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Fact Sheet: Selected Highlights of the FY2016 Defense Budget Debate and the National Defense Authorization Acts (H.R. 1735 and S. 1356)

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Contents

Defense Budget Debate Highlights 1

Figures

Figure 1. FY2016 National Defense Budget Function Total (Discretionary)..... 3

Tables

Table 1. FY2016 National Defense Authorization Act (H.R. 1735, S. 1356)..... 3
Table 2. Selected Authorization Reductions Incorporated into S. 1356 4
Table 3. Selected Administration Policy and Cost-Cutting Proposals..... 5
Table 4. Selected Congressional Budget Increases and Policy Additions 6
Table 5. Selected Congressional Prohibitions and Budget Reductions 7

Contacts

Author Contact Information 8

Defense Budget Debate Highlights

Following are selected highlights of the versions of the FY2016 National Defense Authorization Act (NDAA) that were passed by the House of Representatives, passed by the Senate and signed by the President on November 25, 2015 (P.L. 114-92).

Initially, the House and Senate passed their respective versions of the bill as H.R. 1735, which the President vetoed on October 22, 2015[1]. The text of that first version of the NDAA then was modified to accommodate the President's objections. For procedural reasons, the text of that revised NDAA then was substituted for the original text of S. 1356, an unrelated bill previously passed by the Senate. The amended version of S. 1356 (i.e., the revised FY2016 NDAA) then was passed on November 5, 2015, by the House, and on November10, 2015, by the Senate. It then was signed by President on November 25, 2015.

Congressional action on the FY2016 defense budget has been fundamentally shaped by the legally binding cap on defense-related appropriations that originated in the 2011 Budget Control Act or BCA (P.L. 112-25). The BCA was a legislative compromise designed to reduce the projected federal deficit, in part by reducing projected discretionary appropriations for each year during the decade FY2012-FY2021. For each of those years, the law required roughly equal reductions in projected discretionary spending for defense-related agencies and nondefense-related agencies. To enforce those reductions, the bill set a legally binding cap[2] on discretionary appropriations in each category for each year. If discretionary appropriations for either defense or nondefense agencies exceeded the relevant cap in any year, the appropriations would be reduced to the cap level by "sequestration": a process of automatic, across-the-board cuts designed to allow very little administrative discretion in allocating the reduction.[3]

The scope of the cap on defense-related appropriations has two important aspects:

- It applies to the so-called "base" budget, i.e., the budget for all activities other than those associated with ongoing combat operations in Afghanistan and the Middle East, and certain other activities such as those intended as a response to Russian military activities in Ukraine and other areas. Funding for "non-base budget" activities, designated as Overseas Contingency Operations (OCO), is exempt from the spending caps.[4]
- For FY2016 and subsequent years, it applies to all base budget funds encompassed within the National Defense budget function (or Budget Function 050), which includes funding for all defense-related activities of the federal government, no matter what agency conducts them. In recent budgets, the Department of Defense (DOD) has accounted for slightly more than 95% of the National Defense budget function total, with about 3.5 % going to nuclear energy

[1] The version of that bill originally passed by the Senate had been reported by the Senate Armed Services Committee as S. 1376. When the Senate took up H.R. 1735, it substituted the text of S. 1376 for the text of the House-passed version of H.R. 1735.

[2] At the start of 2015, some of the original BCA caps had been increased by subsequent legislation, most recently by the Bipartisan Budget Act of 2013 (P.L. 113-67). The basic operation of sequester-enforcement of the revised caps was not changed.

[3] For additional background and analysis of the effect of BCA spending caps on the defense budget see CRS Report R44039, *Defense Spending and the Budget Control Act Limits*, by Amy Belasco.

[4] Funds appropriated for defense are exempt from the defense spending cap only if both Congress and the President designated them as OCO funds (see 2 U.S.C. Section 901 b).

activities conducted by the Energy Department and about 1.5 % to defense-related activities by other federal agencies such as the FBI.

The President's FY2016 budget request exceeded the statutory caps on discretionary spending for both defense and nondefense activities. However, the request also included proposed legislation that would have averted sequestration by increasing both spending caps and offsetting the increased spending by proposed changes in tax law.

H.R. 1735—the initial NDAA—would have authorized essentially the total amount requested by the President for defense-related spending but without changing the current budget caps. Instead, the bill would have avoided breaking the cap on base budget spending by shifting roughly $38 billion of the total requested for the defense base budget into the OCO budget, which is exempt from the budget caps. The President objected to lifting the spending cap on defense without providing the same degree of relief for nondefense discretionary spending and, accordingly, vetoed H.R. 1735.

The impasse was resolved by the enactment on November 2, 2015, of P.L. 114-74, the Bipartisan Budget Act of 2015 (BBA). It raised the discretionary spending caps for both defense and nondefense programs in FY2016 and FY2017 and also set nonbinding "targets" for discretionary OCO appropriations in both the defense and nondefense categories, the latter falling within the budget function for international relations. The OCO target cap for defense exceeded the President's defense-related OCO budget request by $7.9 billion. Thus, the net effect of this was to allow (within the revised budget caps for FY2016) total defense-related discretionary appropriations amounting to $606.9 billion, which is $5.0 billion less than the President requested (counting both base budget and OCO funding).

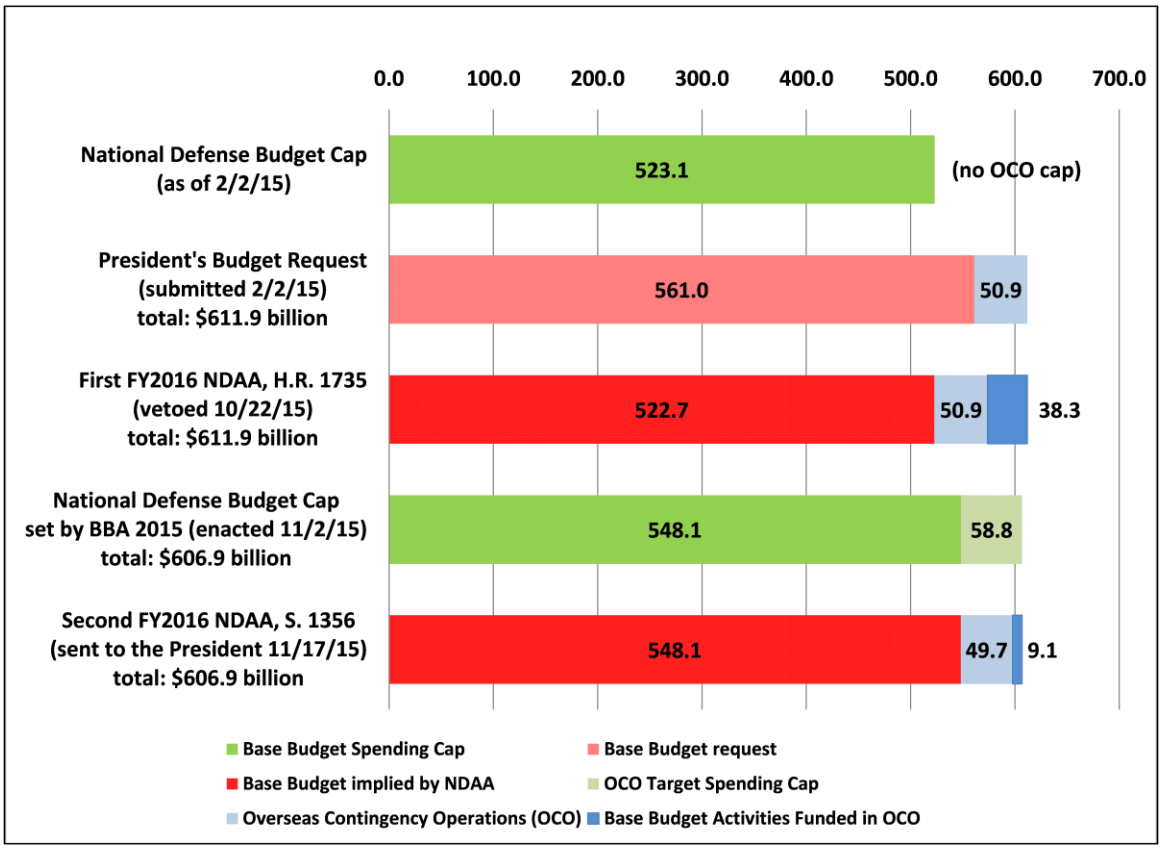
Negotiators for the Armed Services Committees of the House and Senate then revised the text of H.R. 1735 to reduce the total amount it would authorize by $5.0 billion, thus bringing it into compliance with the newly revised cap on FY2016 defense spending. The revised text of the NDAA then was passed as S. 1356, which the President signed on November 25, 2015.[5]

According to the Joint Explanatory Statement accompanying S. 1356, the revised bill included, within its OCO authorization, $9.1 billion for base budget activities. (**Figure 1** and **Table 1**)

[5] Transmission of S. 1356 to the White House was delayed in order to correct inadvertent errors in the enrollment of the bill. Those errors were corrected by H.Con.Res. 90.

Figure 1. FY2016 National Defense Budget Function Total (Discretionary)

amounts in billions of dollars



Source: CRS Insight IN10389, *Bipartisan Budget Act of 2015: Adjustments to the Budget Control Act of 2011*, by Grant A. Driessen; H.Rept. 114-270, Conference Report to accompany H.R. 1735, the National Defense Authorization Act for FY2016; and Joint Explanatory Statement to Accompany S. 1356, the National Defense Authorization Act for FY2016, *Congressional Record*, daily edition, vol. 161 (November 5, 2015), pp. H7747-H8123.

Notes: The base budget totals shown for the two versions of the FY2016 NDAA each are the totals implied by those two bills, including $7.7 billion for activities within the National Defense budget function that are outside the scope of the NDAA. See H.Rept. 114-270, *Conference Report to Accompany the National Defense Authorization Act for FY2016* (H.R. 1735).

Table 1. FY2016 National Defense Authorization Act (H.R. 1735, S. 1356)

(amounts in millions of dollars of discretionary budget authority)

	Budget Request	House-passed H.R. 1735	Senate-passed H.R. 1735	Conference Report on H.R. 1735 (vetoed)	Conference Report on S. 1356
DOD Base Budget					
Procurement	106,967.4	109,735.7	111,847.6	110,824.0	110,330.9
Research and Development	69,785.0	68,352.5	70,891.6	70,344.3	70,005.8
Operation and Maintenance	176,517.2	136,562.8	134,071.1	174,217.3	162,374.3
Military Personnel	136,734.7	136,443.2	135,480.2	135,712.3	135,559.9

	Budget Request	House-passed H.R. 1735	Senate-passed H.R. 1735	Conference Report on H.R. 1735 (vetoed)	Conference Report on S. 1356
Defense Health Program and Other Authorizations	35,917.5	37,860.4	35,891.0	35,524.9	35,508.4
Military Construction and Family Housing	8,306.5	7,151.0	8,305.6	8,078.5	8,078.5
Subtotal: DOD Base Budget	**534,228.5**	**496,105.6**	**496,487.1**	**496,411.5**	**513,779.4**
Atomic Energy Defense Activities	19,031.5	18,856.2	18,735.5	18,557.7	18,557.7
TOTAL: National Defense Budget Function Base Budget	**553,254.0**	**514,961.8**	**515,222.6**	**514,969.1**	**540,415.6**
Overseas Contingency Operations (OCO)	50,949.6	50,949.1	50,901.3	50,945.7	49,690.1
OCO Funding for items requested in the Base Budget	0.0	38,290.0	38,899.1	38,290.0	9,107.8
Subtotal: DOD OCO	**50,949.6**	**89,239.1**	**88,900.4**	**89,235.7**	**58,797.8**
GRAND TOTAL: FY2016 NDAA	**604,209.4**	**604,200.9**	**604,123.0**	**604,204.8**	**599,213.4**

Sources: H.Rept. 114-102, *Report of the Committee on Armed Services of the House of Representatives on H.R. 1735, the National Defense Authorization Act for FY2016*; S.Rept. 114-49, *Report of the Committee on Armed Services of the Senate on S. 1376, the National Defense Authorization Act for FY2016*; H.Rept. 114-270, *Conference Report to accompany* H.R. 1735*, the National Defense Authorization Act for FY2016*; and "Joint Explanatory Statement to Accompany S. 1356, the National Defense Authorization Act for FY2016," accessed on the House Armed Services Committee website at http://armedservices.house.gov/index.cfm?a=Files.Serve&File_id=E0B05DFB-B970-4D0C-92EA-26FD566B7E3B

Note: This table includes only amounts authorized by the NDAA and thus excludes $7.7 billion in discretionary funding that is within the national defense budget function but is outside the scope of the NDAA.

Compared with the bill vetoed by the President, S. 1356 incorporated nearly 100 reductions adding up to $4.99 billion—the total reduction required to bring the second bill in line with the revised national defense budget cap enacted by the 2015 BBA. Of that overall reduction, a total of $781.6 million was cut from items authorized as part of the OCO budget. A relatively small number of items accounted for more than two-thirds of the reduction. Many of these, falling within the Operation and Maintenance budget, were described as reflecting fact-of-life economic changes or mandated savings. (See **Table 2**)

Table 2. Selected Authorization Reductions Incorporated into S. 1356

amounts in billions of dollars

Item	amount	Notes
Reestimated fuel prices	1.192	includes $110 million from the amount authorized for Afghan Security Forces
Support of allied forces	.475	includes additional cuts of $250 million from Counterterrorism Partnerships Fund, $100 million from Coalition Support Funds, and a $125 million from Syria Train & Equip program
Streamlining of management headquarters	.453	in addition to $1.28 billion reduction for this purpose included in H.R. 1735

Item	amount	Notes
Army and Army National Guard readiness increase	.443	cuts by about 50% the $885 million Congress had added to the budget for this purpose in the first NDAA (H.R. 1735)
Civilian personnel levels	.353	either overestimated in budget request or deemed unachievable
Long-range bomber development	.230	reflects delay in contract award

Source: House Armed Services Committee, *FY16 NDAA List of Adjustments*, accessed on the committee website at, http://armedservices.house.gov/index.cfm?a=Files.Serve&File_id=61603558-B545-4B27-A3F2-D02E38B01F2F.

Table 3. Selected Administration Policy and Cost-Cutting Proposals

Administration Proposal	House–passed bill H.R. 1735	Senate-passed bill H.R. 1735 (reported as S. S. 1376)	Second Conference Report S. 1356
1.3% **Raise in Military Basic Pay** in lieu of the 2.3% raise that would occur under existing law[a]	Report calls for 2.3% raise, but the bill includes no relevant provision	Authorizes 1.3% raise, as requested, for most personnel, but none for generals and admirals (Section 601)	Freezes basic pay for generals and admirals (Section 601); report acknowledges President's authority to set 1.3% raise for other military
Reduce **Commissary Subsidy** by efficiencies and reduction of store hours but without closing stores[a]	Rejects proposal (Section 642); authorizes an additional $322 million to continue current policy in FY2016	Authorizes some proposed efficiencies (Section 651); requires a plan for commissary privatization; authorizes no additional funds	Rejects Administration proposal; adds $281.2 million to continue current policy; requires a "budget neutral" plan to hold annual subsidy at current level of $1.4 billion (Section 651)
Slow rate of increase in **Housing Allowance** to eventually cover 95% of rental costs in lieu of current 99% coverage[a]	Rejects proposal; authorizes an additional $400 million to continue current policy in FY2016	Authorizes proposed change (Section 602)	Authorizes the proposed change but phases it in over five years (2015-19). (Section 603); adds $300 million to allow for slower implementation
Changes to **TRICARE** medical insurance including enrollment fee for **TRICARE-for-Life** (for retirees) and increased **pharmacy co-pays** for non-active-duty beneficiaries	Authorizes none of the proposed changes	Authorizes certain increases in co-pays (Section 702); cuts $85 million requested to cover cost of the rejected proposals; does not authorize TRICARE-for-Life enrollment fee	Authorizes some pharmacy co-pay increases (Section 702); cuts $71 million requested to cover rejected proposals; does not authorize TRICARE-for-Life enrollment fee
Move all **Apache attack helicopters from National Guard units** to Army units; reequip some of those Guard units with Black Hawk troop carriers[b]	Bars Apache moves until 60 days after a commission report (Section 1053); authorizes $136.8 million to buy new Black Hawks and modernize old ones for Guard units	Extends by six months (through end of FY2016) current law barring transfer to Army of more than 48 helicopters (Section 1044)	Extends by three months (through June 30, 2016, current law barring transfer of more than 48 Apaches (Section 1054); adds $128.0 million for new Blackhawks for National Guard

Administration Proposal	House–passed bill H.R. 1735	Senate-passed bill H.R. 1735 (reported as S. S. 1376)	Second Conference Report S. 1356
Continue mothballing **A-10 ground-attack aircraft**[c]	Bars retirement of A-10s (Section 133); reduces to 18 the number that can be sidelined (Section 132); authorizes an additional $603.1 million to keep operating all other A-10s	Bars retirement of A-10s and requires that 171 A-10s be in combat-ready status, thus barring the sidelining of additional aircraft (Section 134); adds $257 million for A-10 operations	Reduces to 18 the number of A-10s that can be moved to back-up status (Section 141); requires that 171 A-10s be combat-ready; Adds $388.5 million for A-10 operations.

a. For background, see CRS Report RL33446, *Military Pay: Key Questions and Answers*, by Lawrence Kapp and Barbara Salazar Torreon.

b. For background, see CRS Report R43808, *Army Active Component (AC)/Reserve Component (RC) Force Mix: Considerations and Options for Congress*, by Andrew Feickert and Lawrence Kapp.

c. For background, see CRS Report R43843, *Proposed Retirement of A-10 Aircraft: Background in Brief*, by Jeremiah Gertler.

Table 4. Selected Congressional Budget Increases and Policy Additions

Issue	House-passed H.R. 1735	Senate-passed bill H.R. 1735 (reported as S. S. 1376)	Second Conference Report S. 1356
F/A-18E/F Navy fighters (none requested)[a]	Adds $1.15 billion for 12 F/A-18E/Fs	Adds $1.15 billion for 12 F/A-18E/Fs	Adds $978.8 million for 12 F/A-18E/Fs
F-35 Joint Strike Fighter ($11.0 billion requested for 57 planes)[b]	Adds $1.0 billion for 6 Marine Corps versions (F-35B)	Adds $1.05 billion for 6 Marine Corps versions (F-35B)	Adds $846.0 million for 6 Marine Corps versions (F-35B)
$16.6 billion ship building budget funds for 10 ships and components for three more	Adds $347 million for components to be used in future construction of two additional ships	Adds $1.66 billion to buy components and/or accelerate work on six ships.	Adds a net $1.03 billion, primarily to accelerate or increase work on six shipbuilding programs
Construction of a ballistic **missile defense site near the East Coast** (in addition to current sites in Alaska and California)	Adds $30.0 million to plan and design East Coast site; requires deployment of SBX radar on East Coast (Section 1673)	Requires a plan to cut 2 years off construction time for a potential East Coast site but does not require deployment (Section 1641)	Adds $30 million to plan and design an additional U.S. defense site; requires selection of site and a plan to reduce deployment timetable by 2 years (Section 1683); require deployment on East Coast of SBX or equivalent sensor (Section 1684)
Changes to **Military Retirement System** (No change was proposed as part of the budget, but a far-reaching revision was proposed by a legislatively mandated commission.)	Modifies the system for new servicemembers, with changes along the lines proposed by a national commission, including Thrift Savings Plan (Sections 631-634)	Modifies the system for new servicemembers, with changes along the lines proposed by a national commission, including Thrift Savings Plan (Sections 633-636)	Modifies the system for new servicemembers, with changes along the lines proposed by a national commission, including Thrift Savings Plan (Sections 631-635)

Issue	House-passed H.R. 1735	Senate-passed bill H.R. 1735 (reported as S. S. 1376)	Second Conference Report S. 1356
Lethal military assistance to **Ukraine**	Adds $200 million to train and equip Ukrainian forces (Section 1532)	Authorizes military assistance and intelligence support to Ukraine (Section 1251) and adds $300 million to do so	Authorizes $300 million for assistance to Ukraine of which $50 million is only for counterartillery radar and lethal assistance (Section 1250)
Funds requested ($715 million) to train and equip **Iraqi forces to oppose ISIL**.	Authorizes the request and requires that 25% of anti-ISIL funds for Iraq go to Kurdish and Sunni forces inside Iraq (Section 1223)	Authorizes the request	Authorizes the request; allows the President to waive current law requiring that certain types of security assistance be provided only to central government authorities, rather than subnational entities (Section 1223)

a. For background, see CRS Report RL30624, *Navy F/A-18E/F and EA-18G Aircraft Program*, by Jeremiah Gertler.

b. For background, see CRS Report RL30563, *F-35 Joint Strike Fighter (JSF) Program*, by Jeremiah Gertler

c. For background, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke

d. CRS Insight IN10286, FY2016 NDAA: A Comparison of House and Senate Provisions for Military Retirement Reform, by Kristy N. Kamarck.

Table 5. Selected Congressional Prohibitions and Budget Reductions

Issue	House-passed H.R. 1735	Senate-passed bill H.R. 1735 (reported as S. S. 1376)	Second Conference Report S. 1356
Funds cut from request on grounds that they **exceed the amount required** for a program in FY2016 or because of **unobligated balances**	Cuts $2.6 billion to be made up for by unobligated balances appropriated in earlier budgets but not spent as planned	Cuts $1.4 billion to be made up for by unobligated balances and $490 million deemed in excess of the amounts required in FY2016	Cuts $1.6 billion to be made up for by unobligated balances and $276 million deemed in excess of the amounts required in FY2016
Fuel prices assumed in budget request	Cuts $1.6 billion on the assumption that fuel prices will be lower than assumed	Cuts $1.8 billion on the assumption that fuel prices will be lower than assumed	Cuts $2.8 billion on the assumption that fuel prices will be lower than assumed
Foreign currency assumptions	Cuts $1.4 billion on the assumption that purchase of goods and services by U.S. forces overseas will cost less than budget assumed (due to increased value of the dollar against foreign currencies)	Cuts $891 million on the assumption that purchase of goods and services by U.S. forces overseas will cost less than assumed (due to increased value of the dollar against foreign currencies)	Cuts $1.4 billion on the assumption that purchase of goods and services by U.S. forces overseas will cost less than budget assumed (due to increased value of the dollar against foreign currencies)
Administration plan to reduce the size of **Administrative Headquarters by 20%** over 5 years	Requires a baseline accounting of headquarters budgets and personnel and a specific plan for reductions (Section 905)	Requires a 7.5% reduction in headquarters in FY2016 and in each of the following four years (Section 351) Cuts $1.7 billion to match the required cutback	Requires Administration to cut headquarters and support costs by $10.0 billion by FY2019 (Section 346); for that purpose, cuts $1.8 billion from FY2016 request

Issue	House-passed H.R. 1735	Senate-passed bill H.R. 1735 (reported as S. S. 1376)	Second Conference Report S. 1356
Long-range Strike Bomber ($1.25 billion requested for R&D)[e]	Cuts $460 million because of changes in schedule	Cuts $460 million because of changes in schedule	Cuts $690 million because of changes in schedule
KC-46 tanker plane; ($2.35 billion requested to procure 12 planes and $602 million for R&D)[f]	Cuts $24 million from procurement request and $200 million from R&D request because of changes in program's schedule	Cuts $24 million from procurement request and $200 million from R&D request because of changes in program's schedule	Cuts $24 million from procurement request and $200 million from R&D request because of changes in program's schedule
Administration's effort to close the detention facility at **Guantanamo Bay**, Cuba[g]	Repeals provision of FY2014 NDAA that increased the President's discretion to transfer Guantanamo detainees to other places (Sections 1039); prohibits detainee transfers to Yemen (Section 1042); Adds $76 million for Guantanamo Bay barracks	Repeals provision of FY2014 NDAA that increased the President's discretion to transfer Guantanamo detainees; restrictions on movement of detainees would be relaxed if Congress approves a DOD plan to close the facility (Sections 1033); prohibits detainee transfers to Yemen (Section 1035)	Repeals provision of FY2014 NDAA that increased the President's discretion to transfer Guantanamo detainees and requires detailed certification to Congress that the transfer of any detainee meets certain conditions (Section 1034); prohibits detainee transfers to Libya, Somalia, Syria, or Yemen (Section 1033); requires a comprehensive strategy for detaining individuals (Section1035)

e. For background, see CRS Insight IN10095, *Budget Highlight: Air Force Long Range Strike Bomber*, by Jeremiah Gertler.

f. For background, see CRS Report RL34398, *Air Force KC-46A Tanker Aircraft Program*, by Jeremiah Gertler.

g. For background, see CRS Report R42143, *Wartime Detention Provisions in Recent Defense Authorization Legislation*, by Jennifer K. Elsea and Michael John Garcia.

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