



Center for Strategic and Budgetary Assessments

STUDIES

Analysis of the FY 2011 Defense Budget

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Resources: Budget & Resources

The Obama Administration's FY 2011 budget request includes a total of \$712 billion for the Department of Defense (DoD). The base budget for the Department includes \$549 billion in discretionary funding and \$4 billion in mandatory funding. An additional \$159 billion is requested for the wars in Afghanistan and Iraq. The budget also requests \$19 billion for defense-related atomic energy programs, \$8 billion for defense-related activities in other agencies, and \$122 billion for veterans. Together these expenses total \$861 billion, or 22 percent of the total federal budget.

The FY 2011 budget request grows the base defense budget at 2.4 percent above the rate of inflation. This is less than the 3.4 percent real rate of growth proposed in last year's budget request and the 4.0 percent real annual rate of growth experienced over the past decade. The Future Years Defense Program (FYDP) submitted with the budget projects continued growth in the defense budget in the coming years at a real annual rate of 1.2 percent through FY 2015.

In inflation-adjusted dollars, the total national defense budget request for FY 2011 is at the highest level since World War II. Even if only the base defense budget is considered, the FY 2011 budget request exceeds the previous peak in defense spending in FY 1985 of \$538 billion (in FY 2011 dollars). However, defense spending as a percent of GDP is 4.8 percent in the FY 2011 budget request, below the post-World War II average of 6.5 percent.

One of the overall themes in this year's budget request is deficit reduction. The president's budget projects that the deficit will rise to a record level of \$1.6 trillion in FY 2010. In an attempt to address the deficit, the FY 2011 budget request proposes a freeze in non-security discretionary spending, which excludes defense, homeland security, veterans, and other security-related programs. The proposed freeze applies to less than one sixth of the total federal budget and saves \$15 billion, compared to a \$45 billion increase in security-related spending. While the defense budget avoided cuts this year, as the deficit becomes a more pressing issue, both fiscally and politically, deficit reduction measures will likely put downward pressure on everything in the budget, including defense spending.

Highlights of the Administration's Budget Proposal

- There are few surprises or significant shifts in funding contained in the FY 2011 defense budget request. Rather than making new changes, this budget continues and consolidates the reforms and rebalancing initiated in the FY 2010 budget.
- Personnel-related costs continue to grow in the FY 2011 budget request. The budget includes a 1.4 percent pay increase for military personnel, which is equal to the Employment Cost Index. The request does little to slow the rate of growth in military healthcare costs, which are up 3.4 percent in real terms for FY 2011 to a total of \$50.7 billion—nearly one tenth of the total DoD base budget. Payments for the TRICARE for Life program alone total \$10.9 billion in the FY 2011 request.
- Operation and Maintenance (O&M) funding is up 7.4 percent in real terms from FY 2010. O&M funding is at a high level by historical standards and totals \$210,000 per active-duty troop, or \$133,000 if war funding is excluded. This compares to \$64,000 in O&M funding per troop in FY 1990 and \$95,000 per troop in FY 2000 (all figures in FY 2011 dollars).
- Unlike the FY 2010 budget, the FY 2011 request proposes few new program cuts or terminations. The top two program cuts proposed, the C-17 and the Joint Strike Fighter Alternate Engine, were proposed last year and are again likely to meet stiff resistance in Congress. The budget also contains few new program starts, although it notably includes \$1.7 billion over the FYDP to begin development of Long-Range Strike capabilities (e.g. the Next-Generation Bomber) and \$0.8 billion

for Air-Launched Cruise Missile Modernization.

- For the second year in a row, the budget requests a full year of funding for the wars in Iraq and Afghanistan. The FY 2011 request for Overseas Contingency Operations (OCO) is \$159.3 billion, of which \$110.3 billion is designated for operations in Afghanistan and \$43.4 billion for Iraq.
- Classified or "black" programs total some \$57.8 billion in the FY 2011 request, a real increase of 2.8 percent from FY 2010. Classified funding accounts for 19 percent of acquisition funding and 7.3 percent of O&M funding in the FY 2011 base defense budget.
- The FY 2011 budget is the final year for implementation of the recommendations from the 2005 Base Realignment and Closure (BRAC) report. The FY 2011 request includes \$2.7 billion in BRAC funding. Spending related to the 2005 BRAC has totaled \$33 billion to date, with funding peaking in FY 2009 at \$9.2 billion (in FY 2011 dollars). The FYDP projects that residual BRAC funding will average \$175 million per year for FY 2012 to FY 2015. The total cost of the 2005 BRAC is now estimated to exceed \$36 billion, and the net present value over 20 years is a projected savings of \$12.9 billion.