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THE FISCAL YEAR 2013 DEFENSE BUDGET: CONTINUITY OR CHANGE?

By Todd Harrison

The Department of Defense (DoD) budget request released today includes \$525.4 billion in base discretionary funding, \$6.3 billion in mandatory funding, and \$88.5 billion in Overseas Contingency Operations funding for the wars in Iraq and Afghanistan. This is the first budget request to follow the Budget Control Act of 2011 (BCA), which capped the level of defense spending each year through fiscal year (FY) 2021.

The Department's preview of the budget on January 26 left few surprises for the actual budget release. What is more interesting in this budget request are the major changes that were not made—the dogs that didn't bark—and the open questions that remain for many of the proposals it includes.

The Dogs That Didn't Bark

- **Aircraft Carriers:** While the overall number of ships in the inventory declines, the budget request maintains 11 carriers in the fleet. The Navy could have canceled the next Ford-class replacement carrier but instead decided to delay a number of other shipbuilding programs over the future years defense program (FYDP), including one Virginia-class SSN submarine and early work on the Ohio-class fleet ballistic missile replacement submarine (SSBN). If further cuts in the overall defense budget are required, will a carrier be the next thing to go?
- **Nuclear Triad:** The request maintains all three legs of the nuclear triad. It continues early development of the next generation bomber and preserves all B-52 squadrons. While the budget reaffirms the nuclear triad for now, maintaining current capabilities in each leg of the triad will require substantial investments beyond the five-year period covered by this budget. Will sufficient funding be available to recapitalize each leg of the nuclear triad beyond the FYDP?
- **Services' Share of the Budget:** The budget request proposes a nominal increase in funding for the Army and decreases for the Navy and Air Force relative to current levels of funding in the base budget. This seems at

odds with the new strategic guidance, which calls for an increased reliance on air and sea forces as part of the pivot to the Asia-Pacific region. But when compared to last year's projected levels of funding for FY 2013, the Army is cut more deeply than the Air Force or Navy. The Army's base budget decreases by 8.5 percent relative to what it had been planning for FY 2013, while the Air Force and Navy decline by 5.4 percent and 3.8 percent, respectively. Will future years include a more significant shift in budget share from the Army to the Air Force and Navy?

Open Questions

The budget addresses a number of other issues, but questions remain about the details behind some of these decisions.

- **Personnel Costs:** The request attempts to slow the growth in military personnel costs by cutting end strength, reducing pay raises, raising TRICARE fees, and creating an independent commission to study the military retirement system. Efforts to reform the military compensation system are critically important because a key component of the new strategic guidance is retaining critical mid-level personnel for building partnership capacity and allowing for “reversibility” in end strength reductions.¹ What analysis has the Department conducted to ensure the proposed reductions in compensation are optimized to minimize adverse effects for key personnel?

CSBA is conducting a study, in partnership with TrueChoice Solutions, to help answer this question by measuring how Service members value changes to different types of compensation. The survey can be found at www.csbamilsurvey.org, and the results will be published this spring.

- **Base Closures:** The budget proposes another round of base closures. Currently DoD maintains approximately 990 square feet of facilities per active duty and DoD civilian personnel.² With the proposed reduction of 103,000 active duty personnel, the Department will need to close some 102 million square feet of facilities—roughly three times the size of Fort Hood, Texas—just to maintain the current ratio of facilities to personnel. But closing facilities costs money up front, and the budget does not include funding for such activities. How much will the proposed base closures cost over the FYDP and what else will have to be cut to pay for them?

¹ Mid-level officers and enlisted personnel are essential for providing quality training and leadership for new recruits. Without a sufficient cadre of mid-level personnel, the military may not have the capacity to grow quickly if called upon in the future.

² Department of Defense, *Base Structure Report Fiscal Year 2011 Baseline: A Summary of DoD's Real Property Inventory* (Washington DC: Department of Defense, 2011) p. 11.

- Defense Industrial Base: The new strategic guidance calls for sustaining “key skills in the design and manufacture of military systems.”³ What are the key sectors of the industrial base the Department intends to sustain, and what specific steps is it taking in the FY 2013 budget to accomplish this objective?
- Early Retirement of Aircraft: The Air Force plans to retire 38 recently procured C-27Js and 18 new Global Hawk Block 30 aircraft, despite the fact that Air Force leaders have repeatedly lamented that the Service now has the oldest inventory of aircraft in its history. What factors led the Air Force to propose retiring some of the newest aircraft in its inventory?

Overall, the budget request offers more continuity than change. Each of the Services incurs significant cuts to its acquisition programs, end strength, and force structure. While several key decisions in the budget are consistent with the pivot to Asia, such as the reduction in Army force structure and increased funding for the next-generation bomber, others decisions seem to indicate a degree of institutional inertia. The Navy is clinging to 11 carriers at the expense of its submarine forces and the Air Force is retiring brand new aircraft in favor of maintaining older platforms.

While the budget request conforms to the initial budget caps established by the BCA, it does not take into account the reduced budget caps in effect following the failure last November of the Super Committee efforts to identify an additional \$1.2 trillion in budget cuts over the next decade. Secretary Panetta has stated that the new strategic guidance would have to be thrown “out the window” if further cuts to defense should materialize.⁴ Perhaps the most important open question in this budget is what will happen if sequestration cannot be avoided? The budget request and new strategic guidance are of little consequence until this uncertainty is resolved.

About the Center for Strategic and Budgetary Assessments

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³ Department of Defense, *Defense Budget Priorities and Choices* (Washington DC: Department of Defense, January 2012) p. 13.

⁴ Transcript of interview, “Panetta: ‘Human Side’ Makes Pentagon Cuts Tough” *NPR Weekend Edition Sunday*, January 8, 2012.