

OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

(\$ in Millions)						
FY 2002	Price	Program	FY 2003	Price	Program	FY 2004
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
12.6	+0.2	+24.2	37.0	+0.6	+12.4	50.0

The Overseas Contingency Operations Transfer Fund (OCOTF) was established by the FY 1997 DoD Appropriations Act to meet operational requirements in support of emerging contingency operations without disrupting approved program execution or force readiness. The OCOTF was established as a “no year” transfer account in order to provide additional flexibility to meet operational requirements by transferring the funding to the Military Components based on actual execution experience as events unfold during the year of execution. Between the fiscal years 1997 and 2001, the DoD had been appropriated funds into the OCOTF to finance contingency operations that are so variable in their scope, duration, intensity they cannot be financed via DoD Component appropriations without causing a readiness impact.

Beginning in FY 2002, funds to finance the incremental cost of contingency operations in Bosnia, Kosovo, and Southwest Asia are included in the Services accounts vice the OCOTF. These operations had become stable enough to budget in the Component’s baseline appropriations. Therefore, in FY 2002, \$2,665.8 million was transferred from the OCOTF to the Components budgets.

The budget request for FY 2004 of \$50.0 million budgeted in the OCOTF is for emerging contingency operations costs. The OCOTF is a permanent appropriation to be used only to finance contingency operations. New contingency requirements consistently surface due to the dynamic international situation. The Military Departments, because of their relatively large Operation and Maintenance (O&M) accounts, are generally able to accommodate these new costs until other funding is available. However, the Defense Agencies, most notably the U.S. Special Operations Command (USSOCOM), the National Imagery Mapping Agency (NIMA), and the Defense Information Systems Agency (DISA), are less able to absorb the diversion of funds for these unforeseen contingency operations, making a small contingency fund vitally important. During FY 2002 and FY 2003, all three of these Defense-Wide Components were required to absorb the cost for supporting contingency operations, with a net effect of reducing funding for programs that were originally approved by the Deputy Secretary of Defense. For example in FY 2002, USSOCOM had to redirect \$42.3 million towards unfunded contingencies. Because often the Special Operations Forces (SOF) are the only viable U.S. forces that can react and deploy in a short period of time, USSOCOM bears a substantial portion of the unanticipated costs of unforeseen contingency operations. The OCOTF enables the Department and the Congress to overcome serious financing difficulties in the normal appropriation process; most notably, the Department is able to transfer funds from OCOTF to the appropriation that requires funding during execution to finance incremental costs associated with contingency-related operations.