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Limiting War Spending to Strengthen Budget Enforcement December 5, 2014

In less than a week, lawmakers will have to pass a continuing resolution, an omnibus appropriations bill, or some combination of the two to fund the government. One issue they will have to deal with is the allocation of war spending, known as Overseas Contingency Operations (OCO). Since OCO is not subject to spending caps, unlike base defense spending, it has served as a supplemental defense fund in recent years rather than a specific war designation.

Policymakers Have Shifted Parts of The Defense Budget Into OCO

- There are many examples of policymakers using OCO to “backfill” the defense budget to get around spending cuts.
- In the FY 2014 omnibus bill, Congress cut base operations and maintenance (O&M) \$15 billion below DoD’s request, but over-funded OCO O&M by \$6 billion.
- The Defense Department has also engaged in this practice, notably requesting to use \$1.1 billion of OCO spending to purchase F-35s, even though the aircraft is not even fully operational.
- The Pentagon’s FY 2015 OCO request also included non-war related spending, most notably \$1 billion for a European Reassurance Initiative, which would provide support for allies in Europe. This fund is clearly a long-term defense priority, not an immediate war spending item.

Defining OCO Would Limit This Gimmickry

- Lawmakers should codify criteria developed by the Office of Management and Budget (OMB) in 2009 to limit the OCO designation to spending in combat areas or to closely-related support spending.
- These criteria should apply both to Congressional appropriators and Defense Department reprogramming requests.
- Establishing criteria will ensure the integrity of the budget process by requiring OCO spending to be war-related and by reducing the chance that OCO becomes a permanent slush fund to supplement the non-war defense budget.

Capping OCO Would Further Limit the Possibility of a Slush Fund

- Lawmakers also should establish caps on war spending to ensure that lawmakers draw down OCO as the current military strategy calls for.
- Allowing excess OCO spending to accumulate will either make a permanent slush fund more likely or make it very difficult for lawmakers to keep a strong and consistent military while abiding by spending caps down the road.
- The President could suggest caps that the military could reasonably work within given the current strategy and resources needed to sustain a drawdown.
- Creating caps to reflect policy already in place would create savings on paper, but these paper savings should not be used elsewhere.
- These caps would require lawmakers to make the important trade-offs within the entire defense budget rather than moving excess spending to OCO.