

ISSUE BRIEF

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All Three Budget Options Would Damage National Security

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The Department of Defense (DOD) is now examining three revised budget options for presentation to the President. All three would impose significant damage. This is because even the highest of the three options would shrink the portion of the economy committed to defense, shrink force structure, reduce the number of people serving in the military, impose slower increases in military compensation, reduce the scope of training and maintenance, and deprive the military of significant portions of the new weapons and equipment it needs.

Most importantly, the budget reductions would result in a military of insufficient overall strength to meet the established security commitments the federal government has made to the American people and U.S. friends and allies around the world.

The Scope of the Reductions Under the Three Options. The three options under consideration are:

1. The Obama Administration's fiscal year (FY) 2014 defense budget proposal: a \$100 billion reduction over 10 years from the spending caps imposed on defense under the Budget Control Act of 2011 (BCA);

2. A \$300 billion reduction over 10 years from the spending caps imposed by the BCA; and

3. The level of funding for defense provided by the BCA in accordance with sequestration, which is a \$500 billion reduction over 10 years.

The best starting point for comparing the three options is President Obama's request for defense in FY 2014 and beyond. However, the DOD revised the request earlier this month to provide a firm number of a bit over \$79 billion for the defense portion of overseas contingency operations (OCO) in FY 2014, but it omits funding levels for any year beyond FY 2014. Accordingly, this analysis applies the revised request for OCO in FY 2014 and no funds thereafter.

Further, it limits the comparisons to the remaining period covered by the BCA (FY 2014 through FY 2021) because this is the best means of comparison for Congress as it drafts legislation on the defense program in the course of this year. The following are the funding levels for the total defense program under the three options for the eight-year period:

- Option 1: \$4.865 trillion;
- Option 2: \$4.684 trillion; and
- Option 3: \$4.489 trillion.

Accordingly, Option 2 provides about 4 percent less for the total defense program than Option 1. Option 3 provides about 8 percent less than Option 1. It is important to understand, however, that the defense reductions have been going on for several

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years at this point. Even Option 1 in FY 2014 is more than 11 percent below what the nation spent on defense in FY 2010.

By way of analysis, there are eight bases for comparing the three options and their impact on defense. Each basis provides Congress a different means for assessing the impact. All of the comparisons apply the spending amounts in percentage terms and on a straight line across elements of the defense program:

- 1. Percent of GDP devoted to defense.** Option 1 would reduce the share of the economy devoted to defense to 2.6 percent in FY 2021, as measured in budget authority. Option 2 would reduce it to a little more than 2.5 percent. Option 3 would reduce it to somewhat less than 2.5 percent. By way of comparison, the U.S. devoted 5 percent of gross domestic product (GDP) to defense in FY 2010.
- 2. Modernization funding.** Modernization funding is defined here as the sum of procurement and research and development. The Administration's current budget is proposing to spend roughly \$200 billion in FY 2021 on modernization. Option 2 would reduce it to around \$190 billion in FY 2021. At best, Option 3 would leave it at about \$184 billion. The latter figure depends on sequestration being eliminated, which would end its exemption for military personnel funding.
- 3. Active-duty manpower levels.** It appears that the Obama Administration wants to stabilize active-duty manpower in the military. Accordingly, Option 1 appears to support a total active-duty manpower level of 1,326,000. Option 2 would reduce it to 1,273,000. Option 3 would reduce it to 1,220,000. Comparatively, the military requested 1,401,000 total active duty personnel in FY 2013.
- 4. Air Force force structure.** The Obama Administration has an objective of retaining 40 combat coded Air Force fighter squadrons in the active service. This represents the Air Force active force structure under Option 1. Option 2 would reduce it to 38. Option 3 would reduce it to 37.
- 5. Army force structure.** The Obama Administration objective is to retain 37 active brigade combat teams (BCTs), which represents the active army force structure under Option 1. Option 2 would reduce it to 35 or 36. Option 3 would reduce it to 34. By way of reference, the army currently has 45 active BCTs.
- 6. Navy ships.** The Obama Administration's objective is to retain 291 ships. There is considerable uncertainty regarding the viability of this objective under Option 1 funding levels. Option 2 would reduce this number to no more than 279. Option 3 would reduce it to no more than 267. These numbers could be significantly lower.
- 7. Missile Defense Agency (MDA) funding levels.** The Administration's current budget proposal, which is in keeping with Option 1, looks to fund the MDA at about \$7.5 billion annually later in this decade. Option 2 would reduce this amount to \$7.2 billion. Option 3 would fund the MDA at \$6.9 billion. The MDA budget for the current fiscal year is \$8.3 billion—prior to the application of sequestration.
- 8. Funding for atomic energy defense activities.** These activities are largely under the Department of Energy (DOE) and the National Nuclear Security Administration, which is under the DOE. The Obama Administration is proposing to fund these activities at \$20.5 billion in FY 2021. This funding level is in accordance with Option 1. Option 2 would reduce this amount to \$19.7 billion. Option 3 would reduce it to \$18.8 billion. It should be noted that nuclear weapons delivery vehicle acquisition programs are under the purview of the DOD and are funded under the modernization accounts described above.

Does Obama Want Sequestration or Not?

Among the three options President Obama is to consider, it is likely that he will publicly endorse a variation of Option 1. In reality, however, the President will choose Option 3.

Since the enactment of the BCA in 2011, President Obama has consistently stated that he does not want sequestration cuts to apply, and his current defense budget proposal does not account for it. On the other

hand, he has just as consistently opposed proposals from the House of Representatives to set sequestration aside.

The Role of Congress. Congress should encourage the Obama Administration to set aside the ongoing budget-driven exercise in favor of proceeding with the Quadrennial Defense Review (QDR) directly. Further, it should demand that the QDR establish a national security policy that meets the needs of the nation and then recommends funding the defense program at the necessary level.

Most immediately, however, Congress should not sit by passively as President Obama claims that he supports adequate funding for national security while behaving in ways that effectively block adequate funding in this area.

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