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# Defense Primer: Military Infrastructure Funding

The Department of Defense (DOD) maintains military infrastructure to support military missions around the world. This infrastructure includes buildings, roads, airfields, ports, training ranges, barracks, utilities, piers, pipelines, and other structures. Congress provides two primary funding sources to support military infrastructure. Military construction (MILCON) funding provides for the construction of new facilities and the expansion of existing facilities. Facilities Sustainment, Restoration and Modernization (FSRM) funding provides for the maintenance and renovation of existing facilities. For FY2025, the Biden Administration requested \$17.5 billion for MILCON and family housing programs; the request for FSRM funding (sometimes also referred to in budget documents as “Sustainment, Restoration and Modernization”) totaled \$19.8 billion.

The MILCON and FSRM programs are interdependent; in budget planning, the tradeoff between maintaining and adapting existing facilities or building anew is given close consideration. Both programs aim to ensure the readiness of military infrastructure worldwide. Nevertheless, the two programs have several differences (see **Table 1**), as each provides funding for different types of projects, is governed by different statutes and policies, and is funded by distinct congressional appropriations processes.

Broadly speaking, one key difference between MILCON and FSRM is that Congress typically exercises comparatively more oversight and direction over the MILCON budget. For example, Congress requires DOD to provide budget-justification documents for individual projects before authorization and the law generally requires enactment of

line-item level authorization and appropriation for individual projects. By comparison, Congress typically provides annual funding for FSRM in a lump sum to the military services and DOD components, allowing the services and components to exercise discretion over which specific projects receive funding from one year to the next. In some instances, congressional defense committees may allow Members to submit requests to fund specific MILCON projects in their communities; such funding requests—formally known in the House as Community Project Funding and in the Senate as Congressionally Directed Spending—are rarely an option for FSRM projects.

## MILCON

MILCON is one of the primary components, or “titles,” of the DOD budget. Statutes that outline the use of MILCON funding are contained in Title 10, Chapter 169 of the *U.S. Code* (Sec. 2801 *et. seq.*). As part of the annual President’s budget request, DOD submits a list of individual MILCON projects, with justification documentation, that includes a cost estimate and the status of each project’s planning and design work. Historically, legislation authorizing MILCON projects is developed by the House and Senate Armed Services Committees and enacted in an annual National Defense Authorization Act (NDAA). Legislation appropriating funds for MILCON is developed by the Military Construction, Veterans Affairs, and Related Agencies (MILCON-VA) subcommittees of the appropriations committees and appropriated in the annual MILCON-VA Appropriations Act. The line item-level authorizations for individual projects are generally included in an NDAA and appropriations in a MILCON-VA Appropriation Act.

**Table 1. MILCON and FSRM Program Distinctions**

	MILCON	FSRM
Purpose	Funds new construction and expansion of existing facilities	Funds routine maintenance or modernization of existing facilities
Committee Oversight	MILCON appropriations are overseen by Appropriations Committees’ MILCON-VA subcommittee	FSRM appropriations are overseen by Appropriations Committees’ Defense subcommittee
Appropriation Category	Funded through Military Construction accounts	Funded as line-item subset of O&M accounts
Funding Availability	MILCON funding is typically available for obligation for up to five years	FSRM funding is typically available for obligation for one year
Legislation	Appropriation enacted in the annual MILCON-VA Appropriations Act	Appropriation enacted in the annual Defense Appropriations Act
Governance	Funding guidelines are based in statute, contained in 10 U.S.C. §§2801 <i>et seq.</i>	Funding guidelines are contained in the DOD Financial Management Regulation (FMR)
Community Project Funding/Congressionally Directed Spending	Chamber rules in some years may allow Members to submit requests to fund specific MILCON projects in their communities	Defense committees typically do not invite Members to submit requests for specific FSRM projects

**Source:** CRS analysis of *U.S. Code*, DOD policies, and defense appropriations documents.

Typically, Congress appropriates funding for the full estimated costs of an individual MILCON project in a single budget year and the MILCON funding remains available for obligation for up to five years. This timeline gives the military services and DOD components time to issue a construction contract and, if needed, work through any contract changes during the project's execution.

### Unspecified Minor Military Construction (UMMC)

Congress does not require specific line-item level appropriations for smaller MILCON projects if the total cost falls below the threshold for “Unspecified Minor Military Construction” (currently set at \$9 million, as designated in 10 U.S.C. §2805). Within the MILCON budget, Congress typically authorizes and appropriates a line item for UMMC, which provides a certain amount of funding for each military service or DOD component to fund and carry out a range of minor MILCON projects. In most instances, DOD may exercise discretion over how UMMC funding is allocated.

### FSRM

FSRM provides funding for maintenance and renovations of DOD facilities, which may include complete conversions to support new missions unrelated to a facility's original purpose. Annual FSRM funding is typically authorized and appropriated as a single line item—technically known as a budget sub-activity group (or SAG)—under the Operation and Maintenance (O&M) account for each service or component. Guidelines for FSRM funding are outlined in DOD's Financial Management Regulation 7000.14-R, Volume 2B, Chapter 8.

The military services and DOD components have internal processes for estimating their FSRM cost requirements and prioritizing projects for execution. The President's budget request includes a breakdown of FSRM into a “sustainment” component, which funds routine upkeep, and a “restoration and modernization” component, which involves upgrading a facility beyond its original capability or changing it to support a new mission. DOD budget documents do not typically include a specific list of projects the services intend to carry out.

### Office of Secretary of Defense Oversight

The Office of the Secretary of Defense (OSD) has sought to standardize the processes used to calculate sustainment cost requirements. Historically, DOD has used a tool called the Facilities Sustainment Model (FSM), which forecasts sustainment resource requirements across DOD. Current OSD guidance directs the military services and DOD components to fund sustainment at a minimum of 90% of the estimated requirement. However, lower levels of funding in both DOD requests and congressional appropriations have resulted in lower levels of FSRM spending since at least 2017, ranging between 75 and 90 percent of the total needed to meet annual sustainment needs.

In 2013, DOD began transitioning to a new tool to replace the FSM for estimating sustainment costs and managing maintenance backlogs. The new tool is known as the Sustainment Management System (SMS). Unlike the FSM, the SMS uses on-site visual condition assessments of existing

facilities to forecast when systems such as roofs and plumbing may need major repairs or replacement. DOD's goal is to use SMS projections to plan and prioritize their facility sustainment activities.

### FSRM Funding for MILCON

In most situations, law and policy prohibit the use of FSRM funding for MILCON projects (i.e., construction of new facilities or the expansion of existing facilities). However, the statute for “Repair of Facilities” (10 U.S.C. §2811) is broadly written and can authorize the use of FSRM funds for a range of projects that do not include expanding the square footage of a structure. For example, converting a warehouse into office space might be characterized as a repair if it meets the statutory requirements, thus allowing DOD to carry out such a project using FSRM funding.

In certain situations, the law authorizes DOD to carry out MILCON projects using O&M funding, which could include appropriations for FSRM accounts. This law creates budget flexibility and potentially allows DOD to execute certain projects more quickly. Examples of these situations include certain projects for improvements to DOD laboratory facilities, and certain projects in the Indo-Pacific Command Area of Responsibility.

### Considerations for Congress

#### Maintenance Backlog

Underfunded FSRM accounts have resulted in a deferred maintenance backlog. For fiscal year 2020, DOD reported deferred maintenance backlogs totaling \$137 billion. Some defense officials and Members of Congress say the deferred maintenance backlog poses a risk to military readiness. Congress may consider the backlog when making decisions about funding and oversight of DOD infrastructure funding.

#### Directed Spending for Infrastructure

Congress has a variety of options for directing infrastructure funding to certain types of facilities or for certain purposes. These options include raising the threshold for minor military construction as it is applied to certain types of projects; requiring DOD to invest designated levels of FSRM funds for certain types of facilities; and authorizing the use of O&M funds for MILCON projects that meet specific criteria. Congress may choose whether or not to exercise these options to influence how DOD may invest in infrastructure.

#### Military Infrastructure

For more information, see CRS Report R44710, *Military Construction: Authorities and Processes*, by Andrew Tilghman, and CRS In Focus IF10429, *Defense Primer: Planning, Programming, Budgeting, and Execution (PPBE) Process*, by Brendan W. McGarry

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