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## **FY 2009 REQUEST WOULD BRING DOD BUDGET TO RECORD (OR NEAR-RECORD) LEVELS**

By Steven M. Kosiak

The Bush Administration today announced that it will request some \$518.3 billion to cover the peacetime costs of the Department of Defense (DoD) in fiscal year (FY) 2009.<sup>1</sup> In addition to this funding in DoD's "base" budget, the request includes \$70 billion to cover costs associated with the wars in Iraq and Afghanistan (what the Bush Administration calls the Global War on Terror, or GWOT). Taken together, under the new plan DoD is projected to receive some \$588.3 billion in FY 2009.

The administration's FY 2009 request also includes \$22.8 billion for Department of Energy and other non-DoD defense activities. Thus, altogether, the FY 2009 request includes \$611.1 billion for National Defense.

### **Funding for DoD Base Budget Projected to Peak**

The request for DoD's base budget (i.e., the budget exclusive of war costs) amounts to about a 7.5 percent increase from the level of funding approved by Congress for FY 2008. In real (inflation-adjusted) terms, the increase would be some 5 percent.<sup>2</sup> This would bring the DoD base budget to its highest level ever, in real terms.<sup>3</sup>

### **Total DoD Funding At Or Near Record Levels**

The *total* request for DoD (i.e., the base budget plus war funding) is slightly higher in real terms (about 1 percent), than the budget approved by Congress for 2008. It is below the level provided for FY 2007. However, as the administration acknowledges, its \$70 billion request for war funding likely represents only a down-payment on next-year's war costs. This means that, at some point, either this administration or the next administration will have to request additional war-

<sup>1</sup> This is the *total* amount of funding projected to be provided for DoD's base budget in FY 2009, as estimated by the Office of Management and Budget (OMB). This total includes \$515.4 billion in DoD *discretionary* budget authority (which excludes a small amount of mandatory funding).

<sup>2</sup> All estimates of real change included in this analysis were derived using gross domestic product (GDP) deflators.

<sup>3</sup> Using DoD's own deflators (rather than the GDP deflator) would show a more modest rate of growth in funding for defense historically, and place the FY 2009 request somewhat below the level of funding provided in the mid-1980s. This is because, relative to the GDP deflator, DoD's deflators tend to understate growth in personnel costs.

related funding for FY 2009. It is quite possible that with this additional funding the total DoD budget for FY 2009 will end up exceeding DoD's budgets of both FY 2007 and FY 2009—making it the largest DoD budget, in real terms, since the end of World War II.<sup>4</sup>

### **Last Year of Buildup?**

For the four years after FY 2009, the administration's latest plan projects a slight real decline in DoD's base budget. After rising some 37 percent in real terms over the FY 2001-09 period, under this plan, between FY 2010 and 2013 DoD's base budget would be cut by about 1.5 percent. Thus, the administration is proposing that the buildup begun, in earnest, after the terrorist attacks of September 2001, should come to an end in FY 2010.

### **Tough Choices Ahead—for the Next Administration**

Whether the current buildup will, in fact, soon end will depend on the decisions of the next administration and Congress. Given the need to address the long-term problem of increasing federal deficits—driven largely by the retirement of the baby boomer generation and, especially, continued growth in health care costs—there is good reason to believe that a future administration and Congress will, indeed, move in this direction. However, living within declining, or even relatively flat, defense budgets in coming years would require making a range of difficult choices concerning DoD plans and priorities.

Analysis by the Center for Strategic and Budgetary Assessment (CSBA), the Congressional Budget Office (CBO) and others suggests that executing the current defense plan would require, over the long term, increasing DoD's budget well above the level included in the FY 2009 request.<sup>5</sup> CBO, for example, has estimated that—assuming historical rates of cost growth in operations and support cost and weapons acquisition programs—DoD's base budget would, over roughly the next five years, have to be increased by some \$50 billion above the amount requested for FY 2009, and sustained at that level through 2025.<sup>6</sup> Additional funding of tens of billions of dollars a year will also likely be needed to cover the cost of military operations over the long run.

Making DoD's long-term plans affordable within relatively flat budgets would require enacting some major cuts in DoD's modernization programs, reductions in force structure, or a combination of both approaches. Fortunately, there may be some modernization programs in the existing plan that could be scaled back substantially without seriously undermining the US military's effectiveness. It may also be possible to prudently cut certain elements of force structure, such as the number of Air Force short-range fighter wings. On the other hand, so long as the US remains heavily engaged in military operations it is difficult to imagine cutting the size

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<sup>4</sup> Whether the total DoD budget for FY 2009 will end up being slightly higher or lower than the FY 2007 and FY 2008 DoD budgets will depend on both how much is provided for FY 2009 and how much additional funding Congress approves for military operations for FY 2008 (as discussed later in this analysis, the amount approved to date is clearly insufficient to finance the war for the entire year).

<sup>5</sup> See, for example, Steven M. Kosiak, *Matching Resources With Requirements: Options for Modernizing the US Air Force* (Washington, DC: CSBA, 2004), and Adam Talaber, *Long-Term Implications of Current Defense Plans: Summary Update for Fiscal Year 2008* (Washington, DC: CBO, December 2007).

<sup>6</sup> Talaber, p. 2.

of US ground forces—and, indeed, current plans envision an expansion of those forces—implying that the US military may be under-investing in some weapon systems, such as long-range strike aircraft (e.g., manned or unmanned bombers).

In any event, these difficult choices—if they are made at all—will have to be made by a future administration and Congress. As has generally been true (with a few exceptions) of its past requests, the Bush Administration's latest proposal avoids any major cuts in modernization programs. Moreover, consistent with last year's plan, it continues to call for increases in Army and Marine Corps end strength.

### War Funding

The administration has requested \$70 billion to cover the cost of military operations in FY 2009. As noted earlier, at some point, some amount of additional funding beyond this \$70 billion will almost certainly have to be provided to cover war-related costs for the full year. Since 2001, Congress has approved a total of about \$691 billion for the GWOT, including about \$646 billion for DoD and \$45 billion for other departments and agencies (primarily for foreign assistance). This total includes \$87 billion of the \$189 billion the administration requested for the GWOT for FY 2008.<sup>7</sup>

### Weapons Programs

The administration's FY 2009 request includes funding to move ahead with a broad range of new weapons programs. Among other things, it would fund the purchase of F-35, F-22, F/A-18 and V-22 aircraft. It would also provide substantial funding for the Army's Future Combat System (FCS) and for Navy shipbuilding.

Overall, under the new budget plan, funding for procurement in DoD's base budget (i.e., excluding GWOT-related procurement) would rise from \$99 billion in FY 2008 to \$104.2 billion in FY 2009, a slight (3 percent) increase in real terms. This would mark nearly a doubling, in real terms, of procurement funding since FY 1997, when such funding reached its post-Cold War low point. Although total procurement funding would remain below the record levels of the 1980s, on a per troop basis (i.e., adjusted for changes in the size of the military's force structure), the FY 2009 procurement budget would approximate the level reached in FY 1985, historically the peak year in DoD procurement.

Although procurement funding in DoD's FY 2009 base budget would grow under the request, the increase is about \$6.4 billion below the level projected for FY 2009 in last year's plan. Conversely, the latest request includes more funding for military personnel, operations and maintenance (O&M) activities, military construction, and research and development (R&D) programs, than projected in last year's plan. This "migration" of funds from procurement does not bode well for DoD's long-term modernization plans.

Such migration—driven in large part by higher than anticipated increases in personnel and O&M costs (especially health care)—frequently caused DoD to miss its targets for procurement funding

<sup>7</sup> At present, it is unclear how much of the \$102 billion balance for FY 2008 Congress will provide. But at some point, probably this spring, Congress will need to approve at least some additional funding. The total cost of military operations in FY 2009 will clearly exceed \$87 billion.

during the Clinton Administration. The fact that DoD had to shift funding out of procurement to cover such cost growth in FY 2009 suggests that DoD's current plan may likewise project unrealistically low future funding requirements for these other accounts. In turn, this calls into question the realism of the new plan's projection that funding for procurement will continue to grow over the long term. If these higher targets for procurement funding cannot be met, substantial cuts to some modernization programs will have to be made.

Under the FY 2009 request, research and development (R&D) funding would grow from about \$76.5 billion to \$79.6 billion, a real increase of about 2 percent. This would bring DoD's R&D budget to its highest level ever, in real terms.

### Conclusion

Under the administration's plan announced today, DoD's base budget will grow substantially in FY 2009. The new plan includes record, or near-record, amounts of funding for DoD. However, actually implementing DoD's existing force structure, readiness and modernization plans would require providing even greater increases for defense in coming years, and sustaining those higher levels of funding for decades. Given growing concerns about the federal deficit and the high costs associated with the projected retirement of the baby boomer generation, it seems doubtful that such increases will be provided. Moreover, rather than further increases, the Bush Administration's own plan projects a modest decline in DoD's base budget over the FY 2010-13 period. This suggests that within the next few years some hard choices will need to be made concerning DoD's plans and budget levels. But those choices will have to wait until the next administration enters office.

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