

FY

2012



A Report of the Task Force on
**A Unified Security Budget
for the United States**

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Table of Contents

Executive Summary.....	1
I. Introduction: The year in security budgeting.....	7
The Path to Real Reductions	10
The Security Balance	11
Deficit Ceilings and Unified Security Budgeting	12
The OCO Effect	15
USB FY 2012.....	17
II. Acquisition Reform	21
III. Roles and Missions Review.....	23
IV. Budget Process Reform	31
Changes in the Departments and Agencies.....	31
Changes in the Executive Office of the President.....	32
Changes in Congress	33
V. Rebalancing Security: Offense	39
National Missile Defense.....	41
Virginia Class submarine.....	43
V-22 Osprey.....	43
F-35 Joint Strike Fighter	44
Personnel.....	45
Nuclear forces	45
Research, Development, Test and Evaluation.....	46
Force Structure.....	46
Waste and Inefficiencies.....	47
VI. Rebalancing Security: Prevention	49
Diplomacy	49
Non-Proliferation.....	53
International Organization Accounts.....	60
United States Contributions to International Organizations.....	61
U.S. Contributions to United Nations Peacekeeping.....	63
Creation of a Standing International Peacekeeping Force	64

Climate Change	65
Climate Change Adaptation.....	69
VII. Rebalancing Security: Defense	71
VIII. Conclusion	81
Task Force Members.....	82
Endnotes.....	86

Figures and Tables

Table 1: Illustrative Military and Non-Military Trade-offs FY2012.....	9
Figure 1: Projected Percentage Change in Discretionary Spending on Offense v. Prevention, FY 2012 Request.....	12
Figure 2: Projected Percentage Change in Discretionary Spending on Offense v. Prevention, FY 2011 Request.....	13
Table 2: Military and Non-military Security Funding.....	14
Figure 3: FY2012 Request vs. FY2012 House Budget Allocation.....	15
Figure 4: Overseas Contingency Operations Allocations.....	16
Table 3: Unified Security Budget FY2012	18
Figure 5: FY2012 Base Budget vs. FY2012 Unified Security Budget.....	19
Table 4: USB Proposed Changes to FY2012 Military Budget.....	40
Figure 6: Percent Change of 2012 House GOP Budget Proposal vs. Administration Request.....	49
Figure 7: State’s Core Budget vs. OCOs	50
Table 5: USB Recommended Increases for Diplomacy, FY2012	52
Table 6: Funding for Nuclear Terrorism Prevention and Non-Proliferation Programs.....	53
Table 7: Recommended Nonproliferation and Threat Reduction Funding Changes	56
Table 8: Foreign Aid Budget, FY2010 - FY2012.....	58
Table 9: USB Recommendations for Contributions to International Organizations Accounts.....	65
Table 10: U.S. Federal Government Budget Allocations for Climate Change Initiatives	66
Table 11: Climate-Related Bills Being Considered in Current Congress	67
Table 12: Potential Clean Energy Investments for U.S. Economy.....	68
Table 13: FY2010 - 2011 Homeland Security Appropriations for Select Agencies	73
Table 14: FY2011 USB Homeland Security Recommendations vs. Final Appropriations	74
Table 15: FY2012 USB Homeland Security Recommendations vs. Administration Budget.....	78

Executive Summary

Two of 2011's most extraordinary developments point in a single direction.

First, the death of Osama bin Laden was accomplished by means that resembled a police action. A painstaking investigation preceded the operation by a group of special forces roughly the size of a SWAT team. Then came the extensive diplomatic work to improve the critical, complex, and challenging relationship between the United States and Pakistan. The 150,000 U.S. troops amassed in neighboring countries at the time had remarkably little to do with it. The decade of war the United States launched in response to the 9/11 attacks, at the cost of a trillion-plus dollars and many thousands of lives, has failed to accomplish a goal that was finally achieved at a tiny fraction of these costs, through a coordinated action of investigative work, diplomacy, and minimal military force.

And second, the various ongoing, transformational struggles known as the Arab Spring point to the possibilities of peaceful change in which the United States has sought to play a supporting role and to deemphasize the role of its military forces.

Since 2004, the Unified Security Task Force has made the case for a rebalancing of United States security resources among the accounts funding offense (military forces), defense (homeland security), and prevention (non-military international engagement). The goal is to strengthen our capacity to prevent and resolve conflict by non-military means, and

to constrain terrorist threats not by waging a “war on terror” but by finding and isolating terrorists and bringing them to justice, protecting ourselves from future attacks, and strengthening the capacity of the United States and other nations to resist terrorism.

Our top military and civilian national security leaders have all expressed support for repairing the extreme imbalance in our security spending to strengthen our non-military security tools. Their actions to get it done, however, have mostly lagged behind these fine words.

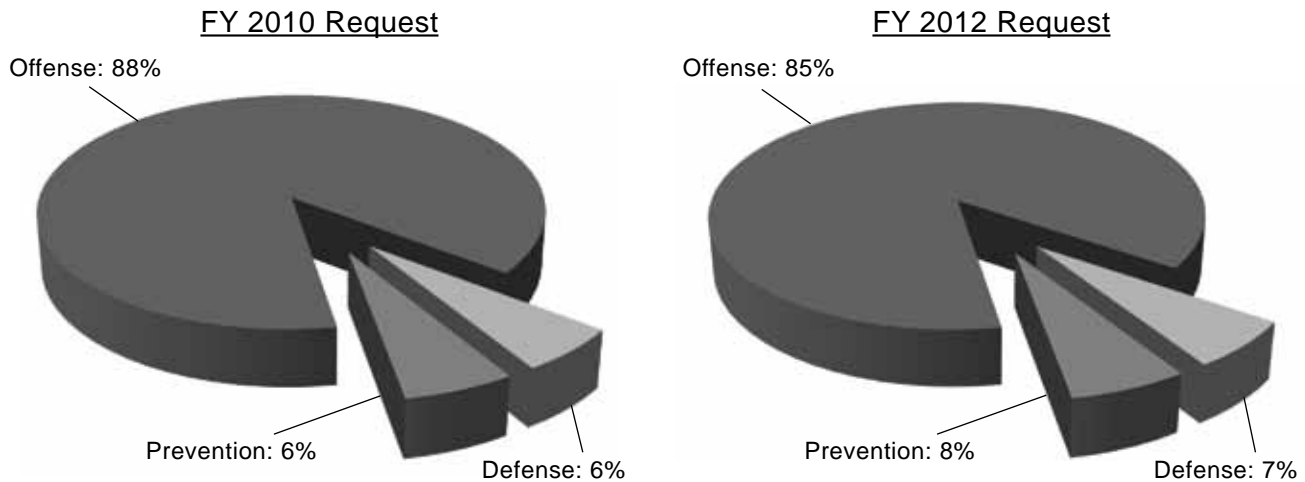
The historic changes of 2011 have provided fresh evidence of why this repair is needed.

But achieving it will not be easy.

The single-minded focus of national debate on deficit reduction during the past year has held the most promise of ending the unbroken string of expanded military accounts that has dominated U.S. discretionary spending in this century.¹ Calls for deficit reduction plans that put “everything on the table — including defense” have crossed an otherwise gaping political divide.

The Unified Security Budget project has contributed to this debate by outlining a set of cuts in unneeded military programs that formed the core of a proposal by the Sustainable Defense Task Force for \$1 trillion in cuts over 10 years.² A majority, though not a supermajority, of the members of the President's Commission on Fiscal Responsibility and Reform adopted

Security Spending Balance



the annualized figure of \$100 billion, and many of the recommendations from this proposal.

Unfortunately, this administration did not follow its own commission's recommendations. Its flurry of claims this year about past and future military savings, closely inspected, leave us with plans for a military budget that continues to more than keep pace with inflation. It will not contribute significantly to deficit reduction.

Yet the Obama administration did improve the security balance modestly with its FY 2012 request.

It did this not by actually reducing military spending — again, Pentagon smoke and mirrors to the contrary, military growth remains on track, only at a slower rate. The rebalancing came from a boost in the allocation for international affairs. Homeland security spending stayed relatively constant.

Two problems burden this rebalancing. First, the increase in the international affairs budget is mostly attributable to increased State Department responsibilities for operations in Iraq, rather than in strengthening State Department capacity to prevent conflict. The nominal increase to the administration's prevention budget request comes almost entirely from its budget for Overseas Contingency Operations (OCO). Indeed the improvement in the security balance itself is almost entirely attributable to the drop in OCO funding for the military and the increase in its funding slated for the State Department.

In addition to pulling together the security budget as it appears in President Barack Obama's request, we present a reallocation of those budgets that more clearly distinguishes military from non-military security spending. When OCO spending is excluded, the security balance has remained unchanged between the 2010 and 2012 requests: the ratio of military to non-military spending remains at 5:1; the ratio of of-

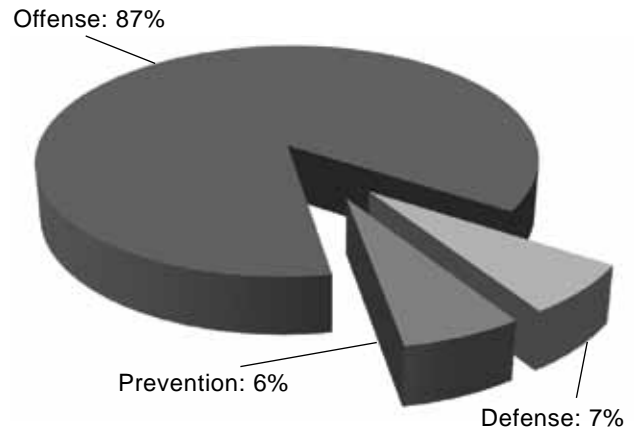
fense to prevention remains at 12:1; and the ratio of offense to defense remains at 11:1.

The second and more serious problem is that the rebalancing outlined in the administration's request will not actually occur. Congressional action in 2011 on this budget is quite clearly headed in the direction of reversing the gains embodied in President Obama's request.

This unbalancing trend would have been worse but for the presence of funding for OCOs in the State Department's budget. Congressional action this year has consistently slashed the regular budget for international affairs while fully funding the OCO account.

Indeed, the narrowing of the focus of budget negotiations onto deficit reduction had a clear effect on the administration's own planning for the security balance in future years. As shown in Figures 1 and 2, pages 12 and 13, the administration's FY 2011 budget

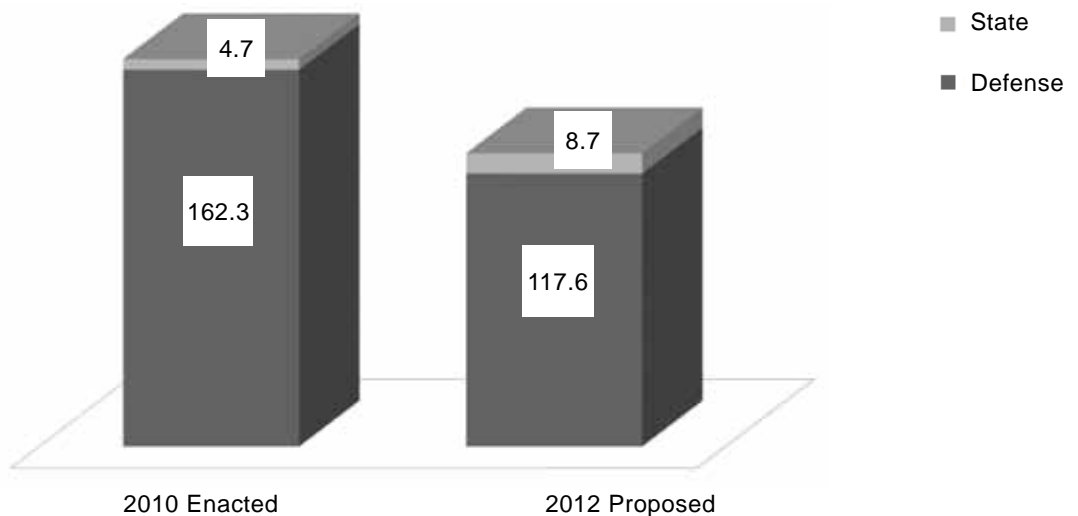
FY2012 House Budget Allocations



request laid out five- and 10-year plans that envisioned substantial rebalancing. By the time of the FY 2012 request, these plans had been drastically revised, and the rebalancing had vanished.

In one year, the budget planners had cut an additional \$230 billion from the five-year projected

Overseas Contingency Operations Allocations (in billions of dollars)



increase for the Defense Department. But they had cut a cumulative \$129 billion from International Affairs. (The Homeland Security budget took a much smaller \$57 billion hit.) The budget for offense declined, in nominal terms, over that five-year period, by a total of 1.8 percent; the prevention budget declines by 18.2 percent. These facts of life in the world of deficit reduction had an impact on our own recommendations for rebalancing. We have argued that a unified security budget would allow the overall balance to be clear, facilitating the process of reallocation. In the meantime, we have provided an annual proposal for such a budget and of the reallocations that would substantially alter the balance. In previous years, we have recommended more ambitious resource shifts toward non-military security tools. This year's budget politics have led us to scale back these ambitions. Our budget, page 18, would cut \$77.1 billion from the FY 2012 request for unneeded military programs, while adding \$28.1 billion to investments in defense and prevention. While we have slightly increased our recommendations for military cuts over

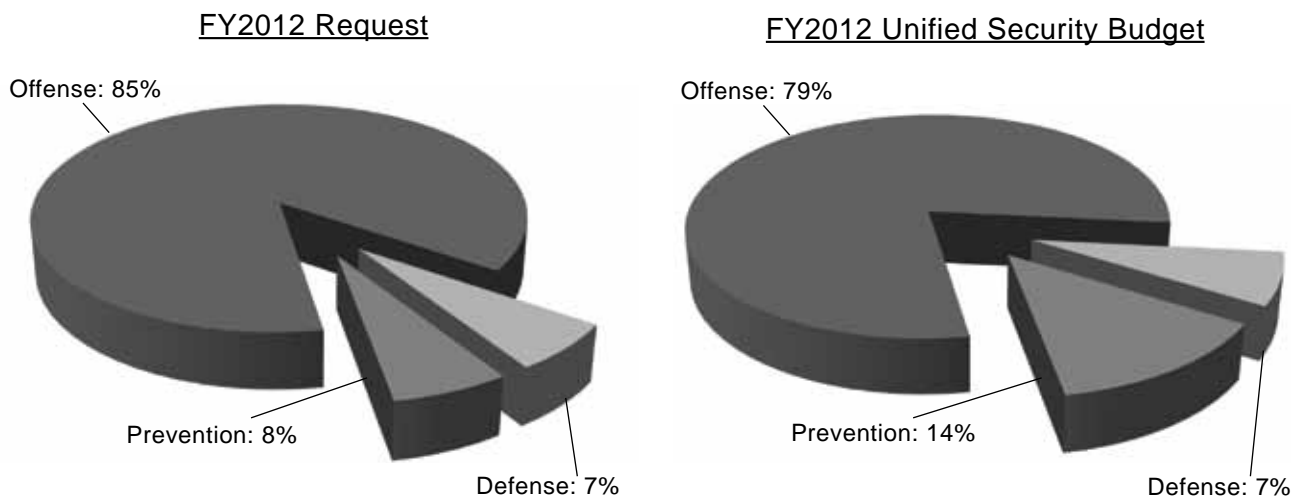
previous years, we have viewed fully funding, or slightly increasing, the Obama administration's request as more realistic goals for the defense and prevention accounts.

The exception to this rule is spending on alternative energy. The Defense Department is focusing increasing attention on climate change as a security threat. The concentration of extreme weather events this year underscores their concerns. And a faltering economic recovery affirms the need for job-creating investment. For all these reasons, we recommend investing the lion's share of the increases to the prevention budget to the portion of this budget that will address this threat while spurring domestic economic activity.

Our Unified Security Budget would improve the security balance, as illustrated in the chart below.

The difference between our recommended cuts and additions would leave a remainder of nearly \$50 billion. We recommend that half of that be allocated to

FY2012 Request vs FY2012 Unified Security Budget



deficit reduction. But our country suffers from an investment deficit as well as a budget deficit. We therefore recommend reallocating the rest to job-creating public investment, which would itself create new taxpayers and new revenue, thereby contributing to deficit reduction.

It is thus possible to improve the balance of our security spending portfolio while also cutting the deficit. But that is impossible if the budget for offense is protected at the expense of the prevention budget and investment in the nation's infrastructure.

Congress so far continues to pursue this course. It is, however, resisting the tide that has shifted the debate this year strongly in the direction of giving military spending a significant role in deficit reduction. So far, however, the Obama administration has gone no further than slowing the growth of a military budget that is larger than at any time since World War II. It has grown since 2001 from one-third of the world's total to nearly one-half, and will, under this plan, continue to grow in real terms. Deficit reduction requires actually cutting military spending. Three sections of this report outline the three measures necessary to do so.

Getting serious about waste: There is general agreement that military accounts are loaded with fat. The Government Accountability Office found that military cost overruns in the last two years — the difference between what procurement was contracted to cost and what it actually did cost — exceeded the State Department's annual budget. This section reviews the measures actually taken this year, assesses their results, and outlines what really needs to be done to cut waste.

Roles and missions review: The administration is currently conducting what it claims is an examination of which core missions are necessary to our security and what we can do without. This is a critical task. The growth in the military budget in recent years has coincided with an expanded set of missions that the Pentagon has embraced in its Quadrennial Defense Review (QDR) without regard to cost. This new section gives our recommendations for the kind of review that will be necessary to drive a serious effort to cut costs.

Budget process reform: There is a disconnect between the current discourse on the need for deficit reduction and security budget rebalancing and the bloated, unbalanced budgets that we continue to fund. This disconnect has much to do with a balkanized budget process that favors parochial interests and inhibits consideration of what overall security spending levels and priorities will best serve our national goals. In this section we provide a menu of reforms, from the modest to the visionary, which would move us from one to the other.

Introduction: The Year in Security Budgeting

Federal spending priorities rose to the top of the national agenda in 2011, and narrowed to a single focal point: cutting the deficit. The Unified Security Budget — comprising spending on what this task force calls offense (the military), defense (homeland security), and prevention (non-military foreign engagement) — has played a major role in the debate.

This debate has unfolded around events in three main phases.

1. December 2010: the Deficit Commission report.

Before the President's National Commission on Fiscal Responsibility released its findings, actors across the political spectrum — from tea party activists to Republican lawmakers such as House Majority Leader Cantor and Senators Toomey, Isakson, Paul, Corker and Kirk to coalitions uniting conservative groups like the National Taxpayers Union with progressive groups like the U.S. Public Interest Research Group — had joined the chorus asserting that in a viable deficit reduction plan everything had to be “on the table,” including defense. The Commission report itself actually set up the table and placed the military budget squarely on top. The chairmen's draft laid down a marker pegging cuts to the military budget at an annual average of \$100 billion over 10

years, for a \$1 trillion savings, and applied an equivalent figure to cuts in non-defense discretionary programs.

These figures — the \$100 billion annual benchmark and the 10-year accumulated total — were not invented by the Commission's staff. They aligned closely with the two major blueprints released during the Commission's deliberations that had given military spending a role in deficit reduction commensurate with its dominant role in the discretionary budget. The first, the Sustainable Defense Task Force (SDTF), expanded on the recommendations for military cuts from the 2010 Unified Security Budget (USB) report. (The Unified Security Budget and Sustainable Defense task forces share several members, including both USB principal authors.)

The second, coordinated by the Bipartisan Policy Center and chaired by Alice Rivlin and former Senator Pete Domenici, made slightly different recommendations arriving at a similar number: \$114 billion by 2015 and \$900 billion in 10 years, to be achieved in part through military and civilian pay freezes and military retirement structural reforms.

The Commission's recommendation for military cuts was weaker than either of the two alternatives because it relied heavily on an

amorphous call for greater efficiencies in military operations that would remain structurally the same. 44 percent of the proposed savings would be, theoretically, achieved in this way, in contrast to the more concrete proposals in the two alternative plans for specific changes in personnel and procurement costs. Calls for greater efficiency from the Pentagon are perennial and rarely achieved, (see Section II).

Still, the \$100 billion figure became a solid benchmark for a newly shifted debate.

2. February 2011: President Obama's budget request for FY 2012.

While not committing itself to any of the Commission's recommendations, the administration appeared to embrace the "defense on the table" line by incorporating its own version of military cuts into its budget. But the proposal to cut \$78 billion over five years would still leave the Pentagon with a 5 percent increase in spending for 2012 over the amount budgeted for 2011. So how was this framed as a cut? As a reduction in the larger increase the administration had previously planned.

The exercise was an effort to head off more serious attempts to bring the largest portion of the discretionary budget — nearly half its total, and 20 percent of the entire budget — into the deficit-cutting equation. Former Defense Secretary Robert Gates characterized the effect of the Commission's proposal as potentially "catastrophic."³ Yet this catastrophe would leave the

Pentagon with more inflation-adjusted dollars to spend in its regular budget than it had during any of the Bush years, or on average during the Cold War.⁴ As spending on the wars begins to decline, plans for the base budget — four times larger than the war budget — remain on an upward trajectory.

But here is another indicator that a significant shift in the debate had taken place: 2011 should be remembered as the year the familiar practice of framing a smaller decrease to an ambitious budget trajectory as a budget cut stopped being routinely accepted, in official circles, at face value. For example, when Deputy Defense Secretary William Lynn appeared before the Senate Budget Committee in March to testify about the \$78 billion in military budget cuts, the Chair, Senator Kent Conrad (D-ND), asked in irritation, "Can't DoD come up with savings that are net savings?"⁵ Over at the Senate Armed Services Committee, freshman tea party Senator Kelly Ayotte (R-NH) was complaining that, "Only in Washington, DC, can an agency propose cuts in future growth and call it a triumph."⁶

3. April 2011: Spring budget dealing.

In this unusual (to be kind) budget year, the FY 2011 budget was still being funded by temporary continuing resolutions even as the FY 2012 budget process got underway. The single-minded focus on deficit reduction that created this situation did not prevent a budget deal, when it finally came, whose \$38 billion in cuts

Table 1: Illustrative Military and Non-Military Trade-Offs, FY2012

\$2.41 billion	Purchase a second Virginia Class Submarine, a weapon that is unnecessary to address any of the threats facing the U.S. today	or	Meet the State Department's request of \$2.14 billion for the Contributions to International Peacekeeping Activities account, and recover \$322 million cut from public diplomacy in 2008
\$10 billion	Maintain a nuclear arsenal of 5,100 active warheads, a level that is 4,800 over the suggested nuclear deterrent requirement, for six months	or	Fulfill the U.S. pledge of \$10 billion for the G-8 Global Partnership initiative to eliminate Russia's WMD stockpiles
\$1.3 billion	Maintain existing levels of annual aid to Egypt's military.	or	Support Egypt's burgeoning democracy through economic and humanitarian assistance.
\$50 million	Buy two Trident II nuclear missiles, an unnecessary weapon given the availability of other strategic delivery vehicles.	or	Fund a new training program for FSOs and ambassadors working in multilateral organizations to ensure that the U.S. fully engages in and supports international organizations.
\$122 million	Purchase one V-22 Osprey helicopter, even though its field capabilities remain weaker than other significantly cheaper helicopters	or	Increase funding for deployment of more advanced checked bag screening systems to a level nearly consistent with the GAO's recommended spending levels
\$20 billion	Allow the Pentagon to reinvest the waste and inefficiencies it finds back into its own budget.	or	Increase the government's investment in renewable energy and energy efficiency to a level that would achieve the Obama administration's stated climate security goals
\$110 million	Maintain 850 excess active-duty personnel stationed in Europe and Asia (out of the 50,000 this report recommends bringing home)	or	Hire 76 FSOs and 1274 domestic positions so the State Department will be fully staffed for the first time since the early 1990s.
\$2 billion	Fund one carrier battle group to support Navy and Marine Corps aircraft (11 groups are currently deployed, while only 7 are needed)	or	Cover all the start-up costs for a UN Emergency Peacekeeping Service, or cover the U.S. share (26 percent) of all costs for six years
\$70 billion	Pay for the cost overruns caused by management failures in DOD military contracts from just the last two years.	or	Fully fund the State Department's annual budget of \$47 billion one and a half times over.
\$3.6 billion	Maintain spending on R&D and procurement for ineffective and unproven missile defense systems.	or	Restore the Obama administration's original appropriation for the Global Health Initiative, providing 5 million children access to treatment for malaria this year.

failed to cut a penny from the military account, the largest portion of the discretionary budget. In other words, military spending, which the president's deficit commission had put on the table, was summarily removed again. The Obama administration claimed credit for in-

sisting on smaller defense increases than the Republican-led House wanted.

The following week, Obama laid out his thoughts on deficit reduction. "Over the last two years," he said, "Secretary Gates has cou-

rageously taken on wasteful spending [in the defense budget], saving \$400 billion in current and future spending. I believe we can do that again.”⁷

That statement contains reasons for hope but also concern.

Concern first because Obama seemed to endorse the tactic of making expansive plans and then claiming credit for slowing their rate of increase. Concern also because this \$400 billion is less than half the proposal of his own deficit reduction commission, and stretched out over two extra years. These savings, if they materialize, will achieve not deficit reduction as promised, but defense budget flattening. Concern because much of the past savings the administration has claimed have simply been reprogrammed back into other areas of the Pentagon’s budget. And concern because, while Obama referred to \$400 billion in cuts to defense spending, Gates revised this to say the cuts would come from the entire security portfolio (including its non-military portions), and that, while a “preponderance” would be coming from the military budget, the precise proportion had not been determined.⁸

The Path to Real Reductions

President Obama’s proposal is a (modest) step, though, in the direction of actual military budget reductions. This task force’s hope that this path will actually be pursued comes mainly from what the president promised to do to find the savings: he would order “a

fundamental review of America’s missions, capabilities, and our role in a changing world,” and he would base his spending decisions on it.⁹

Such a review is a key prerequisite enabling substantial reductions. The last review — the 2010 Quadrennial Defense Review (QDR) — proposed new missions, including efforts to preclude the emergence of threats and to shape the global strategic environment. These were simply added to an already-long laundry list with little effort either to set priorities among them, or to tie them to costs. Prioritizing missions most essential to our security, and identifying those we can do without, is a necessary step to identifying reductions in force structure that are possible and the savings that will result.

Obama’s commitment to undertake this review, and the short timeframe announced to fulfill it, immediately raised concerns that this would be a “mini-QDR” that would rubber-stamp the previous QDR’s conclusions, which had found that the existing force structure prescribed by the services was, miraculously, sized perfectly for our security needs. While endorsing the effort, Gates explicitly disavowed the “mini-QDR” approach as well as the strategy of across-the-board cuts that requires the military to do all the same tasks with fewer resources.

Skepticism is widespread that this new review will result in a substantial change to the military’s roles and missions. Daniel Goure, a proponent of military spending increases at the Lexington Institute, confidently predicts the unlikelihood of congressional approval for serious military restructuring.¹⁰ Nor is it a good sign that the same team that put together the QDR is in charge of this new review.

But unlike the QDR, with its broad strategic mandate, this review is specifically focused on finding budget savings, by examining, in Secretary Gates' words, "missions that our elected officials decide we should not have to perform or ... can't perform anymore because we don't have the resources."¹¹ The mission of deficit reduction, embraced by those public officials this year as never before, may, or may not, concentrate minds on finding missions we can do without.

In section III we will sketch the parameters of the kind of roles and missions review that will be needed to serve as the foundation of the real reductions that are possible.

The Security Balance

In March, a *New York Times* editorial cited a report from the Government Accountability Office on cost overruns in current military contracting. The Times observed that "Pentagon cost overruns [in the last two years] amount to one and [a] half times the State Department's entire \$47 billion annual budget."¹² For the last seven years this task force has been arguing that the imbalance on display in facts like these is not in our nation's best interest and that a unified security budget would allow these facts to be considered as a whole, and reallocations made to remedy them.

While the new political environment of all-eyes-on-deficit-reduction should propel meaningful reductions in the account (050) that continues to dominate a unified security budget, this new environment has not so far benefitted the security balance itself.

The potentially counterproductive effect of deficit reduction on security budget rebalancing is visible in what happened between the 2011 and 2012 budget projections for offense and for prevention: the change in what was planned for those accounts for the years 2012-2020.

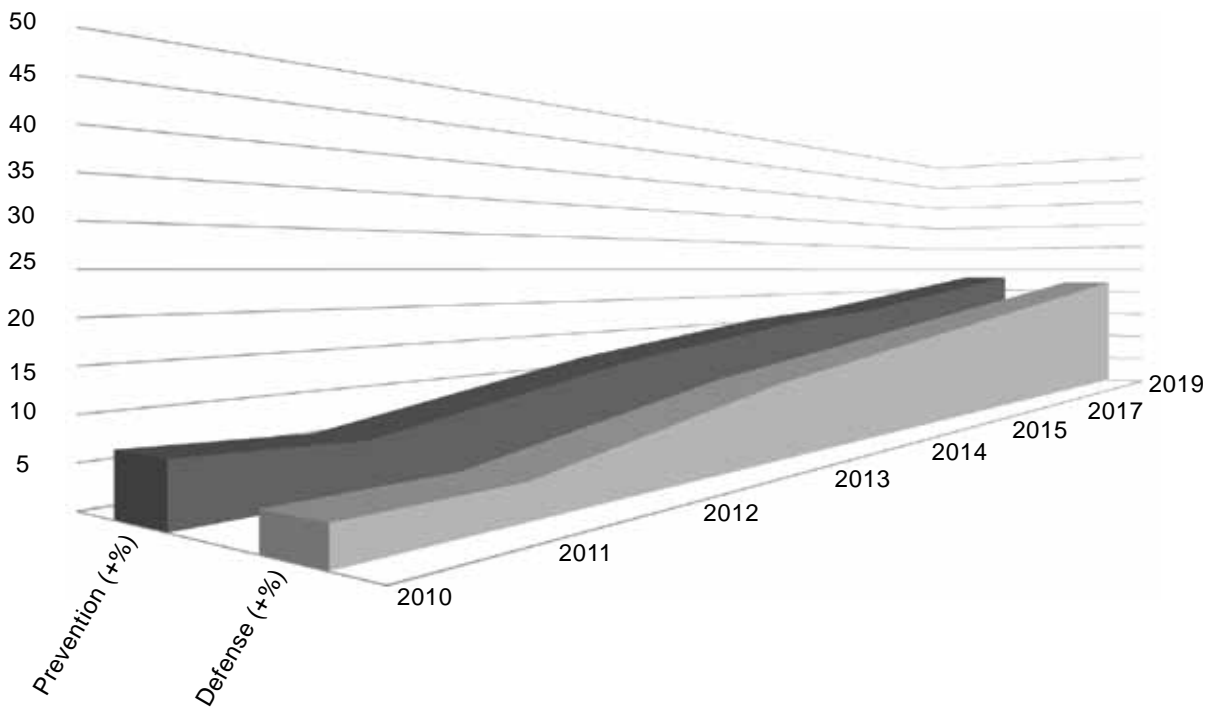
Figure 1 on the next page shows how the administration's FY 2011 budget request projected spending through 2020 on offense and prevention (**note that what is depicted is not the relative proportions of spending in each category, but the percent of change in each from year to year**).

As of a year ago, the Obama administration's future years plans outlined a narrowing of the balance in our discretionary foreign engagement budget in favor of non-military foreign affairs (150) at the expense of the military budget (050). Between 2009 and 2015 these plans increased the proportion of the International Affairs budget from 6 percent to 9 percent of the combined total, and reduced the military portion from 79 percent to 76 percent.¹³

A year later, the administration had revised these projections drastically, as shown in Figure 2, page 13.

In one year, the budget planners had cut an additional \$230 billion from the five-year projected increase for the Defense Department. But they had cut a cumulative \$129 billion from the five-year plan for International Affairs. (The Homeland Security budget took a much smaller \$57 billion hit.) The international affairs account took a hit that is grossly disproportional

Figure 1: Projected Percentage Change in Discretionary Spending on Offense vs. Prevention, FY2012 Request



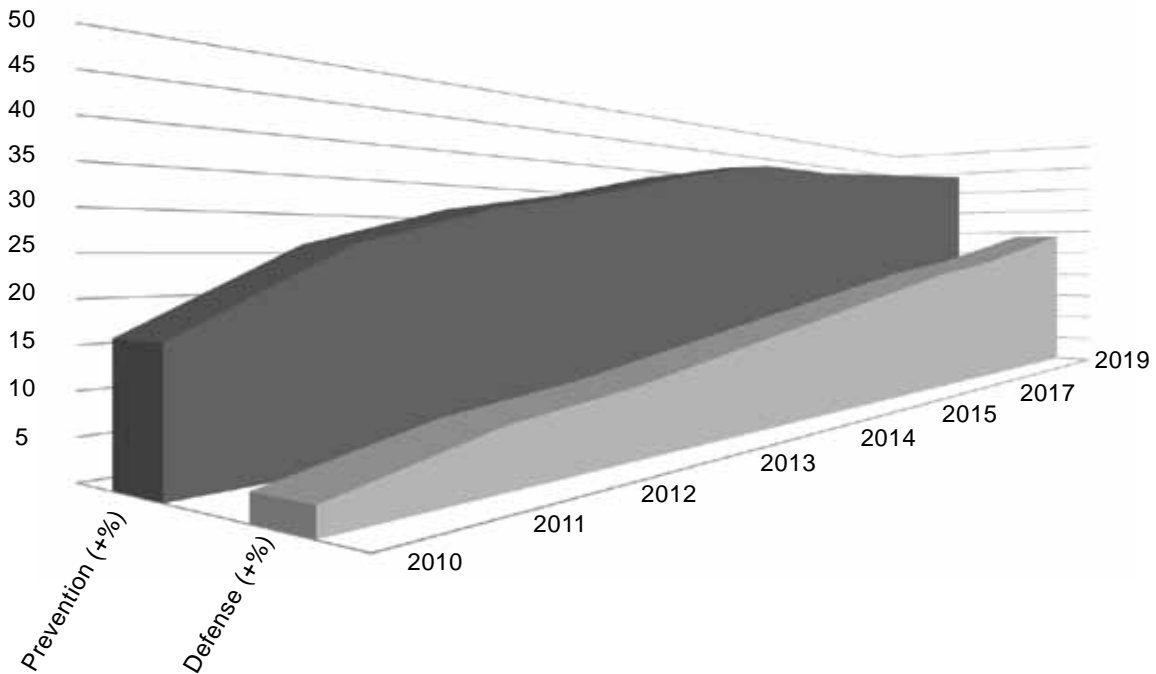
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Defense (+%)	4	4	7	10	12	14	16	18	20	22
Prevention (+%)	7	6	9	12	14	16	17	19	21	23

to its current share of the security budget. The budget for offense declines, in nominal terms, over that five-year period by a total of 1.8 percent; the prevention budget declines by 18.2 percent. The International Affairs cuts, moreover, are more likely to be, not merely planned, but enacted, since they are concentrated in the near-term. The planned cuts in the budget for offense are mostly deferred until after this administration, which planned them, has been replaced.

Deficit Ceilings and Unified Security Budgeting

The final report of the president’s Fiscal Responsibility and Reform (i.e. deficit reduction) Commission report replaced the division of defense from non-defense spending with a division of security from non-security spending. They included in the security category the USB’s consolidation of military, homeland security and non-military foreign engagement spending, and added in spending on veteran’s affairs. (While

Figure 2: Projected Percentage Change in Discretionary Spending on Offense vs. Prevention, FY2011 Request



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Defense (+%)	3	7	9	12	15	18	21	23	26	29
Prevention (+%)	16	26	31	34	38	41	41	42	43	44

we on this task force view providing for our veterans as a vital national obligation, we see it as not contributing directly to our security, and so we exclude it from our security budget.)

On the one hand, this change accords with our task force’s argument that security spending should be considered as a unified whole, and defined as including non-military as well as military tools.

But the danger is that when budget ceilings are in place, forcing spending cuts across the board, and security spending is considered as a unit — that is, when offense, defense, and prevention are pitted against

each other — offense will assert its long-standing dominance. In his final years at the Pentagon’s helm, Gates eloquently and repeatedly made the case for increased spending on non-military foreign affairs. In 2007, for example, he noted that funding for non-military foreign affairs “remains disproportionately small relative to what we spend on the military and to the importance of such capabilities.”¹⁴ He also made it clear that these increases were not to come at the expense of his own budget.

But we are in a new world. If spending cuts are required across the board, remedying the disproportion in security spending, a goal Gates identified as

Table 2: Military and Non-military Security Funding
(in billions of dollars)

	FY 2010	FY 2012	FY 2010 including OCO funding	FY 2012 including OCO funding
Offense				
050 National defense	551.7	578.1	714.2	696.0
152 International security assistance (plus)	12.3	11.7	14.3	16.0
Nonproliferation (minus)	3.3	3.7	3.3	3.7
Homeland security overlap (minus)	19.1	17.8	19.1	17.8
Total	541.6	568.2	706.1	690.4
Defense				
Homeland Security (mission area)	67.5	68.7	67.5	68.7
National defense overlap (minus)	19.1	17.8	19.1	17.8
Total	48.4	50.8	48.4	50.8
Prevention				
150 International affairs	52.4	52.7	57.0	61.4
152 International security assistance (minus)	12.3	11.4	14.3	16.0
Energy Efficiency & Renewable Energy (plus)	2.2	3.2	2.2	3.2
Nonproliferation (plus)	3.3	3.7	3.3	3.7
Homeland security overlap (minus)	1.8	2.3	1.8	2.3
Total	43.8	45.9	46.5	50.0
Military	541.8	568.5	706.1	690.4
Preventive	43.8	45.9	46.5	50.0
Homeland Security	48.4	50.8	48.4	50.8
Total National Security Spending	634.1	665.2	801.0	791.2
Ratios				
Military to Non-military	5.9	5.9	5.9	5.9
Military to Preventive	12.4	12.4	12.4	12.4
Military to Homeland Security	11.2	11.2	11.2	11.2

beneficial to our security interests, is simply not possible if the International Affairs account is targeted disproportionately. The point of a unified security budget is to bring the current imbalance under scrutiny so that adjustments across security spending categories can be made to improve it.

Table 1, on the facing page, illustrates what what a unified security budget would look like if constructed from the FY 2012 request, as compared to the final allocations in FY 2010.

As in previous years, we have both displayed the Office of Management and Budget's accounting of offense, defense and prevention, and have adjusted these budgets to more clearly differentiate military from non-military security spending.

The budget for defense, that is, for homeland security, stayed essentially flat. This is consistent with the task force's recommendation.

By budgeting an increase of 9.4 percent for prevention, the FY 2012 request did begin to improve on the security balance.

The budget negotiations of 2011 are on track to reverse these gains.

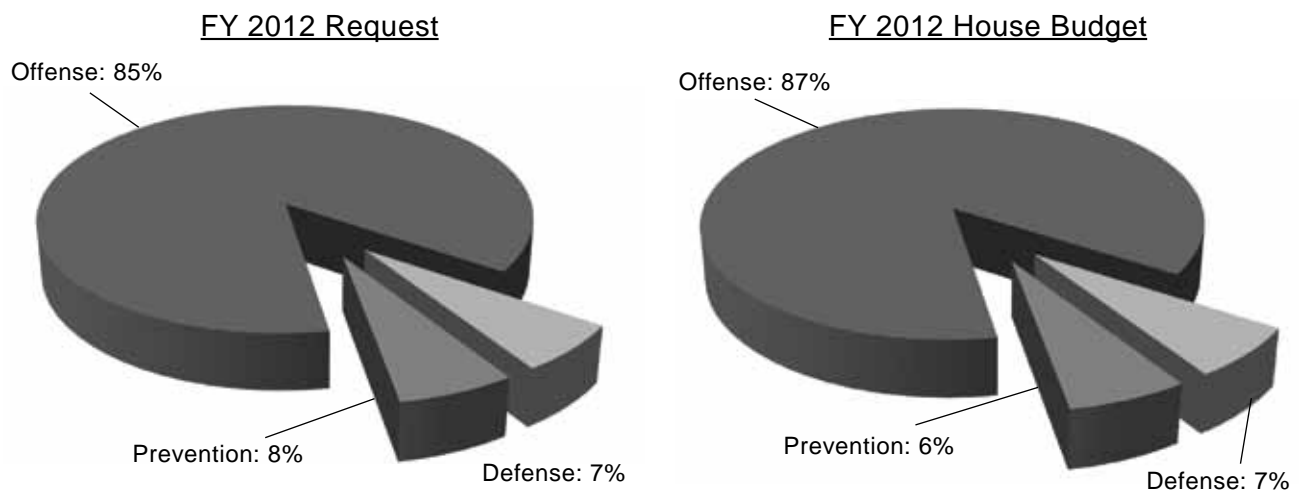
The House Budget Resolution cut \$13 billion, or 25 percent, from the president's 2012 request for prevention. It added \$17 billion to the core military budget over the amount negotiated in April for 2011.

The final result will, we can confidently predict, make the security balance worse.

The OCO Effect

This un-balancing trend would have been worse but for the presence of funding for Overseas Contingency Operations in the State Department's budget. Congressional action this year has consistently

Figure 3: FY2012 Request vs. FY2012 House Budget Allocation



slashed the regular budget for international affairs while fully funding the OCO account.

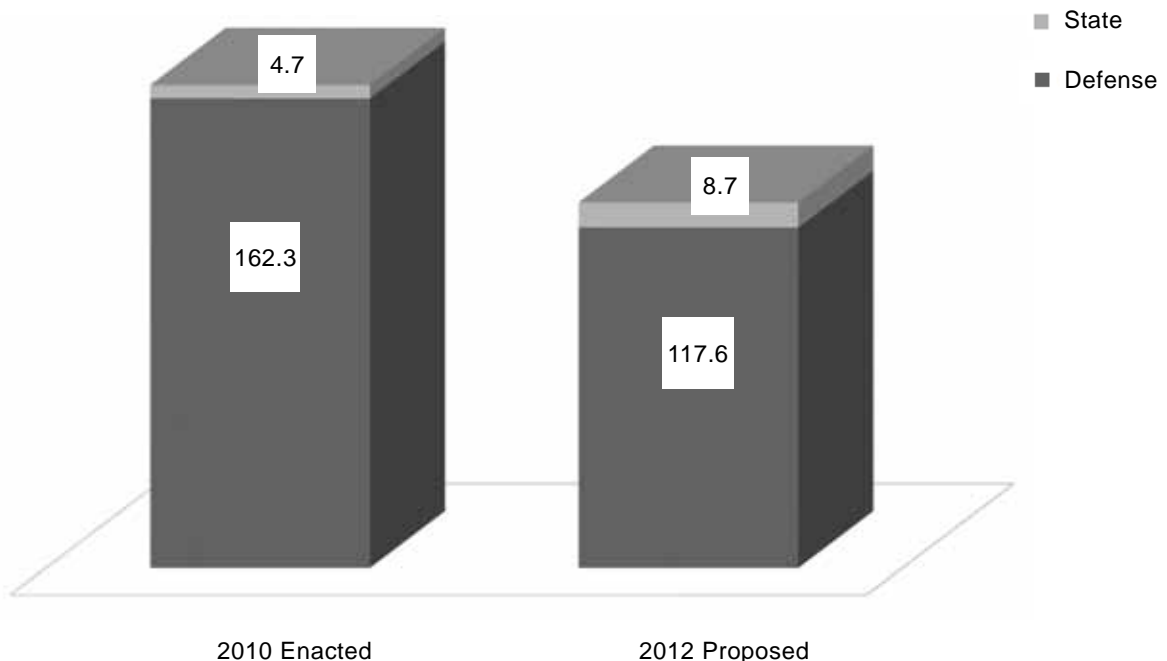
And in fact the nominal increase to the administration's prevention budget request comes almost entirely from its OCO budget. Indeed, the improvement in the security balance itself achieved by the request is almost entirely attributable to the drop in OCO funding for the military and the increase for the State Department.

Without the shift in OCO funding, the security balance — between military and non-military, military and prevention, and military and homeland security — stayed flat.

Having focused her congressional testimony during budget season in recent years on why her budget needed to expand, Secretary of State Hillary Clinton was reduced this year to arguing against massive reductions, and to focusing on OCO funding to keep international affairs funding off life-support. As the military appropriation for OCOs declines in 2012 by \$45 billion, she said, "Our costs, the State Department and USAID, will increase by less than \$4 billion. Every business owner I know would gladly invest \$4 to save \$45."¹⁵

This strategy of starving the base international affairs budget to feed the OCO account is problematic for two main reasons. First, it runs the risk of deferring, rather than enabling, the process of strengthening U.S. civilian capacity in foreign engagement by diverting en-

Figure 4: Overseas Contingency Operations Allocations
(in billions of dollars)



ergy, resources and personnel toward the daunting tasks of assisting recovery and reconstruction following the longest and most controversial military engagement in U.S. history. We are concentrating our resources and developing our capacity, in other words, to help pick up the pieces after a conflict, rather than to prevent conflict. The capacity and the skill sets are not the same.

The State Department's role in attempting to stabilize the conflict and post-conflict zones of Iraq and Afghanistan is, moreover, not one we are intending to repeat. "In my opinion, any future defense secretary who advises the president to again send a big American land army into Asia or into the Middle East or Africa should 'have his head examined,' as General MacArthur so delicately put it," Gates told an assembly of Army cadets in February.¹⁶

Handing over Iraq to the State Department is risky strategy that may or may not succeed in helping the Iraqi people achieve some measure of stability. But we are committing the State Department to improvise programs that will be of limited use to it in developing a constructive role in the world helping to prevent conflict.

And second, it is not clear that positions and funding appropriated to fulfill this mission will be preserved and redirected rather than eliminated once the mission concludes. The prevailing climate of budget-cutting, and the polls showing "foreign aid" its most popular target, make this more likely.

After a decade of war, a stagnated, fragmented and underfunded civilian workforce for international affairs has been enmeshed in and subordinated to the

dictates of those wars. It is past time for the United States to concentrate on developing a robust architecture for constructive U.S. engagement in helping to prevent future conflict.

This is not where we seem to be headed. In its budget request the administration left the security balance between its base budgets for offense, defense, and prevention unchanged. Congress appears determined to make this balance worse.

Let Robert Gates himself have the last word on why this course is counterproductive to the goal of deficit reduction: "Development contributes to stability," he said last year. "It contributes to better governance. And if you are able to do those things and you're able to do them in a focused and sustainable way, then it may be unnecessary for us to send soldiers."¹⁷ Preventive measures, in other words, are worth many pounds, and dollars, of cure.

USB FY 2012

With this in mind, the USB task force lays out its recommendations for strengthening non-military defensive and preventive security measures by rebalancing our security accounts. This year we have increased slightly our recommended cuts in unnecessary military spending to \$77.1 billion, while laying out more modest goals than in previous years for increased spending on defense and prevention over President Obama's request, totaling \$28.1 billion. This is mostly a nod to political reality — the administration's budget has already been voted down, and increases to the request for anything, with the possible exception of the military, are unlikely.

Table 3: Unified Security Budget FY 2012
(in billions of dollars)

Military Accounts	
Ballistic Missile Defense	-3.6
Virginia-Class Submarine	-2.4
F-35 Joint Strike Fighter	-5.6
Personnel	-6.5
Research and Development	-10.0
Nuclear Forces	-21.0
Force Structure	-8.0
Waste in Procurement and Business Ops	-20.0
Total	-77.1
Non-Military Accounts	
Diplomacy	0.9
Nonproliferation	0.4
U.S. Contributions to International Organizations	0.1
U.S. Contributions to Peacekeeping	0.2
UN Emergency Peace Service	0.5
Economic Development	3.6
Alternative Energy	22.4
Homeland Security Measures	0.0
Total	28.1

The exception to this rule of modest recommendations is our proposal for a large increase in spending on alternative energy, which represents the lion's share of our prevention budget. As the economy falters, weather extremes take an increasing toll, and the Defense Department focuses more of its attention on climate change as a security threat, we have put special emphasis on investing in measures to address this threat. Among all the elements in the non-military security budget, these are the investments that will do the double duty of paying dividends in job creation.

This relatively modest reallocation of resources would improve the security balance, as shown on the following page.

Adm. Mike Mullen, outgoing chair of the Joint Chiefs of Staff, has recently taken to identifying debt as the greatest threat to U.S. security.¹⁸ While this characterization is extreme, he is right to include deficit reduction as one of our security challenges. We therefore recommend allocating half of the remainder of the savings, not quite \$25 billion, to deficit reduction. Yet cutting the unemployment rate by creating

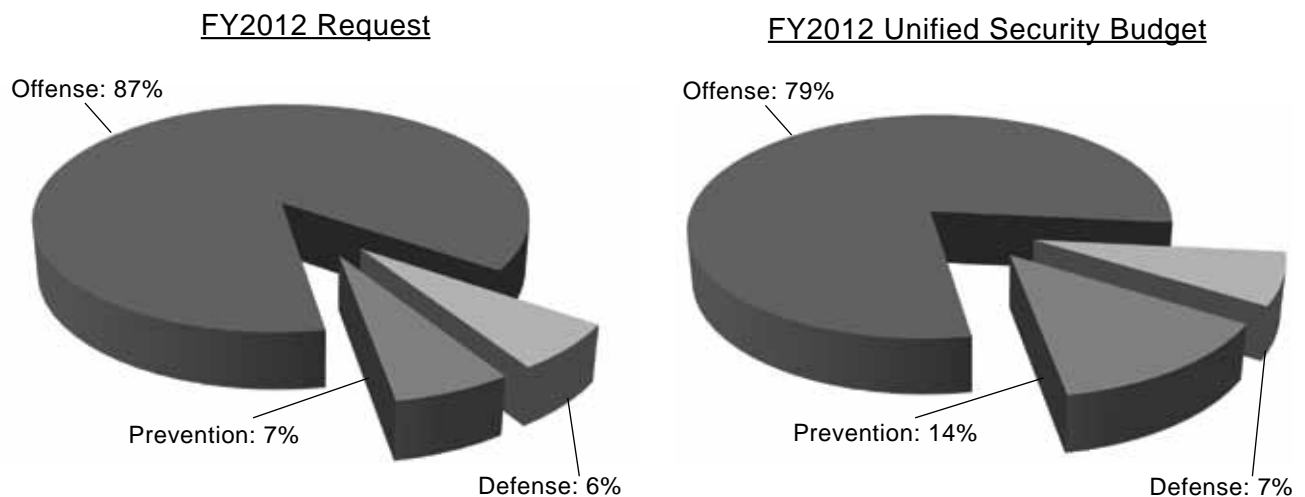
more tax-paying job-holders is one important means of reducing the deficit. We therefore recommend allocating the other half of the savings to other investments in domestic job creation.

In addition to reviewing developments in the fortunes of each component of our security budget, and laying out our recommendations for shifting the balance among them, we focus on how we get to the rebalancing that the foreign policy establishment says it wants and that remains largely elusive. Three sections of this report highlight what we see as three indispensable means to this end:

- The president's deficit commission envisioned about 40 percent of its defense savings coming from elimination of waste. We examine the current prospects of achieving this goal.

- Serious reductions in military spending that can be made with no sacrifice in security will not be possible without a serious reexamination of the U.S.'s role in the world to distinguish the military missions that are crucial to our security from those we can do without. Section III sketches the kind of review that would actually achieve the savings we need.
- The sprawling, overlapping, and chronically parochial structure of the current budget process undermines the possibilities for unified consideration of the best balance of security tools and for turning this balance into budgetary reality. Section IV outlines a menu of reform measures that would help us get there.

Figure 5: FY2012 Base Budget vs. FY2012 Unified Security Budget



II. Acquisition Reform

In response to the new focus on fiscal austerity that had taken hold of Washington, former Defense Secretary Robert Gates announced new Pentagon “efficiencies reforms” last year. The effort aimed to shield the military from more serious budget cuts by demonstrating that the Defense Department could perform the same missions for less money. In doing so, military leaders reasoned, they might stave off calls for reductions in major weapons systems or post-conflict reset funds.

Gates unveiled his initiative in June 2010 by directing each military service to cut \$100 billion from their budgets by 2016. Most of the cuts were to come from “overhead” spending such as administration and support functions, leaving procurement and research and development accounts untouched. The savings, Gates promised, would go back into the military to pay for underfunded “modernization and force structure” priorities, as well as \$200 billion in new programs including a new Navy ballistic missile submarine and long-range strike bomber program.

The \$100 billion in military service savings was one of four “tracks” Gates identified within the efficiency reforms. The second track solicited advice from outside organizations, the third produced a department-wide operations review in preparation for the FY 2012 budget that included procurement reforms, and the fourth looked to the Pentagon bureaucracy for savings. The latter includes eliminating agencies, boards and even the Joint Forces Command (JFCOM) in Norfolk, Virginia;

freezing top-level staffing in various offices; and cutting back on advisory reports.

Many of the changes focused on dialing back the number of Pentagon contractors. Gates cited “arresting and reversing growth in contractor support” as a key tenet of the reforms, pledging to cut intelligence contractors by 10 percent overall and service contractors by 10 percent each year for the following three years. The cuts would focus on those performing “inherently governmental functions” such as writing sub-contracts or Congressional correspondence, he said. He later advocated cutting more than 1,000 contractor positions. As with the administration’s pledge to cut \$400 billion from security spending over 12 years, Secretary Gates’ promise to reduce Defense Department outsourcing remains vague.

The Track 3 acquisition process reforms contained some laudable and long-requested changes, primarily inclusion of cost constraints in the procurement process. In practice, this means heading off cost overruns by letting contractors know how much money they have to spend on a weapon or service up front. The reforms would also force program managers to set an “affordability target” at a program’s launch that cannot be changed during the process without Gates’ signoff.

A September 2010 memo detailing the acquisition reforms contained some stunning figures on the rapid bloat of services contracts. The Pentagon estimates that “requirements creep” has increased 400 percent on

such contracts, meaning their scope expands while frequently becoming specialized to the point where only one company is qualified to fill it. Nearly one-fourth of the services contracts put out to competitive bid (worth some \$31 billion) receive only one bidder, according to the Defense Department, eliminating potential savings gained from competition.

Days after the new Congress was sworn in, Gates took the opportunity to reassert the Defense Department's newly parsimonious ways with a press conference releasing details of the cuts offered by each military service.

The list echoed Gates' desire to trade off commands, offices and operations centers in exchange for high-tech reconnaissance equipment, unmanned aerial vehicles (UAVs) and big-ticket weapons. A memo was released the following March detailing Track Four reforms, such as eliminating hundreds of officers and senior executives.

Yet the reforms' budget-shrinking abilities are debatable. Savings from acquisition reforms are always difficult to project, primarily because they depend so heavily on enforcement. Gates will no longer be around to oversee his reforms. Yet the experience of his successor, Leon Panetta, as OMB director suggests he has the skills and potentially the inclination to do so. Legislation within the House version of the FY 2012 National Defense Authorization Act directing the Pentagon to annually assess whether the savings proposed by Secretary's efficiencies initiatives are realized would help.

The key point is that the reforms do not and were never intended to arrest the military's budgetary

growth. Much of the savings from overhead cuts, such as the 5,000 personnel employed at JFCOM, will be obscured by absorption back into the Defense Department. Gates claims the reform package will trim \$78 billion from the Defense Department's top line budget over the next five years, but maintains that procurement and modernization accounts must still grow at an annual rate of 2 to 3 percent to cover the \$200 billion in new weapons systems currently on the books. Thus, the reforms do not fundamentally reform the military by forcing it to make real tradeoffs and set priorities. They simply ask the bureaucracy to do what it has always done, only more efficiently. That won't be good enough in this new era of fiscal austerity.

Real budgetary reform could result from:

- 1. Forcing the Defense Department to identify real priorities and tradeoffs by directing savings from the efficiency reforms to the Treasury for deficit reduction.** Many opportunities for savings are identified in deficit reduction reports such as those by the Simpson-Bowles Commission, Bipartisan Policy Center and Sustainable Defense Task Force.
- 2. Making the Pentagon's financial systems audit-ready by 2017** as required by law, an effort the Government Accountability Office says is not only many years off but also billions of dollars over budget.
- 3. Incorporating cost constraints into any future review of military roles and missions.**

III. Roles and Missions Review

Since the mid-1990s, and especially since the 9/11 terrorist attacks, the mission set of America's armed forces has grown dramatically in scope and ambition. What we hope to accomplish today principally by means of military power would have been dismissed by many as unwise, if not infeasible, just 15 years ago.

Reviewing the change in the Pentagon's mission set, several broad trends are discernible:

- **Mission objectives have grown much more ambitious.**

Mission goals have trended from an early emphasis on standard deterrence and various forms of crisis response — including defense, conflict resolution, and conflict containment — to more proactive and transformative goals. These latter include efforts to preclude the emergence of threats, remove or weaken adversarial regimes, and shape the global strategic environment in ways that accord with perceived U.S. interests and a new “rule set” for nation-state behavior.

- **The geographic scope for intensive U.S. military efforts has widened significantly.**

America's armed forces have been consistent global players since the Second World War. However, while global in scope, U.S. military presence, activity, and initiative has concentrated over the years on a changing subset of the world's regions. The Cold War ended with our armed forces concentrated in Europe and Northeast Asia. During the 1990s, the U.S. pres-

ence and activity increased in the Persian Gulf and spread into Eastern Europe. Since the 9/11 attacks, it has spread further into Central and South Asia, Southeast Asia, and Africa. And, throughout this period, there has been increasing attention to China's periphery.

- **Across the globe, the focus of U.S. military action and investment has become less discriminate and more comprehensive.**

The U.S. military entered the post-Cold War period focusing its efforts on a discrete set of acute problems and outstanding adversaries. More recently, policy has directed the Pentagon toward achieving (in partnership with others) a more consistent and “positive” control over the global security environment. This includes “securing the global commons” and stabilizing the ungoverned and weakly governed areas of the earth. Like putting a cop on every corner to foreclose criminal activity, these are “area control” tasks that aim to lock threats out from broad zones of the world. The goal is well beyond the capacity of any single state or group of states. However, to approximate it, the U.S. military is investing substantially in constructing and provisioning a global web of security “partnerships.”

- **Missions that put U.S. “boots on the ground” in foreign nations in either a direct action, advisory, or capacity-building role have grown much more prominent.**

During the past decade there has been a shift in emphasis from standard “peace operations” to much larger counter-insurgency and nation-building tasks.

Now, military assistance missions are slated to grow significantly. These changes are largely the consequence of the war on terrorism and regime change in Iraq and Afghanistan. Slow progress in Iraq and Afghanistan prompted the revival of counter-insurgency methods. Subsequently, the larger war on terrorism evolved not as a standard counter-terrorism campaign targeting al-Qa-eda, but as a global counter-insurgency effort, aiming to stymie militant anti-Western movements worldwide.

In Iraq and Afghanistan, counter-insurgency operations have accompanied U.S. efforts to reform the political, economic, and social structure of these nations against significant indigenous opposition. This is a far more ambitious goal than conflict resolution or threat containment, and one that involves the United States as a direct disputant. More broadly, future plans for security and stability operations foresee U.S. forces mostly playing a less direct and intensive role. These may nonetheless make the United States party to a wide range of foreign civil conflicts.

- **U.S. policy continues to emphasize multinational approaches to addressing security issues, but the trend has been for the United States to play an ever more prominent role as the convener, governor, and quartermaster of joint action.**

Throughout the post-Cold War period U.S. defense policy has cited the importance of international cooperation both as a force multiplier, source of legitimacy, and means of burden sharing. In the course of the past 20 years, however, U.S. efforts at military cooperation have trended consistently away from an emphasis on inclusive multilateral institutions and toward more exclusive, ad hoc, and bilateral arrangements. Although

these latter grant the United States more sway and freedom of action, they convey less legitimacy, can be polarizing, and leave the United States carrying more of the costs.

A Question of Balance and Sustainability

There is nothing new in the United States pursuing an ambitious vision of global transformation. Since the Second World War, America has set out to defend and advance the sphere of market democracy and to build a community of nations at peace. The pressing question today is how best to achieve these ends. Given the nature of the challenges facing America and competing demands on the nation's resources, what constitutes an effective and sustainable balance among available instruments of power?

A first principle of recent U.S. policy is that the nation's security depends on investment and initiative in the areas of defense, diplomacy, and development. But what is the proper mix? Despite rhetorical support for a balanced approach, current policy and expenditure is overwhelmingly weighted toward military, rather than non-military, instruments. And it has become more so as the Pentagon has placed greater emphasis on functions that have been traditionally the predominant province of the State Department.

The gradual migration of functional leadership from State to Defense is evident in many ways:

- Threat prevention, "environment shaping," and the reassurance of allies have long been part of the Pentagon's mission set, but only

a subordinate part. For most of the 65 years since the end of the Second World War, these functions sat primarily with the State Department. In recent years, as they have grown more central to the Pentagon's force and budget rationales, they have taken on a more military complexion.

- Military-to-military engagement activities presently rival or surpass regular diplomatic practice in many nations, and the Pentagon's regional Commanders serve routinely in a front-and-center diplomatic role. No State Department mission can rival these resources.
- Today, the Department of Defense is directly responsible for the delivery of about 20 percent of all development aid. More than this, the revival and spread of political-military operations has reframed development assistance overall. Security rationales are playing a bigger role in the distribution of aid among nations and in the use of aid within them.
- Country missions, embassies, and diplomatic staff are distinctly overshadowed in many places by the array of ongoing counter-terrorism, intelligence, military assistance, and military-to-military engagement activities of the armed services. Increasingly, America's armed forces are the most prominent face of the nation worldwide.

The post-Cold War evolution of the Pentagon's mission set is problematic in terms of cost, effects, and effectiveness. Taken together these indicate that

the present balance among security instruments is not a cost-effective one. This is especially troubling given America's current economic travails and the effort to reduce federal deficits and debt. And these economic concerns have a strong national security component pertaining not only to America's long-term military capacity, but also to the preservation of other forms of national strength.

ISSUES OF COST

Since the late 1990s, the U.S. military budget has grown by nearly 100 percent in real terms. About half of this growth is due to recent wars, which themselves have proved much more expensive in real terms than previous ones when measured by cost per deployed person per month. Parallel to this, defense expenditures have claimed a growing proportion of discretionary spending overall. As for spending on international affairs, it was in decline relative to defense spending for twenty years, beginning in the 1980s. Only in the mid-2000s, with the onset of the war on terrorism, did it begin to recover relative to defense. However, recent deficit reduction efforts are casting it back while defense continues on a growth path.

The increased scope and ambitions of the Pentagon's mission set have been a key factor in driving up both the war and peace-time portions of the Pentagon's budget. Current defense budgeting reflects a variety of mission-related demands, among them:

- The personnel and operations requirements for the routine rotation and stationing of troops and units abroad which, apart from

war, involves 150,000 troops plus their rotation base.

- The requirements associated with constructing new bases abroad, upgrading the old, and sustaining and protecting the entire base infrastructure.
- The personnel and operations requirements associated with the expanded “military assistance mission” and ongoing engagement activities, ranging from hundreds of annual overseas exercises to thousands of military-to-military contact events.
- The requirement to equip the units tied down by “reassurance” and environment shaping tasks. As recent Quadrennial Defense Reviews make clear, today’s armed forces are sized not solely for purposes of war, deterrence, and crisis response requirements.
- Counter-insurgency and nation-building activities have proved to be exceptionally expensive, especially in terms of personnel and operations costs, largely as a consequence of their complex and protracted nature. (The non-conventional phases of the Iraq and Afghanistan conflicts have cost in total five times as much as the conventional phases of these wars plus the 1990-1991 Gulf War.) The costs imposed by counter-insurgency, nation-building, and military assistance activities include employment of a much larger cohort of private contractors, which registers as an operations and maintenance cost.

- Increasing the types of critical missions for which the armed forces must prepare as a first order of business also increases training costs and exerts upward pressure on force size (as the military must accommodate more types of units). The Defense Department can choose to partially forego training requirements, but only at the expense of readiness.

ISSUES OF EFFECTIVENESS

The increased dependence on military power for purposes other than simple defense and deterrence raises issues of effect and effectiveness. These must be taken into account when trying to figure an optimal balance among security instruments.

How reliably and at what cost does a particular type of military activity produce an intended effect? And what is the corresponding risk of negative collateral effects? These questions bear heavily on America’s dependence on military power for shaping the strategic environment and preventing the emergence of threats. They also shadow the practice of counter-insurgency and armed nation-building.

Assessment: Threat prevention

A central objective of U.S. military policy, especially since 1997, has been to prevent the emergence or maturation of threats. Of course, this has long been a central objective of diplomacy, too, although with different means. Diplomacy depends on simple deterrence to hold threats in check, while efforts at arms control, conflict resolution, and consensus building work to diffuse them.

Preventative military action aims to do what diplomatic measures and simple deterrence cannot: quickly and decisively extinguish risk. Preventative military operations can range from sanctions and blockades to shows of force, counter-proliferation strikes, and even regime change. Such actions do not target an adversary's aggression, per se, nor even its imminent danger. Instead, they target an adversary's capacity to aggress, be it existing, emergent, or suspected. Prevention also can target actors believed to be disposed, due to the nature of their governments or belief systems, to do America or its allies significant harm at some point in the future, even though these actors may presently lack the opportunity or capability to do so.

The risks inherent to preventative military action are also clear. Treating potential threats as though they are imminent ones can exacerbate tensions and precipitate the outcome that "prevention" is meant to preclude. Thus, in the run-up to the 2003 Iraq war, coercive efforts and threats fed the Hussein regime's "bunker-mentality," making war more likely, not less. Generally, the declaration of "regime change" objectives undermines diplomacy and helps harden non-cooperative behavior. The Iraq case also suggests that preventive uses of military force rest on unrealistic assumptions about our capacity to control outcomes and a serious underestimation of the potential costs and consequences of toppling regimes.

Assessment: "Environment shaping"

Perhaps the most costly peacetime function of the U.S. military during the post-Cold War period has been what the first Quadrennial Defense Review called "environment shaping." This involves the use of mili-

tary deployments and activity to influence the longer-term strategic calculus of other nations. Environment-shaping goals are more important than ever before in rationalizing America's worldwide military presence and exercises, its alliances and military-to-military contacts, and its arms transfers and military assistance programs.

The reassurance of allies and the dissuasion of potential adversaries are among the functional goals that define "environment shaping." Reassurance involves demonstrating in tangible ways that the United States remains committed to addressing the security concerns of allies and friends. This is supposed to bolster U.S. influence and mitigate any allied tendencies to pursue more independent policies. There is no reason to believe, however, that "reassurance" requires current levels of foreign military presence and engagement, especially given current levels of threat and U.S. rapid deployment capabilities. And, of course, there are various, less costly ways by which we can and do affirm our vital links with our friends.

On the negative side of the balance sheet, a too energetic practice of reassurance via military means can discourage burden sharing, while also suggesting that we need partnership more than our allies do. Also, any substantial level of foreign military presence can cause friction with local populations. And it can provoke counter-balancing behavior by other powers, an outcome that would lessen security rather than enhance it.

A similar set of issues concern the practice of military "dissuasion." Dissuasion involves using military deployments and activity to forcefully assert America's interest in certain regions, situations, or outcomes. The

aim is to convince potential future adversaries that an undesirable competition or contest might ensue if their policies evolve down some proscribed path.

Unlike deterrence, dissuasive acts are not supposed to embody explicit threats of war or retaliation because these might actually precipitate a confrontational relationship. We might think of dissuasion as constituting "pre-emptive deterrence" or "pre-emptive containment." Thus, the spread of U.S. military bases and partnerships toward the borders of Russia and increased U.S. naval presence in Asia are supposed to temper Russian and Chinese military activism.

The actual effect of armed dissuasion depends partly on what behaviors it aims to discourage. The United States might effectively dissuade Chinese naval activism in the Caribbean, for instance, but not in the South China Sea. Generally speaking, if dissuasive acts impinge on the core interests or normal prerogatives of the targeted country, they are more likely to prompt military competition than compliance. Recent relations with Russia and China offer a good test because both these countries have been prime objects of dissuasive efforts for nearly twenty years. Unfortunately, both seem less willing today to fold themselves agreeably into a global order led by the United States. This raises the question: are our dissuasive efforts encouraging or discouraging competition? Spending as much as we do on dissuasion, the answer to this question ought to be indisputably affirmative. But it is not.

Assessment: counter-insurgency, nation-building, and military assistance

The slow progress and great cost of counter-insurgency and armed nation-building efforts in both

Iraq and Afghanistan suggest that these methods are sub-optimal for fighting terrorism and managing other types of transnational danger. Of course the grander hope is that America's military involvement in these and other troubled states will eventually produce self-sustaining stability and enable them to secure their own territories. However, for all the blood and treasure invested so far in Iraq and Afghanistan, stable outcomes are hardly assured.

A necessary prerequisite of stability is genuine national accord and balanced economic development. There is a serious disconnect between these prerequisites and a U.S. policy that emphasizes large-scale foreign military intervention and action, while relegating development to a distinctly subordinate role. America's drive for regional stability may require much more time and a different mix of assistance efforts than current policy envisions.

The 2010 QDR implicitly recognized the need for change by proposing the seemingly modest alternative of building indigenous security capacity in numerous troubled states. Presently the United States provides security assistance of some sort to over 150 nations, of which more than two dozen can be considered "weak states" suffering significant security problems. Does an expanded practice of "security assistance" offer a more reliable and sustainable method of enhancing regional stability and curbing terrorism?

The Iraq and Afghanistan experiences show that producing professional, effective, and reliable local security forces in troubled states is neither easy nor inexpensive. And local security forces often fail to rise above the sectarian loyalties that divide their societies, despite Western mentoring.

An emphasis on security force development in otherwise weak states can serve to militarize these societies and impede the development of democratic institutions. And there can be little confidence in the long-term effectiveness and loyalties of these forces as long as the broader problems of democracy, development, and civil discord persist.

There also is the danger, already apparent in Africa, that selective bilateral security arrangements with the United States will arouse concerns about regional military balances, an outcome detrimental to stability. A final concern is that close association with numerous local security forces may implicate the United States in undemocratic practices and foreign civil conflicts. And it may prove hard to walk away from these investments, even when they go bad.

What would prove more manageable, reliable, and sustainable would be greater discretion in dispensing military assistance and a more refined focus in conducting counter-terrorism operations. The broader pursuit of regional stability requires a more patient and longer-term approach, one that emphasizes the de-militarization of regional relations, the emergence of stronger regional institutions, equitable economic development, and progress toward democratic governance. These latter imperatives fall principally within the province of the State Department, not Defense.

Conclusion

America's current economic troubles require us, as a matter of long-term national security, to re-examine our policy choices in every area and ensure that they are wise, necessary, and cost-effective. We must return

to an emphasis on more traditional and reliable crisis response, defense, deterrence, and conflict resolution tasks. This would allow a significant reduction in both the size and activity level of our armed forces. Their activity would become more focused and their goals more discrete, determinate, and realistic.

Although it is beyond the scope of this report to assess how much might be saved as a result of a comprehensive reset of our defense posture, several recent reports on potential defense indicate the potential scale of savings to be achieved by significant reductions in military structure and activity:¹⁹

- Rolling back the size of U.S. ground forces by 20 percent could yield a steady-state savings of \$20 billion per year.
- Reducing the Navy's surface fleet by 20 percent, including two carriers and carrier combat air wings, could save 10 billion per year over the next 10 years.
- Reducing the Air Force by two combat air wings could save as much as \$3 billion per year.
- Reducing routine peacetime overseas deployments by 50,000 troops and demobilizing these troops could save \$12 billion annually.
- The recent cost of protracted U.S. counter-insurgency campaigns approximates \$1 million per year for every deployed person.

In April 2011, President Obama directed the Defense Department to conduct a strategy-driven review of its current budget in order to identify new

savings options. The review could be the first step in a process of serious reassessment. However, to guide the Pentagon toward a more effective and sustainable posture, it will need to do several things, minimally:

- 1. Focus on the need to revise the current mix of military missions.**
- 2. Clarify the costs in dollars and "operational tempo" associated with today's major missions.**
- 3. Demonstrate a willingness to set hard and fast priorities among the missions that the Defense Department today considers "essential."**

IV. Budget Process Reform

There has been more talk of budget process reform this year from new and powerful quarters, including from House Speaker John Boehner and Budget Committee chair Paul Ryan. Their reform ideas focus on giving Congress more power over the process. But more congressional power isn't the solution to our budget process problems. The root of the problem is that the process is dominated by fragmented, parochial, and overlapping jurisdictions that obstruct consideration of the big picture. In the realm of security spending, what is the right overall balance of resources allocated to the range of our security tools that will do the best job of keeping our country secure?

Here we provide a menu of options, ranging from modest but useful fixes to thoroughgoing reforms which would move us toward the kind of budget process that would put that central question closer to the front and center of executive and legislative attention.

Changes in the Departments and Agencies

Until recently, the State Department lacked processes to link its budget allocations to strategic plans.²⁰ The Department also lacks a sufficient cadre of trained personnel to do the work of planning, program and budget development, and program implementation.²¹ Such weaknesses open the door for other agencies, including the Department of Defense, to set up programs parallel to those of the State Department, thus diluting foreign policy coherence and raising costs.²² In recent years, State has developed a more systematic in-

ternal framework for planning and budgeting and also worked to integrate USAID into the new framework. Both State and USAID have added personnel with planning and budgeting expertise. Additional work is needed in these areas, however. One change of particular value would be to strengthen State's internal capacity for the planning and budgeting of security assistance programs.²³ Another would be to expand current training programs to include a focus on strategic planning, resource allocation, program development, program implementation, and evaluation.²⁴

The Department of Homeland Security, now more than seven years old, also appears to lack the processes and people needed to link budgets to strategic priorities. An important reason for establishing the department in 2003 was that a cabinet-level secretary could shift resources among the department's operating components from low-priority or duplicative activities into high-priority areas.²⁵ Yet the department's operating components still generally set their own agendas, and their individual shares of the department's budget have changed very little from the shares they held before the department was created.²⁶

In 2010, DHS issued its first Quadrennial Homeland Security Review (QHSR). That review offers a strategic framework that cuts across the department's various components. It falls short of linking the department's budget into the framework, however. The QHSR would be far more relevant and useful if it considered strategies, programs, and budgets in relationship to each other.²⁷

Changes in the Executive Office of the President

Mechanisms in the White House for top-down planning and resource allocation for security are in flux. Within the Executive Office of the President (EOP), three institutions hold much of the responsibility for security policy and budgets: the National Security Council (NSC) and the Homeland Security Council (HSC), which advise the president and coordinate on policy matters, and the Office of Management and Budget (OMB), which oversees budgets. Early in 2009, the Obama administration for the first time pulled the staffs of the NSC and the HSC into a single National Security Staff and made the Secretary of Homeland Security a regular member of the NSC. Some of the tradeoffs considered in this report lie at the intersection of domestic and international security. Under the current arrangement, a single staff at the White House level is now in a position to consider them fully, a crucial step in unifying the nation's approach to security.

Additional work remains, however, to smooth a seam between the NSC, which considers policy, and the OMB, where costs are considered. No entity at the White House level currently has the capacity or the time to conduct integrated, long-term planning, risk assessment, and tradeoff studies, or to identify key long-term federal priorities constrained by realistic future fiscal guidance. Establishing across the NSC staff and OMB some small new cohorts of specialists with the appropriate outlook and breadth of experience could allow the Executive Office of the President to consider the tradeoffs inherent in a unified security budget.²⁸ The new teams could explore the tradeoffs involved in shifting resources as outlined here. They should be engaged

in the executive budget process all the way along, from the stage at which early directives go to the individual agencies in the spring to the final recommendations to the President in December.

No official document currently links strategy and resources for U.S. security. The Executive Office of the President periodically prepares a national security strategy and a homeland security strategy that articulate policies at the top level, but those documents often list areas of effort with little regard to the resources involved. The strategies published in 2010 are no exception. Both of them fall short in establishing priorities and in identifying tradeoffs among the various tools in the nation's security portfolio.

A Quadrennial National Security Review (QNSR) could strengthen the links between strategies and budgets for issues that lie at the nexus of defense, international affairs, and homeland security. A QNSR, conducted jointly by the NSC and OMB, would identify top-down security priorities within budgetary constraints. A QNSR would start with the administration's overarching strategy; articulate a prioritized list of critical missions; and identify the major federal programs, infrastructure, and budget plan needed required to implement the strategy successfully.²⁹

The preparation of a biennial National Security Planning Guidance could facilitate the in-depth examination of the sorts of tradeoffs considered here. As recommended in the MIT Security Studies Program report, such guidance would be developed jointly by the NSC and OMB, and would provide detailed guidance for actions and programs within the multiple departments and agencies that contribute to U.S. security.³⁰

Trying to conduct a single, exhaustive examination of all federal security-related programs would be an extremely complex endeavor. Instead, each successive National Security Planning Guidance might focus on resource tradeoffs and constraints across a few important areas, for example, countering nuclear terrorism.

BUDGET DOCUMENTATION

The federal budget organizes spending on the military (primarily the 050 budget, also called the budget for national defense, which includes spending for nuclear weapons activities in the Department of Energy as well as the activities of the Department of Defense) international affairs (primarily the 150 budget) and homeland security (currently distributed among several categories — see below) in separate budget functions. Both the Office of Management and Budget and the Congressional Budget Office have taken initial steps to provide consolidated security budget information.

We recommend that OMB add a “Unified Security Funding Analysis” to the “Analytical Perspectives” volume, bringing together military, homeland security, and international affairs spending in one place to facilitate congressional consideration of overall security priorities among these categories.

The Congressional Budget Office should incorporate its own version of this analysis into its annual Budget and Economic Outlook report.

Changes in Congress

Narrowing the gap between resources for military and non-military security tools will require a con-

gressional budget process that allows members to consider all forms of security spending: offensive, defensive, and preventive as a whole. This will entail putting the national interest before parochial interests, and bringing our efforts in these areas into better balance with each other. The changes in the executive branch outlined above will, by themselves, help to propel Congress in this direction.

The congressional budget process is generally highly reflective of executive decision-making. In 2011, however, congressional budgeting processes for security were complicated by the failure until late in the fiscal year to agree on the broad outlines of an overall plan for the federal budget. With important disagreements over tax policy, economic stimulus policy, and non-security spending, Congress failed during the spring of 2010 to pass a Budget Resolution, the lawmakers’ own planning blueprint for the next decade’s revenues and spending. As the fiscal year opened on October 1, 2010, none of the 12 individual appropriations bills had passed. Instead, every federal department and agency — including Defense, State, USAID, the Department of Homeland Security, the FBI, and the Department of Veterans’ Affairs — operated under a series of six successive continuing resolutions until April 14, 2011. On April 14, Congress passed a final continuing resolution for government activities other than defense, together with a full appropriation for defense.

Through the continuing resolutions, Congress trimmed the State Department’s budget as compared with its FY 2010 level and cut it substantially relative to President Obama’s budget request for FY 2011, thus breaking the tradition of relatively close agreement between the executive branch request and budget outcomes in Congress.

For the Department of Defense, operating for 196 days under the uncertainties of a continuing resolution is highly unusual. The period of budget uncertainty was nearly twice as long as any that Defense has experienced in 35 years. Besides not knowing until late in the year what its total budget would be, Defense and other departments were precluded, as is typical under a continuing resolution, from starting new procurement programs or increasing procurement quantities. Unfortunately, the uncertain budgets and procurement restrictions will raise the cost of some defense programs, thus further widening the gap between military and non-military security spending.

Even without the complications induced by operating under continuing resolutions for so much of the year, budget processes in Congress would benefit from a variety of changes. Here are a range of possible routes that reform could take:

THE BUDGET PROCESS

Three separate subcommittees of the Appropriations Committee in each chamber currently handle appropriations for national defense. The Appropriations Committee in each chamber now has a subcommittee aligned to the Department of Homeland Security, but no appropriations subcommittee holds jurisdiction for the full panoply of federal homeland security activities. Homeland security is even more balkanized when it comes to the authorizing committees. The Senate's Homeland Security and Governmental Affairs Committee and the House Committee on Homeland Security both hold jurisdiction for some aspects of homeland security, but scores of other committees and subcommittees retain responsibility for various activi-

ties within DHS and across the wider federal homeland security effort.

Priority setting among all the 12 subcommittees of the Appropriations Committee is supposed to be accomplished by a formal mechanism known as the 302(b) process. The committee chair recommends an allocation to the subcommittees and the full committee must consider and adopt that allocation. As of this writing, that allocation is seriously delayed for the fiscal year 2012 budget. Unfortunately, even when the allocation proceeds on schedule, subcommittee loyalty tends to trump thoughtful weighing of competing needs.

Congress and the President lack a mechanism for engaging in effective strategic dialogue about non-military foreign policy priorities. Historically, periodic authorizations of diplomatic and development programs provided a mechanism for reconciling Congressional and Presidential priorities for foreign affairs. However, Congress has not passed a Foreign Aid Authorization bill since 1985; State Department and diplomatic programs have not been reauthorized since 2002. This means that debates about America's non-military foreign policy have migrated to the annual appropriations bills, making earmarking the primary tool for determining strategic priorities. Likewise, the Authorizing committees, intended to be the venue for debate about broad priorities, have had reduced influence over the strategic direction of U.S. foreign policy. Reviving the periodic authorization process should be a key priority for rebalancing the emphasis of U.S. foreign policy and national security planning.

The Appropriations Committee in each chamber could do more problem-based oversight and deci-

sion-making across subcommittee jurisdictions. With respect to security budgeting, this largely involves the Defense and Foreign Operations subcommittees. Too often, they view each other as competitors rather than collaborators. But there is no reason that those problems cannot be confronted and the issues resolved.

Beginning in 2010, the Obama administration made an important change that will have a positive effect on the appropriations process. Since 2001, funding for the wars in Iraq and Afghanistan has been provided through emergency supplemental appropriations. Emergency supplementals have allowed the Appropriations Committees to exceed the limits to defense spending that are theoretically imposed on them by the authorizing committees. With 20 to 30 percent of the defense budget involved, these supplemental budgets became a huge impediment to priority-setting and fiscal discipline. Last year, the Obama administration announced that it would avoid supplemental budgets where possible. The administration's budget for 2011 denotes funds for the wars separately from the so-called base budget, but requests both categories as part of the regular budget rather than waiting to roll the bulk of war costs into a supplemental request. Even the request for a supplemental appropriation of \$33 billion for FY 2010 to cover unanticipated costs of the wars seems an improvement over previous practice.

Overcoming congressional budgetary business as usual still faces steep odds, however. Here, therefore, we offer a range of options for doing so that think outside the box of existing structures.

In recent years, Congress has shown openness to shaking up, or at least reexamining, organizational

structures that have more to do with traditional power bases and power struggles than logic. It has demonstrated willingness in other areas to set up temporary select committees to shed light and propel action on key problems that merit extraordinary attention and cross-traditional committee jurisdictions. A prime example was the Select Committee on Energy Independence and Global Warming.

This kind of medicine could be applied to the task of devising a way for Congress to take a unified approach to budgeting for security. **A Select Committee on National Security and International Affairs** could examine our overall security needs and the best balance of available tools to achieve them. And it could be tasked with recommending possible changes in the committee structure that could build this kind of examination into the budget process.

The Bush administration's Advisory Committee on Transformational Diplomacy recommended a version of the first of those two mandates: that the House and Senate Budget committees create **a joint national security subcommittee** whose purpose would be "to set spending targets across all major components of the U.S. national security establishment's budget: defense, intelligence, homeland security, and foreign affairs/development/public diplomacy."³¹

Select Committees, however, like the regular kind, are made up of members of Congress, all of whom are subjected to the pressures of special interest lobbyists. The most successful effort in recent memory to transcend those forces of parochialism in the service of a high-priority national purpose was the bipartisan 9/11 Commission, made up of a balance of members

affiliated with both parties, but excluding current Representatives and Senators. In addition to producing an unusually eloquent report, many of its members were willing to stay with the process to monitor and advocate for its implementation. Congress could authorize a **Commission on Budgeting for National Security and International Affairs**, made up of similarly committed members, to examine the current balkanized budget process, and recommend a restructuring that would enable decision-making on security that more effectively considers the overall balance of security tools and puts the national interest over parochial interests.

One other successful model for the functioning of a Commission deserves mention here. Congress authorized the Defense Base Closure and Realignment Commission (BRAC) in 1990 to manage the process of realigning and downsizing the structure of military bases for the post-Cold War environment. The concern was to devise a process that took politics and narrow economic interests out of the decision-making as much as possible. As with the 9/11 Commission, members have been chosen by Congress and the President to balance party affiliations but exclude current lawmakers. Members from time to time have recused themselves from decisions on bases in their home states. The Commission operates according to certified data and explicit criteria, foremost among them “current and future mission capabilities and the impact on operational readiness of the total force.”³²

Unlike the 9/11 Commission and most others, BRAC has been authorized to reexamine its decisions and make new ones periodically and has done so successfully three times since its initial convening. This could be a useful additional feature of a **Commission**

on Budgeting for National Security and International Affairs. It could be authorized to reconvene to evaluate how its recommendations for improvements to the budget process have been implemented, how the new processes are functioning in practice, and what further changes might be needed.

Of particular value in addressing the “constituency” problem that favors military over other kinds of security spending is a recommendation from the Straus Military Reform Project at the Center for Defense Information for an **independent panel to review the procurement budget every year**. Membership would exclude both current and retired military officers who have any financial ties to defense corporations or reserve the right to forge such ties in the future. Their deliberations would be guided by estimates from CBO for the costs of each system, past, present, and future. Secretary Gates is said to be mulling the possibility of creating such a review panel.³³

A former head of legislative affairs for the National Security Council, William Danvers, has offered another proposal for an ongoing structure that could help Congress work in a more unified way on overall priorities for security policy and budgeting. To alleviate the problem of “stovepiped” committees operating independently of each other, he recommended that **each party set up its own national security council**, analogous to the one serving the executive branch. It would be made up of the chairs or ranking members of the armed services, international affairs, intelligence, appropriations, and homeland security committees, and coordinated by a party national security advisor. The two councils could also be brought together from time to time to coordinate their work.³⁴

A 2007 report from the Stanley Foundation recommended that the **foreign affairs authorizing and appropriations committees** “reassert a role in the program and budget process,” by **holding joint hearings with their defense counterparts**.³⁵ A Unified Security Funding Analysis incorporated into the Budget’s Analytical Perspectives volume would greatly facilitate their work.

To ensure that the executive branch considers broad tradeoffs of the sort inherent in a Unified Security Budget, Congress should mandate that the executive branch conduct the Quadrennial National Security Review referenced above, and prepare a **biannual National Security Planning Guidance**, and that the report of the QNSR be made available to Congress and the public. Legislation along these lines is now circulating in Congress among members of key committees.

While the administration conducts the QNSR, CRS could be called upon to provide lawmakers with a report on the issues for congressional consideration the QNSR report is likely to raise. CBO could be asked to assess the QNSR document after it is submitted to Congress. Joint hearings on the QNSR would help the Congress as it considers a unified security budget.

If nothing else, the previous paragraph should make clear that rebalanced security spending will require initiative from not just one set of actors, but many. The goal itself has become near-conventional wisdom in Washington, and we have had first steps in the right direction. Removing the remaining — formidable — structural obstacles in the way of real reform will be harder.

V. Rebalancing Security: Offense

Below, we outline nearly \$80 billion in potential savings in the fiscal year 2012 defense budget. These savings can be achieved by eliminating two kinds of weapons systems. The first are weapons systems designed to deal with threats from a bygone era — this group consists primarily of weapons and programs designed for the Cold War threat environment that fail to provide real value in current conflicts. The second are weapons systems experiencing so many cost and schedule overruns that sufficient numbers cannot be purchased, even under projected budgets, or systems which will not be more effective than the existing programs they are replacing.

Our proposed savings can be divided into the following categories:

- About \$21 billion could be saved by reducing the nuclear arsenal to no more than 311 warheads which, as a recent article by faculty of the Air War College and the School of Advanced Air and Space Studies asserted, is more than enough to maintain nuclear deterrence against current and likely future threats.³⁶
- Another \$24.2 billion would be saved by scaling back or stopping the research, development, and procurement of weapons that are not necessary to combat today's threats or are not ready to move into full production.
- About \$8 billion would be saved by eliminating two active Air Force wings and two

carrier groups that provide additional capabilities not needed to address current and probable future threats.

- Finally, about \$20 billion can be saved if the giant Pentagon bureaucracy directs current savings and efficiencies that it has identified to reducing the budget topline, rather than reinvesting these inefficient dollars elsewhere in the Defense Department's budget.

If Congress and the president were to make these cuts, not only would they have more money to spend on other priorities, but they would also improve our national security. Our troops could focus on the weapons, training, and tactics they need to do their jobs, while the Defense Department does its part to confront the national debt, which Admiral Mike Mullen, chairman of the Joint Chiefs of Staff, has identified as the single greatest threat to our national security.

The FY 2012 Defense Budget Request

The Pentagon asked Congress for \$553.1 billion for its regular budget, excluding war spending, for FY 2012. But that figure excludes about \$27 billion sought for nuclear weapons programs and other defense programs managed by non-defense agencies such as the Department of Energy. Thus, the total defense budget request of the Obama administration for FY 2012, excluding spending on the wars in Iraq and Afghanistan, is approximately \$580 billion. The Pentagon's war funding request adds an additional \$117.8 billion, bringing

Table 4: USB Proposed Changes to FY 2012 Military Budget
(in billions of dollars)

Program	Administration's FY 12 Request	Task Force's Proposed Change
Ballistic Missile Defense	10.7	-3.6
Virginia-Class Submarine	5.0	-2.4
F-35 Joint Strike Fighter	9.7	-5.6
Personnel	142.8	-6.5
Research and Development	75.3	-10.0
Nuclear Forces	46.9	-21.0
Force Structure	0.0	-8.0
Waste in Procurement and Business Ops	0.0	-20.0
Total		-77.1

the administration's overall spending request to approximately \$700 billion. In real terms this is higher than peak spending during the Cold War.

The regular, or baseline, defense budget request for FY 2012 of approximately \$553.1 billion is about \$22.7 billion, or about 4.3 percent, more than the enacted level of \$530.4 billion in FY 2011, and almost \$150 billion higher than the budget President George W. Bush inherited from President Bill Clinton in FY 2001.³⁷ More importantly, even when war funding is excluded it is almost as high in constant dollars as at the height of the Reagan Cold War buildup, which peaked at \$580 billion in FY 1985 (as measured in FY 2012 dollars) and about \$100 billion more than the Cold War average of about \$450 billion (in 2012 dollars).³⁸

In the 2012 base budget, \$142.8 billion, about 26 percent, will be spent on regular pay and benefits (including some health care costs) for our nation's active duty and reserve military personnel. (The salaries of the more than 600,000 reservists who were mobilized or called to active duty since 9/11 as well as the

combat pay of all military people are funded in the Pentagon's overseas contingency operations (OCO) budget request.)

The Pentagon will spend \$204.4 billion, or nearly 37 percent of its baseline budget, on routine operating and maintenance costs for its 570,000 active duty Army personnel, 328,00 active duty Navy personnel, 201,000 active duty Marine Corps personnel, and 335,000 active duty Air Force personnel.³⁹ Included in this Operations and Maintenance budget is the lion's share of health care costs for active duty and retired service personnel and their families, as well as pay and benefits for the nearly 780,000 civilians and the thousands of contractors employed by the Department of Defense. The operations and maintenance costs of the forces and contractors in Iraq and Afghanistan are also funded in the OCO budget.⁴⁰

Another \$188.4 billion, or 34 percent of the budget, goes towards new investment. This is broken down into \$113 billion for procuring equipment for the Departments of the Army, Navy, and Air Force, and

\$75.3 billion for conducting research and developing and testing new weapons. Another \$14.8 billion will be spent for building the facilities for the troops, their families, and their equipment.⁴¹

Finally, the Pentagon's request for the upcoming fiscal year also includes about \$19.3 billion for atomic energy defense activities managed by non-defense agencies, as well as substantial funding for nuclear activities within the Defense Department.⁴² The majority of this funding will be spent by the Department on maintaining its 1,968 operationally deployed strategic nuclear warheads and over 5,100 active warheads in stockpile, and on the cleanup of contamination and pollution from past production.

As indicated in Table 3 below, defense spending can be reduced by nearly \$80 billion without jeopardizing national security. Our proposed reductions would primarily come from four areas: nuclear forces; Cold War-era conventional or poorly performing weapons systems; reductions in non-essential Army, Marine Corps, Air Force and Navy force structure; and reducing waste and inefficiency in the Pentagon. Sensible reductions in each category can be made while maintaining all of our critical national security capabilities. Reducing or eliminating unnecessary expenditures will also allow the flexibility needed to increase defense spending in case of unanticipated future threats.

NATIONAL MISSILE DEFENSE
— **Cease further Missile Defense development but retain a basic technology program to determine if NMD is technically feasible, generating \$3.6 billion in savings.**

The FY 2012 budget allocates \$10.7 billion to missile defense, \$8.6 billion of which is scheduled to be spent by the Missile Defense Agency (MDA). This represents a decrease of \$1.3 billion from the FY 2011 budget to MDA, which manages the Defense Department's antiballistic missile defense systems. By focusing on proven missile defense programs and thereby eliminating wasteful spending at MDA, the Obama administration should be able to reduce the MDA budget to \$5 billion and total spending on missile defense to \$7.1 billion.

In the FY 2010 budget, the Obama administration's first full-year budget, President Obama scaled back or eliminated a number of missile defense programs that have been plagued by cost overruns and technological problems, such as Ground-based Midcourse Defense, the Airborne Laser, and the Kinetic Energy Interceptor.

More recently, the Obama administration adopted what it terms a Phased Adaptive Approach (PAA). Under PAA, the administration dropped President Bush's plan to deploy a modified version of the land-based Ballistic Missile Defense system in Poland and the Czech Republic and instead chose to rely upon medium range interceptor missiles which could be based in allied countries or BMD-capable Aegis ships deployed in the Mediterranean to defend U.S. troops and allies in Europe. Missile defense critics such as Philip E. Coyle, former director of test and evaluation in the Department of Defense, had long questioned the strategic rationale for the Bush plan, arguing that due to its technical shortcomings "the U.S. BMD system proposed for Europe [was] causing strife with Russia for nothing."

Given this wise transition to PAA as well as the tremendous fiscal problems facing the country today, the Obama administration should continue to cut ineffective missile defense programs and instead focus on funding proven programs, for example the Aegis system. Doing so would allow the Obama administration to save \$3.6 billion in FY2012.

Scientists argue that simple physics makes boost phase intercepts extraordinarily difficult, so potential interceptors cannot reach target missiles fast enough to destroy them before they release their payloads. Midcourse defenses remain vulnerable to basic countermeasures such as decoys and can be overwhelmed by simple numbers of targets. Finally, terminal defenses are still plagued by the problem of “hitting a bullet with a bullet.”

Moreover, a congressionally mandated study of the MDA’s mission, roles, and structure further concluded the agency should focus on ensuring that its systems work, rather than deploying more of them. Through comprehensive research and development, the Pentagon and the MDA can ensure that future missile defense funding is directed to programs with a proven capability to meet U.S. strategic objectives.

Cancel unproven missile defense programs.

Secretary Gates was correct to cancel missile defense programs, such as the trouble plagued Airborne Laser and the Multiple Kill Vehicle, in April 2009. The Space Tracking and Surveillance System should also be canceled. Given the uncertainty over the effectiveness of existing, less technically challenging systems such as ground-based midcourse defense and Theater High Altitude Air Defense (THAAD), it is unwise to fund

more advanced systems for missile defense while current ones have yet to be proven effective against their targeted threats. The Missile Defense Agency should be required to demonstrate that its existing systems work as advertised before plowing ahead with new, more exotic approaches.

Halt deployment of the ground-based missile defense system until it has proven itself in realistic operational tests.

Further deployment of the GMD system should be halted until it proves itself in realistic operational tests. Just as the United States military would not field an aircraft that does not fly or a ship that does not float, it should not deploy a missile defense system that has not been proven to work properly.

Continue work and testing on lower-risk missile defense systems.

DOD should focus its resources on lower-risk and more effective missile defense systems such as the Aegis ballistic missile defense, SM-3, and THAAD. All of these systems protect American forces in the field from the more realistic threat of theater ballistic missiles, and Aegis BMD is also being developed to protect against longer-range missiles. Aegis systems could be deployed to the Sea of Japan or Mediterranean Sea in the event of a threat to Japan from North Korea or Israel from Iran. Each of these systems should continue to be developed and perfected to provide the most cost-effective means of missile defense available.

VIRGINIA CLASS SUBMARINE—Cancel production of the second SSN-744 Virginia Class submarine in FY 2012 and in subsequent years, saving \$2.41 billion in 2012 and \$11.32 billion through 2016.⁴³

Unnecessary to address any of the threats facing the United States today, the Virginia class SSN-774 program is a weapon looking for an enemy. The U.S. Navy currently possesses more firepower than the next 20 largest navies combined, the majority of which are American allies. Given this tremendous naval superiority, there is no strategic reason for the U.S. to dramatically increase the size of its submarine fleet.

The SSN-774 Virginia Class submarine is designed to collect covert intelligence, transport special operations teams, and launch tactical Tomahawk missiles. However, these missions can be handled by the existing fleet of Virginia Class submarines, refurbished SSN-688 Los Angeles Class submarines, the four SSBN Ohio-class submarines being converted to SSGN configuration, or by other surface ships. Should operational requirements for these missions exceed the ability of the current SSGN fleet, as many as four additional SSBNs could be converted to SSGNs, which would still leave 10 Ohio-class submarines as part of the strategic deterrent force. A fleet of 10 nuclear-armed submarines is more than enough to provide an effective nuclear deterrent and second-strike capability.

Significantly and rapidly increasing our fleet of Virginia Class submarines, which were not designed for fighting the asymmetrical wars that have characterized the twenty-first century so far, will do little to improve

American security. Instead, reducing procurement of this system to one per year will free up dollars to be used for other critical national security initiatives.

V-22 OSPREY—Cancel the V-22 Osprey program for savings of \$2.79 billion in FY 2012.

Like the recently cancelled Expeditionary Fighting Vehicle, the V-22 Osprey helicopter has been long hampered by cost overruns and technical problems. Opposition to the program is bipartisan: the co-chairs of President Obama's 2010 deficit commission recommended ending procurement of the V-22.⁴⁴

The Pentagon began development of the Osprey in the mid-1980s. It is a unique aircraft, which takes off and lands like a helicopter but flies like a plane once airborne. It was originally supposed to be a joint service program, but the Army dropped its support for the program in the late 1980s. In 1991, Dick Cheney (then Secretary of Defense) called the program a "turkey" and canceled it because of large cost concerns and continuing technical problems.

Cheney's decision was overridden by Congress, and with the support of Presidents Bill Clinton, George W. Bush, and now Obama, the program has survived. Despite the expenditure of more than \$30 billion, the project is 15 years behind schedule, and the total estimated cost of the program has risen from about \$30 billion to over \$50 billion.

Under current plans, the Pentagon intends to buy 35 of these aircraft in FY 2012 at a cost of over \$110 million for each helicopter. That is nearly three

times more than the original estimate and assumes that the Pentagon can get costs under control and solve the technical problems. Even if this unlikely scenario comes to pass, the Osprey would be only marginally more capable than existing helicopters in terms of speed, range and payload, yet cost at least five times as much.

Technical problems have seriously hampered the Osprey's performance. A May 2009 Government Accountability Office report found that "in Iraq, the V-22's mission capability (MC) and full mission capability (FMC) rates fell significantly below... rates achieved by legacy helicopters."⁴⁵ Given the V-22's high price tag and lackluster performance, there is no reason for the Defense Department to continue sinking money into this turkey. Halting production of the V-22 will save \$2.79 billion in 2012 and over \$9 billion through 2015.⁴⁶ This would still leave the Marines with more than 150 of the V-22 hybrids. Congress should evaluate whether V-22 funds would be better spent purchasing existing helicopters like the H-92 and CH-53.

**F-35 JOINT STRIKE FIGHTER —
Cut the Navy and Marine Corps versions of
the F-35 Joint Strike Fighter program, and
reduce procurement of the Air Force version
by half, saving \$5.6 billion.**

The F-35 joint strike fighter (JSF) is an ambitious program to build three related but slightly different aircraft for the Air Force, Navy, and Marine Corps. Designed to be capable of air-to-air, air-to-ground, and reconnaissance missions, the F-35 is a multi-use weapons system that can be used to tackle a number of security threats. However, the program has experienced serious cost overruns over the past decade, as the total

price tag for the program has more than doubled to \$382 billion.⁴⁷

This aircraft should be built, especially since production of the F/A 22 Raptor will stop at 187 planes. It is more cost-effective to produce the new Joint Strike Fighter platform than to upgrade older systems. Moreover, since so many allied countries are willing to purchase the fighter, the joint strike fighter will improve the ability of the United States to use military power in conjunction with allied forces, and will lower the unit cost of these fighter jets for the U.S. military.

This year, in response to "significant testing problems" in the Marine Corps's variant of the plane, former Defense Secretary Gates announced a two-year probationary period for the variant and noted that it should be cancelled if the testing issues could not be resolved in that period.⁴⁸ Moreover, while the F-35 undoubtedly possesses some strategic value, the plane will do little to enhance the U.S.'s already overwhelming air superiority. As a result, slowing down the procurement of this weapons system will allow time for Lockheed to work out the kinks in the program without compromising U.S. national security.

The FY 2012 budget provides for a total of \$9.4 billion for the program to purchase 32 planes.

However, given the technical problems with the program, which led Gates to fire the program manager and withhold \$614 million in payments from the plane's prime contractor, Lockheed Martin, the program should not be rushed. The Pentagon should iron out all its technological problems before it goes into full-scale production. Due to our tremendous nu-

merical and qualitative advantage in tactical aircraft, the U.S. can afford to cancel the procurement of the Navy and Marine variants while halving the Air Force buy. This would save \$5.6 billion in FY 2012 alone while preserving American air superiority.

PERSONNEL— Reduce the number of active-duty personnel stationed in Europe and Asia, allowing for savings of \$6.5 billion in 2012.

About 150,000 active duty U.S. troops are assigned to Europe or Asia, and at the moment 15,000 of these troops have been redeployed to the wars in Iraq and Afghanistan. In a recent report, Rep. Barney Frank's Sustainable Defense Task Force found that the United States could save \$80 billion over the next decade by shrinking this troop presence to 100,000 active-duty soldiers, with savings starting at \$6.5 billion per year and later rising to \$8 billion per year.⁴⁹ In recent months, many European countries, including Britain, France, and Germany, have dramatically cut defense spending in order to combat rising deficits. It is clear that they no longer view large military forces on the continent as necessary for their security. Moreover, because "U.S. capacities for long-range strike and for effective rapid deployment of forces has grown greater," the Task Force found withdrawing 33,000 troops from Europe and 17,000 from Asia would not harm U.S. security or interests.

NUCLEAR FORCES — Reduce nuclear weapons arsenal to 292 deployed weapons and 19 in reserve and eliminate the Trident II nuclear missile, generating \$21 billion in savings.

The total amount of funding allocated to maintain and operate the nation's strategic nuclear arsenal is not publicly known, and is by its very nature secretive. Part of the difficulty in determining spending stems from the fact that nuclear funding is distributed among a number of federal agencies, including the departments of Defense, Energy, Homeland Security, Health and Human Services, Justice, Labor, State, and Commerce.

It can also be difficult to determine how many weapons the U.S. nuclear budget is supporting. Some clarity on this point came last year when the Obama administration revealed publicly that the United States possesses 1,968 operationally deployed strategic nuclear warheads and over 5,100 total active warheads in its stockpile. The cost of maintaining this stockpile includes more than the cost of operating, maintaining, and modernizing the nuclear warheads. Any estimate must also include the cost of operating delivery systems, long-range bombers that can carry both nuclear and conventional weapons, environmental cleanup and nuclear waste disposal, nonproliferation activities, and homeland defense, among other factors.

While a comprehensive overview of the cost of maintaining the nation's stockpile and other elements of U.S. nuclear policy outlined above is not publically known, the most accurate estimate was produced by Stephen Schwartz and Deepti Choubey of the Carnegie Endowment for International Peace for the FY 2008 budget. That year, Schwartz and Choubey estimated the nuclear weapons budget — encompassing nuclear forces and operational support, deferred environmental and health costs, nuclear threat reduction, and nuclear incident management — to be \$43.2 billion. The majority of this funding (\$29 billion) was directed to nu-

clear forces and operational support. Adjusted only for inflation since FY 2008, total nuclear weapons-related appropriations would be approximately \$46.86 billion in FY12. Unfortunately, this figure is only an estimate, since the nation's nuclear budget is not available for scrutiny.

According to Air War College and School of Advanced Air and Space Studies faculty members Gary Schaub and James Forsyth Jr., the United States can maintain an effective nuclear deterrent with an arsenal of 292 operational warheads, with another 19 in reserve for a total of 311. Schaub and Forsyth contend that this number is more than capable of deterring known threats to the United States and hedging against unforeseen contingencies. We estimate that reducing our nuclear arsenal to 311 would generate at least \$20 billion in savings in FY 2012 alone. Eliminating funding in this year's budget for the Trident II nuclear missile — an unnecessary weapon, given the availability of other strategic delivery vehicles — would save an additional \$1 billion.⁵⁰

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION — Reduce RDT&E across the board from \$75.3 to \$65.3 billion, saving \$10 billion.

In today's dollars, the Pentagon spent just over \$51 billion on research, development, test and evaluation (RDT&E) in the 2001 fiscal year. This year's request of \$75.3 billion is thus a real increase of approximately 50 percent from that baseline. We recommend cutting \$10 billion in RDT&E funding across the board. This reduction could be made by reducing all existing programs proportionally and would still

leave U.S. RDT&E funding for next year above Reagan's peak FY 1987 level during the Cold War, which is \$61.2 billion in today's dollars.

Some RDT&E initiatives are absolutely necessary to support the current needs of our fighting force — perhaps the most notable example of the last decade is the development of the mine-resistant ambush protected vehicle, or MRAP, which Secretary of Defense Gates pushed forward during his tenure. Yet allocating such a large amount of funding for developing sophisticated futuristic weapons is hard to justify while the U.S. armed forces are primarily engaged in counterinsurgency campaigns combating violent extremists utilizing relatively low-level technology. The \$10 billion figure should come from cuts across the board in unnecessary and unrealistic programs and is in addition to the cuts in the specific systems listed above.

FORCE STRUCTURE — Cut two active component air wings and two carrier battle groups and their associated air wings from the Air Force for an annual savings of \$8 billion.

The United States' current military operations overseas depend heavily on boots on the ground, provided by the ground forces of the Army and Marines. The size of these services has increased by nearly 92,000 since 2001 in order to accommodate the repeated deployments needed to maintain this strategy. In the more than eight years since our military has been in Iraq and the nearly 10 years in Afghanistan, however, the Air Force and Navy have played relatively minor roles. There are relatively few fixed targets in Afghanistan, and the bombing campaign in Iraq lasted only three weeks.

At present, the Air Force, Navy and Marine Corps have more than 5,000 tactical combat planes and 1,800 armed helicopters, about the same number they had in the Clinton administration. These aircrafts are supported by 11 carrier battle groups, a number that drew criticism from Gates in his speech to the Navy League last year. It is hard to imagine a realistic scenario that would require such large numbers of U.S. aircraft. Therefore, two active Air Force wings and two carrier battle groups and their associated air wings can be eliminated without straining our forces. The annual costs of operating and maintaining the two wings and the two carrier battle groups amount to at least \$8 billion.

WASTE AND INEFFICIENCIES

— Use waste and efficiency savings identified across the department to reduce the topline budget, rather than reinvesting the savings in other Pentagon priorities, saving \$20 billion.

Gates noted during an appearance at the Eisenhower Library in May 2010 that he intended to seek \$10 - \$15 billion in overhead costs that could be eliminated from the Pentagon's budget each year. Recently the Pentagon increased that goal and identified \$178 billion in savings and efficiencies that could be brought about over the FY 2012 – 2016 period.⁵¹ Of this amount, however, less than half — \$78 billion — will be used to reduce the defense budget topline. The remaining \$100 billion is slated to be reinvested in other areas of the DOD budget. In the current fiscal environment, such a policy is inappropriate and unrealistic. The Pentagon could save at least an additional \$20 billion in FY 2012 by using the money from phasing out unnecessary and inefficient processes to reduce defense spending.

VI. Rebalancing Security: Prevention

Rhetoric asserting equal roles for U.S. diplomacy, development, and defense has been part of official government doctrine since the Bush administration. To push that vision in the direction of reality, last year the State Department undertook a Quadrennial Diplomacy and Development Review (QDDR), intended as a stature-enhancing counterpart to the Quadrennial Defense Review (QDR), which the Pentagon began conducting in 1997.

The enduring reality, of course, is that these aspirations are constrained by an extreme resource imbalance: *The New York Times* cited a GAO report on Pentagon cost overruns during the past two years to point out that these over-budget costs alone exceeded the State Department's total annual budget by over 50 percent.⁵²

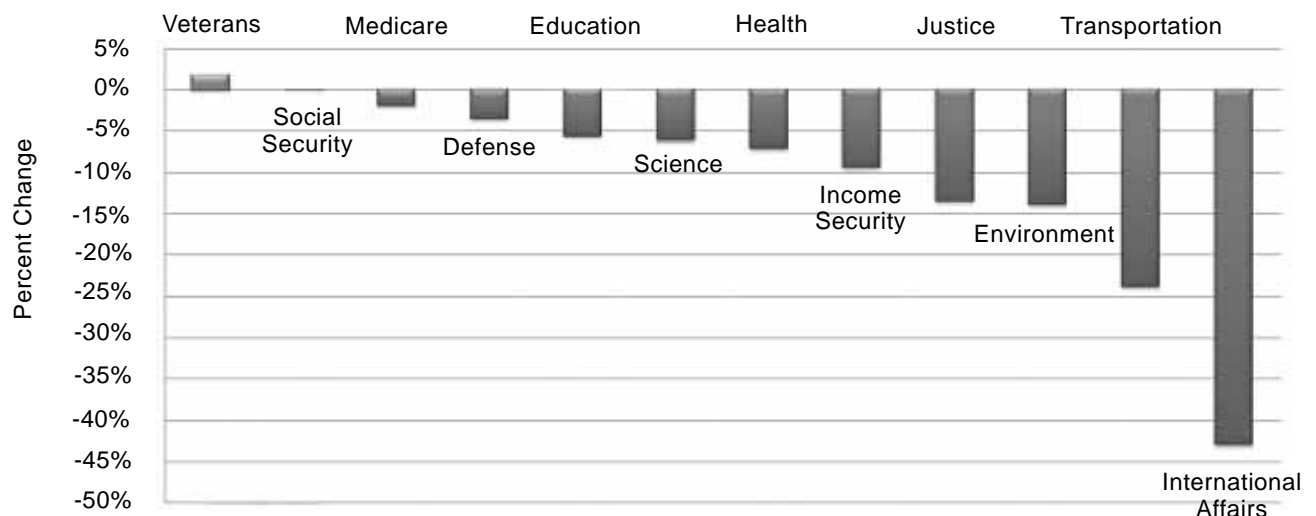
The administration did budget an increase for International Affairs in its FY 2012 request. This increase is on track to be reversed by Congress. House action on the International Affairs budget is shown below.

Diplomacy

The FY 2012 diplomatic and consular affairs budget totals \$9.4 billion, an increase of 8 percent over the 2011 Continuing Resolution, or 3 percent over 2010 actual spending.

But having focused her congressional testimony during recent years on why her budget needed to expand, Secretary of State Hillary Clinton was reduced this year to arguing against massive reductions, illustrated above, and to focusing on wartime funding to

Figure 6: Percent Change of 2012 House GOP Budget Proposal vs. Administration Request



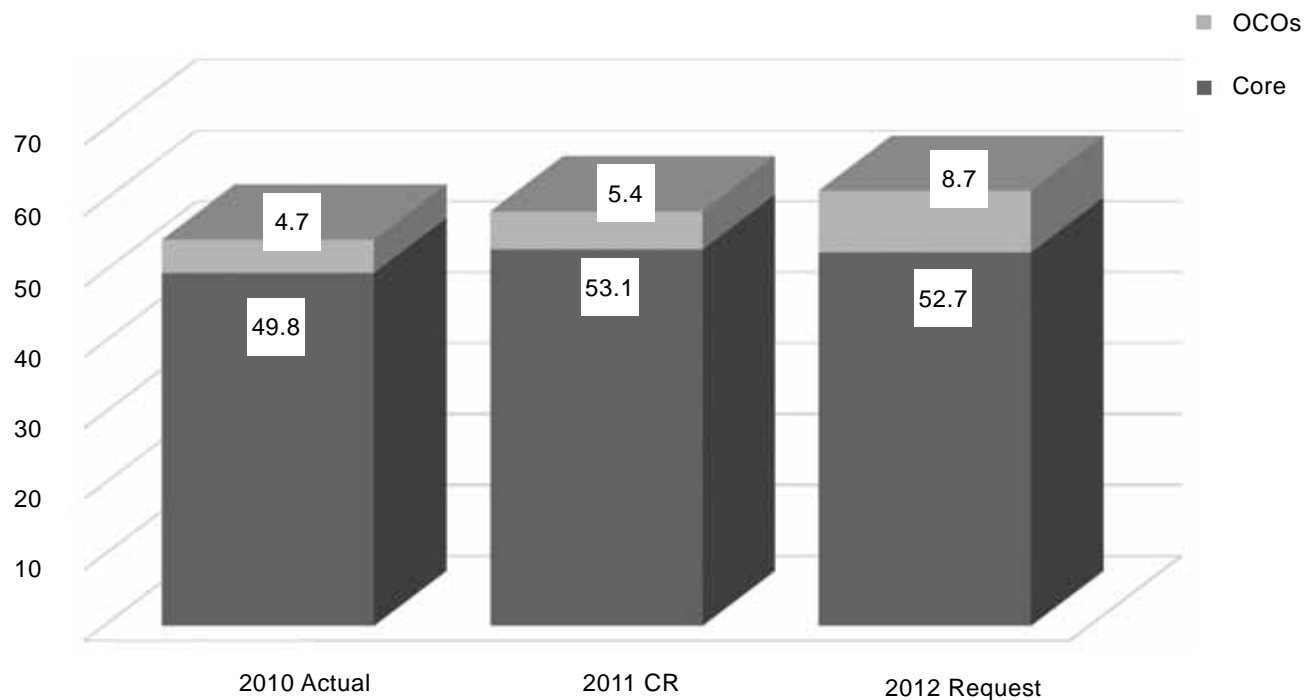
keep international affairs funding afloat. As the military appropriation for Overseas Contingency Operations declines in 2012 by \$45 billion, she said, “Our costs, the State Department and USAID, will increase by less than \$4 billion. Every business owner I know would gladly invest \$4 to save \$45.”⁵³

In 2011, the Department of State began separating its extraordinary and temporary wartime expenses from its core budget into an Overseas Contingency Operations account. State Department OCOs currently include economic support for Afghanistan, narcotics control in Iraq, the initiation of military financing in Iraq, and a “Counterinsurgency Capability Fund.”

The State Department argued that the isolation of standard programs and partnerships into “enduring international affairs” can allow the base budget to be more accurately forecast, while the separated costs incurred in frontline states can be more easily compared to Department of Defense reports of costs or savings in these same areas during and after troop drawdowns.⁵⁴

The administration has requested \$8.7 billion for OCOs in FY 2012, an increase of 61 percent over 2011. This expands OCOs as a portion of the total international affairs budget from 9 to 14 percent.

Figure 7: State’s Core Budget vs. OCOs
(in billions of dollars)



PUBLIC DIPLOMACY

The role of public diplomacy is to “understand, inform, engage, and influence” global audiences. The FY 2012 request for programs to engage foreign audiences and win support for U.S. foreign policy goals is \$537 million, a reduction of \$322 million from 2008 levels. Staff shortages and inadequate funding are severely and negatively impacting U.S. public diplomacy.

STAFFING SHORTFALLS

Inadequate staffing has been a longstanding issue for State in both its core and public diplomatic missions. In the 1990s, consular hiring was held below attrition, but in the same period 23 new embassies were opened in former Soviet territories. In 1999, the State Department said its overseas presence was “near a state of crisis” and “perilously close to the point of system failure.”⁵⁵ The Diplomatic Readiness Initiative (DRI) then added roughly 1,000 Foreign Service Officers between 2002 and 2004. However, these personnel were quickly absorbed by the demands of Iraq, Afghanistan, and Pakistan.⁵⁶ Then, from 2005 to 2008, hiring was again held below attrition for all positions that were not security related or fee-funded.⁵⁷ At the end of FY 2008, 16 percent of all Foreign Service (FS) positions were vacant worldwide, including 25 percent of domestic positions.

In this context of continued understaffing, the Government Accountability Office (GAO) made recommendations in 2006 for significant increases in foreign-language-skilled diplomatic staffing. Its report stated that over 25 percent of staff needing foreign language skills were inadequately trained, and in Arabic

and Chinese over 38 percent were not qualified. The report identified 810 shortages.⁵⁸ In 2008, a GAO follow-up report said staff shortfalls had not yet been corrected.⁵⁹

2008 was a pivotal year for staffing recommendations in diplomatic and consular services. That year, an American Academy of Diplomacy and Stimson Center report recommended major staffing increases by 2014, suggesting nearly 1,100 new Foreign Service Officers (FSOs) and over 3,400 other Civil Service (CS) staff in functions outside of core diplomacy be added, and an increase in public diplomacy direct-hire and locally employed staff of 856.

Between 2008 and 2010 the House also advocated additional personnel, suggesting 1085 staff members to build training capacity and language skills and 172 new positions to increase diplomatic presence in Africa, East Asia, South Central Asia, the Pacific, Europe, Eurasia, the Near East, and the Western Hemisphere, which were identified as lacking in the 2008 GAO report.⁶⁰

By March 2011, the State Department reported that it had found the support it needed to add 16 percent to its overall staff, including 1,615 FSOs and over 1,000 CS staff. However, based on the number of vacancies in 2008 this still leaves State short by 250 FSOs and 1,274 domestic staff.

President Obama’s budget request allocates funding for an additional 184 FSO and CS positions, which brings the number needed to meet recommended levels down to 76, while still leaving a shortage of roughly 9 percent in domestic staffing.

Table 5: USB Recommended Increases for Diplomacy, FY2012
(in billions of dollars)

Increase core staffing	0.37
Remove fee-basis for consular staffing	0.18
Restore public diplomacy to 2008 levels	0.32
Expand public diplomacy programs	0.03
Total	0.9

Considerable progress has been made in staffing. An additional \$110 million is needed over the request so that State is fully staffed for the first time since the early 1990s.

Further, in early 2011, the Stimson Center recommended recruiting more FSOs, mentors, and educators to better prepare deployed staff to fulfill their missions. To ensure that State not only has adequate staff, but that they are adequately trained and mentored, State should bring staffing levels up roughly 15 percent above what is required for regular assignments, which would require 1523 positions at \$255 million.⁶¹

FEE BASED SERVICES

A 2008 Stimson Center report stated that virtually all consular staffing is funded through fee collections. Originally, the fees were meant to pay for improvements above the minimums provided by the budget, but with fee based revenues on the decline, consular staffing is threatened. The report sees consular staffing playing a key role, and recommends moving it to appropriated-fund status.⁶²

RECOMMENDATIONS

- Core Diplomacy: Staff the remaining 76 FSOs and 1274 domestic positions identified by the GAO as understaffed at a cost of \$110 million.

A commitment to properly staffing State needs to be made. Failure to adequately fund staffing impairs State in fulfilling its core mission and leads to a large proportion of unqualified staff being deployed. There is strong public support for strengthening the State Department.

- Create a 15 percent training surplus at a cost of \$255 million.

Properly staffing State includes training and mentoring those staff so they can best perform their duties. Having a training surplus of staffing also should help speed deployment of skilled personnel in times of crisis.

- Public Diplomacy: Add 856 positions by 2014 (143 positions this year) at a cost of \$29 million.

Increases in public diplomacy are needed to engage foreign audiences and win support for U.S. foreign policy goals.

- Increase public diplomacy budget to 2008 level, adding \$322 million.

Decreases in the Public Diplomacy budget since 2008 need to be made up to support this critical mission.

- Consular Positions: Remove fee-basis for 493 staff at a cost of \$180.8 million, with fees being redirected to State.

Shift funding for consular staffing from fee based to appropriated status to ensure stability in the staffing budget. The cost should be offset by fees being returned to the general fund.

Non-Proliferation

In his April 2009 Prague speech, President Barack Obama ambitiously pledged to “secure all vulnerable nuclear material around the world within four years.” In April 2010, the President convened an unprecedented Nuclear Security Summit in Washington, D.C. during which the leaders of 47 nations pledged their support to secure vulnerable nuclear materials on their soil and to work together to decrease threat levels.

Nuclear terrorism is the ultimate preventable catastrophe. If highly enriched uranium and plutonium are adequately secured or eliminated, they cannot be stolen for use in a nuclear device. While nuclear material security spending was only about one-third of one percent of the total defense budget last year, the National Nuclear Security Administration (NNSA) secured 800 bombs’ worth of nuclear material in 2010.⁶³ Since April 2009, NNSA has overseen the removal of highly enriched uranium from six countries. In total NNSA has removed 120 bombs worth of nuclear material. This is a remarkable return on investment.

Despite these successes, the international cooperative effort to prevent nuclear terrorism is in danger of not being adequately resourced, as Congress cut the budget for vital nuclear material security programs in Fiscal Year (FY) 2011. It is imperative the Congress fully fund the FY 2012 budget request for these programs, as they are vital to ensuring U.S. national security.

Table 6: Funding for Nuclear Terrorism Prevention and Non-Proliferation Programs

Agency	FY 2011 request	FY 2011 appropriation	FY 2012 request
Department of Energy (Defense Nuclear Nonproliferation)	\$2.7 billion	\$2.3 billion	\$2.5 billion
Department of Defense (Cooperative Threat Reduction)	\$522.5 million	\$522.5 million	\$508.2 million
Department of State (Nonproliferation, Anti-Terrorism, Demining, and Related Programs)	\$757.6 million	\$738.5 million	\$708.5 million

THE THREAT

There is no hard evidence to date that terrorists have gotten their hands on a nuclear weapon or the material or expertise needed to make one. The obstacles to pulling off a nuclear terrorist attack are substantial. But this is no reason to be complacent. As of 2010 there have been over 18 documented cases of theft or loss of plutonium or highly enriched uranium (HEU).⁶⁴

Earlier this year, Director of National Intelligence James Clapper noted that “poorly secured stocks of [chemical, biological, radiological, and nuclear materials] provide potential source material for terror attacks.” Osama bin Laden may be dead, but the threat of nuclear terrorism remains.

BUDGET SHORTFALLS

In FY 2010, President Obama’s budget request and Congressional appropriations for nuclear terrorism prevention programs did not reflect the urgency of the threat. Total funding for these programs was actually less than what Congress appropriated in FY 2009. The administration attempted to close this gap in FY 2011 by requesting a \$320 million increase over the FY 2010 appropriated level that enables NNSA and the Defense Department’s Nunn-Lugar Cooperative Threat Reduction program to accelerate their efforts to lock down and eliminate nuclear materials around the world. The FY 2011 National Defense Authorization Act fully supported this funding, demonstrating yet again the bipartisan support for nuclear material security programs.

During and after last year’s Nuclear Security Summit, the United States secured commitments from

Mexico, the Ukraine, and Belarus to remove all of their highly enriched uranium in time for the next Nuclear Security Summit in 2012 in Seoul. Belarus alone still possesses more than 280 kilograms of highly enriched uranium, enough material to make 11 nuclear bombs. NNSA also plans to assist other countries with the removal of their highly enriched uranium, including Poland and Vietnam. These commitments increase the urgency and funding needs of vital nuclear material security programs.

However, due to extreme partisanship in Congress, the appropriations process for FY 2011 was mired in gridlock. Instead of operating through normal appropriations bills, the government was funded by a series of Continuing Resolutions for the first half of the fiscal year, limiting the budgets for key nuclear terrorism prevention programs throughout the government to FY 2010 appropriated levels. To make matters worse, a year-long Continuing Resolution passed by the House on February 19 cut funding for the Defense Nuclear Nonproliferation account by 22 percent (over \$600 million) below the FY 2011 requested level and approximately 2.5 percent below the FY 2010 appropriated level.

In early April 2011, Congressional conferees averted a government shutdown by agreeing on a Continuing Resolution to fund the government for the last half of the fiscal year. The Defense Nuclear Nonproliferation account received \$2.32 billion, a 9 percent increase over the FY 2010 appropriated level. The final Continuing Resolution fully funds the Department of Defense’s FY 2011 request of \$522.5 million for the Cooperative Threat Reduction program.

The good news is that Congress rejected the House Republican leadership's proposal to cut over \$600 million from the President's FY 2011 request for the Defense Nuclear Nonproliferation account. While as of this writing NNSA has yet to reveal how it plans to allocate the \$2.32 billion across Defense Nuclear Nonproliferation's different programs elements, indications are that it will prioritize the Global Threat Reduction Initiative — NNSA's signature material security program — to keep the U.S. on track to remove the highly enriched uranium from Ukraine, Mexico, and Belarus before the next Nuclear Security Summit in Seoul next year.

The bad news is that the final FY 2011 spending level is nearly \$370 million below the FY 2011 request. These programs counter the most serious threat confronting our national security — the threat of nuclear terrorism — but were viewed as discretionary programs by Republican leaders who were under intense pressure to cut the budget (apparently because they were not part of the Defense Department's budget).

Second, a 9 percent increase over the FY 2010 level is less impressive given that some experts argued after the release of the FY 2011 budget that the increases for certain programs such as the Global Threat Reduction Initiative were still not enough to meet the four year goal and that the request stood up very few new initiatives.⁶⁵

Third, depending on how scarce resources are allocated within the Defense Nuclear Nonproliferation account, the prioritization of highly enriched uranium removal programs could delay other key efforts such as domestic and international radiological protection,

reactor conversions, treaty verification research and development, or border security programs to prevent nuclear smuggling.

The strains of the current fiscal environment are also impacting international sources of funding for nuclear material security. A few months after the Nuclear Security Summit, president Obama called for a 10-year extension, an expansion of scope and mission, and \$10 billion for new projects for the G-8 Global Partnership. Established in 2002 and comprising the G-8 and 15 partner nations, the Global Partnership pledged \$20 billion over 10 years to eliminate Russia's WMD stockpiles. Despite the Partnership's impending expiration in 2012, the G-8 failed to extend it at last June's Summit meeting because of the impact of global financial crisis, agreeing only to "evaluate the results" of the effort instead.

THE ROAD AHEAD

The President's FY 2012 request for critical nuclear material security and nonproliferation programs at NNSA, the Defense Department, and the State Department is conspicuously less than the FY 2011 request. Department of Energy officials justified the FY 2012 request by noting that the FY 2011 budget was front loaded to begin work on accelerating the security and removal of highly enriched uranium in Chile, Belarus, and Ukraine.

However, a closer look at the FY 2012 budget reveals that the largest increases for Defense Nuclear Nonproliferation are not slated to begin until FY 2014. Moreover, the FY 2012 request for the Global Threat Reduction Initiative is over \$100 million less than the

FY 2012 projection contained in the FY 2011 request. Finally, the FY 2012 budget request was premised on Congressional support for the full FY 2011 request, which did not materialize.

An additional concern is the pressure exerted on vital nuclear terrorism prevention programs by nuclear modernization activities and the MOX (mixed oxide) fuel program. In the final FY 2011 continuing resolution, NNSA's Weapons Activities account was funded at nearly the full FY 2011 request, a \$624 million increase over the previous year's level. Weapons Activities is scheduled to receive another \$600 million increase in FY 2012. If nuclear material security programs are not similarly prioritized, the big increases for nuclear modernization will eat into the budget for Defense Nuclear Nonproliferation, as was the case in FY 2011.

The MOX program accounted for a third of the FY 2011 request for Defense Nuclear Nonproliferation. The program is plagued by cost overruns and schedule delays, and the Department of Energy has yet to receive

a commitment from any utility to use the fuel. In the fight for scarce dollars within Defense Nuclear Nonproliferation, effective first line of defense programs such as the Global Threat Reduction Initiative should take precedent over less effective programs such as MOX.

An adequately funded FY 2012 budget is necessary to see vital nuclear material removal commitments through to completion and keep others on schedule. But Republican leaders in Congress are aiming for far greater budget cuts to non-defense programs than those they achieved in FY 2011, and it is not clear that they have internalized the fact that nuclear material security programs are an urgent national security priority. For its part, the Obama administration needs to play a much more vocal and proactive role in making the case for why these programs are so vital.

Moreover, the nuclear material security effort will not end when all of the 2010 Nuclear Security Summit commitments are met and the four-year goal reaches its endpoint. With the 2012 Summit in Seoul

Table 7: Recommended Nonproliferation and Threat Reduction Funding Changes

Programs	FY 2012 Request	Recommended Increase
Department of Energy International Material Protection and Cooperation	\$571.6 million	+\$75 million ¹
Department of Energy Global Threat Reduction Initiative	\$508.3 million	+\$100 million ²
Fissile Materials Disposition	\$890.2 million	-\$176 million ³
Department of State Non-Proliferation programs	\$708.5 million	+\$50 million ⁴

1. The increase would allow INMPC to continue its current work in Russia and the other former Soviet states and support threat reduction activities in other nations and regions.
2. This increase would allow the GTRI program to convert additional reactors that use HEU, and adjust the budget profile of the program to ensure that more funding is provided earlier on.
3. This decrease would eliminate funding for design of the Pit Disassembly and Conversion Facility in South Carolina. The savings would be used to increase funding for the INMPC program and the Global Threat Reduction Initiative.
4. This additional funding would allow increased funding for the Non-Proliferation and Disarmament Fund.

rapidly approaching, the U.S. and its international partners should be looking to stand up new initiatives, programs, and funding streams to strengthen the global nuclear security architecture and secure nuclear materials wherever they exist.⁶⁶ The United States will not be able to sustain its leadership and expand on the nuclear security agenda if the administration and Congress do not adequately fund the programs necessary to implement this agenda.

Foreign Aid

The United States' National Security Strategy is built on three pillars of defense, diplomacy and development. Twenty-first century threats to the United States, such as terrorism, drug trafficking, money laundering, infectious diseases, and illegal migration, often emerge from weak and failing states. As poverty is a key contributor to state weakness, it is imperative for the United States to be actively engaged in the fight to end global poverty as a primary focus of our national security strategy. Effective U.S. global development policy can support countries and people to manage their own way forward from poverty and injustice. As this helps improve the livelihoods of millions, it reduces the sources of discontent and disenfranchisement that fuel global security threats. Over time, this can enhance U.S. moral standing and national interests and ultimately build a safer world for all.

When success of an aid program is measured by its impact on short-term diplomatic or military objectives, it often fails to focus on the long-term goal of reducing poverty. If development policy and programs lack a clear focus on poverty reduction and a long-term outlook, they are not likely to be effective at reducing

poverty and thus unlikely to generate significant, long-term security benefits.

THE U.S. GLOBAL DEVELOPMENT POLICY

In September 2010, President Barack Obama issued the first ever U.S. Global Development Policy.⁶⁷ The policy clarifies that the primary purpose of our development aid is to pursue broad-based economic growth as the means to fight global poverty. More importantly, it offers a clear mandate that country ownership, or leadership by responsible governments and citizens in poor countries, is how the government will pursue the fight against poverty. Now that the policy has been issued, various U.S. government agencies are working to put it into action.

USAID FORWARD

USAID Forward is a flagship reform process designed to modernize the agency and make it more transparent, effective, and accountable to U.S. taxpayers and to poor people overseas. The initiative reforms outdated procurement policies that perpetuate a cycle of aid dependence. USAID Forward includes initiatives to hire for problem-solving skills, rebuild staff technical capacity, obtain feedback through rigorous program evaluation, budget to better support the agency's policy objectives, build a culture of innovation, and strengthen the role of science and technology throughout USAID's programs. At the heart of this reform process is strengthening the local people and institutions that are ultimately responsible for transforming their countries.

USAID Forward also aims to rebuild the agency’s internal capacity while saving 12-15 percent in overhead costs associated with contracting.⁶⁸ This reform package is critical to carrying out the U.S. Global Development Policy successfully and sustaining a new way of doing business.

FEED THE FUTURE

As recurring food crises in recent years have reminded the world of the importance of agricultural development to food security, the Obama administration responded to the challenge through the Feed the Future

Initiative, recognizing that agriculture is how most of the world’s poor earn a living. The program aims to deliver aid based on a country’s own needs and priorities, leverage U.S. investments for maximum outcomes, and focus on results. Investments in agriculture include local research and training on farming methods, irrigation, and nutrition. Done right, these investments can reap major benefits: every 1 percent increase in agricultural income per capita reduces the number of people living in extreme poverty up to 1.8 percent.⁶⁹

Table 8: Foreign Aid Budget, FY2010 – FY2012

Account	FY10	FY11	Difference	FY12
Global Health & Child Survival	\$7.87b	\$7.83b	-5m	\$8.74b
<i>of which State Department</i>	\$5.36b	\$5.33b	-3m	\$5.642b
<i>of which USAID</i>	\$2.5b	\$2.495b	-5m	\$3.1b
Development Assistance	\$2.52b	\$2.519b	-1m	\$2.92b
Feed the Future	\$813m			\$1.4b
Int’l Financial Institutions	\$2.62b			\$3.32b
MCC	\$1.105b	\$898m	-207m	\$1.125 b
Global Environment Facility	\$87m	\$90m	+3m	\$1.144b
Strategic Climate Fund	\$75m	\$50m	-25m	\$1.190b
GASFP	0	100m		\$3.309b
Climate Preparedness/ Adaptation	\$334m			\$256m
Int’l Fund for Ag Development	\$30m	\$29m	-1m	\$0.030b
Complex Crisis Fund	\$50m	\$40m	-10m	\$0.075b
USAID Operating Expenses	\$1.39b	\$1.35b	-39m	\$1.5b
International Disaster Assistance*	\$845m	\$863m	+18m	

* IDA is base number is the enacted FY10 number which does not include supplemental funding

GLOBAL HEALTH INITIATIVE

The Global Health Initiative (GHI) works to strengthen health systems in developing nations, allowing countries ultimately to care for their own people and better protecting the world from global health outbreaks. The program provides for a more integrated approach to health that will get rid of duplicative programs and break down funding “silos,” which means more effective spending and better results.⁷⁰

How the United States can ensure that foreign aid leads to broad-based growth

Three changes would improve the effectiveness of U.S. foreign aid:

- Fully implement the U.S. Global Development Policy, which holds aid accountable for fighting poverty first and foremost, and measure it by that standard. When aid is used effectively to fight poverty, it builds a safer world for everyone and strengthens U.S. standing and moral authority abroad. When aid is used for short-term security purposes, like military protection, troop morale, popular support, or to gather intelligence, it is unlikely to have a lasting impact on either long-term security or poverty and isn't accountable to recipients since it is not designed for their needs.
- Modernize the outdated laws, strategy, and structure of U.S. foreign aid. Designed in the 1960s, U.S. foreign aid has sometimes been slow, bureaucratic, and at times contradictory, making it hard to reach the people who need it the most. In some countries the

United States charges more in tariffs than it gives in development assistance. (In Bangladesh, the U.S. gives \$80 million in foreign assistance but charges \$500 million in tariffs.⁷¹) Broad reforms, like the U.S. Global Development Policy and USAID's internal reforms via USAID Forward, strengthen the Washington's hand in addressing global poverty. To ensure that reform succeeds, the administration and Congress need to fix the bureaucratic logjams that work at cross purposes and undermine the progress of foreign aid.

- Recognize that poor people are in charge of their own futures, and promote country ownership as the most effective path to economic growth. Effective U.S. foreign aid should be designed to support poor people in their own efforts to escape poverty. The U.S. and other donors don't “do” development, people develop themselves. If the U.S. wants poor governments to lead their people toward peace, economic growth, and political stability, it must let those governments lead their own development efforts and hold them accountable for results. Likewise, if the United States wants to fight corruption, it must support the efforts of people in poor countries who are demanding accountability, transparency, gender equality, and results from their governments.

THE BUDGET

President Obama requested over \$3.5 billion from Congress for the Feed the Future program from FY 2010 to FY 2012, but Congress has only actually appropriated half of those resources in the first 2 years of this commitment.⁷² This has resulted in a near certain scaling back of the number of Feed the Future countries, which has ramifications for people living in poverty, since every percent increase in agricultural income per person has been shown to reduce the number of people living in extreme poverty by 1.8 percent.⁷³ Cuts made in the FY 2011 budget have already started to have an effect in poor countries: an innovative food security program focused on rice production in Cambodia indefinitely postponed its launch, originally scheduled for March 28.⁷⁴ These programs have real effects on people:⁷⁵

- 11 to 14 million women, children, and family members — most small farmers — will not experience increases in their annual purchasing power. As a result, most will go hungry this year, remaining desperately mired in poverty and at risk of chronic hunger.
- 4 million children will not have access to improved nutrition, resulting in the stunting of their growth and higher child mortality rates.

The picture is as grim for the Global Health Initiative, another reform effort. Only 42 percent of Obama's \$63 billion plan has been approved by Congress in the first three years of the Global Health Initiative.⁷⁶ The GHI is an innovative program that provides for a more integrated approach to health, which

presents a more cost-effective use of aid dollars. Cuts will also stymie efforts underway to strengthen overall health systems, so a country can ultimately care for its own people. But there are also immediate consequences for people:⁷⁷

- Five million children and family members could be denied treatment for preventative interventions for malaria.
- 3,500 mothers and more than 40,000 children under 5 may die due to reduced child survival interventions.
- 400,000 people would be turned away from life-saving treatment for HIV/AIDS.

To fully meet its stated commitment to Global Health investment, the United States would need to provide \$12.3 billion in FY 2012.

Recommendation: An increase of \$3.5 billion to Global Health investment.

International Organization Accounts — CIO and CIPA

Obama's budget request for FY 2012 can be described as a mixed bag for international organization funding. It slightly increased the previous year's request for the Contributions to International Organizations (CIO) account by \$25 million and slightly decreased the Contributions to International Peacekeeping Activities (CIPA) account by \$262 million.

Compared to other accounts in the IO budget, the administration's recommended level for CIO

fares about the same as others. The request should be adequate to fund this account if Congress fully meets it.

CIPA, however, is a different story. In FY 2011, this account was cut by nearly \$300 million, an even deeper cut than most other IA accounts were subject to last year. Obama's budget request of \$1.92 billion for FY12 is considered insufficient by the State Department, which is requesting \$2.14 billion for CIPA in FY12. Without funding at this level, the United States could again fall behind on its UN payments.

Although the Ryan budget proposal does not specifically address CIO and CIPA, it does call for deep cuts of approximately 43 percent compared to the President's FY 2012 budget request. Obviously, such enormous cuts in overall funding would have a devastating impact on both CIO and CIPA, and would certainly put the United States back into arrears.

This is bad economics as well as bad foreign policy. The Better World Campaign calculates that every dollar the United States contributes to the UN reaps a return of \$1.50, from such benefits as \$1.2 billion annually in U.S. procurement, 2,600 U.S. jobs, and economic benefits to New York City.

UNITED STATES CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The Contributions to International Organizations (CIO) Account pays the dues assessed to the United States by international organizations, including the World Health Organization, the International Atomic

Energy Agency, the Organization for Economic Cooperation and Development, and the United Nations.

Obama's FY 2012 budget request for CIO is \$1.619 billion. For FY 2011, Congress allocated \$1.581 billion for this account.

In 2009, the United States finally paid its \$88 million in uncontested arrears to the UN. The full payment of Washington's assessed contribution to the United Nations is a very important development. Nothing symbolizes the U.S. relationship to the rest of the world better than its commitment to engage fully with this institution, and no professed commitment can be taken seriously while our failure to underwrite it financially says otherwise.

USB task force member Don Kraus addressed the importance of the funding for UN accounts in testimony recently submitted to the House State/Foreign Operations Appropriations subcommittee:

"The United Nations is a critical foreign policy partner for the United States. It is the one place where countries come together to promote democracy and economic development, protect human rights, bring an end to disease and poverty, resolve conflicts peacefully and meet new global challenges like terrorism and climate change. As more than one member of Congress has stated over the years, if the UN did not exist, we would have to invent it. UN activities range from facilitating an international forum for the exchange of ideas to coordinating responses to complex humanitarian crises."

Furthermore, UN funding is an investment which pays off many times over in terms of lives and treasure....UN peacekeeping missions are both far less expensive and place less of a burden on U.S. personnel than “go-it-alone” missions by the United States. The UN provides the benefits of international legitimacy and offers the U.S. crucial foreign policy assets. These include years of expertise in areas such as elections, refugee assistance, emergency humanitarian relief, disease prevention, a unique capacity for brokering diplomatic solutions to violent conflict, and a track record of cost-effective burden-sharing. Most importantly, these are tools that cannot be provided by any other instrument in the U.S.’s foreign policy toolbox.

Since the United States paid our back arrears to the UN in 2009, our ability to lead in the UN and the Human Rights Council has greatly improved, most recently with regard to the UN’s actions in Libya. It is essential that the United States remain up to date in our dues to the UN to keep this progress from being reversed.

As U.S. Ambassador to the United Nations Susan Rice has said, “In the past, our failure to pay all of our dues and to pay them on a timely basis has constrained the UN’s performance and deprived us of the ability to use our influence most effectively to promote reform. [President] Obama believes the U.S. should pay our dues to the UN in full and on time.”

Other international organizations funded through this account deserve special mention and increased funding. The International Atomic Energy Agency (IAEA) is responsible for monitoring stockpiles of nuclear materials across the globe and dealing with

critical global situations including the recent nuclear power crisis in Japan. The World Health Organization takes the lead in preventing global pandemics like the H1N1 virus. These organizations, whose missions could not be more important to the safety of U.S. citizens, need robust funding to continue carrying out their work.

Additionally, in order to enhance the careers of Foreign Service Officers (FSOs) who work in multilateral organizations, a program should be developed to provide better training for them and also for the ambassadors who serve in multilaterals. Representing the United States in these organizations demands specialized skills that are necessary to become experts in this unique form of diplomacy. We believe such a program would fill an existing gap in FSO training, and would both benefit the FSOs by increasing their knowledge and expertise in multilateral institutions and also highlight U.S. support for multilateral engagement as part of our overall diplomacy. We believe \$50 million in funding should be provided for such a multilateral FSO training program, and a requirement should be instituted that all FSOs who want to join the Senior Foreign Service must serve for a time in a multilateral organization, in order to advance their careers. Currently, there is little incentive for FSOs to work in multilaterals as these postings are undervalued when FSOs are considered for promotion to senior levels. This means that some of our best and brightest diplomats avoid working in multilaterals. This training would provide a valuable perspective on multilateral institutions to our nation’s future top diplomats.

Recommendation: Fully fund President Obama's FY 2012 budget request for the Contributions to International Organizations account (CIO) of \$1.619 billion. Additionally, provide \$50 million for a new training program for FSOs and ambassadors working in multilateral organizations.

U.S. CONTRIBUTIONS TO UNITED NATIONS PEACEKEEPING

As a permanent member of the United Nations Security Council, the United States approves all UN peacekeeping operations. The United Nations Department of Peacekeeping Operations (DPKO) currently has nearly 100,000 troops and personnel deployed in 15 peacekeeping operations around the world. The General Accounting Office of the UN estimates that UN peacekeeping is eight times less expensive than a traditional U.S. military force. A 2005 RAND report looked at eight missions being conducted by the UN and eight by the United States. All but one of the UN peacekeeping missions created an enduring peace, while only four of the U.S. operations could say the same.

Currently, critical peacekeeping missions are being carried out by the UN around the globe, including in Sudan, Cote D'Ivoire, the Democratic Republic of Congo, and Haiti. We need to ensure that these missions remain adequately funded and ensure robust support for the Contributions to International Peacekeeping Activities (CIPA) account in FY 2012.

The President's FY 2012 budget request for the CIPA account is \$1.920 billion. For FY 2011, Congress provided \$1.88 billion for the CIPA account. In

FY 2010, the United States allocated \$2.125 billion to the CIPA account. However, the initial budget request number for FY 2012 assumed that \$225 million in UN credits or carry-over funds from the FY 2011 budget would be available to help fund the CIPA; it turns out that this is not the case. The State Department has requested more funding for CIPA, arguing that \$2.14 billion will be necessary to prevent the United States from falling back into arrears with the UN.

The United States is assessed approximately 27 percent of UN peacekeeping costs. However, the U.S. government has placed a cap on what the United States will pay toward peacekeeping at 25 percent of UN peacekeeping costs. This difference accumulates significant arrears for the United States and puts all United Nations peacekeeping missions at a disadvantage. While the peacekeeping cap has been raised recently on a year-by-year basis, it needs to be permanently eliminated so this issue need not be dealt with every year. For missions deemed to be crucial in protecting U.S. security interests, a lack of funding could inhibit success.

Not a single UN peacekeeping mission is undertaken without United States approval. UN peacekeeping has bolstered successful government transitions in Namibia, El Salvador, Nicaragua, and Guatemala. Currently, the UN has peacekeeping forces in Darfur, Sudan, the Democratic Republic of Congo (DRC), Central African Republic and Chad, Haiti, Afghanistan, India and Pakistan, Cyprus, and Kosovo, among others. In the countries where they are deployed, UN peacekeepers play a critical role in protecting the local civilian populations and maintaining peace. Without the presence of these UN forces, the safety of individuals and their nations is threatened.

Recommendation: Fund the CIPA account at \$2.14 billion, as requested by the Department of State, to support United Nations peacekeeping and ensure that the United States does not fall behind in UN payments. Also, permanently raise the cap on U.S. contributions to these missions to the assessed level.

CREATION OF A STANDING INTERNATIONAL PEACEKEEPING FORCE

The recent events in Libya illustrate the need to protect civilians from governments who would subject them to mass atrocities. The international community will continue to be called upon to carry out its Responsibility to Protect (R2P) duty when civilian populations are in danger around the globe. The United States and other Western Nations will play an important role in such efforts, but they should not have to act alone. Therefore, the creation of an international standing peacekeeping force is critical. Pursuing the establishment of such an international peacekeeping force should be a part of U.S. policy.

In addition to the need for robust UN funding, the United States and the world would benefit from a United Nations Emergency Peace Service (UNEPS)-type international peacekeeping force. As envisioned, a UNEPS-style force would add to, not replace, existing peacekeeping capacity. It would be designed primarily as a “first in, first out” unit that could fill the gap between the Security Council’s authorization of a peace operation and the actual deployment of a conventional peacekeeping mission. It would individually recruit, train, and employ 15,000-18,000 individuals including civilian police, military personnel, judicial experts,

relief professionals, and others with a diverse range of skills. UNEPS would have expertise in peacekeeping, conflict resolution, environmental crisis response, and emergency medical relief. Upon Security Council authorization, it would be available almost immediately to respond to a crisis.

Due to its size, UNEPS would not eliminate the need for longer, more traditional peacekeeping operations, although it would likely reduce the cost and length of, or sometimes the need for, subsequent operations. Additionally, as a permanent organization, UNEPS would develop institutional memory and doctrine; its leaders could impart lessons learned to national and regional peacekeepers to improve the effectiveness of peace operations worldwide.

A UNEPS-style force could help address conflicts in areas around the globe such as Libya and Cote D’Ivoire. Currently, there is an inadequate international structure to handle such crises. A UNEPS-style force would serve an important purpose in that the UN itself would be able to hire peacekeepers for this force, rather than the forces coming from UN member countries.

The creation of such a force is an investment which would reduce U.S. military expenditures in the long run, greatly aiding our current budget situation. A UNEPS-style force could utilize troops and funding from countries in the G-20, which would in turn reduce U.S. military expenditures and allow for burden-sharing in peacekeeping with our allies. By investing in a stand-alone peacekeeping entity in cooperation with other countries, the United States can potentially save both money and lives in the long run. It is also important because such a force, unlike NATO and other simi-

Table 9: USB Recommendations for Contributions to International Organizations Accounts

	Administration’s Request	USB Recommendation
CIO	1.62 billion	+0.05 billion
CIPA	1.92 billion	+0.22 billion
UNEPS	N/A	+0.52 billion
Total		+0.79 billion

lar entities, would be more likely to be accepted in parts of the world such as Libya rather than being seen as part of a “Western” intervention. This legitimacy would be a major advantage of UNEPS.

Depending upon its final structure and field operations, start-up expenses for UNEPS could equal \$2 billion, with an annual recurring cost of \$900 million or more. The United States share of this would be about 26percent if UNEPS was established within the UN. This cost could reasonably be offset by the future reduction in size, duration and delays of subsequent, conventional UN peacekeeping operations, which all too often arrive on the scene too late to stop violence in its formative stages. It is also a small price to pay compared to unilateral or NATO based ground interventions.

In his 2010 National Security Strategy (NSS), President Obama spoke about the need for strengthened peacekeeping and civilian protection:

“The untold loss of human life, suffering, and property damage that results from armed conflict necessitates that all responsible nations work to prevent it. No single nation can or should shoulder the burden for managing or

resolving the world’s armed conflicts.... (W)hen international forces are needed to respond to threats and keep the peace, we will work with international partners to ensure they are ready, able, and willing. We will continue to build support in other countries to contribute to sustaining global peace and stability operations, through UN peacekeeping and regional organizations, such as NATO and the African Union. We will continue to broaden the pool of troop and police contributors, working to ensure that they are properly trained and equipped, that their mandates are matched to means, and that their missions are backed by the political action necessary to build and sustain peace.”

Recommendation: The United States should work within the United Nations and other international and regional organizations to help establish a standing UNEPS-type international peacekeeping force to address critical situations around the globe.

Climate Change

The Defense Department has begun to recognize climate change as a major security threat, even

as federal government funding to address the issue has begun to be cut in 2012. There was a major increase in support around climate change issues tied to the February 2009 American Recovery and Reinvestment Act, the Obama stimulus program. But support from the ARRA has mostly ended, and no new sources of funds are forthcoming.

For FY 2011, the overall budget to fight global climate change was \$33.2 billion. These funds were targeted at supporting various forms of investments in energy efficiency and renewable energy, as well as strengthening compliance with existing environmental laws. The budget request for FY 2012 is \$27.6 billion. This is a nearly 17 percent decline in federal support to

fight climate change and protect the environment, at a time when, in fact, substantially more support is needed in this area. Indeed, we argue that federal government spending in energy efficiency and renewable energy should be in the range of at least \$50 billion per year. This \$50 billion should also be leveraged to encourage at least an additional \$100 billion in private investments devoted to building a clean energy economy. With total public and private spending in the United States on clean energy at around \$150 billion per year — roughly 1 percent of GDP and 8 percent of total private investment — we believe the U.S. economy has a reasonable chance of achieving the Obama administration’s stated goal of reducing carbon emissions in the United States to around 4,200 metric tons by 2030.⁷⁸ This would rep-

Table 10: U.S. Federal Government Budget Allocations for Climate Change Initiatives

Agency	Uses of Funds	Amounts		\$ Amount of Change 2011-12	Percent Change: 2011-12
		FY2011	FY2012		
Dept of Energy	Renewable Energy and Energy Efficiency: R&D commercialization, and investment subsidies	\$17.1 billion	\$12.1 billion	-\$5 billion	-29.20%
Environmental Protection Agency	Promoting compliance with environmental laws; new investments in pollution control and abatement	\$9.5 billion	\$8.6 billion	- \$900 million	-9.50%
Dept. of Treasury	Loan Guarantees for Renewable Energy and Energy Efficiency Investments; through 2009 ARRA	\$4.8 billion	\$6.8 billion	+\$2.0 billion	41.70%
General Services Administration	Purchases of fuel-efficient vehicles, including hybrids	\$2.0 billion	0	\$2.0 billion	-100%
Dept. of Housing and Urban Development	Investments in building retrofits and related energy efficiency projects	\$142 million	\$78 million	-\$64 million	-45.10%
Totals		\$33.2 billion	\$27.6 billion	\$5.6 billion	-16.90%

Table 11: Climate-Related Bills Being Considered in Current Congress

Pro-Environmental Measures	
H.R.66	Waste to Energy Technology Act of 2011
H.R.502	Clean Energy and Technology Manufacturing and Export Assistance Act of 2011
H.R.1380	New Alternative Transportation to Give Americans Solutions Act of 2011
S.559	Securing America's Future with Energy and Sustainable Technologies Act
S.699	Department of Energy Carbon Capture and Sequestration Program Amendments Act of 2011
S.757	Incentives for Carbon Capture and Storage Development
Anti-Environmental Measures	
H.R.279	Aims to prohibit any Federal agency from carrying out any act to reduce the effects of greenhouse gas emissions
H.R.750	Defending America's Affordable Energy and Jobs Act, aims to prohibit greenhouse gas regulations or considering climate change in any laws
H.R.1522	Would repeal the Energy Independence and Security Act of 2007
S.15	Would prohibit regulation of CO2 emissions until China, India, and Russia make parallel commitments
S.231	EPA Stationary Source Regulations Suspension Act, would suspend the EPA from enforcing the Clean Air Act

resent a reduction of 29 percent relative to current U.S. emissions levels.

2011-2012 BUDGET ALLOCATIONS

Table 9 shows federal budget allocations for climate change initiatives for 2011 and 2012. As we see, the two largest areas receiving budget cuts have been: 1) the various energy efficiency and renewable energy programs within the Department of Energy; and 2) the programs within the Environmental Protection Agency supporting compliance with existing environmental laws and investments to reduce pollution. For FY 2012, DOE spending is scheduled to fall by nearly 30 percent relative to 2011. The EPA's budget in these areas faces a nearly 10 percent cut. In addition, the government's

procurement program to purchase fuel efficient vehicles, a \$2 billion spending item in 2011, has been eliminated entirely from the 2012 budget.

The only major increase in the climate change budget is the loan guarantee program administered through the U.S. Treasury. The reserve fund to support that program was increased from \$4.8 to \$6.8 billion between 2011 and 2012. But this increased level of support had already been committed through the 2009 American Reinvestment and Recovery Act (ARRA). It does not represent a newly established level of increased funding to support clean energy investments.

More generally, there have been no new legislative initiatives signed into law since the 2009 ARRA. Of course, the ARRA was an overall economic stimulus

program. But specifically with respect to environmental initiatives, it represented a major intellectual and policymaking breakthrough, because it embraced the idea that investments to build a clean energy economy will also promote job creation and economic growth. The clean energy features of the ARRA have, in fact, succeeded in promoting both job creation and growth, even while all such initiatives were operating against the massive headwinds of the Wall Street collapse and Great Recession.

BILLS UNDER CONSIDERATION IN CURRENT CONGRESS

Table 10 lists the climate-related bills that are under discussion in the current Congress, both in the Senate and House of Representatives. As the table shows, these initiatives are divided roughly evenly between those that would support concerted action to fight global cli-

mate change and those that would thwart serious action. In any case, there is almost no likelihood that the current Congress will enact any of these measures.

PUBLIC AND PRIVATE INVESTMENTS IN CLEAN ENERGY

In Table 11 we present rough estimates as to what an ambitious but still realistic level of overall clean energy investments could be in the U.S. economy at present.⁷⁹ These estimates include both private as well as public spending. As noted above, we believe an overall level of federal spending at around \$50 billion per year could serve to encourage at least another \$100 billion in private investments.

Toward that end, we are encouraged by the continued level of support for federal loan guarantees within the Treasury to underwrite clean energy invest-

Table 12: Potential Clean Energy Investments for U.S. Economy
Annual Investment Levels, Including Public and Private Funds

Clean Energy Investment Area	Potential Annual Investment Level
Energy Efficiency	
Building Retrofits	\$80 billion
Smart Grid	\$20 billion
Public Transportation	\$5 billion
Cogeneration	\$5 billion
Renewable Energy	
On-grid renewable electricity	\$30 billion
Off-Grid Renewable Electricity	\$3 billion
Off-Grid Renewable—Non Electrical	\$2 billion
Alternative Motor Fuels	\$5 billion
Total	\$150 billion

Source: See reference in footnote 1 to Pollin, Heintz and Garrett-Peltier (2009).

ments. If such programs are well managed, they offer the potential to leverage relatively small amounts of federal commitments to support private investments with substantially reduced levels of risk. The reserve funds are established to cover the loan defaults that occur on guaranteed loans. Within the ARRA itself, the working assumption was that \$1 devoted to a loan guarantee reserve fund should be able to support another \$10 in new clean energy investments.

As such, we strongly support the expansion of the clean energy investment loan guarantee program as well as similar initiatives to use government spending in the most efficient ways to promote private investments in building a clean energy economy.

CLIMATE CHANGE ADAPTATION

There is a growing international consensus on the need for rich countries, including the United States, to provide compensatory funding to developing countries to help them adapt to the impacts of climate change that are already underway. These include reductions in food production caused by increases in droughts and flooding, greater climate variability leading to increased disease, decreased access to water and, in some cases, a need to relocate entire communities. These funds must be added to traditional streams of development assistance. Between 1999 and 2008, just 0.4 percent of total global development assistance supported disaster prevention and preparedness. Current U.S. government institutional and budgetary arrangements do not adequately support resilience building and disaster prevention.

VII. Rebalancing Security: Defense

Homeland Security

The killing of Osama bin Laden was accomplished by sustained intelligence work and, in the end, a small number of Special Forces. It fulfilled one of the central objectives of post-9/11 national security policy, but it does not end the terrorism threat. Indeed, the possibility of retaliatory terrorist strikes on American soil should lead to renewed attention to the current state of our homeland security efforts.

The Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism (WMD Commission) documented al Qaeda's interest in obtaining and using biological weapons and highlighted this as the most likely WMD threat.⁸⁰ Other potential threats include those revealed in the attempted terrorist attacks on mass transit, passenger aviation, and public spaces in the United States⁸¹, and part of the intelligence haul from the assault on bin Laden's compound indicated al Qaeda had been planning a strike against U.S. commuter rail lines to coincide with the tenth anniversary of the 9/11 attacks.⁸² The latest terrorist undertakings demonstrate intent to target other vulnerable sectors.

HOMELAND SECURITY IN 2010 AND 2011

In last year's review of developments in homeland security funding we pointed to several examples of budget changes that appeared to respond to specific incidents from the previous year. The failed December

2009 plot to set off an explosion on board Northwest Flight 253, for example, resulted in \$800 million in new expenditures in the FY 2011 budget designed to address the specific security vulnerabilities exposed by that plot.⁸³

Fewer such increases are apparent in the FY 2012 request. True, the Department of Homeland Security (DHS) did take certain steps in reaction to the unsuccessful October 2010 attempt to ship explosives on cargo aircraft bound from Yemen to the United States⁸⁴, including modifying pre-screening procedures for cargo in-bound to the United States and ordering a halt to all cargo shipments originating from Yemen or Somalia.⁸⁵ But there were no major programmatic or budgetary changes arising out of this incident.

Similarly, though a January 2011 suicide bombing at Moscow's Domodedovo Airport revealed potential vulnerabilities in airport access controls, little has been done on that front.⁸⁶ This perhaps represents a break from the overly reactive approach for which the U.S. homeland security system has often been criticized (including by this task force).⁸⁷ Yet two other factors, less positive, may also be in play: first, intensified budget pressures, and second, ongoing difficulties in defining roles between federal and non-federal entities in these two sectors. Neither the first Quadrennial Homeland Security Review (QHSR) issued by DHS in February 2010⁸⁸ nor the Department's Bottom-Up Review (BUR) from July 2010⁸⁹ seriously addressed such issues.

DHS has been actively engaged in continuing the deployment of Advanced Imaging Technology (AIT) units at domestic airports, which was a key facet of the Administration's response to the attempted bombing of Northwest flight 253.⁹⁰ As of February 2011, nearly 500 such machines had been deployed at over 75 U.S. airports.⁹¹ As we reported last year, experts believe the new equipment will improve screening performance but expressed concern about the lack of a cost-benefit analysis of the accelerated deployment schedule.⁹²

Public opinion surveys have indicated over three-quarters of the American public support the use of the "full-body x-ray machines," but DHS and the Transportation Security Administration (TSA) continue to struggle with privacy concerns.⁹³ The Electronic Privacy Information Center (EPIC) has urged Congress to suspend the use of the AIT scanners and filed a lawsuit to accomplish that purpose, claiming the scanners are, "unlawful, invasive, and ineffective."⁹⁴ This problem is undoubtedly exacerbated by the absence of the Privacy and Civil Liberties Oversight Board, suggested by the 9/11 Commission and mandated by the Intelligence Reform and Terrorism Prevention Act of 2004, which was supposed to oversee the federal government's adherence to civil liberties standards in its conduct of homeland security activities.

There were some significant accomplishments in homeland security over the past year, including full implementation of the 9/11 Commission recommendation that TSA take over from the airlines the administration of the "no fly" and "automatic selectee" lists for passenger aviation (which allows for fuller, more expeditious use of the terrorist watchlists maintained by the U.S. government), the negotiation of strengthened

international aviation security requirements through the International Civil Aviation Organization (ICAO), and the aforementioned deployment of more advanced airport screening equipment, among others.⁹⁵

However, in addition to the question marks about roles and responsibilities and balancing security with other national priorities, homeland security policy remains plagued by uncertainties about budgeting and sustainability. GAO reported "neither the QHSR nor the BUR report included a description of the budget plan required to execute the QHSR missions and strategy."⁹⁶ Thus, it is apparent that as the tenth anniversary of the 9/11 hijackings approaches, much progress remains to be made in answering the key policy questions of how homeland security is to be prioritized, organized, and funded.⁹⁷

An important contribution toward proposing answers to these questions, at least in passenger aviation security screening, was the March 2011 release of *A Better Way: Building a World Class System for Aviation Security* by the U.S. Travel Association (USTA) in conjunction with its Blue Ribbon Panel for Aviation Security.⁹⁸ The report concludes that "The creation of DHS and TSA brought vast improvements to border and transportation security," and, "there is little question that the U.S. is safer today than it was before 9/11," but that a "better" aviation security screening system would feature, "effective methods of deterring and interdicting terrorist and criminal actors; tailored security based upon risk assessment; predictability for the traveling public; and reasonable efficiency and cost-effective use of resources."⁹⁹

It recommends, specifically, full implementation of “a new, voluntary government-run Trusted Traveler [TT] program that utilizes a risk-based approach to checkpoint screening, with the goal of refocusing resources on the highest risk passengers,” including “a tightly-controlled enrollment and [identity] re-verification process, a confirmation process at the airport that ensures only enrolled individuals are utilizing the TT screening lanes and a checkpoint process that reflects the low-risk nature of the traveler.”¹⁰⁰ TSA’s fixation on concentrating its attention and resources on one security layer (checkpoint screening) within one mode of transportation (passenger aviation) is reflected in its budget and personnel allocations. In FY 2010, aviation passenger screening operations represented 60 percent of the total TSA budget and 87 percent of its workforce

(with the vast majority of these directed at checkpoint screening rather than checked bag screening), whereas air cargo received 1.6 percent and the entire field of surface transportation obtained 1.4 percent of the total TSA budget.¹⁰¹

FY2011 HOMELAND SECURITY BUDGET

As was true of the rest of the federal government, Congressional decision-making on FY 2011 appropriations for homeland security was a tortuous process. For DHS, the initial proposal made by the new Republican majority in the House of Representatives would have resulted in a \$2.1 billion cut below the President’s request, including reductions of \$886 million in FEMA’s

Table 13: FY2010-2011 Homeland Security Appropriations for Select Agencies
(in millions of dollars)

Agency	FY2010 Final	FY2011 House	FY2011 Final	FY2011 Final vs. House
Coast Guard	8,779	8,750	8,864	+ 114
TSA	7,658	7,606	7,700	+ 94
FEMA State and Local Grants	2,986	2,120	2,200	+ 80
Customs and Border Protection	10,126	9,761	9,899	+ 138
Natl Protection and Programs Division	1,319	1,186	1,220	+ 35
DHS Science and Technology	1,006	410	829	+ 419
Domestic Nuclear Detection Office	383	350	342	- 8
Total DHS	42,450	41,500	41,750	+ 250
CDC	6,390	4,985	5,666	+ 681

Notes: Totals may not add due to rounding

FY2011 House=Original House-passed appropriations bill (HR 1)

FY2011 Final=Department of Defense and Full-Year Continuing Appropriations Act, 2011 (PL 112-10)

Sources: U.S. Senate Committee on Appropriations, “Summary: Homeland Security Subcommittee: FY2011 Continuing Resolution,” press release, April 11, 2011; and U.S. Senate Committee on Appropriations, “Summary: Labor, Health and Human Services, and Education: Fiscal Year 2011 Continuing Resolution,” press release, April 11, 2011.

Table 14: FY2011 USB Homeland Security Recommendations vs. Final Appropriations (in billions of dollars)

	FY2010 (final)	FY2011 Admin	FY2011 USB	FY2011 2/11 CR	CR vs.USB
USB additions to President's Budget					
DHS First Responder Grants ¹	2.26	2.48	2.98	1.81	-1.17
HHS public health capacity ²	1.18	1.18	1.68	1.18	-0.5
USB subtractions from President's Budget					
DHS Office of Health Affairs ³	0.14	0.21	0.14	0.14	0
TSA AIT ⁴	NA	0.53	0.26	0.53	0.27
SHSGP minimum allocation ⁵	NA	0	-0.03	0	0.03
Federal Air Marshals ⁶	0.86	0.95	0.86	0.93	0.07
DHS departmental operations ⁷	0.81	1.27	0.84	0.84	0
Other DHS discretionary programs ⁸	NA	0	-0.11	-0.11	0
Total	NA	6.63	6.63	5.32	-1.31

1. Includes State Homeland Security Grant Program, Emergency Management Performance Grant Program, Metropolitan Medical Response System, Citizen Corps Program, Urban Area Security Initiative, Interoperable Communications Grants and Regional Catastrophic Preparedness Grants
2. Includes CDC State and Local Capacity grants, and HHS Hospital Preparedness grants
3. Eliminate proposed increase for DHS Office of Health Affairs
4. Fund only half of proposed increase for TSA Advanced Imaging Technology purchase, installation, staffing and support
5. Eliminate DHS state minimum allocation for State Homeland Security Grant Program (SHSGP)
6. Eliminate proposed increases in funding for Federal Air Marshals, pending completion of the "right sizing" study called for by the USB
7. Accept House Appropriations Subcommittee on Homeland Security recommendations for cuts in DHS departmental operations
8. Impose 0.2 percent cut in remaining DHS discretionary programs, to be taken from lower priority and/or underperforming programs

state and local first responder grants and \$567 million in TSA programs.¹⁰² The final version, contained in the Department of Defense and Full-Year Appropriations Act signed into law on April 15, 2011, restored some of these cuts, adding back \$250 million to the DHS budget overall, including \$80 million more for the first responder programs and \$94.4 million more for TSA.¹⁰³

request of \$53.4 billion for non-Defense Department homeland security programs, but advocated a shift of \$1 billion from lower priority and/or non-performing programs to long-time USB priorities of first responders and public health system capacity.¹⁰⁴ The final CR departed further than the President's budget from USB priorities, especially by short-changing first responder and public health security programs.

Last year's Unified Security Budget recommended no net change in the Administration's overall

THE FY 2012 BUDGET REQUEST

For FY 2012, President Obama proposes \$71.6 billion in total homeland security funding, a \$2.6 billion (4 percent) increase over the February CR level for FY2011 but \$873 million below his 2011 request. The FY 2012 budget calls for \$53.5 billion in non-Department of Defense homeland security spending, which is \$2.1 billion above the February CR level but only \$128 million above last year's Administration submission.¹⁰⁵

The following are some of the key additions sought by the Obama administration:

- \$273 million for continued deployment of more advanced checked bag screening systems (including in-line systems as the USB recommended).¹⁰⁶
- An additional \$131 million to maintain the increased post-December 2009 deployment levels for Federal Air Marshals.
- \$215 million to continue consolidation of DHS Headquarters functions at the St. Elizabeth's location in Washington, DC.
- \$105 million for the purchase, installation and operation of an additional 275 AITs at airport checkpoints.
- A \$25.7 million increase for the DHS Office of Health Security's BioWatch to continue testing and evaluation of more advanced (Gen-3) biodetection units.
- \$829 million more for FEMA's State and Local Grants, to bring these First Respond-

er programs back up to approximately their overall FY2010 levels.¹⁰⁷

- A \$59 million increase for CDC's Strategic National Stockpile of medical countermeasures and other medical and surgical supplies, which are to be used in response to acts of bioterrorism or other mass-casualty events.¹⁰⁸

Along with the increases, President Obama's budget also proposes a number of cuts in homeland security activities, including the following (all compared to FY 2010 levels):

- Proposed terminations of FEMA's Emergency Operations Center Grant Program (funded at \$60 million in FY 2010) and Inter-City Bus Security Grant Program (\$12 million in FY 2010).
- A \$106 million reduction in funding for FEMA's Firefighter Assistance Grants.¹⁰⁹
- Cuts of \$110 million in CDC's State and Local Preparedness and Response Capability grants and \$19 million in the CDC Preparedness and Response Capability program.
- A \$42 million reduction in HHS Hospital Preparedness grants.¹¹⁰

Although the Task Force recognizes some validity in the Administration's proposed reductions in certain FEMA "programs that were not awarded based on a risk methodology and were subject to earmarking for non-risk based projects,"¹¹¹ we can find no justification for the recommended decreases in the key public

health preparedness programs at CDC and HHS. As the most recent public health preparedness assessment by the Trust for America's Health puts it, "There is an emergency for emergency health preparedness in the United States. The severe budget cuts by federal, state and local governments are leaving public health departments understaffed and without the basic capabilities required to respond to crises."¹¹²

The Administration is also proposing a hike in the Aviation Passenger Security Fee, which has remained at \$2.50 per flight since TSA was established in the wake of 9/11. According to the DHS budget document, "The Administration's proposal makes progress towards fulfilling the intent of the Aviation and Transportation Security Act [that created TSA] to cover the costs of aviation security through fees and not by the general taxpayers."¹¹³ The fee would rise to \$4.00 per enplanement in FY 2012, \$4.50 in FY 2013, and \$5.50 in FY 2014. By the time it would be fully effective, the increased fee would generate an additional \$2.44 billion in revenue. Both the Bush and Obama Administrations, however, have previously tried and failed to win Congressional approval for the higher fees.¹¹⁴

HOMELAND SECURITY RECOMMENDATIONS

Last year's USB proposed that non-defense homeland security spending be held to the level recommended by the President. We also advocated that it be maintained at that amount in both FY2012 and 2013. We did so in view of the nation's precarious budgetary predicament, but also in the belief that restraints on funding would contribute to more careful analysis and

priority-setting than has been the case in the homeland security arena.

Since the President's request for FY 2012 is similar to his FY 2011 submission, and thus is in compliance with our proposed freeze, we again endorse the Obama administration's overall homeland security figure as an appropriate funding level. However, as was true in our previous budgets, we believe changes are necessary both in our priorities and in the way those priorities are set.

Recommendation: In our last report, we wrote, "we believe that homeland security programs have lacked adequate performance measurement, priority-setting and congressional oversight, which have each contributed to the numerous documented problems that have plagued these programs since their inception."¹¹⁵ While there has been some progress in this regard via the QHSR and the DHS Bottom-Up Review, we judge that much more remains to be done. Therefore, we reiterate our relevant recommendations from last year's USB, not one of which has been adequately addressed.¹¹⁶

1. **"DHS and the Congress need to improve their oversight and measurement of performance."** Of our specific suggestions in this regard, virtually nothing has been done on the most important one: consolidation of Congressional oversight of homeland security programs.
2. **"GAO [should] be tasked with a comprehensive evaluation of the performance measures employed by DHS's annual per-**

formance report, and how they compare to related findings made by GAO and other independent organizations.” Although GAO has been given the additional assignment to “identify federal programs, agencies, offices and initiatives, either within departments or government-wide, which have duplicative goals or activities,” the broad scope (government-wide) but narrow focus (duplicative or overlapping programs), combined with DHS’s organizational and accounting problems, produced limited new performance information and evaluation about homeland security programs in the first report.¹¹⁷ DHS has undertaken its own internal effort to increase the quality of its performance measures, resulting in some changes in the metrics employed in the most recent (February 2011) version of its Annual Performance Report, but we continue to believe that external evaluation and validation of DHS performance measures is essential.¹¹⁸

3. **“The Congressional Budget Office... should be encouraged to turn greater attention to the homeland security arena.”** Amidst a considerably enlarged number of alternatives presented for addressing the deficit problem, the latest version of CBO spending and revenue options contains only the same two homeland security-related proposals as in the 2009 report: increasing passenger aviation security fees, and eliminating the minimum state allocations in the State Homeland Security Grant Program.¹¹⁹

Recommendation: In addition to our support for the Obama administration’s proposed overall level of non-defense homeland security funding, we also endorse the President’s call for a \$1.50 per flight increase in the aviation passenger security fee, which would generate an additional \$587 million in FY 2012 revenues. As mentioned above, this fee has remained unchanged since its establishment in 2001 in spite of substantial growth in federal expenditures for aviation security. Although we accept the premise that aviation security is a matter of national security and thus all taxpayers derive some benefit and should therefore pay a portion of its costs, we feel that, especially given the current budgetary situation, it is appropriate to increase the share of that cost borne by the passengers and commercial aviation industry who receive the greatest benefit above the current level of 41 percent.¹²⁰ Should Congress once again reject the proposed fee increase, we recommend that it make cuts of \$587 million in aviation security to offset the foregone revenue.

Recommendation: Although the airline industry has shown improved profitability recently, we are cognizant of the potential negative impact of a higher passenger security fee.¹²¹ In view of that fact, plus its focus on risk-based security that we have long endorsed, we support the suggestion of the U.S. Travel Association and its Blue Ribbon Panel that TSA should create a voluntary Trusted Traveler program, which enables expedited screening processing for those who provide sufficient information to establish (on a continuing basis) their identities as low-risk threats. Implementation of this program must be made contingent on improved screening equipment and better trained screeners, as called for by the USTA and its Blue Ribbon Panel. A 2010 survey of air travelers found that two-thirds were

“frustrated” by “heavy-handed” security procedures at airport checkpoints, and that 64 percent indicated they would fly more often if security measures were less intrusive and time consuming while retaining their effectiveness.¹²²

Recommendation: We again suggest that priorities should be adjusted within the Administration’s homeland security budget by a shift in resources.

INCREASES ABOVE THE ADMINISTRATION BUDGET

1. The USB has often in the past pointed out the multiple benefits from deployment of advanced, in-line checked bag screening equipment (including greater efficiency, reduced

injuries, lessened airport lobby congestion, as well as enhanced security).¹²³ A March 2011 GAO report found that “TSA could achieve up to \$470 million in net savings based on reduced TSA staffing costs through the replacement or modification of existing systems with more efficient baggage screening systems at airports over the next five years.” To achieve these projected savings, GAO indicated that an annual funding level of \$448 million would be necessary.¹²⁴ With the President’s FY 2012 budget providing \$273 million for this purpose, the Task Force recommends \$175 million be added so that all of these gains may be realized.

2. Our public health system infrastructure remains a key component in our national preparedness to respond to both natural and

Table 15: FY 2012 USB Homeland Security Recommendations vs. Administration Budget (in millions of dollars)

Table 15: FY 2012 USB Homeland Security Recommendations vs. Administration Budget (in millions of dollars)	
Additions	
Increase funding for advanced in-line checked bag screening equipment	175
Restore CDC State and Local Capacity Grants and HHS Hospital Preparedness Grants to FY2010 level	152
Consolidate and improve security training for transportation security workers	100
<i>Total additions</i>	<i>427</i>
Subtractions	
Require airlines to allow at least one checked bag without additional fee, thereby reducing TSA checkpoint screening costs	260
Eliminate proposed increases in funding for Federal Air Marshals pending completion of “right sizing” study called for by USB	131
Eliminate DHS state minimum allocation for State Homeland Security Grant Program	31
Eliminate proposed increase for DHS Office of Health Affairs	22
<i>Total subtractions</i>	<i>444</i>
Net change	-17

human-caused disease outbreaks. The Administration's FY 2012 budget calls for reductions below the FY 2010 level of \$110 million in CDC's State and Local Capacity grants and \$42 million in HHS's Hospital Preparedness grants. We believe that, at a minimum, these proposed cuts should be restored.

3. With few improvements, if any, having occurred in security training for front-line transportation security workers, who "are already on the job at our nation's airports, seaports and land transportation systems...[and] are, in fact, the most likely 'first responders' in any terrorist attacks directed through our transportation systems," we repeat our FY 2010 suggestion to provide first year funding of \$100 million to "consolidate security training for transportation workers, within either an independent office in DHS or in some form of public-private consortium, which would develop training standards, select (and fund) trainers, and evaluate training results."¹²⁵

SUBTRACTIONS BELOW THE ADMINISTRATION BUDGET

1. As proposed by the U.S. Travel Association and its Blue Ribbon Panel, the Department of Transportation should require airlines to allow at least one bag to be checked without an additional charge and should standardize guidelines governing carry-on items. The checked bag fees imposed by airlines in recent years have added to checkpoint congestion, increased safety concerns in the passenger cabin, and required

the TSA to devote even more resources to checkpoint screening. According to Homeland Security Secretary Napolitano, the added carry-on bags have produced approximately \$260 million a year in additional costs for the TSA. Under this proposal, that amount would be saved, while efficiency, safety, and security would all be enhanced.¹²⁶ (Coincidentally, for all those checking a bag, this measure would more than offset the higher aviation security fees advocated above.)

2. Absent the kind of independent "right-sizing" evaluation called for in last year's Unified Security Budget, the Task Force again supports level funding of the Federal Air Marshals program (FAMS), which would mean a \$131 million reduction in the Administration's FY 2012 request.¹²⁷ The USTA's Blue Ribbon Panel for Aviation Security made a similar point:

"The FAMS program was originally expanded after 9/11 to provide a last line of defense when the other layers of security were being improved and at a time when the cockpit doors were not yet hardened against intrusion. The appropriate level of the FAMS program, both for international and domestic flights, is an example of a review that should be evaluated in a risk management context."¹²⁸

3. We also reiterate our recommendations from last year that the state minimum allocation for the State Homeland Security Grant Program be eliminated (first year savings of \$31 mil-

lion) and that the DHS Office of Health Affairs (OHA) not receive the proposed increase in spending (savings of \$22 million).¹²⁹ With regard to the former, a CBO report pointed out, “many grants now go to communities with small and dispersed populations, little critical economic activity, and few evident targets for terrorists.”¹³⁰ As for the latter, GAO has found continuing problems in the coordination of national bio-defense efforts, especially in the area of bio-surveillance, and we believe such problems should be addressed before OHA is expanded further.¹³¹

responder funding, like those imposed in FY 2011, because such reductions run the risk of eroding current levels of state and local preparedness.

A prominent omission from our suggested list of budgetary augmentations is for DHS first responder funding, which has featured prominently in all previous USB homeland security recommendations. However, we have also repeatedly called for improvements in the administration of those grant programs.¹³² We are concerned that the need for such reforms remains. For example, in October 2010, the GAO reported that FEMA “had not developed measurable national preparedness capability requirements to provide a framework for these assessments,” and in March 2011 the Office indicated, “Congress may wish to consider limiting preparedness funding to maintaining existing capabilities...until FEMA completes a national preparedness assessment of capability gaps at each level based on tiered, capability-specific performance objectives to enable prioritization of grant funding.”¹³³ In support of that position, and pending completion of the assessments cited by the GAO, the Task Force endorses the Obama administration’s FY 2012 request for first responder grants, which is very similar to the final FY 2010 level for these programs. However, we strongly oppose deep cuts in first

VIII. Conclusion

One of the conundrums of the “WikiLeaks” case is how a young U.S. soldier on active duty in Baghdad could have downloaded and released not only massive quantities of classified military secrets but a quarter-million diplomatic cables from around the world. The answer, it turns out, is that a State Department starved for funds had decided it could not afford to build its own secure internet network. Instead it would save money by piggybacking on the network the Defense Department already had in place.¹³⁴

Whatever one’s cost-benefit analysis of this security breach, most would agree that effective U.S. diplomacy depends upon U.S. diplomats’ assurance that their confidential communications will stay confidential. The State Department’s effort to stay within severe resource constraints ended up compromising this basic requirement of its employees’ ability to do their jobs.

The enduring security resource imbalance detailed in this report has created all manner of piggybacking by civilian agencies of U.S. foreign policy on the far-better-endowed military. It has led the State Department to protect its budget by taking on responsibilities it may or may not be able to fulfill in the war zones of Iraq and Afghanistan. It has USAID ceding formerly core functions to the Pentagon, functions that, in many cases, the Defense Department knows it is ill-equipped to manage and does not want.

This is bad security and foreign policy. It is destined to continue until we have a budget process that

looks at our security challenges as a whole and allocates resources in a way that is commensurate with the lip service everyone in government pays to the co-equal importance of military and non-military security tools.

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