

January 31, 2003

FY 2004 DEFENSE BUDGET REQUEST: BACK TO COLD WAR-LEVEL SPENDING, AND BEYOND

By Steven Kosiak

The Bush Administration plans to request \$399.1 billion for national defense in fiscal year (FY) 2004, including about \$379.9 billion for the Department of Defense (DoD) and \$19.3 billion for Department of Energy and other defense-related programs. The overall request for national defense is some \$16.9 billion higher than the level provided in FY 2003. The request for DoD is about \$15.3 billion above the enacted FY 2003 level.

Coming Full Circle on Defense Spending

After being cut deeply in the first half of the 1990s, following the end of the Cold War, the defense budget has been increased each year since FY 1998. The administration's request would bring the defense budget to its highest level since the early 1990s. Moreover, the proposed budget would be about 13 percent higher than the average Cold War budget in real terms.¹ Under the administration's long-term plan, funding for defense would increase by a total of some 17 percent between FY 2003 and FY 2009. This would bring funding for defense to about 22 percent above average Cold War levels and roughly equal to the levels sustained during the 1980s, the decade of the Reagan buildup.

"Skip a Generation" Skipped

During the 2000 presidential campaign, then-candidate Bush suggested that the US military should modernize its military "selectively," but that the real goal should be to "move beyond marginal improvements—to replace existing programs with new technologies and strategies: to skip a generation of technology." These goals were essentially reaffirmed in the 2001 Quadrennial Defense Review (QDR). After conducting a series of program reviews, however, the administration seems to have decided to largely abandon this approach. With the exception of the Crusader artillery system, which was canceled last year, the administration has decided to move ahead with virtually all of the major weapons platforms included in the plans it inherited from the Clinton Administration.

How Much for Transformation?

The administration asserts that its FY 2004 request includes \$23 billion for programs intended to transform the US military so that it can better prepare to meet newly emerging challenges and exploit the potential for rapidly advancing military technologies. Over the FY 2004-09 period, its plan projects total spending on these programs of some \$239 billion. Notwithstanding these claims and projections, however, the administration's success in the area of transformation appears to be, at best, limited and uneven. The administration's plan does include funding for the continuation of a number of potentially

¹ All changes in funding levels noted in this analysis are expressed in real terms using DoD inflation estimates.

important transformational programs. These include, for example, the conversion of existing Trident ballistic missile submarines to carry conventional Tomahawk cruise missiles (\$1.2 billion). But about one-third of the FY 2004 funding the administration labels transformational is for ballistic missile defense programs, and the vast majority of the remaining funding is allocated to existing next-generation programs, such as the Joint Strike Fighter, that many transformation advocates have criticized. Moreover, while the FY 2004 request would provide a \$5 billion increase for the overall DoD research and development (R&D) budget, it would actually cut funding for science and technology (S&T) programs, which may be the most critical part of the R&D budget related to transformation.

Realism and Affordability

Although the administration's proposal calls for a large and sustained increase in funding for defense over the coming six years, even this level of funding may prove inadequate to execute DoD's very ambitious modernization effort and other plans. Under the administration's plan, funding for national defense would reach some \$447 billion (FY 2004 dollars) by FY 2009, while DoD's budget would reach about \$430 billion.² However, a recent report by the CBO concluded that—assuming historical rates of cost growth in operations and support (O&S) and modernization programs—executing existing plans could require substantially higher DoD funding levels, perhaps as much as an additional \$60 billion a year.³ Moreover, CBO found that these levels of spending would need to be sustained through at least 2020. Achieving and sustaining such high levels of funding for defense is likely to be very difficult. The large federal surpluses projected just a few years ago have disappeared due to the enactment of large tax cuts, the weak economy and other factors. Over the coming decade, the administration's proposal for additional tax cuts, a Medicare prescription drug benefit and increases in homeland security spending, as well as proposals to boost domestic spending, may greatly limit the room for further increases in defense spending—especially toward the end of this decade when the baby boomer generation begins to retire.

How Much Is Enough?

Whether the requested increase in defense spending is necessary to adequately meet US security requirements is unclear. As noted above, fully implementing the administration's defense plan would likely require spending substantially more on defense than proposed by the administration. Moreover, this plan may fall short of meeting US security requirements if the kinds of challenges faced by the US military change significantly over the coming years. On the other hand, it might be possible to adequately meet US security requirements at lower budget levels by adopting a slightly smaller military and a modernization plan focused more on transformation-oriented weapon systems. In other words, the ability of the US military to effectively meet future challenges is likely to have more to do with how wisely we spend our defense dollars, than on how much we spend.

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² These estimates were derived using DoD inflation estimates.

³ Lane Pierrot and Gregory T. Kiley, *The Long-Term Implications of Current Defense Plans* (Washington, DC: CBO, January 2003), p. 5. With cost risk, CBO estimates that executing the current defense plan would require an average of \$471 billion (FY 2002 dollars) a year over the FY 2008-20 period. This is equivalent to roughly \$490 billion in FY 2004 dollars.

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