

BUDGET SUMMARY

I would define the objective of transformational diplomacy this way: to work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system... We must transform old diplomatic institutions to serve new diplomatic purposes, and we must empower our people to practice transformational diplomacy.

– Dr. Condoleezza Rice
Secretary of State

Overview

America stands committed to a bold mission – supporting the growth of democratic movements and institutions in every nation and culture with the ultimate goal of ending tyranny in the world. Consistent with historic American ideals, this mission is also vital to U.S. national security. For democracy and freedom represent the best way to defeat ideologies that use terror as weapons and the surest means to build peaceful and stable societies.

The mission requires equally bold diplomacy. American diplomacy must be transformational – seeking not just to report on the world as it is, but to change it for the better. Together with partners on every continent, the United States must work to promote effective democracy and responsible sovereignty.

As a key national security institution, the Department of State presses the mission globally. American diplomats engage governments and publics around the world to advance U.S. security interests, development efforts, and democratic values together.

The FY 2008 budget identifies the resources required by the State Department to meet the mission – the resources necessary to reorient the Department towards transformational diplomacy and position it to serve new national purposes.

FY 2008 Budget Request

The FY 2008 budget request for all State Department appropriations totals \$10.014 billion, not including additional FY 2008 funding requested for the Global War on Terror. These appropriations fund the programs, operations, and infrastructure essential to conduct U.S. diplomatic and consular relations in more than 180 countries. They also support vigorous U.S. engagement abroad through public diplomacy and international organizations.

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The resources requested for these appropriations in FY 2008 will sustain ongoing initiatives for people, security, facilities, information technology, and management reform. They will also address new and increased requirements to advance transformational diplomacy. These include repositioning the U.S. global diplomatic presence, expanded roles for U.S. representatives on the ground, increasingly complex and dangerous missions, and coordinating U.S. Government civilian efforts on reconstruction and stabilization.

The FY 2008 budget request will enable the Department to:

- **Advance Transformational Diplomacy**

The request provides \$125 million to strengthen the American diplomatic presence overseas. This funding will support 254 new positions to meet new realities in the international arena, where power is defined increasingly in economic and financial terms and where transnational threats like terrorism, disease, and drug trafficking are critical priorities. The new positions will support a multi-year global repositioning, adding expertise at overseas posts to deal with national security challenges and staff for new American Presence Posts. Positions in the request will also expand critical foreign language training and specific training modules for transformational diplomacy. Further, positions will strengthen coordination of civilian efforts to stabilize and reconstruct societies in transition from conflict or civil strife, increasing management capacity for overall USG strategy and constituting an Active Response Corps for immediate deployment.

- **Support the Global War on Terror**

The request provides \$965 million in Worldwide Security Upgrades to strengthen security for diplomatic personnel, facilities, and information in the face of international terrorism. This funding will extend the core program to upgrade security equipment and technical support, information and systems security, perimeter security, and security training. Funding increases will help to meet new security demands in all regions, including those of American Presence Posts. Because people continue to be the single most important factor in deterrence and response to terrorist acts, the funding will add 52 security professionals.

- **Secure borders and open doors**

The FY 2008 budget provides \$1.306 billion for the Border Security Program. This program protects America's borders against the illegal entry of terrorists and others who threaten homeland security. At the same time, it facilitates the entry of legitimate foreign visitors and students. Revenue from Machine Readable Visa (MRV) fees, Enhanced Border Security Program fees, the Western Hemisphere Travel Surcharge, and visa fraud fees will fund continuous improvements in systems, processes, and programs. The fees will also fund 122 additional consular positions required to address rising passport demand associated with the Western Hemisphere Travel Initiative and rising visa demand, including increases related to Border Crossing Card (BCC) renewals. In FY 2008, the BCC renewal program will have a major impact on consulates along the U.S.-Mexican border.

- **Build and maintain secure diplomatic facilities**

The request provides \$1.599 billion to continue security-driven construction projects and address the major physical security and rehabilitation needs of U.S. embassies and consulates. This total includes \$692 million for the Capital Security Construction Program to replace diplomatic facilities at the most vulnerable posts. In FY 2008, the Department will begin design and construction of 11 new facilities, including new embassy compounds in Kinshasa, Lusaka, and Tripoli. During the fourth year of Capital

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Security Cost Sharing (CSCS), USG agencies with personnel abroad under Chief of Mission authority will contribute \$362 million to CSCS construction. The request total also includes \$115 million to upgrade compound security at high-risk posts and increase protection for soft targets such as schools and recreation facilities. In addition, the budget total includes \$793 million for ongoing programs, including operations and maintenance necessary to protect U.S. real estate assets valued at over \$14 billion and keep more than 15,000 properties functional.

- **Invest in information technology**

The request provides \$314 million, including revenue from fees, for Central Fund investments in information technology (IT). The ability of the Department to support transformational diplomacy, information sharing, rightsizing efforts, and e-Government initiatives is dependent on robust, secure IT. The funding will support the State Messaging and Archive Retrieval Toolset (SMART) project, diplomacy through collaboration, and infrastructure that provides American diplomats with anywhere/anytime computing. The Department's budget for IT in FY 2008 from all funding sources totals \$905 million.

- **Inform and influence through public diplomacy**

The request provides \$359 million in appropriations for public diplomacy to inform foreign opinion and win support for U.S. foreign policy goals. In addition to advocating U.S. policies, public diplomacy communicates the principles that underpin them and creates a sense of common interests and values. To help win the war of ideas, funding increases in FY 2008 will support efforts to combat violent extremism in key countries. Objectives of the public diplomacy strategy include engaging Muslim communities, promoting democracy and good governance, de-legitimizing terror, and isolating terrorist leaders and organizations.

- **Engage and educate through international exchanges**

The request provides \$486 million for educational and cultural exchanges to increase mutual understanding and engage the leaders of tomorrow. Aligned with other public diplomacy efforts, these people-to-people programs are uniquely able to address complex and difficult issues and lay foundations for international cooperation. Funding increases in FY 2008 will raise the number of foreign and American participants in exchange programs of proven value and create new opportunities to educate and empower, particularly in the Muslim world. The funding will expand the President's National Security Language Initiative by promoting teaching and study by Americans of critical need foreign languages, particularly Arabic, Chinese, Farsi, Russian, and Turkic languages. The funding will also support new efforts to strengthen international education in the national interest under a State-Education initiative. Further, the funding will expand professional and cultural programs to support the National Security Strategy, bringing to America journalists, teachers, religious educators, and others who influence their nations and the way young people think.

- **Work through international organizations**

The request provides \$1.354 billion to pay U.S. assessed contributions to 45 international organizations, including the United Nations. The request recognizes U.S. international obligations and reflects a commitment to maintain the financial stability and efficiency of those organizations. Membership in international organizations assists in building coalitions and gaining support for U.S. policies and interests. Further, multilateral diplomacy through such organizations serves key U.S. foreign policy goals, including advancing democratic principles and fundamental human rights, promoting economic

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growth through free trade and investment, settling disputes peacefully, encouraging non-proliferation and arms control, and strengthening international cooperation in environment, agriculture, technology, science, education, and health.

- **Participate in international peacekeeping**

The request provides \$1.107 billion to pay the U.S. share of costs for UN peacekeeping missions. This funding will help support peacekeeping efforts worldwide, including critical missions in Sudan, Lebanon, Haiti, Liberia, and the Congo. Such peacekeeping activities further U.S. goals by ending conflicts, restoring peace, and strengthening regional stability. They also leverage U.S. political, military, and financial assets through the authority of the UN Security Council and the participation of other states that provide funds and peacekeepers for conflicts around the world.

President's Management Agenda / Management Reform

In addition to the resources required for transformational diplomacy and foreign affairs programs, the FY 2008 budget includes resources for the State Department to work more effectively and efficiently. These resources are needed to further the Government-wide initiatives of the President's Management Agenda (PMA): budget and performance integration, improved financial performance, strategic management of human capital, competitive sourcing, and expanded electronic government. The Department is also the principal implementing partner – with the Office of Management and Budget as the lead – of the PMA initiative on rightsizing the U.S. Government's overseas presence and is one of 14 agencies participating in the PMA initiative on Federal real property asset management.

In the fourth quarter of FY 2006, the State Department became the second agency since the PMA was launched to achieve green (the top rating) for status on all five Government-wide initiatives. The Department also reached green on both rightsizing and real property asset management. In addition, for three successive years, State has won President's Quality Awards – the highest awards given to Executive Branch agencies for management excellence in achieving the objectives of the PMA. As these outstanding scores and awards indicate, the Department is not just changing at the margins, but rather transforming itself and its practices:

- State has fundamentally reorganized the way it budgets, plans, and manages foreign assistance. With establishment of a new foreign assistance strategy and framework, country programs have been re-focused to respond to the goals of transformational diplomacy.
- State is becoming more flexible through multi-year repositioning of the American diplomatic presence overseas. By the end of 2008, the Department will have redirected 300 positions to meet priority transformational diplomacy issues such as nonproliferation, counter-terrorism, and getting the U.S. message out to local Muslim communities. These positions include staff for 17 new American Presence Posts in cities where the United States currently has no diplomatic representation.
- Through the process established by National Security Decision Directive 38, State is working with other agencies to rightsize USG presence overseas. As alternatives to putting new functions at individual posts, bureaus are energetically exploring alternatives such as regionalization and containing the costs of duplicative administrative support.

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- State is aggressively pursuing a Department-wide restructuring aimed at consolidating functions, reducing organizational layers, and eliminating or outsourcing low-priority, non-core functions. Furthermore, bureaus are pursuing expansion of shared services and Centers of Excellence.

Performance Evaluation and Integration

Substantive discussions of program performance and results, including ratings by the Program Assessment Rating Tool (PART) for this budget cycle, can be found in the account justification sections of this volume. This volume also includes a pilot performance presentation in support of the PMA budget and performance integration initiative. The presentation substitutes for the traditional narrative under Worldwide Security Upgrades in the State Programs section.

FY 2007 Supplemental and Additional FY 2008 Funding

The President's budget also includes requests for supplemental funding in FY 2007 and additional FY 2008 funding to support the Global War on Terror. For FY 2007, requirements for Department of State appropriations total \$1.168 billion. Of this total, \$824 million will address the personnel, logistical, security, and other costs associated with operating the U.S. Mission in Iraq, including expansion of Provincial Reconstruction Team (PRT) operations throughout Iraq. For FY 2008, State requirements total \$1.935 billion, including \$1.882 billion for the full year of the extraordinary costs associated with operating the U.S. Mission in Iraq, including continued expansion of the PRTs.

Budget Request Details

The following sections of this volume include details of the FY 2008 budget request for Department of State appropriations, as well as details of the requests for FY 2007 supplemental funding and additional FY 2008 funding. The sections provide specific resource requirements for the programs, activities, and management initiatives highlighted above.

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SUMMARY OF FUNDS

(\$ in thousands)

Appropriations	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Administration of Foreign Affairs	7,984,648	6,363,058	7,317,096
State Programs	5,818,884	4,561,170	5,013,443
Diplomatic & Consular Programs	5,692,259	4,460,084	4,942,700
Ongoing Operations (1)(2)(3)	4,961,443	3,664,914	3,977,940
Worldwide Security Upgrades (4)	730,816	795,170	964,760
Capital Investment Fund	58,143	34,319	70,743
Centralized IT Modernization Program	68,482	66,767	0
Embassy Security, Construction & Maintenance	1,489,726	1,182,585	1,599,434
Ongoing Operations	591,152	605,652	792,534
Worldwide Security Upgrades	898,574	576,933	806,900
Capital Security Construction	799,852	478,211	692,178
Compound Security	98,722	98,722	114,722
Office of Inspector General (5)	30,945	29,645	32,508
Educational & Cultural Exchange Programs (6)	431,275	425,162	486,400
Representation Allowances	8,175	8,175	8,175
Protection of Foreign Missions & Officials	9,270	9,270	18,000
Emergencies in the Diplomatic & Consular Service (7)(8)	43,872	4,940	19,000
Repatriation Loans Program Account	1,302	1,285	1,285
Payment to the American Institute in Taiwan	19,499	15,826	16,351
Foreign Service Retirement & Disability Fund (mandatory)	131,700	125,000	122,500
International Organizations	2,303,392	2,144,792	2,461,400
Contributions to International Organizations	1,151,317	1,122,318	1,354,400
Contributions for International Peacekeeping Activities (9)	1,152,075	1,022,474	1,107,000
International Commissions	66,478	64,511	133,550
International Boundary & Water Commission - S&E	27,642	27,642	30,430
International Boundary & Water Commission - Construction	5,232	6,631	71,725
International Fisheries Commissions	23,693	20,651	21,000
American Sections	9,911	9,587	10,395
Border Environment Cooperation Commission	2,083	2,175	2,100
International Joint Commission	6,417	6,127	6,765
International Boundary Commission	1,411	1,285	1,530
Related Appropriations	113,397	73,361	101,750
The Asia Foundation	13,821	13,821	10,000
National Endowment for Democracy	74,042	50,000	80,000
East-West Center	18,994	3,000	10,000
Center for Middle Eastern-Western Dialogue - Trust Fund	4,936	4,936	0
Center for Middle Eastern-Western Dialogue - Program	740	740	875
Eisenhower Exchange Fellowship Program	494	494	500
Israeli Arab Scholarship Program	370	370	375
Total, State Department Appropriations Act	10,467,915	8,645,722	10,013,796
Migration & Refugee Assistance (10)	858,790	750,206	773,500
U.S. Emergency Refugee & Migration Assistance	29,700	30,000	55,000
Other State Department Authorization Act	11,356,405	9,425,928	10,842,296

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Summary Table Footnotes:

All FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

All FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

(1) FY 2006 Actual includes \$16 million provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B) and reflects the transfer of \$1.1 million to the Peace Corps.

(2) FY 2006 Actual also includes \$1,333.525 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234), of which \$1,328.275 million is for Iraq Operations, and reflects the transfer of \$1.0 million to the United States Institute of Peace for activities related to Iraq. Supplementals section of this volume includes requests for additional FY 2007 and FY 2008 funding for Iraq Operations.

(3) FY 2006 Actual also reflects the transfer of \$19.0 million to the Emergencies in the Diplomatic and Consular Service appropriation.

(4) FY 2006 Actual includes \$50.1 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234).

(5) FY 2006 Actual includes \$25.3 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234) and reflects the transfer of \$24.0 million to the Special Inspector General for Iraq Reconstruction.

(6) FY 2006 Actual includes \$5.0 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234).

(7) FY 2006 Actual includes \$15.0 million provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

(8) FY 2006 Actual also includes \$19.0 million transferred from the Diplomatic and Consular Programs appropriation.

(9) FY 2006 Actual includes \$129.8 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234).

(10) FY 2006 Actual includes \$75.7 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234).

SUPPLEMENTAL APPROPRIATIONS

***Emergency Supplemental Appropriations Act to Address
Hurricanes in the Gulf of Mexico and
Pandemic Influenza, 2006
(P.L. 109-148, Division B)***
(\$ in thousands)

Appropriations	FY 2006 Actual
Administration of Foreign Affairs	29,900
Diplomatic & Consular Programs – Ongoing Operations (1)	14,900
Emergencies in the Diplomatic & Consular Service	15,000
Total, Department of State	29,900

(1) FY 2006 Actual reflects \$1.1 million transferred to the Peace Corps.

***Emergency Supplemental Appropriations Act for
Defense, the Global War on Terror, and
Hurricane Recovery, 2006
(P.L. 109-234)***
(\$ in thousands)

Appropriations	FY 2006 Actual
Administration of Foreign Affairs	1,388,925
Diplomatic & Consular Programs – Ongoing Operations (1)	1,332,525
Diplomatic & Consular Programs – Worldwide Security Upgrades	50,100
Office of Inspector General (2)	1,300
Educational & Cultural Exchange Programs	5,000
International Organizations	129,800
Contributions for International Peacekeeping Activities	129,800
Total, Department of State	1,518,725

- (1) FY 2006 Actual reflects \$1.0 million transferred to the United States Institute of Peace for activities relating to Iraq.
 (2) FY 2006 Actual reflects \$24.0 million transferred to the Special Inspector General for Iraq Reconstruction.