BUYING POWER MAINTENANCE ACCOUNT

Proposed Appropriation Language

BUYING POWER MAINTENANCE ACCOUNT

None.

BUYING POWER MAINTENANCE ACCOUNT

Resource Summary

($ in thousands)

Appropriations	FY 2012 Estimate	FY 2013 Request	FY 2014 Submission	Increase / Decrease
Funds	0	0	0	0

Program Description

The Buying Power Maintenance Account (BPMA) is authorized under section 24 of the State Department Basic Authorities Act of 1956 (22 U.S.C. 2696) as amended (P.L.110-252). The BPMA is intended to offset adverse fluctuations in foreign currency exchange rates or overseas wage and price changes.

Adverse exchange rate fluctuations erode the Department's buying power overseas, causing potential operating deficits. In order to maintain planned levels of activity, funds may be transferred from this account to other accounts under the heading "Administration of Foreign Affairs" to offset adverse currency fluctuations and overseas inflationary requirements. Managing factors include the ability to absorb exchange rate losses within the current year financial plan, offsetting gains in other parts of the world, and the balances available versus projections of exchange rate fluctuations in the current and the next budget year. Decisions to transfer exchange rate gains from other accounts under the heading "Administration of Foreign Affairs" into the BPMA are made on a similar basis.

Historically, the BPMA was capitalized at a level of over $20 million in the mid-1980s, and balances were depleted in subsequent years due to the decline in the value of the dollar against the currencies of virtually every major industrialized country. From FY 1997 through FY 2002, the Department built the fund back up to $16.7 million through exchange rate gains and the transfer of balances from the former USIA Buying Power Maintenance Account. However, because of significant worldwide losses in the value of the dollar in FY 2003 and FY 2004, the BPMA account was drawn down to zero by the end of FY 2004. The FY 2010 account balance included $8.5 million in appropriated funds along with $5 million carried forward from FY 2009 balances. In FY 2011, Congress rescinded $17 million which was almost half of the BPMA balance of $35.5 million, and $18 million was transferred to the Diplomatic and Consular Programs appropriation to offset the $50.4 million 2011 global wage and price increases. The FY 2011 end of year balance was $500,000. In FY 2012, the Department transferred $30.9 million in expired, unobligated balances from FY 2008 and FY 2009/FY 2010 D&CP appropriations to the BPMA. Subsequently, $30.9 million was transferred from BPMA to the FY 2012/FY 2013 D&CP appropriation to offset adverse currency fluctuations and overseas inflationary requirements. In FY 2013, the Department anticipates $18 million in expired, unobligated balances will be transferred from D&CP appropriations to the BPMA which will be subsequently transferred to the FY 2013/2014 D&CP appropriation to offset adverse currency fluctuations and overseas inflationary requirements.

Justification of Request

The FY 2014 Request does not include an increase in BPMA total appropriated resources for potential exchange rate losses. The Department will use existing BPMA balances and related transfer authority to manage exchange rate fluctuations that may occur in FY 2014.

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