

PRESIDENT OBAMA'S WAR BUDGET: ANALYZING THE NUMBERS

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President Obama's 2009 supplemental spending request to fund the wars in Iraq and Afghanistan is currently before Congress. The House Appropriations Committee will "mark up" (finalize its version) of a war funding bill at a committee hearing on May 7th. The full House will likely vote on the bill the following week. The objective is to have the bill finalized and to Obama for signature by Memorial Day.

President Obama is seeking an additional \$75.8 billion in war funds for this fiscal year. It is possible that Congress will add to this amount before final passage. If Congress enacts Obama's request, total war spending will come to \$144.6 billion for Fiscal Year 2009 (which ends on September 30, with Fiscal Year 2010 beginning on October 1). This compares to the \$186 billion war spending in 2008. Obama's proposed war budget for 2010 is \$130 billion.

At first glance, it is easy to conclude that the proposed 22 percent reduction in war spending from 2008 to 2009 represents a significant shift in war strategy and is indicative of a drawing down of the twin wars in Iraq and Afghanistan. Sadly, such a conclusion would be wrong.

What follows is a discussion of the three main components of the war budget: Personnel costs; Operation & Maintenance costs; and Procurement costs. This discussion is based upon data and material produced by the Department of Defense Comptroller; the Congressional Research Service; the budget justification materials of the branches of the military; and the Fiscal Year 2009 Bridge Fund appropriations passed by Congress last June. (Please see the end of this article for the source material used in preparing this analysis).

This discussion includes total war funding for 2009, including both that amount appropriated by the Democrat-controlled Congress last June and the amount being requested by Obama in the currently pending supplemental spending request. It should be noted that the war funds approved by Congress last year were contained in the bill crafted by the Democratic Party leadership.

It should also be noted that while funding levels are reduced from 2008 to 2009, in each of the three categories, President Obama is in fact seeking new funding to the tune of \$75.8 billion. That said, Personnel costs are reduced by \$1.7 billion in 2009. Operation & Maintenance costs are reduced by \$1.9 billion. Procurement costs are reduced by \$37 billion. Even so, a closer look at the numbers behind the numbers reveals that the reductions are not as significant as they may appear to be at first glance.

PERSONNEL COSTS:

Personnel costs will decline by \$1.8 billion in 2009. The Army, Air Force, and Marine Corps will all reduce personnel costs. A portion of these cost reductions will be offset by small increases in Personnel costs for the Navy as well as for the Marine Corps Reserve and for the Reserve and National Guard components of the Army and Air Force.

The Army's personnel costs will drop by \$2 billion, declining from \$13 billion in 2008 to \$11 billion in 2009. While this is a 15 percent decline, it also illustrates that all is not as it seems when reviewing top line budget numbers.

Two significant factors account for nearly all the reduction in the Army's personnel costs, neither of which is related to the Iraq and Afghanistan war effort. "Active Overstrength" costs are reduced by \$1.4 billion and "Recruiting and Retention" costs are reduced by \$0.8 billion.

“Active Overstrength” refers to the number of soldiers in the Army over-and-above the number provided for by Congress in the regular baseline Department of Defense budget. In 2008, Active Overstrength consisted of 43,632 soldiers. This declines to 15,658 soldiers in 2009. All this means—and all the \$1.4 billion reduction in associated costs means—is that the soldiers’ pay of 27,974 soldiers is now included in the baseline budget of the Army rather than being included in the supplemental spending bills.

Meanwhile, personnel costs for the Army Reserve and Army National Guard increase by \$1.1 billion in 2009, reflecting the increased number of Reserve and Guard units being deployed to one of the two wars.

The Army’s reduction in “Recruitment and Retention” costs is perhaps best explained by the current economic depression and the lack of other job opportunities.

OPERATION & MAINTENANCE

Operation & Maintenance funds decline by \$1.9 billion in 2009 (down to \$91.6 billion compared to \$93.5 billion in 2008). This category contains funds for U.S. military operations. It also contains funds for the training and development of the military and police forces in Iraq and Afghanistan. As fate should have it, it’s a decline in funding for Iraq’s military and police forces that results in the cost reduction in 2009.

Of the U.S. military services, only the Air Force receives a slight increase in Operation & Maintenance funding this year, increasing by \$0.5 billion. The Army’s O&M budget is reduced by \$1 billion; the Army National Guard by \$0.5 billion; the Navy by \$0.8 billion; and the Marine Corps by \$0.1 billion. The Air Force Reserve and Air National Guard together will receive \$0.4 billion less in O & M funds (thus offsetting the slight increase in the Air Force budget).

Notably, funding for “Operation and Maintenance – Defense Wide” increases by \$2.5 billion in 2009 (up to \$8.3 billion from the \$5.8 billion in 2008). Funding for the US Special Operations Command (SOCOM) is included in this category, as is funding for the Defense Security Cooperation Agency (DSCA). If Obama’s supplemental spending request is approved by Congress, total funding for SOCOM will be \$2.4 billion in 2009 and for the DSCA, \$1.7 billion.

Overall, the Operation & Maintenance funding for U.S. military forces comes out essentially the same this year--\$84.2 billion in 2009 compared to \$84 billion in 2008.

The cost savings in the overall Operation & Maintenance budget is to be found in those funds designated for the development and training of Iraq’s military and police forces. President Obama seeks no additional funds for the Iraq Security Forces Fund and only an additional \$415 million for the Iraq Freedom Fund. In 2009, funding for the Iraq Security Forces Fund is cut by \$2 billion and for the Iraq Freedom Fund by \$3.4 billion—for a total cut in funding of \$5.4 billion.

Resources are shifted to the Afghanistan Security Forces Fund, which will be increased by \$2.9 billion (to a total of \$5.6 billion in 2009). An entirely new Pakistan Counterinsurgency Capability Fund is created with Obama’s supplemental and will initially be funded with \$400 million for this fiscal year (which notably ends on September 30). Spending on the Afghanistan Security Forces Fund and the Pakistan Counterinsurgency Capability Fund account for a \$3.3 billion increase in war funds.

So what is left after all of the cost shifts discussed above? The U.S. will spend \$84.2 billion on the Operation & Maintenance budget of its own military in 2009—essentially the same as the \$84 billion spent in 2008. This compares to the \$75 billion spent in 2007; the \$60 billion

spent in 2006; and the \$48 billion spent in 2005. The Operation and Maintenance numbers in Obama's war budget do not provide significant evidence of a significant shift in the overall strategy for the wars in Iraq and Afghanistan.

PROCUREMENT

Procurement funding drops by \$36.9 billion in 2009—from \$64.9 billion in 2008 to \$28 billion in 2009. Yet it would be inaccurate to conclude that this 57 percent reduction in procurement funding represents a truly significant shift in funding for the Iraq and Afghanistan wars. The \$28 billion funding level still remains well above the \$22.9 billion appropriated in 2006 and the \$18 billion appropriated in 2005. Indeed, of the \$28 billion in total 2009 funding, \$21.9 billion is contained within the supplemental spending request submitted by Obama—in and of itself still above funding levels in 2005 and on a par with 2006.

Significantly, the year 2006 provides one explanation for the reduction in procurement funds in 2009 when compared to 2008 and 2007. In October 2006, Deputy Secretary of Defense Gordon England greatly expanded the parameters on the type of procurement spending that could be included in emergency supplemental spending requests. Prior to October 2006, the DOD financial regulations aimed to limit requests for supplemental spending requests to only cover the incremental costs of the two wars. In simple form, this meant that if a Stryker fighting vehicle is destroyed in Iraq then the Army could request a new Stryker as a replacement. The Air Force could replace Joint Direct Attack Munitions expended in the Iraq and Afghanistan wars. Used ammunition could be replenished. Yet even with this limitation in place, the Congressional Research Service and others questioned whether many of the items acquired by the military through the supplemental process were indeed incremental costs of war to replace

lost equipment – or whether at least some portion of the procurement monies was being used to upgrade existing equipment previously scheduled for upgrade, to acquire new equipment for the new modular structure of the Army, and to buy next generation weapons systems (each of which should have been funded through the regular baseline Department of Defense budget).

In October 2006, England directed the military to submit spending requests to not only cover the incremental costs of the wars in Iraq and Afghanistan, but also to include any new costs attributed to the so-called “long war on terror”.

Procurement appropriations exploded, jumping from \$22.9 billion in 2006 (the fiscal year immediately prior to England’s directive) to \$45.4 billion in 2007 (the first fiscal year under the new directive), and then to \$64.9 billion in 2008.

Thus, it is likely that the reduction in Procurement monies to be appropriated in 2009 simply reflects a reversal of England’s directive, with a shift back to a more normative budgetary process which seeks to limit new “emergency” procurement requests to those incremental costs directly related to the wars in Iraq and Afghanistan, rather than being reflective of significant shifts in the direction of the overall war strategy.

It is also possible that the reduction in procurement monies in 2009 reflects that previously appropriated procurement funds still remain available to be spent. Normally when Congress appropriates funds, those funds must be spent in that fiscal year or be lost. However, procurement monies remain available to be spent for up to three years after being appropriated by Congress. This often results in procurement funds being carried over from one fiscal year to the next. According to the Congressional Research Service, as of October 1, 2007, the Department of Defense carried over \$45 billion in war justified procurement appropriations into the new fiscal year.

The sharp reduction in procurement funds in 2009 may also be a result of the prior front-loading of procurement requests by the military. That is to say, in 2007 and 2008 the Department of Defense may well have requested surplus procurement funds as a buffer against future reductions in procurement funds. The Congressional Research Service notes that: “The FY 2007 and FY 2008 war requests both appear to include an extra year of Army and Marine Corps reset requirements. According to statements by Army Chief of Staff, General Peter J. Shoomaker and other military spokesman, Army reset is estimated to be \$12 billion to \$13 billion a year as long as the conflict lasts at the current level and ‘for a minimum of two to three years beyond’”.

With the passage of Obama’s war supplemental, the Army will be slated to receive a total of \$13.5 billion in procurement funds in 2009—essentially what General Shoomaker projected. So again, the question arises: does President Obama’s war budget for 2009 reflect a potentially significant shift in war strategy or does it merely reflect a return to a more normative budget pattern?

Last, as regards procurement, it ought to be noted that fully one-third of the reduction in 2009 Procurement funds will be the result of a \$12.4 billion reduction in funding for the Mine Resistant Ambush Protected (MRAP) vehicles. In 2008, Congress appropriated \$16.8 billion to rapidly acquire and deploy MRAPs for use in Iraq. In 2009, the \$4.4 billion is included in total spending for a new version of MRAPs to be designed and produced for use in the different terrain and environment of Afghanistan.

THE AFGHANISTAN – PAKISTAN WAR

Obama's 2009 war budget sheds light on the expansion of the war in Afghanistan and Pakistan. While overly broad conclusions perhaps should not be drawn from the available data, the trends are indeed troubling.

In its summary "Fiscal Year 2009 Supplemental Request" the Department of Defense states that funding for the Afghanistan war will increase to \$46.9 billion in 2009, a 31 percent increase over the \$35.9 billion in 2008 and the \$32.6 billion in 2007.

This \$11.3 billion increase includes an additional \$2.8 billion for the Afghanistan Security Forces Fund; \$400 million for the Pakistan Counterinsurgency Capability Fund; and \$4.4 billion for MRAPs designed for use in Afghanistan. Increased troop levels will also account for a portion of the increase.

Military construction projects in Afghanistan are expanded under Obama's war budget. In the 2009 supplemental now before Congress, Obama seeks an additional \$620 million to fund Army construction projects and \$240 million to fund Air Force construction projects. The Army projects include construction and upgrade of air facilities at various bases to accommodate the CH-47 Chinook helicopters and to construct additional troop housing to accommodate the increased troop levels.

The supplemental spending request also points towards the increased use of the MQ – 1 Predator and the MQ-9 Reaper drones in the war. Obama seeks \$57.4 million to acquire 742 Predator Hellfire missiles and \$196 million for ten new MQ-9 Reapers.

Funding is included to upgrade the MQ-1 and MQ-9 systems in order that a second remote split operations site can be established to control the drones. This second site is necessary since the current site is reaching its operational capacity for the control of the

increasing drone flights. As noted in the justification materials submitted by the Air Force: “Both Predator and MQ-9 Reaper conduct their missions through ‘Remote Split Operations’ whereby a minimum number of operators and maintenance personnel are deployed forward for launch and recovery of the aircraft. After launch, the aircraft is ‘handed-off’ to CONUS-based mission crews for actual mission prosecution. For this mode of operations, the command and control and full motion video (FMV) is currently relayed through a single forward communications site. This site is nearing capacity with the current increase in Predator operational tempo... This project procures satellite terminals and video dissemination equipment to establish a second remote split operations relay site.”

WHAT THE FUTURE MAY HOLD?

President Obama is seeking \$130 billion to fund the Iraq and Afghanistan wars in his budget request for 2010. This is a mere \$14 billion less than overall funding in 2009. It won't be possible to determine the direction Obama seeks to take war funding until the Department of Defense releases its justification materials to lay out how this \$130 billion will be spent.

Yet the reality that Obama's Fiscal Year 2010 request is only \$14 billion less than the 2009 war budget is not at all encouraging. Quite likely some minor reductions will take place in the Personnel costs of the budget, as the remaining Army Overstrength numbers are absorbed into the baseline military budget and as, perhaps, fewer National Guard and Reserve units are deployed to Iraq and Afghanistan. Perhaps some small reductions will take place within the Operation & Maintenance budget as brigade combat teams are withdrawn from Iraq, though savings may well be eaten up by increases in the O & M costs in Afghanistan as a troop buildup continues and military operations potentially intensify. Procurement costs may be slightly

reduced, though that may simply indicate a shift of procurement funds into the baseline military budget of the Department of Defense.

All of which is to say that our work to end the wars in Iraq and Afghanistan is really only just beginning anew. We should not allow ourselves to be deceived into believing that a shift in war strategy and policy is underway simply because of a reduction in appropriations for the war. The top dollar line is itself deceiving.

SOURCE MATERIAL:

"The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11" (Updated October 15, 2008), Congressional Research Service. By Amy Belasco (Specialist in U.S. Defense Policy and Budget Foreign Affairs, Defense, and Trade Division). Available at: <http://www.fas.org/sgp/crs/natsec/RL33110.pdf>

U.S. Department of Defense. Fiscal Year 2009 Supplemental Request. Summary Justification Material. April 2009. Available at: http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf

Office of the Secretary of Defense. "Fiscal Year (FY) 2009 Supplemental Request. Exhibits for FY 2009. Military Personnel. Operation and Maintenance. Procurement. Research, Development, Test and Evaluation. Military Construction. Revolving and Management Funds" (April 2009). Available at: <http://www.defenselink.mil/comptroller/Budget2009.html>

Fiscal Year 2009 Justification Materials produced by each branch of the military are available on-line at:

Army, <http://www.asafm.army.mil/budget/fybm/fybm.asp#sup>

Air Force, <http://www.saffm.hq.af.mil/budget/>

Navy and Marine Corps, http://www.finance.hq.navy.mil/fmb/09pres/supplemental/FY_2009_Overseas_ConOps_Sup.pdf

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