



Appropriations Update

Committee on the Budget • Majority Caucus
U.S. House of Representatives
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DEFENSE APPROPRIATIONS BILL FOR FISCAL YEAR 2004 – H.R. 2658

SUMMARY

The Defense appropriations bill reported to the House on 2 July 2003 (H.R. 2658; H.Rept. 108-187) provides new budget authority equal to the 302(b) suballocation for the Appropriations subcommittee on Defense. The bill is consistent with the House Concurrent Resolution on the Budget for Fiscal Year 2004 (H.Con.Res. 95). It does not violate provisions of the Congressional Budget Act.

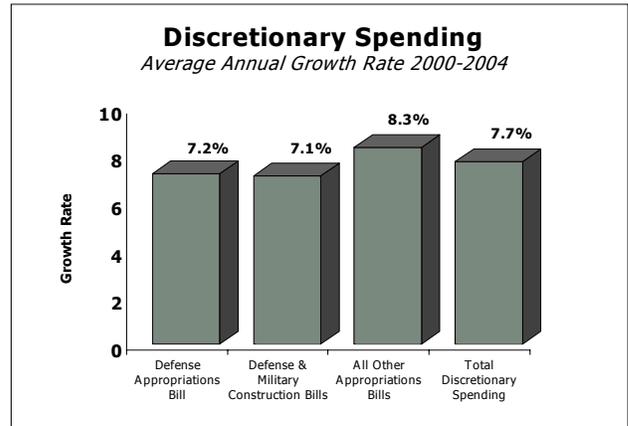
This bill provides spending for programs in the Department of Defense [DOD] and the military services, except military construction. It reflects most, but not all, spending in the National Defense budget function (Function 050), which also includes atomic energy defense activities of the Department of Energy, and smaller programs in the Commerce Department, the Coast Guard, and other agencies.

COST OF THE LEGISLATION

As reported, H.R. 2658 provides \$368.662 billion in new budget authority [BA] and \$388.846 billion in outlays for 2004 – an increase of \$4.419 billion in BA and \$29.192 billion in outlays from fiscal year 2003 (see Table 1 below). The growth in outlays results from BA enacted in prior years – mainly the fiscal year 2003 Iraqi conflict supplemental. Although budget authority in the bill increases by 1.2 percent from the previous year, it is \$3.157 billion below the President's request.

As shown in the chart alongside, assuming enactment of this bill, new BA for defense will have increased an average of 7.2 percent a year in 2000-04; this is 0.5 percentage points below the growth rate of discretionary spending as a whole.

The bill does not contain emergency-designated new BA, but does include \$2.14 billion worth of rescissions of



previously enacted BA. Outlay savings from these rescissions total \$1.317 billion.

Table 1: Defense Appropriations Bill
(fiscal years; millions of dollars)

	2003 Spending ^a	Administration 2004	302 (b) for 2004	Bill
Budget Authority	364,243	371,819	368,662	368,662
Outlays	359,654	392,859	389,367	388,846

^a Does not include \$62.378 billion in BA and \$34.181 billion in outlays included in the fiscal year 2003 Iraq conflict supplemental (Public Law 108-11).

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This document was prepared by the majority staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of all the committee's members.

COMPLIANCE WITH THE BUDGET RESOLUTION

The bill complies with sections 302(f) and 311(a) of the Budget Act. The first of these prohibits consideration of bills in excess of a subcommittee’s 302(b) suballocation for new budget authority. The second, section 311(a), prohibits consideration of legislation exceeding the aggregate levels of budget authority and outlays established in the concurrent resolution on the budget.

The \$368.662 billion in new discretionary budget authority is the same as the 302(b) suballocation to the House Appropriations Subcommittee on Defense; outlays are \$521 million less than the allocation. Because no appropriations bills for fiscal year 2004 have been enacted, there is ample room under the BA ceiling and hence the bill would not violate section 311(a).

Table 2: Discretionary Spending in the Defense Appropriations Bill
(in millions of dollars)

	2003 Budget Authority ^a	2003 Outlays ^a	2004 Budget Authority	2004 Outlays	Difference BA	Difference Outlays
Military Personnel	94,936	94,326	97,981	98,025	3,045	3,699
Operations and Maintenance	134,474	140,290	127,958	154,076	-6,516	13,786
Procurement	73,905	68,047	75,153	72,571	1,248	4,524
Research, Development, Testing, and Evaluation	57,503	52,709	64,555	60,097	7,052	7,388
Revolving and Management Funds	3,199	3,175	2,787	2,941	-412	-234
All Other	226	1,107	228	1,136	2	29
Total	364,243	359,654	368,662	388,846	4,419	29,192

^a Does not include \$62.378 billion in BA and \$34.181 billion in outlays included in the fiscal year 2003 Iraq conflict supplemental (Public Law 108-11).

DISCUSSION

The bill, as reported, is \$4.4 billion above 2003 spending excluding the Iraqi conflict supplemental (see Table 2 above) due to the following:

- *Military Personnel, \$3.0 billion:* The bill provides additional funding above 2003 levels for the Army (\$1.032 billion), Navy (\$983 million), Air Force (\$619 million), and Marine Corps (\$411 million). The bill provides \$673 million less than the President’s request.
- *Operations and Maintenance, \$-6.5 billion:* The bill reduces funding for the Air Force (\$3.4 billion), the Navy (\$1.7 billion), and the Army (\$406 million), and rescinds \$2 billion from the Iraqi conflict supplemental (Public Law 108-11). The bill provides increased funding for the defense health program (\$727 million) and Air National Guard (\$332 million). Of the \$727 million in additional funds for the defense health program, \$383 million was requested by the President,

and \$344 million was added by the Committee largely for research into breast and prostate cancer.

Excluding the \$2-billion rescission of Iraqi conflict supplemental funds, the bill achieves \$2 billion of the \$6.5 billion in savings from reductions in working capital fund cash balances (a revolving fund that relies on sales revenue rather than direct appropriations to finance its operations) and rate stabilization adjustments (altering the rate the fund charges a user – e.g., the rate a depot charges the Air Force to overhaul an F-16 – so that the fund breaks even over time) (\$1.2 billion); reduced information technology cost growth (\$320 million); miscellaneous contract reductions (\$294 million); and management improvements (\$172 million).

The bill provides \$5.3 million less than the President’s request for operations and maintenance [O&M]. It is

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worth noting that the request also proposes a year-over-year reduction in O&M spending.

- *Procurement, \$1.2 billion:* The bill provides a net increase of \$1.2 billion above fiscal year 2003. Increases go to shipbuilding (\$2.4 billion); Air Force missiles (\$1.2 billion); Army missiles (\$496 million), Navy aircraft (\$403 million); and Navy weapons (\$377 million). These increases are offset by reductions in other Army (\$1.1 billion), other Air Force (\$1.7 billion) and Air Force aircraft (\$937 million). The bill provides \$783 million more than the President requested for procurement.

- *Research, Development, Testing and Evaluation \$7.1 billion:* The \$7.1-billion increase over the current year is \$2.7 billion above the increase requested by the President. The increase over fiscal year 2003 is distributed among the services as follows:

- *Army \$2.7 billion* - This includes increases above the President's request for medical technology (\$325

million), combat vehicle and automotive technology (\$85 million), and aircraft modification and improvement programs (\$82 million).

- *Air Force \$1.9 billion* - Included is \$100 million above the President's request for the next generation bomber.

- *Defense-wide \$1.4 billion* - This includes a \$608-million increase above the President's request for classified programs.

- *Navy \$1.1 billion* - This increase is due in part to increases above the President's request for land attack technology (\$83 million), force protection (\$67 million), medical development (\$66 million), and power projection (\$52 million).

- *Revolving and Management Funds -\$412 million:* The bill provides \$412 million less than fiscal year 2003, and represents the President's request except for President's marginal fuel cost proposal (\$675 million).