

Focus on Function 150 – International Affairs

Function 150 (International Affairs) covers U.S. international activities, including: operating U.S. embassies and consulates throughout the world; providing military assistance to allies; aiding developing nations; dispensing economic assistance to fledgling democracies; promoting U.S. exports abroad; making U.S. payments to international organizations; and contributing to international peacekeeping efforts. Agencies in this function include the Departments of State, Agriculture and Treasury; the United States Agency for International Development; the Broadcasting Board of Governors; the Peace Corps; and the Millennium Challenge Corporation.

Table 1: Function 150 Spending, 2019
(In billions of dollars)

| | |
|--|-------------|
| Discretionary BA | 57.1 |
| Memo: Base Budget BA | 44.8 |
| Memo: Overseas Contingency Operations BA | 12.3 |
| | |
| Discretionary Outlays | 51.5 |
| Mandatory Outlays | <u>-3.8</u> |
| Total Outlays | 47.7 |

Function 150 consists predominately of discretionary spending, most of which is for the basic operations of the State Department and foreign aid. Foreign aid makes up about 70 percent of the Function 150 discretionary budget and consists of two components: international development and humanitarian assistance, and international security assistance. In total, Function 150 makes up 4 percent of total non-emergency discretionary budget authority (BA) for 2019.

Negative mandatory outlays are mostly due to receipts reflected in the Foreign Military Sales Trust and earnings from the Treasury’s Exchange Stabilization Fund.

DISCRETIONARY

International Development and Humanitarian Assistance: This category includes a number of assistance programs administered by the State Department, U.S. Agency for International Development, Department of Agriculture, Millennium Challenge Corporation, and other independent agencies. These programs include the Global Health Program, Migration and Refugee Assistance, Food for Peace Grants, International Disaster Assistance, Development Assistance, and Multilateral Assistance.

Table 2: Discretionary BA in Function 150, by Subfunction, 2019
(In billions of dollars)

| | Base | OCO | Total |
|--|-------------|------------|-------------|
| International Development and Humanitarian Assistance..... | 24.2 | 4.8 | 29.0 |
| International Security Assistance..... | 8.6 | 3.2 | 11.8 |
| Conduct of Foreign Affairs..... | 10.4 | 4.3 | 14.7 |
| Foreign Information and Exchange Activities..... | 1.7 | --- | 1.7 |
| International Financial Programs..... | <u>-0.1</u> | <u>---</u> | <u>-0.1</u> |
| Total..... | 44.8 | 12.3 | 57.1 |

International Security Assistance: The three largest components of international security assistance are the Foreign Military Finance (FMF) Program; the Economic Support and Development Fund; and Nonproliferation, Antiterrorism, Demining, and Related Programs. Half of the funding goes to the FMF program, which supports the transfer of arms to other countries on a direct grant (non-repayable) basis. This is a shared program between the State Department and the Department of Defense – the State Department determines the policy, and the Defense Department implements it.

Conduct of Foreign Affairs: This comprises three main elements – Diplomatic programs (the principal operating account of the Department of State); embassy security, construction, and maintenance (the general maintenance, support, and security upgrades of State Department facilities in the United States and abroad); and contributions to international organizations (including U.S. obligations to the United Nations).

Foreign Information and Exchange Activities: These include the activities of the Broadcasting Board of Governors (BBG) and the State Department’s educational and cultural exchange programs. The BBG oversees all U.S. government-funded non-military international media programs, including the Voice of America, Broadcasting to Cuba, Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks. State Department exchange programs include the Fulbright Scholar Program, the International Visitor Leadership Program, and the Leaders in the Americas Initiative.

International Financial Programs: This category includes the activities of the Export-Import Bank of the United States, which issues loan guarantees and credits to commercial banks to make credit available to American exporters.

MANDATORY

Foreign Military Sales Trust Fund: The Foreign Military Sales program facilitates the sale of U.S. weapons and other defense articles and services to other countries. These countries are required to pay in advance of delivery of the items or services. The Treasury holds these advance payments in the Foreign Military Sales Trust Fund.

Table 3: Mandatory Outlays in Function 150, by Major Program
(In billions of dollars)

| | <u>2019</u> | <u>2019-2028</u> |
|---|-------------|------------------|
| Foreign Military Sales Trust Fund | -3.0 | -4.0 |
| Other | <u>-0.8</u> | <u>-11.8</u> |
| Total | -3.8 | -15.8 |

Other: Negative mandatory outlays reflect earnings from the Treasury’s Exchange Stabilization Fund and repayments of foreign assistance loans.

TAX EXPENDITURES

There are 11 tax expenditures related to this function. About 90 percent of these expenditures are tax benefits for corporations, with the single largest item – totaling more than \$400 billion over five years – resulting from a reduced tax rate on active income of controlled foreign corporations (U.S. corporations with foreign subsidiaries). Other tax expenditures include the deduction for foreign-derived intangible income derived from trade or business within the United States and the exclusion of foreign earned income.

RELEVANT AGENCIES AND CONGRESSIONAL COMMITTEES

Table 4: Discretionary BA in Function 150, by Agency, 2019
(In billions of dollars)

| | <u>Base</u> | <u>OCO</u> | <u>Total</u> |
|--|-------------|------------|--------------|
| Department of Agriculture | 2.0 | --- | 2.0 |
| Department of State | 22.2 | 7.2 | 29.4 |
| International Assistance Programs (Includes USAID) | 19.8 | 5.1 | 24.9 |
| Broadcasting Board of Governors | 0.8 | --- | 0.8 |
| Other | * | --- | * |
| Total | 44.8 | 12.3 | 57.1 |

Table 5: Mandatory Outlays in Function 150, by Agency
(In billions of dollars)

| | <u>2019</u> | <u>2019-2028</u> |
|--|-------------|------------------|
| Department of Agriculture..... | -0.2 | -0.9 |
| Department of the Treasury..... | -0.3 | -9.5 |
| International Assistance Programs..... | -3.3 | -5.7 |
| Other..... | <u>*</u> | <u>0.3</u> |
| Total..... | -3.8 | -15.8 |

Table 6: Discretionary BA in Function 150, by Appropriations Subcommittee, 2019
(In billions of dollars)

| | <u>Base</u> | <u>OCO</u> | <u>Total</u> |
|--|-------------|------------|--------------|
| Agriculture, Rural Development, FDA, and Related Agencies..... | 2.0 | --- | 2.0 |
| State, Foreign Operations, and Related Agencies..... | 42.8 | 12.3 | 55.1 |
| Other..... | <u>0.1</u> | --- | <u>0.1</u> |
| Total..... | 44.8 | 12.3 | 57.1 |

Table 7: Mandatory Outlays in Function 150, by Committee
(In billions of dollars)

| | <u>2019</u> | <u>2019-2028</u> |
|-------------------------|-------------|------------------|
| Financial Services..... | -0.3 | -9.5 |
| Foreign Affairs..... | -3.0 | -4.0 |
| Other..... | <u>-0.5</u> | <u>-2.3</u> |
| Total..... | -3.8 | -15.8 |

* Less than \$50 million.