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# **FY2017 Defense Appropriations Fact Sheet: Selected Highlights of H.R. 5293 and S. 3000**

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## Summary

This Fact Sheet summarizes selected highlights of the FY2017 Defense Appropriations Act passed by the House on June 16, 2016 (H.R. 5293) and the version reported by the Senate Appropriations Committee on May 26, 2016 (S. 3000).

Congressional action on the FY2017 defense appropriations act has been fundamentally shaped by the legally binding caps on discretionary spending for defense programs and for non-defense programs, which were established by P.L. 114-74, the Bipartisan Budget Act of 2015 (BBA). A central issue before Congress is the extent to which Congress and the President approve Department of Defense (DOD) funding for FY2017 that (1) exceeds the relevant BBA cap; and (2) is also exempt from that spending cap because it is classified as funding for so-called Overseas Contingency Operations (OCO).

The 2015 BBA increased binding caps on defense and non-defense discretionary appropriations for FY2016 and FY2017, which originally had been codified by the Budget Control Act (BCA) of 2011 (P.L. 112-25). Those spending caps are enforced by a process of “sequestration.”

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## Introduction

Following are selected highlights of the version of the FY2017 Defense Appropriations Act reported by the House on June 16, 2016 (H.R. 5293) and the version reported by the Senate Appropriations Committee on May 26, 2016 (S. 3000). **Table 1** provides a summary of amounts recommended for appropriation. **Table 2** provides a summary of selected Administration policy and cost-cutting proposals. **Table 3** provides a summary of selected congressional budget increases and policy initiatives.

**Table 4** provides a summary of selected congressional budget reductions and restrictions. **Table 5** summarizes a subset of the budget reductions proposed in each bill, namely those cuts that are justified on the basis of economic facts-of-life or efficiencies and that – the authoring committees assert – need not have an adverse impact on the Administration’s program.

This CRS Fact Sheet is designed as a time-urgent product offering Members the best available information pending publication of a CRS report on the FY2017 defense funding legislation.

## Budget Cap Issue

Congressional action on the FY2017 Defense Appropriations Act has been fundamentally shaped by the legally binding caps on discretionary spending for defense programs and for non-defense programs, that were established by P.L. 114-74, the Bipartisan Budget Act of 2015 (BBA). A central issue before Congress is the extent to which Congress and the President approve Department of Defense (DOD) funding for FY2017 that (1) exceeds the relevant BBA cap; and (2) is also exempt from that spending cap because it is classified as funding for so-called Overseas Contingency Operations (OCO).<sup>1</sup>

The 2015 BBA increased binding caps on defense and non-defense discretionary appropriations for FY2016 and FY2017, which originally had been codified by the Budget Control Act (BCA) of 2011 (P.L. 112-25). Those spending caps are enforced by a process of “sequestration.”<sup>2</sup>

However, the BCA caps do not apply to appropriations designated both by Congress and by the President as funding either (1) for an emergency, or (2) for OCO purposes. The OCO label — which is not defined in law—was adopted by the Obama Administration in 2009 to encompass funding associated with operations in Iraq and Afghanistan. In subsequent budgets, the number of operations funded has increased and the scope of funding designated as OCO has expanded. The “non-OCO” share of the annual DOD budget is referred to as the “base” budget.

In addition to raising the binding caps on defense and non-defense spending, the 2015 BBA identified non-binding target levels of OCO funding for FY2016 and FY2017 for both the DOD budget and international affairs budget<sup>3</sup> (which falls into the non-defense category).

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<sup>1</sup> See CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein. The “Overseas Contingency Operation” has been used by the Obama Administration to designate activities which, previously, had been referred to as the Global War on Terror (GWOT). The Appropriations Committees of the House and Senate use both labels, together.

<sup>2</sup> See CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

<sup>3</sup> This is designated the State Department, Foreign Operations and Related Programs (SFOP) budget.

The FY2017 defense appropriations debate may focus, in part, on the difference between the Administration and the House Appropriations Committee over how much of the FY2017 DOD budget designated as OCO funding—and thus exempt from the budget caps—would be used for base budget purposes. In the Administration’s budget request, DOD and the foreign affairs agencies (the latter falling under the “non-defense” BBA spending caps) were slated to use certain OCO-designated funds for base budget purposes -- \$5.1 billion in the case of DOD and a similar amount for the international affairs agencies.<sup>4</sup> If approved by Congress, the practical effect of this would be to allow both defense and non-defense spending to exceed the FY2017 BBA caps without triggering sequestration. In drafting H.R. 5293, the House Appropriations Committee approved a total of \$58.6 billion for OCO-designated funding – roughly the amount requested by the Administration. (See **Table 1**)

**Table 1. FY2017 Defense Appropriations Act: H.R. 5293, S. 3000**  
amounts in billions of dollars of discretionary budget authority

| Bill Title                                      | Budget Request | House-passed bill<br>H.R. 5293 | Senate<br>Appropriations<br>Committee-<br>reported bill<br>S. 3000 | Conference<br>Report |
|---|----------------|--------------------------------|--|----------------------|
| Base Budget                                     |                |                                |  |                      |
| Military Personnel                              | 128.9          | 128.2                          | 128.0  |                      |
| Operation and Maintenance                       | 171.3          | 173.4                          | 170.7  |                      |
| Procurement                                     | 101.9          | 104.3                          | 105.3  |                      |
| Research and Development                        | 71.4           | 70.3                           | 70.8   |                      |
| Revolving and Management Funds                  | 1.4            | 1.4                            | 1.6  |                      |
| Defense Health Program and Other Authorizations | 35.3           | 35.4                           | 35.8   |                      |
| Related Agencies                                | 1.0            | 1.0                            | 1.0  |                      |
| General Provisions (net)                        | --             | -3.4                           | -3.7   |                      |
| Subtotal: Base Budget                           | 511.2          | 510.6                          | 509.5  |                      |
| OCO-Designated Funds                            | 58.6           | 58.6                           | 58.6   |                      |
| <b>TOTAL: FY2017 Defense Appropriations Act</b> | <b>569.9</b>   | <b>569.2</b>                   | <b>568.1</b>   |                      |

**Source:** H.Rept. 114-577, Report to Accompany H.R. 5293, Department of Defense Appropriations Bill for FY2017; H.R. 5293, S.Rept. 114-263, Report to Accompany S. 3000, Department of Defense Appropriations Bill for FY2017, and S. 3000,

<sup>4</sup> The Administration’s FY2017 budget justification material for the Department of State, Foreign Operations, and Related Programs makes several references to the transfer of some funding from the base budget to OCO in accord with the provisions of the 2015 BBA. In contrast to DOD, the State Department published no estimate of the amount of funding involved. However, comparing the OCO budget for FY2016 and the OCO request for FY2017 with the OCO budget for FY2015 – the last year of funding not affected by BBA – the international affairs budget’s “OCO-for-base” amount appears to be in excess of \$5.0 billion – roughly the same as in the DOD budget request. See *Congressional Budget Justification Material for the Department of State, Foreign Operations, and Related Agencies* <http://www.state.gov/documents/organization/252179.pdf>, pp. 137-38.

**Note:** Numbers may not sum due to rounding. Funds appropriated for defense are exempt from the budget caps only if both Congress and the President designate them as OCO or emergency funds. (See 2 U.S.C. Section 901 (b)(2)(A)).

However, the House Appropriations Committee re-allocated \$17.5 billion of its OCO-designated funding for what the committee labelled as “base budget requirements.” According to the committee, the remaining OCO funds appropriated by the bill would cover the cost of OCO through April 2017.<sup>5</sup> By then, the committee says, the newly elected President could request a supplemental appropriation to cover OCO funding requirements through the remaining months of FY2017.

The Administration and the congressional minority leadership have objected to providing defense funding for base budget requirements in excess of the spending cap unless it is accompanied by a comparable increase in funding for non-defense, base budget programs.<sup>6</sup>

**Table 2. Selected Administration Policy and Cost-Cutting Proposals**

| Administration Proposal   | House-passed bill<br>H.R. 5293   | Senate committee-<br>reported bill<br>S. 3000  | Conference Report |
|---|--|--|-------------------|
| 1.6% raise in <b>Military Basic Pay</b> in lieu of the 2.1% raise that otherwise would occur by law <sup>a</sup>                      | Adds \$340 million to the amount requested for military pay, to cover the cost of the 2.1% pay raise that would be mandated by H.R. 4909, the House reported FY2017 NDAA (Section 8131)  | Funds the Administration-proposed raise of 1.6 %   |                   |
| Reduce <b>military end-strength</b> by 27,015 active and 9,800 reserve component personnel  | Adds \$3.15 billion to the request, thus funding provisions of H.R. 4909 the House reported NDAA, which would reject the proposed reduction and would add to the requested end-strength 28,715 active and 25,000 reserve personnel | Funds the Administration-proposed end-strength reductions  |                   |
| Introduce various new <b>TRICARE fees</b> and increase some existing fees and copays  | Funds the proposed changes   | Funds the Administration-proposed changes  |                   |
| Remove from service <b>seven Aegis cruisers and three amphibious landing ships for modernization</b> and eventual 1-for-1 replacement | Requires that no more than six cruisers be inactivated at one time and that contracts be signed for their modernization (Section 8124); adds \$100   | Rescinds \$1.32 billion previously appropriated for this project and adds \$285 million to the FY2017 appropriation to fund modernization on |                   |

<sup>5</sup>H.Rept. 114-577, Report to Accompany H.R. 5293, Department of Defense Appropriations for 2017, pp. 3-4. By terms of the House-passed version of the companion FY2017 National Defense Authorization Act (H.R. 4909) authorization for FY2017 Operation and Maintenance (O&M) funding designated as OCO would expire on April 20, 2017 (Section 1504)]

<sup>6</sup> See OMB, “Statement of Administration Policy on H.R. 4909, National Defense Authorization Act for Fiscal Year 2017,” May 16, 2016, at [https://www.whitehouse.gov/sites/default/files/omb/legislative/sap/114/saphr4909r\\_20160516.pdf](https://www.whitehouse.gov/sites/default/files/omb/legislative/sap/114/saphr4909r_20160516.pdf); and Sen. Harry Reid, Press Release, May 25, 2016 [http://www.reid.senate.gov/press\\_releases/2016-05-25-reid-senate-must-give-defense-bill-deliberative-approach-it-deserves#.V1GXYE0UVFo](http://www.reid.senate.gov/press_releases/2016-05-25-reid-senate-must-give-defense-bill-deliberative-approach-it-deserves#.V1GXYE0UVFo)

| <b>Administration Proposal</b>  | <b>House-passed bill<br/>H.R. 5293</b>  | <b>Senate committee-<br/>reported bill<br/>S. 3000</b>  | <b>Conference Report</b> |
|---|---|---|--------------------------|
| of cruisers now in service  | million   | the same schedule as the House (keeping more ships in service at any one time than Navy's plan) |                          |
| Disband one (of 10) active-duty <b>carrier air wings</b> (requiring change in current law)  | Rejects proposed amendment to current law; adds \$149 million for wing operations | Funds the Administration-proposed reduction   |                          |
| To meet BBA budget caps, reduce FY2017 <b>aircraft procurement</b> funding by 12% (\$4.34 billion) below amount projected in 2015 | Adds a total of \$4.1 billion to the amount requested for aircraft procurement    | Adds a total of \$2.4 billion to the aircraft procurement request                               |                          |
| Plan a Base Realignment and Closure ( <b>BRAC</b> ) round <sup>b</sup>  | Cuts \$3.5 million slated for BRAC planning                                       | Cuts \$3.5 million slated for BRAC planning   |                          |

**Source:** H.Rept. 114-577, Report to Accompany H.R. 5293, Department of Defense Appropriations Bill for FY2017; H.R. 5293, S.Rept. 114-263, Report to Accompany S. 3000, Department of Defense Appropriations Bill for FY2017, and S. 3000,

**Notes:**

- a. For background, see CRS In Focus IF10260, *Military Pay Raise*, by Lawrence Kapp.
- b. For background, see CRS In Focus IF10362, *The President's FY2017 Military Construction Budget Request*, by Daniel H. Else.

**Table 3. Selected Congressional Budget Increases and Policy Initiatives**

| Issue  | House-passed bill<br>H.R. 5293   | Senate committee-<br>reported bill<br>S. 3000  | Conference Report |
|--|--|--|-------------------|
| <b>Troop levels in Afghanistan</b>   | Adds \$2.1 billion to support deployment of 9,800 U.S. troops (rather than 5,500 as proposed by the Administration)  | No addition to the amount requested  |                   |
| <b>Israeli Missile Defense Systems</b>   | Adds \$465 million   | Adds \$455 million   |                   |
| <b>Ship Procurement</b><br>(Administration requested \$18.4 billion)   | Increases shipbuilding procurement account by a total of \$3.2 billion including additional funds for one Littoral Combat Ship, partial funding for a destroyer and an amphibious landing transport, and funds to accelerate construction of an aircraft carrier | Increases shipbuilding procurement account by a total of \$2.1 billion, including additional funds for one Littoral Combat Ship and one icebreaker, and partial funding for a destroyer and an amphibious landing transport, |                   |
| <b>Maintenance and Repair of Facilities</b><br>(Administration requested \$9.6 billion)  | Adds \$1.6 billion of which \$450 million is for medical facilities  | Adds \$154 million   |                   |
| <b>Readiness Improvement Fund</b><br>to be allocated at discretion of DOD  | No related provision   | Adds \$2.45 billion (Section 8088 and Section 9016)  |                   |
| <b>Navy and Air Force Depot Maintenance</b><br>(Administration requested \$19.4 billion)   | Adds \$753 million   | Cuts \$194 million for various efficiencies  |                   |
| <b>National Guard and Reserve Equipment</b><br>(Administration requested \$3.06 billion for Guard and reserves in the services' budgets) | Adds \$1.15 billion  | Adds \$960 million (of which \$60 million is for HMMWV ambulances)   |                   |
| <b>Medical Research and Development</b><br>(Administration requested \$1.01 billion)   | Adds \$735 million   | Adds \$915 million   |                   |
| <b>Science and Technology R&amp;D</b><br>(Administration requested \$12.5 billion for S&T out of R&D request totaling \$71.8 billion)    | Adds \$654 million   | Adds \$254 million   |                   |

**Source:** H.Rept. 114-577, Report to Accompany H.R. 5293, Department of Defense Appropriations Bill for FY2017; H.R. 5293, S.Rept. 114-263, Report to Accompany S. 3000, Department of Defense Appropriations Bill for FY2017, and S. 3000,

**Table 4. Selected Congressional Budget Reductions and Prohibitions**

| Issue   | House-passed bill<br>H.R. 5293   | Senate committee-<br>reported bill<br>S. 3000   | Conference Report |
|---|--|---|-------------------|
| Administration efforts to close the detention facility at <b>Guantanamo Bay</b> , Cuba  | Prohibits transferring detainees to the United States (Section 8096) and imposes other relevant restrictions (Sections 8097, 8098, and 8128)                         | Prohibits transferring detainees to the United States (Section 8097) and imposes other relevant restrictions (Sections 8098 and 8099) |                   |
| <b>Fuel prices</b> assumed in the budget request  | Cuts \$1.49 billion on the assumption that actual prices in FY2017 will be lower (Section 8117)  | Cuts \$1.59 billion on the assumption that actual prices in FY2017 will be lower (Section 8017)                                       |                   |
| <b>Foreign currency</b> exchange assumptions  | Cuts \$573 million on the assumption that the goods and services bought by U.S. forces abroad will cost less than budgeted due to value of the dollar (Section 8074) | No comparable action  |                   |
| <b>Rescission</b> of funds appropriated in prior years for specific programs (which offsets appropriations of the same amount of new budget authority, thus reducing the cost of the bill by that amount) | Rescinds \$1.95 billion (Section 8023 and Section 9020)  | Rescinds \$3.38 billion (Section 8041 and Sections 9014-9015)   |                   |
| Reductions described by the committee as justified by efficiency, e.g., unexpended budget authority, funds requested before needed, or costs lower than planned (See <b>Table 5</b> , below)              | Cuts \$6.54 billion  | Cuts \$10.11 billion  |                   |

**Source:** H.Rept. 114-577, Report to Accompany H.R. 5293, Department of Defense Appropriations Bill for FY2017; H.R. 5293, S.Rept. 114-263, Report to Accompany S. 3000, Department of Defense Appropriations Bill for FY2017, and S. 3000,

In the versions of the FY2017 Defense Appropriations Act passed by the House and reported by the Senate Appropriations Committee (H.R. 5293 and S. 3000, respectively) many of the proposed reductions to the amounts requested for specific elements of the DOD budget were “programmatically” – that is, they reflected a specific change in the Administration’s announced program that is desired by the authoring committee. Each of the bills also incorporates “non-programmatic” reductions – cuts that the committees present as reflecting fact-of-life reductions in the amount a program would spend during the coming fiscal year. Accordingly, the committees assert these reductions should not have any adverse impact on the scope, pace, or cost of the program involved.

For some of these non-programmatic cuts, there are relatively specific justifications, e.g., anticipated reductions in the price of fuel, increasing strength of the dollar against foreign

currencies in countries where U.S. forces operate, and rescissions of previously appropriated funds that will not be spent for their intended purposes. Across-the-board reductions in the House and Senate versions of the defense bill based on these three rationales are listed in **Table 4**.

Each of the two defense funding bills also includes proposed reductions to specific elements of the budget request that are justified by the committees as reflecting efficiencies or budgetary facts-of-life. In some cases, a request is reduced by some amount which the committees assert can be replaced by “unobligated balances” or “carryovers” – funds appropriated in previous budgets but not yet spent. In other cases, a request is reduced because, according to the committee, funding is requested before it would be needed or because projected costs have declined because of price reductions. Although most of the reductions are relatively small, their cumulative impact is to cut several billion dollars from Administration’s budget request, making those funds available either to pay for congressional initiatives or to reduce the total amount appropriated by the bill.

**Table 5** summarizes the non-programmatic reductions to the Administration’s request that are recommended by H.R. 5293 and S. 3000. The table includes savings that are ascribed to fuel costs, foreign exchange rates, and rescissions, as well as cuts based on proposed efficiencies and other fact-of-life changes.

**Table 5. Summary of Non-Programmatic Reductions (Base and OCO)**

amounts in millions of dollars

| Appropriation Account                 | Budget Request | House-passed bill<br>H.R. 5293 | Senate<br>Committee-<br>reported bill<br>S. 3000 |
|---------------------------------------|----------------|--------------------------------|--|
| Military Personnel                    | 132,465        | -772                           | -934   |
| O&M                                   | 215,783        | -1,090                         | -2,085   |
| Procurement                           | 111,022        | -2,770                         | -3,203   |
| RDT&E                                 | 71,766         | -1,370                         | -2,586   |
| Revolving Funds & Related<br>Agencies | 2,560          | 0                              | 0  |
| DHP and Other Programs                | 36,262         | -530                           | -385   |
| General Provisions                    | --             | -4,023                         | -5,733   |
| Total                                 | 569,858        | -10,555                        | -15,083  |

**Source:** H.Rept. 114-577, Report to Accompany H.R. 5293, Department of Defense Appropriations Bill for FY2017; H.R. 5293, S.Rept. 114-263, Report to Accompany S. 3000, Department of Defense Appropriations Bill for FY2017, and S. 3000,

**Note:** These figures do not include proposed reductions to specific programs for which a specific rationale is given. Nor do they include reductions that are described as “classified.”

**Table 6. CRS Defense Analysts**

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