

A Closer Look at DoD Base Budget Spending Options, 2012-2021

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During the past year a variety of “defense savings” plans have shown how the Pentagon’s “base budget” might be safely reduced over the next ten years. The total savings promised by individual plans ranged from perhaps \$800 billion to \$1.2 trillion. Fusing the plans would produce even greater savings.

Translating these savings into new “top line” budget estimates for 2012-2021 is not a straight forward exercise, however. This, partly because the savings are often subtractions from programs that themselves are not entirely contained inside the President’s budget. Also, some of the savings are now covered in Secretary’s Gates’ reduction proposal of 6 January 2011.

In the following we try to identify a simple, straight-forward principle for setting the Pentagon’s “base budget” over the next ten years that would be strongly supported by recent defense savings plans. To be “strongly supported” the principle should reflect budget savings that are somewhat less than those promised by current budget cutting plans.

A good place to begin is with recent spending levels and official spending plans:

- The FY 2011 Obama plan foresaw spending \$2.99 trillion on DoD during the 2012-2016 period and \$6.255 trillion during 2011-2020.
- By contrast, the slightly more modest FY 2012 Obama plans foresees spending 2.92 trillion on DoD during the 2012-2016 period and \$6.14 trillion during 2012-2021.
- If, instead, spending were held at the actual level spent in 2010 and increased only to cover inflation, \$2.8 trillion would be spent during 2012-2016 and \$5.85 trillion would be spent during 2012-2021.

Note that although the President’s 2012 plan is more modest than last year’s, it still grants the Pentagon an annual average of \$40 billion more in real terms during 2012-2016 than in 2010.

Against these official markers we tested several options:

- Option 1 would set the DoD base budget in 2012 at the 2008 level, adjusted for inflation. Thereafter it allows increases for inflation only. Basically, it stabilizes spending at the 2008 level in real terms.
- Option 2 sets the 2012 budget at \$500 billion and allows subsequent growth at the rate of inflation. It essentially stabilizes the budget slightly below the 2008 level in real terms.
- Option 3 does approximately the same but takes a more gradual approach. It would take the base budget down to \$500 billion in two steps: \$515 billion for 2012 and \$500 billion in 2013. Subsequently, it too allows growth at the rate of inflation. While starting at a more modest pace than Option 2, it actually achieves the highest level of savings among the three options.
- Hard Freeze: we also look at the option of freezing the budget in absolute terms at the 2010 level or the (estimated) 2011 level. In these cases, no adjustment for inflation is allowed.

Table 1 shows how official spending plans and the alternative spending options play out over ten years.

In the bottom rows, it also shows how these translate into “average annual budgets” for 2012-2016 and for the full period.

And it shows how these average annual budgets compare with the 2010 level of spending adjusted for inflation. (Thus, 107% implies that the average expenditure for a period is 7% higher than the 2010 level projected forward and adjusted for inflation.)

Table 1. Comparison of Defense Base Budget Funding Options 2012-2020								
	2010 level plus inflation	2011 Obama Plan	2012 Obama Plan	Option #1	Option #2	Option #3	Hard Freeze at 2011 Level	Hard Freeze at 2010 Level
2012	542.3	566.4	553.0	504.9	500.0	515.0	533.0	530.0
2013	550.4	581.8	570.7	512.5	507.5	500.0	533.0	530.0
2014	559.2	597.8	586.4	520.7	515.6	508.0	533.0	530.0
2015	568.7	616.0	598.2	529.6	524.4	516.6	533.0	530.0
2016	578.4	632.6	610.6	538.6	533.3	525.4	533.0	530.0
2017	588.8	650.2	621.6	548.3	542.9	534.9	533.0	530.0
2018	599.4	668.3	632.8	558.1	552.7	544.5	533.0	530.0
2019	610.2	687.0	644.1	568.2	562.6	554.3	533.0	530.0
2020	621.2	706.4	655.7	578.4	572.7	564.3	533.0	530.0
2021	632.3		667.5	588.8	583.1	574.4	533.0	530.0
Average Annual 2012-2016	559.8	598.9	583.8	521.3	516.2	513.0	533	530
As % of 2010 (w/ inflation)	100.0%	107.0%	104.3%	93.1%	92.2%	91.6%	95.2%	94.7%
Average Annual Full Period	585.1	634.0	614.1	544.8	539.5	533.7	533	530
As % of 2010 (w/ inflation)	100.0%	108.4%	105.0%	93.1%	92.2%	91.2%	91.1%	90.6%

The next set of tables focus only on Options #1, #2, and #3, showing how much they each save relative to:

- The President's 2012 budget plan
- The President's 2011 budget plan, and
- The 2010 level of spending projected forward over ten years, corrected for inflation.

Alternative Spending Options VS Obama 2012 10-year DoD Spending Plan			
	Option 1	Option 2	Option 3
2012-2016			
\$ saved billions (then year)	312.6	338.1	353.8
% saved	10.7%	11.6%	12.1%
2012-2021			
\$ saved billions (then year)	692.6	745.8	803.2
% saved	11.3%	12.1%	13%

Alternative Spending Options VS Obama 2011 10-year DoD Spending Plan			
	Option 1	Option 2	Option 3
2012-2016			
\$ saved billions (then year)	388.3	413.8	429.5
% saved	13%	13.8%	14.3%
2012-2021			
\$ saved billions (then year)	~ 863.2	~ 910.7	~ 959.4
% saved	~ 13.8%	~ 14.6%	~ 15.3%

Alternative Spending Options VS Actual 2010 DoD Base Budget			
	Option 1	Option 2	Option 3
Annual \$ below 2010 (2010 USD)	36.5	41.3	48.5
% below 2010	6.9%	7.8%	9.2%