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Spending on the Pentagon and Related Programs: A Primer

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Introduction

Coming up with a reliable number for spending on the Pentagon and related programs can be complicated. There are multiple funding streams, and not all of them come by way of the Pentagon's budget. Articles on Pentagon spending often give incomplete numbers, or fail to explain which aspects of spending on national defense are being described. This fact sheet is designed to provide a guide to the different funding streams and where things stand as of July 2017.

Total Spending, and Spending by Category

The Trump administration's proposal for spending on the Pentagon, nuclear-related activities at the Department of Energy, and other defense-related expenditures for Fiscal Year (FY) 2018 is \$603 billion, or \$54 billion above the cap of \$549 billion set for these categories under current law – the Budget Control Act of 2011. The majority of proposals put forward by Congress so far exceed the budget caps by tens of billions of dollars more than the Trump proposal does. For example the House Armed Services Committee proposal of \$620.9 for the three relevant categories exceeds the caps by \$71.9 billion, while the Senate Armed Services Committee proposal of \$639.9 billion exceeds the caps by \$90.9 billion. Whether these high levels of proposed spending can survive the budget process remains to be seen. By contrast, the proposal put forward by the Defense Appropriations Subcommittee of the Senate Appropriations Committee comes in at \$551 billion, just \$2 billion over the caps. This is a far more realistic approach, and could likely be implemented without a new budget deal.

There is an additional category, the war budget (known more formally as the Overseas Contingency Operations account, or OCO) that is not subject to budget caps. In the past, Congress and the Pentagon have evaded the budget caps by putting tens of billions of dollars in the war budget that are not due to the additional cost of operations in Iraq, Syria, and Afghanistan. But given the huge margins by which the other categories of proposed spending exceed the caps, it may not be possible to use the war budget alone to get to the levels of spending desired by the Trump administration or the relevant Congressional committees.

The full budget for national defense should include not just the three categories included in the budget caps, but also the war budget, or OCO. Adding OCO to the other three categories puts the Trump administration’s total proposal for national defense for FY 2018 at \$667.6 billion, over \$33 billion more than FY 2017 levels; the House Armed Services Committee at \$695.7 billion, more than \$61 billion above the FY 2017 levels; and the Senate Armed Services Committee at \$700.1 billion, \$66.8 billion above FY 2017 levels. The Senate Appropriations Committee proposal of \$632.8 billion is \$500 million *below* FY 2017 levels; and the House Appropriations Committee proposal of 666.1 billion is \$32.8 billion above FY 2017 levels.

Table 1, below, tracks the four major categories of Pentagon and Pentagon-related spending. The following sections will explain in more detail what is included in each category.

The columns in Table 1 represent enacted budget authority for Fiscal Year 2017; the Trump administration’s proposal for Fiscal Year 2018; and the proposals put forward by the House Armed Services Committee (HASC), the Senate Armed Services Committee (SASC), the Subcommittee on Defense of the House Appropriations Committee (HAC-D), and the Subcommittee on Defense of the Senate Appropriations Committee (SAC-D) as part of their respective markups of the National Defense Authorization Act (NDAA) and defense appropriations bill for Fiscal Year 2018. Table 2, below, compares the relevant proposals and figures to the budget caps established under law.

**Table 1: Pentagon and Related Spending, FY 2017 and FY 2018
(billions of dollars)**

	FY 2017	FY 2018 (Trump)	HASC	SASC	HAC-D	SAC-D
Pentagon Base	523.0	574.5	592.8	610.9	584.2	522.5
DOE Nuclear	19.7	20.6	20.2	21.0	20.3*	20.3
Other Defense	8.2	7.9	7.7	8.0	8.0 (est.)	8.0
War Budget (OCO)	82.4	64.6	75.0	60.2	73.9	82.1
TOTAL (with OCO)	633.3	667.6	695.7	700.1	666.1	632.8
Change from FY 2017	--	+34.3	+62.4	+66.8	+32.8	-.5

**NOTES: The numbers for DOE nuclear in the columns for HAC-D and SAC-D come from the subcommittees of the respective appropriations committees that handle energy and water issues.*

SOURCES:

- [Center for Arms Control and Nonproliferation, Budget Briefing Book, FY 2018](#)
- [Department of Defense, Budget Briefing on FY 2018 defense proposal](#)
- [House Armed Services Committee summary of markup of FY 2018 defense bill](#)
- [Senate Armed Services Committee markup of the FY 2018 defense bill](#)
- [The Defense Appropriations Subcommittee of the House Appropriation Committee’s markup of the FY 2018 defense bill](#)
- [House Appropriations Committee Energy and Water Subcommittee action on FY 2018 \(for nuclear weapons and related spending “Background: Fiscal Year 2018 Funding Guidance,”](#)
- [Senate Appropriations Committee Summary of VA/Milcon Bill](#)
- [Senate Appropriations Committee Energy and Water Bill Summary](#)
- [Senate Appropriations Committee, “Background: Fiscal Year 2018 Funding Guidance”](#)

Pentagon Spending and the Budget Caps

Pentagon and related spending is constrained by the Budget Control Act of 2011, which caps the Pentagon base budget, DOE nuclear spending, and other defense-related spending combined at \$549 billion for FY 2018. War spending – the Overseas Contingency Operations (OCO) account – is exempted from the spending caps. See Table 2 for a comparison of proposed spending in the relevant categories for FY 2018 versus the current caps on spending under those same categories.

Table 2: FY 2018 Proposals for Pentagon and Related Spending Compared to the Budget Caps

	FY 2018 (Trump)	HASC	SASC	HAC-D	SAC-D
Pentagon Base	574.5	592.8	610.9	584.2	522.5
DOE Nuclear	20.6	20.2	21.0	20.3	2.3
Other Defense	8.2	7.9	8.0	8.0 (est.)	8.0
Total					
Subject to Budget Caps	603.3	620.9	639.9	612.5	550.8
Budget Caps for FY 2018 Proposal	549.0	549.0	549.0	549.0	549.0
Versus Caps	+54.3	+71.9	+90.9	+63.5	+1.8

SOURCES: See Table 1.

All of the proposals for FY 2018 exceed the budget caps by a substantial margin. The Trump administration's proposal for these categories comes in at \$603 billion, or \$54 billion above the caps. The House Armed Services Committee proposal for the three relevant categories is \$620.9 billion, or \$71.9 billion above the budget caps. And the Senate Armed Services Committee's proposal for the three categories is \$639.7 billion, 90.7 billion above the budget caps. The proposals by the defense subcommittees of the House and Senate appropriations committees, HAC-D and SAC-D, exceed the caps by \$63.5 billion and \$1.8 billion, respectively.

How can the administration and Congress spend tens of billions of dollars more on the Pentagon and related spending than allowed by law? There are two options: 1) Pass a new law eliminating the caps altogether or setting them at a new, higher level; 2) Dramatically increase spending in the war budget, or OCO, which is not subject to the caps. In recent years, Congress has exceeded the caps set out in the 2011 Budget Control Act using both methods – one-time budget deals setting the caps at higher levels, or pouring tens of billions of dollars into the war budget that are not due to the additional costs required to fight the wars in Iraq, Syria and Afghanistan – spending that would normally be part of the Pentagon's base budget. The Pentagon acknowledged as much when it noted that \$30 billion of the OCO account proposal for FY 2017 was for costs that were not related to the additional costs of fighting the wars. As Pentagon spokesperson Lt. Col. Eric Badger [put it](#), the FY 2017 OCO request included \$30 billion in “requirements associated with forward presence and readiness that will likely continue after current operations in Afghanistan and Iraq/Syria conclude.”

The budget debate for the rest of 2017 will determine which of these methods will be used to boost Pentagon and related spending, and to what degree. Given the large margins that three of the four subcommittee markups are above the budget caps, the caps would have to be eliminated or increased substantially to accommodate the kinds of increases being contemplated by the administration and the Congress. Increasing the war budget – which as noted above is not subject to budget caps – is unlikely to be enough to reach the desired levels of spending, since it would have to be more than doubled, for example, to get to the total national defense spending numbers proposed by the House and Senate Armed Services Committees. The exception is the proposal of the Defense Appropriations Subcommittee of the Senate Appropriations Committee, which comes close to the budget caps, and could likely be implemented without a major budget deal.

Categories of Spending Explained

As noted above, the analysis set out in this primer covers four categories: 1) The Pentagon's regular, or base budget; 2) The war budget, known formally as the Overseas Contingency Operations account, or OCO; 3) Defense-related spending at the Department of Energy, including spending on nuclear warheads at that agency's National Nuclear Security Administration (NNSA); 4) Other defense-related spending, including military aid and national security-related functions of the FBI. This December 2016 [report](#) by the Congressional Research Service provides detailed definitions and analysis of the budget by function and sub function, covering the defense-related areas that are the focus of this issue brief.

Brief definitions for each of the four categories are provided below.

Category One: Pentagon Base Budget

The Pentagon's base budget is supposed to cover the enduring peacetime operations of the department, including military personnel, weapons procurement and research, and operations and maintenance.

Category Two: The War Budget (also known as the Overseas Contingency Operations account, or OCO)

The war budget, or OCO, was originally designed to cover the increased costs resulting from U.S. involvement in the wars in Iraq and Afghanistan. It has since been expanded to include spending on other conflicts, and on increasing the U.S. presence in other regions. And as noted above, in recent years tens of billions of dollars in expenditures for items normally included in the Pentagon's base budget have been paid for out of the war budget, or OCO account, in order to evade caps on the Pentagon's main budget that were imposed by the Budget Control Act of 2011.

Category Three: DOE Nuclear and Related Spending

This category primarily represents spending on nuclear warheads and naval nuclear reactors contained in the budget of the Department of Energy's National Nuclear Security Administration. It also includes funds for environmental cleanup of weapons production and research sites, and support for nuclear research labs.

Category Four: Other Defense Related Activities

This category includes defense-related activities carried out outside of the Pentagon budget. In recent years about two-thirds of this total has gone toward counter-terrorism activities of the FBI.