Fact Sheet: The FY2013 State and Foreign Operations Budget Request

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On February 13, 2012, the Obama Administration submitted its FY2013 budget request, including $54.7 billion for State Department, Foreign Operations, and Related Appropriations. Of the total request, $18.6 billion is for programs funded through the State operations and related agencies (a 4.6% increase over FY2012 estimates), and $36.1 billion is for foreign operations (a 0.1% increase over FY2012 estimates). This fact sheet provides a brief overview of the request. A full CRS report on FY2013 State and Foreign Operations budget and appropriations issues is planned to follow initial congressional consideration of appropriations legislation.

The Budget Control Act and State-Foreign Operations Appropriations

FY2013 discretionary appropriations will be considered in the context of the Budget Control Act of 2011 (BCA, P.L. 112-25), which established discretionary spending limits for FY2012-FY2021. The BCA also tasked a Joint Select Committee on Deficit Reduction to develop a federal deficit reduction plan for Congress and the President to enact by January 15, 2012. The failure of Congress and the President to enact deficit reduction legislation by that date triggered an automatic spending reduction process established by the BCA, consisting of a combination of sequestration and lower discretionary spending caps, to begin on January 2, 2013.The sequestration process for FY2013 requires across-the-board spending cuts at the account and program level to achieve equal budget reductions from both defense and nondefense funding at a percentage to be announced by the Office of Management and Budget. As a result, the FY2013 State-Foreign Operations appropriation will be considered by Congress with the understanding that enacted funding levels will likely be subject to significant cuts in the nondefense category under the sequestration process unless legislation specifically repealing the sequestration provisions of the BCA is enacted by Congress before next January.

FY2013 Core and Overseas Contingency Operations Request

In the FY2013 request, as in FY2012, the Administration distinguishes between "core" international affairs funding and funding to support "overseas contingency operations" (OCO), described in budget documents as "extraordinary, but temporary, costs of the Department of State and USAID in Iraq, Afghanistan and Pakistan."[1] The OCO designation gained increased significance in August 2011 with enactment of the BCA, discussed above, which specified that funds designated as OCO do not count toward the budget caps established by the act. For FY2013, $8.24 billion, or about 15% of the international affairs request, is designated as OCO. This amount is 10% less than was requested for OCO in FY2012, but 40% less than was enacted in that year, as Congress chose to use the OCO designation to appropriate funds for a broader range of accounts and countries than was requested by the Administration.

Table 1 compares requested and enacted FY2012 funding designated as OCO with the FY2013 request.

[1] Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2013, p. 137.

Table 1. Overseas Contingency Operations Funds Within the International Affairs Budget, FY2012 and FY2013 Request

(in billions of current $)

	FY2012 Request		FY2012 Enacted		FY2013 Request	
	Core	OCO	Core	OCO	Core	OCO
Foreign Operations	35.82	4.32	29.45	6.58	32.19	3.88
State & Related Accounts	15.12	4.39	13.36	4.63	14.27	4.36
Food Aid	1.89	0.00	1.65	0.00	1.58	0.00

Sources: CRS calculations; Executive Budget Summary, Function 150 & Other International Programs, FY2013.

Key Issues for Congress

Foreign Operations

Frontline States: As has been the case for several years, funding to support both security and development activities in countries that are considered key U.S. partners in counterterrorism efforts is a significant part of the State-Foreign Operations budget. The FY2013 request for both State and foreign operations activities in the frontline states (defined by the Department of State to be Iraq, Afghanistan, and Pakistan) totals $11.8 billion, or about 22% of the State-Foreign Operations request. Of this amount, about $5.0 billion is for State operations in these countries and $6.8 billion is for foreign assistance (not including USAID operating expenses, Migration and Refugee Assistance, or Food for Peace Title II emergency food aid). These FY2013 requested levels include core and OCO-designated funding. The Administration is seeking $4.6 billion for Afghanistan (29.8% more than FY2012 funding estimates), $4.8 billion for Iraq (9.1% below FY2012 estimates), and $2.4 billion for Pakistan (6.6% more than FY2012 estimates).

Middle East and North Africa Incentive Fund: The Department of State is requesting $770.0 million for a new Middle East and North Africa (MENA) Incentive Fund. Of this, $65 million will be base funding for USAID's existing Middle East Partnership Initiative (MEPI) and $5 million will be for its Office of Middle East Programs (OMEP) regional activities. (These programs were previously funded through regional Economic Support Funds [ESF].) The rest will be unallocated funds intended to allow for flexibility and transparency in supporting Arab Spring countries in transition to democracy, eliminating the need to transfer funds from other programs and accounts to meet evolving circumstances. The MENA Incentive Fund is designed to complement traditional bilateral aid and, like the Millennium Challenge Corporation (MCC), would condition U.S. aid to specific governance and policy benchmarks.

Global Health: The budget request includes roughly $7.9 billion for the Administration's Global Health Initiative through State-Foreign Operations appropriations, compared to the FY2012 enacted level of $8.2 billion. The proposed cut of approximately $300.0 million would be the largest foreign operations account reduction requested, in dollar terms, and could represent the end of a decade-long growth trend in global health funding. Compared to the FY2012-enacted amount, the request includes decreases for each global health activity area, except for a 1.2% increase in funding for international family planning and reproductive health and a 57% increase in funding for the Global Fund to Fight HIV, Tuberculosis and Malaria. The most significant proposed reductions are for bilateral HIV/AIDS activities. The Administration asserts that current

goals can be attained at the lower funding level as a result of program efficiencies and reduced drug costs.

State Department Operations

Civilian Transition in Iraq: For FY2013, the Administration requests $2.73 billion for State Operations in Iraq, including $2.26 billion in OCO. This represents a 23% decrease from the FY2012 estimated funding level. The Administration, in the budget justification, explains the decrease as reflecting estimated cost reductions in security and sustainment contracts, anticipated completion of construction that was funded in FY2012, and a reduction in the State Department footprint following the release of the FY2012 budget request—an embassy branch office originally planned for Mosul has been postponed, and another in Diyala has been eliminated. Recent media reports[2] have suggested that there will be significant personnel reductions at Embassy Baghdad in the near future, as State attempts to "rightsize" its presence, but the State Department has denied that any decisions have been made about such reductions.

State Department and the QDDR: The first Quadrennial Diplomacy and Defense Review (QDDR) was completed in the fall of 2010 and identified several reforms intended to shift diplomatic resources towards the highest priority countries and programs. Among the QDDR reforms were the establishment of a new Bureau of Energy Resources and elevation of the Office of the Coordinator for Counterterrorism to a Bureau. Both occurred in 2011 without any specific authorization or additional funding from Congress. Additionally, activities of the Office of Coordinator for Reconstruction and Stabilization (S/CRS) became subsumed in the renamed Bureau for Conflict and Stabilization Operations. For FY2013, the State Department has requested funding for 121 new positions, primarily to support these new bureaus, which falls short of the number needed to stay on track to achieve State's Human Resource Initiative goal of a 25% increase in foreign service capacity between FY2008 and FY2014.

Overseas Comparability Pay: The FY2013 State Department request includes $81.3 million for phase III of the overseas comparability pay (OCP). Also referred to as overseas locality pay, OCP is an adjustment intended to bring the base pay of Foreign Service personnel posted overseas to levels comparable to their Foreign Service colleagues serving in Washington, D.C., who had been receiving locality pay. OCP advocates argue that the discrepancy weakens morale (especially when other U.S. government agencies have made the adjustments for their personnel serving abroad), hinders retention of Foreign Service Officers, reduces potential retirement pay, and acts as a financial disincentive to serve overseas.

[2] DeYoung, Karen, "State Department Seeks Smaller Embassy Presence in Baghdad," *The Washington Post*, February 8, 2012; Arango, Tim, "U.S. Is Planning to Cut Its Staff at Iraq Embassy by as Much as Half," *The New York Times*, February 7, 2012.

Broader Budget and Historic Context

The FY2013 State, Foreign Operations and Related Accounts budget request, at $54.7 billion, represents about 1.5% of the $3.7 trillion in total budget authority requested for FY2013, and about 4.8% of proposed discretionary budget authority. The request is nearly level with the FY2012-enacted appropriation when adjusted for inflation, and a 35% increase in constant dollars (inflation-adjusted) from funding levels a decade ago in FY2003. While flat relative to FY2012, the requested funding level is relatively high in historic terms, driven largely by strategic and reconstruction aid to Iraq, Afghanistan, and Pakistan, large global health initiatives, and creation of the Millennium Challenge Corporation in the past decade (see **Table 2**).

Table 2. State-Foreign Operations Appropriations, FY2003-FY2013

(in billions of current and 2013 constant dollars)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Current $	31.7	48.3	34.2	34.4	37.2	40.5	50.7	55.1	49.1	53.8	54.7
Constant 2013 $	40.5	60.2	41.3	40.2	42.4	44.5	55.4	59.4	51.4	54.9	54.7

Sources: Executive Budget Summary, Function 150, FY2013; CRS appropriations reports; CRS calculations.

Note: Constant dollars were calculated using deflators from Table 10.1 of the FY2013 Historic Budget Tables.

Appendix. State, Foreign Operations and Related Accounts Appropriations, FY2011-FY2013, by Account

Table A-1. State, Foreign Operations and Related Accounts Appropriations, FY2011 Actual, FY2012 Enacted, and the FY2013 Request, by Account

(in millions of current $)

	FY2011 Actual	FY2012 Enacted (of which is OCO)	FY2013 Request (of which is OCO)	% Change, FY2013 vs. FY2012
STATE OPERATIONS & Related	15,757.9	17,819.5 (4,627.5)	18,630.4 (4,361.6)	4.6% (-5.7%)
Administration of Foreign Affairs	**11,225.9**	**13,372.5 (4,513.3)**	**13,950.5 (4,361.6)**	**4.3% (-3.4%)**
Diplomatic and Consular Programs	8,717.1	10,918.2 (4,389.1)	11,380.4 (4,311.7)	4.2% (-1.8%)
Capital Investment Fund	59.4	59.4	83.3	40.2%
Embassy Security Construction & Maintenance	1,631.0	1,570.0 (33.0)	1,637.7	4.3%
Conflict Stabilization Operations	35.2	30.3 (8.5)	56.5	86.5%
Office of the Inspector General	104.8	129.1 (67.2)	115.5 (49.9)	-10.5% (-25.7%)
Educational and Cultural Exchange Programs	599.6	598.8 (15.6)	587.0	-2.0%
Representation Allowances	7.8	7.3	7.5	2.7%
Protection of Foreign Missions and Officials	27.9	27.0	28.2	4.4%
Emergencies in Diplomatic, Consular Affairs	19.4	9.3	9.5	2.2%
Buying Power Maintenance Account	—	—	—	—
Repatriation Loans Program	1.6	1.4	1.8	28.6%
American Institute in Taiwan	21.8	21.1	37.2	76.3%
International Chancery Center	0.5	0.5	6.0	1,100.0%
Foreign Service Retirement and Disability (mandatory)	158.9	158.9	158.9	—
International Organizations	**3,462.6**	**3,379.2 (101.3)**	**3,668.5**	**8.6%**
Contributions to International Organizations	1,578.7	1,551.0 (101.3)	1,570.0	**1.2%**
Contributions to Int'l Peacekeeping Activities	1,883.9	1,828.2	2,098.5	14.9%
Related Programs	**158.6**	**153.2**	**131.8**	**-14.0%**

	FY2011 Actual	FY2012 Enacted (of which is OCO)	FY2013 Request (of which is OCO)	% Change, FY2013 vs. FY2012
The Asia Foundation	17.9	17.0	15.4	-9.4%
Center Middle East-West Dialogue	1.3	0,8	0.8	—
Eisenhower Exchange Fellowship	0.3	0.5	0.4	-20.0%
Israeli Arab Scholarship Program	0.4	0.4	0.4	—
East-West Center	21.0	16.7	10.8	-35.3%
National Endowment Democracy	117.8	117.8	104.0	-11.7%
International Commissions	**132.6**	**124.2**	**122.1**	**-1.7%**
Int'l Boundary /Water Commission	69.6	76.2	77.1	1.2%
American Sections	12.6	11.7	12.2	4.3%
Int'l Joint Commission	*8.0*	*7.0*	*7.4*	*5.7%*
Int'l Boundary Commission	*2.4*	*2.3*	*2.4*	*4.3%*
Border Environment Coop. Commission	*2.2*	*2.4*	*2.4*	—
Int'l Fisheries Commission	50.4	36.3	32.8	-9.6%
Broadcasting Board of Governors	**738.8**	**751.5 (4.4)**	**720.1**	-4.2%
International Broadcasting Operations	732.3	744.5 (4.4)	711.6	4.4%
Capital Improvements	6.4	7.0	8.6	22.9%
U.S. Institute of Peace	**39.4**	**39.0**	**37.4**	-4.1%
FOREIGN OPERATIONS	33,297.5	36,025.7 (6,575.3)	36,070.9 (3,882.9)	0.1% (-40.9)
U.S. Agency for International Development	**1,528.4**	**1,528.0 (259.5)**	**1,532.4 (84.0)**	**0.3% (-208.9)**
USAID Operating Expenses	1,347.3	1,347.3 (255.0)	1,347.0 (84.0)	- (-67.1)
Conflict Stabilization Operations	5.0	—	—	—
USAID Capital Investment Fund	129.7	129.7	134.9	(4.0%)
USAID Inspector General	46.4	51.0 (4.5)	50.5	-1.0%
Bilateral Economic Assistance	**19,805.4**	**20,207.8 (3,217.0)**	**19,787.1 (1,037.9)**	**-2.1% (-67.7%)**
Global Health and Child Survival	7,832.3	8,167.9	7,854.0	-3.8%
Development Assistance	2,520.0	2,520.0	2,525.5	0.2%
International Disaster Assistance	863.3	975.0 (150.0)	960.0	-1.5%
Transition Initiatives	54.9	56.7 (6.6)	57.6	1.6%

	FY2011 Actual	FY2012 Enacted (of which is OCO)	FY2013 Request (of which is OCO)	% Change, FY2013 vs. FY2012
Complex Crisis Fund	39.9	40.0 (30.0)	50.0	25.0%
Development Credit Authority–Subsidy	[30.0]	[40.0]	[40.0]	—
Development Credit Authority–Admin.	8.3	8.3	8.2	-1.2%
Economic Support Fund	5931.7	5,796.2 (2,801.5)	5,886.4 (1,037.9)	1.6% (-63.0%)
Democracy Fund	114.8	114.8	—	—
Assistance for Europe, Eurasia and Central Asia	695.7	626.7	—	—
Migration and Refugee Assistance	1,694.6	1,875.1 (229.0)	1,625.4	-13.3%
Emergency Migration and Refugee Assist.	49.9	27.2	50.0	83.8%
Middle East & North Africa Incentive Fund	—	—	770.0	—
Independent Agencies	**1,324.3**	**1,325.7**	**1,314.8**	**-0.8%**
Peace Corps	374.3	375.0	374.5	-0.1%
Millennium Challenge Corporation	898.2	898.2	898.2	–
Inter-American Foundation	22.5	22.5	18.1	-19.6%
African Development Foundation	29.4	30.0	20.0	-33.3%
Department of Treasury	**75.3**	**39.0 (1.6)**	**275.4**	**606.2%**
Treasury Technical Assistance	25.4	27.0 (1.6)	25.4	-5.9%
Debt Restructuring	49.9	12.0	250.0	1,983.3%
International Security Assistance	**8,414.0**	**10,367.1 (3,097.3)**	**10,702.2 (2,761.0)**	**3.2% (-10.9%)**
Int'l Narcotics Control and Law Enforcement	1,593.8	2,004.7 (943.6)	2,506.5 (1,050.0)	25.0% (11.3%)
Nonproliferation, Antiterrorism, Demining and Related Programs	738.5	710.8 (120.7)	635.7	-10.6%
Peacekeeping Operations	304.4	383.8 (81.0)	249.1	-54.1%
Int'l Military Education and Training	105.8	105.8	102.6	-3.0%
Foreign Military Financing	5,374.2	6,312.0 (1,102.0)	6,383.3 (911.0)	1.1% (-17.3%)
Pakistan Counterinsurgency Capability Fund	297.2[a]	800.0 (800.0)	800.0 (800.0)	—
Global Security Contingency Fund	—	50.0 (50.0)	25.0	50.0%

	FY2011 Actual	FY2012 Enacted (of which is OCO)	FY2013 Request (of which is OCO)	% Change, FY2013 vs. FY2012
Special Defense Acquisition Fund	—	—	—	—
Multilateral Economic Assist	**2,299.5**	**2,971.1**	**2,952.6**	**-0.6**
Int'l Organizations and Programs	351.3	348.7	327.3	-6.1%
Global Environment Facility	89.8	89.8	129.4	44.1%
Int'l Clean Technology Fund	184.6	184.6	185.0	0.2%
Strategic Climate Fund	49.9	49.9	50.0	0.2%
Int'l Bank for Recon. and Development	—	117.4	187.0	59.3%
Int'l Development Association	1,232.5	1,325.0	1,358.5	2.5%
Inter-American Development Bank	—	75.0	102.0	36.0%
Inter-American Investment Corp	21.0	4.7	—	—
Enterprise for the Americas—MIF	25.0	25.0	—	—
Asian Development Fund	—	100.0	115.3	15.3%
Asian Development Bank	106.4	106.6	106.8	0.2%
African Development Bank	—	32.4	32.4	—
African Development Fund	109.8	172.5	195.0	13.0%
Multilateral Debt Relief Initiative	—	174.5	—	—
Int'l Fund for Ag Development	29.4	30.0	30.0	—
Global Ag and Food Security	99.8	135.0	134.0	-0.7%
Export and Investment Assistance[b]	**-149.4**	**-413.0**	**-493.6**	**-19.5%**
Export-Import Bank	2.6	-266.0	-359.1	-35.0%
Overseas Private Investment Corporation	-201.9	-197.0	-192.1	-2.5%
Trade and Development Agency	49.9	50.0	57.6	15.2%
TOTAL State & Foreign Ops	**49,055.4**	**53,845.2**	**54,701.3**	**1.6%**

Source: Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2013.

a. This reflects a $297.22 million transfer to the Pakistan Counterinsurgency Capability Fund from the Department of Defense Pakistan Counterinsurgency Fund.

b. Negative numbers in this section reflect net revenues from receipts/offsetting collections.

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