

RELEASE IN
PART B5

From: Lew, Jacob J <LewJJ@state.gov>
Sent: Tuesday, December 29, 2009 11:24 AM
To: H
Cc: Mills, Cheryl D; Abedin, Huma; Sullivan, Jacob J
Subject: Budget update

We are very close to settled with OMB.

In addition to the [redacted] in fee generated revenue, we have an additional [redacted] in new money and they are providing an additional [redacted] directly to Treasury for the multilateral food initiative. This means that of the [redacted] that you discussed with the President, the budget will reflect [redacted] of new resources ([redacted] in State and [redacted] in Treasury). The one condition on the top line is that the State/USAID percentage increase cannot be greater than Defense – which is now 3 percent, which is why part of the multilateral food assistance funding is going directly to Treasury. As they work through the details of the numbers, this is the one place that we could face a last minute issue if the percentages get out of alignment.

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In terms of policy this has all of the restorations to initiatives that we discussed last week and also adds [redacted] to MCC (OMB made this part of the agreement). In food security, with the combination of [redacted] from State/USAID and [redacted] in new money will add [redacted] to the multilateral initiative; we will fund the nutrition component within the State/USAID levels. Global engagement will be funded at [redacted] of new money and we will be able to restore the proposal to increase in State and USAID staffing. While the staff increases will be funded at 50 percent of the originally proposed levels, with carryover balances because prior year appropriations were delayed there will be a very strong continuation of new recruitment. It should feel like we are on track and will add much needed capacity – much better than a pause.

While we still have a risk that the fee proposal may not be accepted, we now have [redacted] of cushion in new State ops funding which means our absolute risk vs. current levels is only [redacted]. We also get the upside that any additional fee revenues above projections will come to State and the permanent transfer of revenues, if enacted, will provide long term stability in State ops funding.

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I talked to Karl yesterday about Afghanistan funding and I think he appreciates that we have made big progress, but he is still thinking about weighing in on the need for full funding. I told him that we expect funding levels that will permit us to increase the monthly program level from roughly [redacted] with front loaded funding to permit stable planning for the next 18 months. I told him that the proposed settlement made it much harder to make a compelling case and he is weighing whether the principle of full funding of the field defined requirements is an issue that he wants to be firm on. He understands that we went to the mat on this and he understands the character of the arguments we faced.

I think Richard will be disappointed that the Pakistan funding level is at Kerry-Lugar-Berman levels and not higher.

Overall In a year when domestic agencies are being pressed very hard this should be seen as a big investment in State and USAID. I started laying a foundation at the staff meeting this morning so our team has a context as they finalize the budget documents with their staffs.

I hope this is the final budget note for the year. Best to you and your family for a happy and healthy new year.

Jack