



Insight

Defense Spending in the Congressional Budgets

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This week, the House and Senate Budget Committees presented their Fiscal Year 2016 (FY16) draft budget resolutions. These documents offer some insight into Republican priorities—especially now that Republicans control both sides of Congress. Many defense hawks and fiscal hawks are closely monitoring how much Congressional Republicans will [spend on defense](#) given the sequestration cap mandated by the 2011 Budget Control Act (BCA) and the [president's budget](#) that requested more funding for the military.

Since the House and Senate will soon negotiate a conference report to [reconcile differences](#) between their budget resolutions, it is important to understand the areas of commonality and discrepancy between the two versions when it comes to defense spending.

House Resolution

The House resolution maintains the FY16 defense spending cap, which is \$499 billion for the base Department of Defense (DOD) budget. House Republican leaders, however, claim their budget funds defense at a level higher than President Obama's budget request, which was \$534 billion for the DOD. This is because the House resolution allocates more war-related funding in the Overseas Contingency Operations (OCO) budget function, which is not subject to the BCA spending cap, than the president requested. While the president's budget asked for \$58 billion in OCO funding for the DOD, the House budget provides \$94 billion. Around \$20 billion of that funding must be offset through a deficit-neutral reserve fund. Though the FY16 budget process will only determine spending for next year, it is also worth noting that the House budget breaks the caps for the out years for the rest of the sequestration window.

Senate Resolution

The Senate budget resolution adheres to the BCA-level defense spending limits for FY16 and all of the out years in the sequestration window. For OCO war funding, the Senate budget provides the \$58 billion the president requested. The Senate resolution also implements a rule limiting OCO funding to this level. To provide more funding for defense, the Senate resolution creates a placeholder deficit-neutral reserve fund that would allow the Budget Committee Chairman to permit particular committees to spend at a level above the budget limits during the appropriations process. Importantly, the Senate budget also allows increased domestic spending through the reserve fund, a move that opens the door for negotiations with Democrats who are unlikely to agree to defense spending increases without corresponding domestic increases. Any increased spending would have to be offset by spending cuts elsewhere in the budget.

Reconciliation

The major difference between the two budget resolutions for FY16 is OCO funding. The Senate budget

resolution rule against providing OCO funding above the president's request would require a 60-vote supermajority to override, so it is unlikely that the House resolution's increased OCO funding will last through the conferencing process. Were this to change, however, the advantage of OCO funding is that it is a way to send money to the DOD without finding offsets. Questions remain as to the Pentagon's flexibility to spend OCO funding on defense needs not directly related to war.

A deficit-neutral reserve fund, which both the House and Senate budget resolutions propose, is a mechanism for providing relief from sequestration's defense spending limits without violating those limits in the budget resolution. The advantage of the reserve fund over OCO funding is that it allows for an increase the Pentagon's base budget without possible restrictions on the funding. Negotiations, however, will be no easy task as they will likely involve making tradeoffs on parallel increases in domestic spending. Further, in order for the reserve fund to remain deficit-neutral, negotiators will be required to find offsets for all increased spending.

The House and Senate resolutions are the first step in a lengthy and complex Congressional budget process. When it comes to the defense budget, as with all government spending, the rubber will meet the road during the appropriations process.

The Real Problem

Both the House and Senate budget resolutions adhere to the sequestration-level defense spending limit for FY16. Funding the Pentagon at a level above \$499 billion would require a change in law. A [budget resolution is not law](#), so it cannot serve as a mechanism to change the spending caps. Ultimately, Congress would have to pass a new law to end sequestration and provide the military with the funding it needs.

Multiple consecutive years of cuts to defense spending have diminished the military's capacity and capabilities. Senior officials from each service branch have testified before Congress that defense sequestration has [significantly damaged](#) military readiness, modernization, and morale. These military leaders say sequestration threatens U.S. national security and puts American lives at risk. The military needs relief from sequestration and reinvestment to rebuild its degraded capacity and capabilities. With national security threats on the rise around the world, another year of sequestration-level defense spending invites a real disaster for American military. As the budget process moves forward, Congressional leaders should ensure their priorities align with this reality.