

**Just sustaining today's force will require a \$51 billion per year boost.**

# CBO Confirms the Defense Spending Gap

*The Congressional Budget Office recently issued two major statements on DoD spending. "Budgeting for Defense: Maintaining Today's Forces" was presented Sept. 14 by Dan L. Crippen, CBO director, to the Senate Budget Committee. "Procurement Costs to Maintain Today's Military Forces" was presented Sept. 21 by Christopher Jehn, CBO's assistant director for national security, to the House Armed Services Committee. CBO reported the existence of an annual \$51 billion gap between actual spending and what is needed to sustain the force. Here are excerpts:*

## **From "Budgeting for Defense: Maintaining Today's Forces"**

Throughout much of the 1990s, the funds US policy-makers allocated to national defense followed a ... downward trend, as budgets fell along with forces (see Table 1). In 1998, the defense budget reached a 20-year low. In 1999, policy-makers halted that decline and provided regular and supplemental appropriations that constituted real (inflation-adjusted) growth in the resources available to support national defense activities. In particular, funds for procuring new equipment and weapons, which had shrunk by a larger percentage than had the total defense bud-

get, began to receive significant, real boosts.

That increased funding, however, has not eliminated questions about future defense budgets—in particular, about the level of funding necessary to sustain today’s forces. ...

DoD divides its forces into two major categories: strategic (basically nuclear) and conventional (see Table 2). For strategic forces, common measures of size and structure include ballistic missiles and bombers. Metrics used for conventional forces include divisions (Army and Marine Corps), tactical air wings (Air Force, Marine Corps, and Navy), and battle force ships (Navy), which include all Navy ships involved in combat—for example, aircraft carriers, surface combat ships, and submarines—as well as certain other vessels. ...

The concept of a sustaining budget represents the funding that DoD would require in a “steady state,” when everything was held constant and nothing changed over time. In other words, CBO’s estimate begins with the size and structure of today’s military and calculates the annual budget that would be necessary to sustain it into the future. ...

CBO estimates that sustaining funding for DoD would total \$327 billion (Table 3). The discussions that follow break down that total by budget title. Most of the funds that the Congress appropriates for DoD fall into six titles: military personnel; Operations and Maintenance; procurement; Research, Development, Test, and Evaluation; military construction; and family housing. CBO developed separate estimates of funding for those categories for each of the three military departments and a total estimate for the rest of DoD’s organizational components.

**Military Personnel.** The military competes with the private sector for its personnel. To keep the quality and quantity of today’s forces in a steady state, their compensation must remain competitive with compensation in the private sector, which generally rises each year at a rate above inflation. So a sustaining budget for military personnel must increase each year.

In 2000, the Congress appropriated \$74 billion for military personnel. To calculate a sustaining budget for that category, CBO had to choose an actual period over which to project the increase in pay and benefits. Such a choice is necessarily arbitrary; CBO chose 2001 through 2015 as a reasonable span over which to make its calculations. ... To maintain military pay and benefits at today’s level over that period, military personnel appropriations would need to average \$82 billion annually, CBO estimates.

**Operations and Maintenance.** Together with the funding for military personnel, the Operations and Maintenance appropriations provide most of DoD’s annual operating budget. The adequacy of O&M funds,

**Table 1. Funding for Defense Department and Personnel for the Services in Selected Fiscal Years, 1989–99**

	1989	1993	1997	1999	Percentage Change 1989–99
<b>Budget Authority (In billions of 2000 dollars)</b>					
Military personnel	109	93	78	73	-33
O&M	116	99	99	109	-6
Procurement	97	58	44	52	-47
RDT&E	47	42	38	39	-17
Military construction	7	5	6	6	-20
Family housing	4	4	4	4	-11
<b>Total</b>	<b>380</b>	<b>302</b>	<b>269</b>	<b>282</b>	<b>-26</b>
<b>DoD Personnel (In thousands)</b>					
Active duty	2,130	1,705	1,439	1,386	-35
Guard and Reserve	1,171	1,058	902	869	-26
Civilian	1,107	984	786	704	-36

therefore, is an important determinant of whether military forces are trained and ready to fight on short notice.

Part of the O&M appropriations covers pay and benefits for most of the civilians who work for the Defense Department. To estimate a sustaining budget for those costs, CBO used the same period (2001–15) and techniques that it used for military personnel. CBO estimates that O&M funding would need to average about \$107 billion annually to maintain a civilian workforce equivalent to today’s and to cover the cost of the items and services that are also funded through these appropriations. In 2000, the Congress appropriated about \$102 billion for the O&M title.

**Procurement.** Funding for procurement buys new weapons and other equipment that DoD needs to carry out its missions in peacetime and to prepare for war. The funds cover a wide array of items ranging from aircraft, ships, and missiles to automobiles and air conditioners.

The Congress appropriated \$53 billion for defense procurement in 2000, but by CBO’s estimate, annual sustaining funding for procurement totals about \$90 billion. That figure falls within the range of past experience and is only about 15 percent below the average for the 1980s—a period when DoD was buying large quantities of many systems. (In 2000 dollars, funding for procurement averaged \$64 billion in the 1970s, \$104 billion in the 1980s, and \$59 billion in the 1990s.)

**Research, Development, Test, and Evaluation.** In 2000, the Congress appropriated \$38 billion for the programs that make up the RDT&E category of DoD’s budget. At \$40 billion, CBO’s estimate of the RDT&E funding necessary to sustain today’s forces is quite close to the appropriations for 2000.

**Military Construction Appropriations.** In 1997, DoD operated about 1.7 billion square feet of facili-

**Table 2. US Military Forces in Selected Fiscal Years, 1989–99**

	1989	1993	1997	1999	Percentage Change 1989–99
<i>Strategic Forces</i>					
Land-based ICBMs	1,000	787	580	550	-45
Heavy bombers	310	194	126	143	-54
SLBMs	576	408	408	432	-25
<i>Conventional Forces</i>					
Land forces					
Army divisions					
Active	18	14	10	10	-44
Reserve	10	8	8	8	-20
Marine Corps expeditionary forces					
Active	3	3	3	3	0
Reserve	1	1	1	1	0
Naval forces					
Battle force ships					
Aircraft carriers	566	435	354	317	-44
Active	15	13	11	11	-27
Reserve	1	0	1	1	0
Navy carrier air wings					
Active	13	11	10	10	-23
Reserve	2	2	1	1	-50
Air forces					
Tactical fighter wings					
Active	25	16	13	13	-48
Reserve	12	11	8	8	-33
Airlift aircraft					
Intertheater	401	382	345	331	-17
Intratheater	468	380	430	425	-9

**Table 3. Fiscal 2000 Appropriations for Defense Department and CBO's Estimate of a Sustaining Defense Budget, by Budget Category**

(In billions of 2000 dollars budget authority)

	Appropriation for Fiscal 2000	Sustaining-budget Estimate
Military personnel	74	82
O&M	102	107
Procurement	53	90
RDT&E	38	40
Military construction	5	5
Family housing	4	4
<b>Total</b>	<b>276</b>	<b>327</b>

**Table 4. DoD's Past Purchases of Selected Equipment and CBO's Estimates of Purchases Under a Sustaining Budget (by Fiscal Year)**

	Average Annual Purchases		Annual Sustaining-budget Purchases	
	1975-90	1991-2000	Based on Longer Service Lives	Based on Shorter Service Lives
Tanks, artillery, and other armored vehicles	2,083	145	588	883
Helicopters				
Scout and attack	78	7	105	169
Utility	109	69	151	183
Battle force ships	19	7	8	11
Aircraft				
Fighter and attack				
Navy	111	42	64	88
Air Force	238	28	89	124
Electronic warfare	21	7	9	12
Tactical & strategic airlift	31	15	20	26
Tankers	5	1	12	14
Heavy bombers	7	1	3	3
Other	16	0	11	15

**Table 5. CBO's Estimate of a Sustaining Budget for Procurement, by Service**

(In billions of 2000 dollars)

	Army	Navy/ Marine Corps	Air Force	Defense Agencies	Total
Procurement of major systems	5	20	15	<2.5	40
Other procurement	10	15	20	5	50
<b>Total</b>	<b>15</b>	<b>35</b>	<b>35</b>	<b>5</b>	<b>90</b>
Appropriations in Fiscal 2000	10	23	18	2	53

ties, ranging from office buildings to schools for the dependents of military personnel to facilities on air bases. Construction and replacement of those facilities and improvements to them are funded under the military construction title of the defense budget, which also covers many of the costs associated with base closures. In 2000, the Congress appropriated about \$5 billion for this category, and CBO's estimate of a sustaining budget for it is about \$5 billion as well.

**Family Housing Appropriations.** Appropriations for family housing in 2000 totaled about \$4 billion, and CBO's estimate of sustaining funding for that budget title is the same. The appropriations finance the costs of constructing, improving, operating, maintaining, and leasing military family housing units. ...

The gap between current defense budgets and the

Congressional Budget Office's estimate of the funding needed to sustain today's military offers a challenge to future policy-makers. In broad terms, they have two options for eliminating that gap: They could either bring the amount of the sustaining budget down to today's level of funding—by cutting specific programs or forces or by paring down their missions—or they could increase funding for defense.

### From "Procurement Costs to Maintain Today's Military Forces"

Throughout most of the 1990s, the military services did not purchase replacements for many of the items in their inventories of equipment. For other items, the quantities procured were significantly reduced. Over-

all, procurement budgets fell by about one-third from their Cold War levels.

As a result of the reduction in purchases, many items in the current inventory are considerably older today, on average, than comparable items were in the 1970s and 1980s. ...

In [a] new study, CBO estimates the steady-state cost to support and maintain the United States' current military forces. One major element of that estimate ... is CBO's calculation of the cost of procurement: \$90 billion a year. That estimate assumes a one-for-one replacement of every item in DoD's inventory at an annual rate consistent with the item's service life. In instances in which no replacement item is planned, CBO assumed that the current model would be bought.

CBO's \$90 billion estimate is larger than recent budgets. The Congress appropriated \$53 billion for procurement in Fiscal 2000 and \$62 billion this year for Fiscal 2001. But CBO's estimate is about 15 percent below the average for the 1980s—a period when DoD was buying large quantities of many systems. ...

In Table [4], the first two columns provide historical perspective. They show average annual purchases—first for 1975 through 1990 and then for the decade of the 1990s. The third column shows CBO's calculations of the numbers of each item required to maintain inventories at current levels. CBO used those numbers to derive spending estimates. The final column shows the purchases that would be needed had CBO used the shorter service lives that reflected historical patterns.

If, every year, DoD purchased all of its systems in the quantities CBO calculated, eventually, the equipment in its inventories would evenly span the range of ages—from newly delivered items to those ready for retirement. With such a distribution, the quantities retired would be steady, instead of varying from year to year as they do now. Thus, the age of an inventory (the average age for all systems of a particular type) would come to equal half the equipment's service life.

Table [5] presents CBO's estimates of sustaining budgets for procurement for the military departments and defense agencies. For the Department of the Navy, which includes the Marine Corps, and the Air Force, the estimates are roughly \$35 billion a year each. The figure for the Army is much lower—about \$15 billion a year. Another \$5 billion a year for the defense agencies completes the overall estimate, which totals \$90 billion.

The estimate of \$15 billion for the Army can be compared with a procurement appropriation in 2000 of \$10 billion. The \$35 billion estimate for the Navy and Marine Corps is also considerably more than the 2000 amount of \$23 billion. Similarly, the estimate for the Air Force—also \$35 billion—greatly exceeds the 2000 appropriation of \$18 billion. And the estimate for sustaining procurement for defense agencies—at \$5 billion—exceeds the 2000 appropriation of \$2 billion. ... ■

