



Note to the Line: Due to the deliberative nature of the budget appeal process and per past practice, this was only cleared within BP and F. This Note was also shared via email by BP and F Directors to the entities listed below.

SENSITIVE BUT UNCLASSIFIED/NOT FOR DISTRIBUTION

April 10, 2025

☐ Read by _____

Note for the Secretary

Note for the Deputy Secretary

Note for the Counselor

Note for the Assistant Secretary (for Management)

Note for the Senior Officials (P, R, E, T, J)

FROM: BP – Douglas Pitkin
F – Peter Marocco

SUBJECT: (SBU) FY 2026 OMB Passback Highlights

(SBU) We received OMB's FY 2026 Passback for the Department and USAID this afternoon. We are analyzing the funding allocations and other directives and will provide response recommendations tomorrow. This Note serves as a summary of the Passback as we continue to develop these recommendations.

(SBU) **Bottom Line:** OMB recommends a total of **\$28.4 billion**, for State and former USAID activities, a decrease of \$26.0 billion (48 percent) below FY 2025 Enacted, excluding rescissions. Passback also assumes a significant, total discretionary rescission of \$20.4 billion from available prior-year base balances. Passback assumes USAID will be integrated into the Department, resulting in certain USAID accounts merging with applicable State accounts.

Passback supports the President's top priorities while identifying and eliminating wasteful spending.

(SBU) The Department's response, including changes within the top-line, are **due by 12pm on Tuesday, April 15**, and must be submitted in writing to OMB and signed by the Secretary. BP and F will draft a letter for the Secretary's signature. OMB aims to finalize topline levels on or about April 16. If the Department and OMB cannot reach settlement on funding, it will be referred to a Budget Review Board, which may result in a lower topline level. The Administration aims to publicly release the FY 2026 'Budget Blueprint' in late April that will include our topline and a high-level summary of Department activities. The Congressional Budget Justification is expected to be released in late May.

(SBU) The highlights of topline levels include:

- **Diplomatic Engagement:** \$11.6 billion, a decrease of -\$4.5 billion or -27 percent below FY 2025 Enacted, excluding rescissions.
- **Foreign Assistance:** \$16.9 billion, a decrease of \$21.5 billion or -56 percent below FY 2025 Enacted, excluding rescissions and emergency funding.

(SBU) The highlights of rescission requirements include:

- **Rescission of discretionary balances** - Passback directs State to submit a proposal by **Tuesday, April 15** for a \$20 billion rescission, to be withdrawn from recently appropriated FY 2025 funds and other unobligated balances. The Department may need to revisit this target if other unfunded Administration priorities emerge during the remainder of FY 2025.
- **International Technology Security and Innovation Fund (ITSI Fund) Rescission (Mandatory funding)** – all unobligated balances of funding for CHIPS, as well as appropriations for FY 2025, FY 2026, and FY 2027 resulting in an estimated savings of \$294 million in FY 2026 and \$394 million over the ten-year budget window.

Highlights for Diplomatic Engagement and Foreign Assistance are provided below, in comparison to the FY 2025 Enacted levels.

Diplomatic Engagement

- **Current Services and Pay:** Passback reflects a pay freeze for civilian employees in CY 2026 and assumes the State hiring freeze will continue through FY 2026, except for USAID integration.
- **Diplomatic Programs:** \$4.8 billion, including \$358.4 million previously attributed to USAID Operating Expenses. This would be a -20 percent reduction from current State levels and a -79 percent reduction from current USAID levels. OMB's recommended savings include eliminating the CSO Bureau, R/FIMI, and all public diplomacy grants; reducing Foreign Service benefits and travel; and consolidating special envoy/advisor positions. G20 hosting expenses are assumed within the topline. OMB requests further detail on how former USAID expenses will be integrated into the Department, in line with the forthcoming integration plan. Any legislative authorities necessary to finalize the USAID merger would be submitted to OMB by April 15.
- **Embassy Security:**
 - **Worldwide Security Protection and Diplomatic Security:** \$3.7 billion, a decrease of -\$76 million (-2 percent) from FY 2025. DS would absorb this reduction through anticipated contract savings, particularly in Iraq.
 - **Embassy Security, Construction and Maintenance (ESCM):** \$2.0 billion, an increase of +\$49 million (+2 percent) to consolidate USAID's facility expenses.
- **Assessed Contributions to International Organizations:**
 - **Contributions to International Organizations (CIO):** \$169 million, a decrease of -\$1.4 billion (89 percent), eliminating funding for the UN, NATO, OAS, and over 20 organizations; preserving targeted contributions for the IAEA, ICAO, ITU, OPCW, and IMO (International Maritime Organization).
 - **Contributions for International Peacekeeping Activities (CIPA):** no funding is provided, citing recent mission failures.

- The Department could utilize the new American First Opportunities Fund (A1OF) for a portion of United Nations Regular Budget or specific peacekeeping mission assessment (described under Foreign Assistance).
- **Public Diplomacy and Exchanges:**
 - **Public Diplomacy:** Eliminates at least \$60 million associated with PD grants.
 - **Educational & Cultural Exchange Programs (ECE):** Eliminates all ECA programs and personnel, relying on FY 2025 balances for RIF expenses. This would terminate the Fulbright program and other Congressional priorities.
- **Capital Investment Fund:** \$438.7 million, an increase of \$49.7 million (13 percent) to bring USAID systems into the Department.
- **OIG:**
 - **State OIG:** \$123.4 million, a decrease of -\$8.3 million (-6 percent), of which \$6 million is for SIGAR to conclude all requirements to sunset the program by January 31, 2026.
 - **USAID OIG:** \$43 million for residual foreign assistance oversight including the Millennium Challenge Corporation (MCC).
 - OMB directs the Department to coordinate with State's OIG on whether to fully consolidate all USAID-OIG functions into State's OIG.
- Eliminates Title 1 directed grants for the **National Endowment for Democracy, The Asia Foundation, and East-West Center.**
- **Consular and Border Security Programs (CBSP):** Rescinds \$400 million of fee balances, preserving \$4.7 billion for consular operations.
- **Enduring Welcome Administrative Expenses Account:** With no additional funding, \$600 million in remaining balances would be used for the orderly shutdown of the CARE program by end of FY 2025.

Foreign Assistance

At a topline, Passback provides \$16.9 billion for foreign assistance, which is \$21.5 billion or 56 percent below FY 2025 enacted levels. Passback provides a new America First Opportunity Fund account but strategically pauses

requesting new funding for the ESF, DA, AEECA, DF (development and economic assistance) and INCLE (civilian security sector). Passback also seeks to scale-back FY 2026 funding for Global Health, Humanitarian Assistance, and Security Assistance (IMET, FMF) accounts. Passback eliminates Title II Food for Peace (FFP), funding for UN organizations through the IO&P account, funding for Peacekeeping Operations (except for the Multinational Force and Observers in the Sinai), and the legacy USAID accounts for Transition Initiatives and the Complex Crises Fund. In general, Passback specified very few country- or program-specific levels.

Highlights:

- **America First Opportunities Fund (A1OF):** The FY 2026 Passback provides \$2.1 billion for an A1OF to be established as a new Treasury account; it would provide targeted support for economic and development assistance for enduring and emerging Trump Administration priorities and include broad authorities and flexibility. Priorities could include support to specific partners, like Jordan and India, or broader issues, such as the South Pacific Tuna Treaty or countering the PRC.
- **Humanitarian Assistance:** Passback includes \$4.0 billion for HA (-\$4.8 billion or 55 percent less than FY 2025 enacted levels). It merges authorities and funding previously requested as MRA for State/PRM and IDA for USAID/BHA into a new “International Humanitarian Assistance” (IHA) account, managed by a new Bureau for Humanitarian Assistance at State, with a total of \$2.5 billion. Passback also includes \$1.5 billion Emergency Migration and Refugee Assistance that is provided to the President to address humanitarian emergencies.
- **Global Health Programs:** Passback provides \$4.6 billion for global health (-\$5.4 billion or 54 percent less than the FY 2025 enacted levels), of which \$2.9 billion to sustain HIV treatment through PEPFAR, \$800 million for the Global Fund at a rate of \$1 from the United States for every \$4 from other donors (doubling the statutory 1:2 match), \$200 million for global health security, and \$687 million for other interventions such as TB and

malaria. No funding is included for other global health programs, including family planning and reproductive health, nutrition, vulnerable children, the Global Health Worker Initiative, Neglected Tropical Diseases, GAVI, Maternal Child Health, or the Health Reserve Fund.

- **International Narcotics Control and Law Enforcement (INCLE):** The Passback provides a one-year pause to spend down the account's pipeline as well as time to assess and align programs with Administration priorities to fight drugs and crime impacting Americans. There is approximately \$1.4 billion in INCLE pipeline in unexpired funds, which is one year's worth of outlays.
- **Security Assistance:** Passback provides \$5.1 billion for Foreign Military Financing (FMF) grant assistance, which included \$3.3 billion to Israel, \$1.3 billion to Egypt, \$200 million for Jordan, \$100 million for Taiwan, and additional funding for emerging priorities and admin costs. It also includes \$8.0 billion in FMF loan authorities: \$4 billion each for direct loan and loan guarantees. Other Security Assistance includes \$95 million for military education and \$870 million for counterterrorism, border security, demining, and non-proliferation.