



## CBO calls foul on the wartime expense fund

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Since 2001, up to 28% of the annual defense budget has been hived off from the base budget into the Overseas Contingency Operations (OCO) account to pay for wartime operations. But a new study by the Congressional Budget Office (CBO) found that since 2006 at least \$50 billion of annual OCO funds actually went to enduring activities — that is, those associated with running the military during peacetime.

**Why it matters:** Take this year's budget: CBO estimates \$47 billion for enduring costs out of the total \$69 billion OCO budget. That means almost 70% of the OCO budget is not being used for its stated purpose — to sustain operations and the troops currently deployed in Iraq, Afghanistan and Syria. This indicates a substantial misuse or misallocation of funds.

**Background:** In 2011, after a staggering rise in public debt and annual deficits, Congress and the Obama administration struck a deal that tried to pre-empt a budgetary crisis by limiting spending in certain areas, including defense. The Budget Control Act (BCA) was intended to curb some of the Pentagon's spending and get the defense budget back on a sustainable trajectory.

However, the BCA was soon understood to be flawed, because any funds put into the OCO account for wartime operations were not subject to the same restrictions that limited the base budget. The CBO report now confirms that the BCA didn't accomplish its goal the way its authors intended.

The OCO account makes up roughly 20% of the total annual defense budget, from 2001 to 2018. Especially in recent years, most of that funding should have been included in the base budget and thus subject to BCA restrictions, because that's how it was ultimately used — not on wartime operations, but on the basic functions of our military.

**What to watch:** According to the 2019 budget, \$20 billion of what had previously been labeled wartime funds will be moved from the OCO account to the base budget, where it belongs. This does not address every budgetary concern, but acknowledging how funds are actually spent should ensure more accurate accounting in future budget deals.

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