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MILITARY CONTINGENCY FUNDING FOR BOSNIA, SOUTHWEST ASIA, AND OTHER OPERATIONS: QUESTIONS AND ANSWERS

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Abstract. Congress' unprecedented funding in the annual budget of two large scale on-going operations—the NATO operation in Bosnia and the coalition operation in Southwest Asia—beginning in FY1996 has not resolved the problem because changes in the plans for those operations have required the Administration to draw on funds planned for other activities. Supplemental appropriations, which require rescission of previously-approved funding if they are not to increase the budget, continue to play a large part in funding these operations.



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Military Contingency Funding for Bosnia, Southwest Asia, and Other Operations: Questions and Answers

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Summary

For several years, Members of Congress have been concerned by the strains that military contingency operations have placed on the U.S. armed services and the Department of Defense budget. Because the costs of such missions rarely are funded in advance, problems arise when funds must be shifted from training, maintenance, or weapons modernization to cover their costs. The Administration has proposed mechanisms that would ease the strain, but Congress has rejected them as an unacceptable curtailment of Congress' influence over such operations. Congress' unprecedented funding in the annual budget of one or both of the current large scale on-going operations -- the NATO operation in Bosnia and the coalition operation in Southwest Asia -- since FY1996 has not resolved the problem because changes in the plans for those operations have required the Administration to draw on funds planned for other activities. Supplemental appropriations, which require rescission of previously-approved funding if they are not to increase the budget, continue to play a large part in funding these operations, as can be seen from the discussion on page 4 and the charts on page 5. Page 6 details the incremental costs of U.S. military contingency operations from FY1991-FY1999 in a chart prepared by Stephen Daggett, Specialist in National Defense, Foreign Affairs and National Defense Division. This report will be updated as needed.

Q. What costs do peacekeeping and other contingency operations entail, and how are they funded?

A. Department of Defense (DOD) annual appropriations contain funding for normal peacetime operating expenses; funds for other operations, i.e., "contingency" operations, normally are not budgeted in advance. For the past several years, Congress has appropriated some \$40-\$50 million per year in defense funds that the military can use for small disaster relief efforts. However, large-scale natural disasters and other contingencies to which the military responds with humanitarian assistance and peacekeeping operations can easily run into hundreds of millions of dollars.

Such contingency operations almost always entail extra costs for operations and maintenance, for personnel, and for equipment. These are known as "incremental costs," i.e., costs over normal peacetime operating expenses. Incremental operations and maintenance costs include fuel and supplies used in such operations beyond amounts normally used in training and other regular deployments, and additional maintenance required because of longer or more difficult operations. Incremental personnel costs include hazardous duty pay, special pay for overseas deployments, or pay of reserve personnel called to active duty. Incremental equipment costs include replacements for weapons losses beyond normal peacetime losses and higher than usual consumption of ammunition or other materiel. Incremental costs sometimes can be difficult to ascertain.

Because of U.S. budget laws, the Executive usually must find funds elsewhere in the defense budget to cover, at least temporarily, these incremental costs or seek additional funding from Congress. Incremental costs are normally financed in three ways:

(1) DOD can "absorb" the costs in its regular accounts, by transferring funds budgeted for other purposes within the Personnel or the Operation and Maintenance (O&M) account to cover the costs of contingencies;

(2) DOD can transfer money between accounts (e.g.: Personnel; Procurement; O&M; and, Research, Development, Test and Evaluation), in an action known as "reprogramming" with congressional approval as necessary.¹

(3) Congress can approve supplemental appropriations; these can be new appropriations or offset by rescissions in other DOD accounts.

Q. What problems ensue from funding contingency operations in this manner?

A. When incremental costs are low, funds can be transferred or reprogrammed without unduly disturbing other spending plans. When these costs are high, however, the Administration and Congress are faced with difficult choices. "Absorbing" funds within O&M accounts can mean canceling previously planned training and maintenance activities, and sometime disrupting the previously planned budget by cutting other accounts, or increasing the deficit.

The problem of maintaining budget stability is exacerbated when incremental costs start, or result in unanticipated costs, late in the fiscal year, particularly the fourth quarter. Then, even moderate costs can be particularly disruptive. Two accounts — troop training, and maintenance and repair — are the main sources of unobligated funds to cover such costs late in the fiscal year. Thus, training activities and maintenance must be canceled rather than just postponed until supplemental appropriations become available to cover costs in order to provide funds for peacekeeping operations. This can create another problem: an

¹"Reprogrammings" between accounts require the consent of the House and Senate armed services committees and the Appropriations defense subcommittees; transfers of more than \$10 million within accounts require DOD notification to those committees.

Through the FY1996 DOD Authorization Act (P.L. 104-106 of February 1996), Congress attempted to tighten control over contingency operations by specifying the amount of funds and the accounts from which they could be transferred to cover contingency operations. Proponents viewed this funding method as one means to protect training and maintenance accounts, and to enhance congressional control over peacekeeping expenditures. The Administration, however, opposed it as an "unwarranted" restriction of "the President's national security and foreign policy prerogatives." This provision was not renewed in subsequent DOD legislation.

immediate deterioration in military readiness, i.e., the military's ability to respond rapidly to threats to the nation.

Covering the costs of contingency operations has also disrupted the procurement budget in recent years. Many of the recissions made in the defense budget for recent supplemental appropriations were taken from funds intended to modernize weapons systems. This has led many defense analysts and policymakers to express concerns about future readiness.

Q. What mechanism has Congress adopted to cope with this problem?

A. The first session of the 104th Congress took an unusual step by providing funding in advance for ongoing operations in Southwest Asia (SWA), i.e., in and around Iraq, in the DOD FY1996 appropriations bill (P.L. 104-61).² (These funds were to be made available after costs were detailed in the FY1997 budget request.) Subsequent sessions of Congress have followed this precedent. For SWA operations in FY1997-FY1999, and for FY1997-FY1998 operations in and around ex-Yugoslavia, i.e., mainly the NATO operation in Bosnia, Congress set aside funding in the annual appropriations measures in an "Overseas Contingency Operations Transfer Fund" (OCOTF). The Administration must advise the appropriate congressional committees of any overall redistribution of funds among contingencies that differs from the original distribution plan.

Despite this mechanism, which Congress may chose to use, an Administration still may have to seek additional funds if circumstances change. In FY1997 and FY1998, the Clinton Administration had to request supplemental appropriations for both ongoing operations. For Bosnia, where the annual appropriations had only covered part of the fiscal year in FY1997 and FY1998, supplemental funds were needed to cover extensions in the U.S. commitment of forces. In SWA, additional funds were needed for an unanticipated troop build-up. (In FY1999, Congress was willing to set aside funds for SWA anticipated costs through this mechanism, but decided to fund all anticipated Bosnia costs through an emergency supplemental appropriation.)

Q. What mechanisms had the Clinton Administration proposed to fund contingency operations such as peacekeeping?

A. Before Congress approved the creation of the OCOTF, the Administration had proposed two alternatives for contingency funding. Congress rejected both. In 1993, the Clinton Administration proposed setting up a "Global Cooperative Initiatives" (GCI) account to be used to fund the costs of a variety of DOD missions which might arise during the year, including peacekeeping, disaster relief, humanitarian assistance, and "promoting democracy."³ In 1995, the Administration proposed (FY1996 budget request), to address the so-called "fourth-quarter problem" through the creation of a Readiness Preservation Authority. This

²The most recent precedent for funding an ongoing contingency operation through annual appropriations was for the Vietnam War, when funding was provided through supplemental and annual appropriations in the late 1960s, and through annual appropriations in the early 1970s.

³The Administration proposed that the first GCI account, for FY1994, contain \$448 million, with \$300 million of that intended for peacekeeping. That amount was relatively small when compared to the cost of contingency operations in FY1994 and subsequent years.

would have enabled DOD to obligate, during the last half of a fiscal year, funds for essential readiness activities without a prior appropriation, up to a certain limit.

Q. Why did Congress reject these proposals?

A. Congressional opposition to the GCI proposal centered on the checks and balances of interagency and inter-branch prerogatives. Many Members were not willing to create a “blank check” special fund enabling the President to deploy troops in as yet “unspecified and undetermined” military operations, thus potentially depriving Congress of one means of control over the timing and purposes of new peacekeeping operations. Also, State Department and foreign affairs policymakers objected to establishing a special DOD account that would in effect erode State Department powers. The 104th Congress rejected the Readiness Preservation Act for similar reasons. Many judged that it would lessen what leverage the Congress has over peacekeeping operations through the appropriations process.

Q. How are on-going operations in Bosnia and in Southwest Asia funded?

A. Charts below detail DOD incremental costs for operations in (post-Desert Shield/Desert Storm) Southwest Asia (SWA) and operations related to Bosnia, and the mechanisms through which these costs were funded through FY1998. These operations incurred \$12.9 billion in incremental costs through the end of FY1998. Through FY1998, supplemental appropriations have covered about half of the combined incremental costs of both operations, but have varied greatly.⁴ (These supplemental appropriations were partially or largely offset by rescissions.) Since the Congress began to fund these operations through annual appropriations, these laws have covered much of the incremental costs for SWA from FY1996–FY1998 (97%, 74%, and 41%, respectively), and less for Bosnia (FY1997, 30%; FY1998, 76%). Transfers between DOD accounts covered nearly 25% of the ex-Yugoslavia costs through FY1996, but have not been used there since then, and have never been used for SWA. “Absorption” within DOD accounts was an important source of funding through FY96, but has not been used since. For FY1999, Congress appropriated funds for SWA costs in annual appropriations that will cover part of current estimated costs; for Bosnia, it approved an emergency supplemental appropriation.

NOTE: The FY1999 emergency supplemental appropriations under consideration by the 106th Congress do not contain Bosnia or SWA funding. The Clinton Administration requested \$132.5 million for DOD disaster assistance to Central America in the wake of Hurricane Mitch, and \$56.0 million for a future “New Horizons” DOD disaster relief program there. Senate (S. 544) and House action on this assistance is tracked in CRS Report RL30083, *Supplemental Appropriations for FY1999: Central American Disaster Aid, Middle East Peace, and Other Initiatives*, by Larry Q. Nowels.

⁴The supplemental appropriations measures were:

for FY1992: Dire Emergency Supplemental Appropriations Act, 1992, P.L. 102-368
 for FY1993: Supplemental Appropriations Act of 1993, P.L. 103-50;
 for FY1994: Emergency Supplemental Appropriations for FY1994, P.L. 103-211;
 for FY1995: Emergency Supplemental Appropriations for FY1995, P.L. 104-6;
 for FY1996: Omnibus Consolidated Recissions and Appropriations Act ,P.L. 104-134;
 for FY1997: Emergency Supplemental Appropriations, P.L. 105-18;
 for FY1998: Emergency Supplemental Appropriations Act for FY1998, P.L. 105-174; and
 for FY1999: Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY1999. P.L. 105-277.

**Table 1. Ex-Yugoslavia DOD Incremental Costs and Funding Sources,
FY1992-FY2000 (\$ millions, current dollars)**

Fiscal Year	Incremental Costs	Annual Appropriation	Supplemental Appropriation ¹	Transfers Between DOD Accounts	Costs "Absorbed" Within DOD Accounts or Otherwise Covered
FY92	5.8				5.8
FY93	138.8			50.0	88.8
FY94	292.0				15.3
FY95	347.4		276.7		31.8
FY96	2,520.0		858.0	1,380.9	281.1
FY97	2,282.5	679.4	1,620.7		(Excess of 17.6 applied to SW Asia)
FY98	1,962.7	1,496.1	493.8		
Total FY92 -98	7,549.2	2,175.5	3,249.2		
FY99	1,760.9 (Estimated)		1,858.6		(Carry-over of 342.5 from FY98 available in the OCOTF for use in this or other contingency operations).
FY2000	1,824.4 (Estimated)				

Source: All FY1992-1997 figures were provided or verified by the DOD Comptroller's Office, June 1998. FY98 incremental costs, and FY1999-FY2000 estimated costs, were provided March 23, 1999.

1 Figures for FY1996 through FY1998 in these columns are not cited separately in the appropriating legislation, as they are part of either personnel accounts or the Overseas Contingency Operations Transfer Fund. The DOD Comptroller's Office has provided the amounts that appropriators intended for Bosnia or Southwest Asia.

2 This figure is the sum of two reprogrammings for Bosnia, \$875.6 million and \$483.9 million, and \$21.4 million included for Bosnia in an omnibus reprogramming request.

**Table 2. Southwest Asia Incremental Costs and Funding Sources,
FY1992-FY2000¹ (\$ millions, current dollars)**

Fiscal Year	Incremental Costs ²	Annual Appropriation	Supplemental Appropriation ¹	Costs "Absorbed" Within DOD Accounts or Otherwise Covered
FY92	106.4		92.6	13.8
FY93	838.5		651.3	187.2
FY94	424.8		449.7	(Excess of 24.9 applied to other contingency operations)
FY95	864.3		970.4	(Excess of 106.1 applied to other contingency operations)
FY96	665.2	647.1		18.1
FY97	793.1	587.2	143.4	44.9 (Outstanding after 17.6 of 62.5 shortfall covered by transfer from Bosnia funds)
FY98	1,638.8	679.0	1,296.6	
Total FY91-FY98	5,331.1	1,913.3	3,604.0	264.0
FY99	1,014.4 (Estimated)	439.4		(Carry-over of 342.5 from FY98 available in the OCOTF for use in this or other contingency operations).
FY2000	1,824.4 (Estimated)			

Source: FY1992-1997 figures were provided or verified by the DOD Comptroller's Office, June 1998. FY98 incremental costs, and FY1999 and FY2000 estimated costs were provided March 23, 1999.

1 Does not include costs of Desert Shield/Desert Storm in FY1991-FY1993.

2 Figures for FY1996 through FY1998 in these columns are not cited separately in the appropriating legislation, as they are part of either personnel accounts or the Overseas Contingency Operations Transfer Fund. The DOD Comptroller's office has provided the amounts that appropriators intended for Bosnia or Southwest Asia.

Table 3. Incremental Costs of DOD Humanitarian/Contingency Operations
FY1991-1998* (budget authority in millions of current year dollars)

Operation	1991	1992	1993	1994	1995	1996	1997	1998	FY91-98 Total
Southwest Asia									
Provide Comfort/Northern Watch	325.0	101.5	116.6	91.8	138.2	88.9	93.1	136.0	1,091.1
Southern Watch/Air Expeditionary Force			715.9	333.0	468.4	576.3	597.3	1,497.2	4,188.1
Vigilant Warrior					257.7				257.7
Desert Strike/Intrinsic Action							102.7	5.6	108.3
UNIKOM (UN/Iraq Observer Group)	21.5	4.9	6.0						32.4
Total Southwest Asia	346.5	106.4	838.5	424.8	864.3	665.2	793.1	1,638.8	5,677.6
Former Yugoslavia (Bosnia)									
IFOR/SFOR/DFOR/FFOR						2,231.7	2,087.5	1,792.9	6,112.1
Other Former Yugoslavia Operations*	5.8	138.8	292.0	347.4	288.3	195.0	169.9		1,447.1
Total	5.8	138.8	292.0	347.4	2,520.0	2,282.5	1,962.7		7,549.2
Haiti									
Safe Harbor		9.3							9.3
Embargo/Interdiction/Sanctions			2.8	65.8					68.6
Migrant Processing				108.1	63.7				171.8
Uphold Democracy				198.2	448.8				647.0
UNMIH					56.5	86.9			143.4
Total Haiti	9.3	2.8	372.1	569.0	86.9				1,040.1
Somalia	1.6	943.1	528.0	49.4					1,522.1
Cuba			106.8	265.6	24.9				397.3
Rwanda		1.0	106.7	36.5					144.2
Korea			69.7	90.9					160.6
Resolute Response (Kenya & Tanzania)									
Bangladesh (Sea Angel)	7.1	6.4							13.5
Mt. Pinatubo (Philippine Evacuation)	339.4	84.5	7.9						431.8
Project Hope (Soviet Union)		0.6	0.1						0.7
Hurricane Andrew/ Iniki/Omar		621.2	137.7						758.9
LA Riots		14.3							14.3
Guam Earthquake			94.1						94.1
Turkey Earthquake Relief		0.2							0.2
Midwest Floods			0.1						0.1
Angola	0.5	0.1	2.6						3.2
Cambodia	0.5	0.5	5.0						6.0
Western Sahara	0.9	0.3	0.1						1.3
Total	693.0	852.2	2,165.0	1,907.8	2,223.0	3,297.0	3,075.6	3,602.6	17,816.2

Source: Under Secretary of Defense (Comptroller) -- data current as of March 23, 1999.

***Notes:** Totals may not add due to rounding. Other Former Yugoslavia operations include Able Sentry (Macedonia), Deny Flight/Decisive Edge/Deliberate Guard, UNCRO (Zagreb), Sharp Guard (Adriatic), and Provide Promise (Humanitarian Assistance).