

# A New Aid Package for Israel

August 4, 2016 (IN10545)

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## Overview

As the United States and Israel continue to discuss the terms of a Memorandum of Understanding (MOU) on U.S. assistance for the period FY2019-FY2028, Members of Congress are considering legislation that could impact the contours of such an agreement. Lawmakers in both chambers are working on foreign operations and defense appropriations bills that contain proposed increases for various types of aid to Israel. The Administration has objected to some proposed increases, perhaps out of concern that Congressional action during MOU discussions might affect the U.S. negotiating position. [Many Members of Congress support increased aid to Israel](#), and some may seek to shape the parameters of the MOU talks through the appropriations process.

## Background

For nearly two decades, overall U.S. assistance to Israel has been outlined in 10-year government-to-government MOUs. MOUs are not legally binding agreements like treaties and do not require Senate concurrence. Also, Congress may accept or change year-to-year assistance levels for Israel, or provide supplemental appropriations as it did for the Iron Dome anti-rocket system during the 2014 Israel-Gaza conflict ([P.L. 113-145](#)). Nevertheless, past MOUs have significantly influenced the terms of U.S. aid to Israel, and the likelihood that current negotiations may shape these appropriations for years makes many lawmakers keenly interested in the outcome.

The first 10-year understanding (1999-2008), agreed to under the Clinton Administration, was known as the "Glide Path Agreement" and represented a political commitment to provide Israel with at least \$26.7 billion in total economic and military aid over its duration. This MOU gradually phased out all economic assistance to Israel. In 2007, the Bush Administration and the Israeli government agreed to the current 10-year, \$30 billion military aid package for the 10-year period from FY2009 to FY2018.

## The Next MOU

The Obama Administration pledged to increase aid to Israel to reassure lawmakers during Congressional consideration of the Iran Nuclear Agreement Review Act of 2015.

At this time, there are several outstanding issues, including:

- **Total amount of FMF:** Congress has appropriated \$3.1 billion in FMF for Israel for the past five fiscal years. This has made Israel the top country recipient not only of FMF but of overall U.S. foreign assistance (the President is requesting \$5.7 billion in FY2017 for the worldwide FMF account). Israel has requested an increase in annual FMF to perhaps as much as [\\$4 billion per year](#). Increasing FMF may be challenging due to the Budget Control Act of 2011 ([P.L. 112-25](#)). One possible option is to designate increased FMF as Overseas Contingency Operations (OCO), thereby exempting it from the budget caps. However, OCO funding fluctuates year-to-year and is temporary rather than a permanent part of the base budget.
- **Off-Shore Procurement (OSP):** A portion of the FMF is designated for procurement in Israel; no other recipient of U.S. military assistance has been granted this benefit. Since FY1988, the FMF procurement earmark for purchases within Israel has been incorporated into annual foreign assistance legislation. Currently, approximately 26.3% of Israel's FMF funds may be used for domestic defense purchases (\$815.3 million). The United States also allows Israel to set aside \$400 million in annual FMF for jet fuel purchases, bringing the total amount of "specially-designated" FMF to over \$1.2 billion. Various reports suggest that, as part of the next MOU, the Administration is [considering gradually phasing out OSP](#). While this could adversely affect Israel's own defense industry, it would allow more FMF to be allocated toward large scale defense contracts with U.S. suppliers, such as Israel's purchase of the F-35 and/or new procurement of other advanced systems like the V-22 Osprey.
- **Missile Defense:** U.S. funds for U.S.-Israel missile defense cooperation (which come from defense appropriations, not State and Foreign Operations) have not been "counted" in previous ten-year aid deals. However, various reports suggest that the Administration would like missile defense funding included. This would allow the Administration not only to increase the total dollar amount pledged for Israel in the MOU, but also to plan more long-term for joint U.S.-Israeli programs in the defense budget.

According to various media reports, the Administration's current position is to increase FMF to \$3.4 billion a year, [gradually phase out OSP](#), and include approximately [\\$400-\\$500 million per year in missile defense appropriations](#). One report suggests that the phase-out of OSP would not begin [until year six of the new MOU](#). The Administration also may want to cap U.S. aid to Israel and seek reassurances [from Israel that it will not request aid beyond](#) what is agreed upon in the next MOU.

[According to the Israeli newspaper Ha'aretz](#), "After a few rounds the talks ran aground in May. The Americans made clear that their offer was final and it was up to Israel whether to sign while President Barack Obama is still in office or wait for the next president to take office in January 2017." In late July, Israel said it was sending its acting national security advisor to the United States to finalize the MOU as soon as possible.

#### Recent Congressional Action

The Senate version of the FY2017 Foreign Operations Appropriations bill would provide \$3.4 billion in FMF to Israel, an increase of \$300 million above what is outlined in the current MOU. Senator Lindsey Graham, Chairman of the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs, helped secure the FMF increase, which reportedly drew criticism from the Administration for going beyond the terms of the current MOU. [According to one interview with Senator Graham](#), the Administration's proposed increases to Israel for the next MOU are insufficient, and Congress, since it is not party to any MOU, can "appropriate whatever amount it sees fit."

In late July, the Israeli Prime Minister's Office issued a [press release](#) addressing the increase to FMF, noting, "it is not in Israel's interest for there to be any changes to the fixed annual MOU levels without the agreement of both the U.S. Administration and the Israeli government."

The Administration and Congress have also disagreed over recent Congressional action to raise U.S. defense funding for joint U.S.-Israeli missile defense programs. [H.R. 5293](#), the House version of the Department of Defense Appropriations bill for FY2017, would provide \$600.735 million for U.S.-Israel cooperative programs—approximately \$455 million above the President's request. In response, the President issued a "[Statement of Administration Policy](#)" saying that the Administration opposes the addition of \$455 million above the FY 2017 Budget request for Israeli missile defense procurement and cooperative development programs." The Senate bill matches the House version.

While Congress nearly always "pluses up" the Administration's missile defense request, it is unusual for the

Administration to then counter with a public objection. [The Administration argues](#) that the proposed FY2017 increase is the "largest such non-emergency increase ever and, if it's funded, would consume a growing share of a shrinking U.S. Missile Defense Agency's budget." The Administration also has argued that future missile defense funding and MOU negotiations should not be driven by the 2017 defense appropriations process.