

The Defense Budget

Edited by Colleen A. Bollard, STAFF EDITOR

It isn't easy to understand the defense budget. One source of confusion is that funding levels can be expressed in various ways. Totals are most frequently cited as *budget authority* (value of new obligations, including some in later years, the government is authorized to incur) or *outlays* (actual expenditures, some of which are funded by budget authority in previous years). The Pentagon, alone among federal agencies, sometimes presents numbers as *Total Obligational Authority* (TOA), which differs from budget authority mainly in

that offsetting receipts have not been deducted.

Another difference depends on whether the numbers have been adjusted for inflation. When funding is described as *constant or real dollars*, the effect of inflation has been factored out to make possible direct comparisons between budget years. A specific year, often the present one, is chosen as a baseline for constant dollars. When funding is described as *current or then-year dollars*, no adjustment has taken place. This is the actual amount that has either

been spent or budgeted or forecast.

Finally, the grand total given as "the defense budget" will vary by \$8.7 billion, depending on which of two combinations it refers to. The entire *defense program* (\$299.5 billion in budget authority for FY '89) includes activities in the Department of Energy and other federal agencies. The *direct program* (\$290.8 billion in budget authority) means Department of Defense activities only.

In some instances, numbers on the following charts may not add exactly to totals shown because of rounding.

Where the Money Goes

(Budget authority in \$ billions)

	FY '83	FY '84	FY '85	FY '86	FY '87	FY '88	FY '89
Current Dollars							
Military Personnel/ Retired Pay	61.8	64.9	67.8	67.9	74.0	76.1	78.4
Operation & Maintenance	66.5	71.0	77.8	74.9	79.6	80.7	85.6
Procurement	80.4	86.2	96.8	92.5	80.2	81.0	80.0
Research, Development, Test & Evaluation	22.8	26.9	31.3	33.6	35.6	36.7	38.2
Military Construction	4.5	4.5	5.5	5.3	5.1	5.4	5.7
Family Housing/ Homeowners Assistance	2.7	2.7	2.9	2.8	3.1	3.1	3.3
Revolving & Management Funds	1.1	2.8	5.1	5.2	2.6	0.8	0.8
Trust Funds, Receipts & Deductions	-0.4	-0.7	-0.4	-1.1	-0.8	-0.7	-1.2
Totals	239.5	258.2	286.8	281.1	279.5	283.2	290.8
Constant FY '89 Dollars							
Military Personnel/ Retired Pay	76.6	77.0	75.3	73.2	78.8	78.5	78.4
Operation & Maintenance	78.8	82.8	88.7	85.2	87.8	83.6	85.6
Procurement	97.9	101.6	110.7	102.4	85.8	83.7	80.0
Research, Development, Test & Evaluation	27.9	31.7	35.8	37.4	38.4	38.0	38.2
Military Construction	5.5	5.3	6.3	5.9	5.5	5.5	5.7
Family Housing/ Homeowners Assistance	3.3	3.1	3.3	3.1	3.3	3.3	3.3
Revolving & Management Funds	1.3	3.3	5.8	5.8	2.8	0.9	0.8
Trust Funds, Receipts & Deductions	-0.4	-0.8	-0.5	-1.2	-0.9	-0.8	-1.2
Totals	290.7	303.9	325.5	311.9	301.6	292.8	290.8

The constant dollar (adjusted for inflation) portion of this chart makes it possible to compare the real gains and losses. Defense purchasing power has declined steadily since 1985, and the proposed budget for FY '89 would take it back to the 1983 levels. Not included in these tabulations are relatively small amounts for the Special Foreign Currency Program, which averages about \$3 million for each of the years shown.

The \$227.9 Billion Drop

(Defense budget authority in current \$ billions)

	January 1987 Budget Proposal	Cuts	Amended Budget Plan
1988	312.0	-20.6	291.4
1989	332.4	-32.9	299.5
1990	353.5	-37.1	316.4
1991	375.0	-41.3	333.7
1992	396.9	-45.3	351.6
1993	420.9	-50.7	370.2

Congress, acting on a "budget summit" agreement with the Administration, cut defense by \$20.6 billion in FY '88. The Defense Department, bowing to fiscal "reality," proposes to reduce its spending plans drastically over the next five years. All the cuts shown here total \$227.9 billion.

The Air Force Budget

(TOA in then-year \$ billions)

	FY '88	FY '89
Aircraft Procurement	12.9	16.6
Missile Procurement	7.4	8.2
Other Procurement	8.0	8.4
RDT&E	15.2	14.9
Military Construction		
USAF	1.3	1.3
Air Force Reserve	0.1	0.1
Air National Guard	0.2	0.1
Operation & Maintenance		
USAF	19.9	22.0
Air Force Reserve	1.0	1.0
Air National Guard	2.0	2.0
Military Personnel		
USAF	19.8	20.1
Air Force Reserve	0.6	0.7
Air National Guard	1.0	1.0
Stock Fund	0.2	0.2
Family Housing	0.8	0.9
Totals	90.4	97.5

The Air Force gain for FY '89 looks better in this comparison than it actually is, because USAF's 1988 budget took an exceptionally heavy hit. See "Service Shares" chart for trend.

Service Shares

(Budget authority in \$ billions)

	FY '83	FY '84	FY '85	FY '86	FY '87	FY '88	FY '89
Current Dollars							
Army	57.5	62.2	74.3	73.1	74.0	75.8	77.8
Navy/Marine Corps	81.9	82.1	99.0	96.1	93.5	100.1	96.4
Air Force	74.1	86.1	99.4	94.9	91.6	88.2	97.2
Defense Agencies	9.3	10.7	13.1	15.5	19.2	17.0	18.6
Defense-wide activities	16.8	17.0	1.0	1.4	1.2	2.1	0.7
Totals	239.5	258.2	286.8	281.1	279.5	283.2	290.8
Constant FY '89 Dollars							
Army	71.0	73.9	84.6	81.1	79.8	78.3	77.8
Navy/Marine Corps	99.2	96.5	112.3	106.6	100.8	103.5	96.4
Air Force	88.6	100.5	112.3	105.1	98.9	91.2	97.2
Defense Agencies	11.5	12.9	15.2	17.5	20.8	17.6	18.6
Defense-wide activities	20.5	20.1	1.1	1.6	1.3	2.1	0.7
Totals	290.8	303.9	325.5	311.9	301.6	292.8	290.8

The bulge in the Navy budget for 1988 reflects funding for two supercarriers. From FY '85 on, budgets of the individual services include retired pay accrual.

Allocating the Cuts

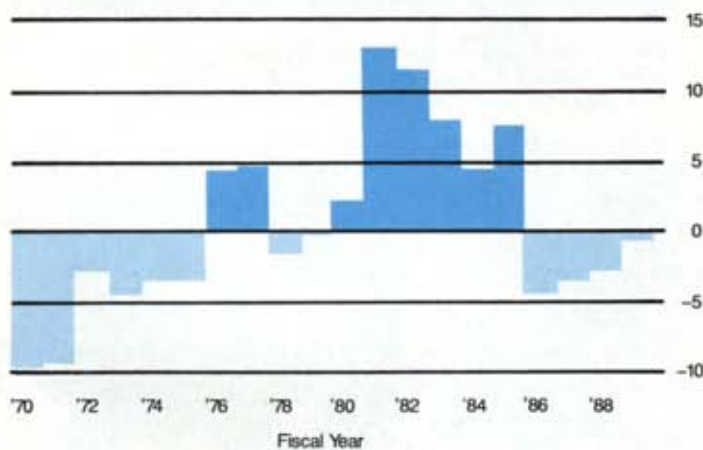
(Budget authority in current \$ billions)

	FY '89 Proposal	Cut	FY '89 Revised
By Program Account			
Military Personnel	81.6	-3.2	78.4
Operation & Maintenance	91.5	-5.9	85.6
Procurement	94.6	-14.5	80.0
Research, Development, Test & Evaluation	44.3	-6.2	38.2
Military Construction/Family Housing	10.7	-1.7	9.0
By Service Component			
Army	84.7	-6.9	77.8
Navy/Marine Corps	108.7	-12.3	96.4
Air Force	107.2	-10.0	97.2
Defense Agencies	20.9	-2.6	18.3
Defense-wide activities	1.7	-0.7	1.0

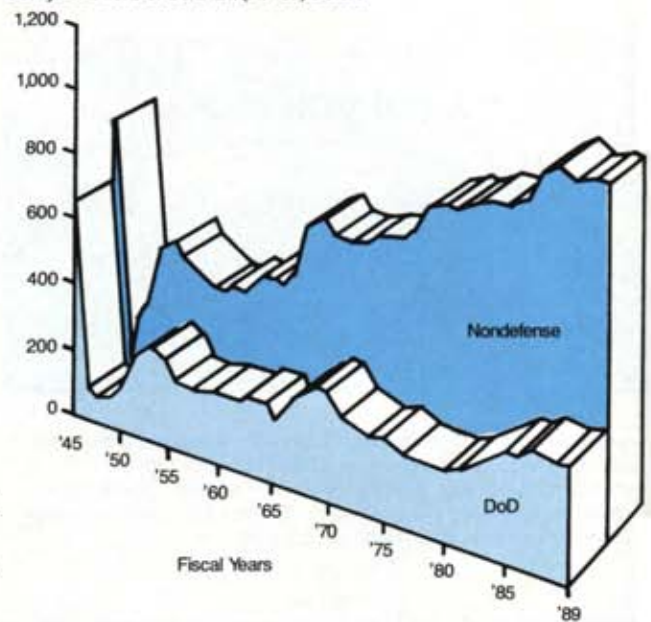
This chart does not include the \$8.7 billion portion of the defense budget that goes to activities in the Department of Energy and other agencies. The program breakout at left shows how the reductions were applied to the five major accounts of the direct Defense Department budget. Small "miscellaneous" categories are omitted from this breakout.

Funding Ups and Downs

Defense spending has not grown in real (after inflation) terms for more than six years at a stretch since World War II. This chart traces the unstable trend in defense authority since 1970. Such fluctuation confounds efforts to plan and spend funds efficiently.



Outlays in Billions of Constant (FY '89) Dollars



Percent

The Relative Burden of Defense

Fiscal Year	Federal Outlays as % of GNP	DoD Outlays as % of Federal Outlays	DoD Outlays as % of GNP	Non-DoD Outlays as % of Fed'l Outlays	Non-DoD Outlays as % of GNP
1950	16.0	27.5	4.4	72.5	11.6
1955	17.6	51.5	9.1	48.5	8.6
1960	18.2	45.0	8.2	55.0	10.0
1965	17.5	38.8	6.8	61.2	10.7
1970	19.8	39.4	7.8	60.6	12.0
1971	19.9	35.4	7.0	64.6	12.8
1972	20.0	32.6	6.5	67.4	13.5
1973	19.1	29.8	5.7	70.2	13.4
1974	19.0	28.8	5.5	71.2	13.5
1975	21.8	25.5	5.6	74.5	16.2
1976	21.9	23.6	5.2	76.4	16.7
1977	21.1	23.4	4.9	76.6	16.2
1978	21.1	22.5	4.7	77.5	16.4
1979	20.5	22.8	4.7	77.2	15.8
1980	22.2	22.5	5.0	77.5	17.2
1981	22.7	23.0	5.2	77.0	17.5
1982	23.7	24.5	5.8	75.5	17.9
1983	24.3	25.4	6.2	74.6	18.2
1984	23.1	25.9	6.0	74.1	17.1
1985	24.0	25.9	6.2	74.1	17.8
1986	23.6	26.8	6.3	73.2	17.3
1987	22.8	27.3	6.2	72.7	16.6
1988	22.4	26.2	5.9	73.8	16.5
1989	21.7	26.1	5.7	73.9	16.0