



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

Congressional interest in Overseas Contingency Operations (OCO) funding levels has continued as Members debate annual foreign affairs and defense budgets. First used by the foreign affairs agencies in FY2012, a key feature of OCO funds was their effective exemption, like emergency funds, from the discretionary spending limits established by the Budget Control Act of 2011 (BCA, P.L. 112-25). Some Members suggested that OCO’s exemption provided agencies with additional budget cushioning and flexibility, allowing defense and nondefense foreign affairs funding to exceed the spending caps. Others criticized the OCO designation, labeling it as a “slush fund” that provided funds for programs unrelated to contingency operations.

The BCA’s spending caps ended in FY2021, and it is unclear whether Congress will continue to use the OCO designation as it considers FY2022 appropriations. The foreign affairs agencies last requested OCO funds in FY2018. However, Congress has appropriated \$8.0 billion designated as OCO every year since FY2019. It remains to be seen whether or not the Biden Administration will include OCO in its budget requests.

While ongoing debate in Congress over OCO may focus on defense spending (which receives the largest share of OCO funds), foreign affairs OCO funding may continue to play a role in consideration of the international affairs budget.

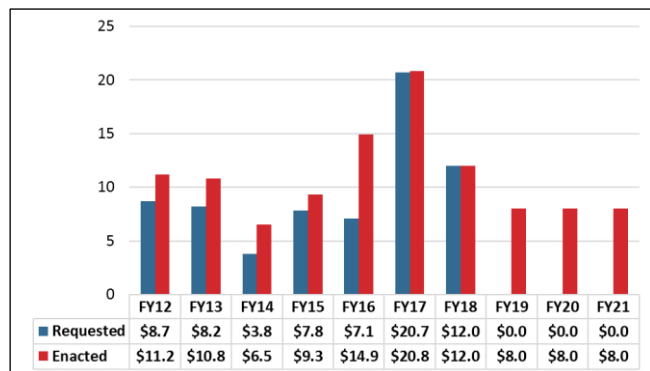
Background on Foreign Affairs OCO

The foreign affairs agencies began requesting OCO funding in FY2012, distinguishing between enduring (ongoing costs) versus extraordinary, temporary costs of the Department of State and the U.S. Agency for International Development (USAID) in the frontline states of Iraq, Afghanistan, and Pakistan. OCO-designated funds largely replaced annual emergency supplemental appropriations to support the Global War on Terrorism (GWOT) in the frontline states that became the norm during the George W. Bush Administration. Congress, already using the OCO designation within the Department of Defense (DOD) budget, adopted this approach for foreign affairs, although it never permanently defined its uses in statute. Since FY2012, Congress has appropriated OCO-designated foreign affairs funds at higher levels and for broader purposes than were requested each year (see **Figure 1**).

For the first foreign affairs OCO appropriation in FY2012 (P.L. 112-74, Div. I, Title VIII), Congress provided funds for a wide range of activities beyond the three frontline states, including in Yemen, Somalia, Kenya, and the Philippines. In addition to country-specific uses, Congress also used the OCO designation for funds appropriated for the Global Security Contingency Fund. In the FY2013 full-

year continuing appropriations (P.L. 113-6, Div. F, Title VII, §§1707-1708), Congress specified only Jordan as an additional OCO-recipient country.

Figure 1. Foreign Affairs Overseas Contingency Operations Funding, FY2012-FY2021
(in billions of U.S. dollars)



Source: Department of State Congressional Budget Justifications, FY2014-FY2020, P.L. 115-141, P.L. 116-6, P.L. 116-94, and P.L. 116-260. The totals enacted include net rescissions.

For FY2014 (P.L. 113-76, Div. K, 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. Congress also expanded the terms of transfer authority, providing greater flexibility across certain accounts. It also authorized transfers from those accounts to International Disaster Assistance (IDA) and Migration and Refugee Assistance (MRA) accounts, subject to certain dollar amounts or percentages, and regular notification procedures. FY2014 OCO-funded activities were implemented in Iraq, Afghanistan, Pakistan, Jordan, Lebanon, the Central African Republic, and Somalia.

For FY2015 (P.L. 113-235, Div. J, Title VIII), although Congress did not provide specific OCO funds for countering the Islamic State (IS), as was requested by the Obama Administration, it did provide an increase in OCO funds in many accounts with language that allowed it to be used for counterterrorism. The Obama Administration requested an expanded use of OCO funds for Syria and peacekeeping in FY2016 (P.L. 114-113, Div. K, Title VIII) and FY2017 (P.L. 115-31, Div. J, Title VIII). Congress also provided OCO funding in both years to respond to the Ebola and Zika viruses, support counterterrorism, and counter Russian aggression.

The FY2018 (P.L. 115-141, Div. K, Title VIII) and FY2019 (P.L. 116-6, Div. F, Title VIII) foreign affairs OCO-

designated appropriations included funds to address global refugee responses and to support assessed peacekeeping contributions for operations in Somalia, among other activities.

In FY2020 (P.L. 116-94, Div. G) and FY2021 (P.L. 116-260, Div. K), Congress did not designate OCO funding within a separate title of the bill; rather, OCO levels were embedded in select appropriations accounts throughout the legislation. OCO-designated funds in both years were distributed similarly, with Diplomatic and Consular Programs and humanitarian accounts receiving the majority share. **Table 1** details OCO funding by account for FY2021.

Table 1. FY2021 Foreign Affairs OCO Funding
(in millions of U.S. dollars)

Total	8,000.0
Appropriated Funds	
Worldwide Security Protection (within Diplomatic Programs)	2,226.1
State Department Office of Inspector General	54.9
Worldwide Security Upgrades (within Embassy Security, Construction and Maintenance)	824.3
Contributions to International Organizations (CIO)	96.2
Contributions for International Peacekeeping	706.0
International Disaster Assistance (IDA)	1,914.0
Migration and Refugee Assistance (MRA)	1,701.4
Peacekeeping Operations (PKO)	325.2
Foreign Military Financing (FMF)	576.9
Rescissions	
Diplomatic Programs	(360.1)
Peacekeeping Operations (PKO)	(40.0)
Foreign Military Financing	(25.0)

Source: P.L. 116-260.

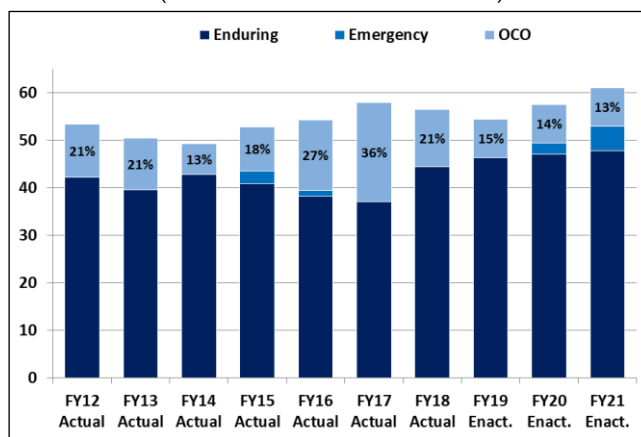
Note: Numbers within parentheses are negative.

The Future of Foreign Affairs OCO

OCO has consistently been described by Congress as supporting extraordinary budget needs, even as the use of the designation has expanded over the years to apply to an increasing range of activities, many of which are not directly related to active conflicts. According to the joint explanatory statement accompanying final FY2020 appropriations, “[OCO] funds are intended to address the extraordinary costs of operations and assistance in countries in conflict and areas of instability and violence, particularly for security, stabilization, and peacekeeping programs; humanitarian activities; and counterterrorism and counterinsurgency efforts.” During the Obama Administration, the OCO designation arguably devolved into a mechanism that enabled Congress to increase spending on regular operations while technically complying with BCA budget caps. The Trump Administration repeatedly requested significant budget cuts for international affairs activities and did not seek OCO funds for the majority of its tenure; however, Congress continued to appropriate OCO funds and did not enact large cuts to the international affairs budget overall. OCO-designated

funds as a share of the international affairs budget have declined in recent years, from a peak of 36% in FY2017 to 13% in FY2021. Further, the use of emergency funding in FY2020 and FY2021 to address the Coronavirus Disease 2019 (COVID-19) pandemic and specific assistance for Sudan may indicate a return to the practice of using non-OCO emergency funding to support extraordinary needs (see **Figure 2**).

Figure 2. OCO Funding as a Share of Total International Affairs Budget
(in billions of current U.S. dollars)



Source: Department of State Congressional Budget Justifications, FY2014-FY2020, P.L. 115-141, P.L. 116-6, P.L. 116-94, P.L. 116-123, P.L. 116-136, and P.L. 116-260. The totals enacted include net rescissions.

Notes: “Emergency” designates funding that was appropriated as emergency funds (meaning they also fall outside of the BCA spending caps) but not designated as OCO.

As BCA discretionary spending caps have expired, the use of OCO as a foreign affairs funding mechanism may change. The Biden Administration has not yet indicated whether or not it intends to include OCO in its budget requests. Congress may continue the downward trend in use of the OCO designation, using OCO funds only for extraordinary contingency programs, as in the past. Alternatively, Congress may phase out the use of foreign affairs OCO entirely, instead integrating OCO funding for regular operations into the base budget and relying on emergency supplemental appropriations to address out-of-cycle, unanticipated needs, as was the norm prior to adoption of the OCO designation. The use of the OCO designation in the foreign affairs context may be part of a broader policy debate that includes the use of OCO-designated funding in the defense budget as well.

More Information

For more information on OCO and the foreign affairs budget, see CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, and CRS Report R46367, *Department of State, Foreign Operations, and Related Programs: FY2021 Budget and Appropriations*.

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