



Congress's shady Pentagon slush fund

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After weeks of partisan debate, the United States avoided a default thanks to a deal that limits some federal spending in exchange for eliminating the debt ceiling for two years. Defense spending emerged largely unscathed, however, and is set to rise to nearly \$900 billion in fiscal year 2025. Some congressional leaders want more. Drawing on the experience of the Global War on Terror, defense hawks in Congress have figured out an accounting gimmick to protect increases in military spending.

Specifically, there is bipartisan support in Congress to use emergency supplemental funding to circumvent the budget deal's already extravagant "caps" on defense spending. Lawmakers in both parties say that these emergency supplements will be used to "counter" Russia and China via military aid to Ukraine, Taiwan, and on related issues. This would create a walled-off slush fund for Washington to move defense spending closer to and possibly over \$1 trillion without much political debate or strategic discipline.

Emergency supplemental funding would function similarly to the Overseas Contingency Operations fund, commonly known as OCO. During the Global War on Terror, the OCO fund was a malleable, seemingly bottomless supply of cash used to support U.S. military operations in Iraq, Afghanistan, and elsewhere, with minimal oversight. Between 2001 and 2019, Congress appropriated \$2 trillion in OCO funding. In fiscal year 2020, the year before the U.S. military withdrew from Afghanistan, Washington spent \$70.7 billion via OCO, making the fund larger than all but three federal agencies.

Critically, OCO money was considered separate from the Pentagon's base budget and therefore not subject to spending limits. The 2011 Budget Control Act (BCA) and the 2013 sequestration created spending limits on many federal programs—but not OCO funds. For that reason, the OCO came to be used as a slush fund under the BCA's spending caps. Policymakers discovered that they could escape the spending limits by moving defense budget items into the OCO account.

The OCO budget was an undemocratic tool that allowed Congress to fund wars that were not in America's interest. Unfortunately, recent talk of emergency supplemental defense budgets risks making this same mistake all over again.

The rationale for a new slush fund is great power competition with Russia and China. Per Senate Majority Leader Chuck Schumer (D-N.Y.), explained “the debt ceiling deal does nothing to limit the Senate’s ability to... deter China, Russia and our other adversaries and respond to ongoing and growing national security threats.” Sen. Lindsay Graham (R-S.C.) took an even more expansive view of what the emergency fund could be cynically used for, “when you have a supplemental for Ukraine, I’m hoping we’ll use that as an opportunity to repair the damage done by this budget deal.”

House Speaker Kevin McCarthy (R-Calif.) is voicing opposition to this supplemental budget. Nonetheless, given his own party’s attempts to rebel against his authority and that there is bipartisan support for such a supplemental fund in the House, it will be impossible for McCarthy to prevent such a budget.

An emergency supplemental that keeps U.S. weapons flowing to Ukraine without any conditions or limitations runs risks hidden from political scrutiny. Despite statements touting a limited U.S. role in the Ukraine war and desire to avoid escalation, Washington has repeatedly sent longer-range and more capable weapons to Ukraine. If Kyiv’s offensive succeeds, Congress will likely press for more weapons despite a higher risk of escalation as the war gets closer to Russian territory. The United States should not take on unlimited risks in a war that has limited interests for itself, but an emergency supplemental spending bill focused on Ukraine aid could do just that.

The lack of an active conflict in East Asia means that emergency funding is unnecessary to counter China. If China is indeed the Pentagon’s “pacing threat” then that ought to be reflected in the base budget, not emergency spending. If Washington wants to curb Chinese influence elsewhere in the world, then it should scare up those funds the same way funds spent on Americans are: through politics.

Congress took a hatchet to a variety of federal spending programs to reach the debt limit deal, but it protected the Pentagon’s budget and is signaling that even more spending is on the way. U.S. defense strategy desperately needs to prioritize. Throwing more money at the Pentagon through shady accounting practices only avoids hard choices.

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