



Insight

FY17 NDAA Invites the Next President to Fully Fund Defense

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After Speaker Paul Ryan's admission that Congress would not pass a budget resolution for Fiscal Year 2017 (FY17), all eyes turned to the authorization and appropriations processes to provide a roadmap for military spending.

Under the leadership of Chairman Mac Thornberry and with broad bipartisan support, the House Armed Services Committee (HASC) passed a [National Defense Authorization Act](#) (NDAA) that authorized \$610 billion in defense spending for FY17. This topline is in accordance with the administration's FY17 defense budget [request](#), which kept to the spending caps negotiated in a two-year [deal](#) that Congress and the White House reached last year. There is an important difference, however, beneath the surface.

The president's budget proposed to use \$5 billion from the [Overseas Contingency Operations](#) (OCO) account to help fund the Pentagon's normal operations. The House NDAA directs an additional \$18 billion of OCO funds to the base budget. The purpose of this is to make up for a \$23 billion [shortfall](#) in defense spending for FY17.

The OCO account, which is intended to be for emergency war spending, is unconstrained by the [Budget Control Act](#) spending caps – a necessary provision due to the unpredictable nature of war-fighting and funding. Because of this fact, in recent years, OCO has emerged as an imperfect but useful mechanism to get the military the funding it needs to fulfill its missions in an increasingly dangerous world.

The downside of relying on OCO funding to make up for the defense spending shortfall is that the budget is zero sum. Every dollar that is used for the base budget to cover normal Pentagon operations like procuring weapons systems and sustaining troop levels is a dollar that cannot be used for war-fighting operations in Iraq, Syria, and Afghanistan. Clearly both aspects of the defense budget are important to protecting national security, as normal operations funding for equipment, bases, and training is necessary to ensure the military is ready to fight and win wars. Therefore, the HASC solution is by nature a short-term fix.

How long will the remaining OCO funds be sufficient to fund actual Overseas Contingency Operations? The president's budget request originally asked for \$59 billion of OCO for the Pentagon, and the NDAA allocates \$23 billion of those funds to the base budget. That leaves \$36 billion in remaining OCO funding, which works out to about 60 percent of the original funding request. Given that the total request was meant to last an entire fiscal year from October 2016 to September 2017, 60 percent of the funding would last through April 2017.

The HASC strategy prioritizes sending the Pentagon the full funding it needs for normal FY17 operations. This unfortunately means delaying fully funding the OCO war-fighting account for all of FY17. The advantage of this approach is that it leaves options open for the new president taking office in January 2017. At that time, Congress could push for a supplemental appropriation to provide OCO funds for the remainder of the fiscal year.

The Senate Armed Services Committee is currently marking up its version of the NDAA, and the House version

will be on the floor later this month. Concurrently, the [defense appropriations](#) process is now underway, and the initial text allocates an additional \$16 billion of OCO toward base defense spending – slightly less than the HASC bill but significantly more than the administration requested.

President Obama’s request for \$59 billion of OCO funding for FY17 was set by the budget agreement reached in 2015. Rigidly sticking to that amount defeats the very purpose of the Overseas *Contingency* Operations account, which by definition is meant to fund unpredicted war-fighting costs.

The reality is that American military spending is [failing](#) to keep up with global threats. In the last five years, U.S. national security funding has been cut by [25 percent](#) – even as the world becomes a more dangerous place. Perhaps the best option is to do what needs to be done to fund the Pentagon for the next few months and wait for the next president to show the leadership needed to reinvest in American military strength.