



Appropriations Update

Committee on the Budget • Majority Caucus
U.S. House of Representatives
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FISCAL YEAR 2007 DEPARTMENT OF DEFENSE APPROPRIATIONS BILL – H.R. 5631 Conference Report

SUMMARY

The conference report accompanying the Department of Defense appropriations bill (H.R. 5631; H.Rept. 109-676) provides the majority of national defense funding called for in the fiscal year 2007 budget resolution. Because this is the first completed conference report for the fiscal year beginning 1 October 2006, the agreement also includes a continuing resolution [CR] to fund the departments and agencies covered by the remaining 11 bills for which final funding decisions have not been made. The CR provides stopgap funding through 17 November 2006 or enactment of the relevant appropriations bill, whichever occurs first.

The conference report employs the special Exemption for Contingency Operations Related to the Global War on Terrorism – the budget resolution’s means of anticipating

costs for continuing operations in Afghanistan and Iraq. Those contingency funds are not counted for enforcement purposes (see further discussion below). The measure also provides a small amount of supplemental funding to combat wildfires on Federal lands.

Overall, the conference report – filed on 25 September 2006 – provides spending consistent with the applicable limit established under the budget resolution. For that reason, it is consistent with the appropriate levels in the fiscal year 2007 budget resolution (H. Con. Res. 376) and complies with applicable provisions of the Congressional Budget Act. It also complies with other budget resolution provisions, such as those governing advance appropriations and emergency designations.

Table 1: Department of Defense^a
(fiscal years; millions of dollars)

	2006 Spending	Administration 2007	302 (b) for 2007	Bill
Budget Authority	358,349	381,358	377,357	377,357
Outlays	397,425	395,923	393,165	394,646

^a Excludes appropriations designated under the Exemption of Contingency Operations Related to the Global War on Terrorism.

COST OF THE LEGISLATION

The conference agreement provides a total of \$377.4 billion in new budget authority [BA] for 2007 (excluding the contingency funding), and \$394.6 billion in outlays. The total cost also takes into account the rescission of \$871 million in BA, which results in \$165 million in outlay savings. Two-thirds of those rescissions are related to Procurement; and the remainder to Research, Development, Test, and Evaluation.

Compared to the prior year, the conference report levels are \$19 billion higher in BA and \$2.8 billion lower in outlays. Nevertheless, they are lower than the amounts requested by the President, by \$4 billion in budget authority and \$1.6 billion in outlays (see Table 1). The reductions, relative to the President’s request, occur mainly in Operations and Maintenance (-\$3.3 billion) and Procurement (-\$2.9 billion), but Research is increased by nearly \$2 billion.

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In addition to these amounts, the agreement provides \$70 billion in BA for funding related to the global war on terrorism and exempt from budget disciplines. The budget resolution assumed the President's request for \$50 billion, but the exemption of contingency operations related to the global war on terrorism (Section 402 of the budget resolution) is not limited to a specific amount. As such, neither the additional \$20 billion nor the \$70 billion in total runs afoul of the budget resolution and is not counted for enforcement purposes.

The conference report also provides \$200 million in BA upon enactment of the bill for the Departments of Agriculture and Interior for wildfire suppression. If the bill is signed before 1 October 2006, then these amounts will be considered supplemental funding for 2006 and, therefore, subject to the terms of the 2006 budget resolution (H.Con.Res. 95). This supplemental funding can be accommodated under the fiscal year 2006 302(a) allocation, because the 1-percent across-the-board cut included in the 2006 Defense conference agreement left room under the allocation for supplemental 2006 spending.

If the wildfire funding is enacted on or after 1 October 2006, then these amounts will be treated as emergency funding under Section 501 of the 2007 budget resolution (nondefense reserve fund for emergencies), which cannot exceed \$6.45 billion for the fiscal year without further action by the Budget Committee.

To keep the Federal Government operating past 30 September 2006, Division B of the conference agreement is a continuing resolution that funds departments and agencies outside the jurisdiction of the Appropriations Defense Subcommittee. Funding is to be provided at one of three possible levels – the House's latest fiscal year 2007 appropriations action; the Senate's latest fiscal year 2007 appropriations action; or the fiscal year 2006 level – whichever is lowest. As noted, the CR levels apply until 17 November 2006 or enactment of one or more of the regular appropriations bills. For any appropriations bills still not enacted by 17 November 2006, a second CR will be needed to operate those departments and agencies. The budget authority provided by the CR on an annualized basis will not breach the 302(a) allocation.

Table 2: Discretionary Spending in the Department Defense Conference Report
(in millions of dollars)

	2006 Budget Authority	2006 Outlays	2007 Budget Authority	2007 Outlays	Difference BA	Difference Outlays
Military Personnel	93,795	93,963	97,583	94,577	3,788	614
Operation and Maintenance	114,650	142,904	120,286	133,042	5,636	-9,862
Procurement	76,242	86,318	81,270	89,333	5,028	3,015
Research, Development, Test, & Evaluation	70,976	69,486	75,110	73,238	4,134	3,752
Revolving and Management Funds	2,221	3,544	2,426	2,767	205	-777
Allowances	50	800	61	882	11	82
Trust Funds	0	3	0	0	0	-3
International Reconstruction and Other Assistance	0	26	0	9	0	-17
Department of Justice	36	35	39	38	3	3
Intelligence Community Management Account	379	346	580	558	201	212
Other	<u>0</u>	<u>0</u>	<u>2</u>	<u>202</u>	<u>2</u>	<u>202</u>
Total	358,349	397,425	377,357	394,646	19,008	-2,779

^b Excludes appropriations designated under the Exemption of Contingency Operations Related to the Global War on Terrorism.

COMPLIANCE WITH THE BUDGET RESOLUTION

The BA provided by the conference report is equal to the 302(b) suballocation to the Subcommittee on Defense. Accordingly, the agreement complies with Budget Act provisions that prohibit the consideration of appropriations measures in excess of their suballocations. Outlays exceed

the suballocation by \$1.5 billion, but that does not give rise to a violation of the Budget Act.

The conference report corrects a drafting error in the recently enacted supplemental to provide an emergency designation,

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previously omitted, for the excess outlays. This action – intended simply to correct the mistake in the prior bill – violates section 306 of the Congressional Budget Act, because retroactively designating a section as an emergency lies within the jurisdiction of the Committee on the Budget. Because the violation is merely technical, the Chairman of the Budget Committee did not object to waiving the point of

order that would lie against consideration of the conference report.

The agreement contains neither advance appropriations – appropriations for fiscal years beyond the budget year – nor emergency-designated appropriations, both subject to limits set by the budget resolution.

DISCUSSION

The conference agreement provides essentially four basic categories of funding: the annual 2007 defense funding; early 2007 supplemental funding for contingency operations related to the global war on terrorism; 53 days worth of fiscal year 2007 funding for departments and agencies outside the jurisdiction of the Appropriations Defense Subcommittee; and wildfire fighting funds.

Annual 2007 Defense Funding

The conference report provides \$376.7 billion in discretionary BA (excluding the contingency funds) to the Department of Defense [DOD]. This is an increase of \$18.8 billion, or 5.3 percent, in BA from the 2006 enacted level (see Table 2 above), but \$4 billion below the administration request.

The reduction occurs because the subcommittee’s 302(b) allocation is below the request. This makes room for the funding of nondefense discretionary programs in the Labor, Health and Human Services, and Education, and Related Agencies appropriations bill at a rate higher than requested by the President.

The agreement also provides \$580 million in discretionary BA to the Intelligence Community Management Account [ICMA], a significant increase of \$201 million, or 53 percent, from 2006 levels. This expansion of this account primarily funds the infrastructure and personnel required to support the newly created Director of National Intelligence.

The Defense Department BA in this bill – plus the amounts for the DOD in the House-passed 2007 Military Quality of Life, Veterans Affairs, and Related Agencies appropriations bill (\$58.1 billion) – achieve a combined total of \$434.8 billion, excluding emergency and contingency funds. Other defense-related funding is included in the Energy and Water Development appropriations bill for the Department of Energy.

Early 2007 Supplemental Funding

Like the Defense conference agreements for fiscal years 2006 and 2005, this report includes a title IX that provides budgetary resources for ongoing operations in Iraq and Afghanistan, and is intended to provide continuity between spring supplementals. This conference agreement provides \$70 billion for this purpose, with the vast majority of these funds (\$64 billion, or 91.5 percent) for Operations and Maintenance and Procurement accounts.

The title IX spending in this measure is \$20 billion above last year’s agreement, and \$20 billion above the President’s request. The increase is largely due to the need to replace equipment worn out in battle, although some funds may also be included to further Army force restructuring.

Wildfire Fighting

The conference report provides the Departments of Agriculture [USDA] and Interior with \$100 million each upon enactment to fight the worst wildfires in fifty years. Since 1997, USDA has received \$241 million on average, in yearly emergency spending, while Interior has received \$91 million for wildfires.

Continuing Resolution

The continuing resolution – Division B of the conference report – keeps the government running for up to 53 days after the end of the current fiscal year (30 September 2006). Activities outside the jurisdiction of the Defense Subcommittee are funded at one of three levels – the House’s latest 2007 appropriations action; the Senate’s latest 2007 appropriations action; or fiscal year 2006 levels – whichever is lowest. (The Senate has passed only defense and homeland security appropriations.) As noted, funding under the CR is expected to provide BA below the level set by the budget resolution.

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