Congressional Budget Office
Cost Estimate

October 17, 2019

At a Glance

H.R. 3352, Department of State Authorization Act of 2019

As passed by the House of Representatives on July 25, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	10	50	100
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	10	50	100
Spending Subject to Appropriation (Outlays)	85	1,805	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains private-sector mandate?	Yes, Over Threshold

The act would

- Authorize appropriations of almost $2 billion in 2020 for the construction and maintenance of U.S. embassies
- Make several changes to operations of the Department of State and other federal agencies
- Impose a private-sector mandate by extending a surcharge for filing passport applications

Estimated budgetary effects would primarily stem from

- Authorizing appropriations for U.S. embassies

Areas of significant uncertainty include

- Anticipating how federal agencies would implement provisions authorizing incentive payments for Foreign Service personnel
- Predicting how much the Department of State would spend to refurbish excess defense articles for foreign countries

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Summary of Legislation

H.R. 3352 would authorize appropriations of about $2 billion in 2020 and also would make several changes to the operations of the Department of State and other federal agencies.

Estimated Federal Cost

The estimated budgetary effects of H.R. 3352 are shown in Table 1. The costs of the legislation fall primarily within budget function 150 (international affairs).

Table 1.
Estimated Budgetary Effects of H.R. 3352

	By Fiscal Year, Millions of Dollars					
	2020	2021	2022	2023	2024	2020-2024
	Increases in Spending Subject to Appropriation					
Estimated Authorization	2,084	115	117	118	119	2,554
Estimated Outlays	85	374	512	466	368	1,805
	Increases in Direct Spending[a]					
Estimated Budget Authority	10	10	10	10	10	50
Estimated Outlays	10	10	10	10	10	50

Components may not sum to totals because of rounding.

a. In addition to the budgetary effects shown above, H.R. 3352 would have effects after 2024. CBO estimates that over the 2020-2029 period, the act would increase direct spending by $100 million.

Basis of Estimate

CBO assumes that H.R. 3352 will be enacted near the start of fiscal year 2020 and that the authorized and estimated amounts will be appropriated each fiscal year.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 3352 would cost $1.8 billion over the 2020-2024 period; such spending would be subject to the appropriation of the specified and estimated amounts (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 3352

	By Fiscal Year, Millions of Dollars					
	2020	2021	2022	2023	2024	2020-2024
U.S. Embassies						
Estimated Authorization	1,988	*	*	*	*	1,989
Estimated Outlays	10	269	398	348	249	1,274
Pay Incentives for Foreign Service						
Estimated Authorization	50	50	50	50	50	250
Estimated Outlays	48	50	50	50	50	248
Leave for Federal Employees						
Estimated Authorization	18	37	39	40	41	175
Estimated Outlays	18	37	39	40	41	175
Security Assistance						
Estimated Authorization	31	31	31	31	31	155
Estimated Outlays	12	21	28	31	31	123
Registration Fees for Defense Trade Controls						
Estimated Authorization	-10	-10	-10	-10	-10	-50
Estimated Outlays	-10	-10	-10	-10	-10	-50
Public Corruption Overseas						
Estimated Authorization	3	3	3	3	3	15
Estimated Outlays	3	3	3	3	3	15
Public Diplomacy						
Estimated Authorization	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Miscellaneous Provisions						
Estimated Authorization	3	3	3	3	3	15
Estimated Outlays	3	3	3	3	3	15
Total Changes						
Estimated Authorization	2,084	115	117	118	119	2,554
Estimated Outlays	85	374	512	466	368	1,805

Components may not sum to totals because of rounding; * = between zero and $500,000.

U.S. Embassies. Title II would authorize appropriations of almost $2 billion in 2020 for the security, construction, and maintenance of U.S. embassies and other overseas facilities. On the basis of historical spending patterns for those programs, CBO estimates that the authorization would increase outlays by $1.3 billion over the 2020-2024 period, subject to the appropriation of the specified amount.

In addition, the act would alter several administrative processes affecting those facilities. It would require the department to project anticipated growth in staffing at certain facilities over the useful life of those facilities, instead of over five-year periods as is currently done. It also would require the department to reduce its backlog of pending performance evaluations of contractors and to brief the Congress on its plan for doing so; the department indicated it is already increasing staffing to address that issue. Several other provisions would require the department to provide additional documentation or reports to the Congress on several topics. On the basis of information from the department about how those provisions would affect its current practices, CBO estimates that implementing those changes would cost less than $500,000 each year and total $2 million over the 2020-2024 period.

Pay Incentives for Foreign Service. Section 315 would authorize federal agencies to pay Foreign Service Officers' (FSOs) recruitment, relocation, and retention bonuses for service in Iraq, Afghanistan, and Pakistan. For the past several years, that authority has been provided in annual appropriation acts. The majority of FSOs are employed by the Department of State and the U.S. Agency for International Development; the rest are employed by other federal agencies that operate in foreign countries, such as the Department of Commerce. The Administration did not describe how it currently implements this authority; CBO assumes that 2,000 officers would receive such bonuses. Using information about basic pay and allowances for FSOs who are stationed overseas, CBO expects that those officers would receive bonuses of up to 35 percent of average basic pay of $75,000, and that federal agencies would require additional appropriations of $50 million each year to offer those bonuses. In total, CBO estimates that implementing this provision would cost about $250 million over the 2020-2024 period. The number of FSOs who would receive those incentive payments and the amount of those payments could differ significantly from this estimate; thus, actual costs could be substantially higher or lower.

Leave for Federal Employees. Section 322 would allow federal agencies to provide additional leave for employees working in specified foreign areas; CBO estimates that additional leave would cost almost $350 million between 2020 and 2024.

Under H.R. 3352, agencies could grant up to 10 days of leave to recognize local holidays or to reduce security risks to agency operations. Agencies could also grant employees up to 20 days of leave for rest and recuperation if they serve in combat zones or other areas with high levels of political violence or terrorism. CBO assumes that section 322 would take effect halfway through fiscal year 2020 and that the costs would increase each year because of anticipated inflation.

CBO estimates that the additional holiday leave provided to employees working abroad would cost $280 over the 2020-2024 period, with annual costs growing from $28 million in 2020 to $66 million in 2024. According to the Department of Defense (DoD), the Department of State, and the Office of Personnel Management (OPM), approximately 50,000 federal employees are working abroad at a daily cost of $450 per employee, on average. Using information from those agencies, CBO estimates that roughly 25 percent of those employees would receive the additional leave. If agencies provided that leave to a larger proportion of employees, the costs associated with providing holiday leave would be greater.

CBO also estimates that the additional leave for rest and recuperation would cost about $70 million over the next five years, with annual costs rising from $8 million in 2020 to $16 million in 2024. Using information from DoD and OPM, CBO estimates that about 1,500 employees in combat zones would be granted on average an additional 15 days of leave each year. According to the Department of State, about 400 of its employees would receive an additional 20 days of leave each year.

Currently, agencies may provide administrative leave for holidays and rest and recuperation, but the Administrative Leave Act of 2016 generally limits the number of leave days to 10 each year. Because final regulations implementing that law have not been issued, that limitation has not yet gone into effect. On July 13, 2017, OPM published a notice of proposed rulemaking to limit the amount of administrative leave agencies may use as stipulated in the Administrative Leave Act of 2016. CBO's baseline reflects the assumption that there is a 50 percent probability that the rule will be finalized and take effect, thus reducing the amount of administrative leave that can be provided under current law. The costs shown in Table 2 equal 50 percent of the estimated $350 million cost of implementing the act's policies because of the possibility that leave will not be reduced under current law. (If the rule is not finalized, federal agencies could offer the amount of leave that would be authorized by section 322 under current law. In that case, the provision would not affect the federal budget.)

Security Assistance. Title VIII contains several provisions that would affect security assistance programs. In total, CBO estimates that implementing that title would cost $123 million over the 2020-2024 period.

Section 821 would authorize the State Department to pay to refurbish excess defense articles being transferred to foreign countries and to provide training to foreign security forces on the use of those defense articles. Under current law, those countries must pay for any refurbishment, transportation, or other costs. The department did not describe how it would implement the authority. In recent years, the department has transferred about $500 million of defense articles each year to other countries and provided over $5 billion each year in security-assistance funding to U.S. allies. On the basis of that information, CBO expects that the department would defray the costs currently borne by some foreign countries. CBO estimates that implementing that section would require additional appropriations of $25 million each year, and cost $95 million over the 2020-2024 period. Actual costs to implement the provision could be significantly higher or lower than estimated.

Other provisions of title VIII would authorize the State Department to establish an Office of Security Assistance to coordinate such assistance with other federal agencies. It also would require the department to identify countries that receive priority for security assistance and to designate a person stationed in each of those countries, and in each regional bureau in Washington, D.C., to coordinate such assistance. The department would be required to train those designated coordinators.

The department indicated that about 15 countries would likely be listed as priority recipients and that it has the necessary staff in all of its regional bureaus and in half of the listed countries. On the basis of information from the department about its personnel and training costs, CBO estimates that implementing the provisions affecting security coordination would require seven additional FSOs to serve overseas at an annual cost of about $700,000 per officer (that includes costs for pay, travel, housing, medical care, and other allowances) and three additional staff for the new office at an annual cost of about $240,000 each. CBO estimates that implementing those provisions would require additional appropriations of $6 million each year and cost $28 million over the 2020-2024 period.

Registration Fees for Defense Trade Controls. Section 832 would expand the purposes for which the Directorate of Defense Trade Controls (DDTC) can spend the registration fees that it collects from manufacturers and exporters of defense-related items. The DDTC collects about $40 million each year and is authorized to spend those amounts on licensing, compliance, and enforcement activities. It currently spends about $30 million each year on those activities. Under the act, the DDTC also could spend those fees for its other activities; its current budget for those activities is about $12 million each year. Paying those costs from collections would reduce the need to fund those activities with discretionary appropriations. On the basis of information from the Department of State about existing balances and expected collections, CBO estimates that enacting this provision would reduce the need for future appropriations by $10 million each year over the 2020-2024 period. (The effect of that additional spending from fees is discussed below under the section titled “Direct Spending.”)

Public Corruption Overseas. Title VII would require the department to designate and train its staff to reduce corruption involving public officials of foreign countries. It also would require the department to provide to the Congress a detailed assessment of each country’s efforts to deter, investigate, and punish such corruption. The department would use that information to reduce the misuse of U.S. foreign assistance in the most corrupt countries. Finally, the department would coordinate the federal government’s efforts to promote good governance and reduce corruption overseas.

On the basis of information from the department, CBO expects that implementing those provisions would require the department to hire nine additional full-time employees in Washington, D.C., at an average annual cost of about $240,000 each. CBO estimates that paying the salaries of those employees, providing training for agency personnel, and satisfying the reporting requirements would cost about $3 million each year and $15 million over the 2020-2024 period.

Public Diplomacy. Title VI would permanently reauthorize the U.S. Advisory Commission for Public Diplomacy. On the basis of information from the commission, CBO estimates that implementing that provision would cost about $500,000 each year.

Title VI also would require the department to appoint a director to research and evaluate its public-diplomacy programs and to report to the Congress on the results. The director also would be required to provide guidance and training in those areas to public-diplomacy officers. Finally, it would require the department to consider consolidating the support functions of its bureaus. The department is in the process of meeting most of those requirements; thus, CBO estimates that implementing those provisions would cost less than $500,000 each year.

In total, CBO estimates that implementing the public diplomacy provisions in title VI would cost $5 million over the 2020-2024 period.

Miscellaneous Provisions. Other provisions in H.R. 3352, including several reporting requirements, would increase the department's administrative costs. CBO estimates that implementing each of them would cost less than $500,000 annually and $15 million in total over the 2020-2024 period. Some of those provisions would require or authorize the department to:

- Provide grants to fellowship programs for science and technology;
- Develop and implement programs to improve its cybersecurity, including a pilot program to reward hackers who discover vulnerabilities in systems that can be accessed through the Internet;
- Gather and analyze data on various aspects of its workforce;
- Provide training to reduce harassment and discrimination;
- Offer the oral Foreign Service examination in more locations; and
- Provide more flexible leave arrangements for employees posted overseas who are separated from their families.

Direct Spending

CBO estimates that enacting H.R. 3352 would increase direct spending by $100 million over the 2020-2029 period.

Registration Fees for Defense Trade Controls. As discussed above in "Spending Subject to Appropriation," section 832 would expand the purposes for which the DDTC can spend registration fees that it collects from manufacturers and exporters of defense-related items. Each year, the directorate collects about $10 million more than it can spend. It requests appropriations of about $12 million for its other activities. Thus, under H.R. 3352 CBO expects that the agency would spend all of the excess collections. CBO estimates that enacting the provision would increase direct spending for those purposes by $100 million over the 2020-2029 period.

Passport Surcharges. Section 112 would permanently extend a surcharge on passport books and passport cards. Adult applicants currently pay a $22 surcharge, while minors pay $20 for a passport book and $15 for a passport card. Those collections are available to be spent for consular operations. Over the 2014-2018 period, the department issued an average of 16 million passport books and 2 million passport cards each year. On the basis of that information, CBO estimates the department would collect and spend an additional $400 million, on average, each year over the 2020-2029 period. The net effect of those transactions would be an insignificant decrease in direct spending.

Foreign Military Sales. Several provisions in title VIII would affect the Foreign Military Sales (FMS) program. Through that program, the Department of Defense transfers defense articles and services to foreign countries. Those countries pay all costs associated with such sales, and the amounts received are available for obligation without further appropriation; therefore, CBO estimates that enacting those provisions would not affect net direct spending over time.

- Section 821 would increase from $500 million to $600 million the annual cap on the value of excess defense articles that can be transferred to foreign countries. Section 830 would authorize the department to transfer such items to regional and international organizations. Items are often provided without reimbursement; they also may be sold at a discount.
- Section 823 would authorize DoD to repurchase significant military equipment that was sold to foreign countries, either for the department's own use or for sale to another country through the FMS program; and
- Section 828 would extend through 2021 the President's authority to transfer obsolete or surplus defense articles in the War Reserve Stockpile for Allies in Israel (WRSA-I) to Israel. Transfers from WRSA-I to Israel have been made through the FMS program in recent years. CBO expects that practice would continue.

Other Provisions. Other provisions of H.R. 3352 would have insignificant effects on direct spending.

- Section 114 would permanently authorize the Fishermen's Protection Fund and allow payments from the fund for losses that occurred before the date of enactment of H.R. 3352. That fund reimburses U.S. fishermen for financial losses incurred if their vessels are seized by a foreign nation. Owners of fishing vessels pay fees sufficient to cover the expected cost of those payments. No payments have been made from the fund in recent years.
- Section 824 would amend the President's authority to exempt foreign countries from the DDTC export licensing requirements. Under current law, countries that enter into

bilateral agreements with the United States may be exempt if their export controls are comparable to those of the United States. The act would limit that exemption to certain major allies and amend the requirements related to export controls.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3352

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increase in the Deficit											
Pay-As-You-Go Effect	10	10	10	10	10	10	10	10	10	10	50	100

Increase in Long-Term Deficits: None.

Mandates

H.R. 3352 would not impose intergovernmental mandates as defined under the Unfunded Mandates Reform Act (UMRA).

The act would impose a private-sector mandate by authorizing the Secretary of State to collect a surcharge on the filing fee of each passport application. Because a passport can only be issued by the federal government using its sovereign power, increasing the cost of a passport application would impose a mandate on individual applicants. CBO estimates that additional fees collected on passport applications would exceed the annual threshold established in UMRA for private-sector mandates ($164 million in 2019, adjusted annually for inflation).

Previous CBO Estimates

On October 8, 2019, CBO transmitted a cost estimate for S. 2169, a bill to amend section 3116 of title 5, United States Code, to clarify the applicability of the appointment limitations for students appointed under the expedited hiring authority for post-secondary students, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 24, 2019. Section 322 of H.R. 3352 is similar to S. 2169, but would authorize more holiday leave. CBO's estimate of the cost of implementing the provision is correspondingly higher.

On July 25, 2019, CBO transmitted a cost estimate for S. 1309, a bill to identify and combat corruption in countries, to establish a tiered system of countries with respect to levels of corruption by their governments and their efforts to combat such corruption, and to assess United States assistance to designated countries in order to advance anticorruption efforts in those countries and better serve United States taxpayers, as reported by the Senate Committee on Foreign Relations on July 11, 2019. Title VII of H.R. 3352 is similar to S. 1309, and CBO's estimates of the costs of implementing them are the same.

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