

CRS Report for Congress

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Authorization and Appropriations for FY2005: Defense

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The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of each annual session of Congress. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Defense. It summarizes the status of the bill, its scope, major issues, funding levels, and related congressional activity, and is updated as events warrant. The report lists the key CRS staff relevant to the issues covered and related CRS products.

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Authorization and Appropriations for FY2005: Defense

Summary

On May 20, 2004, the House passed its version of the FY2005 defense authorization bill (H.R. 4200). The Senate began floor consideration of its version of the bill (S. 2400) on May 17 but did not complete action before the Memorial Day recess. Senate Majority Leader Bill Frist has said that he intends to bring up other legislation when the Senate reconvenes on June 2 before returning to the defense bill, so the Senate may not resume action on the measure until the week of June 7. Meanwhile, House subcommittee markup of the FY2005 defense appropriations bill is scheduled the week of June 2.

The House authorization bill includes a measure authorizing \$25 billion in supplemental funding for operations in Iraq and Afghanistan. It also includes a controversial provision that would delay the next scheduled round of military base closures by two years until 2007. The Administration has threatened to veto the final bill if it includes a provision delaying base closures. The Senate narrowly rejected a somewhat different proposal to delay domestic base closures, making the issue a critical matter in conference. The House bill also includes an increase in statutory caps on active duty end-strength for the Army and Marine Corps. The Senate bill, as reported by the Armed Services Committee, includes a provision allowing the Secretary of defense to increase end-strength temporarily through FY2009, though there may be a floor amendment to increase statutory caps.

Other key unresolved issues on the Senate floor may include whether to authorize funding for Iraq and Afghanistan; whether to trim missile defense programs and allocate funds to other priorities; and whether to limit funding for the Robust Nuclear Earth Penetrator nuclear warhead.

Earlier, on February 2, 2004, the Administration released its FY2005 federal budget request. The request included \$423.1 billion in new budget authority for national defense, of which \$402.6 billion was for military activities of the Department of Defense, \$17.2 billion for atomic energy defense activities of the Department of Energy, and \$3.2 billion for defense-related activities of other agencies. The initial request did not include funding for ongoing military operations in Iraq, Afghanistan, and elsewhere, for which Administration officials said they expected to submit a supplemental appropriations request early in calendar year 2005. On May 12, however, the White House submitted an FY2005 budget amendment requesting \$25 billion in a contingency fund for Iraq and Afghanistan.

For the first time in some years, defense spending was a matter of debate in action on the annual congressional budget resolution, particularly in the Senate. As reported by the Budget Committee on March 5, the Senate version of the budget resolution (S.Con.Res. 95) recommended \$7 billion less for national defense than the Administration had requested. On March 10, however, the Senate approved an amendment by Senator John Warner to restore the funds. In the House, Budget Committee Chairman Jim Nussle dropped a proposal to recommend \$2 billion less for defense than the Administration requested.

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Authorization and Appropriations for FY2005: Defense

Most Recent Developments

On May 20, the House approved its version of the FY2005 defense authorization bill (H.R. 4200) by a vote of 391-34. The Senate began floor consideration of its version of the bill (S. 2400) on May 17 but did not finish before the Memorial Day Recess. Senate Majority Leader Bill Frist has said that he intends to bring up other legislation when the Senate reconvenes on June 2 before returning to the defense authorization. Key unresolved issues in the Senate include whether to authorize funding for operations in Iraq and Afghanistan; whether to trim missile defense programs and allocate funds to other priorities; and whether to limit funding for the Robust Nuclear Earth Penetrator nuclear warhead.

Overview: What the Defense Authorization and Appropriations Bills Cover

Congress provides funding for national defense programs in several annual appropriations measures, the largest of which is the defense appropriations bill. Congress also acts every year on a national defense authorization bill, which authorizes programs funded in several regular appropriations measures. The authorization bill addresses defense programs in almost precisely the same level of detail as the defense-related appropriations, and congressional debate about major defense policy and funding issues often occurs mainly in action on the authorization.

Because the defense authorization and appropriations bills are so closely related, this report tracks congressional action on both measures.

The annual defense appropriations bill provides funds for military activities of the Department of Defense (DOD), including pay and benefits of military personnel, operation and maintenance of weapons and facilities, weapons procurement, and research and development, as well as for other purposes. Most of the funding in the bill is for programs administered by the Department of Defense, though the bill also provides (1) relatively small, unclassified amounts for the Central Intelligence Agency retirement fund and intelligence community management, (2) classified amounts for national foreign intelligence activities administered by the CIA and by other agencies as well as by DOD, and (3) very small amounts for some other agencies.

Several other appropriations bills also provide funds for national defense activities of DOD and other agencies — see **Table A-1** in the **Appendix** for a list and

for budget amounts. This report does not generally track congressional action on defense-related programs in these other appropriations bills, except for a discussion of action on some Department of Energy nuclear weapons programs in the energy and water appropriations bill.

Status of Legislation

Congress began action on the annual defense authorization bill the week of May 3. The House Armed Services Committee began subcommittee markup of its version of the FY2005 national defense authorization (H.R. 4200) on May 5, and completed full committee markup on May 12. The Senate Armed Services Committee completed full committee markup of its version of the bill (S. 2400) on May 7. Floor action on S. 2400 began in the Senate on May 17. Floor action on H.R. 4200 is scheduled to begin on May 19.

Earlier, the Senate passed its version of the FY2005 concurrent budget resolution (S.Con.Res. 95) on March 12, and the House passed its version (H.Con.Res. 393) on March 25. Conferees have met but have not reached agreement on the measure.

Table 1a. Status of FY2005 Defense Appropriations

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	

Table 1b. Status of FY2005 Defense Authorization: H.R. 4200, S. 2400

Full Committee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
5/12/04	5/7/04	5/13/04 H.Rept. 108-491		5/11/04 S.Rept. 108-260					

Highlights of Congressional Action

The Senate has not yet finished floor action on its version of the annual defense authorization bill, so significant changes from the committee-reported version are likely. In action to date, the House and Senate versions of the bill differ on a number of major policy issues. Key issues include

- **Funding for operations in Iraq and Afghanistan:** The House approved a \$25 billion fund for ongoing military operations. The Senate is expected to address the issue in a floor amendment, but no draft has been released as yet.
- **Army and Marine Corps end-strength:** The House added 10,000 positions to the statutory cap on Army end-strength and 3,000 positions to the cap on Marine Corps end-strength in FY2005, with increases of the same amount in FY2006 and FY2007, for a total increase of 39,000. The House committee assumed that the costs of the increase in FY2005 will be paid for, not out of regular funds, but out of additional funding for Iraq — in the \$25 billion contingency fund for the first part of the fiscal year and/or in later supplemental appropriations. The Senate committee did not change statutory end-strength but, instead, gave the Secretary of Defense authority to increase Army end-strength by up to 30,000 through FY2009.
- **Military base closures:** The House approved a measure that would delay the next round of military base closures now planned for 2005, until 2007, and that would require a number of reports in the interim. By a vote of 49-47, the Senate rejected an amendment that would have delayed domestic base closures until 2007.
- **Health care for reservists:** The Senate committee approved a measure to establish a new health insurance program for non-deployed reservists and their dependents, called TRICARE Reserve Select. Under the program, employers could agree to pay part of the cost of the program, with reservists paying the remaining cost, or reservists could sign up by paying the full cost. The House bill established a three-year demonstration program for providing health insurance through TRICARE for reservists without access to employer-provided health insurance. The Senate bill also provided for a similar two-year demonstration program.
- **Navy DD(X) and LCS ship construction:** The House cut money from the request to begin construction of the first DD(X) destroyer and the first Littoral Combat Ship (LCS), though it approved continued development funding for both programs. The Administration requested \$222 million in R&D funding for the DD(X) to begin construction of the first ship of the class and \$107 million, also in R&D funds, for construction of the first Littoral Combat Ship (LCS). The Senate committee approved the requested

construction funds and also added \$99 million in design funds to accelerate production of a second DD(X) destroyer.

- F/A-22 fighter: The Senate committee trimmed the request from 24 to 22 aircraft, saving \$280 million. The House supported the full 24 aircraft, \$4.2 billion procurement request.
- Army Future Combat System (FCS): The House trimmed \$245 million from the FCS program and imposed a requirement that the Army more fully justify the program. The Senate provided the full \$3.2 billion requested.
- KC-767A tanker acquisition: The House approved a measure to require the Air Force to enter into a contract to acquire Boeing 767 tanker aircraft. The Senate committee took no action.
- Next generation bomber: The House added \$100 million, which the Administration did not request, to begin development of a new bomber. The Senate committee took no action.
- Military Survivor Benefit Plan: The House approved a measure that was adopted in markup to increase benefits to surviving dependents of military retirees. The Senate committee took no action.
- U.S. troops in Colombia: The Senate agreed to an Administration request to increase a legislative cap on U.S. military personnel in Colombia from 400 to 800 and to increase the cap on contractors from 400 to 600. The House committee adopted an amendment in markup to increase the limit on U.S. military personnel to 500, while it kept the current limit on contractors intact.
- Limitations on offsets for weapons contracts with foreign nations: The House approved a measure to limit the amount of offsets that may be provided in connection with contracts for sales of U.S. military equipment to foreign nations. The Senate committee took no action.

House Defense Authorization Markup

The House marked up its version of the defense authorization bill on May 12. Some highlights of the committee-reported bill include the following.

Military Personnel End-Strength, Pay, and Benefits.

- Increased statutory end-strength for the Army by 10,000 troops each year from FY2005 through FY2007 and for the Marine Corps by 3,000 troops each year through FY2007.
- Approved the requested pay raise of 3.5% for uniformed personnel.

- Approved a measure to increase annuities for survivors of military retirees over age 62 from 35% of retired pay to 55% in increments through FY2008.
- Eliminated a statutory limit on funding for military housing privatization.
- Permanently increased the Family Separation Allowance from \$100 to \$250 per month and increased Imminent Danger Pay from \$150 to \$225 per month. Also increased hardship duty pay, which may be provided to troops outside of combat zones, from \$300 to \$750 per month.
- Permanently extended to all hospitalized personnel a provision in the FY2004 defense appropriations act (P.L. 108-283) that eliminated a requirement that military personnel pay for meals while hospitalized for combat-related injuries.
- Directed the Defense Department to establish a three-year demonstration program that would permit non-deployed reservists not eligible for employer-sponsored health benefits to sign up for health insurance through the military-run TRICARE program.
- Required separate campaign medals for Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom.
- Directed the Secretary of Defense to submit proposed changes in the Uniform Code of Military Justice regarding sexual assaults. Also extended the term of a task force on sexual assaults.

Major Weapons Programs.

- Provided \$10.0 billion for missile defense programs, \$177 million below the request, cut funding for kinetic interceptor development by \$200 million, and added \$90 million for additional Patriot PAC-3 missiles.
- Required the Air Force to enter into a multi-year contract to acquire Boeing KC-767A tanker aircraft. Also required that a new contract be negotiated after June 1, 2004, and that an independent panel review the contract terms.
- Approved the requested shift of funds from Comanche helicopter development to other Army aviation and related programs.
- Approved \$2.9 billion, as requested, for 42 F/A-18E/F aircraft.
- Approved \$4.6 billion, as requested, for F-35 Joint Strike Fighter development.

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- Added \$100 million to begin development of a next-generation bomber.
- Added \$118 million to procure 35 UH-60 Army helicopters, rather than the 27 requested.
- Added \$150 million as an initial increment for construction of a new LHD(R) amphibious ship.
- Provided about the requested amounts to procure three DDG-51 destroyers, one Virginia-class attack submarine, one LPD-17 amphibious ship, and two T-AKE auxiliary ships.
- Approved funds for continued development of the DD(X) destroyer and the Littoral Combat Ship (LCS) but eliminated \$221 million from the DD(X) program and \$107 million from the LCS budget to begin constructing the first of each class of ships.
- Adopted an amendment in the committee markup to prohibit leasing of support ships from foreign providers for more than one year.

Other Key Actions.

- Added substantial funds for force protection and related programs, including \$705 million for up-armored Humvees, \$332 million for add-on armor for Humvees and trucks, \$421 million for body armor, and \$517 million for the Army's Rapid Fielding Initiative. Also passed a separate measure, H.R. 4323, to provide statutory authority to the Secretary of Defense to procure equipment needed for combatant commands rapidly by waiving normal acquisition requirements.
- Approved a provision that would require the Defense Department to submit several reports related to military basing requirements by March of 2006 and only then permit a new round of military base closures no sooner than 2007.
- Approved a measure that would require that foreign countries receive no more in trade offsets as a percentage of the value of a contract for purchasing U.S. military equipment than the percentage of domestic content required for U.S.-purchased military equipment.
- Approved one provision to tighten restrictions on transfer of technology with potential military utility to China and another to expand the number of Chinese firms defined as a "military company" to which sales are restricted.
- Approved an amendment offered in committee mark-up to strengthen requirements that Defense Department civilian employees

be allowed to compete for operations that otherwise would be outsourced.

- Provided \$409 million, as requested, for the Cooperative Threat Reduction program.
- Approved funding as requested for Robust Nuclear Earth Penetrator R&D and for other research on new nuclear weapons.

House Floor Action

On Tuesday, May 18, the House Rules Committee met to consider proposed amendments to H.R. 4200 and to decide which to allow for debate on the House floor. The committee reported a rule (H.Res. 648) on May 19, as debate on the bill was scheduled to begin. Several leading Democrats, including Representative Martin Frost, the ranking member of the Rules Committee, Representative Ike Skelton, the ranking member of the Armed Services Committee, and Representative John Spratt, the second ranking member of the Armed Services Committee, opposed the rule because it did not make in order several proposed amendments.

Amendments Not Made in Order.

All of the senior Democrats who opposed the rule complained, in particular, that the rule did not make in order an amendment proposed by Representative Spratt to transfer \$414.4 million from specified missile defense programs to provide targeted military pay raises, Marine Corp force protection measures, and improvements to the Patriot PAC-3 missile defense system. Other amendments not made in order by the rule included

- An amendment by Representative Loretta Sanchez to make penalties for sexual abuse crimes under the Uniform Code of Military Justice consistent with penalties under the U.S. Code.
- An amendment by Representative Jane Harman to limit missile defense funding to the FY2004 level, which is about \$1.2 billion below the FY2005 request, to require operational testing before missile defense systems are deployed, and to authorize \$500 million for port security;
- An amendment by Representative John Tierney to require operational testing before deploying missile defense systems;
- An amendment by Representative Jim Cooper to authorize \$67.7 billion in supplemental appropriations for military operations in Iraq and Afghanistan; and
- An amendment by Representative Ed Markey to delete \$29.8 million requested in the Department of Energy for a new facility to produce plutonium pits for nuclear weapons.

- An amendment by Representative Jim Matheson to require congressional authority for renewed nuclear testing.
- An amendment by Representative Adam Schiff to add \$200 million to Department of Energy non-proliferation programs.
- An amendment by Representative Norm Dicks also to require the Defense Department to follow a formal process in making new rules for civilian personnel in DOD, to consult unions about the rules, and to allow congressional review.
- An amendment by Representatives Jay Inslee and Chris Van Hollen to provide specified civil service protections for civilian defense employees.
- An amendment by Representative Joel Hefley, to provide a right of appeal and some other protections to groups of as few as 10 federal employees whose jobs are being studied for privatization.
- An amendment by Representative Tom Lantos to require federal agencies to make up lost wages of employees who are military reservists mobilized for service, and to establish a cost-sharing plan with state and local governments to eliminate losses for state and local government employees.
- An amendment by Representative Jose Serrano to provide health screening for military personnel exposed to depleted uranium.

Amendments Agreed To.

Of the amendments made in order, selected amendments that the House agreed to include

- An amendment by Representative Virgil Goode to allow military personnel to assist in border protection (231-191);
- An amendment by Representative Duncan Hunter expressing the sense of Congress concerning the abuse of persons in custody in Iraq (416-4);
- An amendment by Representative Kendrick Meek to require the Secretary of Defense to identify mission-critical information that should be transmitted immediately from the field to senior Defense Department officials and to set up mechanisms to transmit such information;
- An amendment by Representative Alcee Hastings of Florida that expresses the sense of Congress that no funds available to any department or agency of the United States government may be used to provide assistance for the reconstruction of Iraq unless the

President certifies to Congress that the United States has entered into an agreement with the Iraqi Governing Council or a transitional government in Iraq under which Iraq agrees that it will expend a significant portion of its revenues generated from oil production for reconstruction;

- An amendment by Representative Curt Weldon expressing the sense of Congress that the Secretary of Defense should assist the Iraqi government in destroying the Abu Ghraib prison and replacing it with a modern detention facility (308-114);
- An amendment by Representative Ike Skelton on behalf of Representative Louise Slaughter and others, requiring the Secretary of Defense to develop a comprehensive policy for the Department of Defense on the prevention of and response to sexual assaults involving members of the Armed Forces and requiring DOD to take related measures to address sexual assaults involving members of the Armed Forces (410-0);
- An amendment by Representative Norm Dicks requiring the Air Force to enter into a contract to acquire KC-767 tanker aircraft by March 1, 2005 (in Hunter en bloc amendment);
- An amendment by Representative Alcee Hastings to add \$100 million for Department of Energy cleanup (in Hunter en bloc amendment);
- An amendment by Representative Donald Manzullo to require the job creation in the United States be a factor in determining contract awards (in Hunter en bloc amendment);
- An amendment by Representative Curt Weldon to give rural firefighting agencies priority in acquiring excess defense property (in Hunter en bloc amendment);
- An amendment by Representative Henry Brown to give state and local health agencies priority in acquiring excess defense property (in Hunter en bloc amendment);
- A second amendment by Representative Henry Brown to require the Secretary of Defense to consider establishing a joint medical care facility with the Veteran's Administration when requesting funds for health facility construction (in Hunter en bloc amendment);
- An amendment by Representative Brian Baird requiring the Defense Department to study and issue a report to Congress on mental health services available to U.S. military personnel deployed to combat theaters (in Hunter en bloc amendment);

- An amendment by Representative Zach Wamp making changes to the Energy Employees Occupational Illness Compensation Program; and
- An amendment by Representative Jim Ryun requiring the Secretary of Defense to initiate senior officer official educational programs with Taiwan (290-132).

Amendments Rejected.

Of the amendments made in order under the rule, the House rejected

- An amendment by Representative Susan Davis to repeal the prohibition on servicewomen and female military dependents from using their own funds for abortions at overseas military hospitals (202-221);
- An amendment by Representative Mark Kennedy to delete the provision in the House committee bill that would delay military base closures until 2007 (162-259); and
- An amendment by Representative Ellen Tauscher to reduce funds for the Robust Nuclear Earth Penetrator nuclear warhead and other new nuclear weapons R&D by \$36.6 million, the total amount requested, and to transfer the funds to intelligence programs and conventional weapons to defeat hardened and deeply buried targets (204-214).

Senate Defense Authorization Markup

The Senate Armed Services Committee finished marking up its version of the FY2005 defense authorization bill (S. 4200) on May 6. Some highlights of the committee-reported version of the bill include

Military Personnel End-Strength, Pay, and Benefits.

- Gave the Secretary of Defense authority to increase Army active duty end-strength by up to 30,000 through FY2009. The committee did not, however, increase permanent statutory end-strength.
- Approved the requested pay raise of 3.5% for uniformed personnel.
- Increased the Family Separation Allowance from \$100 to \$250 per month and increased Imminent Danger Pay from \$150 to \$225 per month. These measures make permanent increases that Congress approved last year in the FY2003 and FY2004 Iraq supplemental appropriations bills.
- Established a two-year demonstration program to allow non-deployed military reservists not eligible for employer-sponsored

health insurance to sign up for health insurance through the military-run TRICARE program.

- Also established a new health insurance program, called TRICARE Reserve Select, under which reservists and their dependents may sign up for health insurance through TRICARE, with employees paying 28% of the cost, as in the federal civilian health program, if employers agree to cover the remaining cost, or 100% if employers do not cover part of the cost.
- Also made permanent a provision in the FY2004 Iraq supplemental that temporarily gave reservists earlier eligibility for pre-deployment medical care.
- Added \$400 million to the request for reserve medical care.
- Established a commission on the National Guard and Reserves.
- Required separate campaign medals for Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom.
- Extended to all hospitalized personnel a provision in the FY2004 defense appropriations bill that eliminated a requirement that military personnel pay for meals while hospitalized for combat-related injuries.
- Directed the Secretary of Defense to establish a uniform policy on sexual assault.

Major Weapons Programs.

- Approved \$10.2 billion, approximately the amount requested, for missile defense programs, though the committee trimmed funds for kinetic interceptor development and added funds for ground-based mid-course defense and for additional Patriot PAC-3 missiles.
- Added \$35 million for cost overruns on the Space Based Infrared System-High early warning satellite and \$35 million for the Advanced Extremely High Frequency communication satellite.
- Approved the requested shift of funds from Comanche helicopter development to other Army aviation and related programs.
- Approved the requested \$905 million for Stryker medium armored vehicle procurement.
- Approved the requested \$3.2 billion for Army Future Combat System development.

- Approved requested funds for three DDG-51 destroyers, one Virginia-class submarine, one LPD-17 amphibious ship, and two T-AKE auxiliary ships.
- Added \$150 million as the first increment of funding for procurement of the first of the new LHA(R)-class of amphibious assault ships.
- Approved \$1.5 billion, as requested, for DD(X) destroyer development, including \$221 million in the R&D accounts for design and the start of production of the first ship of the class, and added \$99.4 million to accelerate design of the second ship.
- Approved \$1.5 billion, as requested for Littoral Combat Ship (LCS) development, including \$107 million for design and the start of production of the first ship of the class.
- Authorized \$2.9 billion for 42 Navy/Marine F/A-18E/F aircraft, as requested.
- Approved \$3.6 billion for F-35 Joint Strike fighter development, adding \$15 million for the short-takeoff variant.
- Approved \$3.4 billion for 22 F/A-22 fighters, a reduction of \$280 million and 2 aircraft from the request.
- Authorized \$708 million, as requested, for the Joint Unmanned Combat Air vehicles program.

Other Key Actions.

- Added substantial amounts for force protection and related measures, including \$925 million for up-armored Humvees and add-on armor (the Administration requested \$163 million for 818 up-armored Humvees), \$603 million for force protection gear and combat clothing, and \$107 million for the Army Rapid Fielding Initiative (designed to deploy high priority items rapidly to the soldiers in the field) and for Army and Marine individual equipment.
- Provided \$11 billion, an increase of \$445 million over the request, for basic and applied research.
- Approved \$409 million, as requested, for the Cooperative Threat Reduction program that finances programs to safeguard or eliminate weapons in the former Soviet Union. Also allowed funding for a chemical demilitarization plant in Russia about which there has been a longstanding disagreement between the House and Senate.
- Approved \$1.3 billion, as requested, for Department of Energy non-proliferation programs.

- Approved requested funding for the Robust Nuclear Earth Penetrator and for other nuclear weapons R&D.
- Approved a potentially controversial legislative measure regarding handling of radioactive waste at the Savannah River nuclear plant.
- Agreed to an Administration request to increase a legislative cap on U.S. military personnel in Colombia from 400 to 800 and to increase the cap on contractors from 400 to 600.

Senate Floor Action

The Senate began floor action on S. 2400 on May 17, when it approved an amendment by Senator Hutchison to authorized medical and dental care for military academy cadets and midshipmen. Through the rest of the week, the Senate disposed of only a few more amendments, in part because members of the Armed Services Committee were involved in hearings on the Iraq prison abuse scandal.

Amendments Agreed To.

The Senate cleared a number of technical amendments that were agreed to by both sides. Some selected other substantive amendments agreed to included

- An amendment by Senator Pete Domenici, S.Amdt. 3192, to accelerate non-proliferation measures aimed at removing and safeguarding fissile materials abroad;
- An amendment offered by Senator Carl Levin on behalf Senator Robert Byrd, S.Amdt. 3212, to increase the authorized size of the defense acquisition work force by 15% over the next three years;

Amendments Rejected.

The most high-profile debate in the Senate's first week of action on the authorization was over an amendment by Senators Trent Lott, Byron Dorgan, and others to delay domestic military base closures by two years. Amendments rejected include

- An amendment by Senators Trent Lott, Byron Dorgan, Olympia Snowe, Diane Feinstein, Thad Cochran, and Tom Daschle (S.Amdt. 3158) to delay by at least two years the next round of domestic military base closures, to permit only bases abroad to be closed in 2005, and to provide that Congress must renew authority for base closures to occur in 2007 by approving a joint resolution to be considered under expedited procedures (rejected 47-49).
- An amendment by Senator Frank Lautenberg and others, S.Amdt. 3151, to strengthen measures designed to prevent U.S.-based

companies from engaging in business with nations found to sponsor international terrorism (rejected 49-50); and

- An amendment by Senators John Kyl and John Coryn, S.Amdt. 3191, to raise funds for defense programs by imposing an excise tax on lawyers fees exceeding \$20,000 per hour in tobacco cases (rejected 39-62).

Additional Amendments.

Much of the time the Senate spent on the bill on the floor was devoted to debate over provisions in the committee bill, Sections 3116 and 3119, and a related amendment by Senator Lindsey Graham, S.Amdt. 3170, that would allow certain nuclear waste at the Department of Energy's Savannah River facility to be defined as low-level waste that can be stored permanently on site. Senator Maria Cantwell argued against these provisions, and she, along with Senator Fritz Hollings, may offer an amendment to delete the bill language when the Senate resumes action.

Many other amendments have been proposed or discussed, including

- Senator John Warner, the chairman of the Armed Services Committee, said he would offer, along with Senator Carl Levin, the ranking Democrat, an amendment to authorize \$25 billion for operations in Iraq and Afghanistan. Senator Levin has said that any funding should include stronger reporting and oversight requirements than the Administration proposed.
- Senator Russell Feingold, with others, proposed an amendment, S.Amdt. 3154, to allow up to 12 weeks of leave under the Family and Medical Leave Act of 1993, needed due to mobilization of a family member of active military duty.
- Senator Tom Daschle has mentioned that he may offer an amendment to provide full health insurance for non-deployed reservists through the military TRICARE program, with the government paying the employer share of the costs (set at 62% following the governments system for civilian personnel). The committee bill includes a measure allowing reservists access to TRICARE private employers to pay the employer share or if reservists pay 100% of the costs.
- Senator Mary Landrieu has proposed a bill to increase payments to over-62 family members of military retirees under the military Survivor Benefits Program, and many expect that she will offer a similar proposal as a amendment to the defense authorization.
- Senators Jack Reed said that he would offer an amendment, co-sponsored by Senators Chuck Hagel and John McCain, to increase statutory Army end-strength by 20,000.

- Senator Reed also said that he would offer an amendment, co-sponsored by Senators Carl Levin and Jon Corzine, to ensure more oversight of missile defense programs.
- Senator Saxby Chambliss is reportedly considering an amendment to restore full requested funding for F-22 procurement.
- Senators Mark Dayton and Elizabeth Dole may offer “Buy American” amendments.
- Several Senators on the Armed Services Committee offered amendments on missile defense in the committee markup of the bill that the committee did not accept, and some of them may be proposed on the floor.

Overview of the Administration Request

On February 2, 2004, the Administration released its FY2005 federal budget request. The request includes \$423.1 billion in new budget authority for national defense, of which \$402.6 billion is for military activities of the Department of Defense, \$17.2 billion for atomic energy defense activities of the Department of Energy, and \$3.2 billion for defense-related activities of other agencies. The request does not include funding for ongoing military operations in Iraq, Afghanistan, and elsewhere, for which Administration officials have said they expect to submit a supplemental appropriations request early in calendar year 2005.

Table 2 shows the Administration projection of funding for the national defense budget function from FY2005 through FY2009, including requested funding for Department of Defense military activities and for defense-related activities of the Department of Energy and other agencies. It also shows the Administration’s estimate of FY2004 funding.

The FY2004 amounts are not directly comparable to figures for later years, because they include supplemental appropriations for operations in Iraq, Afghanistan, and elsewhere, while the Administration projections for FY2005 and beyond do not. **Table 3** shows Department of Defense funding for FY2004 with and without supplemental appropriations compared to the FY2005 request.

**Table 2: National Defense Budget Function, FY2004-FY2009,
Administration Projection**
(budget authority in billions of dollars)

	Estimate FY2004	Request FY2005	Proj. FY2006	Proj. FY2007	Proj. FY2008	Proj. FY2009
Military Personnel	117.7	106.3	110.9	114.7	118.4	122.1
Operation & Maintenance	168.5	141.2	146.8	151.8	156.9	164.6
Procurement	80.9	74.9	80.4	90.6	105.1	114.0
RDT&E	64.7	68.9	71.0	70.7	71.6	70.7
Military Construction	6.0	5.3	8.8	12.1	10.8	10.2
Family Housing	3.8	4.2	4.6	4.5	3.6	3.5
Other	0.2	1.7	1.1	0.5	0.2	3.7
Subtotal, Department of Defense	441.7	402.6	423.7	444.9	466.8	488.9
Department of Energy, Defense-Related	16.8	17.2	18.1	17.6	16.7	16.9
Other Agency Defense- Related	2.1	3.2	2.3	2.3	2.4	2.4
Total, National Defense	460.5	423.1	444.0	464.8	485.8	508.2

Source: Office of Management and Budget, *Historical Tables: Budget of the United States Government for FY2005*, Feb. 2004; Department of Defense, *National Defense Budget Estimates for FY2005*, Mar. 2004.

**Table 3: Department of Defense Budget, FY2004-FY2005,
With and Without FY2004 Supplemental Funding**
(budget authority in billions of dollars)

	FY2004 With Supple- mental	FY2004 Supple- mental	FY2004 Without Supple- mental	FY2005 Request	FY2004- FY2005 Change Without Supple- mental
Military Personnel	117.7	17.8	99.9	106.3	+6.4
Operation & Maintenance	168.5	40.3	128.2*	141.2	+13.0
Procurement	80.9	5.5	75.4	74.9	-0.5
RDT&E	64.7	0.3	64.3	68.9	+4.6
Military Construction	6.0	0.5	5.5	5.3	-0.2
Family Housing	3.8	0.0	3.8	4.2	+0.4
Other	0.2	0.6	-0.5	1.7	+2.2
TOTAL	441.7	65.1	376.6	402.6	+26.0

Sources: Department of Defense, *Financial Summary Tables, FY2005 Budget*, February 2004.

***Note:** The FY2004 total shown for Operation and Maintenance (O&M) includes an offsetting rescission of \$3.5 billion. Without the rescission, the total for O&M, not including supplemental funding, is \$131.7 billion, which is the total of programmatic funding available to DOD, and which is most comparable to the \$141.2 billion requested for O&M in FY2005. The FY2004 figures shown include total offsetting rescissions of \$6.1 billion.

With one exception, the Administration's FY2005 defense request does not mark a dramatic departure from plans officials have presented to Congress over the past couple of years.

The exception is the Army's decision to terminate the Comanche helicopter program. Otherwise, the Administration's request mainly reflects ongoing trends in the defense budget, including

- continued growth in operation and maintenance and in military personnel costs; and
- continued growth in a few very large weapons programs, including the Air Force F-22 fighter, the multi-service F-35 Joint Strike Fighter (JSF), the Navy's DD(X) destroyer and Littoral Combat Ship (LCS) programs, the Army's Future Combat System, and, largest of all, missile defense.

Comanche Termination

On February 23, two weeks after the budget was released, the Army announced a decision to terminate development of the Comanche helicopter and to shift budget savings into other Army aviation programs. In all, the Army spent about \$8 billion on the Comanche prior to FY2005 and estimated that its plan to acquire 650 aircraft through FY2014 would cost an additional \$29 billion. Halting the program will save about \$1.2 billion in FY2005, \$8.9 billion from FY2005-FY2009, and, according to Army officials, \$14.6 billion from FY2005-FY2011, minus termination costs estimated at \$450-\$680 million. Army officials said they would reallocate all of these funds to other Army helicopter, missile, and unmanned aerial vehicle (UAV) programs. On March 3, 2004, the White House submitted a budget amendment that shifts FY2005 Comanche funds to other Army programs.

Continued Growth in Operation and Maintenance and in Military Personnel Costs

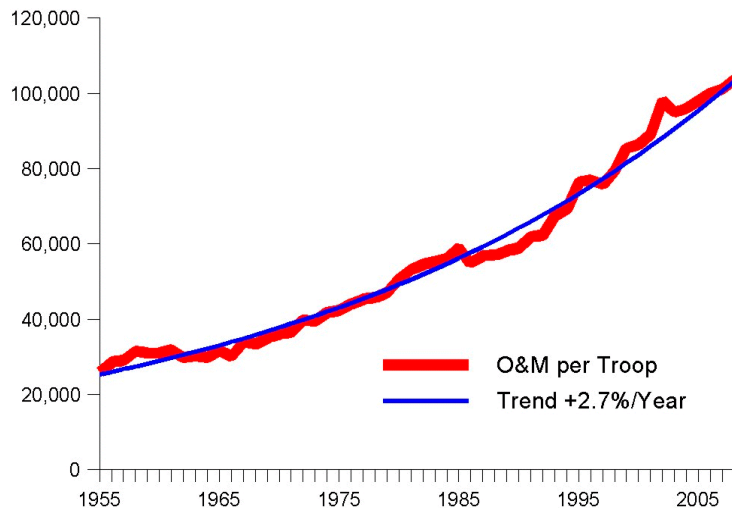
As **Table 3**, above, shows, the Defense Department's FY2005 budget is about \$26 billion higher than the baseline FY2004 budget (i.e., excluding FY2004 supplemental funding). Of that increase, \$6.4 billion is for military personnel and \$13.0 billion for operation and maintenance (O&M). The O&M increase is a bit overstated because the FY2004 base reflects a \$3.5 billion rescission in FY2003 emergency supplemental funds. But even after adjusting for the FY2004 rescission, over 70% of the requested DOD increase between FY2004 and FY2005 is for personnel and O&M.

Operation and Maintenance Costs Trends. For O&M, this is not a new story. As **Figure 1** shows, after adjusting for inflation and for changes in the size of the force, total operation and maintenance funding has grown at a very steady rate of just over 2.5% per year above inflation ever since the end of the Korean War. Many things explain the trend: (1) the steadily growing cost of operating and maintaining new generations of more capable and sophisticated weapons; (2) efforts to improve

the extent and quality of military training; (3) efforts to ensure that the quality of life in the military keeps up with the quality of life in the civilian sector as the military has shifted to an all volunteer, older, more commonly married, and more skilled force (this is reflected, among other things in growing health care costs and in expenditures to operate facilities); and (4) modest but steady real growth in the compensation of DOD civilian personnel, most of whom are paid with O&M funds. The cost of maintaining aging equipment in recent years does not appear to be major factor.¹

Over the years, the Defense Department has perennially tried to slow the growth of O&M costs. Efficiency measures — including base closures, outsourcing, business process reforms, and attempts in the acquisition process to improve weapons reliability — may have had some effect, but not enough to slow the long-term trend perceptibly. Experience during the Clinton Administration may be an object lesson. Pentagon officials often projected that O&M costs would level off. When they did not, more money had to be found to make up O&M shortfalls, sometimes at the expense of procurement accounts and at other times from increases in the defense total. For its part, the Bush Administration has built into its budgets an expectation that O&M costs will continue to rise.

Figure 1: Operation and Maintenance Budget Authority Per Active Duty Troop, FY1955-FY2009
(Constant FY2005 dollars)



Recent Rapid Growth in Military Personnel Costs. Military personnel costs have also grown over time, particularly since the inception of the all volunteer force in 1973. Until FY2000, the rate of growth was relatively modest. Beginning with the FY2000 defense bills, however, Congress, sometimes at the Pentagon's request and sometimes not, has approved a series of increases in military pay and benefits that have driven up personnel costs dramatically. These increases include

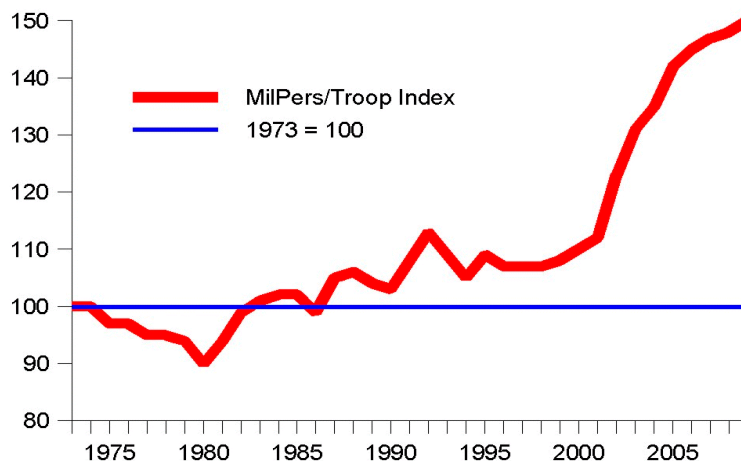
¹ For a detailed analysis, see Congressional Budget Office, *The Effects of Aging on the Costs of Operating and Maintaining Military Equipment*, August 2001.

- Annual military pay raises pegged at 0.5% above the “employment cost index,” a measure of pay rates in the civilian sector;
- “Pay table reform” which gave larger, often substantial, pay raises to targeted mid-level personnel in an effort to ensure retention of skilled people;
- Repeal of a 1986 measure, known as “REDUX,” that had reduced retirement benefits for personnel entering the force after that time;
- A plan to reduce out-of-pocket housing costs for personnel living off base by increasing housing allowances enough to eliminate differences with on-base housing; and
- Most expensive of all, in the FY2001 defense authorization, a measure known as “TRICARE for Life” to provide full health care benefits to over-65 military retirees.

Figure 2 shows the trend in total military personnel funding, adjusting for inflation and for changes in the size of the force, indexed to 1973, the first year of the all-volunteer force.² By this measure, uniformed military personnel are 30% more expensive in FY2005 than in FY1999. While the rate of growth may level off over the next few years, annual pay raises and other changes in benefits start from a much higher base than just a few years ago, and very high personnel costs are a fact of life in long-term military budget planning.

**Figure 2: Military Personnel Budget Authority
Per Active Duty Troop, FY1973-FY2009**

(Constant FY2005 dollars using CPI-W indexed to FY1973)



Growth of Large Acquisition Programs

Compared to the FY2000 defense budget — the last full budget approved without subsequent supplemental funding during the Clinton Administration — the

² CRS calculations, using DOD data on Military Personnel funding and end-strength and adjusted for inflation using the CPI-W. The CPI-W is used rather than DOD deflators because DOD deflators simply count pay raises as inflation. The measure used here tracks changes in military personnel pay and benefits relative to inflation for typical wage earners.

Bush Administration's FY2005 request reflects a substantial increase in funding for major weapons acquisition programs. Over the five year period, without adjusting for inflation, weapons procurement is about 36% higher, and, strikingly, research, development, test, and evaluation (RDT&E) is 78% higher (see **Table 4**).

Table 4: Increases in Funding for Selected Acquisition Programs, FY2000-FY2005
(budget authority in millions of current year dollars)

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Missile Defense						
Procurement	50	389	754	756	818	577
RDT&E	4,455	4,929	6,946	6,801	8,163	9,594
Total	4,505	5,318	7,700	7,557	8,981	10,171
Joint Strike Fighter/F-35						
RDT&E						
Navy	238	341	725	1,662	2,159	2,265
Air Force	249	341	720	1,613	2,093	2,307
Total	488	682	1,445	3,274	4,252	4,572
F-22 Raptor						
Procurement (#)	[0]	[10]	[13]	[21]	[22]	[24]
Procurement (\$)	566	2,537	3,031	4,461	4,115	4,157
RDT&E	2,239	1,412	877	909	929	565
Total	2,805	3,948	3,908	5,370	5,043	4,722
DD(X) Destroyer						
Procurement (\$)	—	—	—	—	—	—
RDT&E	161	288	490	916	1,089	1,451
Total	161	288	490	916	1,089	1,451
Littoral Combat Ship (LCS)						
Procurement (\$)	—	—	—	—	—	—
RDT&E	—	—	—	35	166	244
Total	—	—	—	35	166	244
Interim Armored Vehicles/Stryker						
Procurement (#)	[0]	[447]	[300]	[282]	[306]	[310]
Procurement (\$)	22	928	653	780	983	905
RDT&E	15	257	98	150	61	52
Total	37	1,185	751	930	1,043	957
Future Combat System						
Procurement (\$)	—	—	—	—	—	—
RDT&E	12	75	129	370	1,684	3,198
Total	12	75	129	370	1,684	3,198
Total for 7 Programs						
Procurement (\$)	876	4,195	5,164	7,658	8,075	7,904
RDT&E	7,131	7,302	9,260	10,795	14,183	17,410
Total	8,007	11,497	14,424	18,453	22,258	25,314
Total Acquisition Budget						
Procurement (\$)	54,972	62,608	62,739	78,495	80,920	74,904
RDT&E	38,707	41,595	48,713	58,103	64,665	68,942
Total	93,679	104,203	111,452	136,598	145,585	143,846

Sources: Department of Defense, *Program Acquisition Costs by Major Weapon System*, annual editions for FY2002-FY2005; Department of Defense, *RDT&E Program Descriptive Summaries*, various years and service volumes; Department of Defense, *Procurement Programs (P-1)*, various years.

Although these increases are going to finance acquisition of a broad range of weapons programs, a very large part of the growth is for just a few programs, many still in the R&D stage. **Table 4** shows trends in funding for seven selected major weapons acquisition programs from FY2000 through FY2005 (note that figures in this table are not adjusted for inflation). These seven programs alone account for 34% of the increase in the RDT&E title between FY2000 and FY2005 and 35% of the increase in weapons procurement. These and a few other large programs will continue to dominate the acquisition part of the defense budget for the next several years.

From a budgeting perspective, this is also nothing new. The growing cost of major weapons programs also drove budgets higher in the past. Much of the increased spending during the defense buildup of the first four years of the Reagan Administration went to pay for procurement of weapons that began development in the early 1970s as the war in Vietnam was winding down. Similarly, much of the increase in the early years of the George W. Bush Administration is going to carry on weapons programs which were started some years ago. Almost all of these programs have experienced significant cost growth and schedule delays, which raises some questions about the long-term affordability of current weapons plans (see below for a more extensive discussion).

Issues for Congress

One issue has been paramount in early congressional debate about the FY2005 defense budget: whether Congress should provide funding for operations in Iraq and Afghanistan before February of 2005, when the Bush Administration, if it is returned to office, expects to request supplemental appropriations. A number of other issues are also on the agenda, including some that are likely to be politically contentious this year and some with significant long-term defense policy implications. Among the key issues for Congress are

- To what extent projected budget deficits over the next few years might constrain defense spending;
- Whether Congress should require a substantial, temporary increase in active duty end-strength, particularly in the Army, to ease pressures on the force caused by operations in Iraq and Afghanistan;
- Whether the planned deployment of a missile defense test bed with a limited operational capability in September or October was scheduled primarily for political rather than for sound technical reasons;
- To what extent major weapons programs in all of the services may need to be reined in, both because of limits on overall defense spending and because of rapid cost growth in several big projects;
- How the Defense Department's change in longstanding regulations governing weapons acquisition procedures to permit what DOD calls "evolutionary acquisition" is affecting managerial controls and congressional oversight over major weapons programs;

- Whether Congress should provide additional military personnel benefits, including (1) access to DOD-provided health insurance for non-deployed military reservists and their dependents and (2) increased military retiree survivor benefits;
- Whether Congress should delay or restrict a new round of base closures planned in calendar year 2005;
- What is the status of Pentagon plans to redeploy U.S. military forces stationed abroad and what are the implications for congressional oversight and defense budgets;
- How the Army plans to manage and to finance a far-reaching reorganization of its combat forces to increase the number of deployable combat brigades and to turn brigades, rather than divisions, into the major unit of action in future operations;
- How the Defense Department is restructuring its civilian personnel system following Congress's approval last year of the Pentagon's request for broad authority to reform civil service pay and performance rules;
- Whether Congress should approve the Defense Department's request for changes in environmental laws and regulations governing military training in addition to changes Congress approved last year;
- Whether Department of Energy plans to investigate new nuclear weapons — including low and variable yield weapons and earth penetration weapons — are strategically sound and in line with authority Congress provided last year; and
- What is the status of the Air Force proposal to acquire Boeing 767 tanker aircraft.

The following discussion provides a bit of background on each of these issues and discusses congressional action to date.

Funding for Iraq and Afghanistan

The Administration did not initially request funding for ongoing operations in Iraq and Afghanistan in the regular FY2005 defense bills, though officials acknowledge that U.S. forces will remain engaged in both nations through the fiscal year and for some time beyond. Instead, officials said that they expected to request supplemental appropriations for overseas operations some time early in calendar year 2005, possibly when the FY2006 budget request is submitted at the beginning of February. After considerable debate in Congress, however, on May 12, 2004, the White House submitted an amendment to its FY2005 request in which it asked for \$25 billion to be appropriated into a reserve fund for operations in Iraq and Afghanistan in early FY2005.³

From the beginning some legislators complained that the Administration's failure to ask for money for Iraq and Afghanistan was intended to avoid a

³ Office of Management and Budget, "Budget Amendment: \$25 Billion Contingent Emergency Reserve Fund (Department of Defense — Iraq Freedom Fund)," May 12, 2004, [http://www.whitehouse.gov/omb/budget/amendments/amendment_5_12_04.pdf].

congressional debate about Iraq policy during the presidential election campaign, to obscure the war's long-term costs, and to understate the size of projected federal budget deficits. The issue became particularly acute when Army Chief of Staff General Peter Schoomaker was asked about it in a Senate Armed Services Committee hearing on February 10. Schoomaker said he was "concerned ... on how we bridge between the end of this fiscal year and whenever we could get a supplemental in the next year. And I do not have an answer for exactly how we could do that." General Michael Hagee, the Commandant of the Marine Corps, echoed Schoomaker's concern.

In response, the next day, February 11, DOD Comptroller Dov Zakheim held a press briefing to explain that Pentagon leaders were sure they could meet Army and Marine Corps requirements into next Spring by "cash flowing" regular FY2005 appropriations.⁴ In FY2003, Zakheim said, the Defense Department was able to provide \$26 billion for Iraq war costs before Congress could approve supplemental appropriations; the money, he said, was mainly operation and maintenance funds that would otherwise not have been spent until the fourth quarter of the fiscal year. DOD and also the Office of Management and Budget (OMB), he said, were certain that they could manage FY2005 funding in a similar way. Zakheim also argued that it was appropriate to delay requesting funds for Iraq because of great uncertainty about costs, particularly following the planned transfer of sovereignty to an interim Iraqi government on June 30.

One issue in the debate has been what precedents earlier wars provide. Last year, a CRS memo reported that the initial funding for most conflicts — from World War II, to Korea, to Vietnam, to the 1991 Persian Gulf War — was generally provided through supplemental appropriations.⁵ That memo did not, however, address funding for wars after the initial phases. On that question, the precedents are mixed. While the Korean conflict was financed mainly with supplementals, World War II and Vietnam were funded both with supplementals and with regular appropriations. Funding for the Persian Gulf War was not provided over several years, so it is not really similar. (For a review of methods used to fund operations since 1991, see CRS Report RL32141, *Funding for Military and Peacekeeping Operations: Recent History and Precedents*, by Jeff Chamberlin.)

Vietnam therefore, is the most recent truly comparable example. In that case, the Administration first asked for a \$700 million supplemental for FY1965 in May of 1965; then for a \$1.7 billion addition to the regular FY1966 defense appropriations bill, which was requested as a budget amendment in the summer of 1965; and then, in January of 1966, as troop levels in Southeast Asia were climbing, a supplemental of \$12.3 billion for FY1966 and regular appropriations of \$10.3 billion for FY1967, both requested when the FY1967 budget was submitted. So, in the case of Vietnam, the Johnson Administration asked for emergency supplementals when necessary, but

⁴ DOD Comptroller Dov Zakheim, "Defense Department Special Briefing: Purpose Of Budget Supplementals," February 11, 2004, available electronically at [<http://www.defense.link.mil/transcripts/2004/tr20040211-0440.html>].

⁵ Stephen Daggett, "Budgeting for Wars in the Past," Congressional Distribution Memo, updated March 27, 2003.

also requested funds in regular appropriations bills as soon as those bills were on the congressional agenda, even though troop levels were in flux and the duration of the conflict could not be foreseen.

More recently, there has been some discussion in Congress about the adequacy of FY2004 funding for Iraq. In testimony before the House Armed Services Committee on April 21, 2004, General Richard Myers, the Chairman of the Joint Chiefs of Staff, said that the military services had identified a preliminary shortfall of about \$4 billion through the end of the fiscal year. He also said that the Defense Department was in the midst of a budget review which the service chiefs thought would be able to find enough money in, for example, underexecuting acquisition programs, to cover the shortfall. General Myers reiterated that assessment in testimony before the Senate Defense Appropriations Subcommittee on May 12, 2004.⁶

A related issue is whether the Defense Department has requested enough money for everyday equipment for troops in Iraq and Afghanistan, including equipment for force protection — that is, for items such as up-armored Humvees, body armor, robots and other devices for coping with improvised explosive devices (IEDs), night vision goggles, and other equipment of immediate value to troops on the ground. Senator Jack Reed has pointed to a recent Defense Department reprogramming request that would allocate \$619 million for urgent Iraq needs.⁷ And in the April 21 House Armed Services Committee hearing with General Myers, Representative Curt Weldon cited a number of shortfalls in such equipment that the Army identified in its annual unfunded priorities list.

Congressional Action. Congress is still debating how to provide funds for Iraq and Afghanistan before next year. The House version of the budget resolution, as reported by the Budget Committee and passed by the House, provided \$50 billion in Budget Function 920, Allowances, for “an expected supplemental” for Iraq and Afghanistan. The Senate version of the budget resolution, as reported and passed, provided \$30 billion if the Administration requests supplemental funding for Iraq and Afghanistan and the Appropriations Committee reports a bill that exceeds defense targets recommended in the resolution (Section 312 of S.Con.Res. 95). Whether to set aside funds for military operations, and, if so, how much, is an issue in the conference. But whether the budget resolution makes a specific provision for additional funding or not, the final decision on additional appropriations rests with the Appropriations Committees, where there have been strong differences of opinion.

At the end of April, Representative Duncan Hunter, the Chairman of the House Armed Services Committee, announced that he planned include an authorization of \$20 billion in the chairman’s mark of the FY2005 defense authorization for

⁶ For a detailed CRS assessment, see CRS Report RL32381, *Adequacy of the Army’s FY2004 Funding for Operations in Iraq*, by Amy Belasco, May 13, 2004.

⁷ Jonathan Weisman, “War May Require More Money Soon,” *Washington Post*, April 21, 2004.

supplemental Iraq and Afghanistan costs.⁸ This amount, he said, was intended as a “bridge” to cover costs from the beginning of the fiscal year on October 1, 2004, until a full year supplemental could be provided early next year.

At the same time, among appropriators, Representative Jerry Lewis, the chairman of the House Defense Appropriations Subcommittee said that there was some discussion among committee members of providing, not a full FY2005 supplemental, but an emergency fund of some kind from which the services could draw if needed during the first few months of FY2005.⁹ In the Senate, Senator Ted Stevens, the Chairman of the Senate Appropriations Committee, argued against a full FY2005 supplemental, saying it would delay action on regular FY2005 funding bills.¹⁰

Subsequently, on May 5, 2004, the White House announced that it would request a \$25 billion “contingency fund” for costs of Iraq and Afghanistan, and on May 12, the White House submitted a formal FY2005 budget amendment requesting the funds. Meanwhile, in its markup of the FY2005 authorization bill on May 12, the House Armed Services Committee approved a measure to authorize \$25 billion for Iraq and Afghanistan. The committee rejected amendments to double the total amount to \$50 billion.

Now the Senate is considering the issue. Senator John Warner, the Chairman of the Armed Services Committee, has said that he and Senator Carl Levin, the ranking Democrat, are working on a joint amendment to authorize emergency funding. Reportedly, they are also discussing the issue with Senate Appropriations Committee Chairman Ted Stevens. A key issue is how to ensure congressional oversight over the allocation of funds while still providing needed flexibility.

The final decision on how to address the issue rests with the appropriators. House Appropriations Committee Chairman C.W. (Bill) Young said that a key issue was how to ensure accountability over the funds. This may mean imposing somewhat stronger reporting requirements over use of the funds than the Administration has proposed. The amount to be provided also appears likely to be an issue in action on appropriations bills.

Deficits and the Defense Budget

Congressional debate about the FY2005 budget seems to mark a turning point of sorts. After several years in which mounting budget deficits were apparently of less interest in Congress than tax cuts, Medicare prescription drug coverage, and increased benefits for military retirees, old-time deficit cutting religion appears to be

⁸ Joseph C. Anselmo and John M. Donnelly, “Timing of Iraq Supplemental May Change,” *CQ Today*, April 21, 2004.

⁹ Nancy Ognanovich, “Lewis Says Lawmakers Discussing Adding Iraq Money to FY2005 Defense Spending Bill,” *BNA Daily Report for Executives*, April 30, 2004.

¹⁰ Nancy Ognanovich, “Stevens Charges New War Supplemental Would Imperil Regular FY’05 Spending Bills,” *BNA Daily Report for Executives*, April 30, 2004.

undergoing a bit of a revival. The Administration has proposed a budget plan which it says will cut the federal budget in half by FY2009, though there is considerable debate about whether it would actually accomplish that. In their versions of the FY2005 budget resolution, both the House and the Senate have imposed somewhat tighter restrictions on total discretionary spending than the Administration, and the Senate has voted to reimpose procedural restrictions, known as “PAYGO” rules, both on increases in mandatory programs and on reductions in revenues. Statutory PAYGO rules were first established by the Budget Enforcement Act of 1990, but expired after FY2002.

Battles over how to control federal deficits were fixtures of congressional budget debates from the time Congress approved the first Gramm-Rudman-Hollings deficit control act in November 1985 into the late 1990s. Congress passed revised measures to limit deficits in 1987, 1990, 1993, and 1997. It was only after 1998 that an economic boom, together with several rounds of tax increases and measures to limit spending, led, though only temporarily, to budget surpluses. The deficit battles, as well as the end of the Cold War, were a major factor affecting defense spending. Adjusted for inflation, the defense budget declined in real terms for 14 straight years, from FY1986 through FY1999, and began to turn up again only in FY2000 as deficit pressures eased.

The re-emergence of the deficit as an issue, therefore raises an obvious question: to what extent might ongoing efforts to control budget deficits eventually limit the amounts available for defense? This year, there was a serious debate in Congress about the total amount for defense for the first time in several years. In the Senate, Budget Committee Chairman Don Nickles proposed, and the full committee reported, a budget resolution that reduced the recommended total for national defense by \$6.9 billion below the Administration request. In the House, Budget Committee Chairman Jim Nussle initially proposed a \$2 billion cut in defense in an attempt to make the point that everything — even defense — needed to be on the table to control long-term spending. While Congress did not, in the end, support cuts in defense, the long-term budget situation may raise the issue again in the future.

Congressional Action. In the Senate, the Budget Committee reported version of the annual budget resolution (S.Con.Res. 95) recommended \$415.2 billion for the national defense budget function (function 050), \$6.9 billion below the CBO reestimate of the Administration request (see **Table 5**). On March 10, however, the Senate approved an amendment by Senator John Warner to restore the funds. In the House, Budget Committee Chairman Jim Nussle dropped his proposal to recommend \$2 billion less for defense than the Administration requested. The House resolution (H.Con.Res. 393), as reported by the Budget Committee and as passed by the full House, recommends the requested level of funding for national defense, though \$2.6 billion of the request is shown in a new budget function for Homeland Security.

Table 5: Congressional Budget Resolution Target for the National Defense Budget Function (050)
(millions of dollars)

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Administration Request (OMB Estimate)						
Budget Authority	460,547	423,098	444,016	464,787	485,812	508,150
Outlays	453,684	450,586	436,147	447,074	467,063	487,181
Administration Request (CBO Reestimate) /a/						
Budget Authority	463,604	422,157	445,708	466,709	487,999	510,429
Outlays	452,946	449,442	442,157	448,787	467,709	489,186
Senate Budget Committee Budget Resolution, Excluding Contingency Fund						
Budget Authority	463,604	415,257	445,708	456,148	467,482	479,494
Outlays	452,946	444,033	440,563	441,290	451,419	463,058
Senate-Passed Budget Resolution, Excluding Contingency Fund						
Budget Authority		422,157	445,708	456,148	467,482	479,494
Outlays		449,442	442,157	441,732	451,564	463,106
Senate-Passed vs Senate Budget Committee						
Budget Authority		+6,900	0	0	0	0
Outlays		+5,409	+1,594	+442	+145	+48
Senate-Passed vs. CBO Reestimate of Request						
Budget Authority		0	0	-10,561	-20,517	-30,935
Outlays		0	0	-7,055	-16,145	-26,080
House-Passed Budget Resolution, Excluding Allowance for Iraq Supplemental /b/						
Budget Authority	461,544	419,634	442,400	464,000	486,149	508,369
Outlays	451,125	447,114	439,098	445,927	465,542	487,186
House Alternative, Cummings, Congressional Black Caucus						
Budget Authority		408,486	430,694	451,728	473,293	494,923
Outlays		439,979	428,774	434,219	453,061	473,956
House Alternative, Stenholm, Blue Dog Coalition /a/						
Budget Authority		422,157	444,807	466,423	488,691	511,074
Outlays		449,442	441,451	448,337	468,010	489,757
House Alternative, Hensarling, Republican Study Committee						
Budget Authority	461,544	419,634	442,400	464,000	486,149	508,369
Outlays	451,125	447,114	439,098	445,927	465,542	487,186
House Alternative, Spratt, Democratic Substitute /a/						
Budget Authority	463,600	422,200	445,700	466,700	488,000	510,400
Outlays	453,000	448,300	441,500	448,400	467,500	489,300

Sources: Congressional Budget Office; Senate Budget Committee, March 5, 2004; S.Con.Res. 95 as passed by the Senate; House Budget Committee report on the FY2005 budget resolution, H.Rept. 108-441; *Congressional Record*, March 25, 2004.

Notes

- a. The CBO reestimate, the Blue Dog Coalition plan, and the Democratic Substitute all make projections through FY2014 — figures beyond FY2009 are not shown here.
- b. The House-passed budget resolution excludes \$2.6 billion of homeland security-related funding from the national defense budget function (function 050) in FY2005 and instead provides it in a new “homeland security” budget function (function 100). If the defense-related homeland security funds are added to the National Defense Budget Function, the totals equal the CBO reestimate of the Administration request.

Active Duty End-Strength

Even before the current conflict in Iraq began, there was some support in Congress for increasing the size of the active duty force, particularly in the Army, as a means of reducing strains on military personnel that some argued were aggravated by frequent military operations abroad, such as peacekeeping operations in Bosnia and Kosovo.¹¹ In the House, Representative Ike Skelton, the ranking Democrat on the House Armed Services Committee, argued for some years that the Army needed about 40,000 more troops.¹²

Now, the need to keep a substantial number of troops in Iraq for an as yet indeterminate period has made end-strength a critical issue. Currently, the Defense Department has waived statutory caps on end-strength, and it is keeping about 30,000 more personnel in the active duty force than before the war in Iraq. Costs of paying these additional troops — as well as temporarily mobilized reserve troops — has been covered with FY2003 and FY2004 supplemental appropriations. Army leaders have said that they want to keep as many as 30,000 additional troops in the service, not only to ease strains of overseas deployments, but also to allow some flexibility as the Army reorganizes its combat units (see below). So it appears likely that the Administration will want to keep some additional end-strength for some time, still paid for with supplemental appropriations.

The Defense Department has opposed, however, congressional measures to increase statutory end-strength. It appears that the Defense Department wants flexibility to increase or reduce troop levels without a congressional mandate. But neither critics nor proponents of an increase in statutory end-strength have addressed why it would be better or worse than the present situation, in which the DOD is keeping added end-strength by waiving the current statutory caps.

In response to past, pre-Iraq proposals to increase end-strength, Secretary Rumsfeld has argued that the services can increase the number of deployable troops without adding to overall end-strength by more efficiently managing the forces that are available. One key efficiency measure is a plan to transfer as many as 10,000 jobs now performed by uniformed personnel to civilians in FY2004 and another 10,000 in FY2005. Reportedly, some Pentagon studies have found that as many as 320,000 military jobs could be performed by civilians.¹³

¹¹ Many, including senior Army leaders, complained that peacekeeping operations created an excessively high operational tempo. Others argued that the Army should not have been overly taxed by deploying 5,000-10,000 of its 480,000 active duty troops in contingency operations, and that it would not have had problems if its personnel system was better adapted to post-Cold War requirements. For a discussion, see John C.F. Tillson, *It's the Personnel System*, Institute for Defense Analyses, September 2000.

¹² See, for example, Representative Ike Skelton, "We Are Wearing Them Out: Why We Need to Increase Army Troop Strength, *Congressional Record*, July 1, 1999, pp. H5324-H5326.

¹³ See Peter Grier, "The New Drawdown," *Air Force Magazine*, March, 2004.

These prospects have not persuaded advocates in Congress that potential problems caused by the burden of rotating forces into Iraq are being adequately addressed. Some Members of Congress have proposed increasing the Army's statutory end-strength by as many as 40,000 troops. And some have proposed, as well, that some of the additional troops should be assigned to units specially organized and trained for security operations overseas.

A part of the discussion of end-strength is the cost. Recently the Congressional Budget Office estimated that in 2002 the average active duty service-member received a compensation package, including pay and non-cash benefits, of about \$99,000 per year.¹⁴ So, without including training and other operating costs of additional forces, a rough starting point for analysis is that each additional 10,000 active duty troops will add about \$1 billion to the defense budget. These estimates are in line with Army projections, which are that it would cost \$3.6 billion a year to add 30,000 troops to the force. Presumably, these troops would be used to fill out existing units, not to add new ones, which would cost additional money.

Congressional Action. At the end of April, House Armed Services Committee Chairman Duncan Hunter announced that he would propose an increase in statutory end-strength for the Army and the Marine Corps in the committee markup of the FY2005 defense authorization bill.¹⁵ The bill as reported by the committee and passed by the House includes his proposal to increase statutory end-strength in the Army by 10,000 and in the Marine Corps by 3,000 in each of the next three years, for a total increase of 39,000 troops. The committee assumed that the costs of the increase in FY2005 will be paid for not out of regular funds but out of additional funding for Iraq — in the \$25 billion contingency fund for the first part of the fiscal year and/or in later supplemental appropriations.

In the Senate, Senators Reed, Akaka, Clinton, Nelson (FL), Hagel, McCain, Schumer, Landrieu, and Boxer, sponsored a bill, S. 2165, to increase Army end-strength by 30,000. The Senate Armed Services Committee included a measure in its version of the FY2005 authorization that would permit, but not require, the Secretary of Defense to increase total active duty end-strength by up to 30,000 through FY2009. Most recently, Senator Reed has said that he intends to offer an amendment to increase statutory Army end-strength by 20,000.

Missile Defense

In December 2002, the White House announced a plan to deploy a test bed of ground-based missile defense interceptors — 10 to be deployed in Alaska and 10 in California — that would have a limited operational capability against long-range missile attacks against the United States beginning by the end of September 2004. That deployment plan still appears to be roughly on track, although there have been some changes in the proposed program in the interim. The main change is that only

¹⁴ Congressional Budget Office, *Military Compensation: Balancing Cash and Noncash Benefits*, January 2004.

¹⁵ John M. Donnelly, "Hunter Says He Will Press for Increase of 39,000 Troops Over Next Three Years," *CQ Today*, April 29, 2004.

one type of missile booster will initially be available because a fire in a production plant delayed development of a second test system. The Missile Defense Agency been working on construction of missile silos and support facilities and still expects to begin placing interceptors in silos in Alaska as early as August, with an operational capability by early October 2004.¹⁶

The test bed system will not be a full up operational missile defense. It will rely on a ground-based missile tracking radar that was built to monitor Soviet missile tests and that can track warheads launched from Korea or elsewhere in Asia, but that does not look over the poles for warheads launched from the Middle East. The radar also does not have the degree of precision that is planned for the future. A more capable ship-borne radar is still being developed. The interceptor warheads are also still being tested against various kinds of increasingly complex targets, and the system has not demonstrated that it is a reliable operational weapon. The avowed primary purpose of the test bed is to be just that: a system to allow progressively more demanding tests against progressively more realistic targets under progressively more realistic operating conditions. The Pentagon's Director of Operational Testing, Tom Christie, has told Congress that he has advocated the deployment of some kind of test bed precisely as a means of strengthening the rigor of the development process.¹⁷

Although there has been little criticism of the decision to develop a missile defense test bed, *per se*, the White House decision to declare a system operational in the midst of a presidential election campaign has been a matter of occasionally testy debate in Congress.¹⁸ Some other issues may also develop. The big issue is cost — on key question is whether the big increase in missile defense funding over the past few years is justified or whether funds should be shifted to other priorities. A perennial issue has been whether the Missile Defense Agency should spend less on development of space-based systems that may be technologically risky or more on Patriot missile batteries and other systems that may be of more immediate value to troops in the field. Another set of issues has to do with management of the program. There have been repeated delays and substantial cost increases in the missile defense program itself and, particularly, in some related programs, including the Space-Based Infrared System (SBIRS)-High and SBIRS-Low and in the Airborne Laser (ABL). Missile defense programs may be a test of whether the Pentagon's "spiral development" acquisition strategy (see below), which is designed to accelerate the development process, may not also weaken managerial and cost controls.

Congressional Action. Both the House and the Senate Armed Services Committees generally supported the Administration request, though they made some small changes (see **Table A2**, below, for details). The House committee reduced

¹⁶ Bradley Graham, "General Says Missile Defense Could Be Ready Soon," *Washington Post*, April 28, 2004.

¹⁷ See Statement by Thomas P. Christie Director, Operational Test and Evaluation, before the Senate Committee on Armed Services, March 11, 2004 and Statement by Thomas P. Christie, Director, Operational Test and Evaluation, before the House Armed Services Committee, March 25, 2004.

¹⁸ See, for example, an exchange between Rep. Ellen Tauscher and Rep. Terry Everett in the House Armed Services Committee hearing of March 25, 2004, cited above.

funds for Advanced Concepts by \$50 million, for system core technologies by \$30 million, for the Forward Deployable Radar (to be deployed with the THAAD system) by \$56 million, and for interceptors, particularly for sea-based systems, by \$75 million. The committee added \$47 million for the Theater High Altitude Area Defense (THAAD) program, \$30 million for mid-course defense, and \$30 million for advanced technologies for THAAD and the PAC-3. The committee also required a report on the status of the Airborne Laser, though it indicated overall support for the program. The Senate committee added \$40 million to the ground-based mid-course defense program to reduce development risk and \$90 million for 36 additional PAC-3 missiles. For details of House and Senate committee action, see **Table A2** in Appendix A.

Missile defense funding was not an issue on the House floor, however, because the Rules Committee refused to permit any missile defense-related amendments. Senior Democrats complained in particular that the Rules Committee did not make in order an amendment by Representative John Spratt, the second ranking Democrat on the Armed Services Committee, to shift \$414 million from specified missile defense programs to military pay and benefits and force protection programs.

In the Senate, no amendments on missile defense are pending, but Senator Jack Reed has said that he and others will offer at least one amendment to strengthen oversight over missile defense programs.

“Bow Waves” and “Train Wrecks”: Cost Growth and Affordability of Major Weapons Programs

A perennial issue in defense policy is whether future defense budgets will be large enough to finance all of the weapon acquisition programs that are in the pipeline. There are a couple of variations on the theme.

One issue is whether a “bow wave” of acquisition costs will grow unsustainable at some point in the future. The term “bow wave” technically refers to the normal funding profile of a major program: funding is small in the early stages of development, climbs during engineering development, peaks during full rate procurement, and then declines again as production winds down. When several weapons programs appear likely to grow in concert, then a large collective “bow wave” may appear to be looming in the future.

A second issue is whether projected weapons procurement budgets are large enough to replace aging weapons as they reach the ends of their nominal service lives. A 1999 report by the Center for Strategic and International Studies (CSIS), entitled *The Coming Defense Train Wreck*, argued that projected procurement budgets would fall as much as 50% a year short of the amount needed to maintain a modernized force.¹⁹ That study evoked considerable controversy. Very large variations in projected total costs could arise from minor changes in assumed rates of cost growth from one generation of weapons to the next, in assumptions about

¹⁹ Daniel Goure and Jeffrey M. Ranney, *Averting the Defense Train Wreck in the New Millennium* (Washington: Center for Strategic and International Studies, 1999).

possible extensions of nominal service lives with upgrades, and in assumptions about whether some elements of the force (such as strategic nuclear weapons) need to be updated at all.²⁰

Since 1999, the Congressional Budget Office has done a series of studies of what it calls a “steady state” procurement rate (i.e., the rate at which weapons would have to be replaced to maintain a modernized force of a given size) and also of the cumulative cost of the Pentagon’s actual weapons plans.²¹ CBO’s initial “steady state” studies found a shortfall, but not of the magnitude CSIS projected. CBO’s more recent studies of the affordability of the Administration plan find a potentially substantial “cost risk” if program costs grow above what the services are now projecting.

Cost growth in major weapons programs is nothing new; it has plagued planners at least since the early days of modern systems analysis studies of defense policy in the 1960s.²² Despite efforts to fix it, however, the problem now appears to be recurring among most of the Defense Department’s current, most high-profile weapons programs, including

- Air Force F/A-22 fighter: As a recent GAO report points out,²³ the development cost has grown from a 1986 Air Force estimate of \$12.6 billion to a current estimate of \$28.7 billion, the average unit procurement cost (not including R&D) has grown from an estimated \$69 million per aircraft to \$153 million, and planned procurement has declined from an initial goal of 750 aircraft to a current Air Force estimate of 276 to fit within a procurement cost cap (which GAO estimates will permit only 218 aircraft at the most recent unit cost estimates).
- Air Force/Navy F-35 Joint Strike Fighter: Between September 30, 2003 and December 31, 2003, official DOD estimates of JSF costs, provided to Congress in quarterly Selected Acquisition Reports, grew by \$45 billion, from \$199.7 billion to \$244.8 billion, a 23% increase.
- Space launch systems: Over the same period projected Air Force Evolved Expendable Launch Vehicle (EELV) program costs grew by \$11.6 billion, from \$20.8 billion to \$32.3 billion, a 56% increase.

²⁰ See Steven Kosiak, *CSIS ‘Train Wreck’ Is Off Track Background*, Washington: Center for Strategic and Budgetary Assessments, March 28, 2000.

²¹ The most recent report is Congressional Budget Office, *The Long-Term Implications of Current Defense Plans: Detailed Update for Fiscal Year 2004*, February 2004.

²² For one example, see Edmund Dews *et al.*, *Acquisition Policy Effectiveness: Department of Defense Experience in the 1970s*, RAND Corporation Report R-2516-DR&E, October 1979.

²³ U.S. General Accounting Office, *Tactical Aircraft: Changing Conditions Drive Need for New F/A-22 Business Case*, GAO-04-391, March 15, 2004

- Missile defense: Over the same period, estimated costs of the overall missile defense R&D program grew by \$3.2 billion, from \$62.9 billion to \$66.1 billion, a 5% increase.
- Marine Corps V-22 tilt rotor aircraft: The total acquisition cost (R&D plus procurement) has grown from an estimated \$32.4 million per aircraft in 1986 to \$104.9 million per aircraft currently, while the planned total procurement has declined from 913 to 458 aircraft.²⁴
- Prior year Navy shipbuilding: Congress appropriated \$1.3 billion for cost growth in Navy ships that are now under construction in FY2003 and another \$636 million in FY2004, and the Administration is requesting \$484 million for shipbuilding cost growth in FY2005.
- Navy DD(X) destroyer and Littoral Combat Ship (LCS) acquisition: The Navy estimates that it will cost about \$39 billion to acquire 24 DD(X) destroyers and \$14 billion to acquire about 56 LCS. Based on historical trends, however, CBO estimates a cost of about \$53 billion for the DD(X) destroyers,²⁵ while the LCS design remains too uncertain for alternative cost estimates.
- Space-Based Infrared System-High (SBIRS-High), Spaced-Based Infrared System-Low (SBIRS-Low), and Airborne Laser (ABL) programs: The SBIRS-High, an Air Force-run program to develop a new missile launch detection and tracking satellite that would be tied into a national missile defense, has more than doubled in cost since 1995 to over \$8 billion, including a \$2 billion estimate increase in 2001, and it still appears to be experiencing delays and cost growth. Recently the Air Force confirmed reports that the cost will grow by another \$1 billion and that satellite launches will be delayed another two years. There have been similar, though less severe delays and cost growth in the Missile Defense Agency-run SBIRS-Low program to develop a low-earth-orbit missile tracking satellite. And the Air Force Airborne Laser program has been delayed and has suffered enough cost growth that the Air Force has decided to use available R&D funds for one rather than two aircraft.
- The Army Future Combat System (FCS): The FCS program remains at a very early stage of development, with several differing design alternatives still under consideration, though production is planned

²⁴ Department of Defense, "Selected Acquisition Report Summary Tables," December 31, 2003. Unlike the F-22 and F-35, this is not a recent development — the largest cost growth in the program occurred some years ago.

²⁵ Congressional Budget Office, *Transforming the Navy's Surface Combatant Force*, March 2003, and updated data provided to CRS on June 26, 2003. For a detailed discussion, see CRS Report RL32109, *Navy DD(X) and LCS Ship Acquisition Programs: Oversight Issues and Options for Congress*, by Ronald O'Rourke.

to begin in 2008 with an initial operational capability in 2010. GAO found that 3/4 of the necessary technologies for the system were immature when the program started and that prototypes will not be available for testing until shortly before production is planned.²⁶ To the extent the program design remains unstable, cost projections are also uncertain.

Taken together, all of this suggests that the “cost risk” CBO has warned about appears to be an imminent prospect, and that the affordability of current weapons modernization plans is in some doubt. The issue for Congress, this year and perhaps more and more pressingly in the future, is what to do about it. One possibility is to increase defense spending, though budget deficits may make that problematic. Another is to terminate other programs in addition to the Comanche and, earlier, the Crusader — Senator John McCain recently mentioned the F-22.²⁷ A third is to restructure priorities within the defense budget to find more money for weapons, though demands to increase end-strength appear at odds with such a prospect.

Congressional Action. The House and Senate Armed Services Committees made a number of changes in major weapons programs. Among the changes, a few stand out. The Senate committee trimmed reduced F/A-22 procurement from 24 to 22 aircraft saving \$280 million. The rationale was that the program had been delayed in any case, so production will be slower than the Air Force had planned. Critics of the decision argue that production capabilities will ramp back up by 2007, when the money provided in the FY2005 budget would actually be spent.

The House committee trimmed funds for two high-profile Navy programs on the grounds that production is beginning faster than the maturity of planned technology and the stability of system design warrants. These programs are the Navy DD(X) destroyer and the Navy Littoral Combat Ship (LCS). The FY2005 request includes funds in the R&D accounts to begin construction of the first of each of the DD(X) and LCS ships. The committee said that production is not yet justified, so it trimmed \$222 million from the DD(X) and \$107 million from the LCS. Opponents of the cuts have argued that reductions will delay ship construction, and that old ways of developing ships led to obsolete technology being deployed. The committee also trimmed \$245 million from the Army’s Future Combat System development request, saying only that the money was “excess to requirements.”

Evolutionary Acquisition and Spiral Development

The Defense Department has formally adopted a new process for acquiring weapons, which it calls evolutionary acquisition with spiral development. The goal of the process is to accelerate the deployment of new technology to troops in the field by deploying what is technologically ready and then progressively improving it as new technology matures.

²⁶ U.S. General Accounting Office, *Defense Acquisitions: The Army’s Future Combat Systems’ Features, Risks, and Alternatives*, GAO-04-635T, April 1, 2004.

²⁷ Senator John McCain on *Meet the Press*, April 11, 2004.

These goals appear to have pretty widespread support in Congress. Moreover, the new acquisition policies, which the Clinton Administration had also been considering, appear in many ways closer to commercial practices that have often been successful.²⁸ But there has also been some concern that the new procedures may weaken managerial controls and congressional oversight.²⁹ Some programs, like the Littoral Combat Ship, have been started without the kind of systematic, formal analysis of alternatives that earlier regulations required. In other cases, GAO and others have warned that large investments are being made in programs that still appear technologically immature, with potentially high risk of delays and cost growth and with a prospect that systems will not fully meet operational requirements.³⁰

Military Personnel Benefits

In recent years, Congress has repeatedly enhanced personnel benefits for uniformed personnel. Benefits increases have included “TRICARE for Life,” which guarantees full medical coverage to Medicare-eligible military retirees, repeal of a 1986 law that reduced retirement benefits for new military enlistees, a phased in plan to fully offset for off-base housing costs, increased imminent danger pay and family separation allowances, and a one-year trial program to provide health insurance to non-activated reservists not eligible for employer-provided insurance.

A particularly big issue in the last couple of years has been whether to permit concurrent receipt of military retired pay and veterans disability payments. In the FY2003 defense authorization, Congress approved a limited plan to permit retirees with disabilities directly related to combat to receive both retired pay and disability benefits without an offset. In the FY2004 defense authorization, Congress replaced that measure with a plan to phase in concurrent receipt for retirees with a service-connected disability of 50% or greater.

Although veterans organizations still would like full concurrent receipt for all retirees with any degree of disability, that issue has not been a matter of much debate this year. But two other personnel benefit issues have been on the agenda.

One issue is whether to provide medical insurance to non-deployed reservists. Congress must decide whether to extend a provision passed last year in the FY2004 Iraq supplemental appropriations bill (P.L. 108-106) that permits reservists without employer-provided health insurance to sign up for the DOD TRICARE program that provides health care to a military dependents provided the reservists pay a share of the cost equivalent to what civilian federal employees pay for their health plan.

²⁸ U.S. General Accounting Office, *Defense Acquisitions: DOD's Revised Policy Emphasizes Best Practices, but More Controls Are Needed*, GAO-04-53, November 10, 2003.

²⁹ See *ibid.* and also CRS Report RS21195, *Evolutionary Acquisition and Spiral Development in DOD Programs: Policy Issues for Congress*, by Ronald O'Rourke and Gary J. Pagliano.

³⁰ U.S. General Accounting Office, *Defense Acquisitions: Assessments of Major Weapon Programs*, GAO-04-248, March 31, 2004.

Beyond that, Senators Daschle and Graham of South Carolina have proposed a bill to permit all reservists, whether eligible for employer-provided health insurance or not, to sign up for TRICARE.

A second issue is whether to increase benefits provided under the military Survivor Benefit Plan (SBP). Several Members of Congress have proposed measures to revise longstanding rules that reduce benefits for surviving family members of military retirees once the survivors reach age 62. The reduction was originally enacted to take account of survivors becoming eligible for social security benefits. Veterans groups have long argued that the reduction is out of date, unclear to participants, and unfair to survivors. (For a full discussion, see CRS Report RL31664, *The Military Survivor Benefit Plan: A Description of Its Provisions*, by David Burrelli; and CRS Report RL31663, *Military Benefits for Former Spouses: Legislation and Policy Issues*, by David Burrelli.)

Congressional Action. Funding for the military Survivor Benefit Plan was an issue during congressional action on the FY2005 budget resolution both in the House and in the Senate. The House version of the budget resolution (H.Con.Res. 393), both as reported by the Budget Committee and as passed, includes a provision, Section 303, that establishes a “deficit-neutral” reserve fund for a measure that would increase the survivor benefit plan. The measure provides that the Chairman of the Budget Committee may adjust totals in the budget resolution to accommodate an SBP increase if the Armed Services Committee reports a bill that provides an increase offset by cuts in other mandatory programs. The Armed Services Committee has jurisdiction over mandatory programs that provide retirement benefits for military personnel. So the House-passed measure would, in effect, allow an increase in SBP only if offset by reductions in other military retiree benefits. The Democratic alternative budget, offered by Representative John Spratt, included a provision that would have required the Armed Services Committee to report a measure providing increased survivor benefits as part of a larger reconciliation bill making other changes in mandatory programs and revenues, but the House rejected the Spratt alternative.

On March 11, the Senate adopted an amendment to the budget resolution (S.Con.Res. 95) by Senator Mary Landrieu to establish a reserve fund that would raise aggregates in the budget resolution by \$2.757 billion from FY2005-FY2009 to allow for a measure, reported either by the Armed Services Committee or by the Appropriations Committee, that would eliminate the SBP over-62 Social Security reduction. Senator Landrieu’s amendment proposed offsetting the costs by eliminating tax benefits to individuals and corporations that avoid United States taxation by establishing a foreign domicile and other tax loopholes and tax shelters.

Neither the House nor the Senate provisions on the budget resolution would, in themselves, eliminate the SBP over-62 reduction in benefits. Either measure would require subsequent congressional action in annual authorization or appropriations bills. But in action on its version of the authorization bill, the House Armed Services Committee approved a measure to eliminate the over-62 reduction in increments by FY2008.

In action on the defense authorization bill,

- Both the House and the Senate Armed Services Committees approved measures to establish demonstration projects that would allow non-deployed reservists and their dependents to sign up for health insurance through the TRICARE program;
- The House Armed Services Committee approved a measure, offered as an amendment in the markup, to eliminate the over-62 reduction in Survivor Benefits Plan benefits. The cost of the measure was offset when the committee revised language in the FY2004 defense authorization that required acquisition of KC-767 tanker aircraft. The change, under Congressional Budget Office scoring, amounted to a reduction in mandatory programs that the committee then had available to offset other mandatory spending.
- The Senate Armed Services Committee approved a measure to allow non-deployed reservists access to health insurance for them and their dependents through the military-run TRICARE program, provided that the full costs are paid either through employer-employee cost sharing or if reservists cover the full cost.

The Senate is expected to consider additional amendments to eliminate the over-62 SBP benefit reduction and to further extend TRICARE insurance to non-deployed reservists.

Base Closures

In the FY2003 defense authorization bill, Congress approved a new round of military base closures in calendar year 2005. In February 2004, the Defense Department met one requirement of the law by issuing a statement of criteria to be used in deciding which bases to close. In addition, DOD has issued guidance to the military services on how the process of identifying bases to recommend for closure will be organized. Senior Pentagon officials have said that size of the basing structure remains as much as 25% larger than is needed, implying that the 2005 base closure round could be quite large.

In Congress, the 2005 base closure round has been a matter of extensive debate. Last year, the House Armed Services Committee-reported version of the FY2004 defense authorization bill included a provision that would have restricted the extent of future base closures by requiring the Defense Department to maintain a base structure large enough to absorb an increase in the size of the force and redeployment of forces deployed abroad to the United States. Under a veto threat from the White House, that provision was removed from the bill in conference.

This year, the issue is again on the agenda. Several Members of Congress criticized the Defense Department's base closure criteria, mainly for not including the cumulative economic effect of prior base closures as a factor in deciding on new closures. In the presidential campaign, Senator John Kerry has said he would prefer

to delay a new base closure round pending decisions on the size of the force and on overseas deployments.³¹

Congressional Action. The House-passed version of the defense authorization bill includes provisions that would delay the next scheduled round of military base closures from 2005 to 2007. The measure requires a series of reports, due between January 1, 2006, and March 15, 2006, before a new round may begin. It requires reports on how the Pentagon's Global Posture Review of overseas deployments may affect domestic basing requirements (see below); how force transformation will affect basing requirements; how changes in the reserve forces will affect basing requirements; and how surge requirements will affect basing requirements. Although the committee agreed to delay base closures, it rejected an amendment in the markup by Representative Gene Taylor to eliminate the next round entirely. The full House rejected an amendment by Representative Mark Kennedy to remove the base closure delay from the bill. The Senate, however, rejected an amendment by Senators Trent Lott, Byron Dorgan, and others, to delay additional domestic base closures until 2007.

Overseas Troop Deployments

After the Cold War ended, the United States reduced the number of troops deployed overseas, especially in Europe, but it did not relocate remaining troops away from old Cold War forward bases. The Bush Administration has announced that it is undertaking a Global Defense Posture Review to reconsider where and how U.S. troops are deployed overseas.³² Officials have been engaged in extensive discussions with allies, in Europe and elsewhere, about changes in the location of U.S. troops. One prospect is that the United States would move troops out of some large bases in Germany and elsewhere in northern Europe and build a series of bare bones, relatively lightly staffed bases to the south and east that could be used when needed for operations in the Middle East and Persian Gulf.

The Administration has promised to consult with Congress on the progress of its study and of discussions with allies. Recently, however, DOD has delayed planned formal testimony to Congress on basing plans, saying that its plans have not evolved enough. To date, the main interest in the issue in Congress has been from subcommittees overseeing military construction. A potential large-scale redeployment of U.S. troops, however, also has profound implications for the overall global capabilities of U.S. forces, for regional alliances, and for foreign policy in general.

³¹ Jodi Wilgoren, "Kerry Calls For Halt To Work Of Base-Closing Panel," *New York Times*, March 13, 2004.

³² U.S. Department of Defense News Transcript, "Defense Department Background Briefing on Global Defense Posture," November 25, 2003.

Army Transformation

The new Chief of Staff of the Army, General Peter Schoomaker, has announced some very far-reaching changes in the organization of the Army and in Army personnel policies. These measures are designed to make the Army more flexible to respond to small as well as large operational requirements, and to create a force that is easier to deploy rapidly abroad.

One change is to increase the number of deployable combat brigades in the active duty force from 33 to 43 by 2006 and perhaps to 48 after that. A related change is to turn brigades rather than divisions into the basic, deployable “unit of action” in the Army. This means giving brigades the communications, command structures, transportation and engineering support elements, and other associated units to allow them to operate independently of divisions and, above the division level, corps. A third change is to revise the personnel system so that entire units are kept together for training and deployment; this is known as unit manning, and it is to replace the Army’s longstanding individual replacement system.

The Army’s reorganization plan raises a number of issues for Congress. One is how much it will cost and how the Army will finance the reorganization. The biggest costs may be in equipping brigades to operate independently. Reportedly, the Army has estimated that the plan could cost \$20 billion through FY2011.³³ Another issue is how the plan will affect Army end-strength requirements. Army officials want to add to the number of combat units within current end-strength. But this will require reassigning personnel from non-combat positions to the new brigades, and officials have not said how many positions will be affected.³⁴ A third issue is how the plan will affect the relationship between active duty and reserve components. Currently, reserves are mobilized to fill out deploying active duty units. The effort to make active duty units more rapidly deployable, therefore, has important implications for the role and structure of reserves. And, finally, the Army has failed in past efforts to use unit manning, in part because it affects how individuals meet rotational requirements for promotion. Congress may be concerned about how unit manning will affect the overall Army personnel system.

DOD’s Civilian and Uniformed Personnel Systems

Last year, Congress agreed to an Administration request to give the Secretary of Defense very broad authority to reorganize DOD’s civilian personnel system. DOD is now beginning to implement changes. Some of the steps the department has taken to date have led to disagreements with some employees and some unions — particularly a measure that would move authority to bargain locally over certain work rules to the national level. So Congress may be asked to exercise some oversight

³³ Anne Plummer, “Army Chief Tells President Restructuring Force Could Cost \$20 Billion,” *Inside the Army*, February 9, 2004.

³⁴ Army reform advocate Douglas MacGregor has proposed brigades of 5,000 to 6,000 troops, which would be about twice as large as the Army four-brigade-per-division plan implies. For a discussion see Elaine M. Grossman, “General Unscrambles New Jargon for Reformulated Army Divisions,” *Inside the Pentagon*, February 12, 2004.

over how the new system is being implemented. In addition, last year, Congress considered, but ultimately did not act on amendments to the personnel proposals to ensure certain traditional civil service procedures. Similar measures may be proposed this year.

Last year, the Defense Department also requested changes in several laws governing assignment of senior officers, but Congress did not act on the request. This year, the Pentagon has again submitted legislative proposals giving the Secretary of Defense more authority over senior officers. The proposals include allowing the Secretary to reassign three- and four-star generals and admirals to new positions within the same grade without Senate confirmation, allowing senior officers to serve up to age 72, allowing the Secretary greater flexibility to assign officers between the ranks one- to four-star generals and admirals, and a measure to eliminate restrictions on the length of service of military service chiefs and of the chairman and vice chairman of the Joint Chiefs of Staff. Congress may or may not consider these proposals.

Easing Environmental Provisions Affecting Military Training

For the past three years, the Defense Department has proposed a number of legislative measures, under the rubric of the Readiness and Range Preservation Initiative, to ease the application of several environmental statutes to military training. In the FY2003 defense authorization, Congress agreed to amend the Migratory Bird Treaty Act as it applies to accidental injuries to birds caused by military aircraft. In the FY2004 defense authorization, Congress agreed to changes in the Marine Mammal Protection Act and in the Endangered Species Act.

This year, the Administration has proposed somewhat revised versions of proposals it made in prior years to amend the Clean Air Act, the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). As DOD explains these provisions,³⁵ they would

- Extend the allowable time to incorporate new military readiness activities into a Clean Air Act State Implementation Plan when new units are moved to an installation; and
- Clarify regulation of munitions under Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA) if and only if munitions are used on an operational range and those munitions and their associated constituents remain there.

Administration officials have said that changes were made in these proposals to reflect particularly concerns expressed by state environmental enforcement

³⁵ See Department of Defense, "Readiness and Range Preservation Initiative," April 2004, overview and fact sheets at [<https://www.denix.osd.mil/denix/Public/Library/Sustain/RRPI/rrpi.html>].

agencies. But in response to the revised proposals, 39 states' attorneys general have signed a joint letter criticizing the new measures.³⁶ Representative John Dingell, the Ranking Democrat on the House Energy and Commerce Committee, has issued a press release and two fact sheets criticizing the Administration proposals.³⁷

Congressional Action. It now appears unlikely that Congress will consider the Administration's environment proposals this year. Neither the House nor the Senate Armed Services Committees considered the proposals in action on their versions of the defense authorization. In the House, Readiness Subcommittee Chairman Joel Hefley said he has no plans to move a package, and House Energy and Commerce Committee Chairman Joe Barton said he did not intend to address the issues in time for House action on the defense authorization if at all.³⁸

Development of New Nuclear Weapons

Last year, in the FY2004 defense authorization bill, Congress approved a measure that repealed a FY1994 provision that had limited research and development of new, low-yield nuclear weapons. Congress also added a provision to the FY2004 authorization, however, to prohibit engineering development of new low-yield weapons without specific authorization by Congress (P.L. 108-136, Section 3116). In action on the FY2004 energy and water development appropriations bill (H.R. 2754, P.L. 108-137), and Congress limited requested funding for new weapons. The bill provided \$6 million, as requested, for the Department of Energy's Advanced Concepts Initiative (ACI) to study new weapons, but it prohibited obligation of \$4 million of that amount until DOE submits a report on its plans. And the bill trimmed requested funding to study a Robust Nuclear Earth Penetrator (RNEP) from the \$15 million requested to \$7.5 million.

New nuclear weapons may also be an issue in Congress this year. Some controversy has developed, in particular, over proposed funding for the Robust Nuclear Earth Penetrator (RNEP). The Administration is requesting FY2005 funding for the RNEP of \$27.6 million, and it projects total funding of \$484.7 million over the five years from FY2005-FY2009. These amounts go far beyond the total of about \$45 million that the Department of Energy said last year would be needed between FY2003 and FY2005 for feasibility studies. (For full discussions of these issues, see CRS Report RL32130, *Nuclear Weapons Initiatives: Low-Yield R&D, Advanced Concepts, Earth Penetrators, Test Readiness*, by Jonathan Medalia; CRS Report RL32347, *Robust Nuclear Earth Penetrator Budget Request and Plan, FY2005-FY2009*, by Jonathan Medalia; and CRS Report RL32347, *Robust Nuclear Earth Penetrator Budget Request and Plan, FY2005-FY2009*, by Jonathan Medalia.)

³⁶ National Association of Attorneys General, "Thirty-nine Attorneys General Express Opposition to Legislation to Limit Department of Defense Environmental Liability," April 19, 2004, [<http://www.naag.org/issues/pdf/20040419-signon-dod.pdf>].

³⁷ Rep. John D. Dingell, Ranking Member, House Energy and Commerce Committee, "DOD Again Seeks Environmental Exemptions Despite Its Historic Record of Contamination," Press Release, April 7, 2004, with two staff-prepared fact sheets.

³⁸ Mary Clare Jalonick, "Barton Says Defense Bill Will Not Include Environmental Waivers Pentagon Seeks," *CQ Today*, April 28, 2004.

Congressional Action. On April 28, Senator Dianne Feinstein made a major speech on the Senate floor about nuclear weapons issues, including the robust nuclear earth penetrator.³⁹ She said that she intended to propose an amendment to the defense authorization bill, most likely in markup or in the subsequent conference, to apply the same restrictions to development of the RNEP as to advanced systems — specifically, she would require specific congressional authorization for RNEP engineering and development. She did not say that she would offer any amendments on the floor, however.

In House action on the defense authorization bill, the House rejected an amendment by Representative Ellen Tauscher to eliminate funds for RNEP development and for R&D on other new nuclear weapons and to transfer the funds to other programs to defeat deeply buried and hardened targets.

Other Issues

A number of other issues, including issues that are new this year and some that may carry over from debates last year, may also be on the agenda. These include

- Funding for leasing and/or buying Boeing 767 or other tanker aircraft: Last year, in the FY2004 defense authorization, Congress rejected an Air Force proposal to lease 100 Boeing 767 aircraft modified as refueling tankers and instead approved a plan to lease 20 aircraft and purchase 80 more. The Defense Department has put this revised program on hold, however, pending the outcome of several investigations into the program. Most recently, a former senior Air Force acquisition executive involved in overseeing the program pled guilty to illegal contacts with Boeing prior to accepting employment with the company after leaving the Air Force. A Defense Department Inspector General report on the lease also raised questions about the status of the program. Congress has also been investigating the proposal and Senator John McCain has put a hold on approval of some Pentagon nominations because DOD has not provided some requested documents.⁴⁰ Air Force Secretary Douglas Roche recently warned that reopening the proposals might require reviewing proposals by other suppliers, including the European Aeronautic Defence and Space (EADS) company. See above discussions of congressional action on the issue.
- Buy American Act and related issues: Last year, a debate over requirements to buy defense equipment and parts from American companies was a major issue which held up final approval of the defense authorization bill for some time. Advocates of more stringent buy American provisions were not fully satisfied with the

³⁹ Senator Diane Feinstein, “A Credibility Gap on New Nuclear Weapons,” *Congressional Record*, April 28, 2004, pp. S4486-S4488.

⁴⁰ Charles Aldinger, Reuters, “Rumsfeld’s Tough Choice On Boeing E-Mails,” *Washington Post*, March 4, 2004.

outcome, so the issue may come up in some form again this year. A related issue is whether the Navy should be permitted to continue leasing some support ships from foreign firms, or should, instead, be required to buy new ships from American shipyards. See above for discussions of congressional action on the issue.

- **Navy amphibious force level:** Recently, the Navy has announced that it is considering a plan to reduce the number of expeditionary strike groups (ESGs) from the current level of 12 to 8 or 9. ESGs, formerly known as amphibious ready groups (ARGs), are comprised of amphibious ships that can deploy Marine contingents ashore together with some combat ships, and they are forward deployed in all regions. The Navy would attempt to keep the same number of ESGs forward deployed with fewer in the force by “swapping” crews and Marine units to ships that remain on station. One implication of interest to Congress is that this plan may reduce planned amphibious ship construction, particularly of LPD-17s. The eighth LPD-17 is now planned for procurement in FY2006, and if the number of ESGs is reduced, this could be the last ship of the class the Navy wants.

Legislation

Concurrent Budget Resolution

S.Con.Res. 95 (Nickles)

An original concurrent resolution setting forth the congressional budget for the United States government for FY2005 and including the appropriate budgetary levels for fiscal years 2006 through 2009. Reported by the Senate Budget Committee without written report, March 5, 2004. Measure laid before the Senate, March 8, 2004. Considered by the Senate, March 10-12, 2004. Agreed to in the Senate with amendments (51-45), March 12, 2004. House struck all after the enacting clause and inserted the provisions of H.Con.Res. 393, March 29, 2004. House requested a conference and appointed conferees, March 30, 2004. Senate disagreed to House amendment and appointed conferees, March 31, 2004.

H.Con.Res. 393 (Nussle)

A concurrent resolution establishing the congressional budget for the United States government for FY2005 and setting forth appropriate budgetary levels for fiscal years 2004 and 2006 through 2009. Reported by the House Budget Committee (H.Rept. 108-441), March 19, 2004. Considered by the House, March 24-25, 2004. Agreed to in the House (215-212), March 25, 2004. House inserted the provisions of H.Con.Res. 393 into S.Con.Res. 95 and agreed to S.Con.Res. 95, March 29, 2004. House requested a conference, March 30, 2004.

Defense Authorization

H.R. 2400 (Hunter)

To authorize appropriations for FY2005 for military activities of the Department of Defense, to prescribe military personnel strengths for FY2005, and for other purposes. Marked up by the House Armed Services Committee, May 12, 2004. Ordered to be reported by the House Armed Services Committee (H.Rept. 108-491), May 13, 2004. Considered by the House, May 19-20, 2004. Agreed to by the House (391-34), May 20, 2004.

S. 4200 (Warner)

An original bill to authorize appropriations for FY2005 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Services, and for other purposes. Marked up by the Senate Armed Services Committee, May 6-7, 2004. Reported by the Senate Armed Services Committee (S.Rept. 108-260), May 11, 2004. Considered in the Senate, May 17-21, 2004.

For Additional Reading

CRS Reports

CRS Report RL32381. *Adequacy of the Army's FY2004 Funding for Operations in Iraq.*

CRS Report RL32056. *The Air Force KC-767 Tanker Lease Proposal: Key Issues For Congress.*

CRS Report RS20859. *Air Force Transformation.*

CRS Report RS20787. *Army Transformation and Modernization: Overview and Issues for Congress.*

CRS Report RL31954. *Civil Service Reform: Analysis of the National Defense Authorization Act for FY2004.*

CRS Report RL31924. *Civil Service Reform: H.R. 1836, Homeland Security Act, and Current Law.*

CRS Report RL31187. *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations.*

CRS Report RS21327. *Concurrent Receipt of Military Retirement and VA Disability Benefits: Budgetary Issues.*

CRS Report RS21644. *Defense Funding by Mission For Iraq, Afghanistan, and Homeland Security: Issues and Implications.*

CRS Report RL30392. *Defense Outsourcing: The OMB Circular A-76 Policy.*

CRS Issue Brief IB10062. *Defense Research: DOD's Research, Development, Test and Evaluation Program.*

CRS Report RL32238. *Defense Transformation: Background and Oversight Issues for Congress.*

CRS Report RS21195. *Evolutionary Acquisition and Spiral Development in DOD Programs: Policy Issues for Congress.*

CRS Report RL32141. *Funding for Military and Peacekeeping Operations: Recent History and Precedents.*

CRS Report RL32090. *FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations & Reconstruction Assistance.*

CRS Report RL31946. *Iraq War: Defense Program Implications for Congress.*

- CRS Report RL32216. *Military Base Closures: Implementing the 2005 Round.*
- CRS Report RS21822. *Military Base Closures: DOD's 2005 Internal Selection Process.*
- CRS Report RL30051. *Military Base Closures: Agreement on a 2005 Round.*
- CRS Report RL31663. *Military Benefits for Former Spouses: Legislation and Policy Issues.*
- CRS Report RS21754. *Military Forces: What is the Appropriate Size for the United States?*
- CRS Issue Brief IB85159. *Military Retirement: Major Legislative Issues.*
- CRS Report RS21148. *Military Space Programs: Issues Concerning DOD's SBIRS and STSS Programs.*
- CRS Report RL31664. *The Military Survivor Benefit Plan: A Description of Its Provisions.*
- CRS Report RL31111. *Missile Defense: The Current Debate.*
- CRS Report RS20851. *Naval Transformation: Background and Issues for Congress.*
- CRS Report RL32130. *Nuclear Weapon Initiatives: Low-Yield R&D, Advanced Concepts, Earth Penetrators, Test Readiness.*
- CRS Report RL32347. *Robust Nuclear Earth Penetrator Budget Request and Plan, FY2005-FY2009.*
- CRS Report RL31406. *Supplemental Appropriations for FY2002: Combating Terrorism and Other Issues.*
- CRS Report RL31829. *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security.*
- CRS Issue Brief IB92115. *Tactical Aircraft Modernization: Issues for Congress.*

Appendix A: Funding Tables

**Table A-1: National Defense Budget Function by Appropriations Bill,
FY2002-FY2005**

(current year dollars in millions)

	FY2002	FY2003	FY2004	FY2005
Subfunction 051 — Department of Defense, Military	344,984	437,863	441,709	402,633
Defense Appropriations Bill	336,655	428,125	434,995	394,393
Military Personnel	86,957	109,062	117,713	106,346
Operation & Maintenance	133,851	178,316	168,470	141,245
Procurement	62,740	78,490	80,920	74,905
RDT&E	48,718	58,103	64,665	68,942
Revolving & Management Funds	4,389	4,154	3,227	2,955
Military Construction Appropriations Bill	10,679	10,853	9,789	9,461
Military Construction	6,631	6,670	5,956	5,289
Family Housing	4,048	4,183	3,833	4,172
Mandatory/Scoring	-2,350	-1,116	-3,075	1,216
DoD Offsetting Receipts (Net) & Other	-1,703	-1,178	-3,056	1,218
OMB rounding/scoring difference	-647	62	-19	-2
Subfunction 053 — Atomic Energy Defense Activities	15,225	16,365	16,753	17,220
Energy and Water Appropriations Bill	15,225	16,365	16,753	17,220
Atomic Energy Defense Activities	14,910	15,752	16,321	16,798
Occupational Illness Compensation Fund	157	450	273	262
Former Sites Remedial Action	140	144	139	140
Nuclear Facilities Safety Board	18	19	20	20
Subfunction 054 — Defense Related Activities	1,897	1,957	2,085	3,245
VA-HUD-Independent Agencies Appropriations Bill	95	95	94	853
US Antarctic Logistical Support Act (NSF)	70	69	68	68
Social Security Wage Credits Post 1956 Service	0	0	0	759
Selective Service System	25	26	26	26
Defense Appropriations Bill	330	359	360	508
Intelligence Community Management Staff	118	136	134	269
CIA Retirement & Disability Fund	212	223	226	239
Homeland Security Appropriations Bill	695	753	877	937
Coast Guard (Defense Related)	440	340	400	340
Emergency Preparedness and Response	50	50	50	50
R&D, Acquisition and Operations	0	363	287	407
Information Analysis & Infrastructure Protection	96	0	140	140
Homeland Security (Defense Related)	109	0	0	0
Commerce-Justice-State Appropriations Bill	678	652	656	667
Radiation Exposure Compensation Trust	174	143	107	137
Department of Justice (Defense Related)	45	39	59	35
FBI (Defense Related)	459	470	490	495
Labor-HHS-Education Appropriations Bill	0	0	0	181
Health Care Trust Fund Post 1956 Service	0	0	0	181
Transportation-Treasury-Appropriations Bill	99	98	98	99
Maritime Security/Ready Reserve Fleet	99	98	98	99
Total National Defense	362,106	456,185	460,547	423,098

Source: Department of Defense, *National Defense Budget Estimates for FY2005*, March 2004.

**Table A2: Congressional Action on Missile Defense Programs:
Authorization**

(amounts in millions of dollars)

	Request	House Armed Services Committee	Change to Request	Senate Armed Services Committee	Change to Request
Procurement/RDT&E Total	10,170.7	9,993.7	-177.0	10,133.0	-37.7
Procurement Total	577.2	577.2	—	667.2	+90.0
Patriot PAC-3	489.3	489.3	—	579.3	+90.0
Patriot Mods	87.9	87.9	—	87.9	—
RDT&E Total	9,593.5	9,416.5	-177.0	9,465.8	-127.7
RDT&E Missile Defense Agency	9,146.7	8,969.7	-177.0	9,014.0	-132.7
0603175C Ballistic Missile Defense Technology	204.3	208.3	+4.0	211.6	+7.3
0603879C Advanced Concepts, Evaluations And Systems	256.2	206.2	-50.0	256.2	—
0603881C Ballistic Missile Defense Terminal Defense Segment	937.7	984.7	+47.0	937.7	—
0603882C Ballistic Missile Defense Midcourse Defense Segment	4,384.8	4,414.8	+30.0	4,424.8	+40.0
0603883C Ballistic Missile Defense Boost Defense Segment	492.6	492.6	—	492.6	—
0603884C Ballistic Missile Defense Sensors	592.0	541.0	-51.0	612.0	+20.0
0603886C Ballistic Missile Defense System Interceptor	511.3	444.3	-67.0	311.3	-200.0
0603888C Ballistic Missile Defense Test & Targets	713.7	713.7	—	713.7	—
0603889C Ballistic Missile Defense Products	418.6	358.6	-60.0	423.6	+5.0
0603890C Ballistic Missile Defense Systems Core	479.8	449.8	-30.0	474.8	-5.0
0901585C Pentagon Reservation	13.9	13.9	—	13.9	—
0901598C Management HQ - MDA	141.9	141.9	—	141.9	—
RDT&E Army	360.4	360.4	—	365.4	+5.0
0603869A Medium Extended Air Defense System (MEADS)	264.5	264.5	—	328.7	+64.2
0604865A Patriot PAC-3	64.2	64.2	—	—	-64.2
0203801A Project 036 Patriot Product Improvement	31.7	31.7	—	36.7	+5.0
RDT&E Joint Staff	86.4	86.4	—	86.4	—
0605126J Joint Theater Air and Missile Defense (JTAMDO)	86.4	86.4	—	86.4	—

Sources: Department of Defense, *Procurement Programs (P-1)*, Fiscal Year 2005, February 2004; Department of Defense, *RDT&E Programs (R-1)*, Fiscal Year 2005, February 2004; H.Rept. 108-491; S.Rept. 108-260.

Note: Excludes \$22.3 million requested for military construction.

Table A3. House and Senate Action on Major Weapons Acquisition Programs: Authorization
(amounts in millions of dollars)

	Request			House Action			Senate Action			Comments
	Procurement		R&D	Procurement		R&D	Procurement		R&D	
	#	\$	\$	#	\$	\$	#	\$	\$	
Army Aircraft and Vehicles										
UH-60 Blackhawk	27	327.6	67.6	35	432.0	67.6	27	432.0	67.6	House adds \$118 mn. for 8 aircraft.
CH-47 Chinook Upgrades	—	727.3	12.9	—	733.8	12.9	—	727.3	12.9	—
AH-64D Apache Longbow	19	654.5	—	19	654.5	—	19	659.5	—	Senate adds \$5 mn. for combo pak.
Future Combat System	—	—	3,198.1	—	—	2,952.8	—	—	3,198.1	House cuts \$245 mn.
Bradley Mods/Base Sustainment	—	126.8	—	—	191.9	—	—	126.8	—	House adds \$40 mn. to establish ongoing upgrade program and \$25 mn. for reactive armor.
M1 Abrams Mods/Upgrades	—	409.1	16.1	—	409.1	16.1	—	409.1	16.1	—
Stryker Interim Armored Vehicle	310	905.1	51.9	310	905.1	51.9	310	905.1	51.9	—
Up-Armored Humvees*	818	163.0	—	—	867.7	—	—	478.0	—	House adds \$704.7 mn. in emergency supplemental authorization. Senate adds \$315.0 mn. in regular bill.
Navy Vessels										
DDG-51 Destroyer	3	3,445.0	146.5	3	3,545.0	168.3	3	3,445.0	146.5	—
DD(X)	1	—	1,450.6	—	—	1,239.5	—	—	1,550.0	House cuts \$221 mn. for initial ship construction, adds \$10 mn. for advanced gun system. Senate adds \$99 mn. for 2 nd ship design.
LHD(1) Amphibious Ship	—	236.0	—	—	236.0	—	—	236.0	—	—
LHD-9/LHA(R) Advance Proc.	—	—	—	—	150.0	—	—	150.0	—	House adds \$150 mn. in advance procurement for items common to LHA(R) and LHD-9. Senate adds \$150 mn. for LHA(R).
Littoral Combat Ship	1	—	352.1	—	—	244.4	—	—	352.1	House cuts \$107.7 mn. for initial ship construction.
LPD-17 Amphibious Ship	1	966.6	9.0	1	966.6	9.0	1	966.6	9.0	—
Virginia-Class Submarine	1	2,453.0	143.3	1	2,453.0	153.3	1	2,453.0	219.4	House adds \$10 mn. in RDT&E for multi-mission modules. Senate adds \$76 mn. in RDT&E, including \$56 mn. for multi-mission modules.

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	Request			House Action			Senate Action			Comments
	Procurement		R&D	Procurement		R&D	Procurement		R&D	
	#	\$	\$	#	\$	\$	#	\$	\$	
Air Force/Navy/Marine Aircraft										
F/A-18E/F Fighter	42	2,985.8	134.6	42	3,009.8	134.6	42	2,985.8	134.6	House adds \$24 mn. for reconnaissance pods.
C-17 Airlift Aircraft	14	3,839.9	199.7	14	3,874.8	199.7	14	3,839.8	199.7	House adds \$35 mn. for a maintenance training system.
F-22 Fighter	24	4,157.0	564.5	24	4,157.0	564.5	22	3,876.8	564.5	Senate cuts \$280 mn. for 2 aircraft due to production delay.
Joint Strike Fighter (Navy)	—	—	2,264.5	—	—	2,264.5	—	—	2,279.5	Senate adds \$15 mn. for STOVL lift fan.
Joint Strike Fighter (AF)	—	—	2,307.4	—	—	2,307.4	—	—	2,307.4	—
V-22 Tilt Rotor Aircraft	11	1,234.7	395.4	11	1,234.7	395.4	11	1,234.7	395.4	—
VHXX Executive Helicopter	—	—	777.4	—	—	557.4	—	—	632.4	House cuts \$200 mn., and Senate cuts \$145 mn. due to delays.
KC-767 Tanker	—	—		—	15.0	80.0	—	—	—	House adds \$15 mn. for advance procurement and \$80 mn. for RDT&E.
Missiles/Space Systems										
Tactical Tomahawk Cruise Missile	293	256.2	28.8	350	305.8	28.8	316	276.2	33.8	House adds \$50 mn for 57 missiles. Senate adds \$20 mn. for 23 missiles and \$5 mn. for RDT&E.
Advanced Extremely High Frequency Satellite	—	98.6	612.0	—	133.6	612.0	—	133.6	612.0	House adds \$35 mn. for advanced procurement for a 4 th satellite assuming follow-on Transformational Satellite delay. Senate adds \$35 mn. for spare parts and long-lead items.
Evolved Expendable Launch Vehicle	3	611.0	27.0	3	511.0	27.0	3	511.0	27.0	House and Senate cut \$100 mn. due to launch delay.
Space-Based Infrared System-High	—	—	508.4	—	—	543.4	—	—	543.3	House and Senate add \$35 mn. for RDT&E.
Transformational Communications Satellite	—	—	774.8	—	—	674.8	—	—	674.8	House and Senate cut \$100 mn. from RDT&E due to risk of delays.
Space-Based Radar	—	—	327.7	—	—	327.7	—	—	327.7	—
Affordable Weapon System	—	—	28.9	—	—	51.9	—	—	—	House adds \$23 mn. for RDT&E. Senate eliminates funds.

Sources: H.Rept. 108-491; S.Rept. 108-260.

Appendix B: Defense Budget Trends

Even without supplemental funding for Iraq and Afghanistan, the FY2005 Bush Administration defense request represents a substantial increase from the amounts provided in the final years of the Clinton Administration. **Table B-1** compares the FY2000 defense plan, which was the last full budget year of the previous Administration with the FY2005 request. Adjusted for inflation, the overall FY2005 request is about 23% higher, with the largest increases in procurement, +28%, and, most strikingly, in R&D, +66%. This represents an average annual growth rate of 3.7% above inflation over the five-year period.

Table B-1: Change in National Defense Budget Function by Appropriations Title, FY2000-FY2005
(budget authority in billions of constant FY2005 dollars)

	Actual FY2000 (FY2005 \$)	Request FY2005 ^a	Difference	Percent Difference
Military Personnel ^b	88.9	106.3	+17.5	+19.7%
Operation and Maintenance	124.5	141.2	+16.8	+13.5%
Procurement	58.6	74.9	+16.3	+27.8%
RDT&E	41.6	68.9	+27.3	+65.7%
Military Construction	5.5	5.3	-0.2	-4.1%
Family Housing	3.8	4.2	+0.4	+10.1%
Other	5.9	1.7	-4.2	-70.7%
Subtotal, Department of Defense	328.8	402.6	+73.8	+22.5%
Department of Energy Defense-Related	14.1	17.2	+3.1	+22.3%
Other Defense-Related	1.4	3.2	+1.9	+138.3%
Total, National defense	344.2	423.1	+78.9	+22.9%

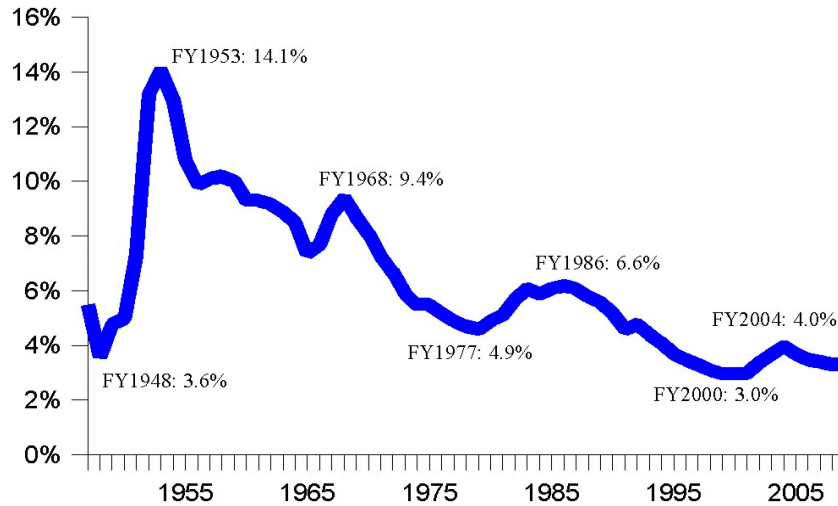
Sources: CRS calculations based on amounts from the Office of Management and Budget and FY2005 base year deflators from the Department of Defense.

Notes

- FY2005 amounts do not include anticipated supplemental appropriations for Iraq and Afghanistan.
- The FY2000 Military Personnel total is inflated to FY2005 prices using Department of Defense “deflators,” which count military pay raises as inflation. A calculation using different deflators, such as the Consumer Price Index, would show a different amount: see Figure 2 above.

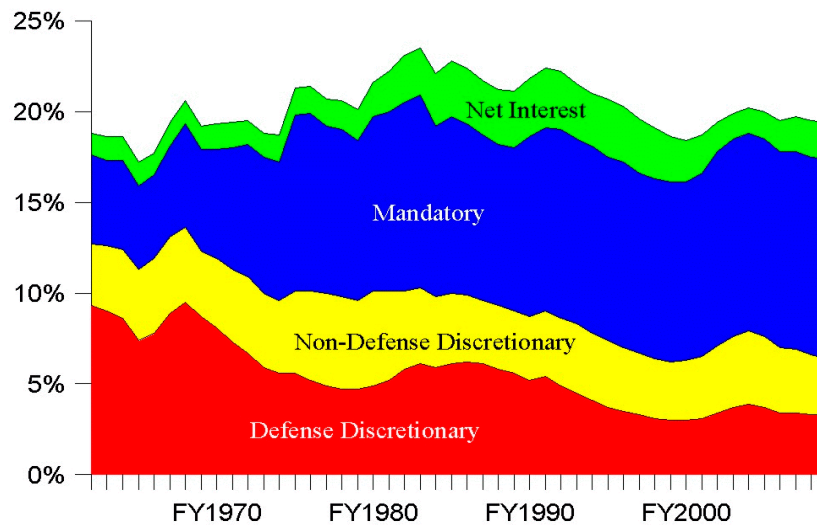
Though substantial, these increases are not as large those in the first five years of the Reagan Administration. Between FY1980 and FY1985, the defense budget grew by 48%, an average annual increase of 8.1%. Moreover, even when funding for operations in Iraq and Afghanistan is included, military spending remains relatively low as a percentage of GDP. The FY2004 budget, including costs of Iraq and Afghanistan is about 4% of GDP, substantially higher than in FY2000, but well below what it was in the mid-1980s, when the Cold War was still going on (see **Figure B-1**).

**Figure B-1: National Defense Outlays
% of GDP, FY1947-FY2009**



Advocates of higher military spending sometimes point to the long-term decline in defense as a share of the economy to argue that the nation can easily afford more. One counter-argument, or at least part of a counter-argument, is that the trend in defense spending is part of a broader long-term trend in the federal budget, in which both defense and non-defense discretionary spending have declined while mandatory programs have grown. As **Figure B-2** shows, total federal spending has been remarkably stable at about 20% of GDP over the past 40 years. So to increase defense substantially as a share of the economy would require either an increase in total federal spending as a share of GDP or offsetting reductions elsewhere.

**Figure B-2: Federal Outlays % of GDP,
FY1962-FY2009**



After FY2005, the Administration defense plan, again not including war-related supplementals, calls for fairly modest increases in the defense budget averaging a bit over 2% per year above inflation. **Table B-2** shows the trend.

Table B-2: Administration Projections for the National Defense Budget Function, FY2005-FY2009
(budget authority in billions of current and constant FY2005 dollars)

	Request FY2005	Proj. FY2006	Proj. FY2007	Proj. FY2008	Proj. FY2009
Current year dollars	423.1	444.0	464.8	485.8	508.2
Constant FY2005 dollars	423.1	433.7	443.0	451.5	460.5
Real growth/decline	—	+2.5%	+2.1%	+1.9%	+2.0%

Source: CRS calculations using deflators from Department of Defense Comptroller.