

# ISSUE BRIEF

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## House Department of Defense Appropriations: Where the Battle over Budget Priorities Begins

*John Gray*

This week, the House of Representatives debates the Department of Defense (DoD) appropriations bill, which provides \$490.2 billion in discretionary budget authority (BA) for fiscal year (FY) 2016. The levels provided are nearly the same levels as current funding but \$37 billion less than the President requested in his budget submission to Congress. However, the bill also provides resources for a fund dedicated to Overseas Contingency Operations (OCO), or war funding. When base discretionary and OCO funds are combined, the total budget authority increases to \$579.2 billion—about \$800 million above requested levels and \$24.4 billion more than current funding.

National security funding is at a critical juncture in Washington. Under the Budget Control Act (BCA), spending is legally divided into two separate spending categories: defense and non-defense (see Table 2). Both are subject to spending caps outlined in the law. Many conservatives believe that by putting disproportionate emphasis on cuts in defense, spending reductions achieved by the BCA have failed to prioritize federal funding adequately.

This categorization provides considerable flexibility in determining domestic, non-defense spending priorities but does little to do the same with

defense spending. This situation has left conservatives in a Catch-22 situation, with legislators caught between their desire to provide enhanced funding for new national security resources and the need to adhere to the spending caps. The DoD appropriations bill can do little to realign spending in the defense or non-defense categories. If this appropriations bill attempted to exceed the spending caps outlined in the BCA, that spending would be subject to sequestration.

To circumvent the spending caps, Congress employs a budget gimmick, known as Overseas Contingency Operations (OCO) or war funding, that is meant to provide resources to the ongoing wars in Iraq and Afghanistan. The emergency nature of OCO means those resources are available without the restrictions of BCA spending limits. The resources needed to fulfill the missions of the war are determined—and requested—by the President.

For FY 2016, the President requested \$58 billion for OCO, \$38 billion less than the \$96 billion provided by the congressional budget resolution. The \$38 billion in OCO funds above the President's request is not the appropriate way to address national security needs.

In his June 1, 2015, letter to Appropriations Committee Chairman Hal Rogers (R-KY), Shaun Donovan, Director of the Office of Management and Budget, writes:

[T]he inappropriate use of OCO risks undermining an essential mechanism that both parties have long agreed was meant to fund incremental costs of overseas conflicts and support our troops while in harm's way. The subcommittee's

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This paper, in its entirety, can be found at <http://report.heritage.org/ib4419>

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TABLE 1

## House Defense Appropriations

BY FISCAL YEAR, IN MILLIONS OF DOLLARS

	FY 2015 Enacted	2016 Request	302(b) for FY 2016	FY 2016
Discretionary Budget Authority	490,194	526,928	490,235	490,235
Ongoing Contingency Operations Funding	63,935	50,950	88,421	88,421
<b>Total Budgetary Resources*</b>	<b>554,129</b>	<b>577,878</b>	<b>578,656</b>	<b>578,656</b>

\* Totals do not include \$514 million in mandatory funding.

**Note:** The congressional budget resolution passed by Congress is the mechanism for setting the overall spending caps, also known as the 302(a), as required by the Budget Control Act. The Appropriations Committee is responsible for subdividing the 302(a) allocations among the 12 appropriations subcommittees through what is known as the 302(b) suballocations. The FY 2016 302(a) spending caps, consistent with the Budget Control Act, amount to \$1.017 trillion.

**Source:** U.S. House of Representatives, Committee on Appropriations, <http://appropriations.house.gov/> (accessed June 9, 2015).

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TABLE 2

## Discretionary Budget Authority Under the Budget Control Act

FOR FY 2016, IN BILLIONS OF DOLLARS

FY 2016 Non-Defense	FY 2016 Defense (Function 050)	FY 2016 Overall Spending Caps
493	523	1,017

**Notes:** The Budget Control Act of 2011 was a debt-limit increase bill that included deficit reduction measures totaling \$2.1 trillion using spending caps and sequestration. The congressional budget resolution passed by Congress is the mechanism for setting the overall spending caps, also known as the 302(a), as required by the Budget Control Act. The Appropriations Committee is responsible for subdividing the 302(a) allocations among the 12 appropriations subcommittees through what is known as the 302(b) suballocations. The FY 2016 302(a) spending caps, consistent with the Budget Control Act, amount to \$1.017 trillion.

**Source:** U.S. House of Representatives, Committee on Appropriations, <http://appropriations.house.gov/> (accessed June 9, 2015).

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deliberate relabeling of non-war costs as OCO clearly violates the OCO funding’s purpose. For instance, the subcommittee bill funds \$7 billion in compensation for servicemembers whose billets were not created for temporary operations.<sup>1</sup>

The letter shows that the less than honest use of the OCO fund to provide additional spending to capped accounts is not lost on lawmakers. That said, the intent of Donovan’s letter is not a benevolent fight for the taxpayer against the use of budget gimmicks. Instead, the general intent is to increase the spending cap levels altogether—an approach that conservatives should not consider.

The solution to the problem of national security priorities running up against budget caps can be achieved without budget gimmicks or busting the overall BCA budget caps; it requires a legislative renovation of the BCA, which can be accomplished by removing the spending cap firewall between defense and non-defense. Members of Congress could then act to redirect funds otherwise provided to overreaching, big-government non-defense programs to meet national security priorities.

## Department of Defense Recommendations

In March, The Heritage Foundation published “The Budget Book: 106 Ways to Reduce the Size and Scope of Government.”<sup>2</sup> It includes an analysis of the entire budget with recommendations for the Department of Defense. The recommendations provide areas in the defense budget that can be reduced.

1. Shaun Donovan, Director, Office of Management and Budget, letter to Chairman Hal Rogers (R-KY), Committee on Appropriations, U.S. House of Representatives, June 1, 2015, <https://www.whitehouse.gov/sites/default/files/omb/legislative/letters/dod-house-letter-harold-rogers.pdf> (accessed June 8, 2015).
2. The Heritage Foundation, “The Budget Book: 106 Ways to Reduce the Size and Scope of Government,” March 2015, <http://budgetbook.heritage.org/>.

TABLE 3

## Defense Spending Proposals

FOR FY 2016, IN BILLIONS OF DOLLARS

	2016 Budget Control Act Caps	Congressional Budget Resolution	President's Budget	Heritage Foundation Calculations
Base Defense (050) Discretionary Budget	523	523	561	584
Ongoing Contingency Operations Funding	n/a	96	58	n/a

**Notes:** The Budget Control Act of 2011 was a debt-limit increase bill that included deficit reduction measures totaling \$2.1 trillion using spending caps and sequestration. The Budget Control Act defines “Defense” as Function 050, which is allocated slightly differently than appropriation measures. In addition to Department of Defense funding, Function 050 includes defense-related activities of the Department of Energy, Department of Homeland Security, and Department of Justice, among others.

**Sources:** U.S. House of Representatives, Committee on Appropriations, <http://appropriations.house.gov/> (accessed June 9, 2015). Heritage Foundation calculations are from Diem Nguyen Salmon, “A Proposal for the FY 2016 Defense Budget,” Heritage Foundation *Backgrounder* No. 2989, January 30, 2015, <http://www.heritage.org/research/reports/2015/01/a-proposal-for-the-fy-2016-defense-budget>.

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- **Non-Combat-Related Medical Research.** The bill provides \$66.2 billion for research, development, testing, and evaluation in FY 2016. Eliminating non-combat-related medical accounts would result in a total reduction of at least \$300 million.
- **Commissary Subsidies.** The bill provides \$1.154 billion for commissary salaries for FY 2016, roughly the same as current funding.
- **Increases Use of Performance-Based Logistics.** The bill provides \$162.3 billion for operations and maintenance for FY 2016, \$630 million more than current funding. Using performance-based logistics in weapon system maintenance and sustainment would reduce funding by \$9 billion.

In January, the Heritage Foundation published “A Proposal for the FY 2016 Defense Budget,”<sup>3</sup> which includes recommended actions in the following areas:

- **Increase National Defense Spending.** The bill provides \$490 billion in base DoD spending for FY 2016, roughly the same as current funding.<sup>4</sup> There are two general concepts for “defense” in Congress: One refers to the Department of Defense, as is the case with this bill, and the other

refers to an esoteric budget concept that defines defense as “Function 050.”

Function 050 is a defense account that funds not only DoD, but also any security-related spending, including the Department of Energy’s National Nuclear Security Administration, among others. It is the defense Function 050 account that is subject to a statutory BCA spending cap, which is \$523 billion for FY 2016, \$490 billion of which—as in this DoD bill—is provided for DoD defense activities as opposed to related security activities. The Heritage Foundation recommends that the funds provided for defense (Function 050) be increased from \$523 billion to \$584 billion. The \$584 billion increase would include the following within DoD:

- **Increase Personnel and Force Size Funding.** The bill provides military personnel \$122.7 billion for FY 2016, \$5.3 billion less than current funding. Stopping the Army personnel cuts would take \$2.3 billion, and preserving the Marine Corps personnel numbers would cost \$398 million.
- **Increase Procurement or Research and Development Funding.** The bill provides

3. Diem Nguyen Salmon, “A Proposal for the FY 2016 Defense Budget,” Heritage Foundation *Backgrounder* No. 2989, January 30, 2015, <http://www.heritage.org/research/reports/2015/01/a-proposal-for-the-fy-2016-defense-budget>.

4. As noted, this level of funding does not include \$88 billion provided for wars (OCO). The total provided to the Department of Defense is \$579 billion.

TABLE 4

## House Department of Defense Appropriations

DISCRETIONARY BUDGET AUTHORITY IN MILLIONS OF DOLLARS

	FY 2015 Enacted	FY 2016	Change in Dollars	Percentage Change
<b>Title I, Military Personnel</b>				
Army	41,116	37,296	-3,820	-9.3%
Navy	27,453	26,711	-742	-2.7%
Marine	12,829	12,587	-242	-1.9%
Air Force	27,377	26,227	-1,150	-4.2%
Army Reserve	4,318	4,463	145	3.4%
Navy Reserve	1,836	1,867	31	1.7%
Marine Corps Reserve	660	705	45	6.8%
Air Force Reserve	1,653	1,689	36	2.2%
National Guard, Army	7,644	7,980	336	4.4%
National Guard, Air Force	3,119	3,202	83	2.7%
<b>Total, Title I</b>	<b>128,005</b>	<b>122,727</b>	<b>-5,278</b>	<b>-4.1%</b>
<b>Title II, Operations and Maintenance</b>	<b>161,656</b>	<b>162,285</b>	<b>629</b>	<b>0.4%</b>
<b>Title III, Procurement</b>	<b>93,835</b>	<b>98,560</b>	<b>4,725</b>	<b>5.0%</b>
<b>Title IV, Research, Development, Test, and Evaluations</b>	<b>63,713</b>	<b>66,151</b>	<b>2,438</b>	<b>3.8%</b>
<b>Title V, Revolving and Management Fund*</b>	<b>2,135</b>	<b>2,109</b>	<b>-26</b>	<b>-1.2%</b>
<b>Title VI, Other Defense Programs*</b>	<b>34,145</b>	<b>33,345</b>	<b>-800</b>	<b>-2.3%</b>
<b>Title VII, Related Agencies</b>	<b>1,022</b>	<b>1,022</b>	<b>0</b>	<b>0.0%</b>
<b>Title VII, General Provisions</b>	<b>-803</b>	<b>-2,132</b>	<b>-1,329</b>	<b>165.5%</b>
<b>Department of Defense, Subtotal</b>	<b>483,708</b>	<b>484,067</b>	<b>359</b>	<b>0.1%</b>
Less Mandatory Funding	514	514	0	0.0%
Scorekeeping Adjustments	6,955	6,672	-283	-4.1%
<b>Total Base Defense Budget</b>	<b>490,194</b>	<b>490,225</b>	<b>31</b>	<b>0.0%</b>
<b>Title IX, Global War on Terrorism (OCO)</b>				
Military Personnel	4,967	10,468	5,501	110.8%
Operations and Maintenance	49,979	53,823	3,844	7.7%
Procurement	7,697	18,094	10,397	135.1%
Research, Development, Test, and Evaluation	227	1,745	1,518	668.7%
Other	1,065	4,291	3,226	302.9%
<b>Global War on Terrorism (OCO), Subtotal</b>	<b>63,935</b>	<b>88,421</b>	<b>24,486</b>	<b>38.3%</b>
<b>Title X, Ebola Response</b>	<b>112</b>	<b>0</b>	<b>-112</b>	<b>-100.0%</b>
<b>Total Defense Resources</b>	<b>554,755</b>	<b>579,160</b>	<b>24,405</b>	<b>4.4%</b>

\* Not all programs included in this bill are listed, but these are included to highlight specific program spending.

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**Sources:** U.S. House of Representatives, Committee on Appropriations, <http://appropriations.house.gov/news/documentsingle.aspx?DocumentID=394232> (accessed June 9, 2015), and calculations from the Congressional Budget Office and the Office of Management and Budget.

Procurement \$98.6 billion, \$2 billion more than current funding.

- **Increase Operations Funding.** The bill provides Operation and Maintenance \$162.3 billion, \$630 million more than current funding.

## Conclusion

The House Department of Defense appropriations bill is part of the ongoing debate over BCA budget cap levels. The bill highlights the difficult decisions before Congress in balancing fiscal responsibility and national security priorities.

After years of unsustainable trillion-dollar deficits, the budget caps put in place by the BCA were arguably the first real step in reigning in out-of-control spending. For this reason, we cannot afford to stymie progress by meddling with the current overall spending limits. At the same time, conservative Members of Congress are concerned that the funding limits reducing defense spending will jeopardize national security. Balancing the preservation of the overall spending caps and providing new resources to defense is a topic that will continue to be dealt with in future spending bills.

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