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In Brief: Highlights of FY2018 Defense Appropriations Actions

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Contents

Background	1
FY2018 Defense Appropriations: Selected Issues.....	2

Figures

Figure 1. FY2018 Budget Request for National Defense (050).....	1
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Tables

Table 1. Defense Appropriations Act, 2018.....	3
Table 2. Defense Appropriations Act, 2018: Base Budget Authority	3
Table 3. Defense Appropriations Act, 2018: Overseas Contingency Operations	4
Table 4. Selected Congressional Initiatives or Prohibitions	5

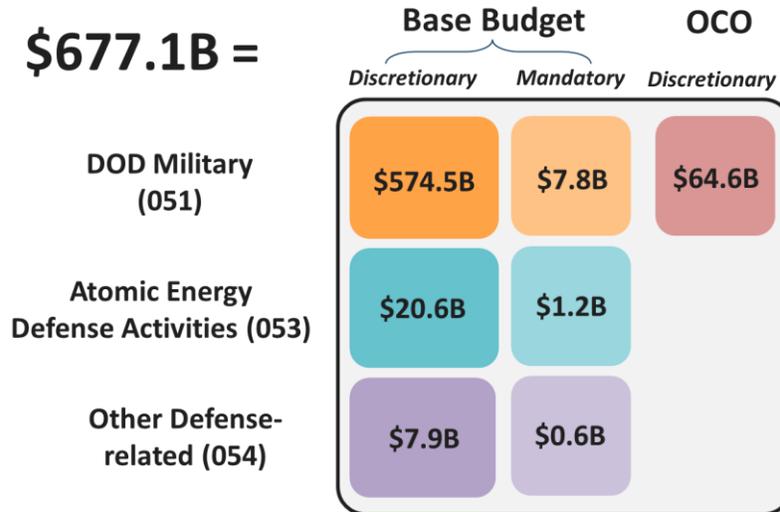
Contacts

Author Contact Information	6
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Background

The President’s budget request, submitted to Congress on May 23, 2017, seeks \$677.1 billion in budget authority for national defense-related activities (budget function 050).¹ Of the national defense total, \$667.6 billion is discretionary spending. The remaining \$9.6 billion is mandatory spending not provided by annual appropriations acts (see **Figure 1**).²

Figure 1. FY2018 Budget Request for National Defense (050)
dollars in billions



Source: OMB Analytical Perspectives (Table 25-1).

Notes: Totals may not reconcile due to rounding. OCO is Overseas Contingency Operations

The term *base budget* is commonly used to refer to funds intended to pay for activities the Department of Defense (DOD) and other national defense-related agencies would pursue even if U.S. forces were not engaged in contingency operations in Afghanistan, Iraq, Syria and elsewhere. In principle, the remainder of the DOD budget request funds the expected incremental cost of those contingency operations. Such appropriations are formally designated for Overseas Contingency Operations (OCO) and are effectively exempted from the discretionary spending limits established by the Budget Control Act of 2011 (BCA/P.L. 112-25).³

For each fiscal year through 2021, the BCA set separate limits (or “caps”) on two categories of discretionary spending: appropriations for national defense (those activities encompassed in budget function 050) and appropriations for nondefense activities (most other federal programs). The limits are enforced by “sequestration”— a process through which, if the discretionary spending enacted for either category exceeds the relevant BCA limit, as much of that spending as is necessary to meet the limit will be automatically cancelled. The sequestration procedure achieves these reductions largely by across-the-board reductions to non-exempt programs,

¹ For more information on federal budget functions and budget function 050 (national defense) specifically see CRS In Focus IF10618, *Defense Primer: The National Defense Budget Function (050)*, by Christopher T. Mann.

² For more information on the budget request see CRS Report R44866, *FY2018 Defense Budget Request: The Basics*, coordinated by Lynn M. Williams.

³ For more information on the designation of OCO funding as it relates to the BCA see CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein.

activities, and accounts.⁴ The BCA limit for base budget national defense discretionary spending in FY2018 is \$549.1 billion.⁵ The President’s request for \$603.0 billion in base budget national defense discretionary appropriations thus exceeds the BCA limit by approximately \$54 billion.

Of the \$667.1 billion in total national defense discretionary funding requested by the President for FY2018, \$639.1 billion would go to DOD. Of the DOD total, \$622.1 billion (\$558.2 billion in the base budget and \$63.9 billion for OCO) falls within the jurisdiction of the House Appropriations Subcommittee on Defense and would be funded through the annual defense appropriations bill. The subcommittee’s jurisdiction includes most DOD military programs (subfunction 051) with the exception of military construction and family housing appropriations, which fall under the jurisdiction of the Subcommittee on Military Construction and Veterans’ Affairs.

FY2018 Defense Appropriations: Selected Issues

The FY2018 Defense Appropriations Act (H.R. 3219), reported by the House Committee on Appropriations on July 13, 2017. On July 26, the House adopted H. Res. 473 which set the terms of House debate on the defense bill and added to the text of that bill, the text of three other bills: H.R. 3266 (Energy and Water Development and Related Agencies Appropriations Act, 2018), H.R. 2998 (Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2018), and H.R. 3162 (Legislative Branch Appropriations Act, 2018). The resulting bill retained the bill number assigned to the Defense Appropriations Act (H.R. 3219) and was titled the “Defense, Military Construction, Veterans Affairs, Legislative Branch, and Energy and Water Development National Security Appropriations Act, 2018.” It is also referred to as the “Make America Secure Appropriations Act, 2018.” In general, the text of the defense appropriations bill originally reported by the House committee comprises Division A of the expanded version of H.R. 3219. (See **Table 1.**)

Table 1. Defense Appropriations Act, 2018

billions of dollars of discretionary budget authority

Title	Division A of H.R. 3219			
	Budget Request	Regularly allocated Appropriations	National Defense Restoration Fund	Total
Base	\$558.2	\$558.7	\$18.6	\$576.4
OCO ^a	\$63.9	\$63.9	\$10.0	\$73.9
TOTAL (net)	\$622.1	\$622.6	\$28.6	\$650.4

Source: H.R. 3219 and H.Rept. 115-219.

Note: Totals may not reconcile due to rounding.

- a. Funds appropriated for defense are exempt from the budget caps established by the Budget Control Act of 2011 only if both Congress and the President designate them as OCO or emergency funds. (See 2 U.S.C. Section 901 (b)(2)(A)).

⁴ See CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

⁵ For more information on the BCA effects on defense spending see CRS Report R44039, *The Budget Control Act and the Defense Budget: Frequently Asked Questions*, by Lynn M. Williams.

Division A of H.R. 3219 would appropriate \$650.4 billion in discretionary funding for national defense activities within the jurisdiction of the House Appropriations Subcommittee on Defense. That amounts to a 4.5% increase over the Administration’s \$622.1 billion net request (base budget and OCO combined) for those activities.⁶

Of the \$650.4 billion total, Division A of H.R. 3219 would provide a net of \$576.4 billion for DOD base budget activities. CBO estimates that if H.R. 3219 were enacted in its current form, sequestration would be required because DOD’s base budget discretionary funding (\$614.1 billion, including military construction funds outside the scope of Division A) would exceed the Budget Control Act limit for FY2018 by \$65.0 billion.⁷

In addition to generally supporting the President’s \$558.2 billion request for base budget appropriations, the committee added \$18.6 billion in base budget authority to a newly established “National Defense Restoration Fund” or NDRF. The committee would also provide \$10.0 billion in OCO appropriations for this NDRF. (See **Table 2.**)

Table 2. Defense Appropriations Act, 2018: Base Budget Authority

billions of dollars of discretionary budget authority

Title	Request	Division A of H.R. 3219		Total
		Routine Appropriations	National Defense Restoration Fund	
Military Personnel	\$133.8	\$133.0	—	\$133.0
Operation and Maintenance	\$188.6	\$186.7	\$5.0	\$191.7
Procurement	\$113.9	\$119.9	\$12.6	\$132.5
Research and Development	\$82.7	\$81.7	\$1.0	\$82.7
Revolving and Management Funds	\$2.1	\$1.6	—	\$1.6
Defense Health Program and Other Authorizations	\$35.9	\$36.1	—	\$36.1
Related Agencies	\$1.0	\$1.0	—	\$1.0
General Provisions (net) ^a	\$0.1	-\$2.0	—	-\$2.0
Total	\$558.2	\$558.7	\$18.6	\$576.4

Source: H.R. 3219 and H.Rept. 115-219.

Note: Totals may not reconcile due to rounding.

a. General provisions include \$901 million in rescissions.

The appropriations committee report (H.Rept. 115-219) describes the rationale for the NDRF in these terms:

The Committee expects that the Department of Defense will complete a new National Defense Strategy later in 2017, which will inform the Department's budget requests for fiscal year 2019 and beyond. The Committee strongly believes that it is necessary to

⁶ For more information on the Administration’s FY2018 defense budget request see CRS Report R44866, *FY2018 Defense Budget Request: The Basics*, coordinated by Lynn M. Williams.

⁷ See footnote c of CBO Estimate for House Rules Committee Print 115-30, the Make American Secure Appropriations Act, 2018 at <https://www.cbo.gov/publication/52953>.

complete the new strategy to inform the allocation of additional funding above the President's budget request, and that it is imperative that funding be available sooner to implement the new strategy upon completion in fiscal year 2018.

The Committee therefore directs that the additional resources provided for the National Defense Restoration Fund be used to further this strategy as the Secretary of Defense determines in consultation with Congress. The Committee recommendation does not prejudice the use of the National Defense Restoration Fund by allocating funds to specific programs or projects, but requires the Secretary of Defense to submit allocation plans for the use of these funds, including a detailed budget justification for the use of such funds and a description of how such investments are necessary to implement the strategy, not fewer than 30 days prior to making transfers from the funds.

H.R. 3219 also would appropriate \$73.9 billion in new budget authority designated for Overseas Contingency Operations (OCO)—\$10.0 billion over the President’s request. Like the additional \$18.6 billion provided for base budget requirements, these additional OCO appropriations would be provided as part of the NDRF. None of the funding designated for OCO (including the OCO share of the NDRF) would be subject to discretionary spending limitations established by BCA. See **Table 3**.

Table 3. Defense Appropriations Act, 2018: Overseas Contingency Operations

billions of dollars of discretionary budget authority

Title	Request	Division A of H.R. 3219		
		Routine OCO Appropriations	National Defense Restoration Fund	Total
Military Personnel	\$4.3	\$4.3	\$1.0	\$5.3
Operation and Maintenance	\$48.0	\$47.3	\$2.0	\$49.3
Procurement	\$9.8	\$10.5	\$6.0	\$16.5
Research and Development	\$0.6	\$0.6	\$1.0	\$1.6
Revolving and Management Funds	\$0.1	\$0.1	—	\$0.1
Defense Health Program and Other Authorizations	\$1.1	\$1.1	—	\$1.1
General Provisions (net) ^a	—	<\$0.1	—	<\$0.1
Total OCO	\$63.9	\$63.9	\$10.0	\$73.9

Source: H.R. 3219 and H.Rept. 115-219.

Notes: Totals may not reconcile due to rounding. Funds appropriated for defense are exempt from the budget caps established by the Budget Control Act of 2011 only if both Congress and the President designate them as OCO or emergency funds. See 2 U.S.C. Section 901 (b)(2)(A).

a. General provisions include \$587 million in rescissions.

Excluding the NDRF funds, the net amounts the bill would appropriate for the base budget and for OCO differ only slightly from the Administration’s request. However, within those base budget and OCO totals, the bill would provide relatively significant increases for some activities, the cost of which would be offset by so-called “non-programmatic” reductions. These are cuts which—according to the committee—reflect economic facts of life and would not adversely affect DOD activities.

For instance, compared with the budget request the bill would increase funding for equipment for the National Guard and reserve forces (\$1.1 billion); for facilities sustainment, restoration and

modernization (\$590 million); and to “restore readiness” in the Operation and Maintenance accounts (\$700 million).

To offset these additions, H.R. 3219 recommends reductions which the committee justified in terms of economic factors or DOD inefficiencies. For example, the bill recommends reductions of:

- \$814 million to reflect unobligated balances from prior budgets;
- \$306 million to reflect historic patterns of underspending in certain accounts;
- \$1.0 billion to reflect lower than estimated fuel prices;
- \$345 million to reflect more favorable economic conditions; and
- \$1.5 billion to reflect the rescission of funds appropriated in prior budgets.

H.R. 3219 also includes several legislative initiatives and prohibitions. **Table 4** provides a summary of selected provisions.

Table 4. Selected Congressional Initiatives or Prohibitions

Issue	Division A of H.R. 3219
Prohibition on the transfer or release of individuals detained at Guantanamo Bay, Cuba to the U.S.	Would prohibit the use of any amounts available by this or any other act to transfer or release detainees at Guantanamo Bay, Cuba, to certain foreign countries or entities (§8094 and §8096).
Prohibition on constructing, acquiring or modifying any facility in the U.S. for the purposes of detention or imprisonment of detainees under detention at Guantanamo Bay, Cuba	Would prohibit the use of any amounts made available by this or any other act to construct, acquire, or modify any facility in the U.S., its territories, or possessions to house an individual who is not a U.S. citizen or member of the U.S. Armed Forces and is under detention at Guantanamo Bay, Cuba (§8095).
Prohibition on contracting with Rosoboronexport	Would prohibit funds from being used to enter into a contract, memorandum of understanding, or cooperative agreement, or make a grant, loan or loan guarantee with Rosoboronexport or its subsidiaries (§8089).
Prohibits a new or additional Base Realignment and Closure (BRAC) round	Would prohibit any funding made available to be used to propose, plan or execute a new or additional Base Realignment and Closure (BRAC) round (§8113).
Assistance for Ukraine	Would provide \$150.0 million for the “Ukraine Security Assistance Initiative.” but would prohibit such funds from being used to procure or transfer man-portable air defense systems (§9013 and §9015).
Syria	Would prohibit the use of funds made available by the Act to be used with respect to Syria in contravention to the War Powers Resolution (50 U.S.C 1541 et seq) (§9018).
Authorization for Use of Military Force (AUMF)	Would require the President to report on U.S. strategy “to defeat Al-Qaeda, the Taliban, the Islamic State of Iraq and Syria (ISIS), and their associated forces and co-belligerent” (§9021).

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