

**PAYING FOR THE WAR ON
TERROR: PROCESS AND
BUDGET IMPACTS**

BY

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USAWC STRATEGY RESEARCH PROJECT

PAYING FOR THE WAR ON TERROR: PROCESS AND BUDGET IMPACTS

by

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ABSTRACT

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The United States is engaged in a long war against terror as a top national security priority. While initial response to the unexpected 11 September 2001, (9/11), terror attacks was clearly unfunded, the U.S. is still using “emergency” appropriations to fund ongoing operations as well as other non-emergency defense requirements. Since 2001, over \$500B has been infused into defense programs and operations through supplemental appropriations, separate from funds provided through DOD’s comprehensive strategic planning and resource allocation process: Planning, Programming, Budgeting, and Execution (PPBE) Process. Is a PPBE process that funds peacetime requirements still relevant after six years of war and current projections of long-term operational commitments? After years of steadily increasing base budgets, should DOD seek additional base budget growth by requesting some portion of enduring war requirements transferred from supplementals into the PPBE process or should the nation expect a “peace-dividend” as happened after the Korean and Vietnam Wars? Can the federal budget withstand ongoing unbudgeted defense spending at the expense of domestic programs and in the face of looming fiscal challenges?

PAYING FOR THE WAR ON TERROR: PROCESS AND BUDGET IMPACTS

The national security environment has changed dramatically since the end of the Cold War. The defense build up that occurred during the Korean War and continued through most of the Cold War was followed by defense downsizing and spending reductions, also known as a peace dividend. At the onset of the Korean war, spending increases supported operations and a military build up. Once major spending for Vietnam began in the 1960s, the primary focus was on operations and benefits to sustain the all-volunteer force.

After the United States suffered from terrorist attacks on September 11th, 2001 (9/11), national security strategic priorities changed to fighting a long war against terror as a top priority. Since that time the United States has been engaged in three simultaneous operations to meet the demands of the new security environment and the Department of Defense (DOD) has received over \$500B in emergency war funding above its baseline budgeted dollars to support operations, sustain and grow the force, and transform to meet future security challenges.

The requirement for this infusion of non-budgeted dollars has been generated through an off-line estimating methodology and then provided by a mechanism called “emergency supplemental appropriations.” Because the initial response to the unexpected 9/11 terror attacks was clearly unfunded, the use of an emergency funding mechanism appeared to be a reasonable immediate response with historical precedents. However, after more than six years, “emergency” appropriations are still being used to fund ongoing operations. An unintended consequence of this long-term reliance on emergency supplemental appropriations has been the inclusion of war

related spending in the base budget and items not directly related to the war being funded through the emergency supplemental.

This causes concern that the PPBE process is not relevant to the current strategic environment of ongoing war operations since it is not being used to develop the costs of war simultaneously with the base operations of DOD. This creates a situation where trade-offs between current operations and the future readiness and composition of the force are not considered. Now the DOD's planning and resource allocation system; Planning, Programming, Budget, Execution System (PPBE), appears to be strategically outdated simply because it does not include the costs of current operations and does not anticipate inevitable transfers of budgeted allocations to fund these current operations.

This paper will describe PPBE as a long-range comprehensive process that links strategy and missions to resources. It will then present the historic experience and current status of supplemental appropriations used to pay for unexpected national security operations. It will conclude with observations about the relevancy of a peacetime planning and resource allocation process that has been circumvented by reliance on annual emergency supplemental appropriations over the last six years.

Background

PPBE

The Planning, Programming, Budgeting and Execution (PPBE) produces a plan, a program, and finally, a budget for the DOD. PPBE was designed to provide a deliberate and structured decision-making process for appropriate allocations of resources and the right mix of forces and equipment to Combatant Commanders. An

assessment of the current environment (threat, political, economic, technological, and resources) is the starting point for developing strategy, identifying required capabilities, making new trade-off decisions and reexamining prior ones as necessary.

The PPBE process has four distinct phases beginning with planning, which is guided by the President's National Security Strategy (NSS) and the Secretary of Defense's (SECDEF) Quadrennial Defense Review (QDR). The NSS is required to be updated annually (in practice it is updated as required) and assesses threats to U.S. interests, outlines a national strategic plan to counter those threats, and thus forms the basis for the QDR and National Defense Strategy (NDS). Each administration submits a comprehensive defense planning report, QDR, to Congress every four years and it represents a strategy and required capabilities for defense of the nation. The QDR attempts to align military strategy with appropriate resources while balancing risk within the context of an uncertain security environment.

The Joint Chiefs of Staff (JCS) use the QDR and NDS to produce a resource-unconstrained document every two years called the National Military Strategy (NMS) and provides recommendations to the SECDEF in an annual Chairman's Program Recommendation (CPR). The CPR identifies joint programs the Chairman deems critical for the execution of NMS. The SECDEF considers this input as he develops and promulgates DOD priorities and performance goals in the Strategic Planning Guidance (SPG). The SPG serves as official guidance to the military services regarding force structure and fiscal constraints for development of their six-year Program Objective Memoranda (POMs).

In the programming phase of PPBE, DOD components develop programs consistent with the SPG, outlining a plan for allocating resources over a six-year period. “These programs reflect systematic analysis of missions and objectives to be achieved, alternative methods of accomplishing them, and the effective allocation of the resources.”¹ The programming phase produces a Future Year Defense Program (FYDP) that officially summarizes SECDEF-approved programs developed within PPBE.

Approved programs are then translated into budgets and related justification material in the budgeting phase. A detailed budget review occurs during every even year (on-year), focusing on the first two years of the POM, to ensure compliance with SECDEF program review decisions and the President’s NSS. After budget decisions for the applicable years are resolved, DOD’s budget becomes part of the President’s annual budget submission each February. In an even year as mentioned above, the President’s budget (PB) covers estimates for the budget year and the budget year plus one. During the odd years (off-years) unless there are significant changes to policy, strategy, or fiscal guidance, only Program Change Proposals (PCPs) and/or Budget Change Proposals (BCPs) and fact-of-life changes (e.g., cost increases) are permitted and the PB submission presents a revised second year budget.

Execution in this context means spending resources so approved programs are resourced during the execution phase and evaluated for results – an assessment of what funding bought compared to expected outcomes. The results of execution reviews may inform the planning and programming phases to adjust policy and program decisions.

Overall, PPBE assesses threats and commitments, then estimates resources needed to meet commitments at “acceptable” levels of risk.² Policy and programmatic planning within PPBE provides a long-range perspective of 10 to 20 years and beyond, programming tends to focus on a 6-year period, while the budget is decided annually.³ The PPBE process is designed to systematically determine the resources necessary to support the NSS; it provides an assessment of the total DOD effort and produces an annual budget designed to implement strategy through execution of approved programs.

The PPBE is theoretically comprehensive and deliberate. It was designed to produce a long-range program for peacetime military operations, but it does not reflect the true cost of sustaining continuous operations and therefore does not reconcile strategic capabilities, and the cost of ongoing operations, with available resources. Emergency supplementals, in response to emerging requests, have circumvented this deliberate process by infusing billions of dollars for unplanned war expenditures into the execution phase of the process without a clear mechanism for reassessing and reconciling the PPBE baseline.

Historical Uses of Supplemental Appropriations

After regular appropriations have been enacted into law for the current fiscal year, natural disasters and other emergencies may cause a disruptive drain on funding. In extreme cases, the government may have to provide immediate additional federal spending to respond to these situations. “A ‘supplemental’ appropriation is spending legislation, generally but not exclusively requested by the president, intended to address

a need not known or foreseen when the annual budget for the given fiscal year was drawn up.”⁴

Supplemental appropriations are supposed to be a last resort when the requirement is of such magnitude that only an additional appropriation will suffice. According to OMB Circular A-11, OMB will only consider requests for supplementals and amendments when:

- Existing law requires payments within the fiscal year (e.g., pensions and entitlements);
- An unforeseen emergency situation occurs (e.g., natural disaster requiring expenditures for the preservation of life or property);
- New legislation enacted after the submission of the annual budget requires additional funds within the fiscal year;
- Increased workload is uncontrollable except by statutory change; or
- Liability accrues under the law and it is in the Government’s interest to liquidate the liability as soon as possible (e.g., claims on which interest is payable).⁵

Supplemental appropriations have been used to finance unanticipated spending since the second session of the first Congress in 1790. During the 1970s, supplemental appropriations were used to fund wide range of activities including pay raises for federal employees, natural disaster relief, changes in entitlement programs caused by unexpected economic conditions, economic stimulus programs, and ongoing federal programs whose appropriations were delayed by late legislation.⁶

The major purposes of supplemental appropriations have changed over the past 25 years and by the 1980s, changes to the budget process required offsets for supplemental appropriations in order to control deficit spending.⁷ The 1990 Budget Enforcement Act (BEA) imposed spending caps on federal spending which meant that a

non-emergency supplemental that exceeded the cap could only be passed if it could be matched with an offsetting spending reduction or revenue increase.⁸ On the other hand, an emergency designation for a supplemental appropriation exempted the spending from discretionary spending caps.

Supplementals have been used throughout history to fulfill immediate war requirements, but no previous use compares the magnitude and almost total reliance on the current “emergency” funding of military operations. A brief review of the Korean and Vietnam wars provide good examples for comparison with the U.S. response to operations in Afghanistan, Iraq, and the Global War on Terror (GWOT).

Korean War

The North Korean invasion into South Korea occurred five days before the end of FY50, and the FY51 budget process was already nearing an end. Congress began immediately to develop the supplemental appropriation request that was enacted into law on 27 September 1950 (FY51).⁹ The supplemental provided DOD with over \$11B for Korean operations along with the beginning of a military build-up initiated to offset downsizing after World War II.¹⁰ The remaining FY51 supplemental requests were built without constraints and viewed as a first step in a planned four-year effort to restore U.S. military posture.

Incremental war costs were not included in DOD’s appropriated baseline budget in FY52 but the budget funded operations until a supplemental was used to fund resulting shortfalls. By FY53 Congress had some reservations and included incremental war costs in the baseline budget. The FY54 budget did include some incremental costs but a negotiated ceasefire agreement stopped the fighting in the first few days of the

fiscal year. Although the end of hostilities negated the need for additional supplementals in less than three years, Korea was similar to today's environment because supplementals facilitated a defense restructure in addition to supporting military operations. Table 1 summarizes DOD supplemental appropriations during the Korean conflict.

Regular and Supplemental DOD Appropriations During the Korean Conflict, FY51-53 (billions of then-year dollars)			
Fiscal Year	Regular Appropriations	Supplemental Appropriations	Total Appropriations
1951	\$13.0	\$32.8	\$45.8
1952	\$55.2	\$1.4	\$56.6
1953	\$44.3	\$0.0	\$43.3

Table 1¹¹

Vietnam

Peak U.S. military efforts in Vietnam occurred between 1965 and 1973. President Johnson requested the first defense-specific Vietnam supplemental appropriation with a \$700M request in FY65. "Secretary of Defense, Robert McNamara, appeared before Congress later that year requesting \$1.7 billion in a separate account, 'Emergency Fund, Southeast Asia'."¹² There was no major opposition to the supplemental at this time because Congress considered Vietnam as vital to U.S. national defense. The first FY66 supplemental was \$12.3B and increased overall defense spending by 30%.

By FY67, the Johnson administration attempted to forecast Vietnam war requirements and have them appropriated in DOD's baseline budget. Although \$10.3B was requested and approved in the baseline budget, the administration had to request an additional \$12.2B in supplementals that same year. In FY68 \$20B was added to

DOD's baseline budget to fund war requirements and the supplemental for that year totaled \$3.8B.¹³

Even though a \$1.3B supplemental was eventually required in FY69 for pay and benefit increases, it was the first year that DOD's baseline budget absorbed the majority of costs in Vietnam. Supplementals continued to absorb the cost-of-living increases in FY71 but it was also the beginning of the drawdown of U.S. forces in Vietnam. Politicians also began discussing a "peace dividend", or reduction in DOD's baseline budget. Table 2 summarizes the use of supplemental appropriations for the Vietnam conflict. Although a portion of war costs were financed with supplemental appropriations for five years, the majority of requirements were funded with base budget dollars by the second full year of major operations.

Methods of Funding the Vietnam Conflict (billions of then-year dollars)			
Fiscal Year	Regular Appropriations	Supplemental Appropriations	Total Appropriations
1965	\$0.0	\$0.7	\$0.7
1966	\$1.7	\$12.3	\$14.0
1967	\$10.3	\$12.2	\$22.5
1968	\$20.0	\$3.8	\$23.8
1969	\$25.5	\$1.3	\$26.8
1970	\$23.2	\$0.0	\$23.2

Table 2¹⁴

Afghanistan, Iraq, and the Global War on Terror (GWOT)

President Bush uttered the following words on October 11, 2001 that gave birth to a U.S. NSS for the Global War on Terror (GWOT):

"The attack took place on American soil, but it was an attack on the heart and soul of the civilized world. And the world has come together to fight a new and different war, the first, and we hope the only one, of the 21st

century. A war against all those who seek to export terror, and a war against those governments that support or shelter them.”

Since the terrorist attacks of 9/11, the United States has initiated three major military operations:

- Operation Enduring Freedom (OEF) covering operations in Afghanistan and other Global War on Terror (GWOT) operations ranging from the Philippines to Djibouti that began immediately after the 9/11 attacks and continues;
- Operation Noble Eagle (ONE) providing enhanced security for U.S. military bases and other homeland security that was launched in response to the attacks and continues at a modest level; and
- Operation Iraqi Freedom (OIF) that began in the fall of 2002 with the buildup of troops for the March 2003 invasion of Iraq and continues with counter-insurgency and stability operations.¹⁵

The initial 9/11 response was funded in FY02 when Congress appropriated \$40 billion (\$17.3B for DOD) to a transfer account in Public Law 107-38, *Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States*.¹⁶ The entire sum was placed in an emergency response fund under direct control of the President. When funds were transferred to DOD, they became Defense Emergency Response Funds (DERF); these funds gave DOD greater flexibility on when, where, and how to apply resources without having to return to Congress for reprogramming authority.¹⁷ Public Law 107-117 was enacted in early January 2002 and appropriated an additional \$3.4B into DERF.

Since FY03, Congress has funded war costs in two bills, typically a bridge fund included in the regular DOD Appropriations Act to cover the first part of the upcoming fiscal year, and an emergency supplemental enacted after the fiscal year has begun. The bridge funding supports on-going operations into the next fiscal year without

interruption, and it provides DOD with time to finalize a detailed war request. Bridge-fund dollars are no longer available after the supplemental is appropriated in the following year.

By 2004, Congress began expressing concerns about requests for supplementals because they bypassed the formal budget review process. By FY2007 Congress began exerting some control through traditional legislative tools: hearings and testimony, reporting requirements, reprogramming and transfer restrictions, reviews and investigations, and fencing funds pending compliance with provisions.¹⁸

For the first time since the 9/11 attacks, the Bush Administration submitted, with the President's 2008 budget, a request for war funding for the full year to meet a requirement levied in the FY2007 John Warner National Defense Authorization Act (P.L.109-364). That submission entailed more review than had ever been accomplished since 2001, raising many questions about precisely which requirements should be included in base budgets, rather than supplemental requests.

Blurring Lines Between Supplemental and Baseline

For the past ten years, DOD financial regulations have specified that the costs of contingencies should include only incremental costs directly related to operations. Until October 2006, the services complied with this guidance as they prepared estimates for operations related to the GWOT. The guidance required that services specify assumptions about troop levels, operational tempo, and reconstitution. Service Chiefs were directed to limit requests to incremental costs "that would not have been incurred had the contingency operation not been supported."¹⁹ Investment requests were also

to be incremental and made “only if the expenditures were necessary to support a contingency operation.”²⁰

After nearly six years in a wartime operational tempo (OPTEMPO) and emergency supplemental resourcing environment, there is no longer a clear line between baseline and war-related military requirements and mixed messages at all levels of government regarding definitions make the baseline versus supplemental question more perplexing. One of the dilemmas in war funding over the last several years is how to distinguish between programs that are necessary because of war requirements and those that are dedicated to enhancing DOD capabilities necessary to meet longer-term requirements.

Within DOD, the distinction between war-related and regular funding has been blurred by senior leader guidance and overlapping requests. “On October 25, 2006, Deputy Secretary of Defense Gordon England issued new guidance to the services for requesting war funds, requiring them to submit new requests that reflect the ‘longer war on terror’ rather than limiting requirements specifically for war operations in Iraq, Afghanistan and other counter-terror operations.”²¹ This new guidance appeared to open the way for including a far broader range of requirements particularly since the needs of the “longer war” are relatively undefined.

In September 2007, DOD revised financial management regulations for contingency operations to institutionalize the guidance in Secretary England’s October 2006 memo. The new guidance includes a section on budgeting for “large-scale contingencies” that expands the range of expenses that “relate directly to operations”; it adds those that are “a result or consequence of the operations such as reconstitution

activities (to replenish stocks, replace battle losses, or worn equipment or systems), depot maintenance and other supporting actions.”²²

The new guidance enables the services to restore or buy new equipment that meets a higher standard to execute its future missions by enhancing capability or adding new technology as well as rebuilding equipment to its original condition.²³ This guidance appears to have influenced, at least to some degree, DOD’s FY2007 and 2008 war supplemental requests based on increases over the 2006 supplemental of 40% and 61% respectively. Figure 1 summarizes DOD’s base budget and supplemental funding since 2001.

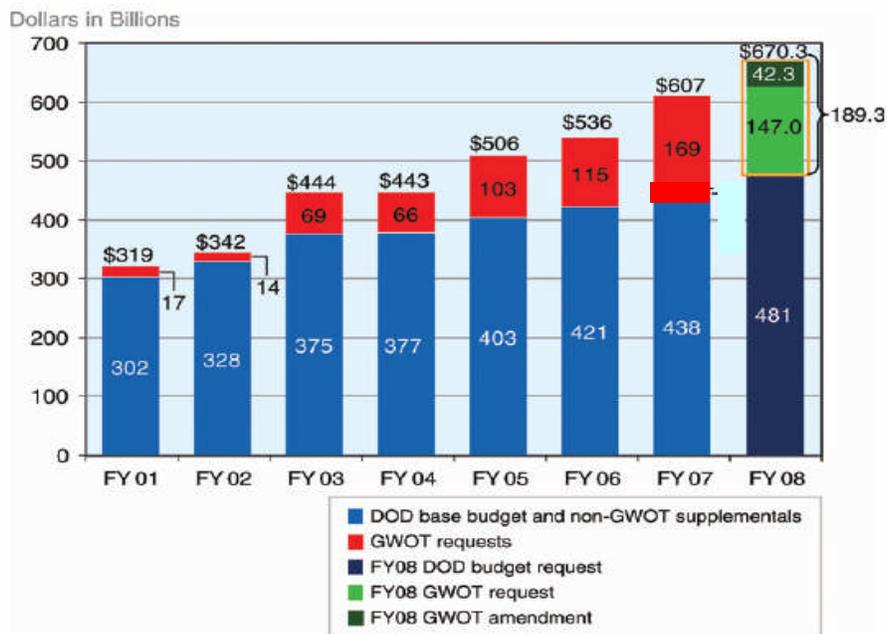


Figure 1: DOD Base Budget and GWOT Appropriations and Requests²⁴

In many other examples, it appears that war-related requirements for recapitalization, modularity, force protection, and upgrades overlap each other in baseline budgets and war requests. The results or consequence of operations has been

interpreted to include DOD's efforts to transform Army and Marine Corps units to new standard configurations, known as modularity and restructuring. Although restructure is designed to meet the terrorist threat overall, requests to fund conversion have been submitted as war requirements.

For example, at DOD's request, Congress agreed to provide \$5 billion in the FY05 and FY06 supplementals for converting units with the understanding that DOD would subsequent conversion funds back to its regular budget in later years. The FY07 and FY08 supplementals included funding to convert two Army brigade teams and create an additional Marine Corps regimental combat team.²⁵ But these same requirements will be funded from DOD's baseline program beginning in FY2009.

Recent House and Senate debates over the FY2008 defense authorization bill reveal more inconsistencies in specifications of baseline and supplemental requirements. The House approved DOD's requests for funding the GWOT and recommended the full initial FY2008 request. However, the House Appropriations Committee (HAC) cut funding from DOD's baseline request, arguing these items should be considered war-related. The items included:

- Special pay for language skills and hardship duty;
- Procurement of heavy Army trucks and night vision devices, Marine Corps Unmanned Aerial Vehicles (UAV), upgrades to C-130 aircraft and war consumable, Hellfire missiles for Predator (armed) UAVs, Air Force ammunition and trucks;
- Global Train and Equip program to equip and train foreign security forces other than Iraq or Afghanistan who face counter-insurgency threats; and

- A “Rapid Acquisition Fund,” intended to make it easier for DOD to procure urgently needed items.²⁶

The Senate bill, on the other hand, approved the full initial GWOT request but transferred GWOT-requested funds to DOD’s baseline program. “The Senate Armed Services Committee (SASC) report recommended the transfer from GWOT to the baseline program on the grounds that funds provided for military personnel, procurement, and military construction that are dedicated to ‘growing the force,’ as well as funds for weapon system upgrades that pre-date the Afghan and Iraq conflicts should both be considered part of DOD’s baseline rather than war-related requirements.”²⁷ Also, according to the SASC, GWOT requests for higher Army and Marine Corps force levels adopted originally to meet OIF/OEF are no longer appropriately considered temporary emergency expenses.

Blurring lines between base budgets and war requirements combined with growth and transformation initiatives will cause difficulties for the Marines and the Army due to the level of their engagement over the last several years. At a time when DOD is challenged to maintain a high level of military operations while competing for resources in a fiscally constrained environment, another question looms: If major troop withdrawals occur within the next couple of years, should the nation expect a ‘peace dividend’, or reduction in base budgets, or should part of supplemental funding transfer to base budgets and increase defense total obligation authority (TOA)? This SRP summarizes some of the work the Army has done to address this question, then it considers the implications from the perspective of the federal budget.

Army's Position

The U.S. Army has assumed the largest burden for military operations in supporting GWOT. In addition to maintaining troop levels and fighting the ground wars, the Army has several ongoing strategic initiatives: growing the force, building an operational reserve, transformation, and global positioning. The Army has recently determined that their 2009 base budget and beyond falls approximately \$28B short annually, jeopardizing the Army's ability to execute strategic initiatives while conducting direct operations overseas.²⁸

Approximately \$18B of the anticipated baseline shortfall includes requirements currently funded in the supplemental for programs that should continue despite significant troop withdrawals, such as reinstating "peacetime offsets", sustaining GWOT-initiated missions, maintaining long-term equipment, and improving force readiness.²⁹ The Army has certainly experienced the impacts of the previously described blurred lines between base and supplemental funding. For an obvious example, consider that peacetime programs, such as the Army's flying hour program, were being reduced in the base budget several years ago to offset requests for supplemental appropriations to execute war operations. A reduced baseline requirement offsets an increase to Army's wartime funding request.

Although everyone expects supplemental funding to dry up and disappear eventually, the Army expects reasonable consideration for realigning funding from supplementals back to base budgets. In FY2008, the Army's supplemental funding request grows to 91% of its base and nearly 50% of total Army spending (see Figure 2). Consider the effects of changing definitions of war cost criteria, significant growth in supplemental funding, and execution of base program funding to support a high

OPTEMPO. It becomes clear just how difficult it is to make a distinction between executing decisions derived from a structured out-year PPBE process and an integrating year of execution decisions, along with funding received from an expedient emergency supplemental mechanism.

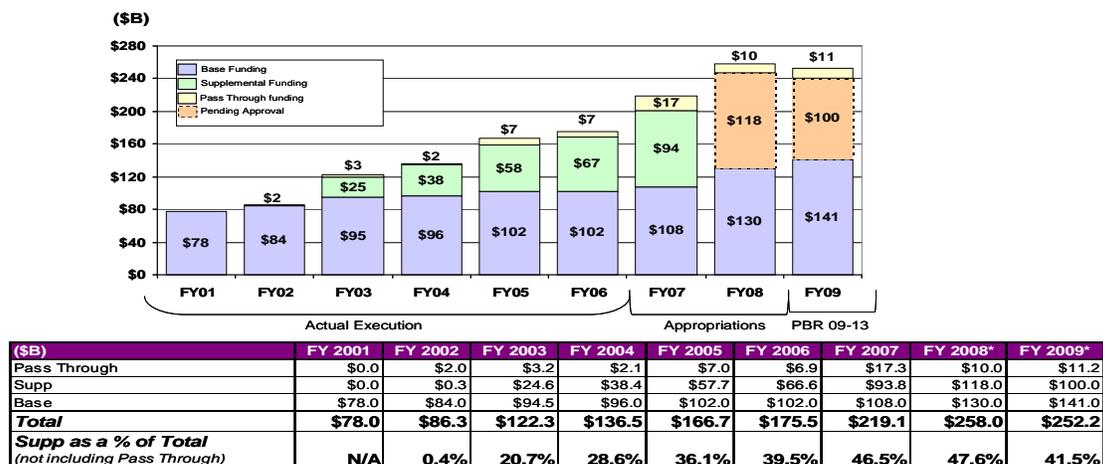


Figure 2. Army Base and Supplemental Funding: FY 2001-2009³⁰

Any discussion of realigning funding from supplemental to DOD base budgets should include a review of the federal budget because in the final fiscal analysis, DOD funding is only one piece of the federal budget pie.

Federal Budget Perspective

In addition to external security threats, our nation faces serious internal challenges due to growing fiscal imbalances. The combination of lost revenue from tax cuts, additional demands for national and homeland security resources, the long-term rate of growth of entitlement programs, and rising health care costs require our leaders to make difficult choices about the affordability and sustainability of additional growth in defense spending. The overall composition of federal spending has changed

dramatically over the last 40 years. As depicted in Figure 3, mandatory spending (including interest) has grown from 33% of spending in 1966 to 62% in 2006.

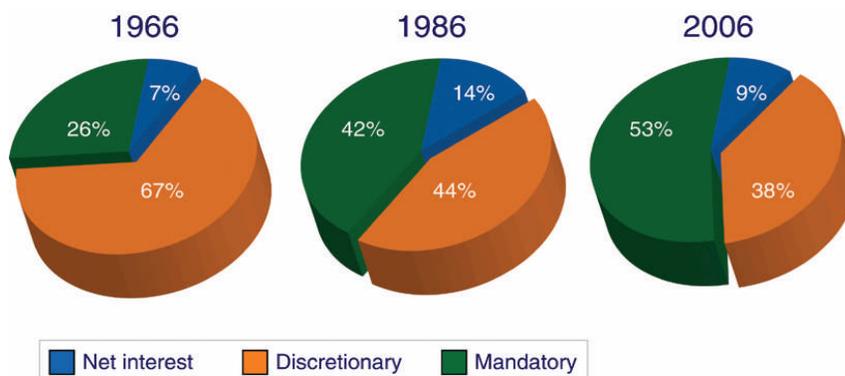


Figure 3. Categories of Federal Spending³¹

In 2001, the federal budget ran a surplus equal to 1.3% of gross domestic product (GDP). By the end of 2007, the federal budget had averaged a deficit equal to 2% of GDP. Defense spending contributes to budget deficits because base DOD budgets have increased by 59% since 2001, resulting in more budget outlays each year. The 2008 discretionary pie depicted in Figure 4 shows a clear priority for spending more on national defense than all other non-defense programs – indeed at the expense of these programs.

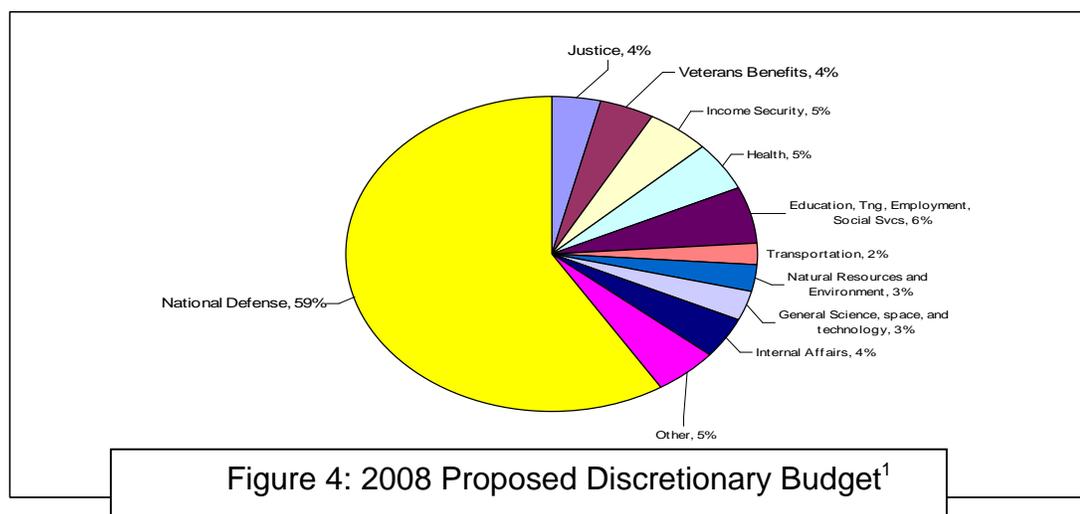


Figure 4: 2008 Proposed Discretionary Budget¹

Although supplemental appropriations do not fall under balanced budget spending controls because they are not considered part of the regular budget, they do contribute to the deficit and growing national debt which has increased by over 40% since 2001 (see Figure 5).

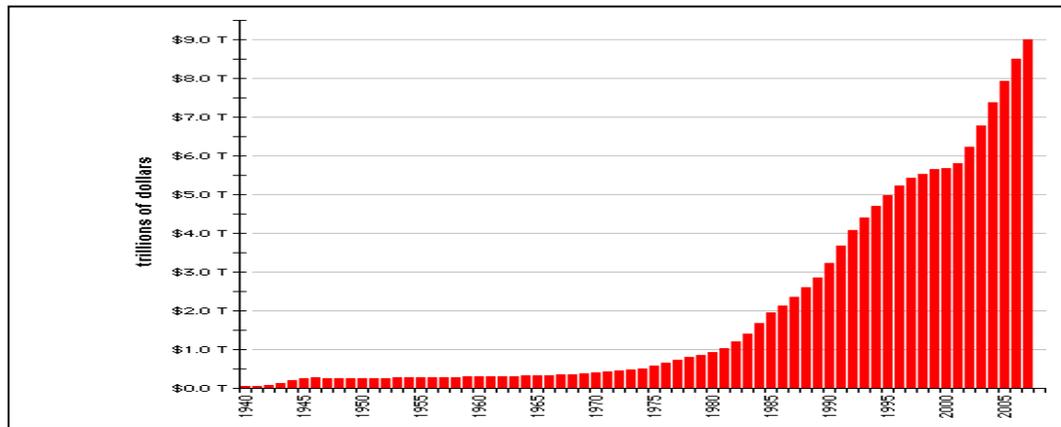


Figure 5: National Debt from 1940 to Present³²

Many experts agree that a fiscal policy that continues to limit revenues while increasing spending and debt is not sustainable. Based on the current situation, DOD should prepare to address the implications of inevitable changes to national security and fiscal policy framed by the following questions: Is a PPBE process that generates peacetime requirements still relevant after six years of war and supplemental funding? After years of growth in its base budgets, is it reasonable for DOD to expect additional funding by moving some portion of enduring war requirements from supplementals to the base budget? Can the federal budget accommodate continued growth in defense spending at the expense of domestic programs?

Recommendations and Key Considerations

Is a PPBE process that generates peacetime requirements still relevant after six years of wartime supplemental funding? On one hand, PPBE is a relevant theoretical process that has been applied successfully for decades to allocate hundreds of billions of dollars to provide what is arguably the best military force in the world. DOD is the only federal department that relies on a comprehensive tool that integrates strategy, decision-making, and resource allocations. In order to maintain relevancy, however, the process must adapt to the current and future environment. The PPBE process should produce a program that allocates all resources necessary to defend the nation and that eliminates peacetime and wartime stovepipes.

One of the first adjustments that may be required outside of PPBE is legislative: Congress and OMB must clearly define “emergency” and put time limits on supplemental funding for emergencies. Based on historical trends, a maximum of three years may be a good start point. This would allow for initial response; give the President time to formulate revised fiscal policy; and provide DOD time to develop methodology for identifying requirements, assessing and reconciling program base requirements with operational requirements, and top-loading new strategic initiatives and operational requirements into the planning phase of PPBE. In order for the process to be effective it must accommodate decisions and trade-offs based on a total, rather than fragmented, view of national defense strategy.

In other words, if after two to three years following an initial response or engagement and if strategic analysis points to prolonged operations, requirements for the total picture should be assessed using PPBE to accommodate trade-off decisions between, for example, capabilities more closely linked to current operations and

requirements for future weapons systems. During a period of rolling requirements from supplemental to base, the primary goal should be to produce a program to accomplish strategic objectives, and funding targets should contain a floor and ceiling to accommodate potential growth.

With some adaptation, PPBE can continue to be relevant for DOD. Serious consideration should also be given to implementing a national level PPBE-like process that integrates the budgets of all federal departments; establishes national priorities across all elements of national power (diplomatic, information, military, economic); balances resource allocation using a national strategic decision-making process; and considers trade-offs between national priorities.

After years of increasing base budgets, is it reasonable for DOD to expect additional funding by moving some portion of enduring war requirements from supplementals? DOD budgets have grown in recent years due to an expanding vision of national security and defense. Assuming that policy and priorities don't change, that immediate withdrawal from Iraq or Afghanistan is not likely, and that supplemental appropriations will soon disappear; it's reasonable to assume that DOD must have some level of TOA increase in order to reset, transform, grow, and continue operations overseas.

Even if national priorities change with a new administration, for example, some method for a phased slow-down in defense spending seems appropriate, especially in the case of the Army, versus some immediate 40-50% cut in total budget authority. The current process of separate baseline and supplemental funding sources disguises many hidden operations and maintenance (O&M), or tail costs, of many new programs

initiated under the auspices of GWOT, but are now considered enduring programs that must be sustained beyond direct GWOT operations.

Can the federal budget accommodate growth in defense spending at the expense of domestic programs? As mentioned earlier, the combination of growth in mandatory entitlements and defense spending combined with a policy to maintain tax cuts is not sustainable. The issue of national priorities may require a revolution in national security thinking and a paradigm shift to address the broader perspective of military spending and foreign policy priorities from an ideological perspective to the perspective of mere affordability. What kind of threat to the U.S. forces choices between weapons systems and the domestic economy, education or healthcare, etc.?

The U.S. currently spends more on its national defense than nearly the rest of the world combined (Figure 6). Other world military spending statistics include:

- The US military spending was almost 7 times larger than the Chinese budget, the second largest spender.
- The US military budget was almost 29 times as large as the combined spending of the six “rogue” states (Cuba, Iran, Libya, North Korea, Sudan and Syria) who spent \$14.65 billion.
- It was more than the combined spending of the next 14 nations.
- The United States and its close allies accounted for some two-thirds to three-quarters of all military spending, depending on who you count as close allies (typically NATO countries, Australia, Canada, Israel, Japan and South Korea)
- The six potential “enemies,” Russia, and China together spent \$139 billion, 30% of the U.S. military budget.³³

Current U.S. military capabilities, equipment, training, and personnel are head and shoulders above our adversaries and allies. Fifty-nine percent of the nation’s discretionary budget goes towards defense. The rest of the world clearly knows that the

military is at the heart of America's foreign policy, so it may be time to think critically about re-balancing national priorities. In a 21st century era dominated by globalization, competition for limited natural resources, and concern for the environment, should the Army's Future Combat System (FCS) be a top national priority at a time when the U.S. faces no true peer military competitor and when there are clear imbalances at the national level between all elements of power?

Surely, terrorism poses a real threat to the United States. But is it possible that our passion for defense and reliance on the military may be contributing to a hostile threat environment? This is a rhetorical question for an entirely different discussion but our severely constrained resources and growing fiscal imbalances may force some of the most difficult national security questions this nation has ever faced. Defense spending is only one piece of the federal spending pie. Basic principles of fiscal policy must be combined with an overarching process for balancing social, domestic, military, and foreign policy objectives if the U.S. is going to peacefully coexist as a 21st century global leader.

Endnotes

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