

U.S. National Security Budgets in Context

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Overview of Discussion

- U.S. budget for national defense
- National defense budget in perspective
- Total U.S. federal budgets for security and foreign affairs
- Economic and fiscal pressures on future budgets for national defense
 - The recent recession
 - Longer-term federal fiscal pressures

National Defense Budget

Budget Authority in Billions of Current Dollars

Budget Function	FY 10	FY 11 request
051 Department of Defense non-war	534	553
war	163	159
053 DOE Atomic Energy	18	19
054 Other Departments' Defense-Related	7	8
050 Total National Defense	722	739

U.S. National Defense Spending in Perspective

Fiscal Year 2011, including cost of wars

- Nearly half of total world defense spending
- 19 percent of federal outlays
- 53 percent of federal discretionary outlays (annual appropriations)
- 4.9 percent of gross domestic product (GDP)
- Excluding the costs of wars, about 50 percent higher in real terms than in 2000
- Including the costs of wars, about 90 percent higher in real terms than in 2000
- Higher in real dollar terms than at any time since World War II
- Significantly lower as a share of GDP than Cold War average

Federal Outlays for FY 2011

Total \$3.8 Trillion

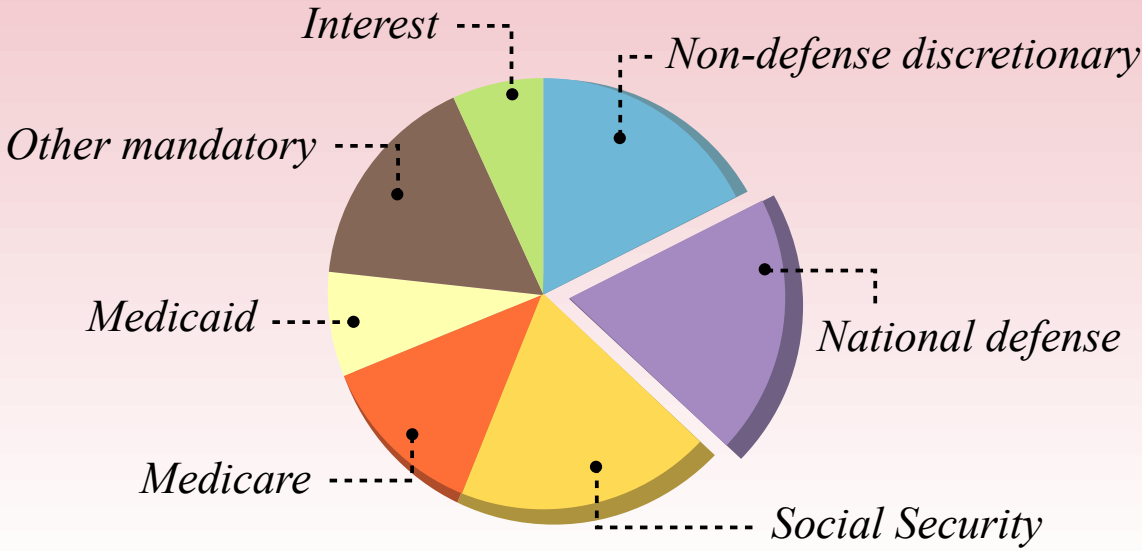
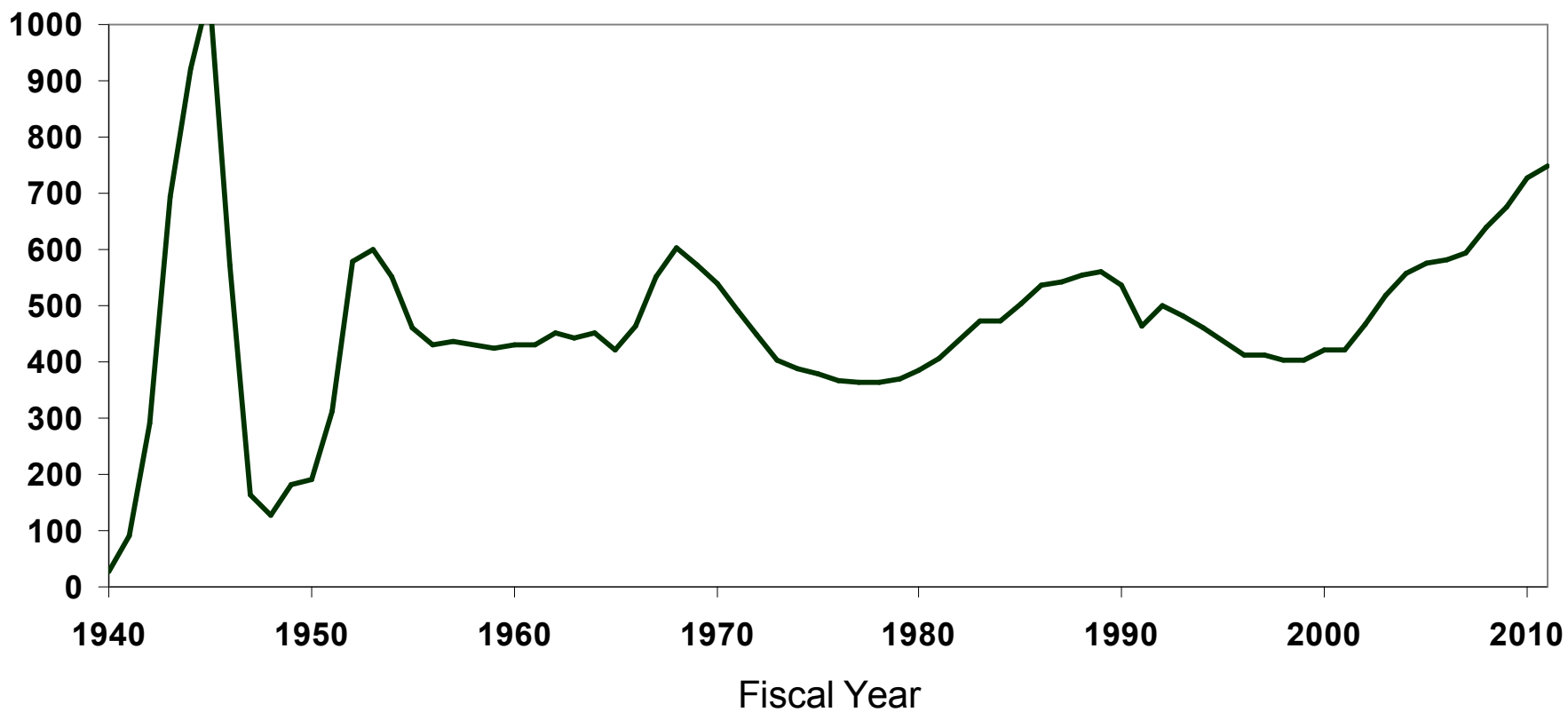
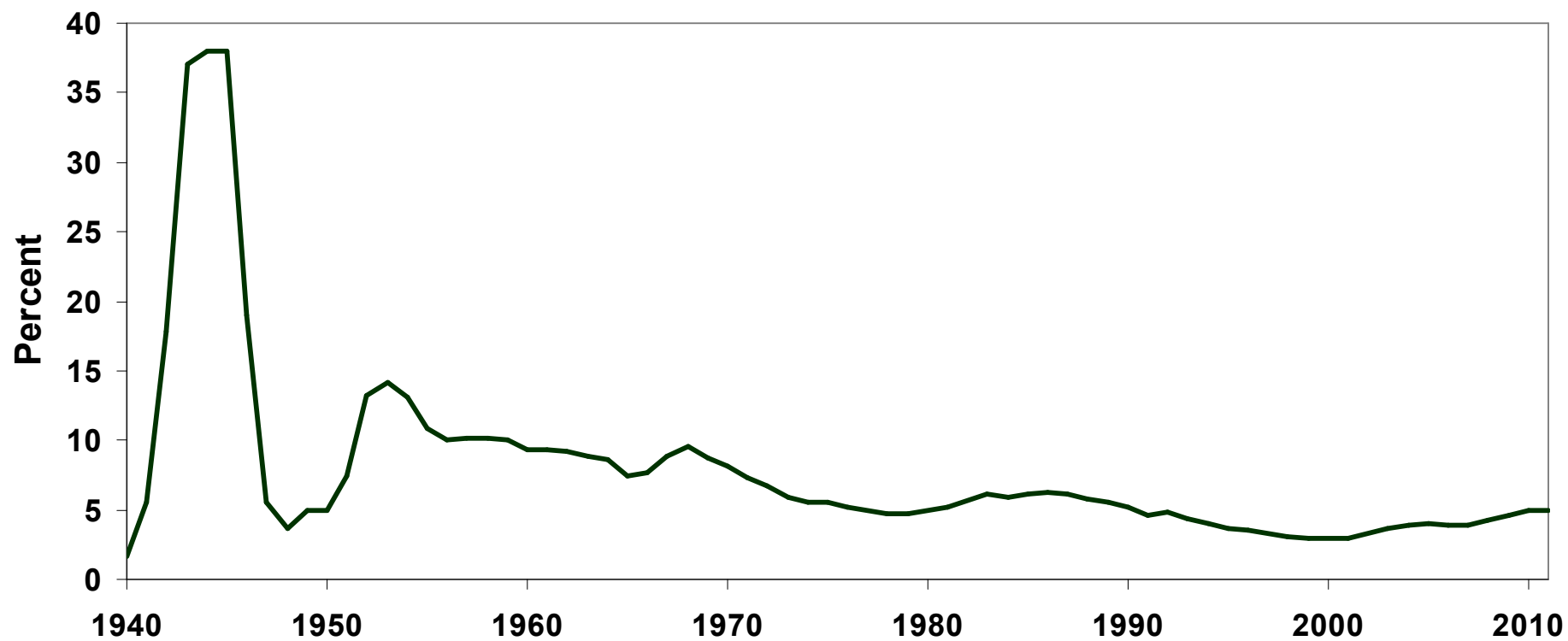


Image by MIT OpenCourseWare.

U.S. Outlays for National Defense (Billions of Constant FY 2011 Dollars)



U.S. Outlays for National Defense (Share of GDP)



Budgets for Security and Foreign Affairs

Budget Authority in Billions of Current Dollars

	FY 2001	FY 2010 Estimate	FY 2011 Request
National Defense			
Excluding Iraq and Afghanistan	318	559	580
Iraq and Afghanistan	0	163	159
Total National Defense	318	722	739
Homeland Security			
Total Homeland Security	17	71	73
HS Spending in DoD	4	19	19
Homeland Security Net of DoD	13	52	53
International Affairs	20	67	65
Total	351	841	857

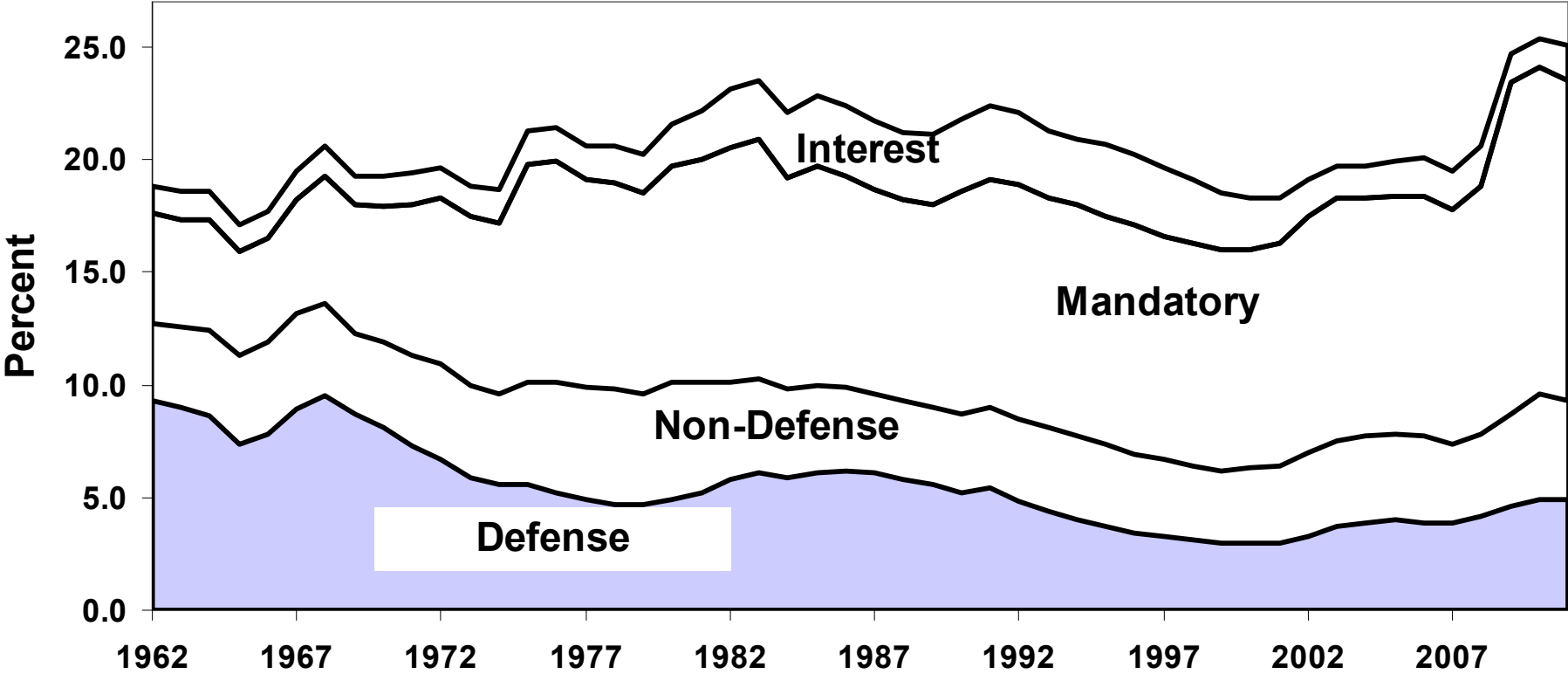
U.S. National Security Budgets

- In nominal terms (without adjusting for inflation), total national security budgets are nearly 2.5 times higher today than in 2001
- In real terms, they are about 90 percent higher than in 2001
- Excluding war costs, national security budgets are nearly 60 percent higher in real terms than in 2001
- Homeland security saw the largest percentage rise in spending
- US spends more than ten times as much on military as on homeland security or on nonmilitary instruments of foreign policy

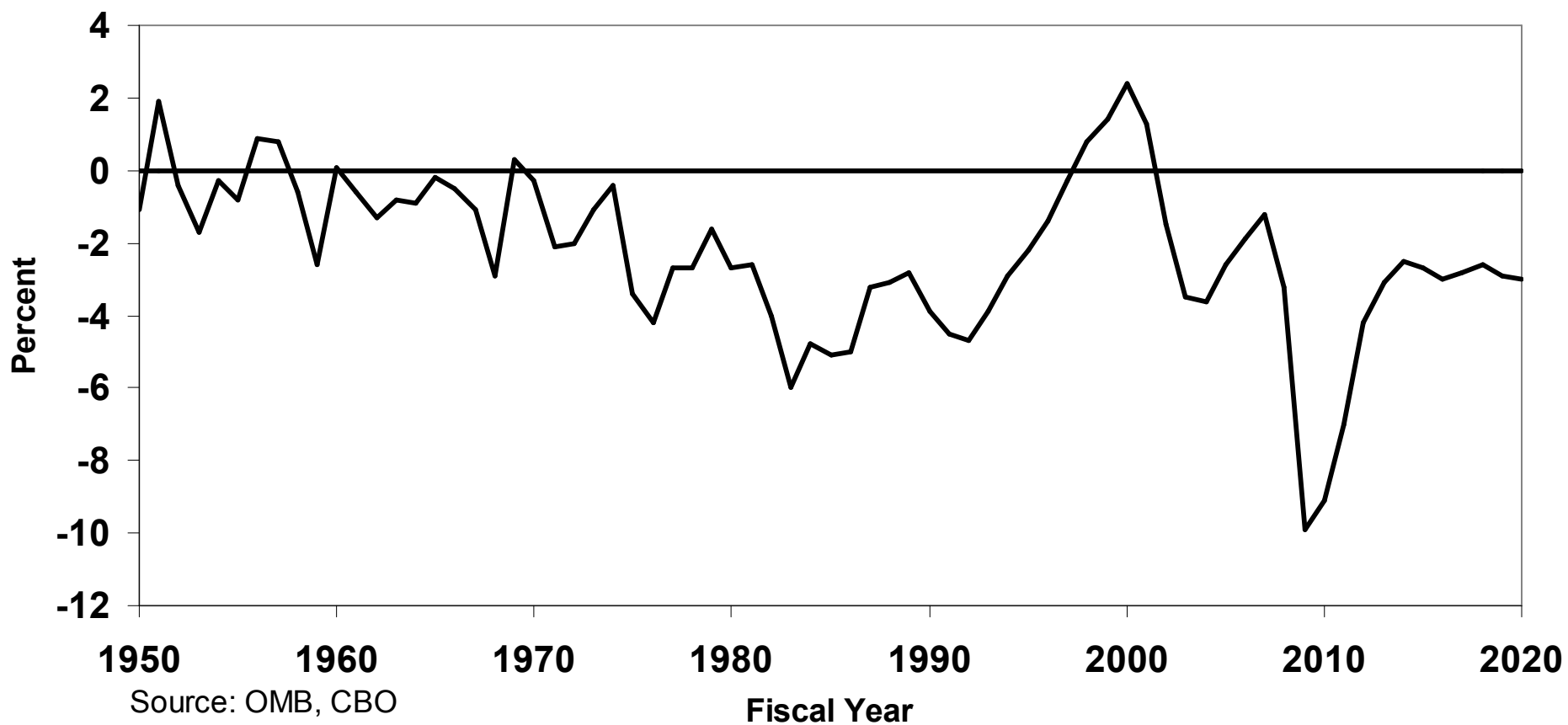
Federal fiscal picture exerts downward pressure on defense

- Fiscal costs of recent recession
 - Bank bailouts, stimulus, unemployment compensation
 - Lower revenues
- Large federal deficits and growing debt
- Rising cost of federal entitlement programs, especially health care
- Retirement of baby boomers on the horizon

Federal Outlays Share of GDP

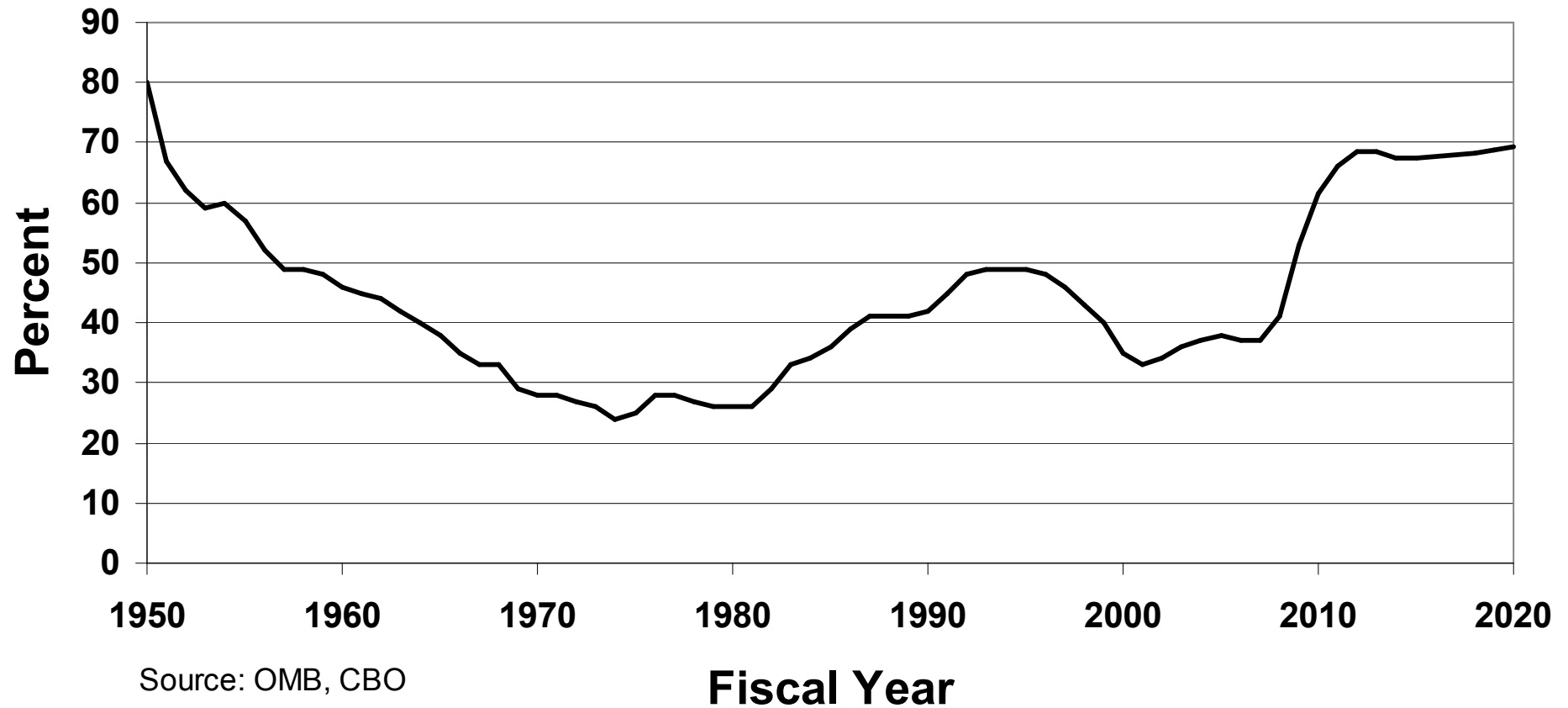


U.S. Federal Surplus (+) or Deficit (-) As Share of GDP



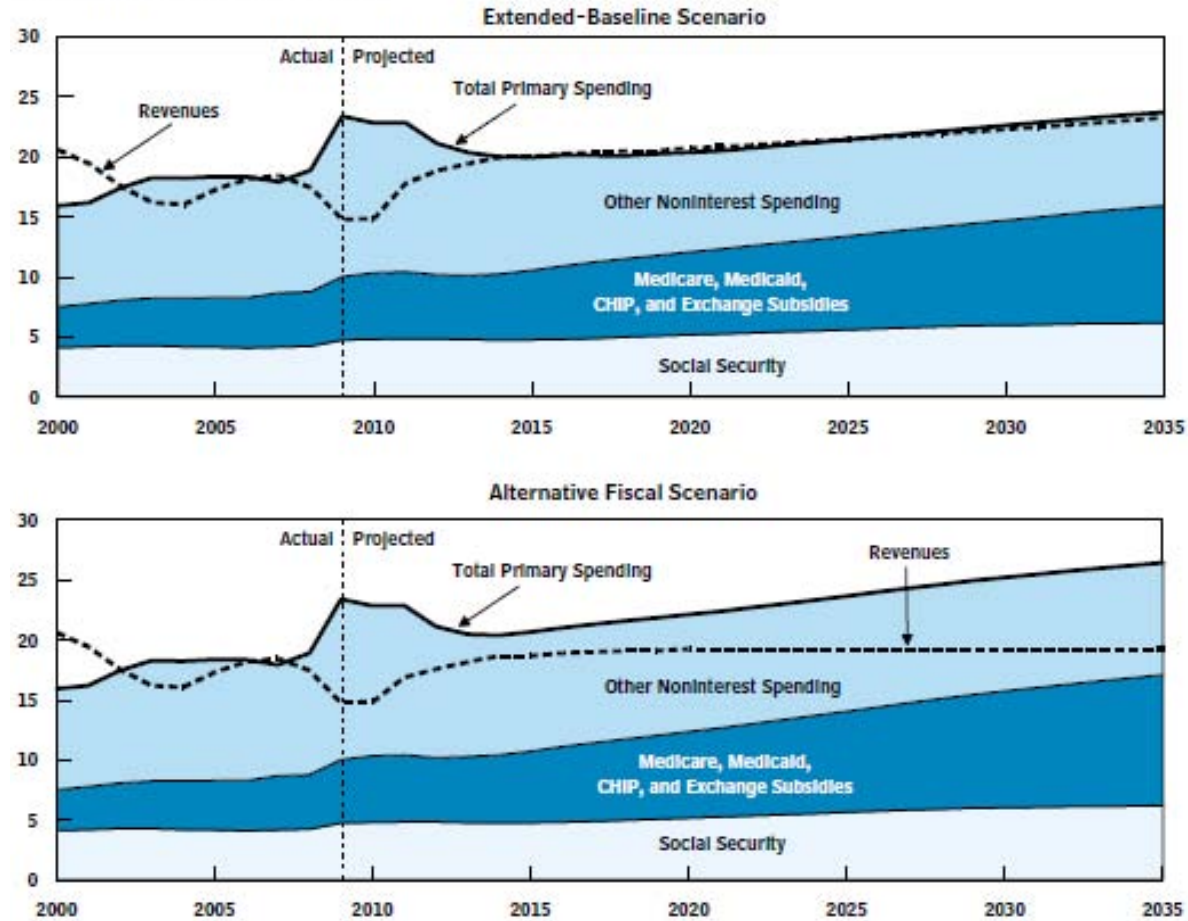
Source: OMB, CBO

U.S. Federal Debt (Share of GDP)



Revenues and Primary Spending, by Category, Under CBO's Long-Term Budget Scenarios

(Percentage of gross domestic product)



Source: Congressional Budget Office.

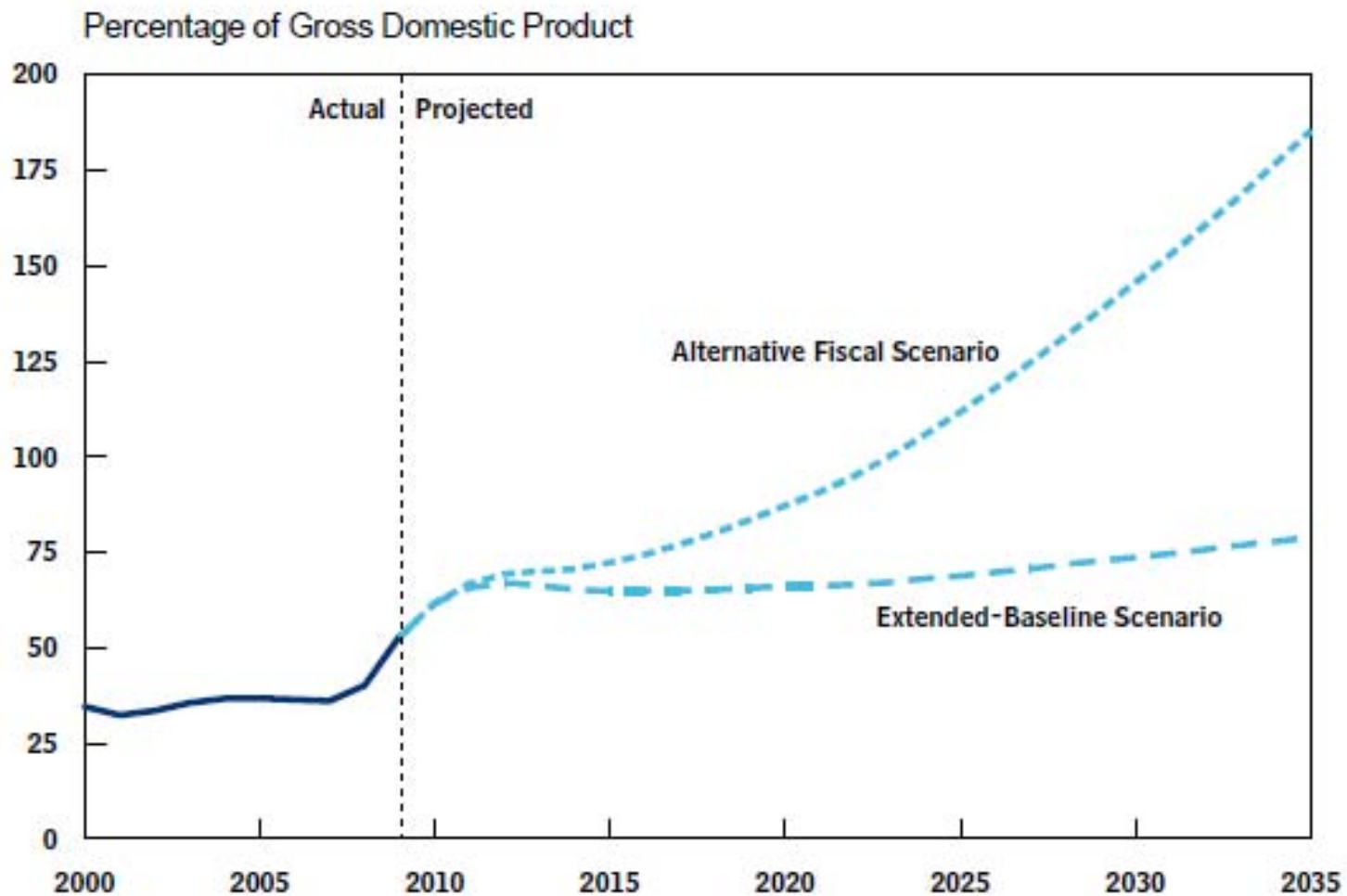
Notes: Primary spending refers to all spending other than interest payments on federal debt.

The extended-baseline scenario adheres closely to current law, following CBO's 10-year baseline budget projections through 2020 (with adjustments for the recently enacted health care legislation) and then extending the baseline concept for the rest of the long-term projection period. The alternative fiscal scenario incorporates several changes to current law that are widely expected to occur or that would modify some provisions that might be difficult to sustain for a long period. (For details, see Table 1-1 on page 3.)

CHIP = Children's Health Insurance Program.



Federal Debt Held by the Public Under CBO's Long-Term Budget Scenarios



Measures to avert unsustainable level of federal debt

- Increase revenues above projections
- Rein in entitlement spending
- Rein in discretionary spending

Probably a combination of the three

Will surely include reductions in defense as share of GDP, probably in real terms as well

Defense also faces cost pressure from the inside

- Future costs of wars
- Military & civilian pay raises above inflation
- Rising costs of health care for military and civilians employees
- Rising costs of weapon systems
- Rising operating & maintenance costs for aging and new weapon systems

President's Plan for DoD

Discretionary Budget Authority, Current \$ Billions

Fiscal Year	Non-war	War	Total
2009	513	146	667
2010	531	163	693
2011	549	159	708
2012	566	50	616
2013	582	50	632
2014	598	50	648
2015	616	50	666

What do the fiscal pressures portend for the US military?

- Cancellation of systems with weak performance or big cost and schedule overruns
- Stretch-outs of equipment modernization programs
- Belt-tightening concurrent with drawdown of forces in Iraq and Afghanistan?
- Reductions in size of force?
- Changes in allocation of budgets among the services?

Backup Charts



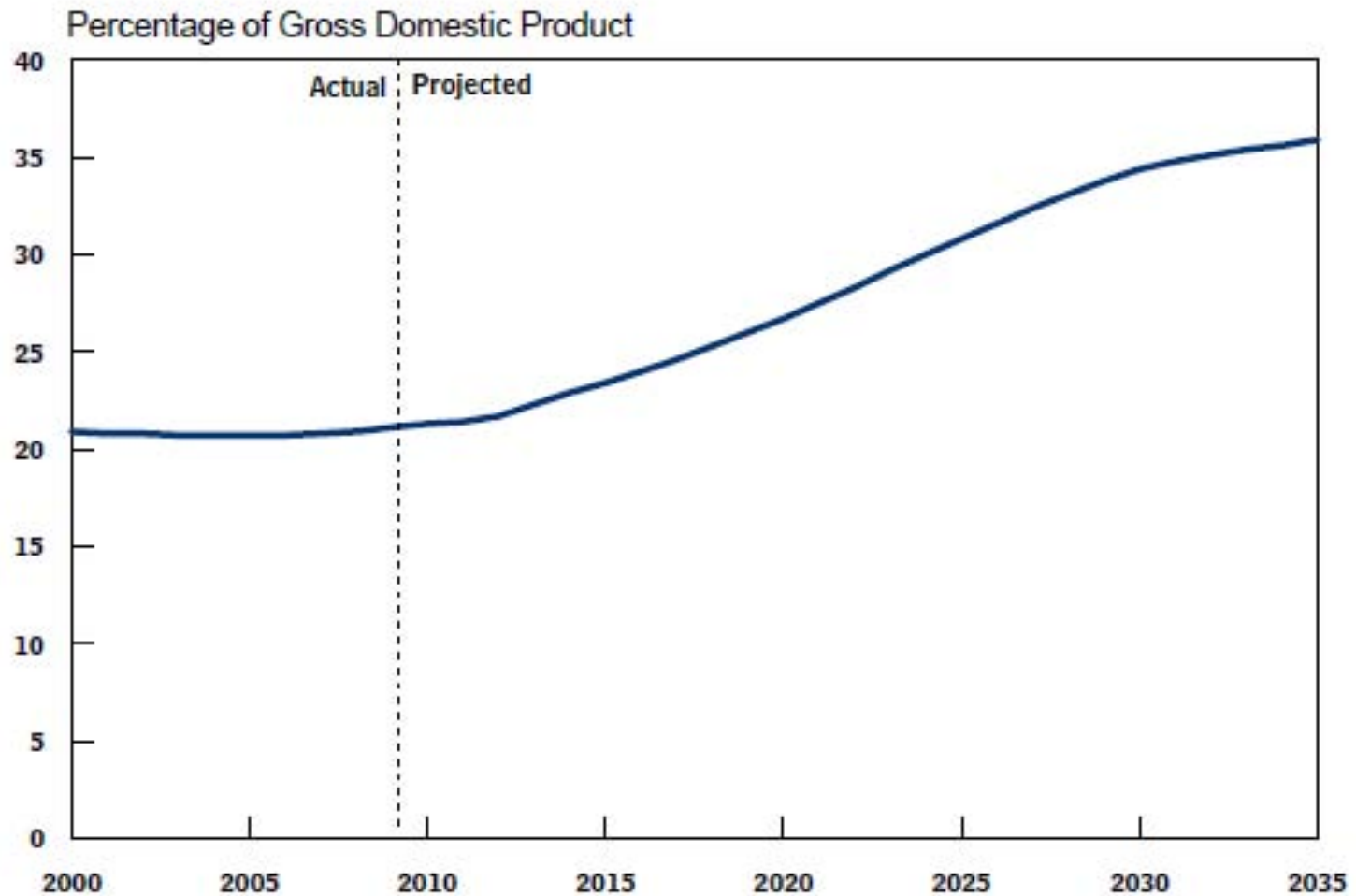
CBO's Projections under Current Law

Percentage of Gross Domestic Product

	Today	2035
Federal Spending on Major Mandatory Health Care Programs	5	10
Spending on Social Security	5	6
Total	10	16

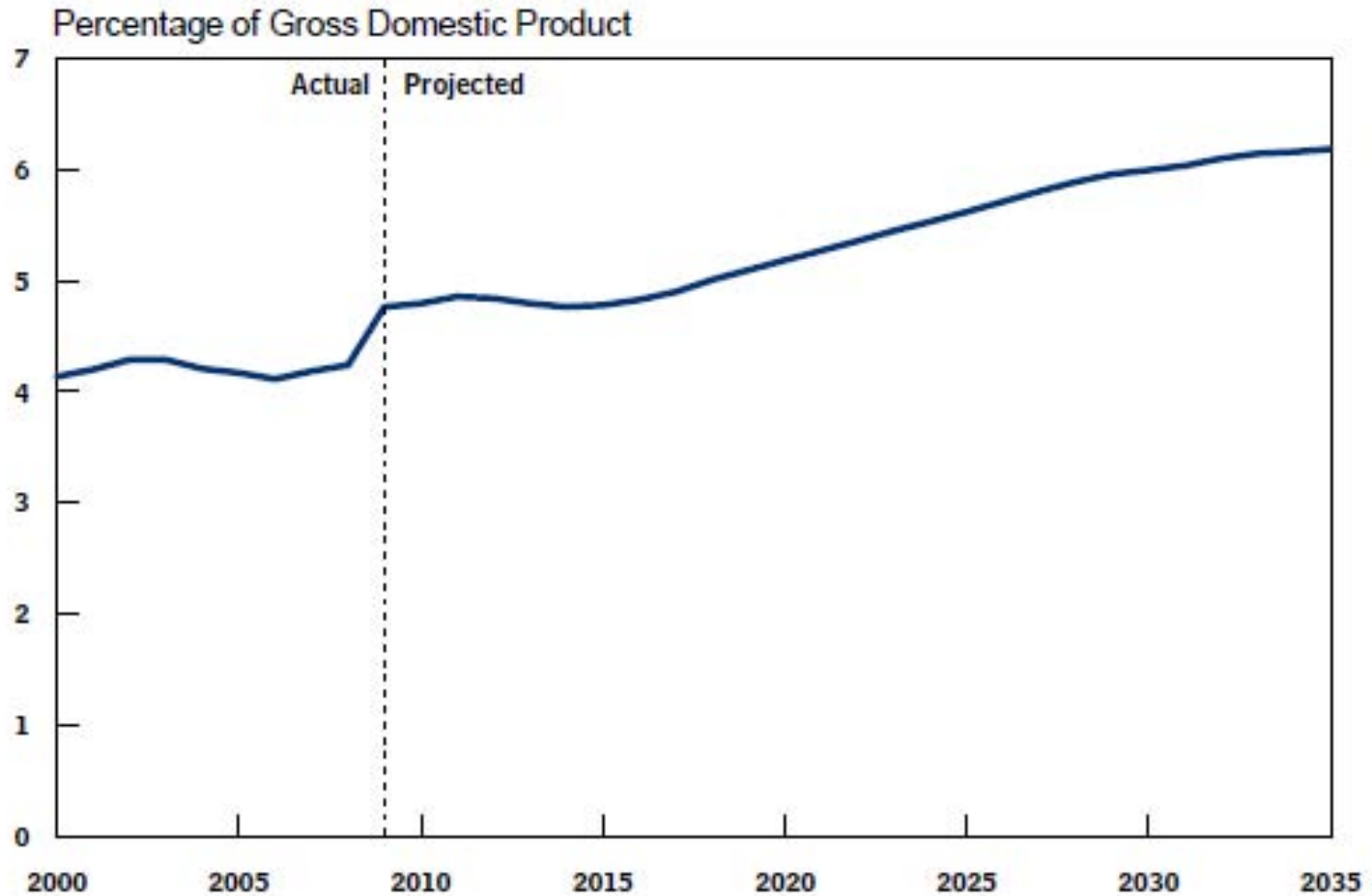


The Population Age 65 or Older as a Percentage of the Population Ages 20 to 64



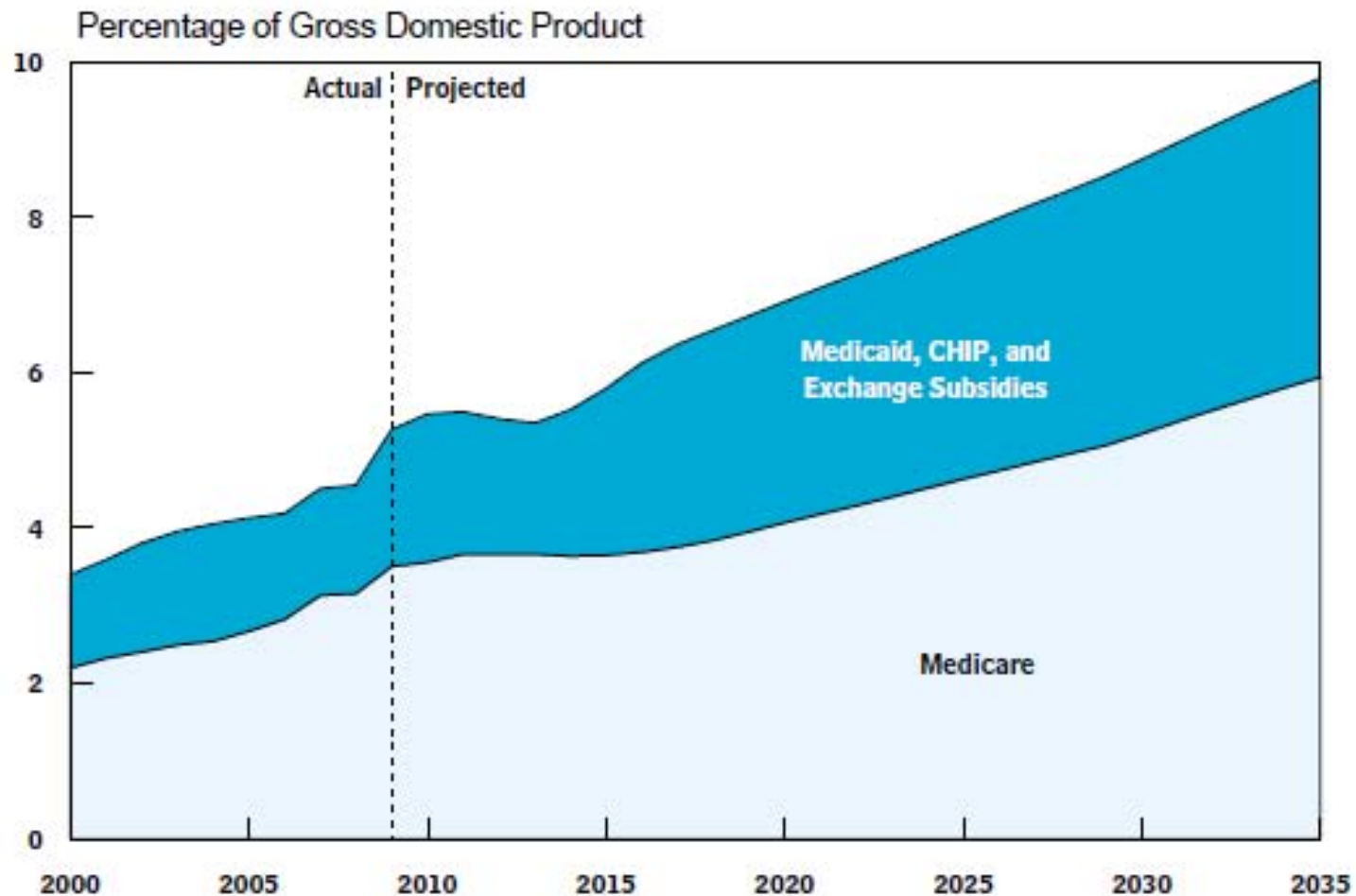


Spending for Social Security Under CBO's Long-Term Budget Scenarios



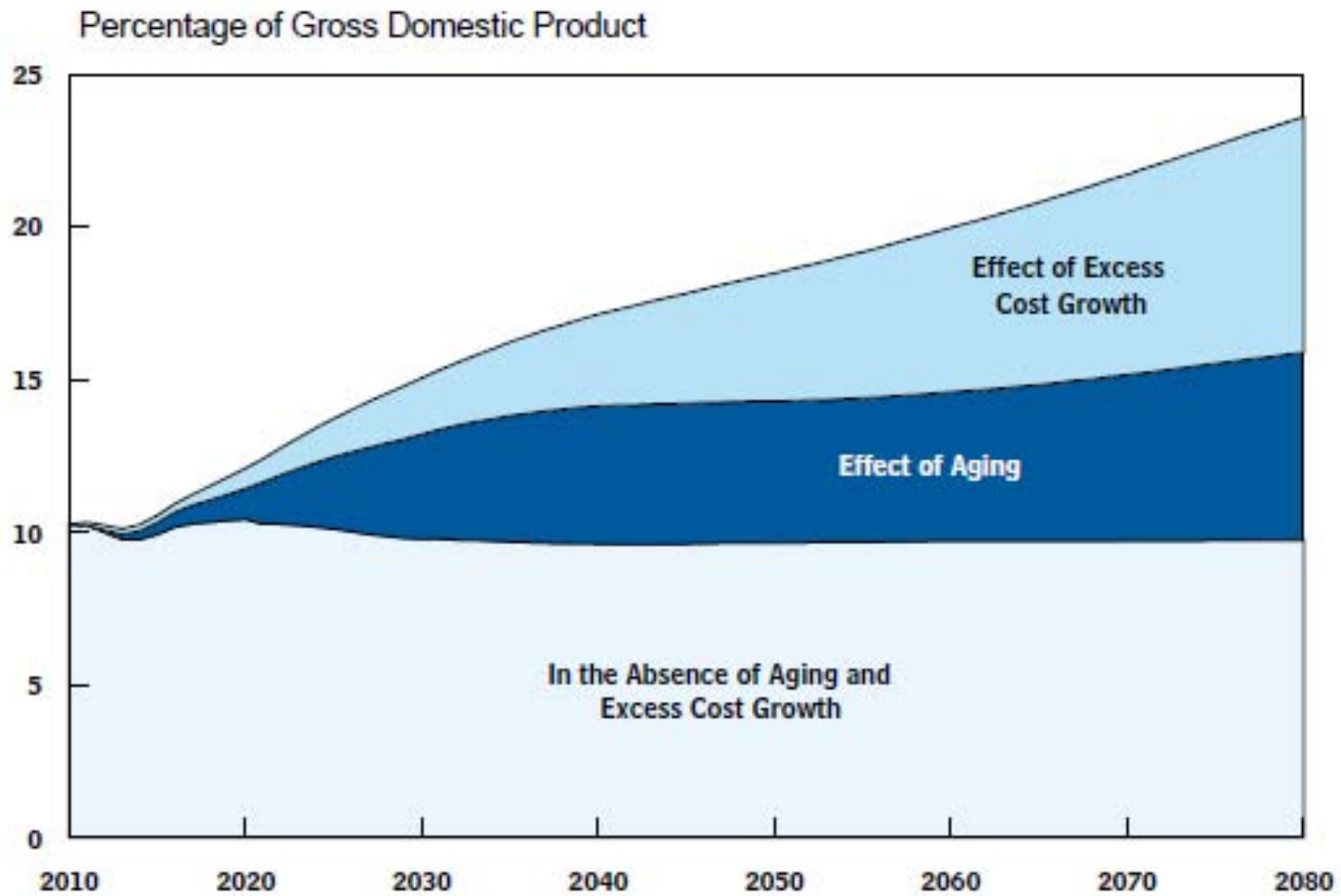


Mandatory Federal Spending on Health Care, by Category, Under CBO's Extended-Baseline Scenario





Sources of Growth in Federal Spending on Major Mandatory Health Programs and Social Security, 2010 to 2080



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