



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

February 10, 2014

Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you requested, the enclosed document responds to your questions regarding war-related spending, as submitted following my testimony before the committee on February 5, 2014.

If you wish further details, we will be pleased to provide them.

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf".

Douglas W. Elmendorf

Enclosure

cc: Honorable Chris Van Hollen
Ranking Member

Questions for the Record from Chairman Ryan
(Following Director Elmendorf's testimony on
The Budget and Economic Outlook,
February 5, 2014)

Capping War-Related Spending

The Budget Control Act established caps on discretionary spending and provided for four means of adjusting those caps. One of those cap adjustments provides that the caps shall be increased by the amount of funding designated by both Congress and the President as being for the Global War on Terrorism/Overseas Contingency Operations (OCO).

Question: Does CBO's baseline projection of OCO spending represent CBO's assessment of what will be needed for operations in Afghanistan over the next 10 years?

Answer:

The baseline projections are not an assessment of the budgetary resources that will be required in future years for overseas contingency operations or for any other activities that are funded with annual discretionary appropriations. The baseline projections simply reflect the most recently enacted amount of appropriations. The Congress provided about \$92 billion in OCO funding for fiscal year 2014; as a result, CBO's current baseline assumes that amount remains constant in real (inflation-adjusted) terms for the 10-year projection period covered by the baseline.

Question: If not, what is the basis of these projections and why does CBO make these projections?

Answer:

CBO constructs its baseline in accordance with provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 and the Congressional Budget and Impoundment Control Act of 1974. Under those provisions, discretionary appropriations for the budget year and each subsequent year are projected at the amount of appropriations enacted for the current year, adjusted for inflation. Therefore, those projections do not represent the discretionary funding provided in current law, which generally specifies funding only for the current year. In particular, the Congress authorizes most defense-related activities, including those related to OCO, one year at a time in the annual National Defense Authorization Act. Under current law, funding for OCO is provided only for 2014 and not for any future year.

Question: In two footnotes in the February 2014 Budget and Economic Outlook, CBO notes that "there are no funds in the Treasury set aside" for GWOT/OCO. Have any funds been provided for OCO for FY 2015 or beyond that could be used for other purposes? Would CBO estimate the budgetary effect of legislation that capped future OCO

spending as a reduction in spending that could be used to offset an increase in direct spending?

Answer:

As noted above, no funds for overseas contingency operations have been authorized or appropriated for years after 2014.

CBO would not consider the establishment of caps on OCO funding as an “offset” to a proposed increase in direct spending. Spending for OCO is discretionary—that is, it comes from funding provided in annual appropriation acts. In contrast, spending for programs such as Medicare, military pensions, and unemployment compensation are considered direct spending; the authority for those programs comes from enabling laws (other than annual appropriations acts), and the spending for such programs is governed by rules regarding benefits and eligibility that generally remain in place from year to year. Congressional scorekeeping procedures do not permit budgetary effects in those two categories to be combined.

Establishing caps on discretionary appropriations in the future would not affect spending under current law and would not offset changes in direct spending or revenues. Further, appropriations for war-related activities have declined in recent years and may decline further as military operations in Afghanistan wind down. Caps on OCO appropriations that are lower than baseline projections might simply reflect policy decisions that have already been made and that would be realized even without such funding constraints. Moreover, if policymakers believed that national security required appropriations above the capped amounts in future years, they would almost certainly provide emergency appropriations that would not, under current law, be counted against the caps.