



HEIDI
BROCKMANN
DEMAREST

US DEFENSE BUDGET OUTCOMES

VOLATILITY AND PREDICTABILITY IN ARMY WEAPONS FUNDING



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Heidi Brockmann Demarest

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Volatility and Predictability in Army Weapons
Funding

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Why the Defense Budget Is Worth Considering

1.1 INTRODUCTION TO THE DEFENSE BUDGET

You probably didn't spend much time today thinking about whether the Army has enough trucks. It's unlikely you and your friends have an opinion on which type of assault rifle the Army should purchase for soldiers, and you are in a distinct minority if you can tell the difference between an Apache and a Blackhawk helicopter, or know which costs more. Most Americans think about the defense budget as a mammoth figure without much of a connection to daily life beyond a common tax burden and an occasional mention in the news. We trust others to make decisions about how best to allocate resources to protect our country because we must, and, unrivaled as we are on ground, sea, or sky, the people who make the decisions must be doing a respectable job.

But what do we really know about how money is spent on the things we need to ensure our security? Think about how much we know about purchasing television sets. Someone who recently bought a large TV could easily describe her search for the best value at the lowest price. She remembers exactly how much she paid and probably even how much she saved through her careful research. The typical television set costs less than \$1,000, but the annual defense budget represents an average contribution of about \$2,200 per American each year. In general, we are unconcerned with the details of our enormous personal investment in national defense over the course of a lifetime.

Even if you were interested in tracing your tax dollars through the federal bureaucracy, you may struggle to find readily accessible information about budgeting. Who drafts the defense budget? Who reviews and modifies it? How do large institutions such as the Army and Congress work together to produce funding for high-explosive anti-tank ammunition? What external forces influence the budget? Is the budgeting process sensible? What *is* the budgeting process?

If you want to know more about what happens to the portion of your income that pays for national defense, this book is for you. Many people believe the defense budget is dull, complicated, and not worth the effort to understand. But the budget is incredibly and unexpectedly chaotic. If you read this book, you will discover a tremendous amount of political intrigue and suspense beneath the calm, relatively constant number we associate with “the defense budget.” You will find that even as the total amount of money allocated to national defense remains generally steady, the number and type of items purchased changes dramatically, and you will understand how and why.

This book provides a systematic, understandable description of the defense budget’s journey through Congress each year. Focusing exclusively on the portion of the U.S. Army’s budget designated for *program funding*—or, the dollars used to purchase items such as trucks, rifles, and helicopters—this book elaborates on the following key ideas:

- Contrary to expectations, budget outcomes are frequently volatile and unpredictable at the individual program level. Congressional authorizing and appropriating committees modify the Army’s funding request significantly for a large proportion of programs.
- Budget outcomes at the program level cannot be attributed to a single explanatory factor, but rather are a result of a combination of the program’s technical characteristics, actions taken by the defense industry, and traditional political considerations.
- The Army’s ability to manage program funding and influence these powerful factors by engaging with members of Congress and professional committee staffers is related to the quality of their interaction.
- In an environment constrained by intricate defense acquisition procedures, an active and influential defense industry, and programs entrenched in congressional districts, reliable budget outcomes may be more likely when the Army requests incremental funding adjustments

to existing programs. Large, sweeping budget modifications to accommodate new initiatives will probably not lead to predictable program funding.

- A volatile budget may be good for democracy. At the very least, it means someone is reviewing the math before your money is spent on trucks and helicopters.

This book is for citizens interested in understanding a portion of the process by which tax revenue is converted into military capabilities. It is for practitioners managing programs and participating daily in the formal budget cycle who want some perspective on their role in the broader context of budget outcomes. Scholars of public budgeting might find the data and conclusions in this relatively inaccessible topic area interesting. If, like many people, you believe the budget cycle is complicated and formidable, you are not wrong. You are right to be a little nervous. But I hope you will find the defense budget's complexity explained here in a systematic way, and, like me, will no longer feel embarrassed that you know slightly more about your television set than the basic mechanisms of national defense.

1.1.1 Size and Scope

The United States budgeted \$680 billion for defense in fiscal year 2010. This is nearly 15 times the 2010 budget for the Department of Education and more than twice the gross domestic product of Denmark. The budget provides pay and medical care to about 1.5 million active duty personnel, maintains 11 aircraft carriers, funds research into hypersonic laser weapons, and constructs housing for military families. It is enormous, political, and worth considering.

The defense budget is very different from domestic agency budgets like those of the Department of Housing and Urban Development or the Department of Agriculture, and it is a product of the most complicated budgeting procedures in the federal government. Domestic agency budgets consist mostly of salaries and single-year expenses. The Department of Defense is the only agency that plans its budget over six consecutive years, primarily because of large procurement programs that require a long time to build or develop. An aircraft carrier cannot be constructed in a single fiscal year, so the Navy requests to apply a

certain amount of money against portions of the aircraft carrier over time. Technology-intensive weapons and communications systems may require several years of research and development in laboratories and test facilities. Planning several years in advance is complicated and uncertain.

A large, multi-year, capital budget is governed by many internal rules and regulations and receives a lot of congressional attention and oversight, especially in acquisition of weapons and equipment. Congress often imposes fiscal restrictions and requirements on the military services, but the Department of Defense also maintains its own detailed regulations. Imagine the Army requires a new, more lethal type of ammunition than exists in its current inventory. In order to begin developing the necessary technology, the Army first completes 21 separate reports—ten required by statute, 11 by Department of Defense regulations.¹ The reports include a technology development strategy, a systems engineering plan, a test and evaluation schedule, estimated costs, and other criteria enacted by law and regulation over time in an attempt to avoid known procurement pitfalls and missteps.

Ultimately, laws and regulations in both the defense acquisition cycle and the budget process (two separate but intimately related systems) contribute to our perception of a slow, cumbersome, inflexible bureaucracy. The first image in your mind after reading the phrase “defense acquisition regulations” might be a roll of red tape or a dull steak knife. In a highly supervised and regulated environment, how can program funding as the defense budget makes its way through Congress be so unstable? Intuitively, legal and administrative constraints limit freedom of action in the acquisition and budgeting communities, and appear to make budget outcomes less dynamic.

The *aggregate* defense budget is actually relatively static and predictable. Figure 1.1 displays the total amount of money appropriated in the base budget for the Department of Defense from 2001 to 2010.² Total numbers increase, but steadily. There is no more than an 11 percent

¹ Defense Acquisition University (2010).

² Data from “DoD Releases Fiscal 2010 Budget Proposal,” U.S. Department of Defense News Release No. 304-09, May 7, 2009, <http://www.defense.gov/releases/release.aspx?releaseid=12652> (October 5, 2010). These figures do not include supplemental funding, or monies specific to combat operations in Afghanistan and Iraq.

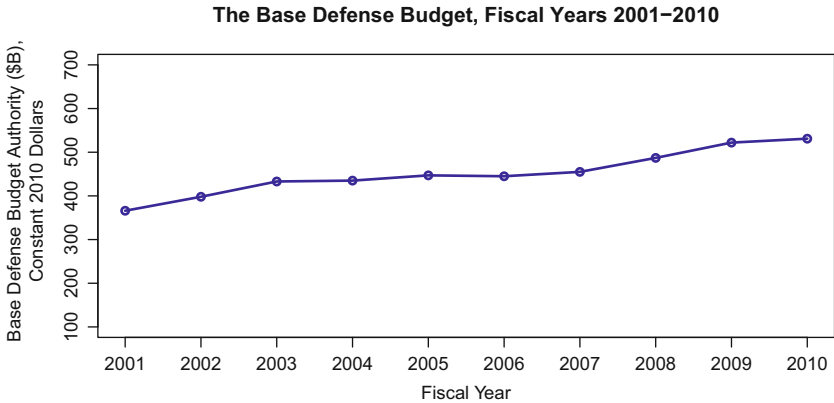


Fig. 1.1 The base defense budget changes from year to year, but at a relatively steady pace

change from year to year. It is tempting and natural to assume the composition of the budget, or the funding track of individual programs, follows the same pattern.

1.1.2 The Unpredictable Stryker Problem

“General Dynamics could see the edge of the cliff,” recalled one acquisition official. The Army had already fielded the company’s Stryker vehicle to seven infantry brigades, and it wasn’t yet clear whether more vehicles were necessary. The Stryker, an eight-wheeled armored vehicle primarily designed to transport and protect infantry soldiers (Fig. 1.2), was profitable and performed well on the battlefield.³ Eventually, though, the Army would stop buying so many of them and production lines would close.

General Dynamics stood at the cliff’s edge as the Army’s fiscal year 2010 budget request was delivered to Capitol Hill. Only \$388 million was requested for upgrades to the Stryker, a significantly reduced amount from previous years, and the request did not include funds to purchase additional vehicles. The House and Senate Armed Services Committees

³ All photos provided courtesy of the U.S. Army through public domain.



Fig. 1.2 The Stryker, an armored combat vehicle manufactured by General Dynamics Land Systems. The Army's inventory contains over 3,000 Strykers

decremented the request by \$25 million after reviewing the budget, citing excessive program management costs. General Dynamics was worried, and began looking for a solution.

Ambulances were the answer. The Army's ambulance fleet was aging, and the Army had not yet made a decision about the mix of replacement vehicles—Strykers, Mine Resistant Ambush Protected Vehicles (MRAPs), or another platform. General Dynamics parked a Stryker ambulance on the grass near Capitol Hill, highlighting its capabilities, and allowing committee and member staffers to climb into it and ask questions. The Stryker ambulance was popular on the battlefield. One commander of U.S. forces in Iraq recalls the vehicle was the ambulance of choice for combat units. "They wanted more. The medics could keep a guy alive in there long enough to get him back to the base for more advanced medical care."

Support for the ambulance began trickling into members' offices from National Guard leaders in 11 states, advocating additional ambulance purchases not only for use on the battlefield, but during domestic disasters. Soon, over 118 members of Congress signed a letter to the chairman and ranking member of the House Appropriations Subcommittee on Defense, who were just beginning their review of the President's budget request in May 2009. The letter urged appropriators to add money to the budget