

SPECIAL REPORT



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NATIONAL INSECURITY
THE IMPACT OF THE BUSH TAX CUT
AND MISSILE DEFENSE PLANS ON THE
MILITARY BUDGET

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"[I] have a simple message today for our men and women in uniform, their parents, their loved ones, their supporters: Help is on the way."

Presidential candidate George W. Bush at the Veterans of Foreign Wars annual convention, August 2000

"The paradox is that the Administration is asking for enactment of a large tax cut before it has determined how much will need to be provided to implement its new defense strategy."

Steven M. Kosiak of the nonpartisan Center for Strategic and Budgetary Assessments

INTRODUCTION

Despite President Bush's campaign rhetoric and statements since taking office, it has become increasingly evident that he is willing to compromise the well-being of our troops and our national defense in order to enact a massive, inequitable tax cut.

This report demonstrates that the Bush budget numbers for defense do not add up, and in fact disguise the reality that the President is reluctant to admit: that the Republican Party's ideological commitments to

(1) a large, inequitable tax cut, and

(2) the deployment of an expansive national missile defense system,

will leave insufficient resources to support our troops, their training, conventional weapons modernization, and critical Department of Energy (DOE) nuclear programs. As America confronts new and more diverse threats in the 21st century, such actions will have serious negative consequences for our nation's security and leadership role in the world.

PRESIDENT BUSH'S FY 2002 DEFENSE BUDGET REQUEST

President Bush's budget request for FY 2002 recommends \$324.9 billion for national security activities, including \$310.5 billion for the Department of Defense (DOD) and approximately \$13.4 billion for DOE nuclear weapons-related activities. Of this amount, \$3.9 billion is to comply with a new mandate to provide health care for Medicare-eligible military retirees. If this amount is set aside, the budget is only \$200 million above the level needed, according to CBO, to maintain purchasing power for defense programs at their 2001 levels. And defense budget projections for future years are also maintained

at about this level. In addition, the FY 2002 amount is only \$100 million more than the level recommended by the Clinton Administration for 2002 – hardly a panacea for a defense establishment that candidate Bush called terribly underfunded, degraded and demoralized during the Presidential campaign last year.

The President has justified the amount he has allocated for defense by asserting that it is only a "placeholder" at this time, awaiting completion of a strategy review later this year. The Administration has suggested that once this review has determined our nation's future defense needs, additional funds for FY 2002 and beyond will be requested for the Defense Department out of a "contingency fund" established in the President's budget proposal.

Still, as Steven Kosiak of the nonpartisan Center for Strategic and Budgetary Assessments has noted, it is paradoxical that "the Administration is asking for enactment of a large tax cut before it has determined how much will need to be provided to implement its new defense strategy."

THE PRESIDENT'S "CONTINGENCY FUND" WON'T SATISFY HIS COMMITMENT TO STRENGTHENING DEFENSE - MUCH LESS ANYTHING ELSE

While few question the need for a comprehensive assessment of our current and future defense needs, which was in fact mandated by law to be conducted this year, it has provided a convenient excuse for the Administration to avoid admitting the consequences of the President's massive tax cut and his equally fervent insistence on swift deployment of a national missile defense system.

And these consequences are very serious. Because, while the Administration says it will turn to the "contingency fund" for the additional resources that will clearly be recommended for defense, a careful analysis of the President's budget reveals that the funds in this reserve have already been claimed for other purposes. Of the \$842 billion that the President has claimed to set aside in the fund, more than half consists of the surpluses in the Medicare Part A Trust Fund, which must not be used for anything but current-law Part A obligations. The remainder in the "contingency fund" will have to be used for costs associated with House Republican additions to the Bush tax cut plan and necessary reforms to the Alternative Minimum Tax. This leaves nothing to pay for anything else the President has said this fund is to be used for: expanding health care coverage, Social Security reform, additional education spending, debt reduction, agriculture, disaster assistance or – finally – defense.

With no resources available in the "contingency fund" to pay for additional defense spending, how will the Bush Administration finance its national security priorities, and what will be the net impact on the current and future needs of our military forces?

THE REPUBLICANS' IDEOLOGICAL COMMITMENT TO MISSILE DEFENSE

By all accounts, the Bush Administration's number-one defense-spending priority is and will continue to be National Missile Defense (NMD). Throughout the Presidential campaign and since then, the most frequent and consistent message on defense issues that has come from President Bush is the need to deploy an expansive and untested national missile defense system as soon as possible.

This is not a fleeting – nor an innovative – concept from our new President. Rather, it is the crown jewel of Republican defense ideology since Ronald Reagan's 1983 articulation of his "Star Wars" vision. The ideological commitment by this President and his party to a massive missile defense program appears to be matched only by his ideological commitment to a massive tax cut. And just as the President is moving forward swiftly to fulfill his tax cut promise, it can be expected that he will – at the appropriate time – move forward just as resolutely to fulfill his promise on national missile defense. In fact, the budget submitted to Congress last month states unequivocally that it "commits America to developing, designing, and building a national missile defense as fast as possible. Starting now."

Unlike other elements of the President's defense budget outline, the NMD system he plans to deploy has been framed relatively clearly in his own budget document. It explains that this Administration intends to build missile defenses "designed to protect our deployed forces abroad, all 50 states, and our friends and allies overseas."

While the budget does not specify whether these defensive systems will be ground-based, sea-based, air-based, or space-based, most experts believe that a combination of these systems will be required to provide the protection desired. And experts have estimated that the initial cost of such a network of systems will likely exceed \$100 billion, plus large additional operations and maintenance costs.

How will the Bush Administration pay for an NMD system of this magnitude? Lacking resources from the "contingency fund" or other sources, these funds will have to come from the amounts already allocated by the President for defense programs in each of the next ten years. And the funds remaining in those accounts will therefore have to suffice in meeting our current defense requirements, as well as the President's initiatives for enhanced troop benefits, focused research and development, and other programs.

WHO WILL PAY FOR THE REPUBLICAN NMD VISION? OUR TROOPS AND THEIR MOST URGENT DEFENSE NEEDS

The impact of President Bush's tax cut and NMD program on other defense requirements will be immense. If the cost implications of NMD are spread evenly across the President's own defense spending projections over the next ten years, each year will force painful choices – and sizable funding cuts – upon our military leaders.

Cuts of this magnitude will have a significant effect on our troops, their training, conventional weapons modernization, and critical Department of Energy (DOE) nuclear programs. The following sections highlight some of the most critical programs in these areas that our military leaders will have to consider for serious reductions under the Bush budget and tax cut plan.

Personnel and Military Health Programs

The Bush Administration's budget proposal is detrimental to the well-being of America's men and women in uniform. Current law requires, and the Clinton Administration budget projection for FY 2002 included, a 4.6 percent pay raise. Beyond that, there remain virtually no resources to provide additional direct benefits to our Armed Forces. Even if the Bush Administration's entire FY 2002 increase of \$100 million over the Clinton Administration's allocation were distributed equally across all 2.25 million active and Selected Reserve service members, it would provide each person with a mere \$1.85 pay raise for each pay period in fiscal year 2002.

The military family housing and troop barracks situation is a well-known disaster. Although the President's effort to add \$400 million in fiscal year 2002 for military housing will be of some help, the reality is that this represents only a band-aid approach. The shortage of quality housing remains a significant unmet need that directly affects the services' ability to retain quality military personnel.

Perhaps an even more dramatic indication of departmental needs is that, by the Defense Department's own estimate, the cost of eliminating dependency on food stamps by raising basic pay for active-duty service members would be \$40 billion. It is unlikely that any of these shortfalls will be rectified if the Bush Administration's funding priorities are to be met.

In addition to substantial funding reductions, existing funding shortfalls in other areas will go unaddressed. For example, Dr. Jarrett Clinton, the acting Assistant Secretary of Defense for Health Affairs, recently testified that the Defense Health Program faces unfunded requirements totaling \$1.4 billion for fiscal year 2001. Moreover, a global settlement with managed care contractors for services already provided to military and dependent beneficiaries is estimated to cost over \$500 million.

Finally, it is an unfortunate fact that American military forces overseas have increasingly become the target of terrorist activities. One need look no further than recent attacks on the USS Cole and Khobar Towers to confirm this point. Critically needed improvements to U.S. military bases overseas to enhance force protection will be jeopardized under

this defense budget, a proposition that is inconsistent with President Bush's campaign promise to build up our defenses against terrorism.

Military Readiness

Perhaps the most important departmental activities likely to suffer under the President's defense spending scheme are those related to our military readiness. For example, the Marine Corps requires \$809 million to correct readiness shortfalls in the fiscal year 2001 budget. The Navy needs \$566 million in fiscal year 2001 to ensure that its pilots have enough flying hours to retain their fighting proficiency; the Air Force figure for this same period is \$303 million. The Army reported a fiscal year 2001 shortfall in training munitions of \$47.5 million and in anti-terrorism/force protection equipment of \$115 million.

Depot maintenance programs in all the services, those that keep our military equipment safe and modernized when we use it, require over \$1 billion in fiscal year 2001 funding. Without a substantial infusion of funding this year and next, our military's readiness to respond in time of national need will be in serious doubt.

The same may be said with respect to the maintenance of the Defense Department's physical facilities. There is a huge real property maintenance backlog of more than \$27 billion that cannot be remedied by the President's budget proposal, and which will only grow larger in light of the Administration's other priorities. We also have a responsibility to build and maintain National Guard and Reserve facilities that are necessary to support the increasing use and greater integration of these forces with active duty forces. These projects have long been susceptible to budget cuts and would be especially at risk under the Administration's defense budget proposal.

Conventional Weapons Systems

In the weapons systems area, 1960s- and 1970s-era Navy, Marine Corps and Air Force fighters are reaching the limits of their service lives. That is why there are presently three major tactical aircraft programs under development – the F-18 E/F, the F-22, and the Joint Strike Fighter. Acquiring sufficient numbers of these planes to make their production cost affordable is already a significant challenge. If the defense budget is forced to absorb the costs associated with the Bush Administration's priorities, it will be almost impossible to pursue full-scale development of each of these programs.

Similarly, current efforts to keep the Navy from sinking below 300 total ships and to transform the Army to a force employing lighter, more mobile vehicles would be imperiled.

Hundreds of smaller but important programs, from common radios (so Army soldiers can talk to Navy pilots) to night vision equipment for the Marine Corps would also be vulnerable to budget cuts in order to afford the President's priorities

Department of Energy National Security Activities

During the Presidential campaign, then-candidate Bush stated that he would improve security at our nation's nuclear laboratories. However, even before the cost of a massive NMD system is accounted for, the President's budget cuts DOE's national security funding (other than stockpile stewardship) by 7.4 percent below the level that CBO estimates is needed to maintain purchasing power for these programs at the 2001 level.

The DOE will likely require \$100 million over four years just to improve cyber-security at the three weapons labs (Sandia, Los Alamos, and Lawrence Livermore). Estimates of improving physical security at these and other DOE facilities that possess nuclear secrets and nuclear materials easily run into the hundreds of millions of dollars. It is difficult to see how the President can bolster the safety of nuclear secrets (and materials, which also must not fall into the wrong hands) at the same time he is cutting DOE's national security funding. However, if indeed funding to improve security is to be increased, then the cuts to other DOE programs – such as nuclear non-proliferation activities and clean-up of contaminated DOE sites – will be even larger than 7.4 percent. In fact, press reports have already indicated that the Bush Administration intends to cut funding for the U.S.-Russia Cooperative Threat Reduction program 30 percent below the figures proposed by the Clinton Administration's for FY 2002.

CONCLUSION

In his speech accepting the Republican nomination for President, George W. Bush stated that “the world needs America's strength and leadership, and America's armed forces need better equipment, better training, and better pay. We will give our military the means to keep the peace.”

Given the President's demonstrated commitment to an excessive tax cut and an expansive NMD system, it does not appear that he intends – or will be able – to rectify the problems he himself cited any time soon, or at all. In fact, it is likely that many important national security programs will have to be canceled or reduced in scope if he is to adhere to his own budgetary constraints. In addition, pre-existing funding shortfalls, particularly in critical readiness activities, will not be rectified under the Administration's defense budget.

By pressing for swift enactment of his tax cut, while withholding his true intentions regarding the defense budget pending a “strategy review,” the President is embarking on a economically irresponsible course that is likely to undermine our national security and America's men and women in uniform. This reality calls into serious question the President's campaign promises to be a better friend to the military than the last Administration.