



Congress Rejects Administration's Proposal for Draconian Cuts to International Affairs Budget:

Budget Deal Needed to Ensure Strong U.S. Leadership As Global Crises Mount

Comparison of House and Senate Funding Levels
for the FY18 International Affairs Budget

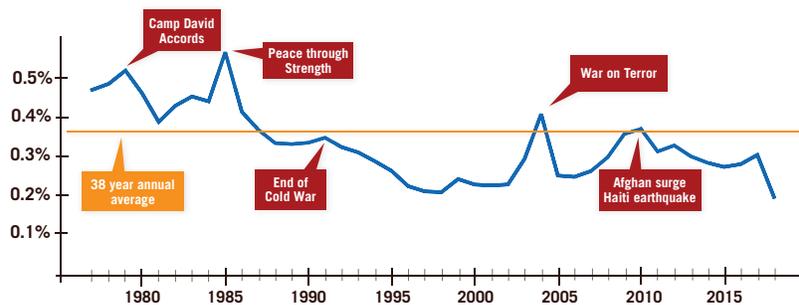
September 14, 2017

I. Introduction

Following the release of its “skinny” budget proposal in March, the Administration released its detailed FY18 budget request in May, which included a draconian and disproportionate cut of 32% to the International Affairs Budget – one of the highest-level cuts proposed to a non-defense discretionary account.

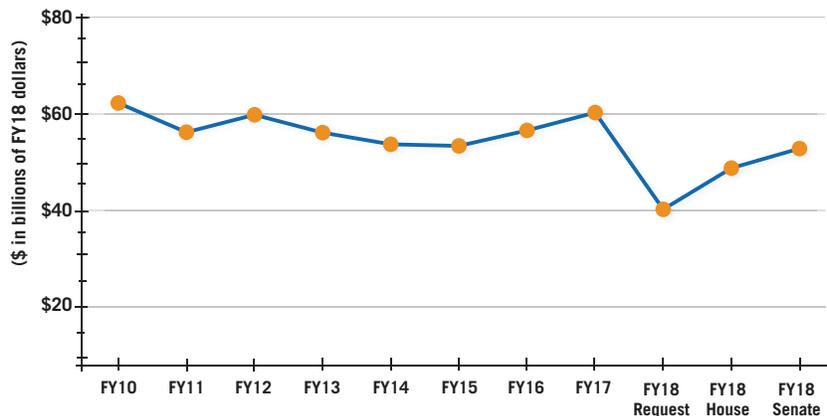
When framing the topline details of the budget, Office of Management and Budget Director Mick Mulvaney singled out three areas for reductions in the entire \$4 trillion federal budget, two of which were the “State Department and foreign assistance” – just 1% of the entire budget. If enacted, the Administration’s proposed cuts to these programs would have reduced funding levels for development and diplomacy programs to levels not seen since 9/11 (adjusted for inflation) and brought funding as a percentage of GDP to its lowest level since World War II (0.2%).

INTERNATIONAL AFFAIRS BUDGET AS A PERCENTAGE OF TOTAL GDP
1977 - 2018



Thankfully, the House and Senate rejected the Administration’s deep and disproportionate cuts to the International Affairs Budget, but nonetheless proposed varying levels of cuts to these programs compared to current levels. It is clear that the lack of a budget deal for FY18 to lift the caps on non-defense discretionary spending

TOTAL INTERNATIONAL AFFAIRS BUDGET FUNDING
FY10 to FY18



is straining development and diplomacy programs already stretched by significant global challenges. It will be critical for Congress to pass a bipartisan budget deal similar to those struck in the past to alleviate the pressure on the caps and ensure that the U.S. retains its leadership role in the world.

II. Administration's Request v. Congressional Appropriations

After the Administration released its request in May, the House and Senate Appropriations Committees released their own funding proposals for the FY18 International Affairs Budget. The proposals to fund the International Affairs Budget from both chambers reached vastly different conclusions than the Administration about the critical role of development and diplomacy in America's national security and foreign policy.

The House and Senate bills rejected the deep and draconian cuts proposed in the Administration's FY18 request for the International Affairs Budget, but nonetheless proposed varying levels of cuts to these programs compared to current levels. USGLC thanks Congress for this strong, bipartisan statement of support for America's development and diplomacy programs and looks forward to working with lawmakers to continue to strengthen funding for these programs in the final FY18 spending bill.

International Affairs Budget Snapshot

	FY17 Enacted	FY18 Request*	FY18 House	FY18 Senate
Base	\$38.4 billion	\$28.5 billion	\$36.9 billion	\$32.2 billion
OCO	\$20.8 billion	\$12.0 billion	\$12.0 billion	\$20.8 billion
Total	\$59.1 billion	\$40.5 billion	\$48.9 billion	\$53.0 billion

**Includes \$4.3 billion provided in the FY17 Security Assistance Appropriations Act*

***Based on CBO's re-estimate of the Administration's request*

In regard to agency and program funding levels, the House and Senate proposals generally provide more in funding than the Administration's request (not surprising given the higher topline allocations). Specifically, both bills largely protect bilateral and multilateral HIV/AIDS programs, malaria, and diplomatic security programs, but do cut other programs relative to the FY17 enacted level.

Notably, both chambers rejected several Administration proposals, including:

- A proposal to **consolidate the Development Assistance and Economic Support Fund** accounts into a new Economic Support and Development Fund (ESDF);
- A proposal to **shift some Foreign Military Financing funds from grants to loans**; and
- Recommendations to **eliminate several agencies** including:
 - **Overseas Private Investment Corporation (OPIC)**—funded by both the House and Senate
 - **U.S. Trade and Development Agency (USTDA)**—funded by both the House and Senate
 - **U.S. Institute of Peace (USIP)**—funded by both the House and Senate
 - **African Development Foundation**—funded by both the House and Senate
 - **Inter-American Foundation**—funded by both the House and Senate
 - **East-West Center**—funded by the Senate, but zeroed out by the House

A full analysis of the similarities and differences between the Administration’s request, the House proposal, and the Senate proposal follows.

III. Comparison of Key Accounts

While the House and Senate prioritized many of the same areas, the chambers differed on several issues, including funding for international financial institutions, international organizations, and family planning. The table below shows how key accounts fared in the Senate and House State-Foreign Operations (SFOPS) Appropriations bills, which fund 96% of the International Affairs Budget.

FY18 House & Senate Comparison

Similarities	Differences
<ul style="list-style-type: none"> ▪ Global Health: Both bills nominally cut global health programs compared to current levels, but far less than the Administration requested. ▪ Development and Economic Assistance: Both bills reject the Administration’s proposal to slash funding and consolidate this assistance into a single account. ▪ Humanitarian Assistance: Both bills include significant cuts, but provide substantially more than the Administration requested. ▪ Embassy/Diplomatic Security: Both bills provide more funding than requested, though less than FY17 levels. ▪ UN Peacekeeping: Both bills cut funding from current levels, but are funded higher than the request. ▪ International Security Assistance: The House and Senate both reduce funding, but less than the Administration requested, and reject its proposal to shift some FMF funding to loans. ▪ National Endowment for Democracy: Both bills add \$67 million to the request, keeping funding at current levels. 	<ul style="list-style-type: none"> ▪ Economic Support Fund: The Senate provides \$564 million more than the House for ESF. ▪ Millennium Challenge Corporation: The Senate holds funding at current levels, while the House cuts funding by \$105 million, the same as the Administration’s request. ▪ International Organizations-Voluntary Contributions: The Senate provides a \$24 million increase in funding, while the House eliminates the account. ▪ Contributions to International Financial Institutions: The Senate cuts funding by 14%, similar to the request, while the House cuts contributions by 50%. ▪ Emergency Refugee and Migration Assistance: The Senate keeps funding flat, while the House, as requested by the Administration, eliminates the account. ▪ Family Planning: The Senate provides \$623 million, a slight increase from FY17, while the House includes \$461 million. ▪ USAID Operating Expenses: The Senate bill includes \$77 million more than the House, and only slightly less than this year’s level.

IV. Notable Program and Policy Issues

Reform and Reorganization

In response to the Administration's March 2017 executive order on reorganizing the federal government to improve "efficiency, effectiveness, and accountability," Congress has taken significant steps to ensure transparency in and proper oversight of this process at the State Department and USAID. To that end, the FY17 Omnibus Appropriations bill, which passed in May, included specific reporting requirements related to the reorganization of both agencies.

Both the House and Senate Appropriations Committees strengthened and expanded this reporting language in their respective FY18 State-Foreign Operations bills, requiring the Secretary of State to report on the details of any planned reorganization including detailed justifications and cost-savings analyses for any proposals to:

- Eliminate agencies or departments
- Eliminate or consolidate overseas embassies or missions
- Modify the State Department or USAID workforce

The report must also address legislative changes needed to implement the Administration's proposals and how such changes would impact America's ability to advance U.S. national interests through diplomacy and development and to conduct adequate monitoring and oversight of foreign assistance programs.

In addition to this detailed reporting requirement, the Senate goes much further in expressing its views on the reorganization process. The Senate's FY18 State-Foreign Operations bill also:

- Explicitly prohibits the use of appropriated funds to "close, move, or otherwise incorporate USAID" into the State Department
- Prohibits the use of appropriated funds to "downsize, downgrade, consolidate, close, move, or relocate to another United States Government agency" numerous bureaus, offices, and special advisor positions at the State Department and USAID
- Expresses concern that "the administration has a predetermined outcome for the reorganization or redesign"
- Includes a requirement that the Secretary of State and USAID Administrator submit a National Diplomacy and Development Strategy to ensure that major personnel and organizational decisions are informed by a comprehensive national security strategy
- Requires the State Department and USAID to submit a report examining "lessons-learned" from personnel reductions on diplomatic and development operations in the 1990s

Notably, after reports surfaced that the State Department may be withholding appropriated funds for certain programs, the Senate also includes report language specifying that the Administration must ensure the management and expenditure of appropriated funds is consistent with the Congressional Budget and Impoundment Control Act of 1974 and the intent of Congress.

Global Health

The House and Senate protect funding for **Global Health** compared to the Administration's request. The Administration's budget included \$6.8 billion for these programs, a \$1.9 billion (22%) cut compared to FY17 levels. The House provides \$8.64 billion (\$82 million, or 0.9% less than FY17), while the Senate provides \$8.71 billion (\$15 million, 0.2% less than FY17).

Similar to the Administration's request, the House and Senate both use unobligated Ebola balances to fund or boost several accounts. For example, the Senate increases funding for tuberculosis programs by \$20 million with these balances, while the House provides \$83 million for pandemic influenza and global health threats with all but \$10 million of that amount covered through Ebola balances. Notably, the Senate bill includes \$73 million for these programs and provides the authority to draw upon up to \$130 million in remaining balances if needed.

The House and Senate hold funding for polio programs flat at \$59 million, the same as current levels and the Administration's request. The House and Senate also fund GAVI, the Vaccine Alliance at \$290 million, a \$15 million increase compared to FY17. The Administration and Congress believe this funding level puts the U.S. on track to meet its four-year, \$1 billion pledge to the organization. The House also provides the authority to contribute up to \$133 million to UNICEF from the Global Health account.

While the Administration had proposed eliminating funding for international family planning programs, the House provides \$461 million across all accounts to fund these programs. The House also adopts the Administration's proposal to expand the Mexico City Policy, or Global Gag Rule, to all global health funding. Notably, the Senate rejects that policy and increases funding for family planning programs. It also includes funding for the U.S. contribution to UNFPA at \$37.5 million.

Global Health*	FY16 Final	FY17 Enacted	FY18 Request	FY18 House	FY18 Senate
Bilateral PEPFAR	\$4.32 billion	\$4.32 billion	\$3.85 billion	\$4.32 billion	\$4.32 billion
Global Fund	\$1.35 billion	\$1.35 billion	\$1.125 billion	\$1.35 billion	\$1.35 billion
USAID HIV/AIDS	\$330 million	\$330 million	\$0	\$330 million	\$330 million
Malaria	\$674 million	\$755 million	\$674 million	\$755 million	\$755 million
Tuberculosis	\$236 million	\$241 million	\$178 million	\$241 million	\$261 million
Maternal/Child Health	\$750 million	\$815 million	\$750 million	\$815 million	\$830 million
Vulnerable Children	\$22 million	\$23 million	\$0	\$23 million	\$23 million
Nutrition	\$125 million	\$125 million	\$79 million	\$125 million	\$125 million
Family Planning	\$608 million	\$608 million	\$0	\$461 million	\$623 million
NTDs	\$100 million	\$100 million	\$75 million	N/A	\$100 million
Global Health Security	\$73 million	\$143 million	\$73 million	\$83 million	\$73 million
Total	\$8.5 billion	\$8.73 billion	\$6.80 billion	\$8.64 billion	\$8.71 billion

*State Department and USAID Global Health accounts only, except for family planning. Total Global Health figures include unobligated FY15 Ebola balances in the FY18 request (\$323 million), House (\$323 million), and Senate (\$120 million) bills.

Development and Economic Assistance

The Administration's request included a sharp 44% cut to economic and development assistance and proposed consolidating several major accounts to create a new **Economic Support and Development Fund** (ESDF), raising concern that the Administration was seeking to significantly downgrade development assistance programs. Congress, however, largely rejected the steep funding cuts and the proposal to consolidate accounts.

As compared to the Administration's request, the House and Senate make much more modest cuts to existing accounts. The House reduces **Development Assistance** (DA) funding by \$214 million (7%) and the Senate cuts the account by \$105 million (4%). The House cuts the **Economic Support Fund** (ESF) more sharply than the Senate, but again not nearly as severely as in the Administration's request.

The House funds the **Millennium Challenge Corporation** (MCC) and the **Peace Corps** at the Administration's request, cutting the agencies' funding by \$105 million (12%) and \$12 million (3%) respectively compared to FY17 levels. In contrast, the Senate flatlines funding for both entities.

	FY16 Final	FY17 Enacted	FY18 Request	FY18 House	FY18 Senate
Economic Support and Development Fund	N/A	N/A	\$4.94 billion	\$0	\$0
Development Assistance (DA)	\$2.78 billion	\$3.0 billion	\$0	\$2.78 billion	\$2.89 billion
Economic Support Fund (ESF)	\$4.3 billion	\$4.68 billion	\$0	\$3.4 billion	\$3.96 billion
Assistance to Europe, Eurasia and Central Asia (AEECA)	\$930 million	\$902 million	\$0	\$692 million	\$777 million
Democracy Fund	\$151 million	\$211 million	\$0	\$211 million	\$211 million
Millennium Challenge Corporation (MCC)	\$901 million	\$905 million	\$800 million	\$800 million	\$905 million
Peace Corps	\$410 million	\$410 million	\$398 million	\$398 million	\$410 million

Humanitarian Assistance

Both the House and Senate cut **humanitarian assistance**, but substantially less than the Administration requested. While the Administration proposed a \$1.9 billion (43%) cut for **International Disaster Assistance** (IDA) compared to FY17 levels, the House cuts the account by \$1.6 billion (36%) and the Senate by \$1.3 billion (29%). Similarly, the House and Senate cut **Migration and Refugee Assistance** (MRA) by \$250 million (7%) while the Administration requested a \$613 million (18%) cut. Importantly, the House proposal notes the possibility that additional funding could be added for famine relief as the appropriations process moves forward.

These cuts, while less severe than the Administration proposed, elicit concern considering the magnitude of humanitarian crises the world is facing. Around the globe, 30 million people are facing famine and 65 million people are displaced, the highest number since World War II. American leadership is needed more than ever to address these crises and demonstrate our nation's highest values.

Humanitarian Assistance	FY16 Final	FY17 Enacted*	FY18 Request	FY18 House	FY18 Senate
Disaster Aid (IDA)	\$2.79 billion	\$4.4 billion	\$2.51 billion	\$2.82 billion	\$3.13 billion
Refugees (MRA)	\$3.06 billion	\$3.4 billion	\$2.75 billion	\$3.11 billion	\$3.11 billion
Emergency Refugees (ERMA)	\$50 million	\$50 million	\$0	\$0	\$50 million
Total	\$5.9 billion	\$7.84 billion	\$5.25 billion	\$5.93 billion	\$6.29 billion

**Includes funding provided in the FY17 Security Assistance Appropriations Act (SAAA), enacted in December 2016, and funding identified specifically for famine relief in the FY17 Omnibus.*

Peacekeeping

Both the House and Senate cut funding for UN peacekeeping significantly, though, again, to a lesser degree than the Administration proposed. The House cuts funding for U.S. contributions to UN Peacekeeping missions by \$412 million (22%) compared to FY17. Consistent with the Administration's request, the House limits assessed contributions for UN peacekeeping to the 25% statutory cap. It also expresses support for the Administration's efforts to reduce the U.S. assessment rate and curb the number and duration of peacekeeping missions. The Senate cuts contributions by \$526 million (28%) cut, which it notes is sufficient to fund U.S. contributions at the 25% statutory cap.

Since the statutory cap is below the negotiated rate of 28%, the U.S. is likely to continue to accumulate arrears, and potentially undermine UN peacekeeping missions currently being carried out in more than a dozen countries.

	FY16 Final	FY17 Enacted	FY18 Request	FY18 House	FY18 Senate
UN Operations	\$2.46 billion	\$1.91 billion	\$1.2 billion	\$1.5 billion	\$1.38 billion
Non-UN Ops	\$601 million	\$659 million	\$301 million	\$460 million	\$497 million
Total	\$3.06 billion	\$2.57 billion	\$1.5 billion	\$1.96 billion	\$1.88 billion

International Security Assistance

The House provides \$8.76 billion for **international security assistance** (\$624 million or 7% less than FY17), while the Senate sets out \$8.29 billion (\$1.09 billion or 12% less than FY17). Notably, for the first time, the Senate funds these programs entirely through the Overseas Contingency Operations (OCO) account. Both the House and Senate proposals include far more funding than

the Administration's request of \$7.09 billion (\$2.29 billion or 24% less than FY17).

A few accounts to note:

- **International Narcotics Control and Law Enforcement (INCLE):** The House cuts funding by \$62 million (5%) compared to FY17 levels, while the Senate cuts funding by \$53 million (4%).
- **Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR):** The House includes a \$132 million (14%) cut while the Senate cuts funding by \$181 million (19%).
- **Foreign Military Financing (FMF):** The House cuts funding by \$226 million (4%), while the Senate reduces the account by \$691 million (11%). The House and Senate both reject the Administration's proposal to change FMF assistance from grants to loans.
- **International Military Education and Training (IMET):** The House sets out a \$5 million (5%) cut while the Senate flatlines funding at FY17 levels.

Multilateral Assistance and International Organizations

The House slashes multilateral assistance even more deeply than the Administration requested, providing \$878 million (\$893 million or 50% less than FY17 levels) for U.S. contributions to International Financial Institutions (IFIs) – \$602 million less than requested. In contrast, the Senate sets out \$1.5 billion, roughly the same level the Administration proposed. Consistent with the Administration's request, the House and Senate eliminate funding for the Green Climate Fund.

Consistent with the Administration's request, the House eliminates funding for the **International Organizations and Programs (IO&P)** account, through which the U.S. provides voluntary contributions to UN-affiliated and other international organizations. As mentioned previously, the House authorizes contributions of up to \$133 million to UNICEF from the Global Health account. The Senate provides \$363 million for the IO&P account, a \$24 million (7%) increase from FY17 levels.

The House and Senate both cut funding for U.S. assessed contributions to the UN and other international organizations, but to a lesser degree than the Administration's request. The House cuts **Contributions to International Organizations (CIO)** by \$188 million (14%) compared to FY17 levels, and the Senate by \$90 million (7%). By comparison, Administration requested a \$363 million (27%) cut.

Diplomatic Operations and Embassy Construction

The House and Senate cut funding for **Diplomatic and Consular Programs (D&CP)**, which covers the cost of State Department operations around the world, but less than the Administration proposed. The House provides \$8.4 billion (\$1.2 billion or 12% less than FY17 levels), while the Senate provides about \$8.6 billion (\$1.0 billion or 11% less than FY17). The Administration had proposed a \$1.4 billion (14% cut).

Consistent with the levels recommended by the Benghazi Accountability Review Board, the House provides \$2.3 billion for **Embassy Security Construction and Maintenance (ESCM)**, and the Senate \$2.1 billion. The House and Senate fund this account at a lower level than FY17, but substantially above the Administration's \$1.1 billion request.

Agencies Slated for Elimination

The Senate rejects the Administration’s proposed elimination of six agencies and funds those agencies at or above FY17 levels. The House funds five of those agencies, albeit at a reduced level, and zeroes out the East-West Center per the Administration’s request.

- **U.S. Institute of Peace (USIP):** The Senate flatlines funding at \$37.9 billion, while the House cuts funding by 7% compared to FY17.
- **Overseas Private Investment Corporation (OPIC):** The Senate provides \$99.2 million, a 10% increase, while the House cuts funding by 21% cut.
- **U.S. Trade and Development Agency (USTDA):** The Senate boosts funding by \$6 million, a 6% increase, for a total of \$79.5 million, while the House cuts the agency by 6%.
- **African Development Foundation:** The Senate flatlines funding at \$30 million, while the House cuts funding by 50%.
- **Inter-American Foundation:** The Senate holds flat funding at \$22.5, while the House cuts funding by 50%.
- **East-West Center:** The Senate holds funding flat, while the House provides none.

Food Aid Funding

Both the House and Senate soundly reject the Administration’s proposal to eliminate funding for the **Food for Peace** (PL 480/international food assistance) and **McGovern-Dole** Food for Education and Child Nutrition programs. The House funds Food for Peace at \$1.4 billion, a \$200 million (13%) cut from FY17 levels, while the Senate holds funding flat at \$1.6 billion. The House flatlines funding for McGovern-Dole, while the Senate increases funding by \$5 million (2%) above FY17 levels, and includes \$15 million to purchase some food aid locally or regionally.

FY18 Agriculture Appropriations International Programs Snapshot

	FY17 Enacted	FY18 Request*	FY18 House	FY18 Senate
Food for Peace/P.L. 480 Title II	\$1.6 billion	\$0	\$1.4 billion	\$1.6 billion
McGovern-Dole	\$202 million	\$0	\$202 million	\$207 million
LRP	\$0*	\$0	\$0	\$0**
Total	\$1.8 billion	\$0	\$1.6 billion	\$1.8 billion

*\$5 million of McGovern-Dole funding included for local and regional procurement

**\$15 million of McGovern-Dole funding included for local and regional procurement

V. What's Ahead

After a seven-year gap, the State-Foreign Operations bill was considered on the House floor in September. The bill was combined with eight other spending bills as part of an omnibus package, which the House approved on September 14. However, the legislation is not likely to be considered by the Senate. Moreover, Congress passed a short-term Continuing Resolution (CR) that funds the government through December 8th, leaving little incentive for further action on funding bills this fall.

Instead, policymakers will likely turn their attention to a comprehensive budget deal that potentially lifts the caps on defense and non-defense spending. Members of Congress on both sides of the aisle acknowledge that a budget deal must be reached in the next several months in order to properly fund the government in FY18, and there is bipartisan support for reaching such a deal.

As negotiations between Congressional leaders and the Administration continue, it will be imperative that funding for non-defense discretionary spending be increased in order to properly fund America's development and diplomacy programs.

VI. Additional Information and Resources

- USGLC Analysis of the Administration's FY18 International Affairs Budget Request
<http://www.usglc.org/downloads/2017/05/USGLC-FY18-Budget-Analysis.pdf>
- House State-Foreign Operations Appropriations Bill & Report
<https://www.congress.gov/115/bills/hr3362/BILLS-115hr3362rh.pdf>
<https://www.congress.gov/115/crpt/hrpt253/CRPT-115hrpt253.pdf>
- House Agriculture Appropriations Bill & Report
<https://www.congress.gov/115/bills/hr3268/BILLS-115hr3268rh.pdf>
<https://www.congress.gov/115/crpt/hrpt232/CRPT-115hrpt232.pdf>
- Senate State-Foreign Operations Appropriations Bill & Report
<https://www.congress.gov/115/bills/s1780/BILLS-115s1780pcs.pdf>
<https://www.congress.gov/115/crpt/srpt152/CRPT-115srpt152.pdf>
- Senate Agriculture Appropriations Bill & Report
<https://www.congress.gov/115/bills/s1603/BILLS-115s1603pcs.pdf>
<https://www.congress.gov/115/crpt/srpt131/CRPT-115srpt131.pdf>