

Defense Challenges

February 2001



“Not since the years before Pearl Harbor has our investment in national defense been so low as a percentage of GNP. Yet rarely has our military been used so freely... Something has to give, and it’s giving. Resources are over-stretched. Frustration is up, as families are separated and strained. Morale is down. Recruitment is more difficult... This is not the way a great nation should reward courage and idealism.”

— *Governor George W. Bush, Citadel Speech*
September 23, 1999

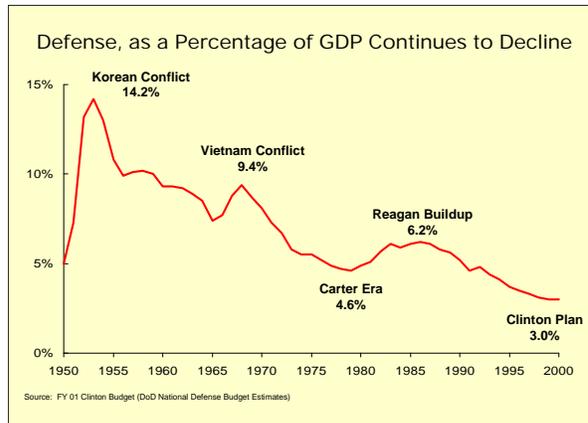
“Help is on the way.”

— *Dick Cheney, on the campaign trail*

Provided by
House Armed Services Committee Chairman Bob Stump

Republican Retreat 2001

- During the past six years, Republican Congresses have added over \$60 billion to President Clinton's requests for defense spending.



- The Chiefs of the military services have identified priority requirements not funded in the Clinton Administration's fiscal year 2001 budget program totalling almost \$85 billion for the fiscal year 2001 through 2005 period.
- President Bush campaigned on a pledge to increase spending for military pay raises by \$1 billion and to increase research and development spending by \$20 billion through fiscal year 2006.
- The Congressional Budget Act requires the President to submit an annual budget request to the Congress during the first week in February each year. However, the Bush Administration is not expected to have a detailed budget request available until March or April of this year.
- The Clinton Office of Management and Budget estimated that the level of spending required in fiscal year 2002 to maintain the same level of defense program provided by the Congress for fiscal year 2001 is \$320 billion, an increase of \$10 billion over current spending levels. This increase is the amount necessary to counter the effects of inflation and pay and benefit changes on the defense program.
- The military services have already identified a total of \$9.3 billion in specific fiscal year 2001 defense spending shortfalls in high priority personnel, readiness, and modernization programs. The FY 01 shortfall totals are as follows:
 - Army - \$2.9 billion
 - Navy/Marine Corps - \$3.2 billion
 - Air Force - \$1.8 billion
 - Defense Health Program - \$1.4 billion

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Budget Facts

FY 2001 known defense program shortfalls total \$9.3 billion.

Navy/Marine Corps - The Navy and Marine Corps have identified a total of \$3.2 billion in fiscal year 2001 program shortfalls that may require supplemental appropriations to correct. These shortfalls are principally related to personnel and readiness requirements but include significant procurement items as well. Some highlights of the Navy/Marine Corps shortfalls include:

- o Prior-year shipbuilding program adjustments - \$222 million
- o Increased personnel costs - \$249 million
- o Blount Island land acquisition - \$119 million
- o Depot maintenance (Ship, Aircraft & Vehicles) - \$441 million
- o Flying hour program - \$566 million



Army - The Army has identified a total of \$2.9 billion in fiscal year 2001 program shortfalls that may require supplemental appropriations to correct. These shortfalls are mostly in personnel and readiness programs and include only a small modernization component related to the Army's transformation plans. Some highlights of the Army shortfalls include:

- o Increased personnel costs - \$431 million
- o Base operations - \$510 million
- o Real property maintenance - \$345 million
- o Spares - \$483 million
- o Apache helicopter recapitalization - \$100 million



Air Force - The Air Force has identified a total of \$1.8 billion in fiscal year 2001 program shortfalls that may require supplemental appropriations to correct. These shortfalls are more evenly distributed across personnel, readiness, and modernization programs than the other services. Some highlights of the Air Force shortfalls include:

- o Flying hour program - \$303 million
- o Aircraft depot maintenance and engine repair - \$236 million
- o Increased personnel costs - \$456 million
- o KC-135 aerial tanker re-engining - \$52 million
- o Airborne laser - \$38 million
- o C-17 rate adjustment - \$49 million

Defense Health Program - An estimated \$1.2 billion to \$1.4 billion has been identified in fiscal year 2001 health program shortfalls that may require supplemental appropriations to correct. These shortfalls are primarily related to increased health care benefits and management reforms and managed care support contract claims and requirements.

Restoration of rescissions and reductions - Included in each of the service's identified shortfall total is the restoration of rescissions and across-the-board reductions required by fiscal year 2001 appropriations legislation. These rescissions and reductions totaled \$508 million across affected defense accounts.

Republican Retreat 2001

- U.S. national military strategy calls for the armed forces to be able to successfully conduct two nearly simultaneous major theater wars. This remains the benchmark for determining the overall readiness of the Armed Forces.
- When judged by this core standard, the readiness of today's military forces falls dangerously short, primarily due to inadequate funding combined with an ever-increasing operations tempo.
- Although serious readiness shortfalls were identified by Congress as early as 1994, it was not until late in 1998 that the Chairman of the Joint Chiefs of Staff Gen. Henry Shelton admitted to widespread readiness problems.
- Quarterly Readiness Reports and testimony by Gen. Shelton continue to state that the United States faces moderate to high risk in executing the national military strategy. DOD believes that there is "moderate" risk in executing one major theater conflict, while there is "high" risk in executing two major theater conflicts. This risk translates into increased casualties on the battlefield.
- Over the past six years, the Congress has significantly increased funding for readiness, adding approximately \$10 billion to critical readiness accounts.
- Despite these increases, funding still falls short of current and future readiness requirements.
- The military services have identified \$4.7 billion worth of fiscal year 2001 unfunded readiness requirements, including spare parts, flying hours, equipment maintenance, and base operations.
- Compounding the problem is the fact that the Clinton Administration's budgets did not adequately account for the financial impacts on equipment, training, and facilities created by the high pace of unscheduled operations around the world.
- Over the last eight years, the United States has become involved in an increasing number and variety of peacekeeping and peace enforcement operations around the world.
- These peacekeeping operations drain resources from training and operations designed to meet U.S. warfighting requirements.



READINESS

Readiness Facts

The United States military is approximately 40 percent smaller than it was at the end of the Cold War. At the same time, deployments have increased nearly 400% over Cold War levels. The increased deployment of a smaller force has caused significant stress on military personnel and equipment.

Continued overseas deployments, aging aircraft and lack of spare parts have seriously strained the readiness of the Air Force. The service's goal is to have at least 92 percent of its units report readiness ratings of C-1 or C-2, the minimal acceptable ratings for combat. The Air Force only met this goal briefly during the last decade (from late 1996 through 1997). Since then, Air Force readiness ratings have steadily declined; reaching a ten-year low in April 2000 when only 67 percent of combat units were rated C-1 or C-2, and rising only slightly to 68 percent in the fall of 2000.



According to a soon to be released GAO report, the mission capable rates for Air Force transport aircraft during Fiscal Year 2000 were as follows:

- o C-5 – 53%
- o C-17 – 63%
- o C-141 – 68%
- o KC-135 – 49%

In August 2000, internal Army reports indicated that 17 of 31 schools inside the Training and Doctrine Command (TRADOC) were reporting C-4 - not able to conduct their mission. These schools provide the vast majority of the individual training for Army personnel. Schools that reported C-4 included such critical commands as the Infantry, Artillery, and Armor Schools.



According to a June 2000 report, the Navy “would experience shortfalls if it had to support the second of two nearly simultaneous [Major Theater Wars].” An April 2000 Navy Inspector General report further highlighted these concerns, warning that funding levels for spare parts, training, and personnel had fallen so low that “thresholds of acceptable levels of risk have been exceeded, as evidenced by naval aviation’s declining readiness posture.” The report concluded that insufficient funding levels had resulted in “debilitating levels of frustration and morale crushing drudgery at the operational unit level.”

Republican Retreat 2001

- Recruiting and retaining quality military personnel has been a severe problem in recent years.
- All units in all the services are experiencing readiness-degrading shortages of personnel.
- Congress has enacted numerous initiatives to help the services meet their recruitment and retention goals.
- These include pay increases, pay table reform, retirement reform, expanded authorities for bonuses and special pays, as well as increased funding for those new pays, bonuses, and recruiting advertising and support.
- This past year, Congress also required the military services to institute systems to control the impact of deployments on military personnel.
- The Bush Administration has expressed its intention to add \$1 billion in pay, over and above the amounts provided for by current law, to improve recruiting and retention.
- Key personnel shortages have resulted in some calls to increase military end strength.
- The Army and Marine Corps suggested last year that such increases might be necessary.
- The Congress has also dramatically improved military health care benefits for Medicare-eligible military retirees by:
 - authorizing access to the TRICARE pharmacy benefit;
 - allowing retirees and their eligible dependents to use TRICARE to cover costs not covered by Medicare; and
 - establishing a health care trust fund that will be administered by DOD, reducing the competition for resources between the military health care program and other defense programs.



PERSONNEL

Personnel Facts

Until FY 2000, several of the services failed to achieve minimum accession goals (i.e., the number of personnel actually brought onto active duty service). For example:

- o The Army failed to meet accession goals in FY 98 and FY 99 – in the latter case the Army fell short by 6,291 (8.4%).
- o The Navy failed to meet accession goals in FY 98 by over 7,000 (13%).
- o The Air Force failed to meet accession goals in FY 99 by 1,732 (5%).

Despite barely meeting those minimum accession goals in FY 00, the Army, Navy, and Air Force have for years missed their full recruiting targets, falling short by over 40,000 recruits in FY 00. During FY 99, seven of the 10 active and reserve components failed to reach their overall goals for new recruits. They will likely again fall short during FY 01.

Neither the Air Force nor the Navy has met enlisted retention objectives since FY 98.

During FY 00, the Air Force, Navy, and Marine Corps were short 2,578 pilots (8.8%) and are projecting to remain 2,210 pilots short five years from now.

Army captains are leaving the service at alarming rates, with over 11 percent resigning in FY 00. The numbers of Army lieutenant colonels and colonels who decline command leapt from six in 1992-1995 to over 170 since 1996.

Only one in 10 Navy junior officers recently surveyed indicated they intended to make the Navy a career. In 1999, 67 percent of West Point graduates separated before completing 10 years service, up from 1987 when only 38 percent separated before 10 years of service. The percentage of Air Force Academy graduates staying beyond their active duty service obligation dropped from the high-90 percents down to the high-80 percents for the 1993-1994 graduating class.

During FY 99, 6 of 10 active and reserve components failed to maintain end strength at or above the minimum level required by the Congress.

In August 2000, reports emerged that the Navy, on any given day, was about 10,000 sailors short of filling its "at-sea billets." The Air Force was short 1,200 pilots, about 10 percent of its requirements.

If the \$1 billion increase in military pay proposed by President Bush is adopted and applied entirely to increase basic military pay, it, in addition to the pay raises already mandated by Congress, will result in an estimated 6.8 to 7.0 percent raise in FY 02 — the largest military pay raise since the increases under President Reagan in the early 1980s.

The Army estimates it needs 40,000 to 60,000 more people to fully meet shortfalls in its deploying forces and other Army-wide shortfalls.

The Navy estimates it is about 14,000 people short of meeting current service wide requirements, and cites a potential future requirement for more ships.

Republican Retreat 2001

- In late 1995, then-Chairman of the Joint Chiefs of Staff, General John Shalikashvili, advised the Secretary of Defense that recapitalizing the U.S. armed forces would require \$60 billion annually by Fiscal Year 1998. It was not until fiscal year 2001 that the procurement budget finally reached this level.
- The Congressional Budget Office recently released a study concluding that funding for procurement should be \$90 billion per year. A Center for Strategic and International Studies report concluded that procurement funding levels should be increased by \$100 billion per year.
- During the Clinton Administration, procurement accounts were routinely cut to cover shortfalls resulting from inadequate budgets and an overextended force.
- Over the past six years, Congress added more than \$20 billion in an effort to reverse the steady erosion in defense procurement budgets.
- The Clinton Administration's fiscal year 2001 budget forecast an average procurement budget increase of just three percent over the next four years (fiscal years 2002 and 2004 actually forecast a decline).
- In December 2000, the Chief of Naval Operations renewed his call for an increase in defense spending to support increased aircraft and ship procurement.
- Congress has consistently increased Research & Development (R&D) budget requests by over \$1 billion in each of the last six years.
- Even after these increases, budget shortfalls in R&D programs continue to slow program development and testing schedules. The real decline in R&D funding forecast over the next four years contradicts the 1997 Quadrennial Defense Review's (QDR) recommendation to place greater emphasis on next generation weapons and technologies.
- President Bush has stated an intention to "skip a generation" of weapons, earmark 20 percent of the procurement budget for programs that "propel American generations ahead in military technology," and increase R&D spending by at least \$20 billion from Fiscal Year 2002 to Fiscal Year 2006.



MODERNIZATION

Modernization Facts



Navy/Marine Corps – The Navy/Marine Corps will need an additional \$8 billion to \$12 billion in procurement annually to maintain the 1997 Quadrennial Defense Review Force.

Requirements include:

- o Shipbuilding - \$3-5 billion
- o Aircraft Procurement - \$2-3 billion
- o Weapons - \$2-3 billion
- o Marine Corps Ground Equipment - \$1 billion

Air Force – The Air Force indicates that in order to stop the aging of its current aircraft fleet, already the oldest in Air Force history, the service needs to procure between 150 and 170 aircraft per year - 80 to 100 aircraft more than are currently procured.



Army – Army modernization requirements have been severely underfunded for a number of years, and the Secretary of the Army recently characterized the magnitude of the problem as “two to three times the amount of modernization funding” currently available to the Army. Plans for Army transformation are in addition to these modernization requirements and will constitute additional costs.

Specifics include:

- o Conventional ammunition - An additional \$3.3 billion
- o Army Aviation modernization - An additional \$4 billion over six years
- o Transformation - Current projections are for the Army to spend approximately \$27 billion over the next 10-12 years on transformation, however it is \$13 billion short of meeting these requirements
- o The Army plans to only modernize 2,500 of its approximately 6,000 M-1 tanks due to budget shortfalls and the high cost of maintenance.

Republican Retreat 2001

- In 1998, the congressionally mandated “Rumsfeld Commission” determined that the ballistic missile threat to the United States was “broader, more mature and evolving more rapidly” than the intelligence community had reported.
- After downplaying this threat for years and cutting funding for the National Missile Defense (NMD) program, the Clinton Administration – in the wake of the Rumsfeld Commission’s findings and missile flight tests by North Korea and Iran – finally acknowledged its seriousness.
- The Clinton Administration proposed developing a ground-based system of 100 ballistic missile interceptors, based in Alaska, to provide a nationwide defense against a limited missile attack.
- The NMD program has conducted several non-intercept tests and three intercept tests. The non-intercept tests established the ability of the kill vehicles to detect, track and discriminate ballistic missile targets. One of the three intercept tests resulted in the destruction of a target.
- Despite the seriousness of the ballistic missile threat, President Clinton decided last summer to defer a decision on whether or not to proceed with actions that would allow for NMD deployment as early as 2005.
- In particular, President Clinton remained committed to preserving the 1972 U.S.-Soviet Anti-Ballistic Missile (ABM) Treaty, which prohibits a nationwide territorial defense and the deployment of sea-based or space-based defenses.
- Over the past six years, Congress has worked to accelerate the date for deployment of an NMD system.
- Congress approved the Ballistic Missile Defense Act of 1995, which mandated deployment of a ground-based NMD system by 2003. President Clinton, however, vetoed the measure.
- Congress added about \$2.5 billion to the NMD program since 1995 to remedy the underfunding of the program by the Clinton Administration.
- Congress passed, and the President signed, the National Missile Defense Act of 1999, which established the U.S. policy to deploy a national missile defense “as soon as is technologically possible.”
- President Bush has stated his support for NMD deployment “at the earliest possible date,” and the Administration has stated its intent to review various NMD alternatives.



NATIONAL MISSILE DEFENSE

National Missile Defense Facts



The Clinton Administration reduced the NMD budget to about half of what the Ballistic Missile Defense Organization stated was necessary for a deployment-oriented program.

The FY 95 Clinton defense budget projected FY 95-99 NMD funding at \$1.4 billion. Over this same period, Congress provided \$4.3 billion for NMD.

The ground-based system under development would include up to 100 interceptors based in Alaska; a high-resolution radar on Shemya Island, Alaska; upgraded early warning radars in Greenland, England, Alaska, Massachusetts, and California; a battle management, command, control and communications element; an in-flight communications element; and a space-based infrared sensor system designed to detect and discriminate warheads against the cold background of space.

The status of the ABM Treaty, agreed to by the U.S. and the Soviet Union in 1972, has been called into question since the demise of the Soviet Union in 1991. Nevertheless, the Treaty allows either party to withdraw after giving six months notice.

The Treaty restricts U.S. ABM deployments to one site in Grand Forks North Dakota. Deployment in Alaska would require modification of or withdrawal from the Treaty, or a determination that the Treaty is no longer in force.

Technologically, the current ground-based architecture could be expanded from one site, to two or three sites.

The ground-based system could be deployed as early as 2005, with adequate funding and in the absence of serious development difficulties.

Sea-based and space-based NMD systems would very likely take longer to develop and deploy than a ground-based NMD. Either or both could be used to supplement a ground-based system.

The ABM Treaty bans both space-based and sea-based ABM systems.

A sea-based NMD system would be based on and leverage investment in the Aegis Combat System.

The Space Based Laser program will develop by 2012 a high power laser in space that will demonstrate the ability to destroy a ballistic missile in its boost phase.

Republican Retreat 2001

- Since the end of the Cold War, the U.S. armed forces have been reduced by 40%, while missions have increased by nearly 400%. Many of these missions involve peacekeeping operations overseas.
- The increase in peacekeeping missions coupled with the reduction in forces has increased the “operations tempo” of the U.S. military. In particular, there has been increased stress on those types of units that are in high demand during peacekeeping missions, such as military police, psychological operations units, and civil affairs.
- The combat readiness of units degrades when they participate in peacekeeping operations. Upon return from peacekeeping deployments, combat units often require six or more months of training to regain proficiency in their combat skills.
- Peacekeeping missions consume significant proportions of U.S. combat power that become unavailable for combat missions. A single peacekeeping mission requires a three-to-one rotation base – one unit deployed on the mission, one until preparing to deploy, and one unit re-training following a deployment.
- Since 1991, the United States has spent approximately \$39 billion on peacekeeping missions and contingency operations around the world.
- The increased number of missions has raised concerns that the size of the armed forces needs to be increased. The Army, Navy, and Marine Corps have each expressed the need for additional personnel to fulfill mission requirements.
- The peacekeeping mission in Bosnia, originally intended to last for one year, has entered its sixth year.
- Congress has continually expressed concerns and reservations regarding U.S. participation in peacekeeping and peace enforcement operations. Many in Congress remain concerned that the Europeans are not providing adequate resources and personnel to support the civilian reconstruction effort in Kosovo, requiring the continued presence of U.S. troops there for an indefinite period of time.
- President Bush has expressed reluctance to participate in “nation-building” missions. The Bush Administration intends to conduct a review of U.S. military deployments, including the deployment of U.S. troops to peacekeeping missions abroad.



PEACEKEEPING

Peacekeeping Facts

Since 1990, the size of the armed forces has been reduced by 40 percent, while deployments have increased nearly 400 percent. Peacekeeping missions alone are taxing the force. At present:

- o 5,200 U.S. troops participate in the NATO Bosnia Stabilization Force (SFOR);
- o 5,600 troops participate in the NATO Kosovo Force (KFOR);
- o Nearly 1,000 troops serve as part of the Multilateral Force (MFO) in the Sinai; and
- o Nearly 20,000 troops are stationed in and around the Persian Gulf.



Costs for continuing contingency operations continue to rise:

- o Southwest Asia/Iraq FY 91 to FY 01 - \$9.1 billion
- o Bosnia FY 92 to FY 01 - \$12.1 billion
- o Kosovo FY 99 to 01 - \$6.7 billion

U.S. contributions for U.N. assessed peacekeeping accounts in 1988 totalled \$36.7 million. Annual totals from calendar years 1994 - 1999 include:

- o 1994 - \$1.1 billion;
- o 1995 - \$533.3 million;
- o 1996 - \$359.0 million;
- o 1997 - \$302.4 million;
- o 1998 - \$206.5 million; and
- o 1999 - \$237.4 million.

As of January 2000, four of the Army's ten active duty divisions were being affected by peacekeeping operations in the Balkans. Currently, the Army has attempted to relieve the strain on the active force by assigning the Bosnia peacekeeping mission to National Guard divisions.

Peacekeeping operations continue to have an adverse effect on military readiness. According to GAO:

- o Peacekeeping "has adversely affected the combat capability of deployed units in Bosnia and Southwest Asia and some units that remain at the home station as they have to pick up the work of the deployed units."
- o The skills of combat units degraded the most. In fact, the 1st Cavalry Division stopped training for its wartime mission 4 months prior to deployment to Bosnia in order to focus on peacekeeping skills. It can take up to 14 months for Army units to recover warfighting skills after returning from peacekeeping missions.

Defense Spending

Clinton Requests vs. Congressional Action

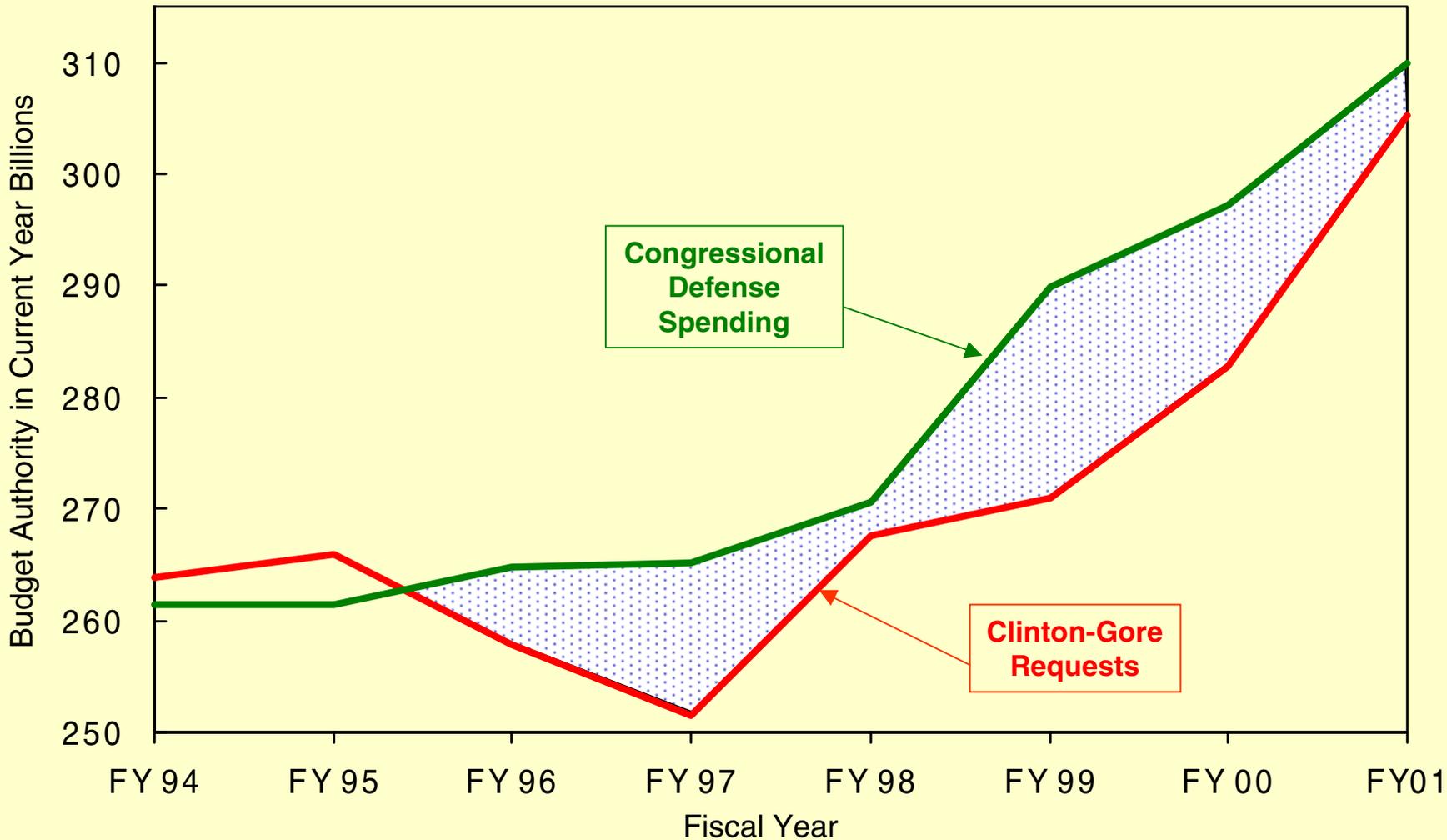
Total Amount Added by Republican Congresses: \$61 Billion

Fiscal Year	Clinton Requests	Appropriations	Amount Congress Added or (Cut)
1994	\$264.0	\$261.5	(\$2.4)
1995	\$265.8	\$261.4	(\$4.5)
1996	\$257.9	\$264.7	\$6.8
1997	\$251.6	\$265.1	\$13.5
1998	\$267.6	\$270.6	\$3.0
1999	\$270.9	\$289.8	\$18.9
2000	\$282.8	\$297.3	\$14.4
2001	\$305.3	\$310.0	\$4.7

Note: all totals represent billions of dollars in budget authority (national defense function 050)

Congress vs. Clinton Defense Spending

Republican Congresses added over \$60 billion to Clinton defense budgets between FY 1996-2001.



Source: Congressional Research Service, Congressional Budget Office, and House Report 103-31

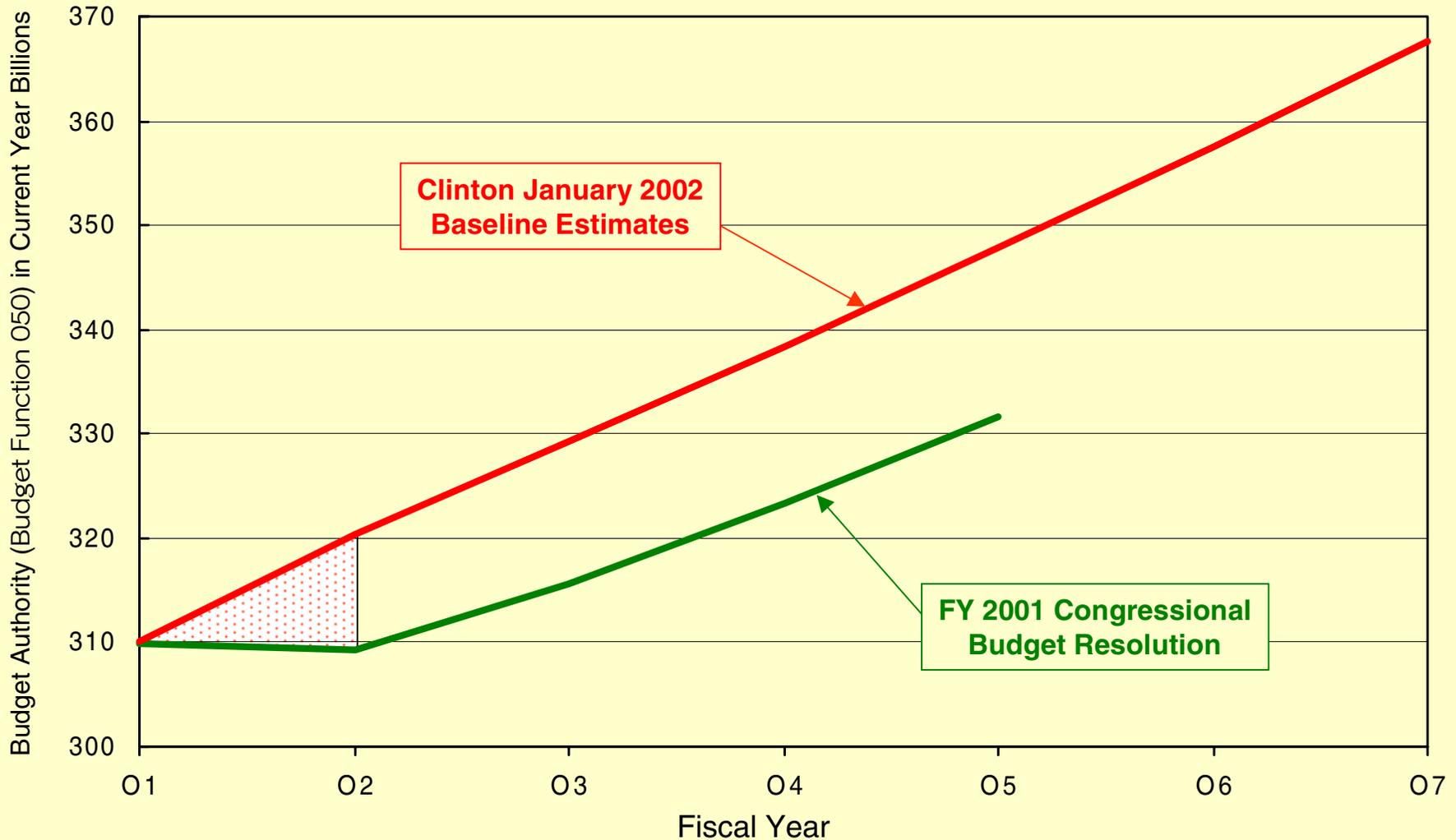
Note: Clinton-Gore budget requests and corresponding congressional defense spending adjusted to reflect subsequent requests for and enacted supplemental appropriations and rescissions and Working Capital Fund adjustments.

Military Services' Current Year (FY01) Shortfalls

<u>Personnel</u>	<u>\$1,035 million</u>
Pay and Bonuses	524 million
Housing and Subsistence Allowances	339 million
Reserve Component Support and Training	172 million
<u>Readiness</u>	<u>\$4,689 million</u>
Depot Maintenance and Repair	677 million
Flying Hour Programs	869 million
Spare Parts	512 million
Base Operations	729 million
Real Property Maintenance	592 million
Training Activities	249 million
Counter-terrorism/Force Protection	302 million
Other Readiness Items	759 million
<u>Modernization</u>	<u>\$1,388 million</u>
Prior Year Navy Shipbuilding Costs	222 million
Apache Helicopter Recapitalization	100 million
V-22	78 million
C-17 Rate Adjustment	49 million
Other modernization	939 million
<u>Defense Health Program</u>	<u>\$1,358 million</u>
<u>Milcon</u>	<u>\$274 million</u>
<u>Restore Rescissions/Reductions</u>	<u>\$508 million</u>
Total	\$9.3 billion

Outyear Defense Budget Estimates

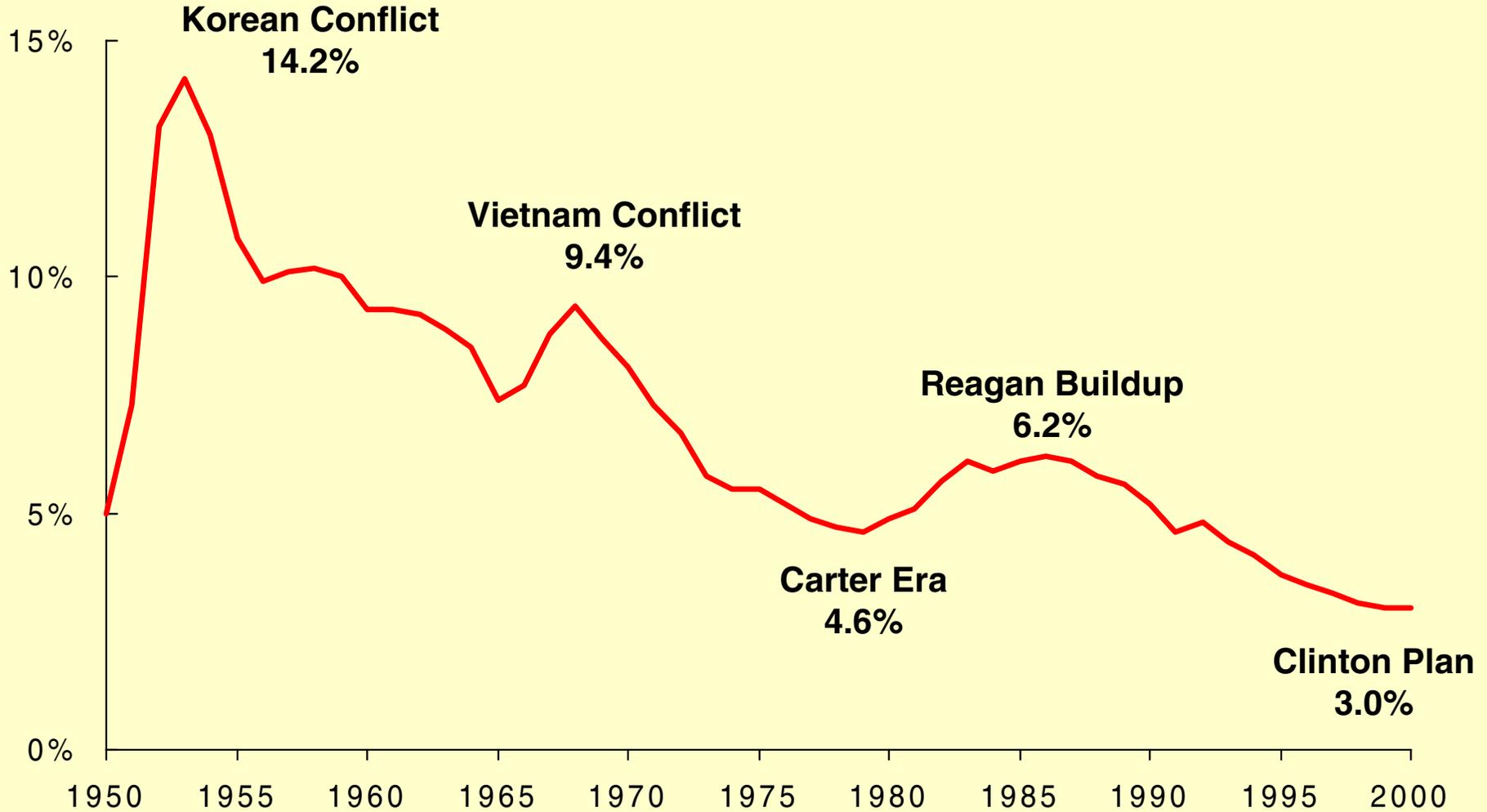
Clinton FY02 estimate exceeds the congressional budget resolution by \$10 billion.



Source: Congressional Research Service, CBO, Budget of U.S. Government, Historical Tables, and House Report 103-31

Note: Clinton budget requests and corresponding congressional defense spending adjusted to reflect requests for and enacted supplemental appropriations

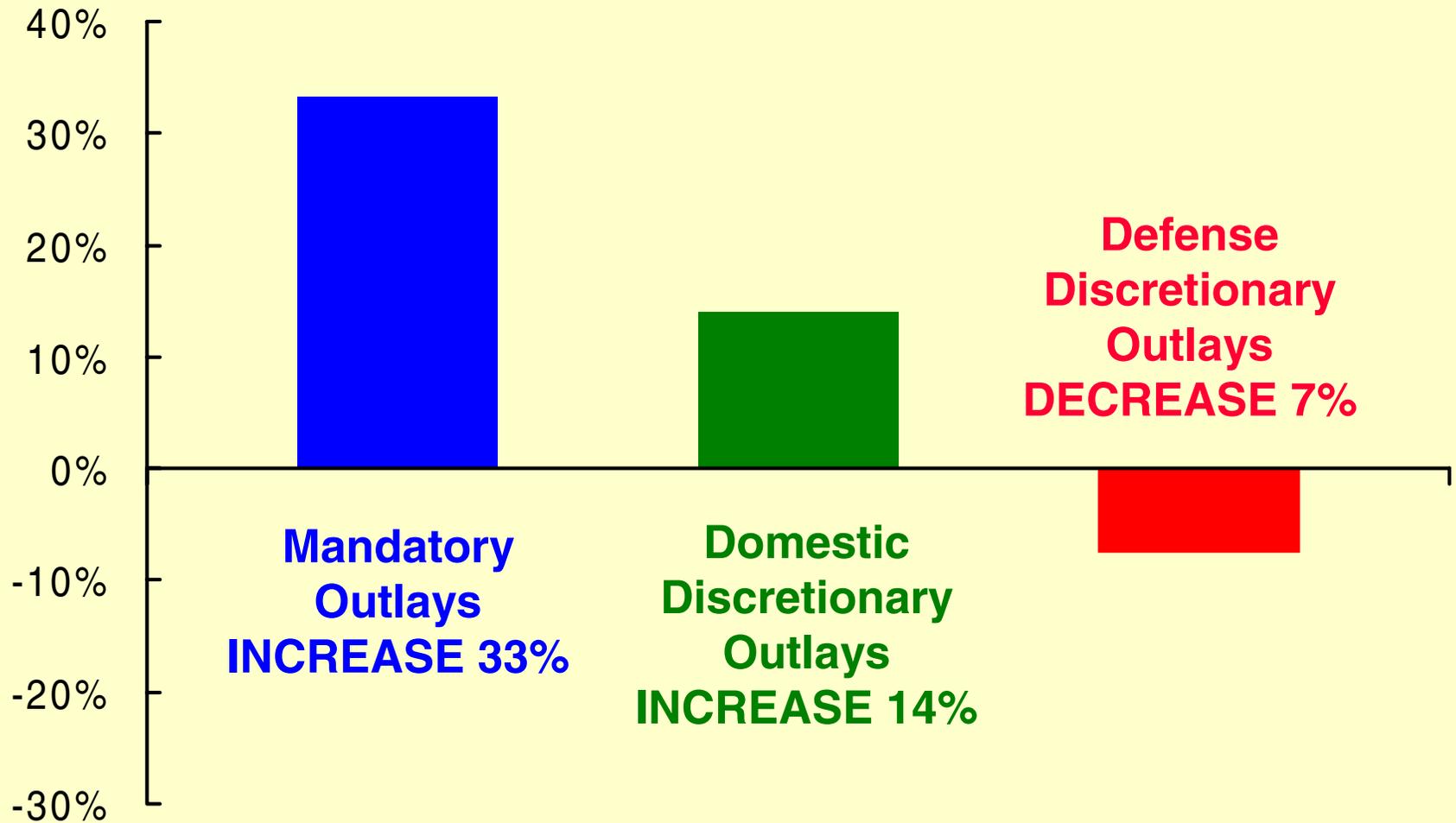
Defense, as a Percentage of GDP Continues to Decline



Source: FY 01 Clinton Budget (DoD National Defense Budget Estimates)

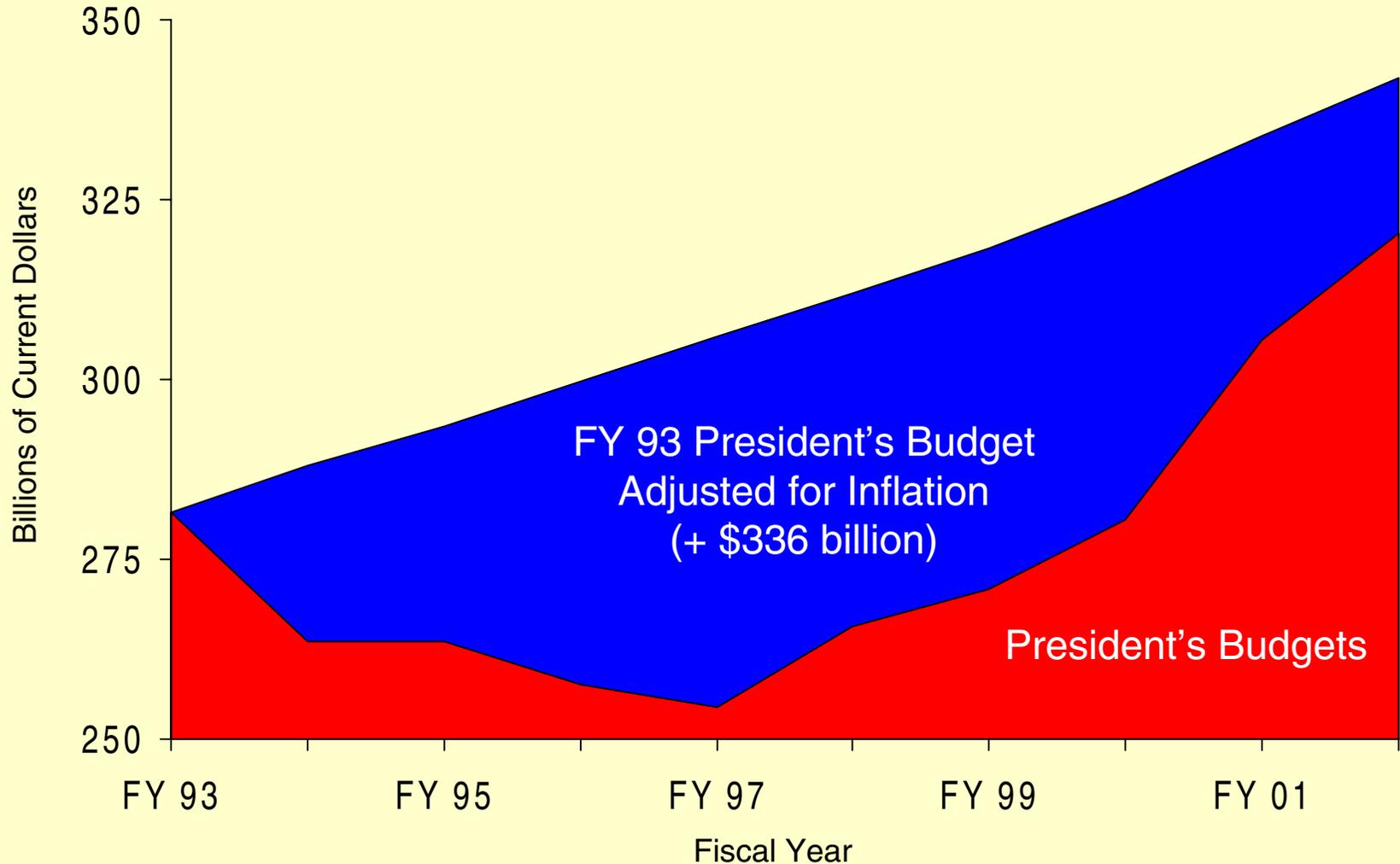
Defense Only Major Spending Category to Decline from FY 1994 to FY 2004

Percentage Real Change in Outlays



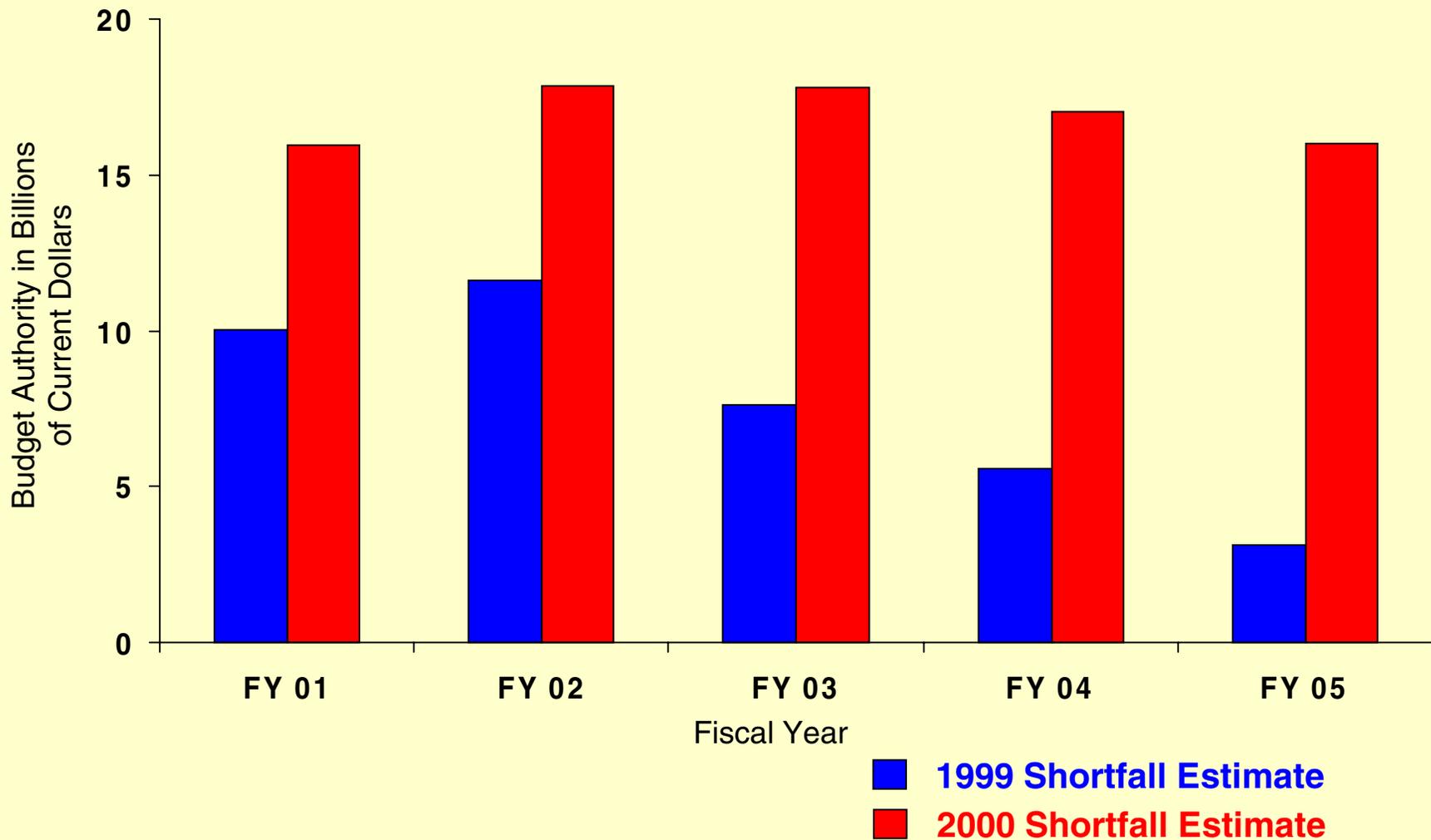
The Clinton Defense Budgets Fell Over \$330 Billion Dollars Short of Inflation

National Defense (function 050) budget authority



Growing Defense Shortfalls:

The Service Chiefs' five year estimate of shortfalls grew from \$38 billion to nearly \$85 billion last year.



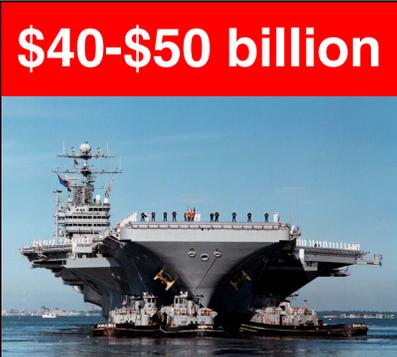
Underfunding Defense:

Three independent estimates of the annual shortfall in President Clinton's defense budget.

Additional funding needed to properly fund the President's defense program



**Center for
Strategic & Budgetary
Assessments**



**Congressional
Budget Office**



**Center for Strategic
and International
Studies**

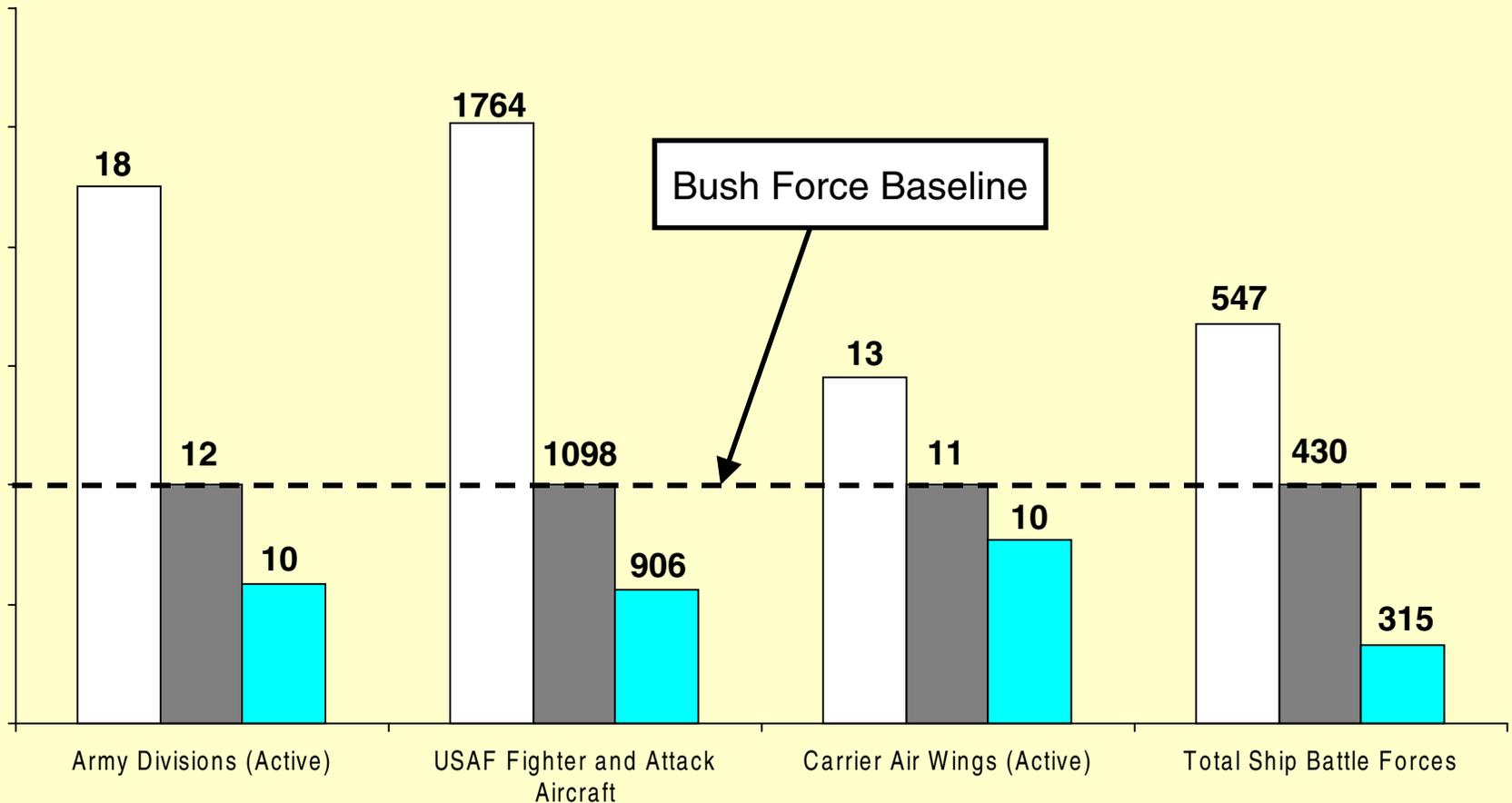
Note: Estimates derived from February 2000 CSBA Highlight, "Budgeting for Defense: Maintaining Today's Forces" (CBO, 2000), and "Averting the Defense Train Wreck" (CSIS, 1999)

Force Structure Comparison

□ FY 1990 Desert Storm

■ FY 1994 Bush Base Force

■ Fy 2001 Clinton QDR Force



Active-Duty Endstrength Comparison

(in thousands)

□ FY 1990 Desert Storm

■ FY 1994 Bush Base Force

■ Fy 2001 Clinton QDR Force

