

Analysis of the FY 2010 Defense Budget Request

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Center for Strategic and Budgetary Assessments

Thinking

Smarter

About

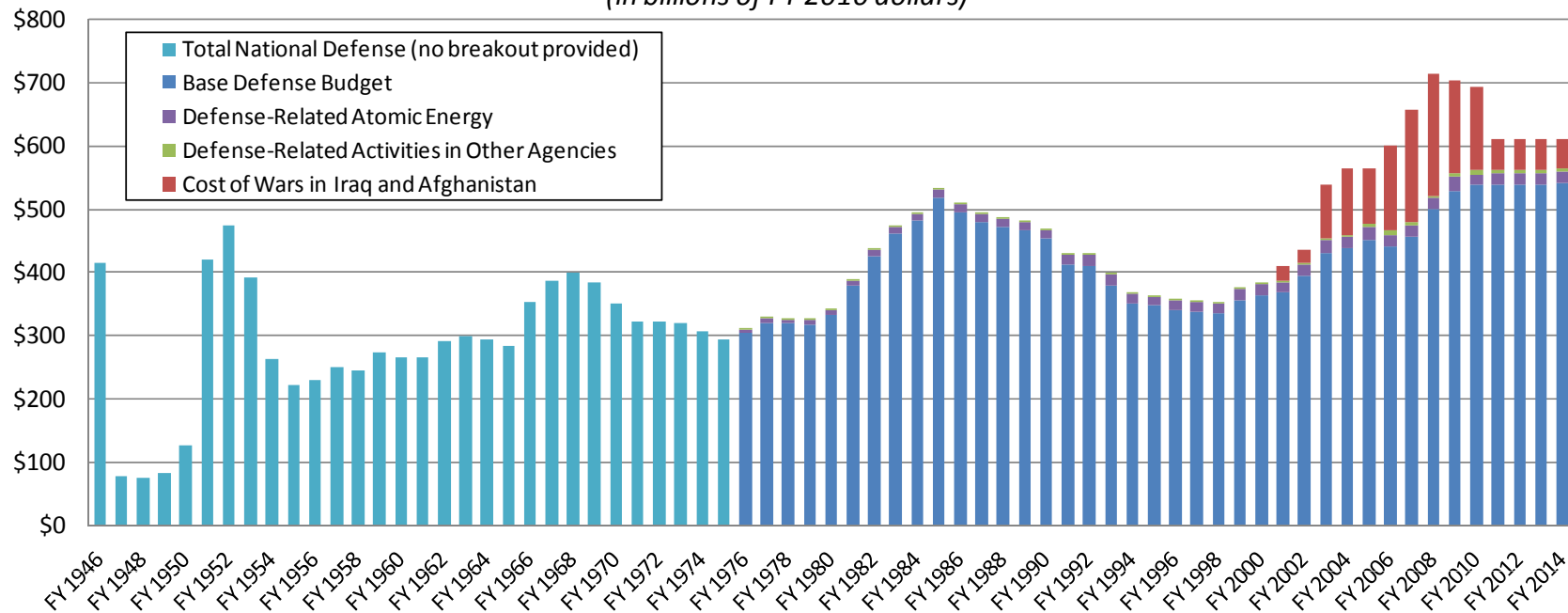
Defense

Overview of the Budget Request

- \$668 billion requested for DoD (\$538 billion base + \$130 billion for wars)
- Additional \$25 billion for defense activities in other agencies
- Maintains historically high level of funding in base budget

Growth in National Defense Spending

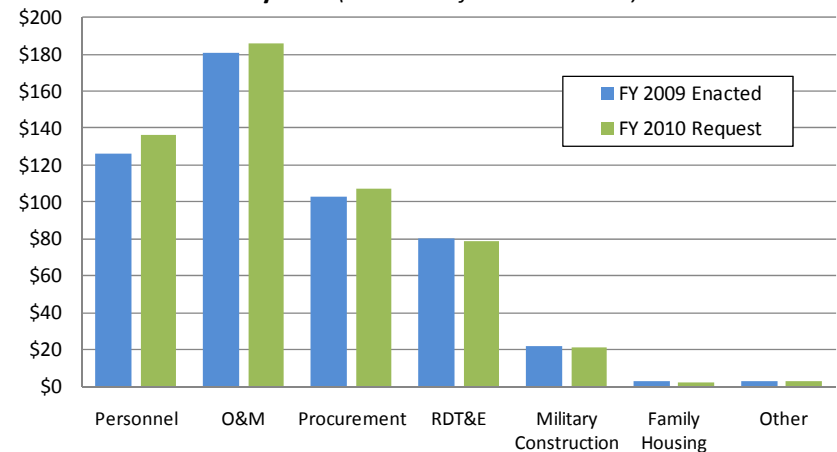
(in billions of FY 2010 dollars)



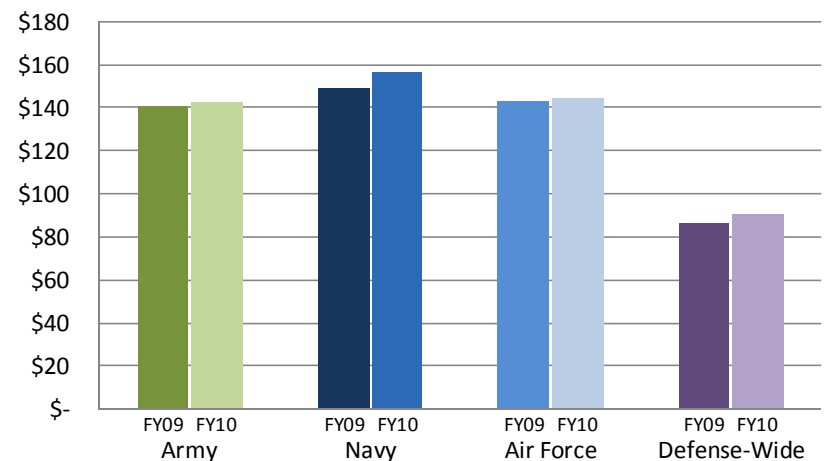
Differences From Previous Years

- Increases funding in Personnel, O&M, and Procurement
- Moves about \$13 billion from war funding to base budget
- Includes full year of funding for wars in Iraq and Afghanistan
- Does not include detailed FYDP, pending QDR results

Comparison of FY09 / FY10 Base Discretionary Budgets by Title (in billions of FY 2010 dollars)



Comparison of FY09 / FY10 Base Discretionary Budgets by Service (in billions of FY 2010 dollars)





Terminations, Reductions, and Savings

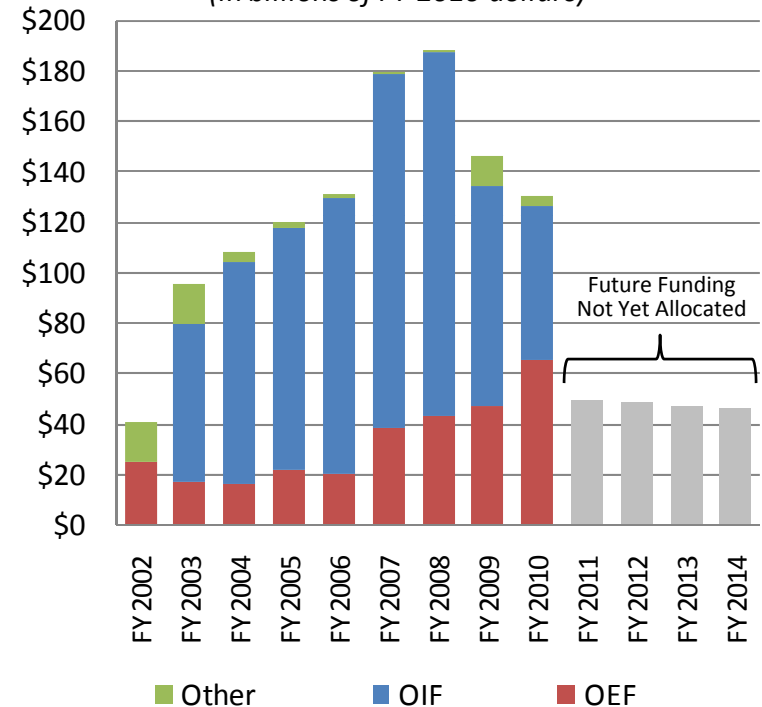
Program	Savings in FY 2010 <i>(in millions of dollars, negative numbers indicate savings)</i>
F-22 Raptor	-\$2907
Contracted Service Support	-\$900
Recruiting and Retention Adjustments to Maintain End strength	-\$793
Transformational Satellite Communications System (TSAT)	-\$768
VH-71 Presidential Helicopter	-\$750
Aircraft Carrier Replacement Program	-\$727
Future Combat System (FCS) Manned Ground Vehicles	-\$633
Ground Based Midcourse Defense (GMD)	-\$524
Joint Strike Fighter Alternative Engine	-\$465
Multiple Kill Vehicle (MKV)	-\$283
Airborne Laser (ABL)	-\$214
Combat Search and Rescue Helicopter (CSAR-X)	-\$144
Next Generation Bomber	0
CG(X) Next Generation Cruiser	\$8
C-17 Globemaster	\$91
LPD-17 and Mobile Landing Platform (MLP) Transport Ships	\$247

- Identified \$17 billion in savings in 121 programs across the federal budget
- 16 programs and \$8.8 billion in savings from DoD budget
- Represents less than 2% of base defense budget
- Congress appears to be agreeable to many of the changes, but not all

Funding for the Wars

- \$944 billion appropriated to date
- \$130 billion requested for FY 2010
- Funding for Afghanistan will exceed Iraq (\$65 vs \$61 billion)
- Includes projections for future costs
 - Anticipates costs will drop to \$50 billion per year in FY 2011 and beyond
 - Projects \$580 billion cost over next ten years, at the lower end of CBO estimates (\$440 to \$865 billion)

War Funding by Military Operation
(in billions of FY 2010 dollars)





Military Personnel

- \$136 billion requested, up 7.8% from last year
- Includes full funding for increased end strength of 92,000 troops, about \$14 billion
- Halts reduction in size of Navy and Air Force
- 2.9% across the board pay raise
- Military healthcare costs total \$47 billion
 - Forecasted to continue increasing at rate of 5-7% per year
 - Increases due to expansion of benefits, increased usage, and rise in healthcare costs generally



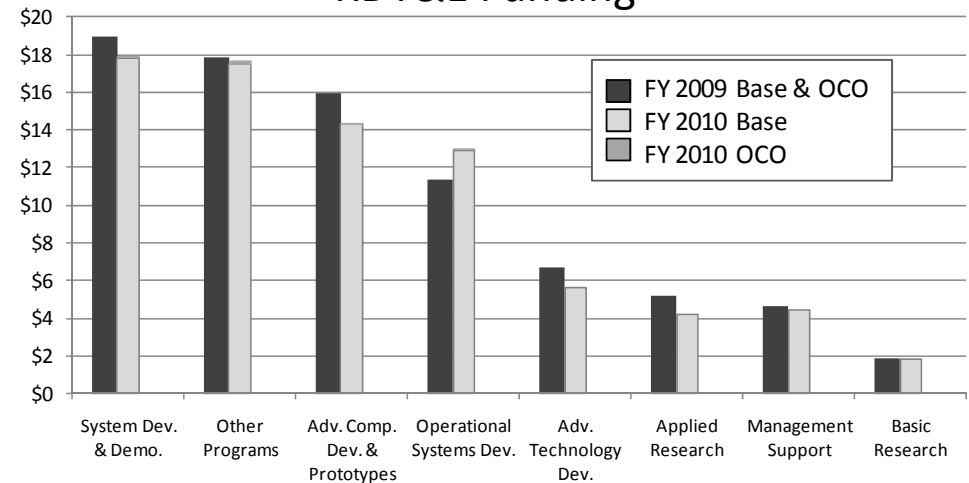
Operations and Maintenance

- \$186 billion requested for O&M, up by more than 1/3 on a per troop basis from 10 years ago (in real terms)
- Equipment maintenance and repair costs are higher due to aging equipment and higher OPTEMPO
- Reset costs appear to have been adequately funded in supplementals, but costs will continue for several years after conflicts subside
- Includes costs of most of DoD's 750,000 civilian staff

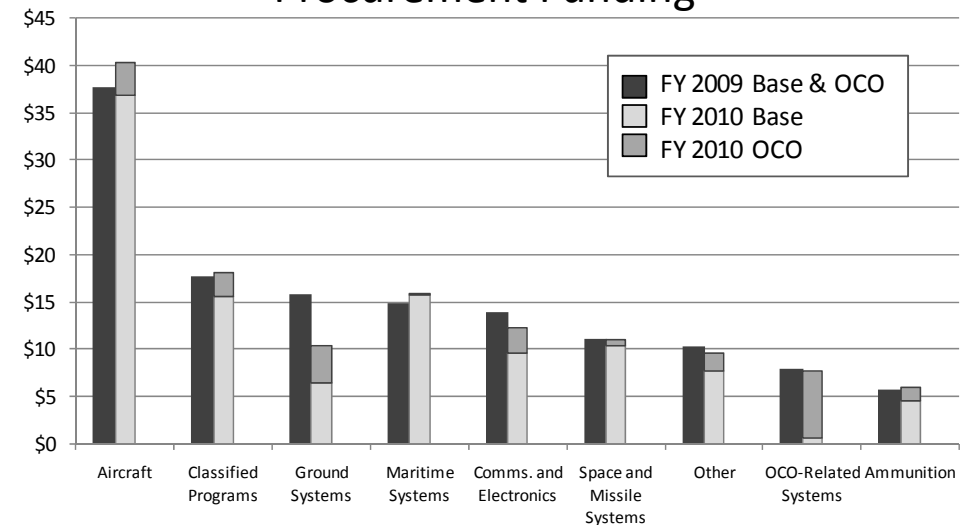
Weapon Systems

- \$79 billion requested for RDT&E, down 2.1 percent
- Procurement up 4.6 percent to \$107 billion
- Growth in development costs has led to reduction in quantities procured
 - Ratio of funding for R&D to Procurement was 3 to 1 in 70s and 80s
 - Began dropping in 90s and remains near 1.4 to 1

RDT&E Funding

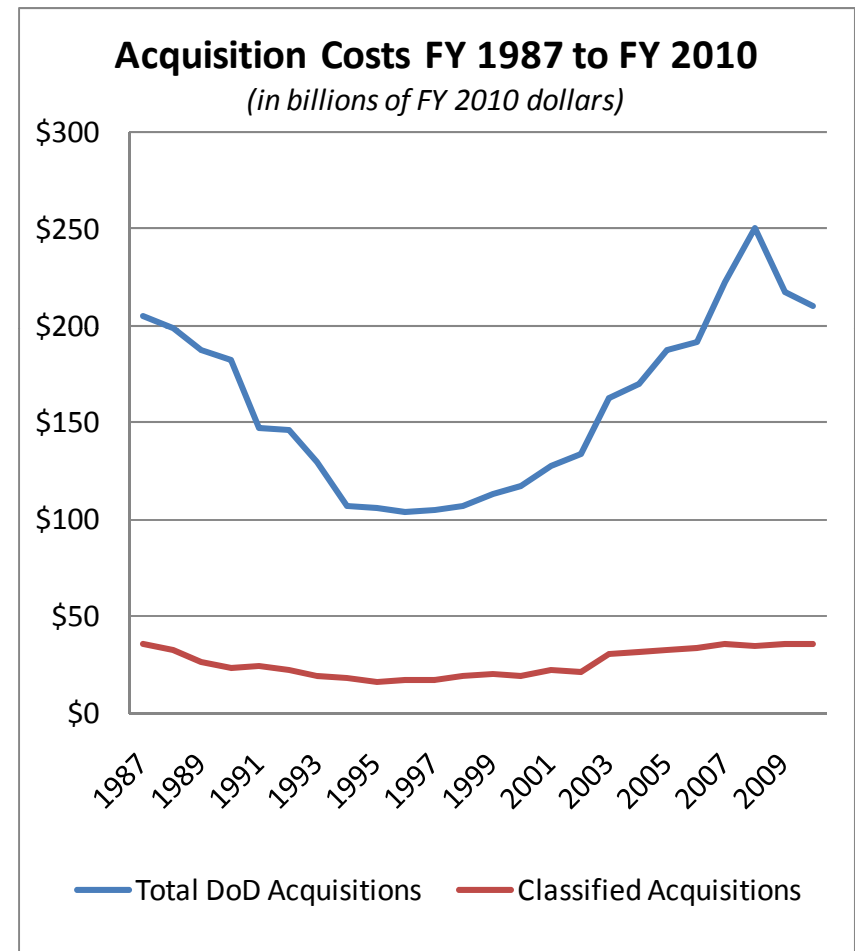


Procurement Funding



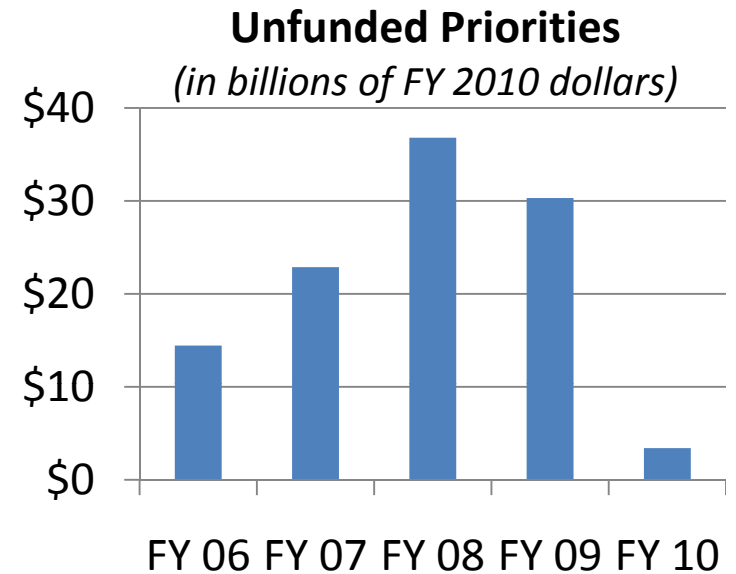
Classified Funding

- Accounts for \$35.8 billion (17 percent) of acquisition funding
- Near the highest level of funding since FY 1987
- Over 80 percent of all classified funding is in the Air Force's budget



Unfunded Priorities

- SecDef required Services to present lists to him before submission to Congress
- This year's lists are one tenth the amount of previous years
- Air Force contributes more than half of the total



Component	FY 2010 Unfunded Priorities (in millions)
Army	\$953
Navy	\$395
Marine Corps	\$188
Air Force	\$1,909
SOCOM	\$309

Conclusions

- FY 2010 budget request continues growth in base defense budget while beginning to reduce war funding
- Detailed FYDP not included with budget, but top line numbers project relatively flat budget through FY 2014
- Broader economic conditions and the state of the federal budget overall will likely constrain defense spending
 - CBO projects \$4.4 trillion in deficits over the next five years
 - In ten years, interest payments on national debt would exceed defense budget
- If personnel, O&M, and acquisition costs continue to rise, pressure may mount to scale back modernization plans and force structure

Q & A

