.772
1998	7.225	7.532	5.372	5.600	12.597	13.132
1999	8.975	9.194	5.869	6.012	14.844	15.206
2000est	7.793	7.793	7.600	7.600	15.393	15.393

Source: Office of Management and Budget and CRS calculations.

Conduct of Foreign Affairs and Foreign Information and Exchanges

Funding allocations for the other two international affairs subfunctions — Conduct of Foreign Affairs and Foreign Information and Exchanges — present a substantially different long-term perspective, although like the others, they have experienced cuts in the FY1996/97 period and increases more recently. Further, the Conduct of Foreign Affairs sub-account received for FY1999 the largest single year increase — 52% above FY1998 — for any year during the past two decades.

Figure 9. Conduct of Foreign Affairs



Due to the consolidation of U.S. foreign policy agencies beginning in FY2000, it is no longer possible to calculate a precise long-term consistent budget analysis of subfunctions 153 and 154. Operating expenses of the U.S. Information Agency (USIA), an independent entity until FY2000, had previously been grouped in subfunction 154 along with other foreign information, broadcasting, and exchange programs. USIA merged with the State Department on October 1, 1999, and beginning in FY2000, OMB budget presentations combine public diplomacy administrative expenses of the former USIA with the State Department as part of subfunction 153. Education and exchange programs, previously managed by USIA, remain part the subfunction 154 budget, together with international broadcasting programs and several small research foundations. As a result, FY2000 estimates for subfunction 153 are artificially too high when compared with prior years while subfunction 154 is artificially too low. In order to present a consistent trend analysis, the data and graphic illustrations set out in this section have estimated the amount of public diplomacy for FY2000 included in subfunction 153, subtracted that amount from the Conduct of Foreign Affairs account, and added it to subfunction 154.

For the Conduct of Foreign Affairs, a category that is largely made up of State Department operational costs and assessed contributions to the U.N., other international organizations, and peacekeeping, the general trend has been steady growth between FY1980 and FY1994, with sharper increases occurring in the mid-1980s when the U.S. implemented a diplomatic security initiative, and the early 1990s when U.N. peacekeeping payments grew. Budget authority fell from \$5 billion in FY1994 to \$4.3 billion in FY1995, to about \$4 billion the next two years, and to \$3.9 billion in FY1998. Following the August 1998 bombings at U.S. embassies in Kenya and Tanzania, the Administration proposed and Congress approved a \$1.5 billion new embassy security initiative for FY1999. This, combined with a \$475 million appropriation to clear a portion of U.S. arrears at the United Nations,⁴ pushed subfunction 153 resources for FY1999 to \$5.9 billion, the highest amount in either nominal or real terms over the past two decades. Absent the special FY1999 supplemental, the level for FY2000 is down to \$4.9 billion (after adjusting for the transfer of public diplomacy resources to subfunction 154). Unlike other areas of Function 150, funding for the Conduct of Foreign Affairs in FY2000 is 28% *higher*, in real terms, than the average annual level of \$3.84 billion over the past 21 years.

Over the long-term, add-ons for enhancing diplomatic security, establishing new embassies and consulates in the former Soviet Union, and paying higher peacekeeping bills, have all been major reasons for the upward spending trend in subfunction 153. But an additional factor is the comparatively large proportion of State Department personnel costs met in this spending element as compared to the foreign aid accounts. Salaries and other expenses usually have cost-of-living increases built in so that at a minimum, they keep pace with inflation. Foreign aid accounts, on the other hand, include a much smaller proportion of personnel costs relative to total spending.

Foreign Information and Exchanges, a category that includes USIA operations, its exchange programs, international broadcasting, and the National Endowment for Democracy, received an estimated \$1.15 billion for FY2000 (including public diplomacy funds), a level 13.5% less than the annual average amount of \$1.33 billion during the past two decades. Similar to State Department funding levels, discretionary budget authority for information and exchange programs rose steadily, in real terms, during the 1980s. Downsizing and consolidation of U.S. international broadcasting operations, cuts in exchange programs, and reductions for USIA salaries and expenses have been the main areas reduced since FY1995.

⁴ Although Congress appropriated \$100 million in FY1998, \$475 in FY1999, and \$351 million in FY2000 for U.N. arrears, the funds did not become available until passage in late November 1999 of legislation authorizing the payments (H.R. 3427, as enacted by reference in P.L. 106-113, the Consolidated Appropriations Act for FY2000).

Figure 10. Foreign Information and Exchanges

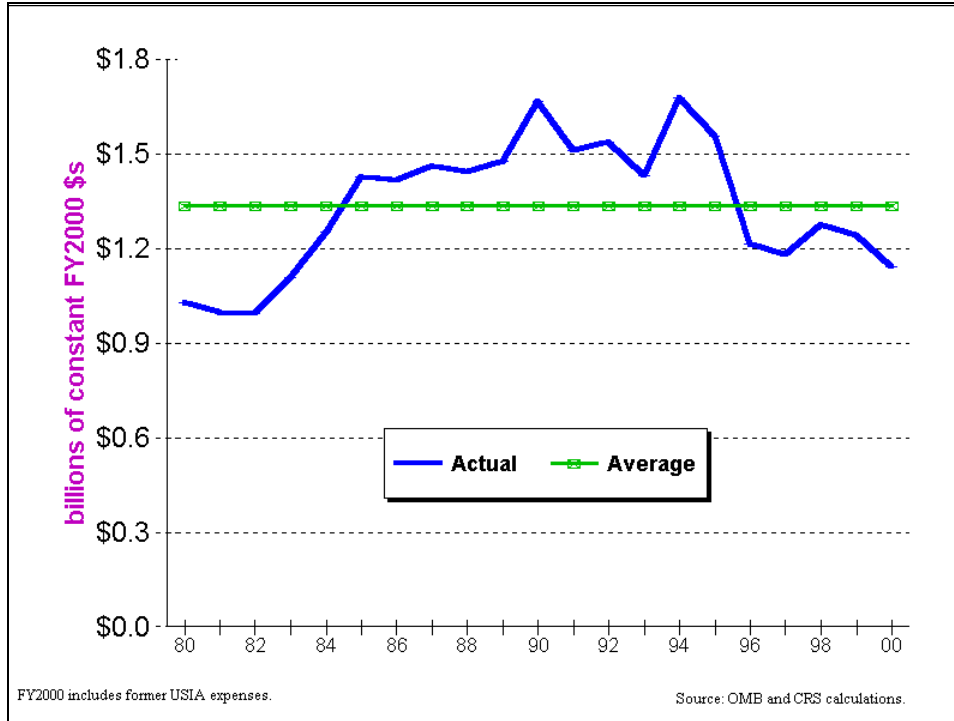


Table 5. Conduct of Foreign Affairs & Foreign Information/Exchanges
 Subfunctions 153 and 154
 Discretionary Budget Authority
 (\$s billions)

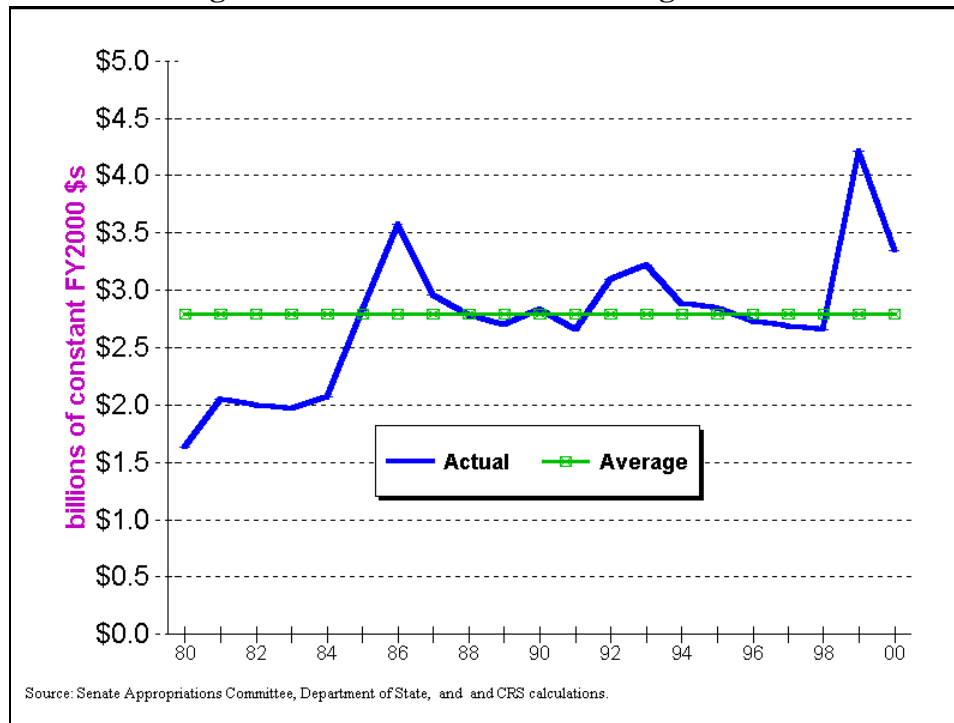
Fiscal Year	Conduct of Foreign Affairs Subfunction 153		Foreign Info & Exchanges Subfunction 154	
	Current \$s	Constant \$s	Current \$s	Constant \$s
1980	1.295	2.565	0.518	1.026
1981	1.423	2.559	0.555	0.998
1982	1.609	2.718	0.587	0.992
1983	1.739	2.805	0.688	1.110
1984	1.911	2.961	0.808	1.252
1985	2.394	3.595	0.950	1.427
1986	2.874	4.199	0.970	1.417
1987	2.455	3.474	1.031	1.459
1988	2.545	3.473	1.056	1.441
1989	2.667	3.496	1.126	1.476
1990	2.827	3.575	1.317	1.665
1991	3.129	3.801	1.243	1.510
1992	3.950	4.658	1.303	1.536
1993	4.208	4.821	1.248	1.430
1994	4.505	5.049	1.496	1.677
1995	3.934	4.307	1.421	1.556
1996	3.708	3.980	1.131	1.214
1997	3.765	3.970	1.119	1.180
1998	3.715	3.873	1.224	1.276
1999	5.758	5.899	1.210	1.240
2000 (est)	4.903	4.903	1.145	1.145

Source: Office of Management and Budget and CRS calculations.

State Department and International Organizations/Peacekeeping

Administration of Foreign Affairs and International Organizations and Peacekeeping represent the major components of subfunction 153. Administration of Foreign Affairs includes a number of accounts funding salary and operational expenses of the State Department. Discretionary budget authority increased sharply in the mid-1980s with implementation of a diplomatic security initiative. Funding rose again in the early 1990s, largely due to increased diplomatic costs during the Persian Gulf War and for the construction of a new U.S. embassy in Moscow. Levels declined through FY1998, remaining relatively stable at about \$2.69 billion for the three year period, FY1996-1998, and slightly below the \$2.79 billion 21-year annual average. As noted above, the significant increase for FY1999 — by over 50% — was the result of a \$1.5 billion add-on for diplomatic security upgrades in the wake of the embassy bombings in Africa.

Figure 11. Administration of Foreign Affairs



The FY2000 amount of \$3.34 billion (excluding public diplomacy funds) continues the multi-year embassy security initiative, but at reduced amounts compared with the previous year. The current funding level is 20% higher than the annual average over the past two decades.

The category of International Organizations and Peacekeeping (also referred to in appropriation acts as International Organizations and Conferences) includes both U.S. assessed contributions to the U.N. and a broad range of international agencies, as well as United States assessed payments to U.N. peacekeeping operations. For roughly the first ten-year period of the past two decades, U.S. assessed contributions

declined steadily, in real terms. Beginning in 1990, however, at a time the U.N. launched an unprecedented number of new peacekeeping operations, discretionary budget authority rose dramatically over a six year period. In real terms, from \$697 million in FY1989, U.S. assessed contributions grew to \$2.172 billion in FY1994 when Congress agreed to a large peacekeeping supplemental appropriation. With fewer new U.N. operations initiated and increasing budget pressures in the United States, U.S. payments fell significantly the next four years. Following congressional approval of \$475 million and \$351 million in back dues owed the United Nations for FY1999 and FY2000, respectively, amounts for the past two years have grown significantly. FY1999/2000 funding are, with the exception of FY1994, the highest in real terms over the past two decades, and 53% more than the annual average amount of U.S. assessed contributions to international organizations and conferences (\$1.13 billion).

Figure 12. International Organizations and Peacekeeping

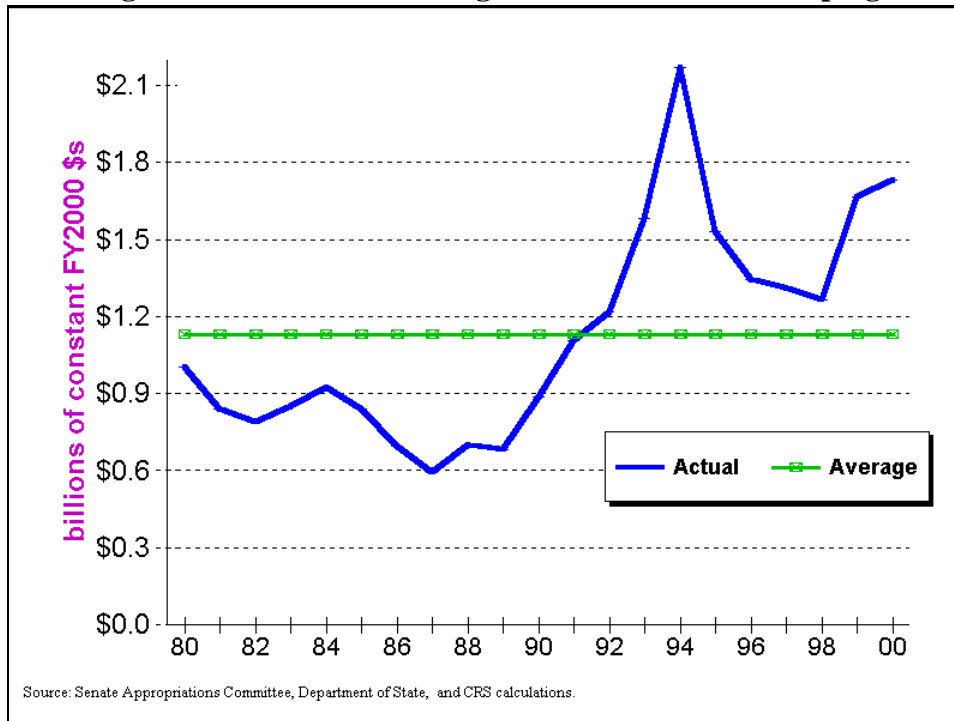


Table 6. State Department & International Organizations/Peacekeeping
 Discretionary Budget Authority
 (\$s billions)

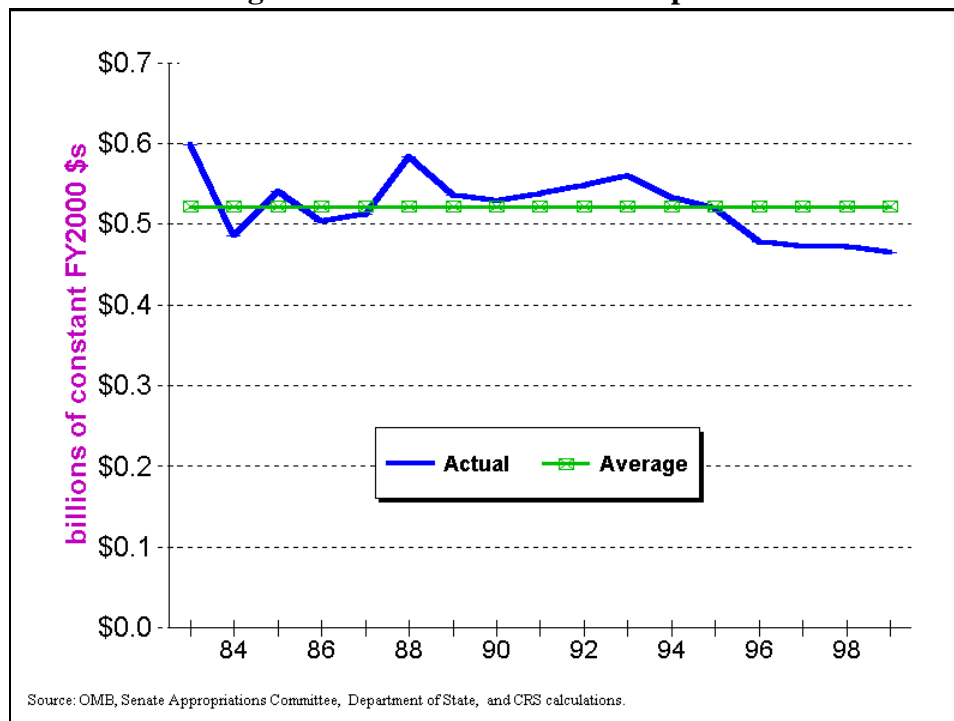
Fiscal Year	"State Department" Admin of Foreign Affairs		Intl Organizations & Peacekeeping	
	Current \$s	Constant \$s	Current \$s	Constant \$s
1980	0.822	1.628	0.507	1.004
1981	1.138	2.046	0.466	0.838
1982	1.181	1.995	0.466	0.787
1983	1.219	1.966	0.527	0.850
1984	1.335	2.069	0.596	0.924
1985	1.877	2.819	0.559	0.839
1986	2.446	3.574	0.477	0.697
1987	2.089	2.956	0.420	0.594
1988	2.036	2.778	0.515	0.703
1989	2.058	2.698	0.521	0.683
1990	2.242	2.835	0.702	0.888
1991	2.190	2.660	0.910	1.105
1992	2.614	3.082	1.035	1.220
1993	2.808	3.217	1.379	1.580
1994	2.575	2.886	1.938	2.172
1995	2.563	2.806	1.397	1.530
1996	2.482	2.664	1.254	1.346
1997	2.553	2.692	1.244	1.312
1998	2.550	2.658	1.212	1.264
1999	4.823	4.941	1.628	1.668
2000 (est)	3.342	3.342	1.730	1.730

Sources: Senate Appropriations Committee, Department of State, and CRS calculations.

USIA and Exchange Programs

USIA, which was consolidated within the State Department on October 1, 1999, had maintained a relatively stable budget level through FY1995. USIA salaries and expenses appropriations (excluding VOA and other broadcasting costs), in real terms, averaged between \$500 and \$600 million annually. During the 1990s, spending patterns fall into two distinct periods. Between 1990 and 1995, funding remained more constant than the previous decade, averaging about \$525 million per year. Appropriations have declined since 1995 to an average of about \$463 million, in real terms. The FY1999 level of \$465 million (the last year for which there was a USIA salaries and expenses account) represents the lowest level, when calculated using constant dollars, since 1983, and is 12% below the \$522 million annual average for the entire 17 year period.

Figure 13. USIA Salaries and Expenses



Educational and cultural exchange budgets, with the exception of a brief surge in the mid-1990s, have maintained relatively stable levels of funding since 1983. After eight years during the late 1980s and early 1990s of appropriations around \$200 million per year (in constant terms), Congress increased spending for exchange programs during the period, FY1992-1995, to an annual average of about \$250 million. Like other foreign policy programs, however, funds for USIA exchanges fell in FY1996 by nearly one-sixth, in real terms, and have remained at approximately \$200 million since. Funding of \$205 million for FY2000 is slightly less than the 18 year annual average of \$209 million.

Figure 14. Educational & Cultural Exchanges

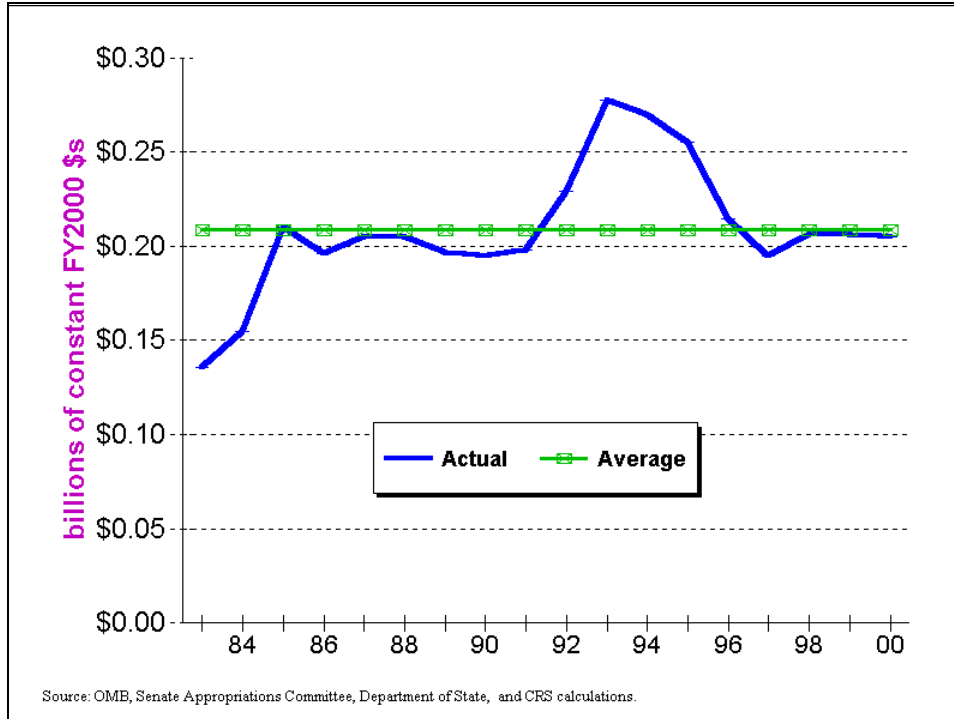


Table 7. USIA and Exchange Programs
 Discretionary Budget Authority
 (\$s billions)

Fiscal Year	USIA Salaries & Expenses		Educational & Cultural Exchanges	
	Current \$s	Constant \$s	Current \$s	Constant \$s
1983	0.371	0.598	0.084	0.135
1984	0.313	0.485	0.100	0.155
1985	0.360	0.541	0.140	0.210
1986	0.345	0.504	0.134	0.196
1987	0.362	0.512	0.145	0.205
1988	0.427	0.583	0.150	0.205
1989	0.409	0.536	0.150	0.197
1990	0.418	0.529	0.154	0.195
1991	0.442	0.537	0.163	0.198
1992	0.464	0.547	0.194	0.229
1993	0.489	0.560	0.242	0.277
1994	0.476	0.534	0.241	0.270
1995	0.475	0.520	0.233	0.255
1996	0.445	0.478	0.200	0.215
1997	0.448	0.472	0.185	0.195
1998	0.453	0.472	0.198	0.206
1999	0.454	0.465	0.201	0.206
2000 (est)	NA	NA	0.205	0.205

Source: Senate Appropriations Committee, OMB, State Department, and CRS calculations.

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