



Center for Strategic and Budgetary Assessments

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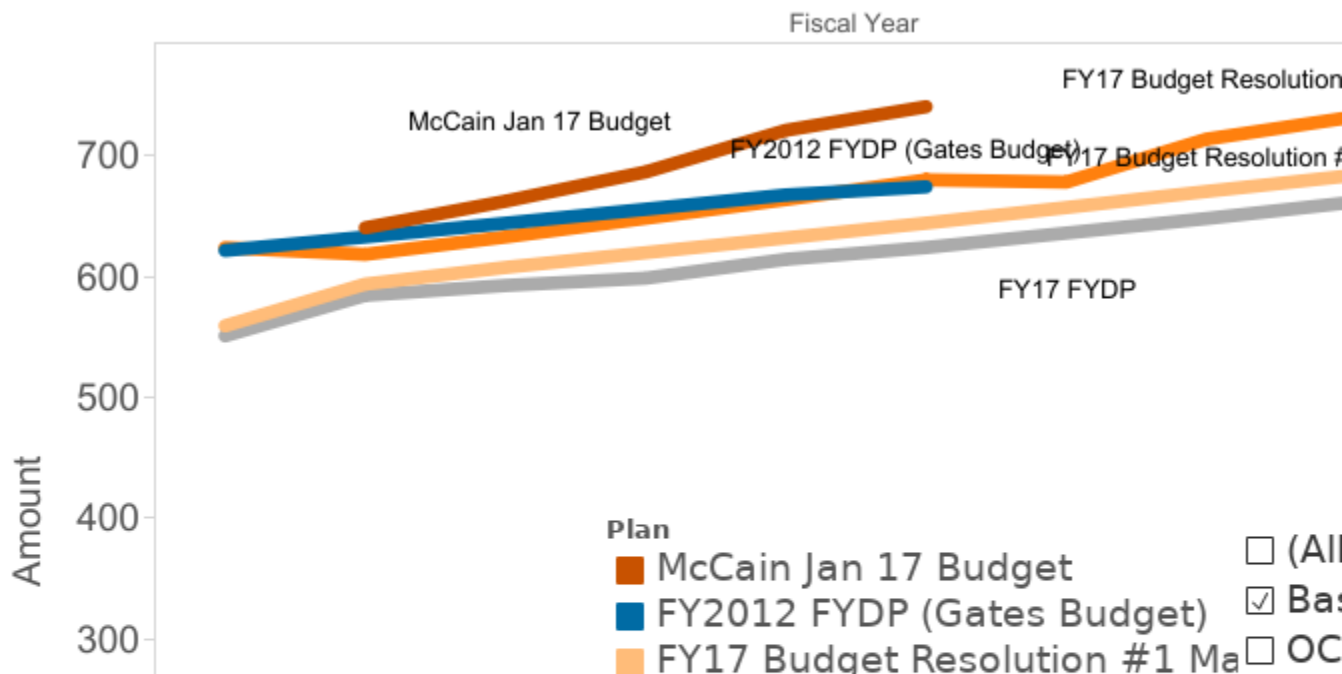
Senator McCain and Outlining the FY18 Defense Budget

January 30, 2017 | Katherine Blakeley

Resources: Budget & Resources

President Trump has promised a swift expansion in American military strength: adding 90,000 soldiers to the Army, bringing it to 540,000; building a 350-ship Navy; and adding more fighter aircraft to the Air Force. He colorfully promised to make the U.S. armed forces “so big, so powerful, so strong, that nobody—absolutely nobody—is gonna mess with us.”[1] (#_ftn1) Many in Congress have also called for substantial increases in defense spending, citing readiness gaps caused by excessive wear and tear on a too-small force and concern that under-investment in new military capabilities will leave the U.S. unprepared to confront potential technologically sophisticated adversaries. But how much defense spending would shoring up the military take, and how should it be invested?

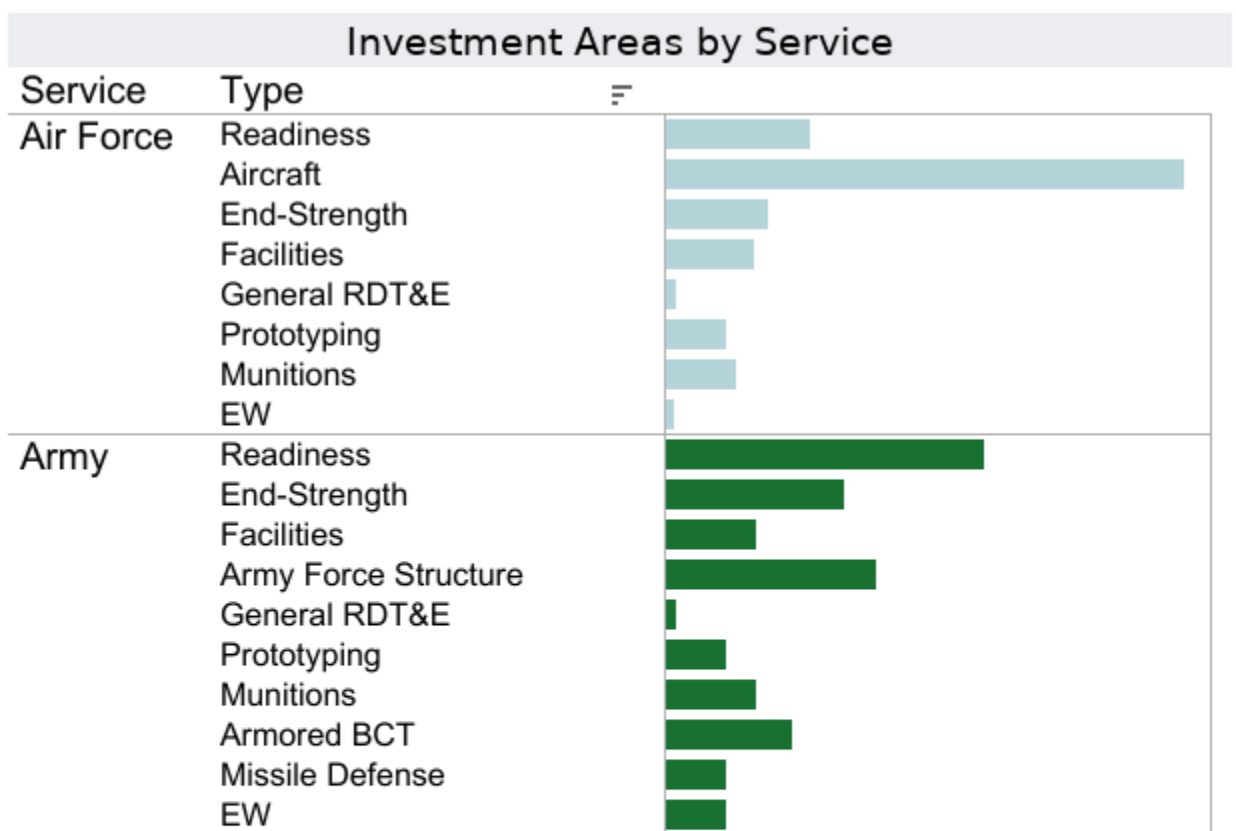
<FY18 FYDP plans>



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Senator McCain's recently released white paper, *Restoring American Power*, tries to frame the debate over the defense budget in FY 2018 and beyond.[2] (#_ftn2) It lays out a big increase in defense spending, coupled with a detailed plan for how these spending increases will result in greater military capability. At \$640 billion in base budget spending in FY 2018, growing to over \$740 billion in FY 2022, Senator McCain's defense budget would be some \$430 billion over the topline in the FY 2017 FYDP and \$176 billion over the "Gates budget" of FY 2012—the last year before the imposition of the Budget Control Act's budget caps. In addition to the \$640 billion in base budget defense spending, Senator McCain's plan also includes \$60 billion annually in OCO funding to cover ongoing contingency operation expenses and the \$41 billion of annual enduring base budget costs that are currently paid for through OCO. Acknowledging the ongoing abuse of OCO as a way around the BCA caps, Senator McCain calls for repealing the BCA caps and transitioning these enduring costs back into the base budget.

The proposed FY 2018 base defense budget of \$640 billion is a bold stake in the ground. However, at \$90 billion over the BCA cap, reaching anything near that level of spending would require broad political consensus. The recent FY 2017 budget resolution passed by the House and the Senate also calls for a major increase in defense spending, to \$618 billion for FY 2018, \$70 billion over the BCA cap of \$549 billion.[3] (#_ftn3)



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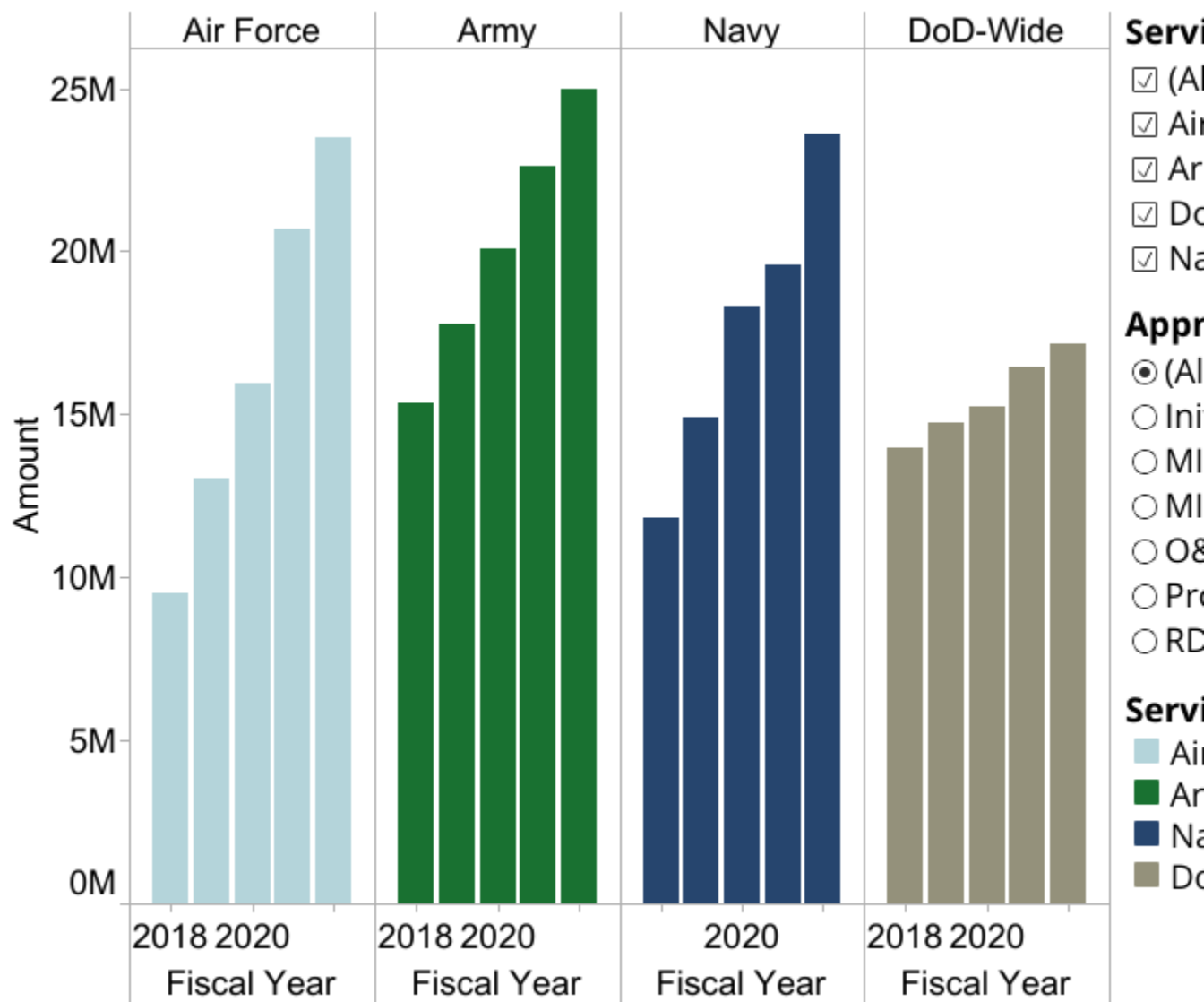
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In McCain's plan, all three Services would see an infusion of money to address readiness concerns and support a larger force—\$8.5 billion more in FY 2018 and over \$66 billion across the FYDP. Readiness is the single largest area of investment in McCain's proposed additional spending.

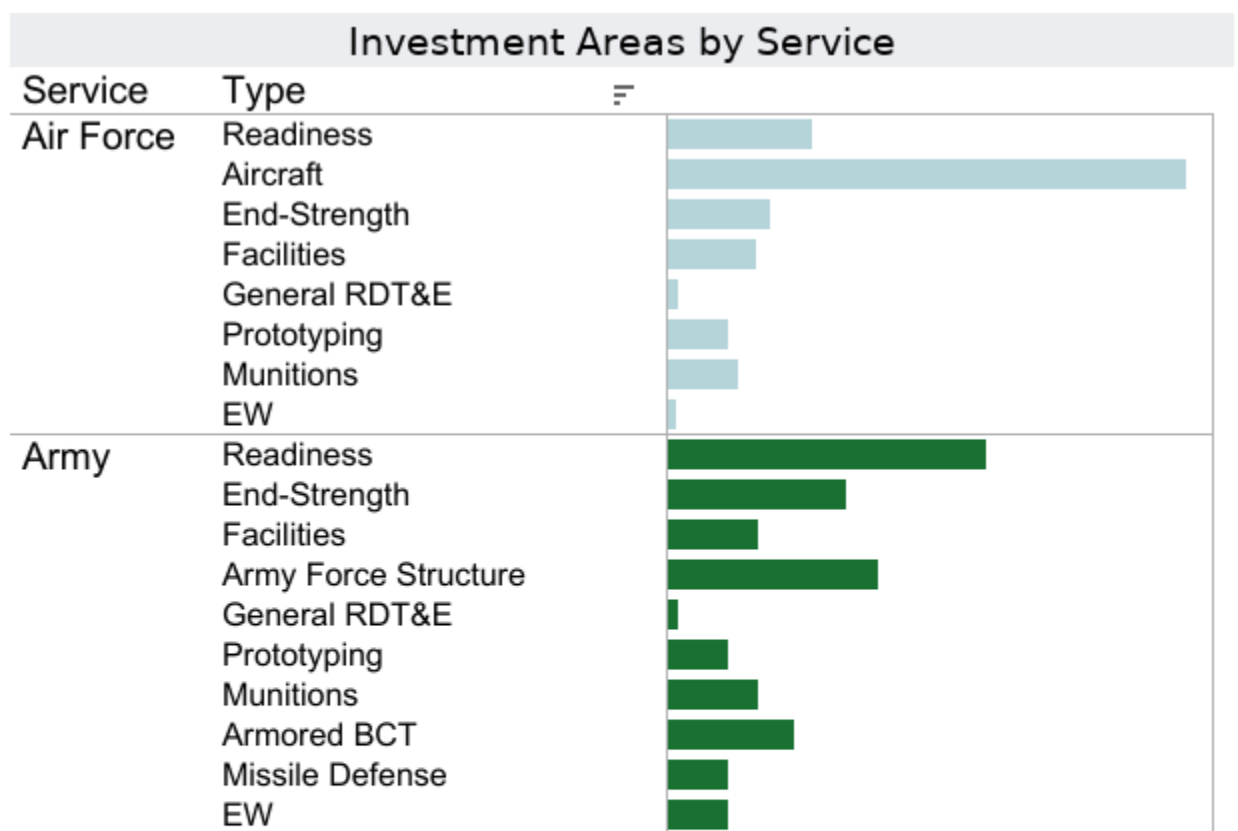
Senator McCain's plan is a blueprint of specific investments over the next five years to build the military's capability and capacity. Overall, the Army would see the greatest investment, at \$101 billion over five years, trailed by the Navy (\$88 billion) and the Air Force (\$83 billion). Modernization, that is, RDT&E and procurement funds, makes up more than half of McCain's proposed investments, at \$187 billion over the FYDP.



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Modernizing the military for “the new realities of deterring conflict and competing with great powers” is described as a core priority of this defense investment blueprint. Key capability upgrades include accelerating the procurement of the next small surface combatant; developing long-range fires for the Marines and the Army; upgrading air defense; adding active protective systems to current ground vehicles; and investing in the development of new capabilities, including autonomous and unmanned systems like the MQ-25, advanced munitions, electronic attack and countermeasures, and accelerating the development of a penetrating counter-air platform.

Senator McCain’s plan also builds capacity by increasing the size of the Army to about 510,000 soldiers, focusing on heavier force structure, like Armored Brigade Combat Teams or a 12th Combat Aviation Brigade, and increased force presence in Europe. More Marines would improve the dwell-to-deployment ratio, currently stressing the force. The Navy fleet would have additional destroyers, Virginia-class attack submarines, amphibious ships, and more F/A-18s in the near term, as well as a broader array of undersea capabilities. The Air Force would see more than \$42 billion for new aircraft, including ramping up the F-35A production line starting in FY 2019. It calls for buying low-cost fighters and keeping the F-15 and F-16 fighters current to stave off shortfalls in fighter aircraft numbers. Buys of enablers like tankers, cargo planes, and ISR assets are also boosted to meet the needs of a bigger force.



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Although the incoming administration's defense budget topline for FY 2018–FY 2022 remains unknown, Senator McCain's plan lays out a smart set of investments to increase both the capacity and capability of our military. It reshapes the force to meet the threats of today and tomorrow. This plan also reflects many of Senator McCain's long-standing positions on defense: curtailing the Littoral Combat Ship in favor of the construction of a future frigate, foregoing investment in additional F-35Cs in favor of additional F/A-18s for the Navy, pursuing a high/low strategy of additional F-35As paired with low-cost fighters for the Air Force, and a Navy battlefleet that mixes traditional carriers and new, smaller, lower-cost carriers in lieu of big-deck amphibies. Nor does it neglect the future, with substantial increases to R&D and prototyping funds. Echoing the themes of the third offset strategy, unmanned and autonomous systems, artificial intelligence, robotics, cyber, space, hypersonic munitions, directed energy, electronic warfare, and advanced materials are identified as priority areas. Senator McCain's plan also includes considerable funds for regional stability initiatives; in addition to increasing funding for the European Reassurance Initiative and supporting the Afghan government, it includes \$1.5 billion annually for a new Asia-Pacific Stability Initiative.

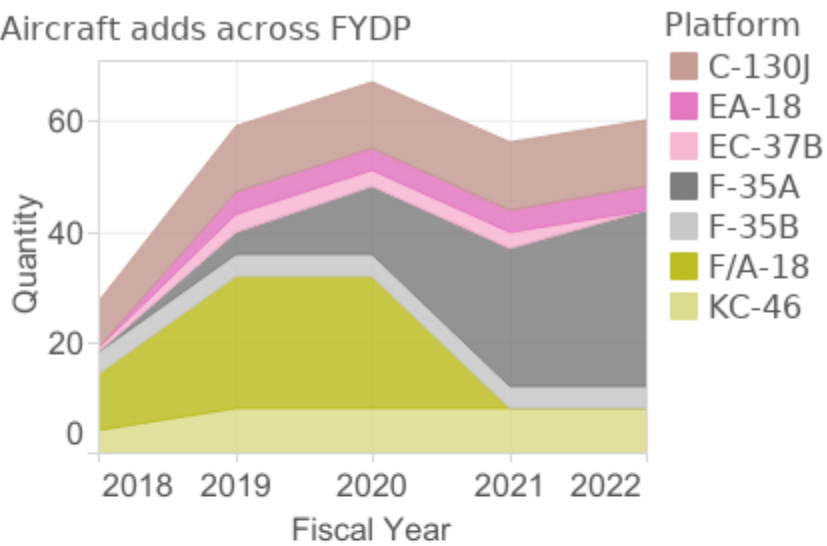
The big question is how much traction this plan will get. By staking out a specific blueprint, Senator McCain has the potential to drive the defense investment conversation. However, how McCain's vision for the military aligns with that of President Trump, who has emphasized a bigger military, rather than any specific defense investment strategy, remains to be seen. This scale of defense investment will also require lifting or raising the BCA caps by about \$90 billion for FY 2018, well above the average sequester relief of about \$18 billion. With major debates about domestic programs, entitlements, infrastructure, trade, taxes, deficits, and more on deck for this spring and summer, a straightforward bipartisan agreement to lift the BCA caps is unlikely.

The included series of interactive charts lays out the investments in readiness, capability, and capacity proposed by Senator McCain.

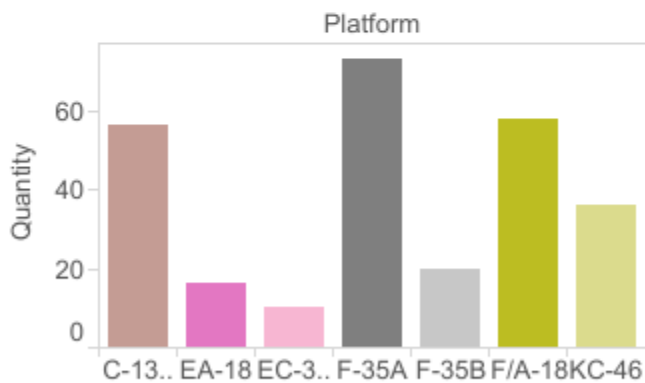


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Aircraft adds across FYDP



Aircraft quantity changes



View on Tableau Public



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Ship quantity changes



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[1] (#_ftnref_1) Josh Eidelson and Dimitra Kessenides, "The Promises of President-Elect Donald Trump, in His Own Words," *Bloomberg Businessweek*, November 10, 2016.

[2] (#_ftnref_2) John McCain, *Restoring American Power*, defense white paper (Washington, DC: U.S. Senate, Senate Armed Services Committee, January 16, 2017).

[3] (#_ftnref_3) A Concurrent Resolution Setting Forth the Congressional Budget for the United States Government for Fiscal Year 2017 and Setting Forth the Appropriate Budgetary Levels for Fiscal Years 2018 through 2026, S.Con.Res.3, 115th Cong., 2017.