

MarketWatch

House Republicans see way around ‘sequester’ to boost defense spending

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March 17, 2015

WASHINGTON (MarketWatch) — House Republicans want the “sequester” to stick for military spending next year, but they are proposing a way around the budget cap to boost defense outlays.

In their fiscal 2016 budget, released Tuesday, House Republicans led by Budget Committee Chairman Tom Price of Georgia proposed \$613 billion in defense spending for the fiscal year that begins Oct. 1. That’s just above the \$612 billion sought by President Barack Obama in his budget.

The difference, however, is in how they get to that proposed spending level. The House Republicans’ budget would spend more on the so-called “overseas contingency operations” account — emergency spending which doesn’t count against limits agreed to in the 2011 deal that set up the sequester.

The sequester — automatic budget cuts to defense and non-defense programs — returns in full force in fiscal 2016 after a two-year deal to relieve those caps. The defense spending limit for fiscal 2016 is \$523 billion.

White House spokesman Josh Earnest said Tuesday the extra spending on emergency funding “is no different than a slush fund.” He said Republicans were trying to give themselves “political cover.”

Republicans have also been critical of the idea of boosting defense spending through use of the emergency fund. Sen. John McCain, the Arizona Republican who leads the Senate Armed Services Committee, said Monday the use of the war fund was a “gimmick.” But on Tuesday, he softened his stance, telling reporters: “I do not like that, but I will consider anything to get the numbers up.”

If lawmakers and the White House can agree, the defense sector could benefit.

“This potentially is good news for defense companies because it allows additional spending,” said defense analyst Loren Thompson of the Lexington Institute. Thompson said the Air Force needs new trainer aircraft, and that Boeing **BA**, **+0.30%** and Northrop Grumman **NOC**, **-0.14%**, among others, are in competition to provide them.

Thompson cautioned that fiscally conservative Republicans eager to keep the spending caps could dash military hawks’ hopes of higher spending.

Meanwhile, at least one analyst is predicting that some won't be satisfied with the level of spending in the House Republicans' budget.

“For many, like Sen. McCain or [House Armed Services Committee Chairman Mac] Thornberry, there is an ever-present need to increase defense spending,” says Nicole Kaeding of the Cato Institute.

“The levels proposed by Chairman Price will likely not be high enough to satisfy this crowd, further putting pressure on Republicans in both chambers to raise defense levels even higher,” Kaeding said in an email.

Congressional budget bills set blueprints for overall spending. The spending levels are then used by lawmakers as they draft 12 spending bills funding the federal government. Those spending bills must be signed by the president.

Senate Republicans will release their budget on Wednesday.