

December 11, 2017

FY2018 Defense Spending Under an Interim Continuing Resolution

Background

On September 8, 2017, Congress passed and the President signed H.R. 601 (P.L. 115-56), the Continuing Appropriations Act, 2018, and Supplemental Appropriations for Disaster Relief Requirements Act, 2017. In addition to providing supplemental appropriations in response to Hurricane Harvey and temporarily suspending the statutory limitation on public debt, the bill provided temporary funding in FY2018 for certain programs and activities typically funded by regular appropriations bills. Commonly referred to as an interim *continuing resolution* (CR), Division D of H.R. 601 provided budget authority for continuation of certain projects or activities funded in FY2017. On December 8, 2017, H.R. 601 was amended by H.J.Res. 123 (P.L. 115-90), extending the period covered by the CR through December 22, 2017. H.R. 601 as extended by H.J. Res will be referred to herein as the FY2018 CR.

Funding Rate

An interim CR typically funds activities under a formulaic approach that provides budget authority at a restricted level—not a specified amount. This method of providing budget authority is commonly referred to as a *funding rate*. The funding rate for a project or activity is calculated as the total amount of budget authority annually available based on a *reference level*, multiplied by the fraction of the fiscal year for which the funds are made available in the CR. In recent years, the reference level has generally been based on the amount of budget authority made available under the prior year's appropriations, reduced as required to comply with Budget Control Act (P.L. 112-25) limits.

The FY2018 CR provides budget authority for FY2018 for most projects and activities at the rate at which they were funded during FY2017 minus 0.6791% effective October 1,

2017, through December 22, 2017. The law funds Overseas Contingency Operations (OCO) at the full FY2017 rate (not subject to the 0.6791% reduction).

Table 1 provides an annualized FY2018 CR rate—an estimation of the budget authority provided to DOD if the terms of the FY2018 CR were extended until the end of FY2018. This estimated annualized CR rate is approximately 9% less than the President's budget request. The *rate for operations* provided under the CR is 13% below the President's budget request for Operation and Maintenance (O&M) accounts—funding that provides for readiness activities such as training, equipment maintenance, logistics and civilian personnel pay. Research, development, test and evaluation (RDT&E) funding is 15% below the requested funding amount for FY2018.

Potential Effects of a CR on DOD Programs

Interim CRs typically are designed to preserve congressional funding prerogatives until annual budgetary decisions are made, while avoiding a government shutdown. By its very nature a CR provides funding quite differently from a regular appropriations bill, if only because decisions on funding levels are set to continue at or near the previously appropriated level.

The Government Accountability Office testified before the Senate Committee on Homeland Security and Governmental Affairs on March 13, 2013, that CRs can create budget uncertainty, complicating agency operations and causing inefficiencies, and that agency officials report taking “varied actions to manage inefficiencies resulting from CRs....” DOD faces these challenges, as do other federal agencies. DOD also faces unique challenges

Table 1. DOD Base Discretionary Budget Authority and Estimated CR Budget Authority (Select Accounts)

Appropriation Account	FY2017 Enacted	FY2018 CR Annualized Rate	FY2018 Request	FY2018 CR vs. FY2018 Request	Percent change
Military Personnel	\$128.7	\$127.8	\$133.9	-\$6.1	-4.8%
Operation and Maintenance (O&M)	\$167.6	\$166.5	\$188.6	-\$22.1	-13.3%
Procurement	\$108.4	\$107.7	\$113.9	-\$6.2	-5.8%
Research and Development (R&D)	\$72.3	\$71.8	\$82.7	-\$10.9	-15.2%
Revolving and Management Funds	\$1.5	\$1.5	\$2.1	-\$0.6	-41.0%
Defense Health Program	\$33.8	\$33.6	\$33.7	-\$0.1	-0.4%
Total Selected Accounts	\$512.3	\$508.8	\$554.9	-\$46.0	-9.1%

Source: H.Rept. 115-219, Committee Report to Accompany Department of Defense Appropriations Bill, 2018, and H.R. 601 (P.L. 115-56).

Notes: The annualized FY2018 CR rate is an estimation of the budget authority provided if the terms of H.R. 601 were extended until the end of FY2018. Does not include Overseas Contingency Operations funding. Dollars in billions; totals may not reconcile due to rounding.

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operating under a CR while providing the military forces needed to deter war and protect U.S. national security. In a December 8, 2015, DOD press release, then-Secretary of Defense Carter said that CRs put commanders in a “straight-jacket” that limits their ability to adapt, or keep pace with complex national security challenges while responding to rapidly evolving threats like the Islamic State.

Anomalies

Congress may include exceptions—called *anomalies*—in the duration, amount or purpose of funds provided under a CR. Anomalies may be provided in consideration of a request from the executive branch and may be based on a variety of factors associated with a specific program or activity. For example, H.R. 2028 (P.L. 114-254)—the second FY2017 CR which lengthened the period of operation under a CR to 210 days— included several anomalies at the request of the Secretary of Defense. H.R. 2028 specified a rate of operations for the *Columbia*-class Ballistic Missile Submarine program above the CR funding rate, provided multiyear procurement authority for the AH-64E attack helicopter and UH-60M Black Hawk helicopter programs, and provided funding for the KC-46A tanker at a rate of operations necessary to support the President’s budget request.

Effects of the FY2018 CR on DOD

In a September 8, 2017, letter response to a query from Senate Armed Services Committee Chairman John McCain, Secretary of Defense James Mattis expressed concern that the FY2018 CR will impact many DOD programs and activities—and overall force readiness. The letter specifically cited contracting restrictions, training, personnel, and maintenance efforts. The FY2018 CR contains no anomalies for DOD.

No Funding or Authority for New Starts

The Administration’s FY2018 budget request includes funds for a number of *new starts* that are prohibited by Section 102 of the FY2018 CR. Select DOD programs that would be restricted by Section 102 include the following.

- Armored Multi-purpose Vehicle (AMP-V) program
- Paladin Integration Management Improvement program
- Interim combat service rifle procurement
- Multi-role Anti-armor Anti-personnel Weapon System
- Lightweight 30 mm cannon procurement
- Small Diameter Bomb procurement (Navy)
- Harpoon missile program
- B-2 bomber modernization efforts
- DDG-51 program
- CVN-78 aircraft carrier program
- Littoral Combat Ship program
- F-15C and F-16 upgrades

No Increase in Production Rates

The FY2018 request includes funding for many programs scheduled to increase production quantities from FY2017 levels. In addition to prohibiting new starts, Section 102 also prohibits the increase in production rates above the rate

sustained with FY2017 funds. Select DOD programs that would be restricted include the following.

- Small Diameter Bomb procurement (Air Force)
- Hellfire missile procurement
- MH-47 Chinook Renew program
- CH-53K King Stallion helicopter procurement
- *Columbia*-class ballistic missile submarine program
- *Virginia*-class submarine procurement
- Littoral Combat Ship module weapons
- Joint Light Tactical Vehicle procurement
- T-X Advanced Pilot Training aircraft program
- Joint Strike Fighter procurement

CR Effects on Readiness

While operating under a CR, DOD typically realigns budgetary resources within the scope of its authorities to prioritize funding for combat operations and other essential operations of the combatant commands. Doing so causes direct and indirect consequences in many of DOD’s regular activities (e.g., routine operations, maintenance actions, training, supply and logistics actions, contracting, and personnel actions (military and civilian)). Even short-term delays or deferrals in many of these activities have a second-order effect of creating a backlog that, in some cases, may carry forward for a year or more. Among the readiness effects noted by the Secretary are:

- Delayed shipyard induction for maintenance of 11 ships
- Postponement of noncritical maintenance work orders and deferred supply transactions
- Restriction or elimination of flying hours, steaming days, and training events
- Curtailment of recruitment and hiring actions for civilians and military
- Delays and deferrals in professional development and training activities
- Curtailment of noncritical travel (including permanent change of station moves for civilians and military members)

Additional Resources

CRS Report R42647, *Continuing Resolutions: Overview of Components and Recent Practices*, by James V. Saturno and Jessica Tollestrup.

CRS Insight IN10817, *Impact of the Budget Control Act Discretionary Spending Caps on a Continuing Resolution*, by Megan S. Lynch and James V. Saturno.

CRS Report R44908, *In Brief: Highlights of FY2018 Defense Appropriations Actions*, by Lynn M. Williams and Pat Towell.

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