

November 19, 2014

Foreign Affairs Overseas Contingency Operations (OCO): Background and Current Issues

Some Members of Congress are examining foreign affairs funding designated as Overseas Contingency Operations (OCO) because of its possible use for the overseas Ebola crisis, efforts to combat the Islamic State (IS), and other budgetary reasons. Funds that are designated as emergency or OCO are effectively exempt from the spending limits established by the Budget Control Act of 2011 (P.L. 112-25, BCA). Some Members have suggested that this exemption provides agencies with additional budget cushioning and flexibility, allowing their overall funding to exceed the spending caps.

Within the Department of State, Foreign Operations, and Related Programs appropriations, FY2014 OCO funds were \$6.5 billion, or 13% of the total foreign affairs funding that year. The amended FY2015 OCO request for \$7.8 billion represents about 15% of the total foreign affairs request for FY2015. The current OCO level, as provided by the temporary FY2015 continuing resolution (P.L. 113-164, CR), remains at the FY2014 rate for operations through December 11, 2014. It also continues multiyear spending, as well as broad transfer authorities, making its use somewhat flexible. Any further action on the FY2015 budget during the lame duck session may affect OCO levels for FY2015.

Background

The foreign affairs agencies began requesting OCO funding in FY2012, distinguishing between what is referred to as enduring (ongoing costs) versus extraordinary, temporary costs of State and USAID in the frontline states of Iraq, Afghanistan, and Pakistan. Many view this approach as similar to the annual emergency supplemental appropriations to support the Global War on Terrorism (GWOT) in the frontline states during the George W. Bush Administration.

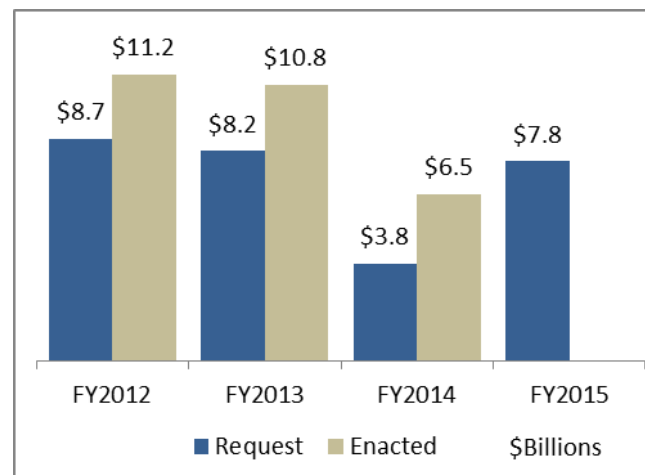
Congress, having provided OCO funds for the Department of Defense (DOD) a year earlier, adopted this approach for foreign affairs, although it never permanently defined its uses in statute. Since 2012, Congress has appropriated more OCO funds than were requested each year and authorized its use in additional countries (see **Figure 1**). In contrast, President Obama first sought OCO funds for a country other than the three frontline states in the FY2015 request when he requested OCO funds for Syria.

For the first foreign affairs OCO appropriation, Congress provided FY2012 OCO funds (P.L. 112-74, Title VIII) for a wide range of recipients beyond the three frontline states, including Yemen, Somalia, Kenya, and the Philippines. In

addition to country-specific uses, Congress also appropriated funds for the Global Security Contingency Fund. Congress included limited transfer authority between OCO accounts subject to regular notification requirements.

In the FY2013 full-year continuing appropriations (P.L. 113-6, Div. F, Title VII, Sec. 1707-1708), Congress did not specify additional OCO-recipient countries except for Jordan. Congress did provide limited transfer authority of OCO funds, subject to regular notification procedures.

Figure 1. Overseas Contingency Operations, FY2012-FY2015



Source: Department of State Congressional Budget Justifications, FY2014, FY2015, and amended FY2015 Administration request of June 27, 2014. The totals enacted are net rescissions.

For FY2014 (P.L. 113-76, Title VIII), Congress provided four accounts with no-year (available until expended) OCO funds, but made most foreign affairs OCO funds available for two years—or until September 30, 2015 (see **Table 1**). Congress also expanded the terms of transfer authority, providing greater flexibility among certain accounts. It also authorizes that transfers from those accounts be available to International Disaster Assistance (IDA) and Migration and Refugee Assistance (MRA), subject to certain dollar amounts or percentages, and regular notification procedures. FY2014 OCO-funded activities were in Iraq, Afghanistan, Pakistan, Jordan, Lebanon, the Central African Republic, and Somalia.

For FY2015, the current CR continues foreign affairs OCO funding at the FY2014 rate for operations, \$800 million on an annualized basis below the FY2015 OCO request. It also continues the expanded FY2014 terms of transfer authority and the multiyear availability of most funds.

Current Funding and Issues

OCO funding levels for FY2014 (and continuing into FY2015 by the CR) are as follows:

Table I. Current OCO Funding Levels (\$ million)

Funds available until September 30, 2015	
Diplomatic and Consular Programs (D&CP)	1,391.1
Office of Inspector General (OIG)	49.7
Educational and Cultural Exchange Programs	8.6
International Broadcasting Operations	4.4
United States Institute of Peace (USIP)	6.0
USAID's Operating Expenses (OE)	81.0
Office of Inspector General	10.0
Transition Initiatives (TI)	9.4
Complex Crises Fund (CCF)	20.0
Economic Support Fund (ESF)	1,656.2
International Narcotics Control and Law Enforcement (INCLE):	344.4
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	70.0
Peacekeeping Operations (PKO)	200.0
Foreign Military Financing (FMF)	530.0
Funds available until expended	
Conflict Stabilization Operations (CSO)	8.5
Embassy Security, Construction and Maintenance (ESCM)	275.0
International Disaster Assistance (IDA)	924.2
Migration and Refugee Assistance (MRA)	1,284.4
One-year funding	
Contributions to International Organizations (CIO)	74.4

Source: Continuing Appropriations Resolution, 2015 (P.L. 113-164), and Consolidated Appropriations Act, 2014, Div. K, Title VIII.

OCO for Aid to Ebola-Stricken Countries?

On November 5, 2014, the Administration requested a total of \$6.2 billion in a comprehensive emergency supplemental package to address the Ebola crisis. Of that, nearly \$3 billion would be for foreign affairs accounts within the State, Foreign Operations appropriations.

Foreign aid enduring appropriations being used to help Ebola-stricken countries, thus far, include IDA and the Global Health (GHP) account within State-Foreign Operations appropriations, and Title II of Food for Peace within the Agriculture Appropriations.

Some lawmakers are looking into the possibility of using an expanded OCO or a portion of the \$924.2 million of OCO/IDA funds and the nearly \$1.3 billion of OCO/MRA funds, or transfer authority for U.S. overseas Ebola response, rather than a large emergency supplemental. The CR continues the FY2014 appropriations and extends Sec. 8003 authority to transfer OCO funds from ESF, INCLE, NADR, PKO, and FMF into IDA and MRA only for unanticipated contingencies, subject to regular notification. Up to 15% of these accounts can be transferred and only if the recipient account is not increased by more than 25%. Recently, the four congressional defense committees permitted a reprogramming of DOD's OCO-designated funds for its Ebola-related activities, so a precedent to use OCO for a non-GWOT-related activity exists.

OCO Amendment for IS?

On November 10, the Obama Administration submitted amendments to the FY2015 OCO request for both DOD (\$5 billion) and the Department of State (\$520 million) to counter IS. The amendments would be in addition to the \$58.6 billion for DOD and \$7.3 billion for State, thus making the total FY2015 OCO request \$71.4 billion, of which \$7.8 billion would fund foreign affairs accounts: D&CP, ESF, FMF, PKO, IDA, and International Broadcasting. If Congress uses transfer authority for State to use OCO for Ebola efforts, increasing OCO to combat IS may also be necessary.

OCO and Spending Limit Implications

Through FY2021, the BCA imposes limits on discretionary spending and provides for adjustments to those limits for funds designated as OCO or emergency requirements. When the House and Senate draft the budget resolutions and the appropriations subcommittees consider funding for DOD and foreign affairs, OCO can be used to provide funds that are effectively not subject to those spending limits, even if the funds have only a tangential relationship to the war on terrorism. In the FY2015 budget process, for example, some questioned the Senate's increased use of OCO funds over the previous fiscal year, asserting it was done to free up discretionary funding for other agency budgets and still meet the FY2015 limit of \$1.014 trillion.

More Information

For more information on the foreign affairs budget, see CRS Report R43569, *State, Foreign Operations, and Related Programs: FY2015 Budget and Appropriations*.

Susan B. Epstein, sepstein@crs.loc.gov, 7-6678

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