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Funding Defense Through a Yearlong Continuing Resolution Is “a Disaster”

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Funding for the Department of Defense (DoD) for fiscal year (FY) 2011 is in disarray. Last year, Congress failed to pass the appropriations bills to fund federal agencies, so the government is now operating under a short-term continuing resolution (CR). With a limited number of legislative days and rapidly expiring deadline of March 4, Members are pressed to determine how to fund the government through the remainder of the fiscal year. Some have suggested freezing defense spending at FY 2010 levels for the entire year, but this would be a disaster for national security, as Secretary of Defense Robert Gates recently told the press.¹

Congress should adequately fund defense for FY 2011 by providing full funding at the level requested by the President: \$548 billion. Matching the President’s budget request for defense in FY 2011 provides the minimum basis required to provide adequate defense budgets in the future.²

\$18+ Billion Defense Spending Cut: The “Worst of All Possible Worlds.” Instead of taking care to pass a regular defense appropriations bill, Congress hastily threw military spending into the CR, which froze spending at 2010 levels across the board with no exceptions for security agencies. Now some Members of Congress are considering extending the CR until the end of FY 2011.

Secretary Gates recently noted that the CR funding for FY 2011, under which the Pentagon is currently operating, is an “18 billion cut below [what] ... the President’s request was. [Extending the CR] will be a disaster for us. We will have real problems.”

Furthermore, reducing the defense topline by \$18 billion under a full-year CR would compound over time and wreak havoc on defense plans in 2012 and beyond. A yearlong freeze on defense is significantly below levels that are needed to meet current national security requirements. A defense spending freeze is essentially a double hit on the defense budget, given that the military would be able to buy even less defense in the out years than it plans on the books today due to a readjusted lower baseline from which future spending is calculated.

As Secretary Gates put it: “A continuing resolution would be a gigantic problem for the Department of Defense. ... A yearlong continuing resolution, as far as I’m concerned, for the Department of Defense, is the worst of all possible worlds.”³

While the ramifications for defense spending—described accurately as “a disaster,” “a gigantic problem,” and “the worst of all possible worlds”—seem not to be resonating on Capitol Hill, the consequences are real.

A yearlong CR would impact the Navy’s ability to grow the fleet and affect more than 20 Air Force acquisition programs that require immediate funding in order to execute plans this year. For example,

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the U.S. Navy and Congress have long sought to increase production of *Virginia*-class submarines from one to two per year, and these plans would be further delayed by a freeze on defense spending under a CR. This would then increase the cost of these submarines in 2012 as a result of significant program and planning disruption. A long-term CR could also cut the number of the Navy's P-8A Poseidon maritime surveillance aircraft from seven to six and significantly slow the in-service date of these aircraft into an operational squadron.⁴

The broader impact of a long-term CR on defense is that many program managers will understandably delay soliciting bids for programs until they have the cash in hand from Uncle Sam. Under the current short-term CR, many managers will likely not receive their funds until the second half of this fiscal year. That delay creates a massive bow wave in spending at the end of the year that the system may not fully absorb, resulting in schedule slips. Once a schedule slips for whatever reason, the costs of the program are guaranteed to rise—not due to failures on the part of either the DoD or the contractors but because of Congress's actions. Once costs rise, the overall buy is almost always cut. Then Congress demands to know why the overall buy had to be reduced, and this vicious cycle continues.

For example, the Senate's FY 2011 defense appropriations report blames cost increases and schedule delays in the Joint Strike Fighter Program as the primary reason why Congress is seeking to cut production by a startling 10 aircraft this year alone. If enacted, this will undoubtedly disrupt the program more, causing costs to rise further and the schedule to fall behind yet again, thereby leading Congress to cut the program again the following year.

Freezing Defense Spending Actually Costs More Taxpayer Money. Congress may ultimately end up wasting taxpayer money and spending more to restore programs upended by funding uncertainty and stringent rules about new starts and expansions. As a senior Pentagon official recently explained, a yearlong CR “would certainly be inconsistent with what we're trying to do in terms of smart management of the department.”⁵

The report continues:

Forcing the Pentagon to make due at FY10 funding levels through September would also compromise the fiscal year 2012 defense budget proposal, which is predicated on assumptions that acquisition programs in development or early production are achieving specific increased manufacturing rates in FY11.

“The implications are significant on the acquisition side because the budget submission has ramps for a lot of programs,” said the senior Pentagon official. “If you can't achieve those, it will make them un-executable in FY12.”

While reduced production numbers, in such a scenario, could be counted as near-term savings, the long-term effect is to make the cost of the acquisition program higher.

“You will drive increases in cost in every year,” said the official, “because you've basically [broken] a program” by building fewer systems than a facility was tooled to accommodate, which can lead a skilled workforce assembled to support the original production plan to find other work.

Impact on the U.S. Military. The short-term CR has already created a number of unnecessary problems for the military. Sean Stackley, Assistant Secre-

1. U.S. Department of Defense, “DoD News Briefing with Secretary Gates and Adm. Mullen from the Pentagon,” January 6, 2011, at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4747> (January 26, 2011).
2. Edwin Feulner, “A Checklist for Congress,” Heritage Foundation *Commentary*, November 8, 2010, at <http://www.heritage.org/Research/Commentary/2010/11/A-checklist-for-Congress>.
3. Matt Negrin, “Wary, Gates Backs Earmark-Filled Bill,” *Politico*, December 16, 2010, at http://www.politico.com/politico44/permalink/1210/worst_of_all_possible_worlds_43b56064-3f76-4992-9069-3d48ecbd516b.html (January 26, 2011).
4. Dan Taylor, “Continuing Resolution Poses Risk to P-8A Poseidon's 2013 IOC,” InsideDefense.com, January 25, 2011 (subscription required).
5. Jason Sherman, “DoD Preps for ‘Worst of All Possible’ FY-11 Budget Scenarios,” InsideDefense.com, January 13, 2011 (subscription required).

tary of the Navy for Acquisition, Research and Development, outlined some of the practical effects of uncertainty on DoD spending plans:

Since we don't have a 2011 spending bill in hand, we have to make certain assumptions regarding what will ultimately be appropriated, and that amount of uncertainty drives conservatism in terms of how you obligate the dollars that you do receive.

Part two, is that the dollars you receive, you're not receiving a full year's dollars. You're receiving periodic updates, if you will, to your funding tables, and so you have major contract actions that are held in abeyance.⁶

Stackley told reporters that a CR would hinder plans to grow the size of the U.S. Navy fleet. The President's budget requested an additional \$2 billion for shipbuilding over 2010 levels, and that funding is needed now to buy additional major surface combatants and increase production of *Virginia*-class submarines.

The men and women in uniform are also impacted when there are inadequate funds for defense in 2011. James McCarthy, Assistant Deputy Chief of Naval Operations for Integration of Capabilities and Resources, said last week, "Manpower accounts are short about \$500 million under the continuing resolution, while operations and maintenance is light by about \$4.6 billion."⁷ If Congress forces a yearlong CR on the services, money will have to be moved from urgent priorities to make up for these shortfalls in personnel funding and current operations.

Limited Options. As the last Congress left its budget business undone with no appropriations bills passed—and thus with the need for a short-term CR—it has put the new Congress squarely in the hot seat with regard to defense. The new Congress has limited options for avoiding the military spending shortfall in 2011 and providing the necessary defense for the country. Currently, all defense spending is included in the CR at insufficient levels to protect the nation. One option for remedying the

situation would be to separate FY 2011 defense spending from the CR package and pass it as a standalone bill. Thus, defense spending could be considered independently with funding levels restored to match the President's request, thereby setting it apart from non-defense discretionary spending. This option would significantly reduce planned and necessary spending cuts.

To prevent this, a second option would be for Congress to find an additional \$18 billion within their reductions package to adequately fund defense programs. The current CR expires on March 4, so Congress must pass a new bill to provide funding for the rest of the year beforehand. Current plans by the House leadership are to find an additional \$55 billion or so in savings in an effort to put a lid on out-of-control spending. This total savings could be increased by an additional \$18 billion to offset funding defense at adequate levels in 2011.

Cost-Creating in the Name of Cost-Cutting. By bringing the defense budget back up to the President's requested and legitimately needed level, Congress would be saving itself from creating unnecessary longer-term costs. By forcing the military to postpone plans to buy needed items for those in uniform, Congress will not end up saving any money. When schedules slip, costs grow. When costs grow, the overall buy is cut. This destructive cycle costs more in the long run and will only be perpetuated by a Congress demanding savings, efficiency, and the smart use of taxpayer dollars.

Delaying defense programs virtually guarantees their cost growth not just this year and next but every year thereafter. Congress should consider these two options in order to pass a defense spending bill that fully funds the President's budget request for FY 2011.

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6. Cid Standifer, "Stackley: Continuing Resolution Throws Sand in Navy Budget Gears," *InsideDefense.com*, January 3, 2011 (subscription required).
7. Cid Standifer and Dan Taylor, "Shortfalls in Manpower, Operations: Navy Looks at Reprogramming Options Under Continuing Resolution," *Inside the Navy*, January 17, 2011 (subscription required).