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U.S. Foreign Assistance: Budget Development and Execution

U.S. foreign assistance provided through Department of State, Foreign Operations, and Related Programs (SFOPS) appropriations is subject to a high level of congressional input, as mandated under the Foreign Assistance Act of 1961 (FAA, P.L. 87-195), as amended. Congress works with the relevant executive agencies through a distinctive executive-congressional process to allocate assistance, especially allocations by country in Titles III and IV. The process described in this product is particular to SFOPS assistance and focuses especially on the executive branch and congressional oversight. More information on appropriations is at <https://www.crs.gov/iap/appropriations>.

Key Actors

Several entities across the executive and legislative branches play formal decisionmaking roles in the process:

Office of Management and Budget (OMB): Part of the Executive Office of the President, OMB formulates funding proposals and oversees federal spending to align with the President's priorities.

State Bureau of Budget and Planning (State/BP) and U.S. Agency for International Development (USAID) Office of Budget and Resource Management (USAID/BRM): These budget offices coordinate budget development between operating units and OMB, focusing on legal and administrative issues. They administer account funding once it is appropriated.

Office of Foreign Assistance Resources (State/F): Based in the State Department (State) and staffed by USAID and State personnel, State/F sets overall strategy for U.S. foreign assistance and steers funding to advance those goals, coordinating between operating units and OMB.

Administering Bureau: For each account, a select State or USAID bureau is designated to coordinate budget requests and administer funds after they are appropriated.

Operating Units (OUs): Over 200 headquarters bureaus and overseas posts (including missions and embassies) submit budget proposals to their parent agencies and ultimately oversee the expenditure of appropriations.

Relevant Committees: The Appropriations Committees of the House and Senate, the Senate Foreign Relations Committee, and the House Foreign Affairs Committee each contribute to foreign assistance allocation decisions.

Budget Process

The process described here is a composite of government-wide budget procedures, such as the President's Budget, congressional appropriations, and OMB authorities, and

those specific to SFOPS, such as the 653(a) Report, country funding directives, and certain congressional notifications.

Budget Development and Request

The budget request that the President submits to Congress is the product of an 18-month negotiation process among OUs, budget offices, State/F, and OMB.

Mission/Bureau Resource Request (*begins two years prior to fiscal year start*). An OU initiates budget planning by developing an explanation of its strategic priorities for the fiscal year and the human and financial resources needed to achieve them. These proposals serve as the basis for the agency-wide budget requests that administering bureaus negotiate with budget offices, which then submit them to OMB. One year before the start of the fiscal year, OMB sends agencies' budget requests back to agencies, requesting revised funding levels that align with the President's budget priorities in a step known as "passback." State and USAID negotiate between OMB and OUs to align their budgets with the President's priorities.

President's Budget and Congressional Budget Justification (CBJ) (*early February prior to fiscal year start*). OMB submits the President's Budget, the Administration's annual budget request, to Congress (31 U.S.C. §1105) after negotiating funding levels with agencies. State publishes its own CBJ on the same day, which articulates requested budget needs and proposed activities. State issues annexes providing detailed country-level account breakdowns after publishing the CBJ, usually several weeks later (FAA Section 634, 22 U.S.C. §2394).

Budget Consideration and Enactment

Appropriations Act/Conference Report/Joint Explanatory Statement (*required before start of fiscal year*). With the President's Budget, the CBJ, and Administration officials' budget hearings, Congress formulates annual SFOPS appropriations. Titles III and IV of the bill set account appropriations, and Title VII, "General Provisions," includes funding directives for certain countries. An accompanying conference report or a Joint Explanatory Statement (JES) includes "allocation tables" designating account breakdowns for country funding directives. In recent years, Congress has included a provision in SFOPS (Section 7019 of the FY2020 Act) barring the Administration from deviating below funding levels in these allocation tables by more than 10% without congressional consultation.

653(a) Report (*sent to Congress 30 days after appropriations enacted, as required by the FAA*). State/F, State/BP, and USAID/BRM develop a comprehensive table that satisfies the funding directives and allocation tables set

by Congress, then allocates remaining funds as agencies determine (FAA Section 653(a), 22 U.S.C. §2413). Certain accounts are typically allocated by country in this “653(a) Report,” while other accounts are allocated to central bureaus to fund responses to emerging events:

- **Allocated accounts:** Global Health Programs; Economic Support Fund; Assistance to Europe, Eurasia, and Central Asia; International Narcotics Control and Law Enforcement; Foreign Military Financing; International Military Education and Training; Nonproliferation, Anti-terrorism, Demining, and Related; Development Assistance; Democracy Fund.
- **Situation-responsive accounts:** Peacekeeping Operations; Transition Initiatives; Migration and Refugee Assistance; Complex Crisis Fund; United States Emergency Refugee and Migration Assistance Fund; International Disaster Assistance.

Budget Execution

Apportionment (*30 days after appropriations enacted, and ongoing if changes needed*). An “apportionment” is OMB’s authorization to the State and USAID budget offices to obligate funds (31 U.S.C. § 1512). Apportionments typically provide a timetable to obligate funds, often by quarter. This timetable is meant to avoid “deficiencies”—prematurely exhausting funds and thereby requiring additional appropriations—and to avert unlawful “impoundments”—preventing appropriated funds from being spent. These twin requirements aim to set a spending pace that is neither too fast to cause a shortfall, nor too slow to prevent expenditure of appropriations before they expire.

Allotment and Sub-allotment (*following apportionment*). Upon apportionment, budget offices manage administering bureau requests for “allotments.” Although allotments are not necessarily statutorily binding, they are roughly analogous to apportionments—they give instructions for administering bureaus about obligating funds. For overseas posts, administering bureaus then “sub-allot” funds to OUs.

Transfers and Reprogramming (*ongoing*). Programmatic or other changes may prompt agencies to adjust the plans described in the CBJ and the 653(a) Report. These changes may include transfers—a shift of funds across accounts—and reprogramming—redirecting funds within an account.

Congressional Notifications (CNs) and Holds (*15 days prior to an action*). No less than 15 days prior to obligation of certain funds, as well as transfers and reprogramming, agencies must notify the relevant committees prior to (1) intent to obligate certain funds, and (2) transfers or reprogramming (FAA Section 634A, 22 U.S.C. §2394–1). The committees may place a hold to delay obligation and confer with an agency. This may lead to further justification, funding adjustments, or reprogramming.

Obligation and Disbursement (*ongoing*). After the prior steps, OUs may contract to spend funds (i.e., “obligate” funds). Following obligation, agencies may direct the disbursement of funds after receiving goods or services.

Reporting Spending (*February following fiscal year end*). State and USAID calculate funding “Actuals” by country and account and incorporate them into the following year’s CBJ (e.g., FY2018 Actuals appear in the FY2020 CBJ). Actuals represent a final plan for allocation, but not necessarily final obligations or disbursements—agencies may continue to reprogram or transfer funds, particularly because most funds are available beyond that fiscal year. Authoritative final figures are reported in USAID’s Foreign Aid Explorer by the fiscal year of obligation and disbursement (FAA Section 634, 22 U.S.C. §2394).

Issues for Congress

Tracking Funds. No data repository connects funding from each budget stage. Both USAID’s Foreign Aid Explorer and State’s ForeignAssistance.gov databases focus on obligations and disbursements. Neither connects enacted funding to expenditures, presenting difficulties in reviewing adherence to congressional mandates or 653(a) allocations.

Funding Requirements. OUs have expressed concern that the average of more than 700 annual SFOPS directives in recent years may contradict OUs’ expertise or create new burdens for already-constrained administrative staff. Others have argued that these directives achieve balance between presidential and congressional authority, with OUs able to provide input to Congress as it enacts appropriations.

Reporting Delays. State has delivered the 653(a) Report five months late on average in recent years, and it releases CBJ country annexes several weeks after the CBJ. The Government Accountability Office (GAO) has made and State has concurred with recommendations to resolve such delays, which may impede congressional input in country allocations or lead to congressional funding holds.

Transparency. While the CBJ is public, the 653(a) Report is not. As Congress has appropriated much more SFOPS funding than requested in recent years, the 653(a) Report has become more important in allocation decisions. Despite laws like the Foreign Aid Transparency and Accountability Act of 2016, P.L. 114-191, the greater role of 653(a) allocations has reduced transparency for the general public.

Program Planning. Trump Administration budget requests have regularly proposed 30% less foreign assistance than Congress ultimately has enacted. OUs’ budget plans and proposals thus do not align with the funding they ultimately receive. Congress may consider whether to adapt the budget planning process with participatory budgeting approaches both to engage appropriators early, as OUs begin developing budgets, and to engage OUs in appropriations dialogue, as funding directives are established.

Apportionment Notifications. OMB’s apportionment authority has drawn recent controversy. In 2019, security assistance to Ukraine was delayed without a CN. GAO determined this delay was improper, but OMB disputed that opinion. Obligations often require CNs, but decisions not to obligate may not. Congress may consider whether OMB’s interpretation of CN responsibilities align with congressional interests.

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