

# ISSUE BRIEF

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## The Future of Overseas Contingency Operations: Due Diligence Required

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In 2001, the U.S. government began providing emergency supplemental funds to pay for increased military and civilian costs associated with the global war on terrorism (GWOT). Initially, war funds paid for the mobilizing and deploying of troops, transporting equipment and supplies, and increasing the number of active-duty service members associated with Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).<sup>1</sup>

Over time, however, the use of war funding expanded to cover issues with only tenuous links to combat operations. Today, with OIF completed and OEF coming to a close, the cost of the GWOT, now called overseas contingency operations (OCO), has also declined from its peak of \$187 billion in fiscal year (FY) 2008, to the \$58.6 billion requested today. Yet, as OCO spending has declined under the Obama Administration, the passage of the Budget Control Act has created competing pressure to use the OCO account to fund other Defense Department activities. This approach is not fiscally responsible. Instead of jeopardizing the nation's fiscal well-being through accounting gimmicks, Congress should increase the defense top line to fund all national defense requirements and seek fiscal savings by reforming the key drivers of spending and debt: entitlements.

### **The Changing Politics of OCO Funding**

Early in its tenure, the Obama Administration indicated that it would scrutinize war funding much more so than its predecessor did.<sup>2</sup> This was a reflection of criticisms that OCO funds had been used too broadly during the Bush Administration, leading to ballooning war debt. However, the Budget Control Act has led to a significant underfunding of the Defense Department, increasing pressure to turn to the OCO account as a safety valve.

In an effort to reduce the federal deficit, the Budget Control Act imposed discretionary spending caps on defense and non-defense spending. It also established a congressional joint committee to draft legislation with the goal of reducing the federal deficit by an additional \$1.2 trillion. If the committee's recommendations for deficit reduction were not enacted by Congress, built-in cuts, known as sequestration, would kick in automatically. But the pain intentionally built into the legislation failed to incentivize action—thus imposing severe cuts on the Defense Department and creating major shortfalls in funding military requirements. For the past several years, the Defense Department's budget has been required to remain within the discretionary caps mandated by the Budget Control Act, and later the Bipartisan Budget Act. The results of squeezed defense budgets have been: cancellation of modernization programs, a reduction of end strength to historic lows, and a readiness crisis throughout the military. In short, the Defense Department cannot pay for all of its military requirements while staying within the discretionary caps.

The appeal of the OCO account is that it is exempt from the discretionary caps. That means that Congress can appropriate as much as it pleases to the

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OCO accounts above the discretionary caps set in the Budget Control Act. This has created a perverse incentive to use OCO funding as a safety valve.

### General Operating Fund?

While the Obama Administration has not used the OCO account to procure platforms, it is increasingly relying on the OCO account to fund operations outside of Operation Enduring Freedom. The President's FY 2015 Budget Request, for example, contains \$4 billion in support for a new Counterterrorism Partnerships Fund (CTPF) and \$925 million for the European Reassurance Initiative (ERI). According to the Administration, the CTPF aims to facilitate a "more sustainable and partnership-focused approach to counterterrorism" whereas the ERI seeks "to provide temporary support to bolster the security of our North Atlantic Treaty Organization (NATO) allies..."<sup>3</sup>

These issues merit funding, but should be authorized and appropriated through standard budgetary processes and exist within the base budget, which will provide a long-term predictable funding stream. These initiatives are clearly outside the purpose of OCO. The purpose of supplemental funding is to pay for sudden, unexpected, and urgent national security emergency situations that fall outside budgetary cycles.

Because the OCO account is exempt from the discretionary cap, it actually adds to the national deficit and negates deficit reductions sought through the Budget Control Act. Given the negative impacts on defense due to sequestration, this budgeting gimmick is all pain and no gain. Moreover, card-shuffling priorities using OCO funding belies the cost of fully funding Defense Department requirements.

In truth, the OCO account is a relatively new concept. The military is always performing some level of operations and some level of troops is always deployed. Historically, these requirements have

been paid for without relying on supplemental funding. The U.S. has maintained a presence in Europe since the end of World War II without OCO funding, for instance. Fully funding defense means accounting for all requirements—whether that includes funding for airstrikes in Yemen or typhoon-style crisis response in the Philippines.

The Defense Department needs to begin phasing out OCO funding. Accomplishing this feat will not be easy given the massive shortfall in defense spending.

### Next Steps

- **Congress should fully fund defense.** Defense, as a core constitutional function of the federal government, should be fully funded first and foremost. The debate over OCO funding is purely a result of shortfalls in funds. Instead of using defense spending as a way to reduce the deficit, Congress should focus on the real problem by reforming entitlement programs. Supporting America's armed forces in times of war and peace is a fundamental obligation of government. Congress must reverse course and begin to fund defense properly.
- **Congress should phase out the OCO account.** As the drawdown of U.S. military forces in Afghanistan continues, Congress should phase out the OCO account and fund priorities through standard budgetary processes. Identifying initiatives that should transition from OCO into future base budgets may be a complicated endeavor, but it is a necessary one.
- **The OCO fund should be limited to true emergencies.** OCO funding is not a safety-valve to cover defense spending shortfalls. In the future, the use of the OCO account for new initiatives should be limited to sudden, unexpected, and urgent national security emergencies that

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1. Peter R. Orszag, "Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terror," Congressional Budget Office, February 11, 2008, [http://www.cbo.gov/sites/default/files/02-11-warcosts\\_letter.pdf](http://www.cbo.gov/sites/default/files/02-11-warcosts_letter.pdf) (accessed October 20, 2014).

2. Obama for America, "A 21st Century Military for America," November 26, 2007, [http://obama.3cdn.net/303d3f8f5e85133bae\\_9ypmvvari.pdf](http://obama.3cdn.net/303d3f8f5e85133bae_9ypmvvari.pdf) (accessed October 20, 2014).

3. U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, "Overview: Overseas Contingency Operations," June 2014, p. 1, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/amendment/FY2015\\_Budget\\_Request\\_Overview\\_Book\\_Amended.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/amendment/FY2015_Budget_Request_Overview_Book_Amended.pdf) (accessed October 20, 2014)

fall outside the regular budgetary cycle. In other words, the OCO account should fund unforeseeable operations that require immediate action and that the Defense Department was not able to include in the annual budget.

To be clear, the proper usage of an emergency supplemental account requires that military requirements are fully funded with an appropriate base budget. The U.S. has a responsibility to provide for the common defense and protect the nation. Congress must find a way to fully fund Defense Department requirements without sacrificing the foundation of American strength either militarily or fiscally.

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