



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D. C. 20503

THE DIRECTOR

June 16, 2015

The Honorable Thad Cochran  
Chairman  
Committee on Appropriations  
U.S. Senate Washington, D.C. 20510

Dear Mr. Chairman:

On June 11, 2015, the Appropriations Committee considered the fiscal year (FY) 2016 Department of Defense (DOD) Appropriations bill. The Administration supports making the investments essential to execute the President's national security and defense strategies, and appreciates the Committee's recognition that increased resources are needed for national defense. However, we have a number of serious concerns about this legislation, which would underfund these important investments in the base budget and instead rely on budget gimmicks that have been criticized by members of both parties. The legislation also includes highly problematic riders and provisions that would preclude needed reforms. In advance of Floor consideration of the Committee-reported bill, I would like to take this opportunity to share some of our concerns with you.

The DOD Appropriations bill is among the first several appropriations bills being considered in the Senate under the congressional Republicans' 2016 budget framework, which would lock in sequestration funding levels for FY 2016. Sequestration was never intended to take effect: rather, it was supposed to threaten such drastic cuts to both defense and non-defense funding that policymakers would be motivated to come to the table and reduce the deficit through smart, balanced reforms. The Republicans' 2016 budget framework would bring base discretionary funding for both non-defense and defense to the lowest levels in a decade, adjusted for inflation. Compared to the President's Budget, the cuts would result in tens of thousands of the Nation's most vulnerable children losing access to Head Start, more than two million fewer workers receiving job training and employment services, and drastic cuts to research awards and grants, along with other impacts that would hurt the economy, the middle class, and Americans working hard to reach the middle class.

Sequestration funding levels would also put our national security at unnecessary risk, not only through pressures on defense spending, but also through pressures on State, USAID, Homeland Security, and other non-defense programs that help keep us safe. These agencies and programs are an essential part of our counter-ISIL strategy. As General Dempsey noted this year, only two of the nine lines of effort against ISIL are military efforts, while the rest are non-military. More broadly, the strength of our economy and the security of our Nation are linked. That is why the President has been clear that he is not willing to lock in sequestration going forward, nor will he accept fixes to defense without also fixing non-defense.

The President's Budget would reverse sequestration and replace the savings with commonsense spending and tax reforms. It brings middle-class economics into the 21<sup>st</sup> Century and makes the critical investments needed to support our national security and accelerate and sustain economic growth in the long run, including research, education, training, and infrastructure. As the Administration has repeatedly made clear, the President's senior advisors would recommend that he veto any legislation that implements the current Republican budget framework, which blocks the investments we need for our economy to compete in the future.

The inadequate base budget funding levels in the Republicans' 2016 budget framework and its reliance on gimmicks to pay for defense cause a number of problems with the bill specifically. According to the Committee, this bill reduces base budget funding by about \$38 billion, or 7 percent, below the President's Budget. Meanwhile, the bill uses Overseas Contingency Operations (OCO) funding for base requirements. This buys some items the President's Budget did not request, such as an unnecessary \$1 billion fund for National Guard and Reserve Equipment, and it buys back many of the cuts the bill makes to the base budget. However, the inappropriate use of OCO to fund base defense needs has a number of direct negative consequences.

First, a responsible long-term national security strategy requires stability and certainty of the funding our services need. As Secretary Carter has said, "we need to base our defense budgeting on our long-term military strategy, and that's not a one-year project." By paying for base budget costs using OCO funds, the bill fails to provide the stable, multi-year budget on which defense planning is based. As the Secretary and the Chairman of the Joint Chiefs have repeatedly stated, funding enduring operations through OCO is harmful both to military planning and to servicemember morale. Secretary Carter has called this approach "managerially unsound, and also unfairly dispiriting to our force."

Second, the inappropriate use of OCO risks undermining an essential mechanism that both parties have long agreed was meant to fund incremental costs of overseas conflicts and support our troops while in harm's way. The deliberate relabeling of non-war costs as OCO clearly violates OCO funding's purpose. The Committee report explicitly acknowledges this, identifying each base budget line item funded with OCO money as a "base requirement," and noting that funding is transferred, not for OCO purposes, but rather due to the *Budget Control Act*. Together, these transfers total \$36 billion and pay for day-to-day peacetime costs of military operations and maintenance. Hardest hit are the military's readiness accounts, many of which the bill completely eliminates in the base budget. These accounts pay for essential costs of maintaining a military, such as training units and maintaining equipment. The activities the bill funds with OCO are not caused by overseas contingencies. By using OCO money this way, the bill weakens the legitimacy of the OCO designation, undermining future emergency spending proposals and improperly accounting for basic long-term costs. Many in the Republican Caucus, as well as many Democrats, have expressed serious concerns about this approach.

Third, the decision to circumvent rather than confront sequestration harms national security by locking in unacceptable funding cuts for crucial national security activities carried out by non-defense agencies. The Republican budget framework would impose double-digit percentage cuts to funding for U.S. diplomacy and a broad range of programs critical to the *National Security Strategy*—hampering our efforts to stem illegal immigration by promoting economic and security engagement in Central America; harming critical programs that improve our partners' ability to counter terrorism, control the proliferation of weapons of mass destruction, and build civilian and military capacity; and, if applied proportionately, translating into nearly 5,800 fewer peacekeepers than the President's Budget would provide in some of the most dangerous parts of the world. Closer to home, the Republican budget framework would cut funding for the Department of Homeland Security (DHS) Subcommittee by 3 percent, adversely impacting DHS efforts to secure our borders and enforce the Nation's immigration laws, damaging initiatives to enhance our cybersecurity posture and make cyberspace more secure, and undermining programs to counter violent extremism and protect the American people from terrorist threats. Furthermore, the Senate's Military Construction and Veterans Affairs appropriations bill underfunds the President's request for our veterans' medical care by nearly half a billion dollars, equivalent to the cost of providing care for tens of thousands of veterans. Sequestration also forces cuts to education, research and development, and infrastructure; as described above, these cuts damage our national security by damaging our economic security. Ultimately, all of this comes at a cost to American global leadership and security.

The bill also includes highly problematic riders. Even as it fails to confront the senseless cuts imposed by sequestration, the bill precludes certain reforms to compensation, force structure, and infrastructure that would allow DOD to secure sensible, targeted savings. The President's defense strategy depends on investing every dollar where it will have the greatest effect, which the President's FY 2016 Budget accomplishes through critical reforms that divest unneeded force structure, slow growth in compensation, and reduce wasteful overhead. The bill would constrain DOD's ability to align military capability and force structure with the President's defense strategy and to reduce unneeded costs. For example, it includes a provision that limits transfers of AH-64 Apache helicopters to fill gaps in the Army's formations and cuts funds to support a round of Base Realignment and Closure that would free resources consumed by unneeded facilities.

The bill also includes several provisions that would restrict policy for the detention facility at Guantanamo Bay, Cuba. As the Administration has said many times, operating the detention facility at Guantanamo Bay, Cuba, weakens our national security by draining resources, damaging our relationships with key allies and partners, and emboldening violent extremists. The President has objected to these and similar unwarranted provisions in prior legislation because they interfere with the Executive Branch's ability to make the best decisions consistent with our national security. The inclusion of these provisions threatens to undermine an orderly appropriations process and adds risk to our national security.

We look forward to working with the Congress to reverse sequestration for defense and non-defense priorities, and offset the cost with commonsense spending and tax expenditure cuts, as Members of Congress from both parties have urged.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shaun Donovan", with a long horizontal flourish extending to the right.

Shaun Donovan  
Director

Identical Letter Sent to The Honorable Barbara Mikulski