



National Security Report

Background and Perspective on Important National Security and Defense Policy Issues,

Written and Produced by

Lloyd Spence

Volume 2, Issue 1

Chairman, House National Security Committee

February 1998

From the Chairman...

My colleagues in the House and many in Washington may be tired of hearing the same old refrain on the seriousness of the problems confronting our military. But as the problems get worse and solutions get harder to come by, the frustration level rises.



I am frustrated that the President devoted only one sentence in a lengthy State of the Union speech to the need to maintain a ready and modern force. The President warned in a recent speech at the National Defense University that “we must never, never take our nation’s security, or those who provide it, for granted.” He went on to say that “our obligation to our servicemen and

The President’s budget proposes \$100 billion in new domestic spending, but not one dime to increase defense spending...

women is to do all we can to help them succeed in their missions; to provide the essential resources they need to get the job done.” I am frustrated that the gap between rhetorical promises and budget and operational reality is growing.

I am frustrated that the President is either unaware of, or has chosen not to acknowledge, the seriousness of readiness, quality of life and modernization problems the military services and the congressional defense committees confront on a daily basis. I am frustrated that the President’s federal budget sub-

— continued on page 3 —

The President’s FY1999 Defense Budget: The Risks Continue to Grow

President Clinton’s defense budget request of \$270.6 billion for fiscal year (FY) 1999 represents a real decline of 1.1 percent from current spending levels and continues a 14-year trend of real decline in defense spending — over 39 percent decline from mid-1980s levels. It also represents a continuation of the defense budget “status quo” — much-needed, long-term investment to recapitalize the U.S. armed services are being mortgaged to pay for short-term underfunded operating and sustainment needs.

The FY 1999 defense budget request represents approximately 3.1 percent of the nation’s gross domestic product, down by more than 50 percent from the mid-1980s level of 6.3 percent. Continuing a downward trend, the FY 1999 defense budget request, when measured in constant dollars, represents the smallest defense budget since the beginning of the Korean War in 1950. These downward trends will continue, and indeed be exacerbated by the proposed growth in domestic spending in the President’s federal budget request. Under the President’s

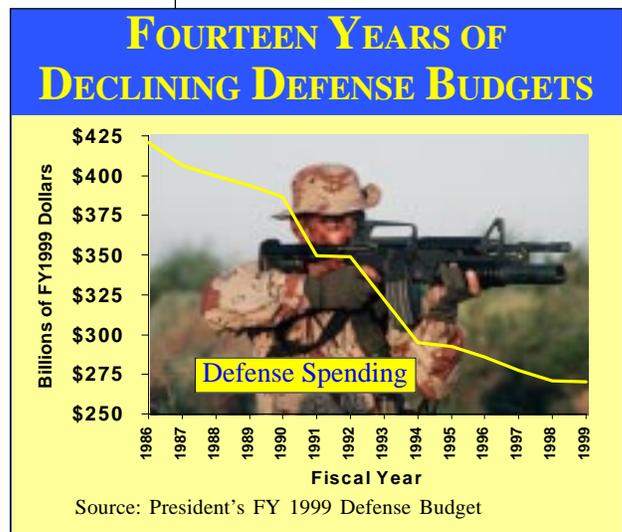
budget proposal, entitlements and domestic discretionary outlays will enjoy substantial real increases, while outlays for defense will suffer real decline in the years ahead.

Within the defense budget topline, there have been marginal adjustments to major budget accounts from current (FY 1998) spending levels, but almost all are slated to decline when measured in constant

dollars. The FY 1999 budget request includes: \$70.8 billion for military personnel, compared to the \$69.7 billion appropriated by Congress in FY 1998; \$94.8 billion in operations and maintenance, versus \$94.4 billion enacted last year; \$48.7 billion in procurement, versus \$44.8 billion last year; \$36.1 billion in research and development versus \$36.6 billion enacted last year; \$4.3 billion in military construction, versus \$5.1 billion in FY 1998; and \$3.5 billion in family housing, versus \$3.8 billion appropriated last year. The request also includes \$12.9 billion for Department of Energy defense programs versus \$12.7 billion enacted last year.

The administration’s FY 1999 defense budget request also fails to redress the mismatch between the national military strategy and the forces and budget resources necessary to support it. Indeed, the demands of the national military strategy continue to grow even as the defense budget continues to decline. As reflected in the Pentagon’s Quadrennial Defense Review, the national military

— continued on page 4 —



Contingency Operations: Billion-Dollar Asterisks

President Clinton's FY 1999 defense budget request is as notable for what it does not contain than what it does. When it comes to paying for the peacekeeping, humanitarian relief and similar "contingency" operations that have become an increasing burden for U.S. military forces in recent years, the President's budget request once again contains a number of asterisks.

The single biggest and most expensive asterisk is the likely bill for next year's operations in Bosnia. Defense Secretary William Cohen recently testified before the House National Security Committee that the expected cost of U.S. military operations in Bosnia for FY 1999 is approximately \$2-\$3 billion. Although the fiscal year will not begin until October, and the Administration has understood for some time that the Bosnia mission would be extended, no funding for Bosnia operations was included in the defense budget request.

The Administration has announced plans to submit a budget amendment in the coming months for Bosnia expenses in FY 1999.

Though this allows the Administration to request additional funds above the levels for defense called for by the Balanced Budget Act of 1997, it may compel Congress to choose between breaking the budget agreement or accommodating the unfunded Bosnia costs by dramatically cutting an already underfunded defense budget. This problem of the costs of next year's Bosnia operations being excluded from the defense budget request will also

be compounded by the Administration's announced plan to submit a request for supplemental appropriations for the current fiscal year (FY 1998) for ongoing operations in Bosnia and Southwest Asia. It is likely that this supplemental request will exceed \$1 billion. The Administration's supplemental request is expected to be submitted with an "emergency" designation, which means it will not include spending offsets.

A combination of the Administration's expansive foreign policy that requires the

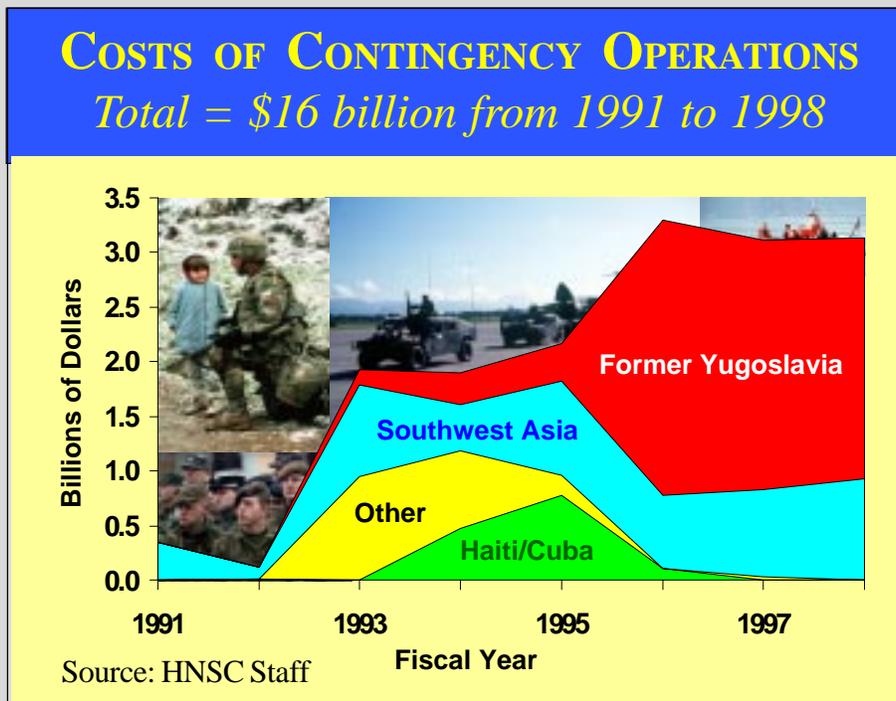
and tracked vehicles, or aircraft, or missiles.

Indeed, the involvement of U.S. military forces in unbudgeted contingency operations has been a persistent feature of the Administration's foreign policy. Operations in Bosnia and Southwest Asia have become established long-term presence missions and have been provided for partially in defense budget requests. But the Administration has not fully covered these costs and has consistently relied on requests for supplemental ap-

propriations. It is these unanticipated requests which have been offset by decreases to other defense programs that contribute to the continuing migration of resources from necessary long-term investment accounts.

These peacekeeping, peace-making, humanitarian relief and similar contingency operations have cost over \$15 billion from 1991 through

1998. This number is likely to grow by billions of dollars when the level of U.S. military presence in Bosnia after June 1998 is determined, and as a result of the deepening crisis with Iraq. Operations in the former Yugoslavia alone account for \$7.1 billion through June 1998. And these costs are rivaled by the costs in Southwest Asia since the Gulf War. To date, prior to any possible future strikes against Iraq, these operations have cost \$4.7 billion since 1991. Among other contingencies, Haiti and Cuba account for \$1.4 billion, and several smaller operations, such as those in Somalia and Rwanda, account for the remaining \$1.9 billion.



sustained commitment of U.S. military forces abroad, matched with a defense budget which fails to adequately budget for such operations has resulted in neglected modernization programs and deteriorating force readiness. These problems are not new, they are simply growing. Since 1993, the cost of unbudgeted contingencies has been approximately \$13 billion. By comparison, the Marine Corps' total procurement budget over the same time period has been only \$4 billion. The Army's FY 1999 costs for operations in Bosnia will exceed its planned expenditure for major procurements such as wheeled

From the Chairman: Put Problem-Solving Above Polling

— continued from page 1 —

mission proposes more than \$100 billion in new domestic spending above the spending caps, but fails to propose one dime in increased defense spending.

Although the Administration has allowed the Department of Defense keep approximately \$21 billion dollars worth of inflation windfall and to allow the Department not to budget what I suspect will be \$10-\$15 billion dollars over the next five years in Bosnia costs, I am frustrated that this budget continues to “rob Peter to pay Paul.”

This year’s request for the procurement of new weapons systems is \$2 billion dollars less than was projected for fiscal year 1999 at this time last year. And it is about \$5 billion dollars less than was projected for fiscal years 1999 and 2000. This year’s research and development request is \$600 million dollars below current spending levels and is projected to decline by 14 percent over the next five years. In the military construction accounts, this budget is \$350 million dollars less than was projected for fiscal year 1999 at this time last year, is \$1.4 billion dollars below current spending levels, and is an astounding \$600 million dollars below even last year’s request. The unfortunate and all-too-familiar bottom line is that the long-term investment accounts are once again paying for short-term underfunded operating and support requirements.

Though the FY 1999 defense budget request is the President’s responsibility, this year Congress also takes on a larger share of responsibility for the lack of viable solutions. Along with a majority of my colleagues, I voted for the budget agreement which locked in the President’s low defense spending numbers starting in fiscal year 1999. As I said at the time, I believed the budget agreement was a step in the right direc-

tion for the nation’s long-term economic security, but a step backwards for our national security.

As I continue to struggle with these frustrations, I found particularly interesting a recent *Washington Post* op-ed by Robert Samuelson. He observed that the balanced budget is largely the result of some recent economic luck and, on the spending side of the ledger, of more than a decade of real cuts in defense spending – i.e., the “peace dividend” has played a major role in producing our economic fortune and balanced budget. Samuelson rightly argued that the reason cuts in defense have been largely ignored in discussions of how the balanced budget has been achieved is because they are “politically inconvenient” since, among other things, the cuts may have gone too far.

I think all of us who are struggling to address the services’ shortfalls are confronting this political “inconvenience.” As Speaker Gingrich indicated in a recent *National Review* article, fixing what is wrong with defense will require more than reform-generated savings – it will require increased spending. But increasing the defense budget will be “inconvenient” as politicians of both parties and in both branches of government seek additional debt reduction, tax cuts, more social spending or some combination of all three in a balanced budget environment.

And if the President refuses to use his “bully pulpit” on the issue of defense shortfalls, increased spending will also prove to be “inconvenient” for many of us. Not knowing that our military is having problems, average Americans — our constituents — are far more likely to see an immediate short-term benefit from a tax cut or increased social spending than they are from increasing the defense budget. In a world where politics and policy-

making are increasingly driven by polls, addressing serious defense shortfalls unfortunately does not even rate an “honorable mention.”

Despite the growing frustration and the magnitude of the problem, our responsibility to continue to seek solutions to these problems, even if “inconvenient,” has not lessened.

It may be, with neither the President nor the Congress willing to commit additional resources to an underfunded defense program this year, that the real defense debate is about to begin. It also may be that by trying to fix some of the services’ problems through the unprecedented step of increasing the President’s defense budget these past three years, Congress dared to put problem-solving ahead of polling data. It may be that long-term solutions to quality of life, readiness and modernization problems will not be found until the force “breaks” somehow – let us hope not in a serious defeat and tragic loss of American life — and public opinion demands that we fix it, regardless of cost. In this politically-charged and fiscally-constrained environment, there is a lot of concern and frustration, but also an ominous lack of commitment to take the steps necessary to solve the problem. I certainly do not have the answers right now, but neither, I believe, does the President’s budget.

What we are then left to face is not the task of strengthening our military power in order to protect and promote the nation’s global interests and ensure its superpower status. Instead, we are confronted with the challenge of having to manage the growing risk associated with a shrinking force being asked to do more with less. This strategy is reactive, not proactive. And it is not the foundation from which a viable post-Cold War security strategy can be built.

*Opening statement of Chairman Spence,
Posture Hearing with Secretary Cohen
and General Shelton,
February 5, 1998*

National Security Risks Continue to Grow..

— continued from page 1 —

strategy now acknowledges the need to “shape the international environment” through multiple and prolonged peace-keeping missions, the need to prepare now for an uncertain future dominated by rapidly changing technology, and the traditional requirement to be able to fight regional wars in Southwest Asia and in Korea. Studies done for the defense review indicate that U.S. forces would not be able to maintain their current pace of operations and respond to regional crises in a timely fashion.

In addition, the FY 1999 defense budget request does not match the defense review’s rhetoric when it comes to preparing for the future. The request continues the neglect of long-term investment programs necessary to modernize aging equipment as they continue to be cut to pay for near-term readiness- and personnel-related shortfalls. For example, the FY 1999 procurement request of \$48.7 billion is \$2.0 billion less than the administration’s own estimates from last year indicated would be necessary in FY 1999. Additionally, this year’s procurement request includes items not traditionally funded in procurement accounts, such as strategic sealift. Such reclassification has the effect of artificially inflating the administration’s procurement request.

Given past patterns, it is likely that funds will continue to be stripped from the modernization accounts to offset readiness shortfalls. As a result of Defense Secretary William Cohen’s Defense

Reform Initiative, the FY 1999 defense budget request includes “negative funding wedges” in the operation and maintenance accounts – savings in anticipation of yet-to-be implemented managerial changes and infrastructure reductions. Should these changes not be implemented or should they fail to deliver the anticipated savings, the require-

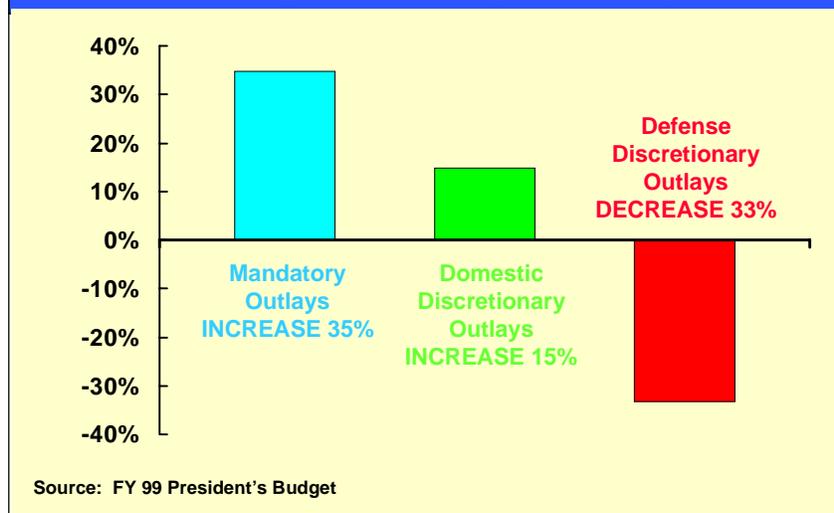
and Budget (OMB). While technical in nature, this problem could force the Congress to cut billions of dollars from the President’s defense budget request. Once again, CBO has disagreed with the lower defense outlay projections of OMB. Preliminary estimates from CBO indicate that the administration may have underestimated the level of defense outlays in

FY 1999— funds actually expended in the fiscal year and thus the key to deficit or surplus calculations — by at least \$2.5 billion (and possibly as much as \$4 billion). The primary cause of the dispute appears to be a disagreement over the rate at which prior year appropriations are spent. The OMB calculations result in lower outlay spending estimates than is the case with CBO.

Although OMB and CBO have frequently disagreed over the correct level of defense budget outlays, the

magnitude of the disagreement has grown significantly larger during the past two years. Since defense spending levels are now capped by the 1997 Balanced Budget Act, OMB’s outlay estimates permit the Administration to claim its defense budget is consistent with the spending caps contained in the Act. But CBO is likely to score the President’s budget request as exceeding the Balanced Budget Act’s spending caps. Since the Congress traditionally has abided by CBO estimates, the defense committees may have to cut the President’s defense budget request by billions of dollars in order to bring defense outlay estimates into compliance with the limitations imposed by the Balanced Budget Act of 1997.

DEFENSE ONLY MAJOR SPENDING CATEGORY TO DECLINE FROM FY 1991 TO FY 2001 Percentage Real Change in Outlays



ment to move additional modernization funds into operation and maintenance accounts will increase. This perpetual “tax” on modernization resources is also likely to be exacerbated by the unresolved issues of additional funding for increased operations in Southwest Asia and for the continuing U.S. military presence in the former Yugoslavia [see page 2].

Beyond uncertainty over the funding of contingency operations, another source of uncertainty about the President’s defense budget request is the so-called “outlay scoring” dispute between the Congressional Budget Office (CBO) and the Office of Management