

SECURITY ASSISTANCE LEGISLATION AND POLICY

Supplemental FY 1987 and Pending FY 1988

Security Assistance Appropriations

By

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Public Law 100-71, an omnibus supplemental appropriations act which was enacted on 11 July 1987, provides \$9.337 billion in additional appropriations for FY 1987 for a wide variety of government programs and agencies. This Act, which includes an additional \$363 million for security assistance programs in FY 1987, cleared Congress after months of debate. A joint Senate-House Conference Committee reported out a bill on 16 June; House passage occurred on 30 June by a vote of 309-14, and Senate approval by voice vote took place the following day.

Figure 1
Supplemental FY 1987 Appropriations for Security Assistance
(Dollars in Millions)

Country	Administration Request			P.L. 100-71 Supplemental Appropriations		
	FMSCR	MAP	ESF	FMSCR	MAP	ESF
Costa Rica	--	--	40.0	--	--	54.75
El Salvador	--	17.5	55.0	--	--	129.75*
Guatemala	--	5.0	40.0	--	--	54.75
Honduras	--	17.5	65.0	--	--	59.75
Latin America/ Caribbean	--	--	10.0	--	--	--
Belize	--	--	--	--	--	1.0
Kenya	--	3.0	--	3.0	--	--
Somalia	--	3.0	--	--	--	--
Southern Africa Initiative	--	--	50.0	--	--	--
Morocco	--	10.0	10.0	10.0	--	--
Oman	--	--	5.0	--	--	--
Portugal	--	30.0	15.0	--	--	--
Spain	200.0	--	7.0	--	--	--
Turkey	--	125.0	--	--	--	--
Philippines	--	50.0	--	--	50.0	--
TOTALS	\$200.0	\$261.0	\$297.0	\$13.0	\$50.0	\$300.0

* INCLUDES \$75 MILLION FOR EARTHQUAKE RELIEF AND RECONSTRUCTION IN EL SALVADOR.

The Administration's request for supplemental FY 1987 appropriations was originally submitted to Congress on 5 January 1987. The request sought a total of \$12.004 billion, including \$758 million for security assistance. Thus, P.L. 100-71 reflects a reduction of \$2.667 billion (or 22.2 percent) in the Administration's overall request, and a cut of \$395 million (or 52.1 percent) in the security assistance accounts, i.e., the Foreign Military Sales Credit (FMSCR) Program, the Military Assistance Program (MAP), and the Economic Support Fund (ESF). Figure 1 above identifies the program elements and countries included in the original security assistance request, and the actual spending levels appropriated in P.L. 100-71.

In addition to funding levels, several additional features of P.L. 100-71 deserve mention. First, the new Act adds an additional means of replenishing the Guaranty Reserve Fund (GRF). The GRF is an appropriated fund which is drawn upon when countries with FMS loans obtained previously under the Guaranty Loan Program are in arrears in their loan repayments or have defaulted. The GRF functions as a revolving fund: monies drawn from the GRF are used to repay the lenders (e.g., the Federal Financing Bank administered by the Department of the Treasury); and any subsequent country repayments are used to restore the GRF. In recent years, payments out of the GRF have exceeded collections credited, but after Congress appropriated an additional \$109 million for the GRF for FY 1985, it has since been unwilling to appropriate any additional funds. For FY 1986, Congress granted legislative authority to the Administration to use FMS Financing Program appropriated funds to pay any financial claims on debts arising from the Guaranty Loan Program which the GRF was inadequate to meet (Sec. 106b, P.L. 99-83). To this authority has now been added the authority in P.L. 100-71 to also draw upon Military Assistance Program (MAP) appropriations as a further means of replenishing the GRF.

A second provision restricts the sale of certain types of U.S. anti-tank ammunition. Specifically, Section 508, P.L. 100-71 prohibits the use of appropriated funds to facilitate the sale to any country (with certain exceptions) of M-833 anti-tank shells, or any comparable anti-tank shells containing a depleted uranium (DU) penetrating component. Exempted from this prohibition are NATO member-countries, and any country which has been designated as a major non-NATO ally per Section 1105, P.L. 99-661 (National Defense Authorization Act for Fiscal Year 1987); countries so designated presently include Australia, Japan, Israel, Egypt, and the Republic of Korea. This new legislative prohibition has been interpreted to apply to all such sales to non-exempt countries, including sales financed with a purchasing country's own cash resources. (Reference: DSAA OPS-E message, 281519Z Jul 87.).

Finally, the Administration had proposed that Congress authorize "forgiveness" for all of the Philippines' uncommitted loan funds remaining from FY 1985 and FY 1986 appropriations. Approximately \$29.6 million in such uncommitted loan funds were reported to be involved, and the Government of the Philippines, already faced with a heavy debt burden, has been reluctant to commit these funds. The Administration's proposal was designed to release the Government of the Philippines from its contractual liability to repay any of the principal or interest on these funds, and thereby provide an incentive for their use, since, in effect, they would become grants. The Senate Appropriations Committee endorsed the proposal, but opposition was encountered in the House, and the issue was rejected by the Conference Committee.

Pending FY 1988 Legislation

At the time this issue of *The DISAM Journal* went to press in early October, funding for security assistance programs for FY 1988 was being provided under a temporary continuing appropriations resolution (CR). Under the provisions of this CR, which was enacted on September 30 and expires on November 10, 1987, funding is provided at "a rate for operations not in excess of the current rate" (i.e., the FY 1987 funding rate). A final CR is expected in November

which will provide the actual FY88 appropriations levels. Action on FY88 security assistance appropriations is scheduled for mid-October in the Senate Appropriations Committee. The House Appropriations Committee completed its action on Aug. 6, 1987, reporting out a bill which would reduce FY 1988 security assistance funding by 12.4 percent below FY 1987 levels (original plus supplemental FY 87 appropriations) and 17.0 percent below the Administration's FY 1988 budget request. (See Figure 2 below.) The Senate bill might reflect funding levels slightly above the House levels, but it is clear that FY 1988 will reflect a third consecutive year of continued appropriations reductions for security assistance. Further, if the projected U.S. budget deficit for FY88 exceeds the target level in the newly amended Gramm-Rudman-Hollings (GRH) legislation, as is expected, additional cuts in appropriations for security assistance will be required through the GRH sequestration process, as occurred in FY 1986.

Finally, no new authorization bill for security assistance is expected for FY 1988. Authorization Committees in both Houses reported out their respective versions of a new authorization bill earlier in the year (S. 1274, May 22, 1987, and H.R. 3186, August 6, 1987). However, a lack of bipartisan support in each House precluded floor action, and program authorizations for FY 1988 are expected to be incorporated in the final FY88 CR rather than in a separate authorization bill.

Figure 2
Pending FY 1988 Security Assistance Appropriations
(Dollars in Millions)

	<u>FY 1987</u> <u>Appropriations*</u>	FY1988 <u>Budget</u> <u>Request</u>	HAC** <u>Proposal</u> <u>6 Aug 87</u>
Foreign Military Sales Credit Program	\$4,053.4	\$4,421.15	\$3,891.14
Military Assistance Program	950.0	1,329.80	712.50
International Military Education and Training Program	56.0	56.00	56.00
Economic Support Fund	3,850.0	3,587.50	3,141.41
Peacekeeping Operations	<u>31.7</u>	<u>46.31</u>	<u>31.69</u>
TOTALS	<u>\$8,941.1</u>	<u>\$9,440.76</u>	<u>\$7,832.74</u>

* FY 1987 appropriations include original appropriations (P.L. 99-591) plus supplemental appropriations (P.L. 100-71).

** HAC: House Appropriations Committee