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FINAL ACTION ON THE FY 2008 DEFENSE APPROPRIATIONS ACT

By Steven M. Kosiak

On November 13, President Bush signed the fiscal year (FY) 2008 Department of Defense (DoD) Appropriations Act. The act was the result of a House-Senate conference agreement completed on November 6 that resolved differences between the two chamber's versions of the bill. The act would provide about \$460 billion for DoD, including \$11.6 billion in emergency funding to accelerate procurement of Mine-Resistant Ambush Protected (MRAP) vehicles. However, it does not include the \$189 billion in funding requested by the administration to cover the cost of the wars in Iraq and Afghanistan in FY 2008.

The \$449 billion in non-emergency funding provided for the base defense budget (i.e., the budget exclusive of war costs), is about \$3.5 billion, or less than one percent, below the level requested by the administration. Additional funding for national defense is provided in other appropriations acts—primarily the military construction/veterans affairs and energy and water appropriations bills.¹ Including the funding provided in these other measures would bring the total amount requested for the base defense budget in FY 2008 to some \$505 billion.²

This analysis provides a brief description of the FY 2008 DoD appropriations act.³ Although generally consistent with the administration's request at the topline level, the conference agreement signed by the president differs from the request in some details.⁴

¹ For a comprehensive overview of the administration's request for national defense, see, Steven M. Kosiak, *Analysis of the FY 2008 Defense Budget Request* (Washington, DC: Center for Strategic and Budgetary Assessments, 2007).

² At press time, none of these other appropriations bills had been enacted. This figure also includes about \$10.9 billion in Tricare-for-Life accrual payments.

³ On December 6, House and Senate negotiators completed work on the FY 2008 Defense Authorization Act conference report. This conference report essentially fully supports the administration's request for national defense. It includes a total of some \$507 billion for the base defense budget and \$189 billion for military operations. However, the defense authorization act only *authorizes the appropriation* of funds. It does not provide any actual funds to DoD or other defense-related agencies. Actual funding can only be provided through the enactment of appropriations acts.

⁴ For additional information, see the FY 2008 DoD Appropriations Act Conference Report, and Pat Towell, Stephen Daggett and Amy Belasco, "Defense: FY 2008 Authorization and Appropriations," Congressional Research Service (CRS), November 28, 2007.

HIGHLIGHTS OF FY 2008 DoD APPROPRIATIONS ACT

- **Funding for Military Operations Not Included:** The administration initially requested \$141.7 billion to cover the cost of military operations in Iraq and Afghanistan, as well as some other programs and activities, in FY 2008. It later amended its request, once in July and again in October. These amendments raised its war-related request to \$189 billion. Although the administration attached this proposal for war-related funding to its FY 2008 request for the base defense budget, Congress refused to include funding for these activities in the conference agreement. Instead, congressional leaders have indicated that they expect to pass a separate appropriations bill to cover war-related costs, and that this legislation will include language concerning the withdrawal of some US forces from Iraq. For its part, the administration has indicated that it will veto any measure that includes such language. At present, it appears that Congress will wait until early (calendar-year) 2008 to pass a war funding bill. Until the administration and Congress can agree on how and at what level to fund military operations in FY 2008, and enact such an appropriation, DoD can—to a certain degree—use funding provided in the base defense budget to finance those operations.⁵ Although it is difficult to determine with high confidence how long DoD can rely on the flexibility inherent in the base DoD budget to fund military operations in FY 2008, based on recent experience and expenditure rates, it appears that it should be able to make it through the middle of January or, possibly, mid February, without the enactment of a war-related supplemental.⁶
- **End Strength and Compensation:** Consistent with the House and Senate versions of the bill, the DoD appropriations act would fully fund the administration's proposal to increase the permanent active duty end strength of the US military by 92,000 troops, including 65,000 additional Army personnel and 27,000 more Marines. This planned increase in the size of the Army and Marine Corps is projected to add about \$100 billion to the cost of DoD's plans over the next six years. Again, consistent with both the House and Senate versions of the bill, the DoD appropriations act would provide Service members with a 3.5 percent pay raise. This is half a percentage point higher than requested by the administration. The conference agreement also rejected the administration's proposal to increase patient copayments and other fees to help cover the cost of DoD's healthcare program (Tricare-for-Life) for military retirees.
- **Procurement:** The administration's FY 2008 request included about \$100 billion for weapons procurement in DoD's base budget. The conference agreement included a modest \$1.4 billion cut to the administration's request. Programmatically, the act makes a few significant changes to the administration's procurement request. It adopted the House position on the Virginia-class

⁵ For example, the Army can use operations and maintenance (O&M) funds provided in the FY 2008 DoD appropriations act, that would otherwise be used to cover day-to-day peacetime O&M requirements in the last few quarters of the fiscal year, to cover war-related O&M costs incurred during the first part of the fiscal year—based on the assumption that a supplemental appropriation will, eventually, be enacted that will allow them to refill their O&M coffers before the final quarters of the fiscal year are reached.

⁶ Amy Belasco, "The Growing Cost of the Iraq War," Statement Before the House Budget Committee, October 24, 2007, p. 18.

submarine, adding \$588 million in advance procurement funding to facilitate a construction rate of two submarines a year by FY 2012, if not earlier. The conference agreement also added \$300 million in advance procurement funding for three additional T-AKE cargo ships. In the case of the Littoral Combat Ship (LCS), the conference agreement approved the construction of only a single ship, rather than the three requested by the administration for FY 2008, due to cost overruns in the program. In addition, as noted earlier, the conference agreement provided an extra \$11.6 billion in emergency funding to accelerate MRAP production.⁷

- **Research & Development:** The administration's defense budget request included \$75.1 billion for research and development (R&D). The FY 2008 DoD appropriations act would provide about \$77.1 billion for R&D, roughly 2.9 percent more than requested.
- **Ballistic Missile Defense (BMD):** The administration requested \$10.3 billion for missile defense acquisition programs in FY 2008. The conference agreement cut this request by about \$367 million, or 3.6 percent. The deepest cut was in the ballistic missile defense midcourse defense segment, which was reduced by some \$261 million. It also cut \$85 million from the administration's request for \$310 million to begin the deployment of a ballistic missile defense system in Europe, similar to the systems currently deployed in Alaska and California.

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⁷ For a discussion of the MRAP program and related issues, see Andrew F. Krepinevich and Dakota Wood, *Of IEDs and MRAPs: Force Protection in Complex Irregular Operations* (Washington, DC: Center for Strategic and Budgetary Assessments, 2007).