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FY2017 Defense Appropriations Fact Sheet: Selected Highlights of H.R. 5293, S. 3000, and H.R. 1301

Pat Towell

Specialist in U.S. Defense Policy and Budget

Lynn M. Williams

Analyst in U.S. Defense Budget Policy

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This Fact Sheet summarizes selected highlights of the version of the FY2017 Defense Appropriations Act passed in the 114th Congress by the House on June 16, 2016 (H.R. 5293), the version reported by the Senate Appropriations Committee on May 26, 2016 (S. 3000), and H.R. 1301, a third version of the bill to which House and Senate negotiators agreed on March 2, 2017. The Senate did not complete action on the Senate committee-reported version of the bill during 2016; however H.R. 1301 amounts to the product of an informal conference committee on the two earlier versions. The House passed H.R. 1301 on March 8, 2017 by a vote of 371-48.

This Fact Sheet does not account for additional FY2017 DOD funds requested by President Trump on March 16, 2017.

H.R. 1301 would provide \$516.1 billion for DOD base budget activities (excluding military construction, funded in a separate appropriations bill). However, the bill would offset \$5.6 billion of those costs by rescissions of unspent money appropriated in prior years and reductions to reflect lower fuel prices and other economic factors that would reduce to \$509.5 billion the net amount of new budget authority the bill would require.

H.R. 1301 also would provide \$62.7 billion in funds designated for Overseas Contingency Operations (OCO), including \$4.1 billion for Operation and Maintenance (O&M) activities for which the Obama Administration had requested funding in the base budget. The bill's total OCO appropriation would be offset by rescissions totaling \$890.0 million, thus reducing the net requirement for new OCO budget authority to \$61.8 billion. (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 H.R. 5293	Senate Appropriations Committee-reported bill S. 3000	House/Senate Negotiated Bill (H.R. 1301)
Base Budget				
Military Personnel	128.9	128.2	128.0	128.7
Operation and Maintenance	171.3	173.4	170.7	167.6
Procurement	101.9	104.3	105.3	108.4
Research and Development	71.4	70.3	70.8	72.3
Revolving and Management Funds	1.4	1.4	1.6	1.5
Defense Health Program and Other Authorizations	35.3	35.4	35.8	35.6
Related Agencies	1.0	1.0	1.0	1.0
General Provisions (net)	--	-3.4	-3.7	-5.6
Subtotal: Base Budget (net)	511.2	510.6	509.5	509.5
OCO-Designated Funds(net)	58.6	58.6	58.6	61.8
TOTAL: FY2017 Defense Appropriations Act (net)	569.9	569.2	568.1	571.5

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 “Explanatory Statement” on H.R. 1301 available on the website of the House Rules Committee.

Note: Numbers may not sum due to rounding. Funds appropriated for defense are exempt from the budget caps established by the Budget Control Act of 2011 only if both Congress and the President designate them as OCO or emergency funds. (See 2 U.S.C. Section 901 (b)(2)(A)).

The FY2017 base budget funding the bill would provide is consistent with both the FY2017 defense spending cap set by the Bipartisan Budget Act of 2015 (P.L. 114-74) and the FY2017 National Defense Authorization Act (NDAA) (P.L. 114-328).

This CRS Fact Sheet offers 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 and non-defense programs that were established by P.L. 112-25, the Budget Control Act of 2011 and amended 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 designated by Congress and the President as funding for Overseas Contingency Operations (OCO).¹

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.”²

However, the BCA caps do not apply to appropriations designated both by Congress and 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.

The FY2017 defense appropriations debate focused, 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 Obama Administration’s FY2017 budget request, DOD and the foreign affairs agencies (the latter falling under the “non-defense” BCA 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.³

¹ 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.

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

³ 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 (continued...)

H.R. 5293, the version of the bill passed by the House in 2016, included a total of \$58.6 billion for OCO-designated funding—roughly the amount requested by the Administration. However, the bill allocated \$17.5 billion of this amount for what the House Appropriations Committee labelled as “base budget requirements.” According to the committee, the remaining OCO funds appropriated by the bill would cover the cost of OCO requirements through April 2017.⁴ By then, the committee said, the newly elected President could request a supplemental appropriation to cover OCO funding requirements through the remaining months of FY2017.

The Obama Administration and the congressional minority leadership objected to providing defense funding for base budget requirements in excess of the spending cap unless it was accompanied by a comparable increase in funding for non-defense budget programs.⁵

The version of the defense bill reported by the Senate Appropriations Committee made no comparably large allocation of OCO-designated funding to base budget purposes. The compromise final version of the bill (H.R. 1301) would allocate \$3.8 billion in OCO funds for Operation and Maintenance (O&M) funding that the Obama Administration had included in the base budget.

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.

(...continued)

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.

⁴H.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)]

⁵ 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; 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

Table 2. Selected Administration Policy and Cost-Cutting Proposals

Obama Administration Proposal	House-passed bill H.R. 5293	Senate committee-reported bill S. 3000	House/Senate Negotiated Bill (H.R. 1301)
1.6% raise in Military Basic Pay in lieu of the 2.1% raise that otherwise would occur by law ^a	Adds \$340 million to the amount requested for military pay, to cover the cost of the 2.1% pay raise mandated by H.R. 4909, the House reported FY2017 NDAA (Section 8131)	Funds the Obama Administration-proposed raise of 1.6 %	Adds a total of \$1.93 billion to cover the cost of a 2.1 percent pay raise and additional costs associated with an increase of 24,000 active-component personnel and 12,000 reserve and National Guard personnel above the requested level
Reduce military end-strength 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 add to the requested end-strength 28,715 active and 25,000 reserve personnel	Funds the Obama Administration-proposed end-strength reductions	Rejects most of the proposed reductions. (See above)
Introduce various new TRICARE fees and increase some existing fees and copays	Funds the proposed changes	Funds the Obama Administration-proposed changes	Adds \$40 million to pay costs associated with rejection of some proposed changes in the FY2017 NDAA
Remove from service seven Aegis cruisers and three amphibious landing ships for modernization to eventually replace ships now in service on a one-for-one basis	Requires that no more than six cruisers be in inactive status at one time and that contracts be signed for their modernization (Section 8124); adds \$100 million	Adds \$285 million to the FY2017 appropriation to fund modernization on the same schedule as the House (keeping more ships in service at any one time than Navy's plan)	Rescinds \$1.391 billion previously appropriated for this project and adds \$400.9 million to fund modernization on the congressionally directed schedule
Disband 1 (of 10) active-duty carrier air wings (requiring change in current law)	Rejects proposed amendment to current law; adds \$149 million for wing operations	Funds the Administration-proposed reduction	No funding increase specifically linked to FY2017 NDAA's rejection of the Administration-proposal.
Reduces FY2017 aircraft procurement 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	Adds a total of \$3.3 billion to the amount requested for aircraft procurement
Plans a Base Realignment and Closure (BRAC) round ^b	Cuts \$3.5 million slated for BRAC planning	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 "Explanatory Statement" to accompany H.R. 1301.

Notes:

- a. For background, see CRS In Focus IF10260, *Defense Primer: 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 Appropriation Increases and Policy Initiatives

Issue	House-passed bill H.R. 5293	Senate committee- reported bill S. 3000	House/Senate Negotiated Bill (H.R. 1301)
Israeli Missile Defense Systems	Adds \$465 million	Adds \$455 million	Adds \$455 million
Ship Procurement (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 a carrier	Increases shipbuilding procurement account by a total of \$2.1 billion, including funds for one Littoral Combat Ship and one icebreaker, and partial funding for a destroyer and an amphibious landing transport	Increases shipbuilding procurement account by a total of \$2.8 billion, including additional funds for one Littoral Combat Ship and one icebreaker, and partial funding for a destroyer and an amphibious landing transport
Maintenance and Repair of Facilities (Administration requested \$9.6 billion)	Adds \$1.6 billion of which \$450 million is for medical facilities	Adds \$154 million	Adds \$148 million
Readiness Improvement Fund to be allocated at discretion of DOD <i>[not in Obama Administration request]</i>	No related provision	Adds \$2.45 billion (Section 8088 and Section 9016)	Adds \$801 million in O&M accounts to “restore readiness”
National Guard and Reserve Equipment (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)	Adds \$1.11 billion (of which approx. \$204 million is for Black Hawk helicopters and \$160 million for HMMWVs)
Medical Research and Development (Administration requested \$1.01 billion)	Adds \$735 million	Adds \$915 million	Adds \$1.3 billion
Science and Technology R&D (Administration requested \$12.5 billion for Basic Research, Applied Research, and Advanced Technology Development in \$71.8 billion R&D request)	Adds \$654 million	Adds \$254 million	Adds \$777 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 “Explanatory Statement” to accompany H.R. 1301.

Table 4. Selected Congressional Appropriations Reductions and Prohibitions

Issue	House-passed bill H.R. 5293	Senate committee- reported bill S. 3000	House/Senate Negotiated Bill (H.R. 1301)
Administration efforts to close the detention facility at Guantanamo Bay , Cuba	Prohibits transferring detainees to the United States (Section 8096) and imposes other relevant restrictions (Sections 8097, 8098, and 8099)	Prohibits transferring detainees to the United States (Section 8097) and imposes other relevant restrictions (Sections 8098 and 8099)	Prohibits transferring detainees to the United States (Section 8101) and imposes other relevant restrictions (Sections 8102 and 8103)
Fuel prices 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 8107)	Cuts \$1.16 billion on the assumption that actual prices in FY2017 will be lower (Section 8119)
Foreign currency 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	No comparable action

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 “Explanatory Statement” to accompany H.R. 1301.

Table 5. CRS Defense Analysts

Area of Expertise	Name	Phone	Email
Specialist in Military Ground Forces	Feickert, Andy	7-7673	afeickert@crs.loc.gov
Specialist in Military Aviation	Gertler, Jeremiah	7-5107	kgertler@crs.loc.gov
Specialist in Specialist in U.S. & Foreign National Security Programs	Hildreth, Steven A.	7-7635	shildreth@crs.loc.gov
Analyst in Defense Health Care Policy	Jansen, Don	7-4769	djansen@crs.loc.gov
Analyst in Military Manpower Policy	Kamarck, Kristy	7-7783	kkamarck@crs.loc.gov
Specialist in Military Manpower Policy	Kapp, Lawrence	7-7609	lkapp@crs.loc.gov
Specialist in Non-proliferation	Kerr, Paul	7-8693	pkerr@crs.loc.gov
Analyst in International Security	McInnis, Kathleen J.	7-1416	kmcinnis@crs.loc.gov
Analyst in National Defense Policy	Mann, Christopher T.	7-0451	cmann@crs.loc.gov
Specialist in Non-proliferation	Nikitin, Mary Beth D.	7-7745	mnikitin@crs.loc.gov
Specialist in Naval Affairs	O'Rourke, Ron	7-7610	rorourke@crs.loc.gov
Analyst in Defense Acquisition	Rumbaugh, Russell	7-2212	rrumbaugh@crs.loc.gov
Specialist in National Security Policy and Information Operations	Theohary, Catherine A.	7-0844	ctheohary@crs.loc.gov
Specialist in U.S. Defense Policy and Budget	Towell, Pat	7-2122	ptowell@crs.loc.gov
Analyst in U.S. Defense Budget Policy	Williams, Lynn	7-0569	lmwilliams@crs.loc.gov
Specialist in Nuclear Weapons Policy	Woolf, Amy F.	7-2379	awoolf@crs.loc.gov

Author Contact Information

Pat Towell
 Specialist in U.S. Defense Policy and Budget
 ptowell@crs.loc.gov, 7-2122

Lynn M. Williams
 Analyst in U.S. Defense Budget Policy
 lmwilliams@crs.loc.gov, 7-0569