

Defense Spending Scaled Back

Pentagon Budget Going up Slower in Budget Blueprint

On April 15, as millions of Americans scrambled to get their taxes in on time, exactly where those payments are destined was probably not foremost on their minds. But given the political climate since 9/11, few would be surprised to learn that the largest single slice of the pie goes to the Department of Defense.

According to data from the Washington-based Center on Budget and Policy Priorities, since 2001 defense spending has jumped at an annual average rate of 8 percent, after adjusting for inflation and population — 27 times faster than the average rate of growth for domestic discretionary programs.

During his campaign for the presidency, Barack Obama promised to take a scalpel to government spending by conducting an “exhaustive line-by-line” audit of the federal budget.

When, on February 26, the President released a preliminary overview of his \$3.5 trillion 2010 budget — with a projected record-breaking deficit of \$1.75 trillion — it seemed evident that what he had in mind was more a shifting of gears than a trimming of fat. New investments in health care, energy independence and education will be offset by higher taxes on the wealthy (mostly by letting Bush tax cuts expire), and, importantly, a major reassessment of the federal government’s spending on defense-related programs.

A week after releasing his budget proposal, in a March 4 briefing — held, suitably, at the Dwight D. Eisenhower Executive Office Building — President Obama outlined his new agenda, using the occasion to take a swipe at the military-industrial complex that Eisenhower himself first warned about nearly half a century ago.

“I reject the false choice between securing this nation and wasting billions of taxpayer dollars,” he said. “And in this time of great challenges, I recognize the real choice between investments that are designed to keep the American people safe and those that are designed to make a defense contractor rich.”

The past eight years have been very good to the defense industry. Under the Bush administration, Congress has provided more than \$800 billion to the Pentagon for the war on terror on top of the DoD’s annual base budget, much of it going directly into the pockets of a handful of weapons and logistics firms.

According to a report issued by the House Committee on Oversight and Government Reform, in 2005, the largest federal contractor — Lockheed Martin, maker of the F-16 and the F-35 Joint

Strike Fighter — received contracts worth more than the total combined budgets of the Department of Commerce, the Department of the Interior, the Small Business Administration, and the U.S. Congress.

Budget analysts say the growth in spending has invited considerable waste and glut. In February, acting Pentagon inspector general Gordon Heddell — in testimony before the House Defense Appropriations Subcommittee — outlined billions of dollars of contracting waste, comprising everything from inflated pricing to outright fraud.

This has proven exceedingly expensive for the American taxpayer. Massachusetts-based National Priorities Project (NPP), a nonprofit taxpayer advocacy group, reports that for the typical median-income family in Philadelphia, \$731 — or 37.3 percent of the total \$1,958 each family paid in federal income taxes for 2008 — went to the military or to pay down military related debt. Since 2001, taxpayers in Philadelphia have shelled out \$3.3 billion to fund the wars in Iraq and Afghanistan. To put that in perspective, that's enough to provide a full year of healthcare to more than half of the city's roughly 1.5 million residents.

To confront the problem, on April 6 Defense Secretary Robert Gates released a series of budget recommendations that he said constitutes a “fundamental overhaul” to the Pentagon’s “approach to procurement, acquisition and contracting.” They involve sweeping cuts to several Pentagon weapons programs and a new commitment to acquisition reform — including the hiring of more than 4,000 new procurement specialists next year.

The initiative represents a realignment of defense priorities and capabilities to better reflect the conflict environment in which the U.S. military is presently engaged.

As Forbes described in on April 9: “Defense dollars are being redirected from weapons to ground troops and civil service procurement people to speed new weapons to the field, with the emphasis upon counterinsurgency in forlorn trouble spots, cyber-defense, plentiful low-tech over costly whiz-bang, unmanned aerial vehicles and small ships able to send to trouble spots.”

Gone are some of the more expensive and controversial programs that have come to define Pentagon glut. Among the more notable cuts: production of the F-22 Raptor fighter jet, which cost \$140 million apiece, will be halted, as will the new VH-71 presidential helicopter, a new communications satellite — the TSAT, and the C-17 Globemaster cargo plane.

Gates said he also plans to scale back missile defense by \$1.4 billion, and he announced major cutbacks to the Army’s Future Combat Systems (FCS) initiative — currently among the DoD’s most expensive pet projects, with a total price tag approaching \$200 billion.

“Secretary Gates has taken the needed first step in both transforming our military capability and beginning to address a non-accountable acquisition system,” said Rep. Joe Sestak (D-Pa.), a member of the House Armed Services Committee. “His proposal begins to measure our military

by capability -- not solely by numbers of ships and planes-as it addresses the real threats of the future.”

The Pentagon’s “base budget” for 2010 — which does not include war outlays or spending on nuclear weapons — totals \$534 billion under Gates’ plan — 4 percent higher than 2009 (2.1 percent when adjusted for inflation). War funding for Iraq and Afghanistan pushes total defense spending to \$687 billion, or roughly 20 percent of the President’s total 2010 budget.

Most analysts agree the budget recommendations are a step in the right direction. For the past two decades the Government Accountability Office (GAO) has listed major weapons acquisition as a “high risk” area in its biennial report to Congress on government waste. In its recently released annual report on DoD’s acquisition of major weapon systems, the GAO found that 96 of the Pentagon’s biggest weapons contracts are now over budget by \$296 billion — a “staggering” sum in the agency’s words.

In a briefing paper released prior to Obama taking office, the GAO said the DoD’s current approach to planning and budgeting is “based on overly optimistic planning assumptions and lacks a strategic, risk-based framework for determining priorities and making investment decisions.”

Paul Francis, the director of acquisition and sourcing management at the GAO, says the Defense Secretary was forced to make hard choices between what are today’s actual needs, versus tomorrow’s possible needs.

“I think this was a clear signal that we need to focus more on the near term versus what could be in the future,” he said. “I think he’s addressed the right areas; I can’t say he’s fixed everything with this, but I’d say he’s certainly addressed some important things.”

Francis says the very act of drawing a line in the sand is a big step towards reform. “I’ve found the acquisition process is really good at saying yes but not very good at saying no,” he said. “So saying no to programs that represent too large an appetite, I think, is important from both a real [fiscal] and a symbolic standpoint.”

Yet some budget watchers say the Gates plan is far from perfect. “Overall, we would be spending seven times as much on military force as on international affairs and homeland security combined [under the Gates plan]” said NPP, in a briefing paper issued following the Defense Secretary’s announcement.

Jo Comerford, executive director of the group, says the proposal represents more of a “modest course correction” than the “sweeping change” it is being touted as.

“There’s clearly a groundswell happening in favor of a critical look at U.S. military spending, and that’s exciting,” said Comerford. “But when we look for a sweeping change, from a national priorities perspective, we look for a substantial decrease in military spending.” The Gates plan,

she added, must be viewed “in terms of a shifting within the largest military budget our nation will ever see, rather than cutting or reducing the size.”

But Comerford concedes that the deceleration in spending — roughly half the average annual spending increase under the Bush administration according to data compiled by the Center for Arms Control and Non-Proliferation — is, at least, an encouraging sign.

Not every program cut is expected to go smoothly. The move to drawback on missile defense, for instance — which would involve ending a planned increase in the number of ground-based interceptors in Alaska — elicited an immediate response from lawmakers. Within minutes of the announcement, Senator Joe Lieberman (ID-CT) joined Alaska’s two senators and several other legislators in drafting a letter to President Obama calling for full funding of U.S. missile defense programs.

And Republican Senators Saxby Chambliss and Johnny Isakson, both of Georgia where the F-22 is built, said they are “extremely disappointed” with the decision to halt the program and are lobbying to reverse the decision.

While he applauds the Defense Secretary’s reform initiative, Congressman Sestak says still more needs to be done to instill a level of discipline into the procurement culture.

“In the acquisition process, [Secretary Gates] has not taken enough action to enforce discipline in costing,” Sestak said. “We can have a more cost-efficient and effective military, but we must continue to transform our military in both the capabilities funded and how they’re acquired in order for both greater cost saving and greater capability to be achieved.”

On that point, Gates is throwing his weight behind a bipartisan legislative effort initiated by Senators Carl Levin (D-MI) and John McCain (R-AZ) that aims to strengthen congressional oversight of Pentagon programs. On February 23, the lawmakers teamed up to propose the Weapon Systems Acquisition Reform Act of 2009, which among other things would make it easier for Congress to eliminate unwieldy DoD programs. The bill would also place more responsibility on contractors when the price of a program exceeds contract costs.

The legislation seeks to give teeth to the Nunn-McCurdy provision, the current defense-spending oversight mechanism, which requires the Pentagon to justify continuing overcost programs, but offers little leverage for taking corrective action. McCain said he and Levin’s bill will “transform Nunn-McCurdy from a mere reporting requirement into a tool that can help the DoD manage out-of-control cost growth.”

“I am under no delusion that a single ‘silver bullet’ will remedy a fundamentally broken defense acquisition system, [but] the Weapon Systems Acquisition Reform Act of 2009 is an important next step in efforts to reform the system,” said McCain.

Both the President and the Secretary of Defense have applauded the senators’ action and have pledged to support the bill. But GAO’s Francis says that while he too supports every provision in

the Levin/McCain bill, having an effective stick may not be enough if the procurement process remains unsound.

“I think one of the questions you have to ask yourself is why aren’t some of these things happening as a matter of course?” he said. “You need to wonder why we need a legislative remedy, why aren’t these things happening already? The answer to that question gets at some of the root causes of the problems in the [Defense] department.”

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