



# Congressional Budget Office

## **Prospects For DoD's Budget Over The Next Decade**

Presentation to TechAmerica Procurement Policy Meeting

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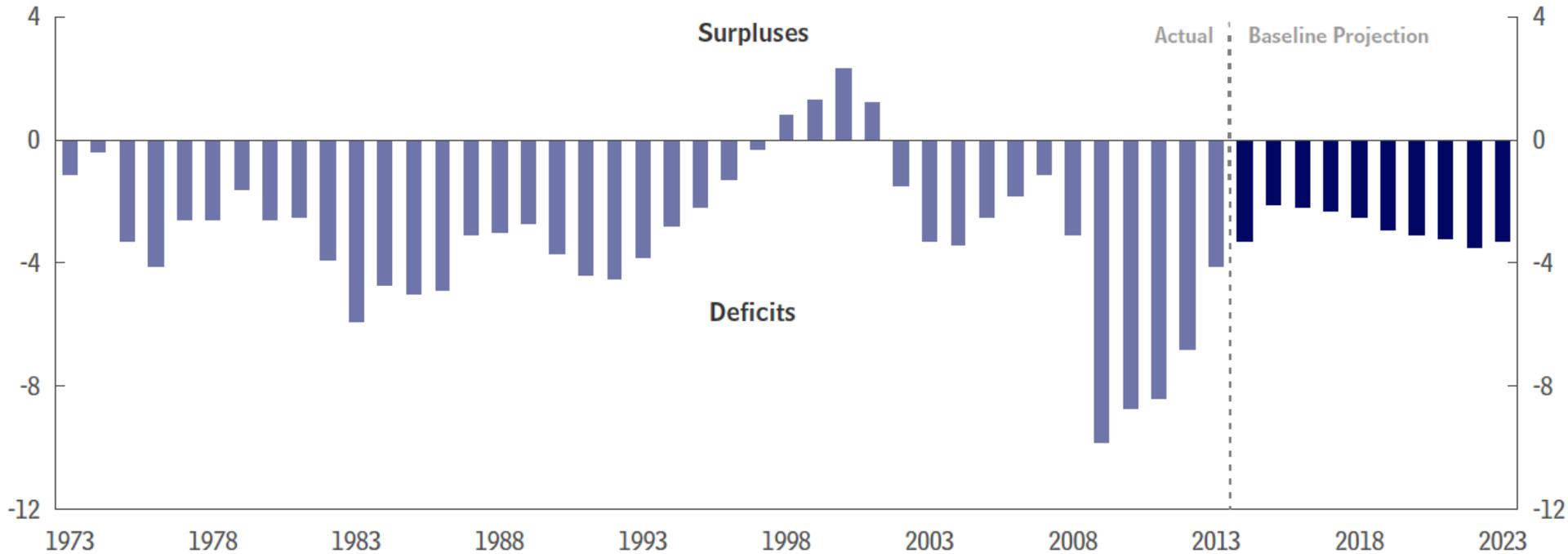
# Outline

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- Fiscal Situation
- Implications of Budget Control Act
- Internal Pressures on DoD's Budget
- Approaches for Scaling Back DoD's Plans

# Deficits or Surpluses Under CBO's Baseline for FY 2014

Percentage of GDP



Source: Congressional Budget Office, *Options for Reducing the Deficit: 2014-2023*, November 2013. An updated version of this figure appears in Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024*, February 2014.

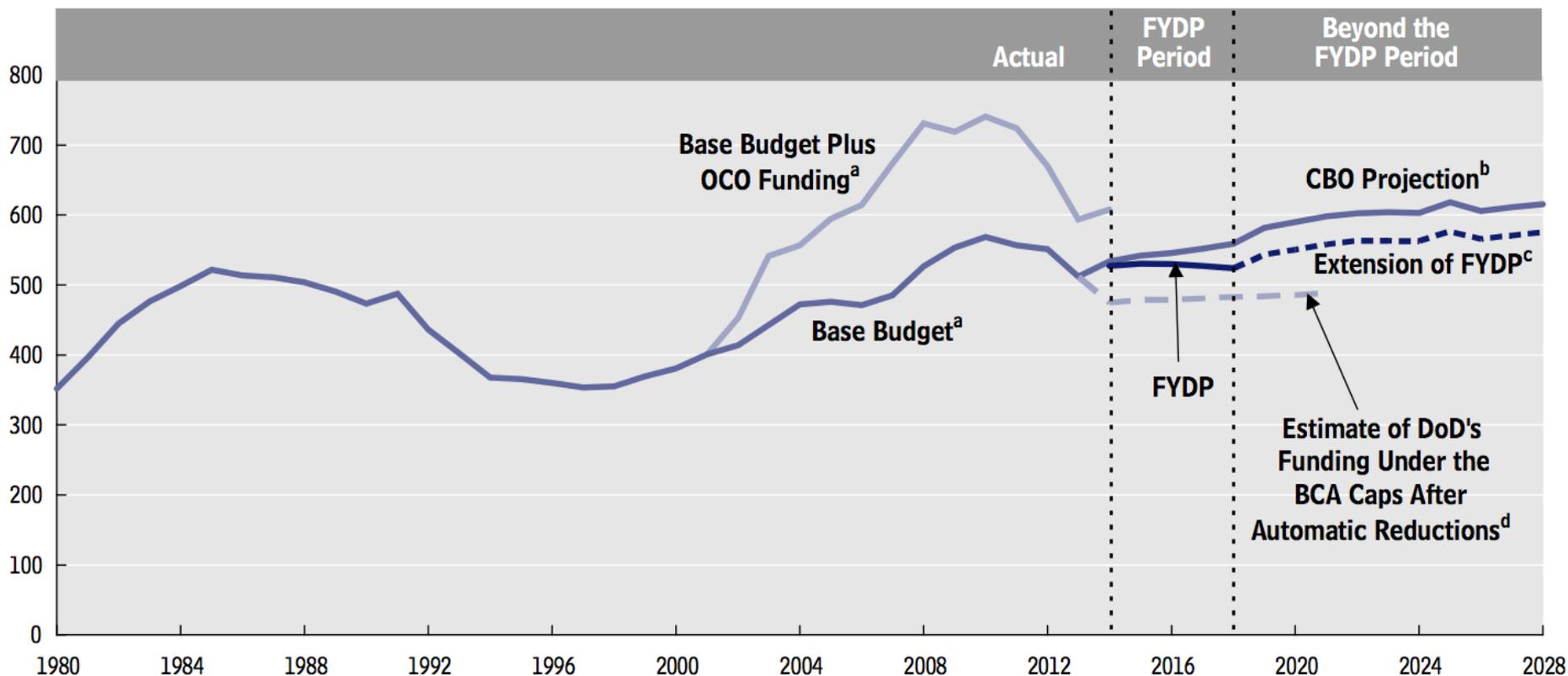
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# Projected Costs of DoD's FY 2014 Plans Compared with Funding Caps

Billions of FY 2014 dollars



Source: Congressional Budget Office, *Long-Term Implications of the 2014 Future Years Defense Program*, November 2013

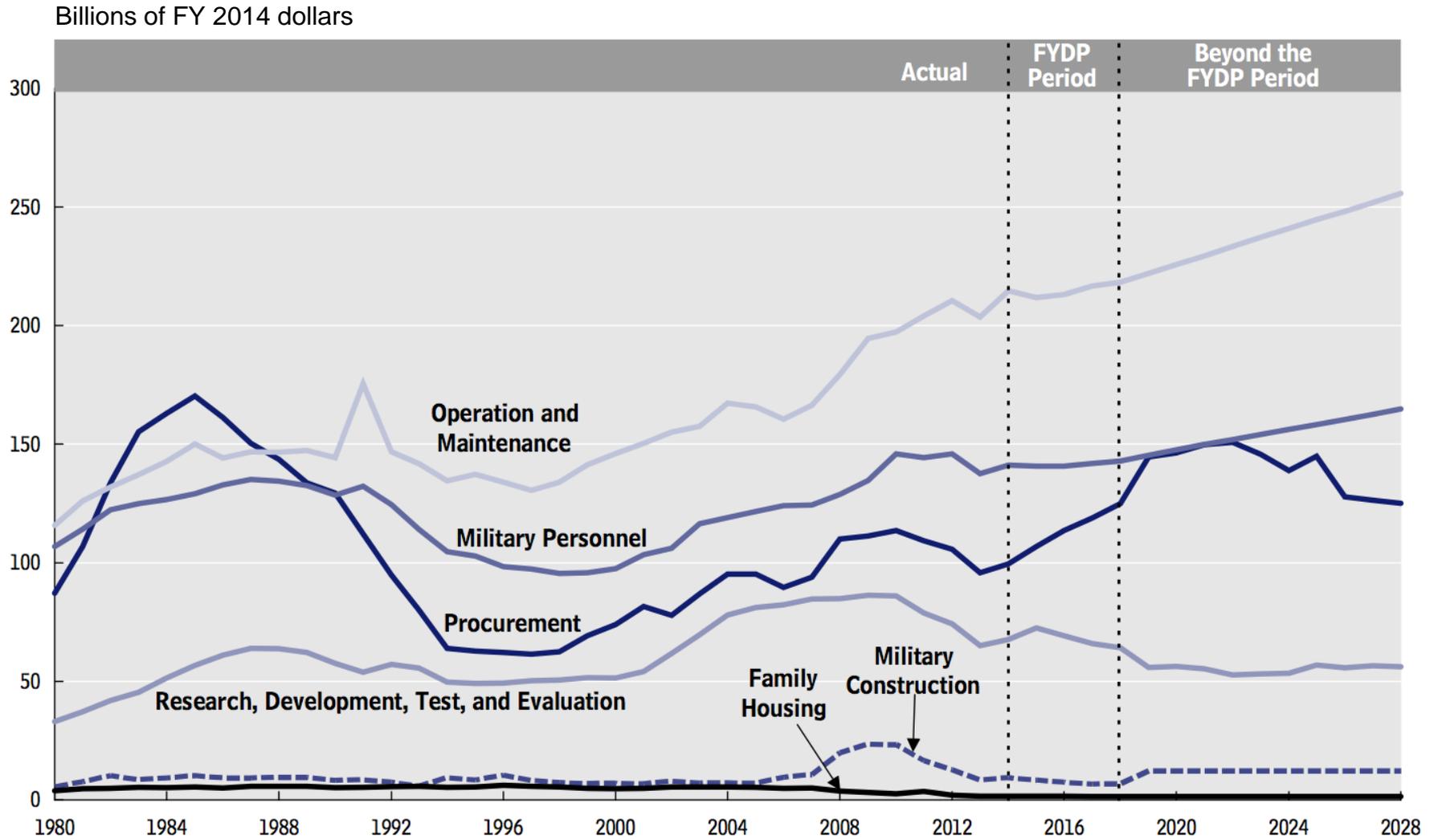
The gap between DoD's FYDP plans and the BCA caps averages about \$60 billion to \$90 billion a year

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# CBO's Projection of FY 2014 Defense Budget Request by Appropriation Title



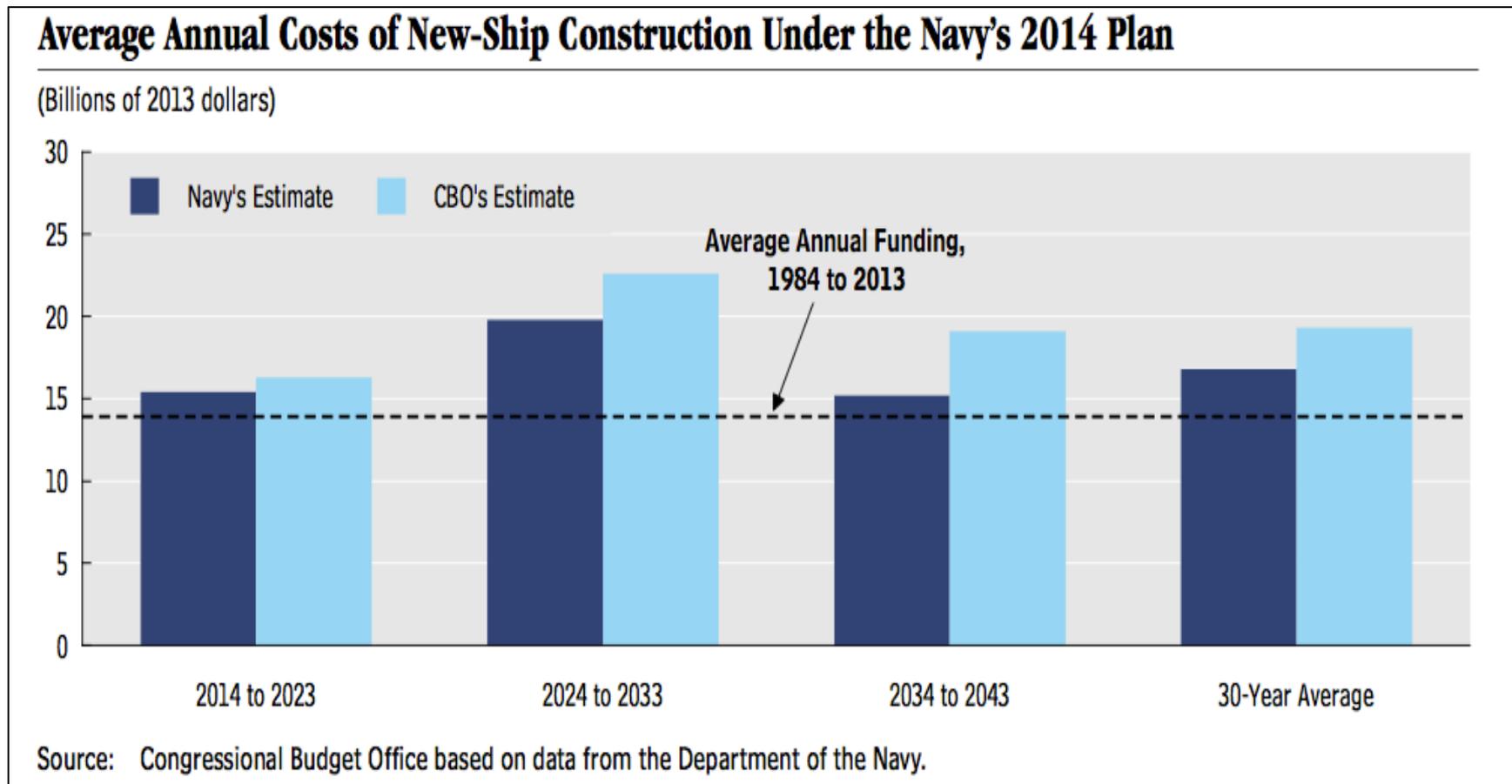
Source: Congressional Budget Office, *Long-Term Implications of the 2014 Future Years Defense Program*, November 2013

# Each of the Three Major Categories of the Defense Budget Has Its Own Momentum

- Costs of developing and buying weapons have been, on average, 20 percent to 30 percent higher than DoD's initial estimates
- Costs of operation and maintenance per active-duty service member have been steadily increasing since at least 1980, excluding the cost of the wars in Iraq and Afghanistan
- Costs for compensation of military personnel – including health care benefits for service members and retirees– have been rapidly increasing since 2000

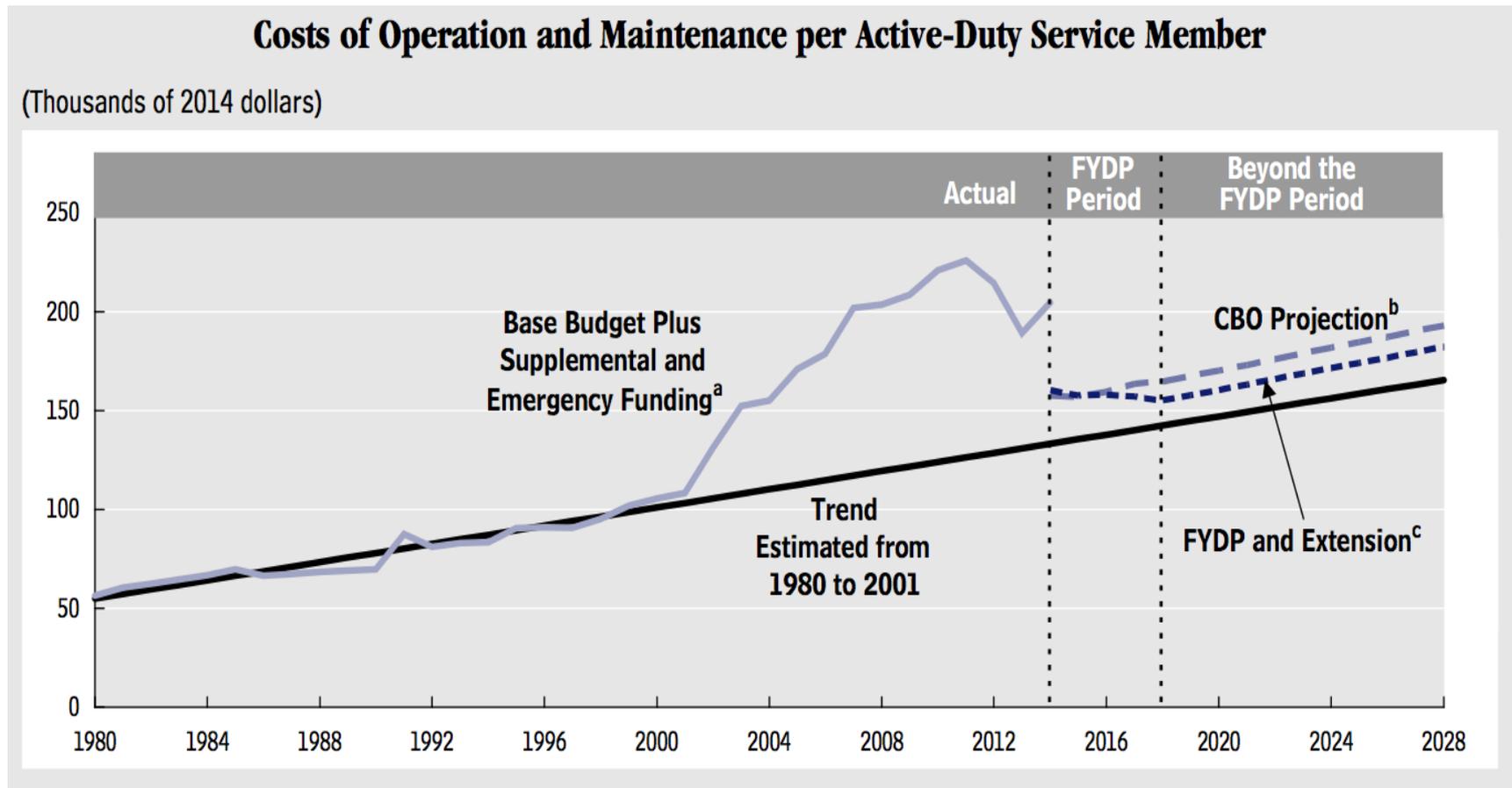
The mismatch between DoD's plans and the BCA caps is accentuated by these internal pressures in DoD's budget

# Example of Cost Growth in Acquisition Programs: The Navy's Shipbuilding Program



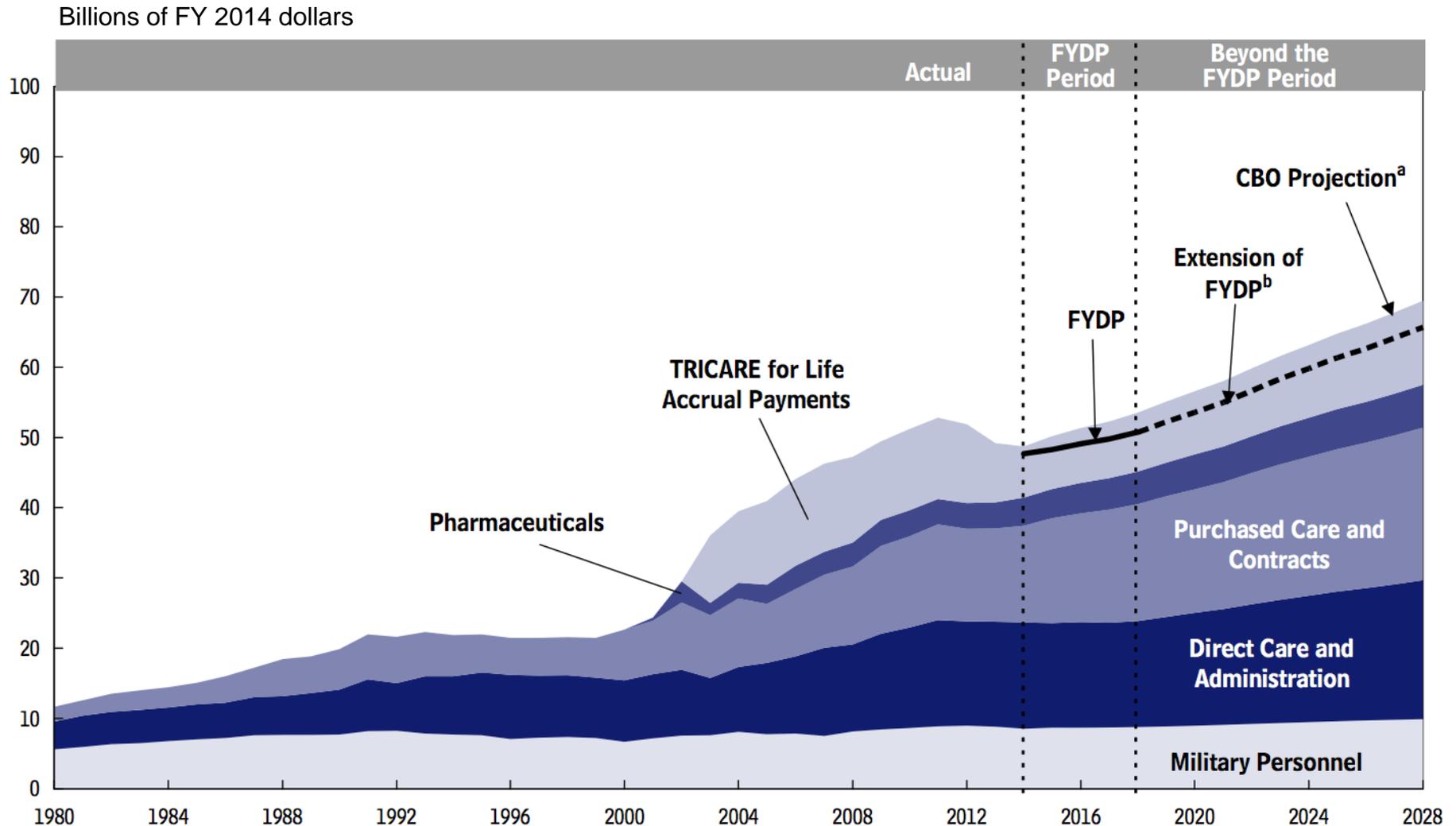
Source: Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2014 Shipbuilding Plan*, October 2013

# Example #2: Growth in O&M per Active-Duty Service Member



Source: Congressional Budget Office, *Long-Term Implications of the 2014 Future Years Defense Program*, November 2013

# Growth in Pay and Benefits of Military Personnel: The Military Medical System



Source: Congressional Budget Office, *Long-Term Implications of the 2014 Future Years Defense Program*, November 2013

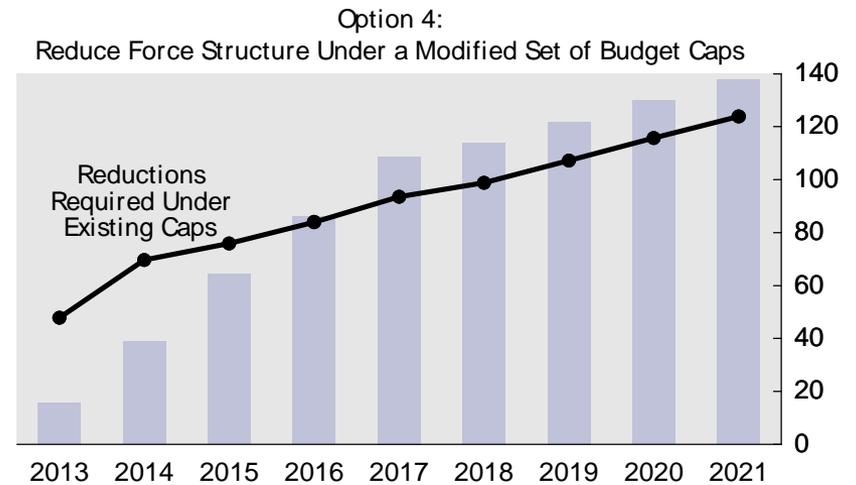
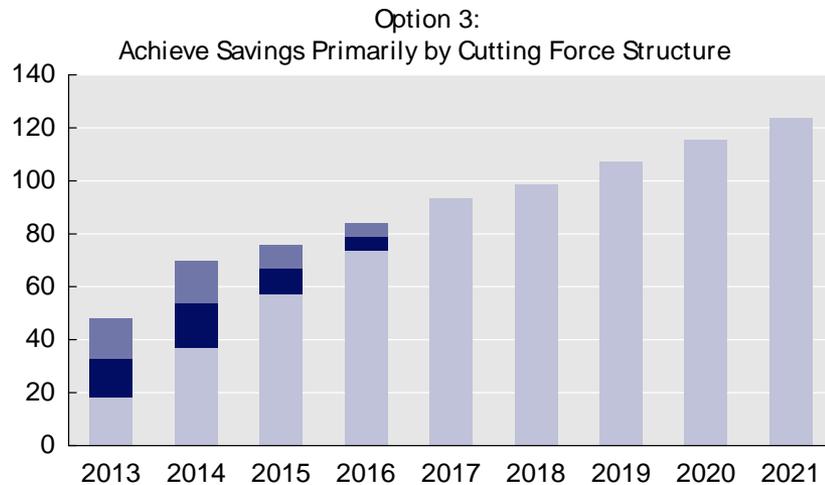
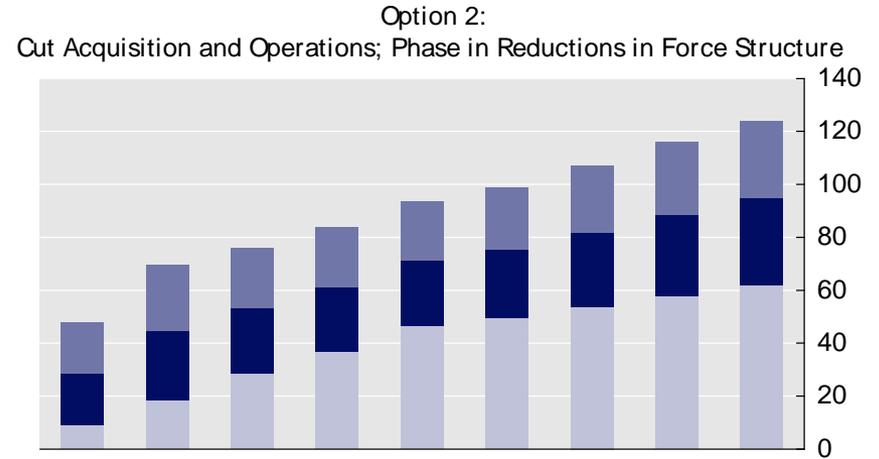
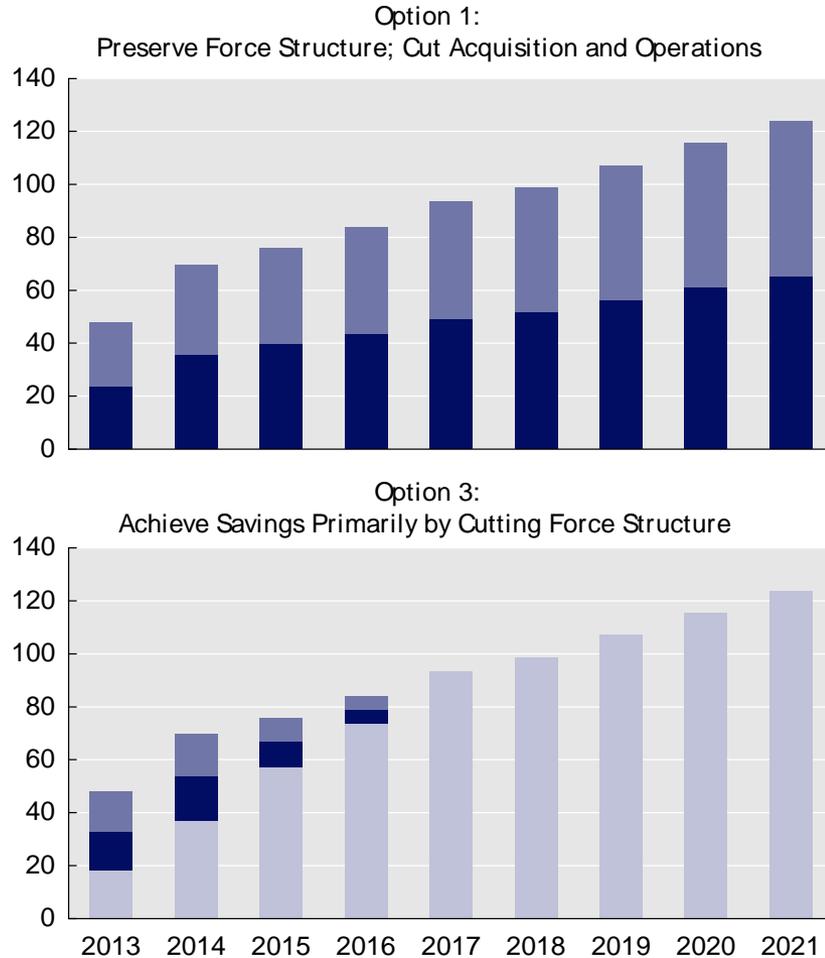
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# CBO Examined Four Approaches to Scaling Back DoD's Plans (\$90 billion/year gap)

Sources of Reductions (Billions of 2013 dollars)



■ Reduction from Cuts to Operations   ■ Reduction from Cuts to Acquisition   ■ Reduction from Cuts to Force Structure

Source: Congressional Budget Office, *Approaches for Scaling Back the Defense Department's Budget Plans*, March 2013

# Illustrative Force Structure Reductions for Selected Unit Types Under CBO Options

Active and Reserve Units under DoD's Plans for 2017

	BCTs	Carriers	Amphibious Ships	Marine Regiments	Fighter Sqdns**	Airlift Sqdns**
Planned force, 2017	66	11	33	11	93	20
Cuts Under the Options by 2021 (CBO's Cost Projection*)						
Option 2	7	1	4	2	11	3
Option 3	16	3	8	3	22	5

**Illustration assumes that reductions are spread evenly across all four services.**

**\* Reductions are about one-third smaller under DoD's costing assumptions.**

**\*\* Air Force squadrons (sqdns) are notional units consisting of 12 aircraft.**

Source: Congressional Budget Office, *Approaches for Scaling Back the Defense Department's Budget Plans*, March 2013

# Bibliography of Related CBO Studies

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- Costs of Military Pay and Benefits in the Defense Budget (November 2012)
- Approaches for Scaling Back the Defense Department's Budget Plans (March 2013)
- An Analysis of the Navy's Fiscal Year 2014 Shipbuilding Plan (October 2013)
  - Latest of annual series
- Long-Term Implications of the 2014 Future Years Defense Program (November 2013)
  - Latest of annual series
- Approaches to Reducing Health Care Spending by the Department of Defense (January 2014)