

BUYING POWER MAINTENANCE ACCOUNT

Proposed Appropriation Language

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To offset adverse fluctuations in foreign currency exchange rates and/or overseas wage and price changes, as authorized by section 24(b) of the State Department Basic Authorities Act of 1956 (22 U.S.C. 2696(b)), [~~\$8,500,000~~]~~\$0,000,000~~, to remain available until expended. (*Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010.*)

BUYING POWER MAINTENANCE ACCOUNT

Resource Summary

(S in thousands)

| Appropriations | FY 2009 Actual | FY 2010 Enacted | FY 2011 Request | Increase / Decrease |
|----------------|----------------|-----------------|-----------------|---------------------|
| Funds | 5,000 | 8,500 | 0 | (8,500) |

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). 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. Funds may be transferred from this account to other accounts under the heading "Administration of Foreign Affairs" to maintain planned levels of activity. 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 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.

In FY 2008, the Department received authority to transfer \$26 million from the D&CP appropriation in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (P.L. 110-28) to the BPMA, in accordance with section 1408 of the Supplemental Appropriations Act, 2008 (P.L. 110-252). These funds were transferred in FY 2008 to the Diplomatic & Consular Programs appropriation to offset \$37.9 million in cumulative exchange rate losses as of August 2008. In FY 2010, projected exchange rate losses are expected to reach \$55 million.

Justification of Request

No funding is requested for the BPMA account, as the Department will use existing BPMA balances and related transfer authority to manage exchange rate fluctuations in FY 2011.