

# WebMemo



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## House and Senate Defense Budgets Imply the Need for Future Supplemental Funding

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The Senate adopted Senate Concurrent Resolution 21, a blueprint for the federal budget, on March 23, and the House Budget Committee adopted its version of the blueprint, House Concurrent Resolution 99, on March 22. The full House is scheduled to take up that resolution this week. The two congressional budget proposals essentially accept the Bush Administration's defense funding request. The good news for national security is that these blueprints keep the federal government on track to provide an adequate level of funding for defense in FY 2008. They leave uncertain, however, whether defense funding will be sufficient during the remaining years of the budget period, which extends through FY 2012. Indeed, all three budget blueprints fail to include full estimates of the supplemental funding needed to support ongoing operations in Afghanistan and Iraq. Congress needs to be aware that substantial supplemental funding for defense will be required.

The Bush Administration's overall request for defense for FY 2008 was \$647 billion in budget authority. Senate Concurrent Resolution 21 and House Concurrent Resolution 99 match the request, although the House version places the supplemental portion of the budget in a separate account. Both resolutions reflect the Bush Administration's estimate that ongoing operations in Afghanistan and Iraq will require almost \$142 billion in FY 2008. Because these totals are in excess of 4 percent of GDP, which is the amount necessary to provide adequately for national security, the Bush Administration and the Senate are moving toward a solid consensus on defense funding for FY 2008.

**An Uncertain Future.** The fiscal situation for defense following FY 2008 is cloudier. The Bush Administration's request, as it stands, would reduce budget authority by \$62.5 billion in FY 2009 from the FY 2008 level. It would reduce authority further in FY 2010. Only in FY 2011 and 2012 does it show modest increases. The House Budget Committee and the full Senate would proceed in the same direction. The result would be a defense budget that dips substantially below 4 percent of GDP during the period covering FY 2009 through FY 2012. The cumulative gap is roughly \$400 billion.

This funding level, standing alone, would be inadequate. Defense will require supplemental funds, an increase in the core defense budget, or some combination of the two. The Bush Administration, for its part, has made clear that its proposal is not the final word. It has indicated that supplemental funding requests for defense are not likely to disappear after FY 2008 and so includes a \$50 billion "placeholder" for this purpose in FY 2009. The congressional resolutions proceed along similar lines.

Congress needs to understand the scope of the additional funds required for an adequate defense budget after FY 2008. If the supplemental funding approach is adopted, the supplemental appropria-

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tions that will be required are \$27.1 billion in FY 2009 (accounting for the \$50 billion placeholder), \$99.2 billion in FY 2010, \$126.4 billion in FY 2011, and \$151.5 billion in FY 2012.

#### **Long-Term Problems for the Defense Budget.**

Both congressional blueprints, however, fail to take even tentative steps to solve the long-term imbalances that threaten adequate funding for defense during the decades that follow the five-year budget period. These are maintaining a growing economy by keeping taxes low and limiting future spending growth in the major entitlements programs.

On taxes, the congressional resolutions move in the wrong direction by failing to recommend that all of the 2001 and 2003 tax cuts be made permanent. Thus, they imply that taxes will increase dramatically at the end of the five-year budget period. Such an increase could only undermine long-term economic growth and ultimately offset the assumed growth in revenues resulting from the increase. Some will argue in favor of a deal in Congress to achieve higher defense budgets in exchange for higher taxes. The benefit to the defense budget from such a deal will prove illusory. The long-term health of the defense budget is dependent on robust economic growth, which can only result from restraint on taxes.

Because increased taxes are not a reliable source of long-term funds for defense, any residual gap in long-term defense funding not filled by a low-tax, high-growth policy should be filled by restraint on

the domestic side of the budget. Spending on the three major entitlement programs—Social Security, Medicare, and Medicaid—is already high and projected to grow rapidly, presenting a real threat to defense funding. Spending on these programs should be reined in. Beyond the fact that defense is the federal government's most important responsibility, entitlement reform is necessary because, without it, these programs will collapse under their own weight.

**Conclusion.** The Bush Administration's budget proposal and the Senate Budget Committee's blueprint treat the defense account in a similar fashion. Both embody the commitment to provide adequate resources in FY 2008. Both, however, leave significant gaps in funding for defense for FY 2009 through FY 2012.

Unlike the two congressional blueprints, the Bush Administration's blueprint protects economic growth by making the 2001 and 2003 tax cuts permanent and starts to take steps to restrain the future growth of entitlement spending. Thus, it improves the prospects for adequate defense spending in future decades. Congress needs to support plans to fill the gaps in the defense budget between FY 2009 and FY 2012 and pave the way to sustain defense budgets at 4 percent of GDP for the long term.

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