



APPROPRIATIONS ANALYSIS

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FISCAL YEAR 2008 STATE AND FOREIGN OPERATIONS (H.R. 2764)

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The fiscal year 2008 State and Foreign Operations appropriations bill is the fourth appropriations bill to reach the House floor and the first to provide funding at a level below the President’s request. Nevertheless, it increases non-emergency spending by 9.3 percent over the 2007 level. Under the Democrat budget resolution, (S.Con.Res. 21), total non-emergency discretionary spending will be increased by \$81.4 billion compared with 2007 (including \$26 billion for domestic programs) – growing more than 9 percent, or more than tripling the inflation rate. This is on top of the \$6 billion Democrats added to the current-year omnibus, and the \$17 billion in non-war non-emergency spending they added to the Iraq war supplemental.

The State, Foreign Operations, and Related Programs appropriations bill was reported to the House on 18 June as H.R. 2764 (H.Rept 110-197) and provides budget authority equal to the level set by the Committee on Appropriations to remain in compliance with the budget resolution.

The measure as reported has drawn a veto threat from the President because it also allows funding to international organizations for contraceptives, altering the so-called Mexico City policy. A floor amendment to change this provision is expected.

COST AND BUDGET COMPLIANCE

H. R. 2764 appropriates \$34.4 billion in new budget authority, providing funding for the Department of State, the Agency for International Development, and the Millennium Challenge Corporation. The bill also provides funding for International Security Assistance programs, including Foreign Military Sales, Multilateral Assistance programs, and a number of agencies and programs that provide international assistance. The total includes \$159 million in mandatory spending. The discretionary total is an increase of \$2.9 billion above the 2007 non-emergency level, and \$700 million below the President’s budget request (see Table 1).

Table 1: State and Foreign Operations Discretionary Appropriations
(fiscal years; millions of dollars)

	2007 Level ^a	President 2008	302(b) for 2008	H.R. 2641
Budget Authority	31,348	34,943	34,243	32,243
Outlays	35,184	32,748	33,351	33,225

^a Excludes supplementals.

The bill complies with the spending levels set by the Committee on Appropriations for the State and Foreign Operations Subcommittee, equaling the 302(b) allocation for both discretionary and mandatory budget authority. The bill does not contain advance appropriations (spending for years after the budget year) or emergency-designated spending, the rules for which were set forth in the current budget resolution.

This is the fourth appropriations bill to reach the House floor. Taken together, the four bills increase spending by \$6.5 billion over the President's request, and \$23.6 billion over the fiscal year 2007 enacted level (see Table 2). There are eight bills left to be introduced, and there is \$787.3 billion remaining of the allocation to the Committee on Appropriations pursuant to the budget resolution.

Table 2: Cumulative Cost of Appropriations Bills
(fiscal years; discretionary budget authority in billions of dollars)

	Fiscal Year 2008 Budget Authority	Fiscal Year 2008 President's Request	Dollar Increase Over President	Increase Over 2007 Enacted
302(a) Allocation ^a	954.1 ^a	932.8	21.3	81.4
Homeland Security	36.3	34.2	2.1	4.4
MilCon/VA	64.7	60.7	4.0	15.0
Energy and Water	31.6	30.5	1.1	1.3
State and Foreign Operations	34.2	34.9	-0.7	2.9
Total House-Passed Bills	166.8	160.3	6.5	23.6

^a With cap adjustment.

Note: Figures exclude emergency-designated appropriations.

KEY PROVISIONS

While the bill provides less funding than the President's request, it is still a healthy increase above the current year enacted level of \$31.3 billion. This 9-percent increase cannot be attributed to the Global War on Terrorism, which is funded primarily through emergency supplemental appropriations. In fact, funding for items such as Iraq diplomatic operations that would normally be funded in this bill has been reduced because the 2007 emergency supplemental (Public Law 110-28) provided additional funding for these activities. Highlights of the bill include the following:

- **Global HIV/AIDS Initiative.** The measure provides \$4.5 billion for this initiative, which is a \$1.2-billion (38-percent) increase above the 2007 enacted level. The President requested \$4.2 billion for the same initiative. The account is the foundation of the Emergency Plan for AIDS Relief [PEPFAR]. When combined with other accounts in the bill that also include funding for AIDS relief, total PEPFAR funding is \$5.1 billion which is \$1.8 billion above the 2007 enacted level and \$586 million above the President's request.
- **Foreign Military Financing.** The bill provides \$4.5 billion for Foreign Military Financing, slightly below both the President's request and the 2007 enacted level. Of that amount, \$3.9 billion is for Near East Countries with the bulk of the funding going to Egypt and Israel.

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- **Millennium Challenge Corporation.** The bill provides \$1.8 billion for the Millennium Challenge Corporation [MCC], which is slightly (\$48 million) above the 2007 enacted level and considerably below the President’s request of \$3 billion. This level is indicative of the difference of opinion between the Democrat leadership and the administration regarding whether foreign assistance funding made by MCC should complement or substitute foreign assistance funding made by the Agency for International Development. Accordingly, the bill provides \$1.1 billion more for the Agency for International Development than the President requested which is a \$413 million increase over the 2007 enacted level.

 - **Administration of Foreign Affairs.** The bill provides \$7 billion for the accounts that house diplomatic and consular programs worldwide. This is slightly below the President’s request of \$7.2 billion and well above the enacted level of \$6.4 billion.