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# Rebalancing Our National Security

## The Benefits of Implementing a Unified Security Budget

The Task Force on a Unified Security Budget

October 2012

Center for American Progress



INSTITUTE FOR  
POLICY STUDIES

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## About the Task Force on a Unified Security Budget

The Task Force on a Unified Security Budget was formed in 2004 in an effort to encourage more effective federal spending on security. The Task Force has made the case for the past eight years that a unified security budget would allow lawmakers to consider security spending as a whole, and thus help to achieve a better balance among all the security tools in the Departments of Defense, State, and Homeland Security.

To ensure that each of the tools of foreign policy receives appropriate funding, the Task Force provides an annual report card on the overall balance of U.S. security spending. It divides the security budget into three categories:

- Spending on offense through the Department of Defense
- Spending on defense through the Department of Homeland Security
- Spending on prevention through non-military foreign engagement programs in the Department of State and the U.S. Agency for International Development

Members of the Task Force with expertise in each of these domains analyze spending trends in their respective fields and recommend changes to the president's budget request. Taken together these recommendations make up our Unified Security Budget.



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# Foreword

Consider this recent snapshot of a moment in time. In late April of this year, the U.S. secretaries of State and Treasury, Hillary Clinton and Timothy Geithner, were preparing to go to China for the annual “Strategic and Economic Dialogue” with their Chinese counterparts, but this regular bilateral meeting was facing a curve ball: A prominent Chinese dissident was planning to seek political asylum at the U.S. embassy in Beijing.<sup>1</sup> Amid these complicated diplomatic negotiations, the two secretaries and their colleagues in Washington were also dealing with

- A failing ceasefire in the civil uprising in Syria, which the ruling Assad regime was violating
- A new series of drone attacks in Pakistan, which was threatening a diplomatic crisis between Washington and Islamabad
- The revival of direct, multilateral talks with Iran over its nuclear program
- North Korea’s failed rocket launch, which was increasing fears that for face-saving purposes a nuclear test would soon follow
- The aftermath of the killing of 16 Afghan civilians by an Army officer in Kandahar
- The deaths of three U.S. Army commandos in a car crash in Mali while on a still-unacknowledged mission
- The suspension of Egypt’s constitutional assembly by an administrative court

And these were just the headline-grabbing crises. Behind the scenes, still other crises pressed upon Secretary Clinton, Secretary Geithner, and their counterparts in the Obama administration, among them Secretary of Defense Leon Panetta, Department of Homeland Security Secretary Janet Napolitano, and, of course, President Obama and his team in the White House.

Since then, each of these situations has evolved, sometimes in ways that helped resolve the crisis but mostly in ways that can only be described as continual crisis management. The negotiations that delivered the Chinese dissident to New York (while leaving some of his family members vulnerable to persecution in China) became powerful evidence of both the enduring tension between Chinese-

American cooperation and the American view of human rights and of the openings for progress achievable through concerted and creative diplomacy.

Meanwhile the first free presidential election in Egyptian history requires the United States to reexamine its hefty bilateral military aid to the country amid worries about rolling economic crisis in Egypt and fears about the sustainability of the peace treaty between Egypt and Israel.

The process of ending one of the longest wars in our history, though, is finally underway. Nearly a decade ago we started a war in Iraq by cutting off diplomacy before it had the chance to prove that the war was unnecessary. This year we ended that war, and we are currently reducing troop levels in Afghanistan.

But ending the combat mission does not win peace. As military operations end, the tasks of diplomacy escalate. Most immediately, as troop levels drop in Afghanistan, the State Department is being asked to take on a larger role. In Iraq, combat troops are gone, and the challenge of creating a constructive U.S.-Iraq relationship has been placed wholly in State Department hands.

And beyond such tasks and crisis management—in which the administration works diplomatically to put out the fires that threaten to become wars—is the broader, longer-term work of prevention, which helps to strengthen the infrastructures of peace.

President Obama articulates the logic of approaching U.S. security policy in ways that match real-world crisis management strategies and capabilities. In his first online chat with citizens at the beginning of the 2012, the president explained the need to develop and invest in economic and social development strategies and not just in military security tools. Helping other countries improve their economies, avert famine, or stabilize their economies, he said, “prevents us from having to deal with some military crisis somewhere down the road that could be even more expensive.”<sup>2</sup>

Our Task Force wholeheartedly embraces this approach. Our members have been reporting annually since 2004 on how well our country is doing to match this progressive security logic to our actual spending priorities. In this report, we use the president’s request as our benchmark of the progress made so far toward achieving a better balance among our security programs by investing in preventive medicine to avoid those expensive military cures. The president’s budget request never exactly matches what Congress appropriates, of course, but it usually comes close.

In recent years, as continuing congressional resolutions have replaced actual budgets more and more often and as last-ditch omnibus bills have replaced the more thoughtful appropriations process, the president's budget request is the only part of the process upon which we can actually depend. This is why our Task Force has repeatedly called for the implementation of a unified security strategy. During a new century in which a military approach to security has taken precedence over U.S. national security policy as a whole, absorbing a larger share of federal resources, we have argued for a unified conception of security, one which can be achieved through a balance between the strategies of what we call "offense" (military forces), "defense" (homeland security), and "prevention" (nonmilitary international engagement).

In this current historical moment, there are two reasons why we need to shift the balance toward preventative measures. First, the workload for nonmilitary international engagement has grown, and the money allocated by the government to pay for it has not kept pace.<sup>3</sup> And second, achieving a better-balanced security budget would send a powerful message: Ending the wars in Iraq and Afghanistan entails not a retreat from the world but a commitment to engage with it differently.

The report now in your hands or on your screen contains a deep analysis of the need for a unified security budget—one that looks at offensive, defensive, and preventative spending on our nation's security. The analysis of these three categories is followed by recommendations for budgetary shifts; these shifts are focused primarily on the offense and prevention budgets. We use President Obama's budget for fiscal year 2013 beginning this month as our first benchmark, and look one decade out at the president's 10-year budget for our second benchmark. At times we examine congressional action when it is pertinent to FY 2013 budgeting. But, sadly, Congress is not very pertinent—at least not yet, due to the now famously protracted political stalemate on Capitol Hill.

By year's end, however, Congress will have to act. And as the FY 2013 budgeting process begins in earnest, we are confident you will find our analysis and recommendations worthy of consideration.

—*Miriam Pemberton, Chair, Task Force on a Unified Security Budget*



# Introduction and summary

The debate in Washington over security spending this year is being driven mostly by the Budget Control Act of 2011, the debt reduction deal that averted a government shutdown last summer. The law mandates about \$1 trillion in cuts to federal government discretionary spending over 10 years beginning in fiscal year 2012, including \$487 billion in Pentagon cuts. The law also mandates another \$1.2 trillion in deficit reduction, by means of spending cuts, new revenues, or both over the next 10 years, with half taken from the Pentagon and half taken from discretionary spending on nondefense programs such as Medicare, foreign aid, and education.

This additional \$1.2 trillion in deficit reduction, known as the “sequester,” came in to play after Congress failed to reach an agreement on how to legislate the deficit reduction at the end of last year, and it will take place on January 2, 2013 if Congress fails to act again. Much effort is being expended from many quarters to see that sequestration does not happen. The House of Representatives seems inclined to exempt the Pentagon from cuts while deepening them for the rest of the budget. For his part, Secretary of Defense Panetta has said that these cuts would be a “potential disaster, like shooting ourselves in the head.”<sup>4</sup> But the heads of many other federal government agencies involved with sequestration, among them Jeffrey Zients of the Office of Management and Budget, have been reluctant to consider the consequences of the sequester.<sup>5</sup>

The members of our Task Force agree with the near-universal consensus that sequestration is more about political maneuvering than sound budgeting practice. But we argue that the amount of cuts to the Pentagon budget mandated by both parts of the debt deal is readily achievable with no sacrifice to our security—if the cuts are done in a thoughtful manner over the next decade. We also agree that some of those savings in the U.S. defense budget should be redeployed to other parts of the federal government, specifically to those non-military programs that help our nation defend the homeland and prevent global crises from escalating into military confrontations.

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This report delves deeply into these spending choices, but, first, let's briefly run the numbers, beginning with the defense budget.

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## \$1 trillion over 10 years

Several bipartisan commissions have produced frameworks for deficit reduction over a 10-year horizon; these commissions recommend Pentagon spending cuts approximating those mandated by the Budget Control Act, including sequestration. Among them is President Obama's own National Commission on Fiscal Responsibility and Reform, known as the "Bowles-Simpson Commission;"<sup>6</sup> the commission headed by Alice Rivlin, President Clinton's former director of the Office of Management and Budget and former Republican Sen. Pete Domenici; and the Sustainable Defense Task Force,<sup>7</sup> of which several on our Task Force are members.

All three of the above proposals include specific Pentagon cuts that add up to approximately \$1 trillion over the 10-year period mentioned above. These cuts make sense. As the largest item by far in both the discretionary federal budget and the security budget, Pentagon spending has the largest impact on the rebalancing equation. Since 2001 the United States has increased its military budget dramatically, paying for it with borrowed funds that have swelled the deficit, at the same time bringing us, in real terms (after accounting for inflation) to the highest levels of Pentagon spending since World War II.<sup>8</sup>

Our current military expenditures account for nearly half of the world's total.<sup>9</sup> We spend as much as the next 17 countries—most of them our allies—put together,<sup>10</sup> and we spend more in real terms now than we did on average during the Cold War, when we did have an adversary—the Soviet Union—who was spending about as much as we were and was an existential threat.<sup>11</sup> Guaranteeing perfect security is impossible. But our dominance in every dimension of military power is clear. In recent years we have been building more "strategic depth" into this dominance without regard to its costs—both to our treasury and to our other priorities. A responsible rollback of our military budget is achievable with no impact on our security. This reduced spending trajectory is safely achievable for the following reasons:

- It would bring the military budget back to its inflation-adjusted level of FY 2006—close to the highest level since World War II and the second-to-last year of the George W. Bush administration<sup>12</sup> Was anyone worried that we were disarming ourselves then?

- The baseline military budget has grown in real terms for an unprecedented 13 straight years.<sup>13</sup>
- The military’s blank check over this period has had predictable results in the form of massive waste. The estimate of cost growth in planned procurement spending is \$74.4 billion over the last year alone, according to the Government Accountability Office, the investigative arm of Congress.<sup>14</sup> This would cover the entire amount of next year’s sequestration, with \$20 billion left over.<sup>15</sup> (Responsible ways to manage the reductions are discussed in the three budgeting sections of this report beginning on page 39.)
- Over its 10-year lifespan, sequestration—plus the \$487 billion in cuts already contained in the Budget Control Act—would reduce Pentagon spending plans by 33 percent, an amount that is in line with previous reductions. The last major defense budget drawdown, which occurred after the end of the Cold War through the administrations of presidents Ronald Reagan, George H. W. Bush, and Bill Clinton, was 35 percent. Previous Republican administrations managed much larger reductions than the one mandated by the Budget Control Act: President Dwight D. Eisenhower reduced defense spending by 27 percent, and President Richard Nixon reduced it by 29 percent.<sup>16</sup>
- The military increases of the past decade have been “paid for” by government borrowing, thereby increasing the deficit and national debt. Former Joint Chiefs of Staff Chair Mike Mullen has identified deficit reduction as a national security imperative, yet many of those who call themselves “deficit hawks” lose all interest in controlling the federal budget deficit when it comes to the military budget.<sup>17</sup>
- The U.S. Defense Department has begun to justify its procurement plans by referring to “defense of the commons” and protection of the global economy<sup>18</sup>, yet effectively policing the entire global commons is beyond the capacity of the United States and its partners. The United States is not the “Planet Earth Security Organization,” nor can it be. The attempt provokes competition by other great powers, leading to less security, not more.
- Reducing spending to 2006 levels will leave our military dominant in every dimension, including air power, sea power, and ground forces deployment, as well as in transport, infrastructure, communications, and intelligence.<sup>19</sup>

Clearly, Congress can rebalance the U.S. defense budget responsibly while at the same time enhancing our overall national security. The American people agree. But beware of the military-industrial complex, which is hard at work trying to scare us into unsustainable defense spending. (see box)

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## Rebalancing our security by using a unified budget

This Task Force has made the case for the past eight years that a unified security budget would allow lawmakers to consider security spending as a unified whole, and also to use it as a basis for spending shifts in order to achieve a better balance among all the security tools. That's why we were delighted to see unified security budgeting make its debut in the budget process in the current fiscal year. The Budget Control Act divided its mandated spending cuts in FY 2012 into two categories: "security," which included the Departments of Defense, International Affairs, Homeland Security, and Veterans Affairs accounts, and "non-security," which included all other discretionary account categories.

(As we have noted in the past, including the budget for Veterans Affairs as security spending is perfectly defensible because this spending is clearly a cost of military security. We have excluded it from our framework because spending to care for veterans, while a necessary and important consideration when undertaking wars of choice, does not contribute directly to our security.)

The plan for sequestration, however, divided the budget into funding for the military and funding for all other discretionary spending. Congressional budget maneuverings since then have switched back and forth between these two ways of categorizing spending. The House of Representatives in May passed legislation that would jettison the security/non-security categories to replace the sequester—which would require equal cuts to the military budget and the rest of discretionary spending—with a plan that would cut the rest of discretionary spending while leaving the military budget virtually untouched.

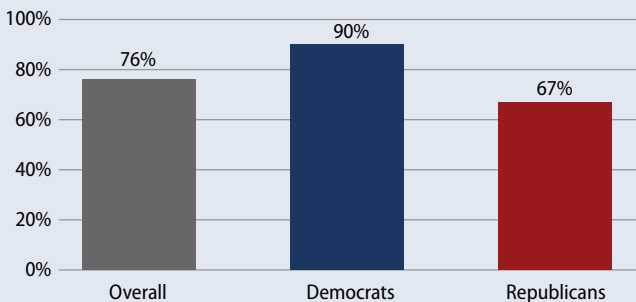
More often than not in the past year, the security/non-security frame of budgeting—unified security budgeting—has been proposed not as a way to rebalance security accounts but as a way to protect the military account at the expense of other parts of the security budget. These proposals would exact disproportionate cuts to the nonmilitary parts of the security budget, making the imbalance between military and nonmilitary resources even more extreme.<sup>25</sup>

## Americans support reduced defense spending, but the weapons lobby is fighting back

There is fresh evidence that the American public believes we can safely make such cuts. A May 2012 poll, “Consulting the American People on National Defense Spending,” conducted by the University of Maryland’s Program for Public Consultation in collaboration with the Stimson Center and the Center for Public Integrity, used a methodology that improved on the reliability of the sampling compared to most polling. It also provided respondents with information—strong arguments on each side of a question, plus factual, un-cherry-picked information—to inform their choices. Asked what, if any, adjustments to the military budget they would make, 76 percent of respondents, including 67 percent of Republicans and 90 percent of Democrats, chose to make cuts. The average recommended cut in the current budget is \$126.9 billion, or 18 percent. (see Figure 1) This is nearly twice the amount that would be cut by sequestration.<sup>20</sup>

FIGURE 1

### Percent of Americans Who Would Choose to Cut Military Budget



Source: “Consulting The American People On National Defense Spending,” Program for Public Consultation with the Stimson Center and the Center for Public Integrity (Knowledge Networks, 2012)

Yet the campaign to prevent these cuts boasts powerful patrons. The weapons lobby, which President Eisenhower correctly identified as part of the military industrial complex, is working hard to ensure that this consensus on defense cuts does not become legislative reality. It has launched four parallel campaigns designed to keep Pentagon spending at the highest possible levels.

“Second to None,” spearheaded by the Aerospace Industries Association, disseminates misleading statistics alleging that scaling back the

Pentagon’s spending plans could result in the loss of over 1 million jobs. In fact, if Pentagon reductions were made to lighten the burden of cuts on other federal programs, cutting defense spending would be smart economic policy.<sup>21</sup>

“Defending Defense,” whose primary sponsors are the Heritage Foundation and the American Enterprise Institute, is designed to convince the public and key members of Congress that reducing Pentagon spending from current levels would have a “devastating” effect on our security by leaving us with a “hollow military.”<sup>22</sup> Similarly, the “Defending Our Defenders” project, launched by House Armed Services Committee member Rep. Randy Forbes (R-VA)—a major recipient of campaign contributions from weapons contractors—is a calculated, choreographed “listening tour” in which Rep. Forbes and other members of the House Armed Services Committee speak on the allegedly dire consequences of defense sequestration.

Then there’s the ultraneoliberal Center for Security Policy, which has issued a series of “Defense Breakdown Economic Impact Reports” that purport to detail the effects of sequestration on states, counties, cities, business types (ethnic/minority/women/veteran), congressional districts, and industries.

Despite serious questions about their methodology and therefore the reliability of their data, these reports from the weapons lobby have been widely used by conservative politicians and their allies in the defense industry to raise alarms about the defense portion of sequestration. The vast majority of the American people aren’t buying it. They recognize the value of diplomatic preventive medicine over a military “cure.” A March Washington Post/ABC News poll, for example, found that 64 percent of Americans support sanctions to deter Iran’s nuclear ambitions rather than a military attack.<sup>23</sup> And a 2011 Pew Research Center survey found that Americans consider good diplomacy a more important guarantor of peace than military strength by a factor of almost two to one: 58 percent to 31 percent.<sup>24</sup>

In short, the American public is ready to look at our nation’s security needs in new ways. Our task force members believe an approach through a unified security budget would enable that to happen.

This is taking the potentially useful tool of unified security budgeting in the wrong direction. One case in point is what we call the “OCO effect.” In last year’s report, we raised concerns about how substantial a portion of the funding stream for International Affairs in the federal budget was being provided by the so-called Overseas Contingency Operations, or OCO, fund, which provides funds for the wars in Iraq and Afghanistan. A critical question, we said, was whether, as the wars wind down, this funding stream would be shifted to the core International Affairs budget, or simply cut. The appropriations process in Congress presents us with both of these possibilities this year. The Senate proposal makes the shift; the House’s makes the cut. The result: a \$9.7 billion difference between the two in core funding for the International Affairs budget. In other words, 19.5 percent of the International Affairs budget, which funds such critical investments as counterinsurgency operations in Pakistan and the entirely civilian-run U.S. presence in Iraq, is riding on the post-war fortunes of the OCO account.<sup>26</sup> Meanwhile the State Department will be expected to assume expanded responsibilities for U.S. engagement in both Iraq and Afghanistan just as it faces cuts alongside the rest of the discretionary section of the budget.<sup>27</sup>

This kind of choice needs to be made strategically. In a speech at the Pentagon in January 2012, President Obama framed our historical moment as a turning point requiring a rebalancing of our priorities. Citing President Eisenhower’s admonition about “the need to maintain balance in and among national programs,” President Obama declared that “After a decade of war, and as we rebuild the source of our strength, at home and abroad, it’s time to restore that balance.”<sup>28</sup>

We agree. And we argue that the rebalancing the president seeks must include improving the current imbalance between the resources devoted to the military and nonmilitary components of our foreign and security policy. This balance tells, among other things, a story about us to the rest of the world. Our intensive international diplomatic efforts to keep Iran from becoming a nuclear state, for example, are undermined by a budget that is investing billions of dollars in new nuclear weapons designs of our own while at the same time shaving the resources we apply to nonmilitary nonproliferation. (see Table 1)

**TABLE 1**  
**Illustrative Military and Non-Military Trade-Offs, FY 2013**

\$20 billion	Maintain 1,968 operational nuclear warheads, a number which, according to the Air War College and School of Advanced Air and Space Studies <sup>1</sup> , is six-times greater than that needed for national security and military deterrence <sup>2</sup>	or	Develop and implement “smart grid” electricity transmissions systems, which are more efficient, reliable, economical, and sustainable than those used by the current electric grid  Protect the international affairs budget from cuts and have \$22.8 billion left over <sup>3</sup>
\$74.4 billion	Absorb cost overruns of weapons now in development (GAO estimate) <sup>4</sup>	or	Protect the international affairs budget from cuts and have \$22.8 billion left over <sup>5</sup>
\$1.65 billion	Purchase 7 additional F-35 aircraft, though the aircrafts’ usefulness and viability are unproven <sup>6</sup>	or	Reverse cuts to our nation’s contribution to the Global Fund to Fight AIDS, TB, and Malaria
\$5 billion	Maintain spending on military R&D that is significantly higher (in adjusted dollars) than that during the height of the Cold War <sup>7</sup>	or	Commit funds to deficit reduction
\$90 million	Buy one V-22 Osprey helicopter, despite bipartisan support to scrap production due to safety concerns and ongoing technical problems <sup>8</sup>	or	Implement program to train Foreign Service Officers and diplomats for better cooperation with international organizations
\$15 billion	Continue to finance the systemic inefficiencies in the military’s healthcare programs (not including the cost of caring for injured or disabled veterans, who receive a separate health care plan) <sup>9</sup>	or	Fund 95% of the Department of Transportation’s investment in clean fuels R&D, green emissions technologies, and sustainable transportation projects
\$4.5 billion	Build a new nuclear research facility (CMRR-NF), though the House Appropriations Committee recommended delay because it has “no coherent mission” and it would cost fifteen times more to maintain than to the existing facility <sup>10</sup>	or	Fully fund the International Atomic Energy Agency (IAEA), responsible for monitoring and regulating nuclear stockpiles, for eleven years <sup>11</sup>
\$2.6 billion	Purchase one additional Virginia Class Submarine, though it is ill-suited to fight today’s asymmetrical wars <sup>12</sup>	or	Fully fund the White House’s commitment to fund international peacekeeping forces, with \$500 million left over

1 Department of Defense, “Sustaining U.S. Global Leadership,” January, 2012, p. 5, available at [http://www.defense.gov/news/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/news/Defense_Strategic_Guidance.pdf).

2 Unified Security Budget FY 2013, p.39.

3 Unified Security Budget 2013, p.14.

4 This estimate is for the lifetime cost. Government Accountability Office, “Defense Acquisitions: Assessments of Selected Weapons Programs” (Washington: Government Accountability Office, 2012).

5 Unified Security Budget 2013, p.14.

6 Winslow Wheeler, “The Jet That Ate the Pentagon,” Foreign Policy, (April 26, 2012), available at: [http://www.foreignpolicy.com/articles/2012/04/26/the\\_jet\\_that\\_ate\\_the\\_pentagon?print=yes&hidecomments=yes&page=full](http://www.foreignpolicy.com/articles/2012/04/26/the_jet_that_ate_the_pentagon?print=yes&hidecomments=yes&page=full).

7 Department of Defense, “Overview—United States Department of Defense Fiscal Year 2013 Budget Request.”

8 Department of the Navy, “Department of the Navy Fiscal Year 2013 Budget Estimates,” available at [http://www.finance.hq.navy.mil/FMB/13pres/SCN\\_BOOK.pdf](http://www.finance.hq.navy.mil/FMB/13pres/SCN_BOOK.pdf).

9 Unified Security Budget, FY 2013, p.47.

10 “November 2010 Update to the National Defense Authorization Act of FY 2010: Section 1251 Report,” available at: [http://www.lasg.org/CMRR/Sect1251\\_update\\_17Nov2010.pdf](http://www.lasg.org/CMRR/Sect1251_update_17Nov2010.pdf).

11 “IAEA Regular Budget,” available at: <http://www.iaea.org/About/budget.html>

12 “Department of the Navy Fiscal Year 2013 Budget Estimates,” p. 3-1, available at [http://www.finance.hq.navy.mil/FMB/13pres/SCN\\_BOOK.pdf](http://www.finance.hq.navy.mil/FMB/13pres/SCN_BOOK.pdf).

## Rebalancing our security spending: The one-year horizon

President Obama's budget request for FY 2013 does achieve some rebalancing of the security budget. For FY 2012 the request allocated \$7.30 to the base military budget for every \$1 devoted to the nonmilitary portions of the security budget. The FY 2013 budget narrowed this gap, allocating \$6.70 for every dollar provided for nonmilitary security.

Our analysis of the president's budget request reapportions federal budget categories to better differentiate military and nonmilitary security spending. According to our analysis, the president's FY 2013 budget request decreases military spending in nominal terms by 5.5 percent, increases homeland security spending by 4.6 percent, and increases prevention spending by 4.3 percent. The FY 2012 request allocated 7.3 times as many resources to military security tools as to all nonmilitary tools put together. The FY 2013 request narrows that disparity slightly to 6.7 to 1. (See our report card on President Obama's FY 2013 request on page 11.)

### The Security Balance (in billions of dollars)

Offense	Discretionary w/OCO		Discretionary without OCO	
	FY2012	FY2013	FY2012	FY2013
050 National defense	669.799	639.799	554.458	551.317
152 International security assistance (plus)	13.993	14.055	13.993	14.055
Nonproliferation (minus)	2.804	2.978	2.804	2.978
Homeland security overlap (minus)	2.119	2.622	2.119	2.622
<b>Total</b>	<b>678.869</b>	<b>648.254</b>	<b>563.528</b>	<b>559.772</b>
<b>Prevention</b>				
150 International affairs	54.949	56.259	43.746	48.014
152 International security assistance (minus)	13.993	14.055	13.993	14.055
Energy Efficiency & Renewable Energy (plus)	1.810	2.337	1.810	2.337
Nonproliferation (plus)	2.804	2.978	2.804	2.978
Homeland security overlap (minus)	2.283	2.353	2.283	2.353
<b>Total</b>	<b>43.287</b>	<b>45.166</b>	<b>32.084</b>	<b>36.921</b>
<b>Defense</b>				
Homeland Security (mission area)	63.887	65.789	63.887	65.789
National defense overlap (minus)	19.068	18.903	19.068	18.903
<b>Total</b>	<b>44.819</b>	<b>46.886</b>	<b>44.819</b>	<b>46.886</b>



Summary				
Military	678.869	64.825	563.528	559.772
Preventive	43.287	45.166	32.084	36.921
Homeland Security	44.819	46.886	44.819	46.886
TOTAL NATIONAL SECURITY SPENDING	766.975	740.307	640.431	643.580
Ratios				
Military to Non-military	7.7	7.0	7.3	6.7
Military to Preventive	15.7	14.4	17.6	15.2
Military to Homeland Security	15.1	13.8	12.6	11.9

Source: Analysis by A. Dancs is based on information from Office of Management and Budget, Budget of the U.S. Government, FY 2013, Analytical Perspectives (including Supplemental Materials), Historical Tables, and Supplemental Materials (Public Budget Database).

Our task force collaborated this year to produce an alternative security budget that shifts resources to produce a better balance between military and nonmilitary tools, taking into account the unique demands of the Budget Control Act—and taking advantage of the intense congressional debate about sequestration—to argue persuasively (we hope) on the need for our rebalanced unified security budget. (see Table 2 for a synopsis of our proposal.) Our two bottom lines:

- If sequestration proceeds, it must not be used to protect the military accounts at the expense of the rest of the security portfolio.
- Whether or not it proceeds, the total cuts to the military accounts specified by sequestration can be achieved without threatening our security if done in a rational manner.

Unified security budgeting must be used to balance security spending, not primarily to protect the military budget through disproportionate cuts in the rest of the security budget.

**TABLE 2**  
**Unified security budget FY2013 (in billions of dollars)**

<b>Military Accounts</b>	
Virginia-Class Submarine	-2.6
V-22 Osprey	-1.9
F-35 Joint Strike Fighter	-4.3
Personnel	-10.0
Health Care	-15.0
Retirement	-13.0
Nuclear Forces	-20.0
Research & Development	-5.0
<b>Total</b>	<b>-71.8</b>
<b>Non-Military Accounts</b>	
Diplomacy	2.1
Nonproliferation	0.1
U.S. Contributions to International Organizations	1.7
U.S. Contributions to Peacekeeping	2.2
U.S. Contributions to UN Emergency Peacekeeping Service	0.5
Economic Development	2.7
Alternative Energy	20.0
Homeland Security Measures	0.0
<b>Total</b>	<b>29.2</b>

Our revisions to President Obama’s budget for offense in FY 2013 would set us on a path to achieving the \$1 trillion in reductions over 10 years that, as we have argued, is readily achievable without sacrifice to our security. Our budget for defense essentially matches the president’s request, while shifting some priorities to shed wasteful programs and increase spending on underfunded parts of the homeland security mission, especially public health infrastructure. For FY 2013 our budget recommends Pentagon spending reductions of \$71.8 billion and additions to the prevention budget of \$28.1 billion. The resulting rebalancing is shown in Figure 2.

**FIGURE 2**

<b>OBAMA FY 2013 PLAN</b>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
150 International Affairs (excludes OCO)	43.7	48.1	48.9	49.8	50.8	51.9	53.0	54.2	55.3	56.5	58.0	526.4
050 National Defense (excludes OCO)	554.8	550.6	558.4	571.2	581.7	593.6	606.2	619.9	633.5	646.6	663.6	5463.0
<b>Ten-Year Security Budget Rebalancing</b>												
150 Alternative International Affairs (excludes OCO)	43.7	55.8	56.6	58.4	60.5	63.2	66.9	69.6	71.2	73.0	74.6	649.7
050 National Defense 050 (excludes OCO)	554.8	537.4	531.7	526.8	525.1	527.3	538.6	548.9	562.1	576.4	588.7	5463.0

Our prevention budget makes relatively small, targeted additions to address specific shortfalls in such priority areas as nuclear nonproliferation, peacekeeping forces, and development assistance. We also recommend that the largest addition to the prevention budget be in the area of climate security. Unless we invest seriously to stabilize the climate, the resulting increased weather extremes will be, in the U.S. military’s words, “threat multipliers” for instability and conflict. In addition, these investments will pay dividends for job creation at home. The budgetary shifts we recommend will leave a remainder of \$42.7 billion for deficit reduction and job-creating investment.

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 Rebalancing our security: The 10-year horizon

This year the focus of the budget debate has broadened to a 10-year horizon. From this perspective, unfortunately, the Obama administration’s budget plan does not improve the security balance. The gap between spending on offense and spending on prevention expands from about 10 to 1 in the president’s budget for FY 2012 to 11.5 to 1 in his plan for 2021.<sup>29</sup>

Our Task Force plan outlines an alternative trajectory for spending on offense and prevention that would achieve the benchmark of \$1 trillion in military cuts over

10 years. This framework provides \$123 billion for international affairs over 10 years. It would increase spending on diplomacy during this period by 28 percent more than the president's request, and increase spending on development and humanitarian assistance by 40 percent.

Overall, our plan would achieve a 20 percent increase in the international affairs budget, concentrated in the core missions of diplomacy and development. Significant, but hardly radical change is the result. Over this 10-year period, the gap between offense and prevention spending would narrow to a better balance of eight to one. Doomsday would not result.

This leaves a remainder of \$440 billion over the next decade. In a late April speech at the AFL-CIO, President Obama outlined the budget shift he wanted to see as our nation transitions from its war footing: "It's time to take some of the money that we spend on wars, use half of it to pay down our debt, and use the rest of it to do some nation-building here at home."<sup>30</sup> Our 10-year budget proposal is consistent with these priorities. It would allow for \$200 billion for deficit reduction and about \$240 billion for "nation-building here at home."

Our recommendation for this latter purpose focuses on climate stabilization, a spending category that simultaneously advances the goals of national security, domestic nation-building, and job creation. In May of this year, Defense Secretary Panetta spoke about the "dramatic" effect from "rising sea level[s], to severe droughts, to the melting of the polar caps, to more frequent and devastating natural disasters" on our national security. He then talked about the Defense Department's efforts to cut its own emissions.<sup>31</sup>

Since his department is responsible for more of these emissions than any other single institution on the planet, these efforts are critical. But they are not sufficient. Stabilizing the climate will require emission-reducing actions across our economy, and across the world's economy. Indeed, the investments necessary to address this security threat are also key to our economic security.

The components of climate stabilization—clean energy sources connected by a smart grid, clean transportation, and energy efficiency in our buildings and industrial processes—are foundational elements of the rapidly emerging global green economy. And a shift of funding from military to climate security would result in a net increase in employment. A 2011 study by economists at the University of Massachusetts found that \$1 billion spent on the military generates about

11,000 jobs as compared to the nearly 17,000 jobs generated by the same amount invested in clean energy.<sup>32</sup>

And since climate change can't be solved by anything we do in the United States alone, helping the rest of the world with their transition to clean energy and transportation will be an investment in our own security. Our unified security budget would add \$20 billion a year, or \$200 billion over 10 years, in investments to stabilize the climate through domestic and global efforts to combat climate change.

We also recommend that the federal budget process include a climate change mission area. Until recently, the Office of Management and Budget was required to do an accounting of "Federal Climate Change Expenditures"—a climate change budget. Congress decided to suspend this requirement. It should reinstate it. In addition, federal expenditures on climate change should be presented in a unified way in the federal budget.

There is precedent for this. The Homeland Security Mission Area in the federal budget includes all federal programs, both within and outside the Department of Homeland Security, that contribute to the Homeland Security mission. Similarly, a new mission area, labeled Climate Change or Climate Security, can pull together in one place all the diverse federal programs contributing to this goal.

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## The time is now for a unified security budget

Before turning to our detailed budget analysis and then laying out our specific recommendations for a better security budget rebalance in the main pages of this report, we would like to reemphasize the complementary strategies that will help us get there. First, reform of the budget process is essential. Dysfunction has sunk Congress's approval ratings to new lows.<sup>33</sup> So in the section that follows we offer a range of options for reform in the realm of budgeting for security, arranged from modest to fundamental.

Second, tackling waste is equally important. The Obama administration has begun to incorporate goals for Pentagon efficiency savings in its budget projections. We make the case that these goals are merely scratching the surface of the savings that are possible.

Third, connecting security strategy to the budget process aligns strategies with the resources to execute them. If we are to achieve the benchmark of \$1 trillion in military savings over 10 years, we will need to analyze the expanded set of military roles and missions that have helped to drive the extraordinary budget growth that has occurred in this century. And we will need to identify a revised set of missions that will provide for our security in a more cost-effective manner.

We will conclude our report with our three primary sections detailing our spending priorities on offense, defense, and prevention. This will demonstrate how rebalancing can and must shift resources toward preventive and truly defensive security measures. Since these measures are cheaper than the purely military approach to national security, our proposed unified security budget rebalances this spending, redeploying the money left over to reduce the federal budget deficit and to invest in those parts of the discretionary budget that can do more to stimulate the economy and create jobs—the two unheralded but truly essential components of our national security heretofore neglected by our current defense budgeting process.

# Budget process reform

In mid-May of this year, two Democratic and two Republican members of the House of Representatives announced the formation of the Fix Congress Now Caucus. They noted that the profound dysfunction of Congress leaves the institution with a 12 percent public approval rating. In addition to tackling congressional benefits and the poisonous character of congressional debate, this new caucus set its sights on “addressing the inefficient and unaccountable budgeting process that leaves the country without a budget year after year.” As an opening gambit they proposed “No Budget, No Pay” legislation that would withhold salaries from all members of Congress if they had not approved a budget and passed all the appropriations bills to fund it by the beginning of the next fiscal year in October.<sup>34</sup>

This long-shot idea has its appeal. But making sure the government gets funded on time—this most basic of congressional tasks—requires fixing a process currently dominated by fragmented, parochial, and overlapping jurisdictions across the federal government, jurisdictions that obstruct consideration of the big picture. In the realm of security spending, that big picture is this: Budgeting and allocating the right overall balance of resources to the range of our security tools that will do the most cost-effective job of keeping our country secure. This big picture eludes most members of Congress today. (It is worth noting that one of the founding members of the Fix Congress Now Caucus recently introduced a bill to repeal defense sequestration. Not exactly the remedy we have in mind.)

Closer to what we do have in mind is the approach taken in Title I of the Budget Control Act of 2011, which imposed a single limit on the total amount of security spending in fiscal years 2012 and 2013. Such limits implicitly require the Obama administration and Congress to consider tradeoffs among all aspects of security—federal spending on military forces (offense), homeland security (defense), and nonmilitary international engagement (prevention). The Budget Control Act also mandated a select committee of Congress to consider additional fiscal changes aimed at reducing future federal deficits, but the select committee unfortunately failed to agree on such changes by the end of last year.

As a result, as stipulated by other titles of the Budget Control Act, limits on discretionary spending for FY 2013 will now be apportioned not between overall security budgets and non-security budgets but rather between national defense and non-defense discretionary funding. Thus the requirement that the Obama administration and Congress make tradeoffs as appropriate within the overall security tool kit was abandoned, even for FY 2013. More disturbing, President Obama's proposed budget for FY 2013 calls for restoring Title I's broader cap on security funding in order to put more money into national defense and less into other security tools than would be required under current law.

The upshot: Congress and the Obama administration are back to debating a budget that misses the big picture of the best overall security interests of our nation. In the next section of our report, then, we provide a menu of options—beginning with modest but useful fixes and proceeding to deeper reforms—for creating the kind of budget process that would bring the central question of the overall balance of security budget priorities to greater executive and legislative attention.

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## Reforms to the budgeting process at federal departments and agencies

Until recently, the State Department lacked processes to link its budget allocations to its strategic plans.<sup>35</sup> The department also lacks a sufficient group of trained personnel to do the work of planning, program, and budget development, as well as program implementation.<sup>36</sup> Such weaknesses open the door for other agencies, including the Department of Defense, to set up programs parallel to those of the State Department, diluting foreign policy coherence and raising costs.<sup>37</sup>

In recent years, the State Department has developed a more systematic internal framework for planning and budgeting; it has also worked to integrate the planning and budgeting at the U.S. Agency for International Development into the new framework. Both State and USAID have added personnel with planning and budgeting expertise. Additional work is needed in these areas, however. One change of particular value would be to strengthen State's internal capacity for the planning and budgeting of security assistance programs.<sup>38</sup> Another would be to expand current training programs to include focuses on strategic planning, resource allocation, program development, program implementation, and evaluation.<sup>39</sup>



The Department of Homeland Security, now 10 years old, also appears to lack the processes and people needed to link its budgets to its strategic priorities. An important reason for establishing the department in 2003 was that a Cabinet-level secretary could shift resources among the department's operating components from duplicative or low-priority or activities into high-priority areas.<sup>40</sup> Yet the department's 22 operating components still generally set their own agendas, and their individual shares of the Department's budget have changed very little from the shares they held before the department was created.<sup>41</sup>

In 2010, the Department of Homeland Security issued its first Quadrennial Homeland Security Review. That review offered a strategic framework to make cuts across the department's various components. It fell far short of linking the department's budget into the framework, however. A quadrennial review would be far more relevant and useful if it considered strategies, programs, and budgets in relationship to each other.<sup>42</sup>

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## Reforms to the budgeting process in the Executive Office of the President

Mechanisms in the White House for top-down planning and resource allocation for security are in flux. Within the Executive Office of the President there are three institutions that hold much of the responsibility for security policy and budgets: the National Security Council and the Homeland Security Council, which advise the president and coordinate on policy matters, and the Office of Management and Budget, which oversees budgets. Early in 2009 the Obama administration for the first time pulled the staffs of the National Security Council and the Homeland Security Council into a single National Security Staff, and made the Secretary of Homeland Security a regular member of the National Security Council.

We applaud this reform because some of the tradeoffs considered in this report lie at the intersection of domestic and international security. Under the current arrangement, a single staff at the White House level is now in a position to consider them fully—a crucial step in unifying the nation's approach to security.

Additional work remains, however, to smooth a seam between the National Security Council, which considers policy, and the Office of Management and Budget, which considers costs. No entity at the White House level currently has the capacity or will make the time to conduct integrated, long-term planning, risk

assessment, and tradeoff studies, and to identify key long-term federal priorities under the constraint of realistic future fiscal guidance. Establishing a small new group of specialists with the appropriate outlook and breadth of experience across the National Security Council and Office of Management and Budget could allow the Executive Office of the President to consider the tradeoffs inherent in a unified security budget.<sup>43</sup>

The new teams could explore the tradeoffs involved in shifting resources as outlined here. They should be engaged in the entire executive budget process from beginning to end—from the spring, when early directives go to the individual agencies, to December, when the final recommendations go to the president.

A second reform would address the lack of official planning documents that make clear the links between strategy and resources for U.S. security. The Executive Office of the President periodically prepares a national security strategy and a homeland security strategy that articulate policies at the top level, but those documents often list areas of effort with little regard to the resources involved. Both of them fall short in establishing realistic priorities and in identifying tradeoffs among the various tools in our nation's security portfolio.

Our proposed Quadrennial National Security Review could strengthen the links between strategies and budgets for issues that lie at the nexus of defense: international affairs and homeland security. This new quadrennial review, conducted jointly by the staffs of the National Security Council and the Office of Management and Budget, would identify top-down security priorities within budgetary constraints. This process would start by considering the administration's overarching strategy, continue by articulating a prioritized list of critical missions, and end by identifying the major federal programs, infrastructure, and budget plan needed to implement the strategy successfully.<sup>44</sup>

A third reform would entail the preparation of a biennial National Security Planning Guidance report which could facilitate the in-depth examination of the sorts of tradeoffs considered here. As recommended in the Massachusetts Institute of Technology's Security Studies Program report, such guidance would be developed jointly by the National Security Council and Office of Management and Budget, and would provide detailed guidance for actions and programs within the multiple departments and agencies that contribute to U.S. security.<sup>45</sup>

Trying to conduct a single, exhaustive examination of all federal security-related programs would be an extremely complex endeavor. Instead, each successive biennial National Security Planning Guidance document would focus on resource tradeoffs and constraints across a few important areas. One review would focus on countering nuclear terrorism and dealing with the proliferation of advanced weaponry, and then, two years later, a second report would consider how to deal with the military challenges posed by rising powers.

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## Reforms in executive branch budget documentation

The federal budget organizes spending on our military forces primarily in the so-called 050 budget, one of about 20 budget categories in the federal budget. The 050 budget, also called the budget for national defense, includes spending for nuclear weapons activities in the Department of Energy, as well as all the activities of the Department of Defense. Separately, spending on international affairs falls primarily into the 150 budget category, and spending on homeland security is currently distributed among several different budget categories detailed below.

Both the Office of Management and Budget and the Congressional Budget Office—the budget arm of the legislative branch—have taken initial steps to provide consolidated security budget information. This is a good first step. We recommend that the Office of Management and Budget add a “Unified Security Funding Analysis” to the “Analytical Perspectives” volume of the federal budget, bringing together military, homeland security, and international affairs spending in one place. This will facilitate congressional consideration of the overall security priorities among these categories.

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## Reforms to the budgeting process in Congress

The Congressional Budget Office should incorporate its own version of the two analyses recommended above into its annual Budget and Economic Outlook report. But that is the least of the reforms necessary for Congress to be able to effectively and efficiently consider the requirements of a consolidated security budget. Narrowing the gap between resources allocated for military and non-military security tools will require a congressional budget process that allows members to consider all forms of security spending—offensive, defensive, and preventive—as a whole.

This will entail putting the national interest before parochial interests and bringing our national investments in military and nonmilitary security tools into better balance with each other. The changes in the executive branch outlined above should, by themselves, help propel Congress in this direction. Here's what needs to change.

### The current congressional budget process

Three separate subcommittees of the Appropriations Committee in each chamber currently handle annual spending for national defense. The Appropriations Committee in each chamber now has a subcommittee aligned to the Department of Homeland Security, but no appropriations subcommittee holds jurisdiction for the full panoply of federal homeland security activities. Homeland security is even more balkanized when it comes to the authorizing committees that approve the purposes of the spending. The Senate's Homeland Security and Governmental Affairs Committee and the House Committee on Homeland Security both hold jurisdiction for some aspects of homeland security, but scores of other committees and subcommittees retain responsibility for various activities within the Department of Homeland Security and across the wider federal homeland security effort.

A formal mechanism known as the 302(b) process is supposed to help each of the 12 subcommittees set priorities. The committee chair recommends an allocation to the subcommittees, and the full committee must consider and adopt that allocation. Unfortunately, however, subcommittee loyalty tends to trump thoughtful weighing of competing needs.

The Appropriations Committee in each chamber could do more problem-based oversight and decision-making across subcommittee jurisdictions. With respect to security budgeting, this largely involves the Defense and Foreign Operations subcommittees. Too often they view each other as competitors rather than collaborators. But there is no reason that those problems can't be confronted and the issues resolved. Even if this were done, overcoming congressional budgetary business as usual still faces steep odds. Therefore, we offer a range of options for doing so that think outside the box of existing structures.

In recent years Congress has shown openness to shaking up, or at least reexamining, organizational structures that have more to do with traditional power bases and power struggles than logic. It has demonstrated willingness in other areas to set up temporary select committees that could shed light and propel action on key

problems that merit extraordinary attention and cross traditional committee jurisdictions. The prime example is the Select Committee on Energy Independence and Global Warming.

### Better congressional budgeting is possible

Congress could apply this kind of medicine to the task of devising a way to take a unified approach to budgeting for security. A Select Committee on National Security and International Affairs could examine our overall security needs and the best balance of available tools to achieve them. And it could be tasked with recommending possible changes in the overall committee structure that could build this kind of examination into the budget process.

The George W. Bush administration's Advisory Committee on Transformational Diplomacy recommended a version of the first of those two mandates: that the relevant House and Senate committees create a joint national security subcommittee whose purpose would be “to set spending targets across all major components of the U.S. national security establishment's budget: defense, intelligence, homeland security, and foreign affairs/development/public diplomacy.”<sup>46</sup>

Select Committees, however, are, like the regular kind, made up of members of Congress, all of who are subjected to the pressures of special-interest lobbyists. The most successful effort in recent memory to transcend those forces of parochialism in the service of a high-priority national purpose was the bipartisan 9/11 Commission, made up of a balance of members affiliated with both parties but excluding current representatives and senators. In addition to producing an unusually eloquent report, its virtues included the willingness of many of its members to stay with the process, monitoring and advocating for its implementation.

Congress could authorize a new Commission on Budgeting for National Security and International Affairs, made up of similarly committed members, to examine the current balkanized budget process and recommend a restructuring that would enable more effective decision-making on security—decision-making that considers the overall balance of security tools and puts the national interest over parochial interests.

There is one other successful model for the functioning of a new that deserves mention here. Congress authorized the Defense Base Closure and Realignment

Commission in 1987 to manage the process of realigning and downsizing the structure of military bases for the post-Cold War environment. Its goal was to devise a process that separated politics and narrow economic interests from decision-making as much as possible. As with the 9/11 Commission, members were chosen by Congress and the president in order to balance party affiliations but exclude current senators and representatives.

Unlike the 9/11 Commission and most others, however, the Defense Base Closure and Realignment Commission has been authorized to reexamine its decisions and make new ones periodically, and has done so successfully four times since its initial convening. What's more, members of the commission have from time to time recused themselves from decisions on bases in their home states. The commission operates according to certified data and explicit criteria, foremost among them "current and future mission capabilities and the impact on operational readiness of the total force."<sup>47</sup>

This could be a useful additional feature of a Commission on Budgeting for National Security and International Affairs. It could be authorized to reconvene in order to evaluate how its recommendations for improvements to the budget process have been implemented, how the new processes are functioning in practice, and what further changes might be needed.

Of particular value in addressing the "congressional constituency" problem that favors military over other kinds of security spending is a recommendation from the Straus Military Reform Project at the Center for Defense Information. The Straus Military Reform Project recommends that an independent panel be created to review the procurement budget every year. Membership would exclude current and retired military officers who have any financial ties to defense corporations or reserve the right to forge such ties in the future. Their deliberations would be guided by estimates from the Congressional Budget Office for the costs of each past, present, and future system. Former Secretary of Defense Robert Gates considered the possibility of creating such a review panel, but there is no indication that his successor, Secretary Leon Panetta, has followed suit.<sup>48</sup>

A former head of legislative affairs for the National Security Council, William Danvers, has offered another proposal for an ongoing structure that could help Congress work in a more unified way on overall priorities for security policy and budgeting. To alleviate the problem of "stovepiped" committees operating independently of each other, he recommended that each party set up its own national

security council, analogous to the one serving the executive branch. It would be made up of the chairs or ranking members of the Armed Services, International Affairs, Intelligence, Appropriations, and Homeland Security Committees, and coordinated by a party national security advisor. The two councils could also be brought together from time to time to coordinate their work.<sup>49</sup>

Another useful reform idea flows from a 2007 report by the Stanley Foundation, which recommended that the Foreign Affairs Authorizing and Appropriations Committees of Congress “reassert a role in the program and budget process” by holding joint hearings with their defense counterparts.<sup>50</sup> A Unified Security Funding Analysis incorporated into the Analytical Perspectives volume of the president’s budget request would greatly facilitate their work.

To ensure that the executive branch considers broad tradeoffs of the sort inherent in a unified security budget, Congress should mandate that the executive branch conduct the Quadrennial National Security Review recommended by us on page 21, and prepare a biannual National Security Planning Guidance report. Congress should also mandate that the biennial and quadrennial reports be made available to Congress and the public.

In addition, the Congressional Research Service at the Library of Congress could be called upon to provide Congress with a report on the issues that the executive branch’s Quadrennial National Security Review is likely to raise. And the Congressional Budget Office could be asked to assess this quadrennial report after it is submitted to Congress. Joint hearings on the quadrennial review would help Congress were it to consider a unified security budget.

Clearly, rebalancing security spending will require initiative from not just one set of actors but many in both the legislative and executive branches. This goal itself has become near-conventional wisdom in Washington, and we have made some initial steps in the right direction. Removing the remaining—and formidable—structural obstacles currently in the way of real reform will be harder. We believe the sets of reforms presented in this chapter of this report would go a long way toward enacting real budget process reform, for the greater good of our nation’s security interests at home and abroad.

## Tackling waste and mismanagement

The budget processing reforms presented in the main pages of this chapter of our report do not deal with perhaps the lowest-hanging fruit of budget reform—private-sector contracting by the Department of Defense. Previous budget reforms in this arena are now showing up in annual budget projections, and though their savings figures seem heartening at first glance, a longer look reveals how far we still have to go. Compounded by the amount of waste and duplication brought to light by government watchdogs, these figures reinforce the fact that the Pentagon still faces serious problems with waste and mismanagement.

The “efficiency” reforms, introduced by former Secretary of Defense Gates in 2010, attempted to reduce overhead and streamline bureaucracy. As necessary as these steps are, they are difficult to quantify outside of the rare base closure or office elimination. But one area that has generated a lot of attention—not least because of its measurability—is the number of private-sector defense contractors, particularly service contractors.

The annual cost of Department of Defense service contracts has nearly tripled since 2000.<sup>51</sup> This has sounded alarms in both the executive and legislative branches. President Obama’s March 2009 memorandum on government contracting directed all federal agencies to reduce reliance on contractors, and Congress convened a task force on the issue in March 2010. The FY 2012 defense budget temporarily froze Pentagon spending on contract services for FY 2012 and FY 2013. Also last year, the White House proposed a government-wide 15 percent reduction in management service contracts such as those in information technology support and contract planning, which are particularly vulnerable to cost overruns.<sup>52</sup>

The Pentagon’s FY 2013 budget justification documents boasted of projected savings of \$12.8 billion thanks to “better buying practices,” “strategic sourcing,” and “streamlining installation support.”<sup>53</sup> This translates into cutting down on the thousands of contractors that

provide the military with everything from computer programming to food preparation. Though that may sound like a lot of money, it’s actually a small fraction of the amount the department spends annually on service contracts—nearly \$248 billion in FY 2010 alone.<sup>54</sup>

Some good government organizations have shown that a specific reduction in national security service contracts would yield significant savings. Reducing federal spending on service contracts by 15 percent over the next 10 years—essentially freezing it at 2007 levels—would save, at a minimum, \$37.2 billion per year, for a total savings of approximately \$372 billion over a decade.<sup>55</sup> Even with this reduction, service-contract spending would still be roughly on par with what the Defense Department spends on all uniformed and civilian personnel combined.

Similar levels of savings can be found in cutting contractors at non-Department of Defense national security agencies such as the Department of Homeland Security and the intelligence community. Federal service contracts at these agencies cost taxpayers more than \$22 billion in FY 2011. This could be due in part to evidence that the average annual billable rate for contractors was nearly twice as much as the average annual full compensation for federal employees performing comparable services.<sup>56</sup> A 15-percent reduction in non-defense national security agency spending on all service contracts could save taxpayers another \$33 billion over the next 10 years.

Reining in services contracting can produce big savings because of its pervasiveness throughout government. But plenty of other opportunities to save at the Department of Defense exist. In 2010 Congress asked the Government Accountability Office to report annually on duplication and fragmentation across government activities. This year’s report provided a smorgasbord of areas where the department could save money, from renegotiating food service contracts to consolidating electronic warfare programs. The programs mentioned in this report alone are worth hundreds of billions of dollars.<sup>57</sup>



# Linking security strategy to federal budgets

Since the mid-1990s, the mission set of our armed forces has, for the most part, grown dramatically in scope and ambition along with the size of the defense budget. In reviewing the changes in the Pentagon's mission set, we discerned several strategic trends. Specifically:

- Mission objectives grew much more ambitious.
- The geographic scope for intensive U.S. military efforts widened significantly.
- The focus of U.S. military activity became less discriminate across the globe.
- Missions that put U.S. “boots on the ground” in foreign nations grew more prominent.
- The United States played a more prominent role as the convener, governor, and quartermaster of joint action.

Let's look briefly at each of these strategic trends before detailing how a unified security budget would enable better budget planning.

## *Mission objectives grew much more ambitious*

Mission goals trended from an early emphasis on standard deterrence and various forms of crisis response (including defense, conflict resolution, and conflict containment) to more proactive and transformative goals. These latter trends included efforts to block the emergence of threats, remove or weaken adversarial regimes, and shape the global strategic environment.

Examples of this latter trend include changing the regime in Iraq through force, leaving thousands of U.S. troops in Saudi Arabia and Kuwait after the first Gulf War, and deploying U.S. Special Forces aggressively throughout much of the greater Middle East and East Africa.

### *The geographic scope for intensive U.S. military efforts widened significantly*

Over the years, U.S. military activity has concentrated on a changing subset of the world's regions. The Cold War ended with U.S. forces concentrated primarily in Europe and Northeast Asia. During the 1990s, the U.S. military presence increased in the Persian Gulf and spread into Eastern Europe. And since the 9/11 attacks, it has spread further into Central and South Asia, Southeast Asia, and Africa. In fact, in 2007 the Department of Defense established a separate regional command in Africa, AFRICOM, and ramped up covert actions in the region.

Throughout the past 15 years, the Pentagon has also paid increasing attention to China's periphery. Even before the Obama administration's pivot to Asia, which was announced in early 2012, Secretary of State Clinton argued that the Asia-Pacific region had become a key driver of global politics and a key to future U.S. strategy.<sup>58</sup>

### *The focus of U.S. military activity has become less discriminate across the globe*

The U.S. military entered the post-Cold War period focusing its efforts on a discrete set of acute problems and outstanding adversaries. But beginning in the late 1990s, the Pentagon sought (in partnership with others) a more consistent and "positive" control over the global security environment. This sometimes included "securing the global commons" and stabilizing the ungoverned and weakly governed areas of the earth.

These broad "area control" tasks are well beyond the capacity of any single state or group of states. But to help achieve these goals, the U.S. military invested substantially in assembling and provisioning a global web of security "partnerships" with countries such as Singapore, Australia, Vietnam, and the Philippines.

### *Missions that put U.S. "boots on the ground" have grown more prominent*

During the past decade the Pentagon has shifted emphasis from standard "peace operations" to much larger counterinsurgency and nation-building tasks, mostly as a consequence of the Iraq and Afghanistan wars. Similarly and until recently, the war on terrorism evolved from a standard counterterrorism campaign targeting Al Qaeda into a global counterinsurgency effort, aiming to stymie militant anti-Western groups worldwide.

Plans for future security and stability operations now foresee U.S. forces playing a less direct and intensive role than they did in Iraq and Afghanistan, and emphasize finding local partners and building their indigenous security capacity. Nonetheless, this may make the United States party to a wide range of foreign civil conflicts. One example of this is already evident in sub-Saharan Africa, where the United States has deployed 100 Special Forces to aid Ugandan forces in the hunt for Joseph Kony and his Lord's Resistance Army.

*The United States now plays a more prominent role as the convener, governor, and quartermaster of joint action*

In theory, U.S. security policy recognizes the importance of international cooperation as a force multiplier, a source of legitimacy, and a means of burden-sharing. In the course of the past 20 years, however, efforts at military cooperation have often trended away from an emphasis on inclusive multilateral institutions and toward more exclusive, ad hoc, and bilateral arrangements, such as the “coalition of the willing” that supported the war in Iraq.

Although this more ad hoc security trend has granted the United States more sway and freedom of action, it conveys less legitimacy, can be polarizing, and leaves the United States carrying more of the costs of action, as it did in Iraq. But, if Libya becomes the model for future wars of choice—where the United States led an international effort but the burden on the U.S. military (and taxpayer) will be significantly less, and our force posture can be adjusted accordingly.

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### A question of balance and sustainability

These five post-Cold War trends in U.S. security policy are heavily military in scope, yet a first principle of U.S. policy should be that our nation's security depends upon a combination of defense, diplomacy, and development initiatives. In fact, the most recent national security strategy emphasizes a whole-of-government approach as an engine for driving an assertive strategy of engagement abroad—a strategy for handling today's problems and shaping a future international security order.<sup>59</sup>

Unfortunately, what focus there is on nonmilitary instruments of policy is gaining traction at the Pentagon at the expense of the State Department as the functional leadership of many diplomatic and development policies is gradually migrating from the State Department to the Department of Defense. This is evident in many ways.

Threat prevention or “environment shaping,” for example, which involves using military deployments and activity to influence the longer-term goals of other nations, reassures our allies about our nation’s enduring commitments to our treaty obligations and has long been a subordinate part of the Pentagon’s mission. Traditionally, these functions—such as helping regions deal with challenges arising from economic problems, social instability, or lack of capacity—sat primarily with the State Department. But in recent years, as these functions have grown more central to the Pentagon’s force and budget rationales, they have taken on a more military complexion.

Just one case in point: When AFRICOM was established in 2007, it was supposed to be a model of interagency cooperation, a U.S. Combatant Command representing a cross-section of military, diplomatic, and other capabilities of the U.S. government able to bring all elements of national power to regional challenges. Budget realities, however, kept AFRICOM from really achieving its vision of half-military half-other agencies at its command headquarters.

Similarly, the Pentagon’s military-to-military engagement activities presently rival or surpass regular diplomatic relations conducted by the State Department in many nations, and the Pentagon’s regional commanders serve routinely in a front-and-center diplomatic role. No State Department mission can rival the resources of the military due to the Pentagon’s vastly superior funding. For example, AFRICOM already has more personnel than USAID working in Africa, even though it was only established in 2007 and despite the fact that we have no congressionally-authorized ongoing contingency (military) operations on the continent.<sup>60</sup>

Then there’s the issue of development aid. The Pentagon is directly responsible for the delivery of about 20 percent of all development aid today; prior to 9/11, the Department of Defense accounted for only 5 percent of development aid.<sup>61</sup> In addition, the revival and spread of political-military operations—that is, counterinsurgency—has reframed development assistance. Security rationales are playing a bigger role in the distribution of aid and its use, which increasingly gives the upper hand to military strategy when it comes to diplomatic or development strategies.

The upshot: Country missions, embassies, and diplomatic staff are distinctly overshadowed in many places by the array of ongoing Department of Defense activities related to counterterrorism, intelligence, military assistance, and military-to-military engagement. As a result, America’s armed forces are increasingly the most prominent face of the nation worldwide.

The evolution of the Pentagon's mission set was accompanied by issues of cost as well as by questions about its effectiveness. To grasp the scope of this evolution, we'll now delve in turn into the issues of cost and questions of effectiveness.

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## Issues of cost

Since the late 1990s, the U.S. defense budget has grown by nearly 100 percent after accounting for inflation.<sup>62</sup> About half of this growth is due to the recent wars in Iraq and Afghanistan.<sup>63</sup> The increased scope and ambitions of the Pentagon's mission set were key factors in driving up both the war- and peace-time portions of the Pentagon budget. Current defense budgeting reflects a variety of mission-related demands—which has increased concomitant costs.

Personnel and operations expenditures for the routine rotation and stationing of units abroad, which, apart from the war in Afghanistan, involves 160,000 troops plus their rotation base, costs at least \$38 billion a year.<sup>64</sup> And the costs associated with constructing new bases abroad, upgrading the old bases, and sustaining and protecting the entire base infrastructure so that these personnel rotations happen safely and mostly on time adds another \$25 billion.

But perhaps most costly of all, especially in terms of personnel and operations costs, are the counterinsurgency and nation-building activities. This is largely a consequence of their complex and protracted nature. The costs imposed by counterinsurgency, nation-building, and military assistance activities include employment of a much larger cohort of private contractors. The direct cost of the wars in Iraq and Afghanistan is at least \$2 trillion.<sup>65</sup>

An often-overlooked cost of our large military presence around the world is the increasing the types of critical missions for which our armed forces must prepare as a first order of business. This increases training costs and exerts upward pressure on force size, as the military must accommodate more types of units.

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## Questions of effectiveness

The increased dependence on military power for purposes other than simple defense and deterrence raises issues of effectiveness, as do the concomitant costs of subsequently expanded operations. We must take these issues into account when

trying to find an optimal balance among all the security instruments. So let's assess in turn the effectiveness of activities dealing with threat prevention, environment shaping, counterinsurgency, nation building, and military assistance today.

### The effectiveness of threat prevention

A central objective of U.S. military policy, especially since 1997, has been to prevent the emergence of threats. Preventative military operations can range from sanctions and blockades to shows of force, counterproliferation strikes, and even regime change. Preventative military action aims to do what diplomatic measures and simple deterrence cannot: quickly and decisively extinguish risk.

But such action carries risks of its own. Treating potential threats as though they are imminent ones can exacerbate interstate tensions and precipitate the outcome that "prevention" is meant to preclude. Thus, in the run-up to the 2003 Iraq war, coercive efforts and threats fed the "bunker-mentality" of Saddam Hussein's regime, making war more likely, not less. Generally, the declaration of "regime change" objectives undermines diplomacy and helps to harden uncooperative behavior of potential adversaries. The Iraq case also suggests that preventive uses of military force rest on unrealistic assumptions about our capacity to control outcomes and a serious underestimation of the potential costs and consequences of toppling regimes.

Similarly, in Afghanistan the United States decided that, rather than settling for removing Al Qaeda and the Taliban from power, it had to remake Afghan society to prevent the country from again becoming a threat. And President Obama has said that a strategy of containment will not work if Iran gets a nuclear weapon; he has indicated that he will use military force to prevent Iran from developing deliverable nuclear weapons.<sup>66</sup>

### The effectiveness of environment shaping

Perhaps the most costly peacetime function of the U.S. military during the post-Cold War period has been what the first Quadrennial Defense Review called "environment shaping."<sup>67</sup> This involves the use of military deployments and activity to influence the longer-term goals of other nations, such as joint military exercises with South Korea and Japan off the coast of North Korea, or naval

exercises in the Straits of Hormuz, the Taiwan Straits, or the South China Sea. These and other environment-shaping missions are increasingly becoming more important than ever before in rationalizing America's worldwide military presence and exercises, its alliances and military-to-military contacts, and its arms transfers and military assistance programs.

“Environment shaping” is defined in part by the functional goals of reassuring allies and dissuading potential adversaries. The reassurance of allies and friends involves demonstrating in tangible ways that the United States remains committed to addressing their security concerns. The dissuasion of potential adversaries involves using military deployments and activity to forcefully assert America's interest in certain regions, situations, or outcomes.

The aim of dissuasion is to convince potential adversaries that an undesirable competition might ensue if they pursue policies at odds with perceived U.S. interests. We might think of dissuasion as constituting “preemptive deterrence” or “preemptive containment.” Thus, the spread of U.S. military bases and partnerships toward the borders of Russia, and an increased U.S. naval presence in Asia, in places such as the Philippines and Singapore, are supposed to temper potential Russian and Chinese military activism.<sup>68</sup>

On the negative side of the balance sheet, military deployments and other activity meant to reassure allies can sometimes inadvertently discourage burden sharing. This is the case with Japan and our NATO allies, both of whom spend less than 2 percent of their gross domestic product on defense.

A substantial U.S. military presence can also generate friction with local populations, feeding anti-American sentiments. Look no further than Okinawa, where local officials protested allowing the Marines to station V-22 tilt-rotor aircraft on the island. Or take our fraught relations with Pakistan, where the United States and NATO were only recently authorized to resume the convoy of supplies across the border to Afghanistan. The U.S. experienced similar problems in Saudi Arabia in the 1990s and in South Korea periodically over the last four decades.<sup>69</sup>

Environment shaping can also provoke counterbalancing behavior by other powers—an outcome that would lessen security rather than enhance it. While the United States can and should maintain some presence around the globe, it can save money and increase security by moving toward a strategy of offshore balancing advocated by scholars such as Steve Walt, John Mearsheimer, Robert Pope,

and Christopher Layne. This would enable us to avoid much of our forward stationing. If regional balances are threatened, the U.S. could surge mobile, offshore forces to protect our allies and our interests. Such a strategy would not only be cheaper, it would remove the obvious presence of U.S. forces from areas where they may be unpopular and reduce the temptation to intervene in places where our interests are not directly threatened.<sup>70</sup>

### The effectiveness of counterinsurgency, nation-building, and military assistance

The slow progress and incredibly high cost of counterinsurgency and armed nation-building in both Iraq and Afghanistan suggest that these methods are not cost-effective for fighting terrorism and managing other types of transnational dangers. America's drive for regional stability may require a different mix of assistance efforts than current policy envisions.

The 2010 Quadrennial Defense Review implicitly recognized the need for change by proposing the seemingly modest alternative of building indigenous security capacity in numerous troubled states.<sup>71</sup> Presently, the United States provides security assistance of some sort to over 150 nations; more than two dozen of these can be considered "weak states" suffering significant internal instability.<sup>72</sup> One of the five sections of the 2010 Quadrennial Defense Review proclaims that these sorts of cooperative relationships are key to the Department of Defense's ability to pursue its strategic goals.<sup>73</sup>

Indeed, the Iraq and Afghanistan experiences show that producing professional, effective, and reliable local security forces is not easy, quick, or inexpensive. Despite the expenditure of hundreds of billions of dollars, neither the Iraqi or Afghan forces will be able to defend their country before 2020.

In fact, the evidence is strong that in troubled states, local security forces often fail to rise above the sectarian loyalties that divide their societies, despite Western mentoring. This is the case in Sudan, as well as in Iraq and Afghanistan. And an emphasis on developing security forces in otherwise weak states can serve to militarize these societies and impede the development of democratic institutions.

Look no further than Egypt, where U.S. military assistance prolonged a military dictatorship and ultimately tarred the democratic image of the United States in the eyes of many Egyptians, as evidenced when they began to speak out during the beginning



of the Arab Spring last year. In Egypt, Saudi Arabia, and Yemen there can be little confidence in the long-term effectiveness and loyalties of their military forces as long as the broader problems of democracy, development, and civil discord persist.

Will sub-Saharan Africa be the next place that counterinsurgency, nation building, and military-to-military assistance prove ultimately ineffective? There is already an apparent danger: that selective bilateral security arrangements with the United States will arouse concerns about regional military balances—an outcome detrimental to stability. For example, the United States is training the Ugandan military to operate in Somalia and pursue the Lord’s Resistance Army. It is also conducting drone strikes and Special Forces raids in Somalia, and intelligence sorties across central and northwest Africa.<sup>74</sup>

A final concern is that close association with numerous local security forces may continue to implicate the United States in undemocratic practices and foreign civil conflicts—as happened in Bahrain and Pakistan, to name but two examples. And it may prove hard to walk away from these investments, even when they go bad, because of the need to base our forces or conduct operations in those places.

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### Resetting U.S. security along more realistic lines

A more manageable, reliable, and sustainable approach to U.S. security would show greater discretion in dispensing military assistance to other countries and feature a more precise focus on building cooperation with countries for counterterrorism activities. The broader goal of regional stability requires a more patient and longer-term approach to U.S. security strategy. This new approach, as presented by Bush’s ambassador to Iraq and Afghanistan should emphasize the growth of stronger regional institutions, equitable economic development, and progress toward democratic governance, rather than focusing primarily on military-to-military relations, as we have done with countries like Thailand, Pakistan, and Egypt. Pursuit of these goals falls principally within the province of the State Department, not the Department of Defense.<sup>75</sup>

With this alternative U.S. security strategy in mind, assessing the post-Cold War evolution of U.S. defense missions in terms of costs and benefits argues for returning our armed forces to an emphasis on more traditional and reliable crisis-response tasks, chiefly defense, deterrence, and conflict management. We detail the following specific steps in the next section of our report:

- Counterterrorism efforts should continue to receive more emphasis from our armed forces than the sending of large land armies into counterinsurgency operations or the modernization of all three legs of the nuclear triad. We should use as our model the way in which we are dealing with al Qaeda on the Arabian Peninsula, rather than the way in which we dealt with them in Iraq and Afghanistan. And we need to move beyond the New START limits on our nuclear weapons.
- Environment-shaping, military engagement, and military diplomacy activities should receive less emphasis at the Department of Defense and more at the State Department and USAID.
- Counterinsurgency operations and attempts at armed nation building should be scaled back dramatically across the U.S. security strategy.
- Military assistance efforts outside formal alliances should continue, but in a more focused way as a subordinate part of multiagency development assistance efforts.
- Within the category of crisis-response activities, there should be a reduced requirement for high-end conventional warfare capabilities such as massive deployments of U.S. ground forces.
- The United States should rely more on the rapid deployment of air, sea, and special forces from U.S. territories for crisis-response purposes. In other words, it should shift to a strategy of offshore balancing.

Changes along these lines would allow a significant reduction in both the size and activity of our armed forces. Notably, we could reduce the permanent forward presence of U.S. troops and the routine rotational deployments of the U.S. Navy and Marine Corps. U.S. military presence abroad would become more focused on those few areas with acute deterrence needs, most notably the Persian Gulf and Northeast Asia. We should also rely less on nuclear weapons.

Along these lines, the nonpartisan Sustainable Defense Task Force, created by Rep. Barney Frank (D-MA) to assist the Bowles-Simpson Deficit Commission in reducing projected increases in defense spending in order to reduce the deficit, has proposed a reduction of one-third in America's permanent military presence abroad.<sup>76</sup> This Task Force endorses this policy, as do scholars in favor of offshore balancing. Striking a more realistic balance in military missions would entail changes affecting all of military service and every area of defense modernization:

- Special forces and capabilities for intelligence, surveillance, and reconnaissance would be largely retained or even enhanced in accordance with the needs of counterterrorism and counterproliferation operations.
- Ground forces—the U.S. Army and Marine Corps—would be reduced in line with the reduced requirements for forward presence, conventional warfare, and counterinsurgency operations.
- Naval forces are heavily burdened at present by routine peacetime rotations abroad. Re-orienting the U.S. Navy toward surging power when needed for crisis response would allow a significant reduction in fleet size.
- Air power—both ground- and sea-based—can be reduced in accordance with the reduced requirement for conventional warfare capabilities, but not as much as other assets. Air power will retain a special place as a key rapid-deployment asset and as an important force multiplier for units operating across the conflict spectrum.
- Defense modernization plans should be generally revised to reflect the change in the threat environment. Programs primarily designed to deal with peer conventional warfare competitors would be especially affected. Today’s conflicts do not require the United States to fight challengers that put very large numbers of high-cost, cutting-edge combat platforms into capable hands.
- Although more powerful conventional foes may emerge in the future, the optimal way to hedge against this eventuality is to maintain a strong foundation for force reconstitution, sizable military reserves, and substantial support for research, development, and the prototyping of new military technologies.
- Nuclear weapons should be reduced as recommended by General James Cartwright, former vice chairman of the Joint Chiefs of Staff, and the Air War College and the School of Advanced Air and Space Studies.<sup>77</sup>

In the next three sections of our report, we detail exactly how to rebalance our military spending to achieve this leaner and more targeted mix of armed forces to better serve our nation’s broad security interests. We look first at rebalancing our offensive capabilities, then at our prevention capabilities, and finally at our defense capabilities. These three sections include the budget details necessary to rebalance our security interests in line with the rationale for doing so that is presented in this and earlier sections of the report.

# Rebalancing security: Offense

In this section of our report, we outline more than \$70 billion in potential savings in the FY 2013 baseline defense budget that can be achieved through rebalancing our offensive security forces. If implemented, these recommendations would do much to bring the Pentagon budget back in line with historical norms and to levels that are sustainable in the long term. And the recommendations will do this without jeopardizing national security or the president's efforts to wind down the war in Afghanistan.

Our reductions fall into two broad categories. First, we target outdated, ineffective, or unnecessary weapons programs. Given the budgetary pressures facing the Department of Defense and our country, the Pentagon can no longer afford to continue funding costly weapons programs that provide only negligible benefits over existing systems or are designed to counter Cold War-era threats that no longer exist. Second, we suggest reforms to the military's outdated compensation systems, which now consume one-third of the Pentagon's base budget yet fail to adequately address the needs of the majority of the military force, particularly enlisted soldiers and Marines.

Our proposed savings can be divided into the following categories:

- **Health care and retirement programs.** We could save about \$28 billion by reforming the Department of Defense's unwieldy health care and retirement programs, which are prohibitively expensive and fail to cover the vast majority of veterans who have served in Iraq and Afghanistan.
- **The nuclear arsenal.** We could save another \$20 billion by reducing the nuclear arsenal to no more than 311 warheads which, as a recent article by faculty of the Air War College and the School of Advanced Air and Space Studies asserted, is more than enough to maintain nuclear deterrence against current and likely future threats.<sup>78</sup>

- **Active-duty troops stationed overseas.** We could save about \$10 billion by reducing the number of active-duty troops stationed overseas in Europe and Asia.
- **Weapon development and procurement.** We could save another \$8.7 billion in FY 2013 (and much more in later years) by scaling back or stopping the development and procurement of weapons not necessary to combat today's threats.
- **Research, development, test, and evaluation spending.** And finally, we could save \$5 billion by reducing research, development, test, and evaluation spending to more reasonable—yet still historically high—levels.

Reducing wasteful defense spending will not undermine our national security. Instead, ending the Pentagon's addiction to unlimited funding will ensure taxpayer dollars are being spent effectively. Over the past decade the Pentagon has been so poorly managed that it is now unable to conduct an audit: It cannot keep track of how or on what its money is spent.<sup>79</sup> This is no way to run the keystone of our national security apparatus.

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## The FY 2013 Defense budget request

The Obama administration's FY 2013 defense budget finally halts the unrestrained growth in baseline military spending that has occurred over the past decade, essentially holding the budget steady in inflation-adjusted terms through FY 2017.<sup>80</sup> But it does little to bring the baseline budget back down from its current level, which remains near historic highs.<sup>81</sup>

If passed by Congress, the FY 2013 proposal would authorize \$525.4 billion for the Pentagon's base budget for FY 2013, a \$5.2 billion or 1 percent reduction from this year's spending level.<sup>82</sup> The proposed budget recognizes that we can no longer afford the runaway growth in defense spending that has occurred since 1998, causing a near-doubling of the baseline or non-war defense budget.

Achieving the first real reduction in military spending in more than a decade is a welcome and major achievement. But with just a 1 percent reduction in military spending, the Pentagon will continue to waste billions on outdated, unnecessary, or underperforming weapons systems and compensation programs.

When one takes into account funding for the wars in Iraq and Afghanistan, the Pentagon will spend about \$620 billion in this next fiscal year. To put this level of military spending in perspective, that's about \$170 billion more than we spent on average during the Cold War, and \$30 billion more than at the peak of the Reagan buildup in 1985.<sup>83</sup>

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## Our recommendations

Below, we outline more than \$70 billion in potential savings in the fiscal year 2013 baseline defense budget. If implemented, these recommendations would do much to bring the Pentagon budget back in line with historical norms and levels that are sustainable in the long-term without jeopardizing national security.

Earlier this year the Obama administration announced plans to reduce projected military spending by \$487 billion over the next 10 years. At first glance, nearly half a trillion dollars in reductions sounds like a huge cut. But these reductions come from projected increases in defense spending. As a result, these \$487 billion in "cuts" result in a budget that will fall by \$6 billion next year and then resume growing at about the same pace as inflation. If the Obama administration wants to achieve real reductions in defense spending and bring the budget down from its current level, more will need to be done.

In their FY 2013 budget request, the Obama administration adopted a number of recommendations from our 2012 Unified Security Budget report, including reducing the size of the ground forces to pre-9/11 levels, decreasing the number of active-duty troops stationed in Europe, and rebalancing Tricare health care fees for working-age retirees. This year, we identify an additional \$70 billion in potential savings for FY 2013. These are enough to bring the budget back in line with historical norms. Implementing these recommendations, plus those already outlined by the Obama administration in its FY 2013 budget request, would enable savings of \$1 trillion over the next decade.

## Weapons procurement

**SSN-774 Virginia Class nuclear attack submarine—Reduce production of the Virginia Class to one submarine per year in FY 2013 and through FY 2017, saving \$2.55 billion in 2013 and 11.25 billion through 2017<sup>84</sup>**

The U.S. Navy currently enjoys overwhelming maritime superiority, possessing more firepower than the next 20 largest navies combined, and the majority of these are American allies.<sup>85</sup> On submarines, the balance is even more favorable. The United States currently has 57 nuclear-powered attack submarines or cruise missile submarines; China has just five, and Russia, 25.<sup>86</sup> These figures do not reflect additional U.S. superiority in naval aviation and anti-submarine warfare. Given this tremendous naval and submarine superiority, the United States does not have a strategic necessity to make large, immediate investments to increase the size of its submarine fleet. A more drawn out building program will allow more fiscal and strategic flexibility, and it will more accurately reflect the threats facing the nation.

The SSN-774 Virginia Class submarine was designed to collect covert intelligence, transport special operations teams, find and destroy enemy submarines, and launch tactical Tomahawk cruise missiles.<sup>87</sup> These missions are shared by the existing fleet of Virginia Class submarines and refurbished SSN-688 Los Angeles Class submarines, while the cruise-missile mission is also shared by four SSBN (ballistic missile) Ohio-class submarines converted to SSGN (cruise missile) configuration and by numerous surface ships.<sup>88</sup> Should operational requirements for these missions exceed the ability of the current SSGN fleet, as many as four additional SSBNs could be converted to SSGNs, which would still leave 10 Ohio-class submarines as part of the strategic deterrent force. A fleet of 10 nuclear-armed submarines is more than enough to provide for an effective second-strike capability and be an effective nuclear deterrent.

Significantly and rapidly increasing our fleet of Virginia Class submarines, which were conceived before the widespread adoption of unmanned technology and without the intention to fight the asymmetrical wars that have characterized the 21st century; will do little to improve U.S. security. Instead, reducing procurement of this system to one submarine per year will free up dollars that can be better spent on other critical national security initiatives.

#### **V-22 Osprey—Cancel the V-22 Osprey program for savings of \$1.85 billion in FY 2013 and \$8.33 billion through FY 2017**

The V-22 Osprey helicopter has been hampered by cost overruns and technical problems for decades. Opposition to the program is bipartisan: the co-chairs of President Obama's 2010 deficit commission recommended ending procurement of the V-22,<sup>89</sup> while during his stint as Secretary of Defense in the George H.W. Bush administration, Dick Cheney attempted to cancel the program four times, dubbing it a "turkey."<sup>90</sup>

The Pentagon began development of the Osprey in the mid-1980s as a response to the failed mission to rescue the hostages in Iran. It is a unique aircraft, which takes off and lands like a helicopter and, once airborne, flies like a plane. It was originally supposed to be a joint service program, but for technology and cost reasons, the Army dropped its support for the program in the late 1980s. In 1991, Dick Cheney finally canceled it because of large cost concerns and continuing technical problems.<sup>91</sup>

Cheney's decision was overridden by Congress, and with the subsequent support of Presidents Bill Clinton and George W. Bush, and now President Obama, the program has survived. Despite the expenditure of more than \$30 billion, the project is 15 years behind schedule, and the total estimated cost of the program has risen from about \$30 billion to over \$50 billion.<sup>92</sup>

Under current plans, the Pentagon intends to buy 21 of these aircraft in FY 2013 at a cost of over \$90 million for each helicopter. That is nearly three times more than the original estimate, and assumes that the Pentagon can meet its cost-control targets. Even then the Osprey would be only marginally more capable than existing helicopters in terms of speed, range, and payload, while costing the American taxpayer at least five times more per helicopter.

Technical problems have seriously hampered the Osprey's performance. A May 2009 Congressional Research Service report found that "in Iraq, the V-22's mission capability (MC) and full mission capability rates fell significantly below... rates achieved by legacy helicopters."<sup>93</sup> Additionally, while the Osprey can deliver soldiers more quickly to the landing-zone and is less vulnerable to enemy fire when flying like a plane, it is less stable and slower in its vertical takeoff and landing, meaning that it is more vulnerable when it is most likely to come under fire.

Additionally, despite improvements in 2011 and 2012, the V-22's cost per flight hour is roughly \$10,000, compared to \$4,000 for the CH-46 it replaced.<sup>94</sup> Given the V-22's high price tag—it costs five times as much as other models—and lackluster performance, there is no reason for the Department of Defense to continue sinking money into the program. Halting production of the V-22 will save \$1.85 billion in FY 2013 and \$8.33 billion through FY 2017.<sup>95</sup> This would eliminate only 98 planned V-22s from the service, leaving the Marines and special forces with nearly 200 V-22s and more than 2,800 heavy- and medium-transport helicopters overall.<sup>96</sup> Congress should evaluate whether taxpayer funds could be used more efficiently through purchase of less-expensive conventional helicopters such as the H-92 and CH-53.



**F-35 Joint Strike Fighter—Cut the Navy and Marine Corps variant and reduce procurement of the Air Force variant by half, saving \$4.28 billion in FY 2013 and \$28.67 billion through FY 2017**

The F-35 Joint Strike Fighter is an ambitious program to build three variants of a single-concept aircraft which would suit the diverse needs of the Air Force, Navy, and Marine Corps. Designed to be capable of air-to-air, air-to-ground, and reconnaissance missions, the F-35 is a multi-use weapons system that can be used to tackle a number of security threats. But repeated cost overruns over the past decade have seen the total price tag rise to more than \$395 billion.<sup>97</sup>

The F-35 should be built, especially since production of the F/A 22 Raptor—the Air Force’s fifth-generation stealth fighter—has been stopped after the production of the 187 aircraft. In principle, building variants of the same design—a carrier-based (CV) variant for the Navy, a short takeoff and vertical landing (STOVL) variant for the Marine Corps, and a combined air-to-air and air-to-ground aircraft for the Air Force—was meant to save the American taxpayer money by avoiding the need to research, design, and develop three entirely different planes.

Moreover, since many U.S. allies are willing to purchase the joint strike fighter, it will improve the ability of the United States to use military power in conjunction with allied forces, and will lower the unit cost of these fighter jets for the U.S. military. But in the current strategic environment, where the United States has 3,029 fourth-generation tactical aircraft—three times more than our nearest competitor—and is the only nation currently fielding fifth-generation fighters, we can afford to slow the procurement process down and allow the developers and testers time to get things right.<sup>98</sup>

In 2011, in response to “significant testing problems” in the Marine Corps’ variant of the F-35, then-Secretary of Defense Gates announced a two-year probationary period for the variant and noted that it should be cancelled if the testing issues could not be resolved.<sup>99</sup> Secretary of Defense Leon Panetta ended the probation in January 2012, stating that he was reassured by the progress the testers had made in addressing the technical difficulties, though doubts still remain.<sup>100</sup>

While the overall F-35 program is strategically valuable, the plane is not an urgent national security imperative given the already overwhelming tactical air superiority of the United States. Regarding the Marine Corps variant specifically, there are increasing doubts about the necessity and viability of the plane. With the devel-

opment of long-range anti-access and area-denial weaponry, the Marine Corps is unlikely to undertake amphibious operations against a sophisticated adversary without a preceding campaign by the Navy and Air Force to degrade enemy defenses.<sup>101</sup>

Meanwhile, some in the Navy point out that the F-35's air-to-air and air-to-ground missions can be capably performed by the existing fleet of F/A-18E/Fs. The only situations in which a fifth-generation, carrier-launched stealth fighter would be needed would be a large-scale strike on a technologically-advanced enemy nation, in which case the Air Force's fleet of F-22s and F-35s or submarine and surface-launched cruise missiles could pave the way for further non-stealth strikes.

The FY 2013 budget request calls for a total of \$6 billion for the program to purchase 29 planes for the Air Force, Navy, and Marine Corps. However, given the technical problems with the program—which previously led Secretary Gates to fire the program manager and withhold \$614 million in payments from Lockheed Martin Corp., the plane's prime contractor—the program should not be rushed. The Pentagon should iron out all its technological problems before it goes into full-scale production.

Due to our tremendous numerical and qualitative advantage in tactical aircraft, along with the operational details outlined above, we can afford to cancel the procurement of the Navy and Marine variants while halving the Air Force buy to 10. This would save \$4.3 billion in FY 2013 and \$28.67 billion through FY 2017, while at the same time preserving American air superiority and ground-attack capabilities.

## Personnel

### **Reduce the number of active-duty personnel stationed in Europe and Asia, allowing for savings of \$10 billion a year**

About 150,000 active-duty U.S. troops are assigned to Europe or Asia. In its FY 2013 budget request, the Obama administration announced plans to remove two brigades from Europe in order to focus U.S. military resources where they are most needed. Even with these reductions, however, the United States will continue to have about 70,000 troops stationed in Europe, a stable continent that has more than enough resources to provide for its own defense two decades after the end of the Cold War.<sup>102</sup>

The 2010 Sustainable Defense Task Force found that the United States can reduce its troop presence in Europe and Asia by one-third without harming its security or interests, given improved U.S. capabilities for long-range strikes and rapid troop transport.<sup>103</sup> We estimate that withdrawing 33,000 troops from Europe—including the two brigades already announced—and 17,000 troops from Asia would create savings of \$10 billion FY 2013.

#### **Pay—\$0 in FY 2013, \$16.5 billion over the next five years**

This year the Pentagon will spend \$107 billion on salaries and allowances, which is about 20 percent of its base budget.<sup>104</sup> These costs have grown rapidly in the past 12 years, primarily due to a series of pay raises authorized by Congress over and above the Department of Defense's budget requests.

Since 2000 active-duty compensation (excluding health care benefits) has increased by 28 percent, with the cost per service member growing from \$64,606 in 2000 to \$80,292 in 2012.<sup>105</sup> This growth is partially attributable to the costs of the wars in Iraq and Afghanistan, but it is primarily due to the repeated increases in basic pay that have been authorized by Congress.

To ensure the force attracts and retains high-quality recruits, the Department of Defense Department ties basic military pay to civilian salaries as measured by the Employment Cost Index, ensuring that service members are paid in-line with comparably educated civilian employees. But in 2004 Congress mandated that military pay increase by the Employment Cost Index plus 0.5 percent through 2006, and then continued authorizing these larger pay increases—against the Pentagon's wishes—through 2011.<sup>106</sup>

By repeatedly passing pay raises above and beyond the Pentagon's request, Congress has driven military pay out of line with the Pentagon's own standards. Basic pay accounts for about half of military cash compensation—service members also receive tax-free allowances for housing and subsistence, a variety of other tax breaks, and an array of special and incentive pay. By 2006 the average service member earned \$5,400 more in cash compensation than a comparably qualified civilian counterpart, and the average officer earned \$6,000 more than a civilian with similar education and experience. This disparity has continued to grow in the past six years.<sup>107</sup>

What's more, these numbers do not include the value of the generous health care and retirement benefits received by military personnel. While career officers

receive a disproportionate share of retirement benefits, all troops receive free medical care while they serve and enormously discounted health care for life.<sup>108</sup>

Whether the result of political expediency or of Congress not understanding the full range of military compensation, their repeated increases to basic pay above the Employment Cost Index are fiscally unsustainable. They ignore the advice of military leadership and the recommendations of the Pentagon's own commissions such as the Quadrennial Review of Military Compensation.

To its credit, the Department of Defense has attempted to tackle this problem in its FY 2013 budget request, outlining a plan that would gradually bring military pay back in line with the Employment Cost Index without cutting any service member's pay. The department proposes to do this by slowing down military pay increases beginning in FY 2015. While this plan would not result in any savings in FY 2013, the Pentagon estimates that it would save \$16.5 billion over the next five years. Congress should demonstrate political courage and allow the Department of Defense to execute this long-term plan.

#### **Health care—\$15 billion a year**

The military must also face the challenge of restraining runaway health care costs. As the Center for American Progress noted in its 2011 report, "Restoring Tricare: Ensuring the Long Term Viability of the Military Health Care System," the need for military health care reform is undeniable.<sup>109</sup> Between FY 2001 and FY 2012, the military health care budget grew by nearly 300 percent, and it now consumes about 10 percent of the baseline defense budget, or \$53 billion.<sup>110</sup> Most of this cost growth stems not from providing care for active-duty troops but from caring for the nation's military retirees and their dependents. Encouragingly, the Pentagon's FY 2013 budget request includes smart reforms to the military's Tricare health care program that, if implemented by Congress, would be a first step toward restoring its fiscal balance. The Department of Defense proposes to do the following:

- Raise enrollment fees and deductibles for working-age retirees to reflect the large increases in health care costs since the mid-1990s.
- Peg enrollment fees to medical inflation to ensure the long-term fiscal viability of the Tricare program.

- Implement an enrollment fee for Tricare for Life, a Pentagon-run plan which augments retirees' Medicare coverage.
- Incentivize generic and mail-order purchases for prescription drugs.

The Pentagon's proposals would slow the projected growth of the military's health care costs, allowing savings of \$12.9 billion between FY 2013 and FY 2017.<sup>111</sup> Yet these reforms alone will not be enough to hold even the department's health care costs steady at current levels, much less reverse the cost growth that has occurred over the past decade. When Tricare was created in 1996, working-age military retirees contributed about 27 percent of their health care costs; today that number has fallen to just 11 percent.<sup>112</sup> Should the Pentagon's recommendations be implemented by Congress, military retirees would still contribute only 14 percent of their health care costs, about half of what they did in 1996.

To truly restore the Tricare program to stable financial footing, the Defense Department should enact measures to reduce the overutilization of medical services and limit double coverage of working-age military retirees.

To address the problem of overutilization, President Obama's deficit commission recommended modifying Tricare for Life so that it would not cover the first \$500 of an enrollee's out-of-pocket expenses and only cover 50 percent of the next \$5,000 in Medicare cost-sharing. The commission found that doing so would create a disincentive for enrollees to overuse health care services, saving money for both Medicare and Tricare.<sup>113</sup>

To limit double coverage, the Defense Department and Congress could mandate that working-age retirees above a certain income level can only enroll in Tricare if they don't have access to other plans through their employer or spouse. That would reduce Tricare expenses while ensuring that low-income or unemployed veterans retain access to health care.

These reforms, in addition to those in the Defense Department's budget proposal, would enable savings of up to \$15 billion per year—enough to hold Tricare costs steady in the near term. It is important to note that none of these recommendations would affect disabled veterans, who receive a separate health care plan through the Veterans Administration.

## **Retirement—\$13 billion a year in the near term, as much as \$70 billion per year within 30 years**

The Pentagon also calls for an overhaul of its retirement program in its fiscal year 2013 budget request. In the document, Secretary Panetta calls on Congress to authorize the creation of a Military Retirement Modernization Commission. The commission would be designed to help Congress and the Pentagon make the politically difficult decisions necessary to reform the military's outdated retirement system, which has been long criticized for its inequality, inflexibility, and high costs.

The military retirement program, which has not been significantly updated since the 1940s, adheres to a strict vesting structure—personnel with at least 20 years of service receive a substantial pension for life; personnel who serve less than 20 years receive no retirement benefits whatsoever. In addition, those who qualify to receive benefits can begin collecting their pension immediately upon retiring, allowing many military retirees to begin receiving retirement pay in their late 30s or early 40s.

This type of vesting system leads to three major problems. First, the vast majority of veterans—particularly enlisted personnel—leave the service with no retirement benefits: Only 17 percent of service members remain in the force long enough to qualify for the military's retirement program.<sup>114</sup> Perhaps most troubling, enlisted troops in ground-combat units in the Army and the Marines—the men and women who have borne the brunt of the fighting in Iraq and Afghanistan— are among the least likely to achieve any retirement benefits.<sup>115</sup>

Second, the military's retirement system restricts the ability of the Department of Defense to manage the size and skillset of the force. Due to the 20-year vesting requirement, Pentagon managers are reluctant to separate personnel who have served more than 10 years but less than 20, not wanting to leave service members without a job and retirement savings. As a result, the Department of Defense is forced to either separate service members early in their careers or keep them until they reach 20 years, even if they are underperforming, unhappy, or ill-suited to the immediate needs of the military.

Lastly, while the military's retirement program serves only a small minority of the force, it provides an exceedingly generous benefit, often providing 40 years of pension payments in return for 20 years of service. As a result, the program now costs taxpayers more than \$100 billion per year, an exceedingly steep price tag for a program hampered by serious flaws.<sup>116</sup> This number is projected to double by 2034.

Certainly Secretary Panetta is right to draw attention to the military's troubled retirement system, but a third military retirement commission is unnecessary. In recent years the Department of Defense has carried out two separate studies of the flaws in the military retirement system— one by the Defense Business Board and another by the Quadrennial Review of Military Compensation—and both have already provided the Pentagon and Congress with answers to its retirement problem.

We urge Secretary Panetta to use his authority to work with Congress to reform the system by replacing the current retirement system with a 401(k)-style defined contribution plan. Compensation incentives such as gate-and-separation pays should also be used to assist with force shaping. Under our 401(k) model— based on the recommendations of the Pentagon's Defense Business Board—the Pentagon would contribute at least 16 percent of each service members' base pay annually, about twice the average private-sector contribution.<sup>117</sup>

Further, gate-pay awards—given to service members when they achieve a specified year of service—would help Pentagon managers encourage people to stay in the force, while separation pays—awarded to personnel who choose to leave the force—could be used to provide an incentive for personnel to leave. Such reforms would greatly decrease the number of veterans leaving the force without any retirement benefits, increase the Pentagon's force management options, and begin to address the long-term fiscal challenges facing the retirement system.

In making our recommendations we understand that it is imperative changes to the military retirement system do not negatively affect service members who have planned their retirement around these benefits. We contend, however, that it would be wrong to allow so many of the men and women who have fought in Iraq and Afghanistan to remain on a system that will deny the vast majority of them any retirement benefits.

Specifically, we recommend a three-part transition to a 401(k)-based retirement system.

- Military personnel with more than 10 years of service would have the option to either remain in the current system or switch to the 401(k).
- Personnel with less than 10 years of service would have the option of enrolling in the new 401(k) system or enrolling in a slightly modified version of the current pension system, which would vest at 10 years but provide slightly less

retired pay—40 percent of base pay at 20 years, rather than the 50 percent permitted under the current system. It would begin paying out at age 60.

- All new recruits would automatically enroll in the 401(k) system.

If left unreformed, military retirement costs are projected to grow to \$217 billion by 2034.<sup>118</sup> Military pay and health care reform will allow the Pentagon to achieve substantial savings in the near term. Retirement reform, however, presents the greatest opportunity for savings. Implementing these recommendations would allow savings of approximately \$13 billion per year in the near term. Even more importantly these reforms would hold the government's retirement costs at somewhere between \$114 billion and \$146 billion in FY 2034, ensuring savings of at least \$70 billion in that year.<sup>119</sup>

## Nuclear weapons

### **Nuclear forces—Reduce nuclear weapons arsenal to 311 nuclear weapons, saving \$20 billion in FY 2013**

The Pentagon's strategic guidance document; released in early January, states, "It is possible that our deterrence goals can be achieved with a smaller nuclear force."<sup>120</sup> Yet the FY 2013 budget makes no mention of a reduction in the size of the U.S. nuclear arsenal, instead reaffirming the Defense Department's commitment to building a new bomber and nuclear submarine. Our massive nuclear stockpile is a relic of the Cold War. It is expensive to maintain and largely useless in combating the threats facing the nation today. As the Obama administration seeks to find responsible reductions in defense spending, our bloated nuclear stockpile presents a tremendous opportunity for savings, yet it remains oddly untouched in the FY 2013 budget.

The total amount of funding allocated to maintain and operate the nation's strategic nuclear arsenal is not publicly known because by its very nature it must remain top secret. It is also difficult to determine the amount of funding because it is distributed among a number of federal agencies outside the Department of Defense, including the departments of Energy, Homeland Security, Health and Human Services, Justice, Labor, State, and Commerce.

Yet another difficulty results from the fact that it has been hard to determine exactly how many weapons the U.S. nuclear budget is supporting. In 2010, the Obama



administration revealed publicly that the United States possesses 1,968 operationally deployed strategic nuclear warheads and over 5,100 total active warheads in its stockpile.<sup>121</sup> No information on our nuclear arsenal has been released since then.

The cost of maintaining this stockpile includes more than the cost of operating, maintaining, and modernizing the nuclear warheads. Any estimate must also include the cost of operating delivery systems, the long-range bombers that can carry both nuclear and conventional weapons, and the Research, Development, Test & Evaluation funding relating to the nuclear complex. In a recent article for *Arms Control Today*, Russell Rumbaugh and Nathan Cohn of the Stimson Center estimate that U.S. nuclear weapons spending totaled about \$31 billion in FY 2011.<sup>122</sup>

According to Air War College and School of Advanced Air and Space Studies faculty members Gary Schaub and James Forsyth Jr., the United States can maintain an effective nuclear deterrent with an arsenal of 292 operational warheads and 19 reserve warheads—311 in total. Schaub and Forsyth contend that this number is more than capable of deterring known threats to the United States and hedging against unforeseen contingencies. We estimate that immediately reducing the U.S. nuclear arsenal to 311 would generate at least \$20 billion in savings in FY 2013 alone.

## Research, development, test, and evaluation

### **Research, development, test, and evaluation—Reduce RDT&E across the board from \$69.4 billion to \$64.4 billion, saving \$5 billion.**

In today's dollars, the Pentagon spent \$52.8 billion on research, development, test and evaluation in the 2001 fiscal year.<sup>123</sup> The FY 13 request of \$69.4 billion is thus a real increase of approximately 30 percent from that baseline.<sup>124</sup> We recommend cutting \$5 billion in RDT&E funding across the board. Congress could make this reduction by cutting all existing programs proportionally, and RDT&E funding would still be above former President Ronald Reagan's peak level—\$62.7 billion in today's dollars—that took place during the Cold War in FY 1987.<sup>125</sup>

Some RDT&E initiatives are absolutely necessary to support the current needs of our fighting force. Perhaps the most notable example of the last decade is the development of the mine-resistant ambush protected vehicle, or MRAP, which Secretary of Defense Gates pushed forward during his tenure, and which has played a major role in protecting our soldiers in Iraq and Afghanistan from deadly

IEDs. Yet allocating such a large amount of funding for developing sophisticated futuristic weapons is hard to justify while the U.S. armed forces are primarily engaged in counterinsurgency campaigns combating violent extremists who utilize relatively low-level technology. The \$5 billion figure should come from across-the-board cuts in unnecessary and unrealistic programs, in addition to the cuts in the specific systems listed above.

# Rebalancing security: Prevention

Our rebalanced security budget reallocates most of the savings in military programs toward security tools we group under the heading of prevention. We do this for the following strategic and economic reasons:

- Engaging the world by nonmilitary means creates fewer enemies and more friends. U.S. wars and occupations of the last decade have been a potent recruitment tool for terrorist organizations. Investing more in the foreign policy tools of diplomacy, economic development, multilateral cooperation, and cultural exchange will help change the perception of the U.S. around of the world from (would-be) world's policeman to good neighbor.
- It is a more effective way of fighting terrorism. A 2008 study by the Pentagon-funded Rand Corporation of terrorist groups from 1968 to 2006 found that military force was rarely effective in defeating them. Rather, the study found that police work, intelligence gathering, and nonviolent political and economic change were effective in the great majority of cases. Rand concludes, “The United States should pursue a counterterrorism strategy ... that emphasizes policing and intelligence gathering rather than a ‘war on terrorism’ approach that relies heavily on military force.”
- It gives time, space, and energy to the process of resolving conflicts peacefully, ending dictatorial regimes, building strong democratic structures, and making war a truly last resort. More investment in the foreign policy alternatives to force will create stronger options for avoiding the use of force whenever possible. In fact, it will expand the range of those possibilities.
- In security budgeting, as elsewhere, the bromide is true: An ounce of prevention is worth a pound of cure. According to the Carnegie Commission on Preventing Deadly Conflict’s report, *The Cost of Conflict: Prevention and Cure in the Global Arena*, investing early to prevent conflicts from becoming violent crises is, on average, 60 times more cost-effective than intervening after violence has begun.<sup>126</sup>

Heading the list of preventive tools is the core State Department function of diplomacy. Although officially the Department is the lead agency of U.S. foreign policy, this function is undermined by severe resource constraints.

The cost-effectiveness of an ounce of prevention may be most obvious in the slightly more than \$3.5 billion the United States spends annually to secure and reduce nuclear stockpiles around the world. This amount may be measured against the costs of nuclear terrorism and nuclear war, as well as against the \$31 billion the United States spends annually on its own nuclear arsenal.<sup>127</sup>

Repairs to the unilateralism that dominated U.S. foreign policy at the beginning of this century must include investing more in the institutions of international cooperation, from the United Nations to the International Atomic Energy Agency and the fragile but vital structures of international peacekeeping. It must also include new, better-coordinated, and more targeted investments that address the root causes of conflict and terrorism found in poverty.

Finally, taking a more preventive approach to security will require moving resources to address the existential threat of our time: climate change. While most spending on prevention is concentrated in the 150 International Affairs budget, federal spending on climate change is largely located elsewhere, principally in the Departments of Energy and Transportation. Our prevention budget devotes the largest share of military savings to this purpose. These are investments in job creation as well as security.

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## Diplomacy

America's diplomats and development aid workers remain undermanned and overwhelmed. In a sobering article in the January/February 2009 issue of *Foreign Affairs*, veteran diplomat J. Anthony Holmes disparaged the yawning gap between the dwindling resources available to America's civilian agencies and a defense budget that had doubled since 1998.<sup>128</sup> Good faith efforts by the Obama administration to expand the Foreign Service have become casualties of the debt crisis. In February the White House asked Congress for a \$51.6 billion budget allocation for the State Department and the U.S. Agency for International Development, a mere 1.6 percent increase over FY 2012 levels that also includes \$8.2 billion in emergency funds to help pay for the war in Afghanistan.

The result of this meager budget growth is a worn out and dispirited diplomatic corps, one that is ill-equipped to take on its expanded responsibilities, from Iraq and Afghanistan to supporting the Arab Spring and managing myriad other delicate negotiations elsewhere; these negotiations involve everything from human rights to nuclear proliferation.<sup>129</sup> Language proficiency, one of the Foreign Service's core competencies, has languished due to funding gaps that oblige officers to pay for their own training. Salaries have been slashed, and stingy retirement benefits have undercut retention rates.<sup>130</sup>

In short, despite handwringing about the costs and consequences of America's exhausted diplomatic corps, little is being done to revive it. The number of State Department diplomats and support staff is only 10 percent greater than it was a quarter of a century ago, when there were 24 fewer countries in the world and U.S. interests were concentrated in Europe and Northeast Asia.<sup>131</sup> The Pentagon, in contrast, has 1.6 million active-duty military personnel, an equal number of reservists and National Guardsmen, and nearly 700,000 civilian employees.<sup>132</sup>

Moreover, unlike the U.S. military, which bases a fifth of its personnel overseas, nearly three-quarters of America's diplomats are posted abroad. At any one time, a third of U.S.-based Foreign Service jobs are vacant, while nearly 12 percent of its overseas positions are unmanned. The ratio of so-called unaccompanied tours—assignments in places so dangerous that loved ones must be left behind—has risen to a fifth of the total over the past five years.<sup>133</sup>

The State Department's dissent channel, a means through which Foreign Service Officers may express constructive opposition to White House policy and air alternative views, languished under the George W. Bush administration and shows no sign of recovering. In February 2010, the president of the American Foreign Service Association linked the channel's enfeeblement with "the continuing marginalization of the Foreign Service in the foreign policymaking process."<sup>134</sup>

Worse still, in a February 2009 article, *USA Today* reported that USAID in Afghanistan had paid private contractors hundreds of millions of dollars annually for projects that frequently fail to prove results. It quoted Secretary of State Hillary Rodham Clinton characterizing USAID as "decimated." Massive staff cuts, she said, had reduced it to "a contracting agency [rather] than an operating agency that can deliver."<sup>135</sup>

The restoration of America's diplomatic resources should be a top priority. Transferring funds from the Defense Department's procurement budget to the State Department would signal an end to 60 years of foreign policy militarization and a new era of American statecraft. Washington needs an enlarged Foreign Service invigorated by prolific young minds and a world-class language and diplomatic academy to serve as the springboard for a career representing the U.S. overseas. That means a larger budget but also a new culture in Washington that rewards regional expertise and language skills and encourages their deployment at the policymaking level. A new generation of diplomats—one that is amply endowed with the tools it needs to navigate through a challenging and increasingly multi-polar world--should be cultivated and mined as assets.

Otherwise the dependence on, and submission to, the military by America's civilian aid and diplomatic agencies will only intensify. An early draft of the 2010 Quadrennial Defense Review, the Pentagon's long-term threat assessment, put its civilian counterparts on notice. A key provision demanding the Pentagon's "unprecedented say over U.S. security assistance programs" was in a subsequent version softened to the wordy but more diplomatic: "Years of war have proven how important it is for America's civilian agencies to possess the resources and authorities needed to operate alongside the U.S. Armed Forces during complex contingencies at home and abroad."<sup>136</sup>

The question is whether that definition of the State Department's importance will be interpreted to entail civilians harnessed in the service of military objectives in unstable regions or post-conflict areas, or allow them to focus on their core missions of nurturing U.S. diplomatic interests and promoting international economic development. It is telling that the United States spent 14 times more on defense than it did on diplomacy in FY 2012.

This massive imbalance must be righted for two reasons. First, the U.S. diplomatic corps face an international climate of unprecedented complexity and a globalizing world in which U.S. interests are increasingly diffuse, and they need to have adequate resources to meet the evolving geopolitical climate. Second, if we hope to maintain positive relationships with global partners and preserve national security interests, we must recommit ourselves to diplomacy and show the rest of the world that we are serious about pursuing peace rather than war.

In a 2012 report, "America's Civilian Operations Abroad," the centrist Center for a New American Security calls for a 4 percent increase in State Department fund-

ing over the President's request.<sup>137</sup> This additional funding would build increased capacity for humanitarian assistance, finance disaster relief missions, and strengthen coordination of the diplomatic mission with the creation of regional hubs overseas that would enable regional planning beyond what is done country by country. Increased funding could also be used to hire and train new diplomats to staff the 12 percent of U.S.-based Foreign Service jobs that are currently vacant.

This budget increase could also help invigorate languishing language training centers for the diplomatic corps, and develop new area and regional studies programs to provide the enhanced training and skills necessary for effective diplomacy. Finally, by helping to restore slashed benefits for the diplomatic corps, the budget increase would improve retention rates and help to ensure that the U.S. government be represented only by its most qualified civil servants.

The members of this Task Force support a 4 percent increase, or \$890 million, to the president's budget request for diplomacy, bringing the FY 2013 total to \$19.9 billion.

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## Nuclear material security and nonproliferation funding

In late-March 2012 the leaders of 53 countries and representatives from four international organizations met in Seoul, South Korea for the 2012 Nuclear Security Summit. The objective of the summit, the first of which was held in April 2010 in Washington D.C., is to provide an international forum at the highest level of government to support the U.S.-led effort to secure all vulnerable nuclear materials within four years, strengthen global nuclear materials security, and prevent nuclear terrorism.

Since April 2009, when the administration began implementing the four-year goal, the Department of Energy's National Nuclear Security Administration has removed over 1,200 kilograms of highly enriched uranium and plutonium. Over this time period it has removed all highly enriched uranium from eight countries, including from Mexico and Ukraine in March 2012. The agency also removed over three kilograms of plutonium from Sweden in March 2012, and shipped it for the first time to the United States.<sup>138</sup>

Removing highly enriched uranium from eight countries in three years is much faster than the one country per year the National Nuclear Security Administration averaged before the four-year effort began. Additionally, the agency has completed security upgrades at 32 buildings in Russia containing weapons-usable materials,

and downblended 2.9 metric tons of highly enriched Russian uranium so that it could no longer be used in nuclear weapons or reactors.<sup>139</sup>

The Department of Defense’s Cooperative Threat Reduction program has also continued to register significant achievements. For example, since the 2010 Nuclear Security Summit, the program has secured hundreds of kilograms of weapons-usable nuclear material at the former Soviet Semipalatinsk Test Site in Kazakhstan.<sup>140</sup>

The Department of State’s nonproliferation programs include the Nonproliferation and Disarmament Fund, the worldwide Export Control and Related Border Security program, and the United States’s voluntary contributions to the International Atomic Energy Agency and the Comprehensive Test Ban Treaty Organization.

The many achievements of these programs represent a remarkable return on a relatively limited investment. (see Table 3)

**TABLE 3**  
**Funding for U.S. nuclear terrorism prevention and nonproliferation programs**

Agency	FY 2012 request	FY 2012 appropriation	FY 2013 request
Department of Energy (defense nuclear nonproliferation)	\$2.55 billion	\$2.32 billion	\$2.46 billion
Department of Defense (cooperative threat reduction)	\$508.22 million	\$508.22 million	\$519.11 million
Department of State (Nonproliferation, Antiterrorism, demining, and related programs)	\$708.5 million	\$590.11 million	\$635.67 million

Notes: The above figures for the Department of Energy’s Defense Nuclear Nonproliferation account include the request/appropriation for the Fissile Materials Disposition program (about \$921 million in FY 2013). Most of the programs in this subaccount do not effectively contribute to the goal of securing vulnerable nuclear material. The vast majority of funding is dedicated to disposing of surplus U.S. and Russian plutonium (including about \$887.78 million in FY 2013 for the Mixed Oxide (MOX) Fuel program, in which excess weapons-usable plutonium is mixed with uranium, converted to mixed oxide fuel, and used as fuel in existing US commercial nuclear reactors). This approach could actually increase the risk of nuclear terrorism.

Despite these successes, the international cooperative effort to prevent nuclear terrorism continues to be beset by inadequate resources. Whereas over the past two years Congress deserved most of the blame for the shortfall, the Obama administration’s FY 2013 budget request for nuclear material security programs across the federal government was significantly smaller than in previous years. This disappointing budget is difficult to comprehend since the administration has rightly identified nuclear terrorism as one of the greatest threats to U.S. national security and acknowledged that the job of preventing nuclear terrorism is far from over.



## Budget background

In FY 2012, President Obama requested over \$2.5 billion for the National Nuclear Security Administration's Defense Nuclear Nonproliferation account, including \$508 million for the Global Threat Reduction Initiative, the key program in the effort to secure vulnerable nuclear materials at an accelerated rate. Though the administration's FY 2012 request for this funding was less than its FY 2011 request, the House-passed version of the FY 2012 Energy and Water Appropriations bill cut the budget for the Defense Nuclear Nonproliferation Account by \$428 million below the FY 2012 request, including an \$85 million (or 17 percent) cut to the Global Threat Reduction Initiative.

The House also cut \$75 million from the administration's request of \$571 million for the International Nuclear Materials Protection and Cooperation program's Second Line of Defense account, which installs radiation detectors and other equipment to detect the illicit trafficking of weapons of mass destruction at border crossings, airports, and seaports around the world.

The House's action followed on the heels of a \$123 million cut to the Global Threat Reduction Initiative below the administration's request in the final FY 2011 Continuing Resolution passed by Congress in April 2011.

This congressional action forced the National Nuclear Security Administration to delay several planned removals of highly enriched uranium from countries such as Vietnam and Hungary that had been scheduled for FY 2012 to FY 2013. The funding cut also forced a reduction in the number of highly enriched uranium research reactors the agency had planned to convert around the world.<sup>141</sup>

Fortunately, the Senate Appropriations Committee fully funded the FY 2012 request for the Global Threat Reduction Initiative and the International Nuclear Materials Protection and Cooperation program. The final conference agreement followed in the Senate's footsteps and provided almost full funds for the National Nuclear Security Administration's essential nuclear and radiological material security and nonproliferation programs, demonstrating yet again the strong bipartisan support for these programs.

## The FY 2013 budget

The Obama administration's FY 2013 budget request significantly reduces the budgets for core nuclear material security programs below last year's enacted levels. The FY 2013 budget request of \$466 million for the Global Threat Reduction Initiative is a \$34 million (or 7 percent) reduction relative to the FY 2012 enacted level. The National Nuclear Security Administration has stated that the budget keeps the United States on track to meet the four-year goal.

Yet the request is not just less than last year's level. It is also less than the projected FY 2013 request outlined in last year's budget request. This raises questions about program priorities, particularly in the out years. Consider that in the FY 2012 budget, the agency stated that the Global Threat Reduction Initiative would convert 129 highly enriched uranium reactors by the end of 2016, yet according to this year's budget the National Nuclear Security Administration now plans to convert only 127 such reactors by 2017.<sup>142</sup>

In total, the request delays by three years the previously stated goal of converting or shutting down 200 research reactors around the world by 2022. Similarly, in the FY 2012 budget, the National Nuclear Security Administration stated that the Global Threat Reduction Initiative would protect 2,607 buildings with high-priority nuclear and radiological materials by the end of 2016. According to this year's budget, however, the initiative will only protect 2,470 buildings by the end of 2017.<sup>143</sup>

The FY 2013 request of \$311 million for the International Nuclear Materials Protection and Cooperation program is a \$261 million (46 percent) reduction from the FY 2012 enacted level. The Second Line of Defense program was slashed by \$171 million (or 65 percent) relative to last year's level. According to the National Nuclear Security Administration, the reduction in funding "represents a near-term transition to mobile detection deployment and sustainability activities while Defense Nuclear Nonproliferation further evaluates the longer-term strategy for the Core and Megaport programs."

The Core Program installs radiation detection equipment at borders, airports, and strategic seaports in Russia, other former Soviet Union states, and Eastern Europe, as well as in other key countries. The Megaports Initiative provides radiation detection equipment to key international seaports so that they can scan cargo containers for nuclear and other radioactive materials regardless of container destination and with minimal impact to port operations.

While the overall request for the agency's Defense Nuclear Nonproliferation account is \$160 million more than last year, this increase is not for core material security activities. It is due instead to the inclusion of \$150 million for the U.S. Enrichment Corporation, which is on the verge of bankruptcy, to further develop and demonstrate the technical feasibility of domestic national security-related enrichment technologies, and an increase of \$229 million (or 35 percent) for the Mixed Oxide fuel program. Neither of these programs contributes to securing vulnerable materials.

Funding for the U.S. Enrichment Corporation was included in the Defense Nuclear Nonproliferation account despite the fact that the technology is aimed at meeting the needs of programs funded in different parts of the National Nuclear Security Administration's budget. Meanwhile, the Mixed Oxide fuel program, the goal of which is to dispose of excess U.S. weapons-grade plutonium, continues to be plagued by cost overruns and schedule delays, and the Department of Energy has yet to receive a firm commitment from any utility to use the fuel.

To make matters worse, though budget recommends that the Pentagon's Cooperative Threat Reduction Program receive approximately \$11 million above last year's level, while the account's Global Nuclear Security program is set at 17 percent less than last year's enacted level. The program now accounts for less than 20 percent of the total Cooperative Threat Reduction budget.

The administration's request for core nuclear material security programs was so underwhelming that both the Senate and House Appropriations Committees increased funding for the Global Threat Reduction Initiative and the International Nuclear Materials Protection and Cooperation program in their mark ups of the FY 2013 Energy and Water bill (As of this writing both bills are awaiting floor consideration.). Senate appropriators increased the request for the Global Threat Reduction Initiative by \$73 million. House appropriators, having cut the budget for this program last year, actually increased the program by \$17 million.

The Senate bill also boosts funding for the International Nuclear Materials Protection and Cooperation account \$57 million above the requested level, primarily to restore funding to the Second Line of Defense program. The Senate Appropriations Committee concluded that the proposed \$171 million cut to these activities "would not be sufficient to sustain already deployed systems, retain expert personnel, and meet international obligations to deploy additional radiation detection systems."<sup>144</sup>

Furthermore, Senate and House appropriators scaled back the administration's one-time request of \$150 million for the U.S. Enrichment Corporation. The House Committee decreased the request by \$50 million while the Senate Committee removed the program from the Defense Nuclear Nonproliferation account entirely, instead authorizing the Secretary of Energy to transfer up to \$150 million in National Nuclear Security Administration funds for the project. House appropriators also reduced the funding for the controversial Mixed Oxide fuel program \$153 million below the requested level of \$888 million. Though the Senate funded this program at the requested level, it raised concerns about the National Nuclear Security Administration's management of the program.

### The road ahead

Building on a pattern that began last year, the president's FY 2013 request for critical nuclear material security and nonproliferation programs at the National Nuclear Security Administration, the Department of Defense, and the State Department is conspicuously less than the FY 2012 request. National Nuclear Security Administration officials justified their reduced FY 2013 request for core material security programs primarily on the grounds that the current fiscal environment is putting extreme pressure on their budgets.

They are correct in saying that the Budget Control Act of 2011 requires difficult budgetary tradeoffs and that an appropriate balance must be struck. Yet while the FY 2013 request for the Global Threat Reduction Initiative and the International Nuclear Materials Protection and Cooperation program were cut by a combined \$291 million relative to last year's appropriated level, the request for the controversial mixed oxide fuel program is up \$229 million from last year. In the fight for scarce dollars within the Defense Nuclear Nonproliferation account, effective first-line-of-defense programs such as the Global Threat Reduction Initiative and the International Nuclear Materials Protection and Cooperation program should take precedence over the less effective and misguided Mixed Oxide fuel program.

An additional concern is the pressure exerted on vital nuclear terrorism prevention programs by the National Nuclear Security Administration's nuclear weapons modernization activities, which sustain and upgrade U.S. nuclear warheads and their supporting infrastructure. The FY 2013 request for the agency's Weapons Activities account is \$363 million more than, or 5 percent above, last year's level. Weapons Activities is slated for additional large increases in coming years. In

short, against the backdrop of a budgetary situation that is likely to get worse in the foreseeable future, other National Nuclear Security Administration priorities are threatening to squeeze the budget for nuclear terrorism prevention programs, particularly after the four-year goal reaches its endpoint.

The nuclear material security effort will not end when all of the 2010 and 2012 Nuclear Security Summit commitments are met and the four-year goal reaches its endpoint. In future years the United States and its international partners should be looking to start new initiatives, programs, and funding streams that will strengthen the global nuclear security architecture and secure nuclear materials wherever they exist.<sup>145</sup>

The United States will not be able to sustain its leadership and expand on its nuclear security agenda if the Obama administration and Congress do not adequately fund the programs necessary to implement this agenda. Therefore, we recommend the following:

- Increase the International Nuclear Materials Protection and Cooperation program by \$75 million in FY 2013 so that the program can continue its current work in Russia and the other former Soviet states, support threat reduction activities in other nations and regions, and continue key Second Line of Defense activities.
- Increase the Global Threat Reduction Initiative program by \$75 million in FY 2013 so it can continue to convert additional reactors that use highly enriched uranium, install security upgrades at buildings with nuclear and radiological material, and ensure that the planned removal of highly enriched uranium stays on track.
- Decrease the Mixed Oxide fuel program by \$250 million in FY 2013, which would delay funding for the program's early startup options until the actual costs and schedule for completing and operating the fuel facility are better known. The savings would be used to increase funding for the International Nuclear Materials Protection and Cooperation program and the Global Threat Reduction Initiative.
- Decrease U.S. Enrichment Corporation funding by \$150 million in FY 2013, which would not allow the Department of Energy to bail out a private company that is nearing bankruptcy, and ensure that the funds are spent on more vital nonproliferation activities. (see Table 4)

TABLE 4

## Recommended nonproliferation and threat reduction funding changes

Programs	FY 2013 request	Recommended increase
Department of Energy International Material Protection and Cooperation	\$311 million	+\$75 million [1]
Department of Energy Global Threat Reduction Initiative	\$466 million	+\$75 million [2]
Fissile Materials Disposition	\$921.31 million	-\$250 million [3]
USEC	\$150 million	+\$150 million [4]

Source: National Nuclear Security Administration, "FY 2013 Congressional Budget Request" (2012), p. 4, available at <http://nnsa.energy.gov/sites/default/files/nnsa/02-12-inlinefiles/FY%202013%20Congressional%20Budget%20for%20NNSA.pdf> (last accessed October 25, 2012).

### International organizations

President Obama's budget request for FY 2013 represents an improvement for international organization funding over FY 2012 appropriations levels. It slightly increased the previous year's allocation for the Contributions to International Organizations account by \$19 million to \$1.57 billion, and it would also increase the Contributions to International Peacekeeping Activities account by \$270 million, for a total of \$2.098 billion.

However, a slightly higher funding level for Contributions to International Peacekeeping Activities of \$2.164 billion would be more appropriate because the U.N. Security Council voted in February to expand African Union peacekeeping operations in Somalia. This includes an increase in the number of AU troops to serve in this region—from 12,000 to 17,700. Over the next year costs associated with this specific peacekeeping mission will likely double, including the anticipated move of the U.N. Support Office for Somalia to Modgadishu, which will increase security and logistics costs.

The Contributions to International Organizations account pays the dues that international organizations assess to the United States, including the World Health Organization, the International Atomic Energy Agency, the Organization for Economic Cooperation and Development, and the United Nations. Obama's FY 2013 budget request for this account is \$1.57 billion. In FY 2012, Congress allocated \$1.551 billion to this account. Let's first look at the Contributions to International Accounts and then Contributions to International Peacekeeping Activities.

## Contributions to International Accounts

In 2009 the United States finally paid its \$88 million in uncontested arrears to the United Nations. The full payment of Washington's assessed contribution to the United Nations is a very important development. Nothing symbolizes the U.S. relationship to the rest of the world better than its commitment to fully engage with this institution, and no professed commitment can be taken seriously while our failure to underwrite it financially says otherwise.

One of our task force members, Don Kraus, addressed the importance of the funding for U.N. accounts in testimony submitted to the House State/Foreign Operations Appropriations subcommittee last year:

*The United Nations is a critical foreign policy partner for the United States. It is the one place where countries come together to promote democracy and economic development, protect human rights, bring an end to disease and poverty, resolve conflicts peacefully and meet new global challenges like terrorism and climate change. As more than one member of Congress has stated over the years, if the UN did not exist, we would have to invent it. UN activities range from facilitating an international forum for the exchange of ideas to coordinating responses to complex humanitarian crises.*

Furthermore, investing in U.N. funding pays off many times over in terms of both lives and money. U.N. peacekeeping missions are far less expensive and place less of a burden on U.S. personnel than our "go-it-alone" missions. The United Nations provides the benefits of international legitimacy and offers the United States crucial foreign policy assets. These include years of expertise in areas such as elections, refugee assistance, emergency humanitarian relief, and disease prevention; a unique capacity for brokering diplomatic solutions to violent conflict; and a track record of cost-effective burden sharing. Most importantly, these tools cannot be provided by any other instrument in the U.S. foreign policy toolbox.

Since the United States paid our back arrears to the United Nations in 2009, our ability to lead in the United Nations and the Human Rights Council has greatly improved. The United Nations's actions against Libyan dictator Moammar Qaddafi are just one case in point. It is essential that the United States remain up to date in our dues to the United Nations in order to keep this progress from being reversed.

As U.S. Ambassador to the United Nations Susan Rice explained, “In the past, our failure to pay all of our dues and to pay them on a timely basis has constrained the UN’s performance and deprived us of the ability to use our influence most effectively to promote reform. [President] Obama believes the United States should pay our dues to the UN in full and on time.”

Other international organizations funded through this account deserve special mention and increased funding. The International Atomic Energy Agency is responsible for monitoring stockpiles of nuclear materials across the globe and dealing with critical global situations, including the recent nuclear power crisis in Japan. The World Health Organization takes the lead in preventing global pandemics like the H1N1 (bird flu) virus. These organizations, whose missions could not be more important to the safety of U.S. citizens, need sufficient funding to continue carrying out their work.

In addition to robust funding for the Contributions to International Organizations account, a program should be developed to provide better training for Foreign Service officers and also for the ambassadors who serve in multilateral organizations. This will enhance the careers of Foreign Service Officers who work in multilateral organizations. Representing the United States in these organizations demands specialized skills that are necessary to become experts in this unique form of diplomacy. We believe such a program would fill an existing gap in Foreign Service Officer training, benefit these career diplomats by increasing their knowledge and expertise in multilateral institutions, and highlight U.S. support for multilateral engagement as a part of our overall diplomacy.

We believe \$50 million in funding should be provided for such a multilateral Foreign Service Officer training program, and a requirement should be instituted that all career diplomats who want to join the Senior Foreign Service must serve for a time in a multilateral organization in order to advance their careers. Currently, there is little incentive for Foreign Service Officers to work in multilateral organizations, as these postings are undervalued when considered for promotion to senior levels. This means that some of our best and brightest diplomats avoid working at these increasingly important global institutions. This training would provide a valuable perspective on multilateral institutions to our nation’s future top diplomats.

While reluctant to trim the Defense budget, Congress continues to defund the foreign affairs budget, which plays a critical role in employing and training Foreign Service Officers. Creating legislation and funding to train Foreign Service Officers is



essential if peacekeeping missions are to succeed globally. If the United States commits to this service, then it will improve our international interests and accountability.

We further recommend that Congress pass a waiver to the law prohibiting funding for organizations that admit the Palestine National Authority as a member—such as the United Nations Educational, Scientific, and Cultural Organization—and that President Obama’s budget request for UNESCO be honored. Since UNESCO’s governing board voted to admit Palestine as a member state last year, all of the United States’s payments to UNESCO have been frozen because of a law passed nearly 20 years ago that bans the U.S. government from contributing to any U.N. agency that recognizes Palestine. Without paying our dues, the United States would no longer have a vote in UNESCO.

The benefits of having the United States involved with UNESCO are manifold, and withholding U.S. payments simply ensures that the U.S. no longer has a voice in this body. Abandoning our membership in UNESCO not only means forfeiting our country’s role as a global leader and ability to engage on key issues, but denying UNESCO critical funding to carry out important work, including education in post-conflict areas and promotion of sustainable development. Therefore, the benefits of being a full participant in UNESCO outweigh the “message” that the United States strived to deliver by withholding its funds to the organization.

The Obama administration has requested \$79 million for UNESCO dues for FY 2013. The administration’s commitment to paying our UNESCO dues shows a strong commitment to the United Nations and peacekeeping. A waiver should be enacted so that these \$79 million in dues can be paid.

We therefore recommend that Congress fully fund President Obama’s FY 2013 budget request for the Contributions to International Organizations account of \$1.57 billion. Additionally, we recommend providing \$50 million for a new training program for Foreign Service Officers and diplomats working in multilateral organizations, and funding UNESCO at the President’s budget request level of \$79 million.

### Contributions to international peacekeeping accounts

As a permanent member of the U.N. Security Council, the United States approves all U.N. peacekeeping operations. The U.N. Department of Peacekeeping Operations currently has nearly 100,000 troops and personnel deployed in 17

peacekeeping operations around the world. The General Accounting Office of the United Nations estimates that U.N. peacekeeping is eight times less expensive than a traditional U.S. military force. Similarly, a 2005 RAND report looked at eight missions being conducted by the United Nations and eight by the United States and found that all but one of the U.N. peacekeeping missions created an enduring peace, while only four of the U.S. operations could say the same.

Critical peacekeeping missions are currently being carried out by U.N. peacekeeping forces around the globe; these forces are in places including Darfur, Sudan, the Democratic Republic of Congo, and Haiti. We need to ensure that these missions remain adequately funded by providing robust support for the Contributions to International Peacekeeping Activities account in FY 2013.

President Obama's FY 2013 budget request for this account is \$2.098 billion. In FY 2012, Congress provided \$1.92 billion. But due to increased costs in the Somalia mission, we recommend a total level of \$2.164 billion for FY 2013, which is above the president's request.

The United States is assessed approximately 27 percent of U.N. peacekeeping costs. In 1994, however, the U.S. government placed a cap on what the United States will pay toward peacekeeping at 25 percent of U.N. peacekeeping costs. This difference accumulates significant arrears for the United States, and puts all U.N. peacekeeping missions at a disadvantage. While the peacekeeping cap has recently been raised on a year-by-year basis, it needs to be permanently eliminated so that this issue need not be dealt with every year. A lack of funding could inhibit the success of crucial missions protecting U.S. security interests.

Not a single U.N. peacekeeping mission is undertaken without United States approval. U.N. peacekeeping has bolstered successful government transitions in Namibia, El Salvador, Nicaragua, and Guatemala. Currently, the United Nations has peacekeeping forces in Darfur; South Sudan; the Democratic Republic of Congo; Syria and Lebanon; Haiti; Afghanistan; India and Pakistan; Cyprus; and Kosovo, among others. In the countries where they are deployed, U.N. peacekeepers play a critical role in protecting local civilians and maintaining peace. Without the presence of these forces, the safety of individuals and their nations is threatened.

Finally, the Department of Defense should create incentives to encourage U.S. women to serve the U.N. Department of Peacekeeping Operations. Currently, the

incentives for women to take up U.N. service are few, and the challenges are many. Many in the U.S. military perceive serving the United Nations as a career-ending move. In order to serve in U.N. peacekeeping missions, U.S. military staff must take time off from their other pursuits (such as education, professional development, and deployment). Only through seeing their U.N. service as a positive implication for their career development will those in the military learn to value participating in U.N. missions.

We therefore recommend that Congress fund the Contributions to International Peacekeeping account at \$2.164 billion. This will support U.N. peacekeeping missions and ensure that the United States does not fall behind in its U.N. payments. We also recommend permanently raising the cap on U.S. contributions to these missions to the assessed level, and we would endorse policies that encourage U.S. servicewomen to serve the U.N. Department of Peacekeeping Operations.

#### *Create a standing international peacekeeping force*

In addition to the United Nations' need for robust funding for its peacekeeping operations, the United States and the world would benefit from a proposed U.N. Emergency Peace Service. This peacekeeping force would add to, not replace, existing peacekeeping capacity. It would be designed primarily as a "first in, first out" unit that could fill the gap between the Security Council's authorization of a peace operation and the actual deployment of a conventional peacekeeping mission. It would individually recruit, train, and employ 15,000 to 18,000 individuals, including civilian police, military personnel, judicial experts, relief professionals, and others with a diverse range of skills.

A U.N. Emergency Peace Service would have expertise in peacekeeping, conflict resolution, environmental crisis response, and emergency medical relief. Upon the Security Council's authorization, it would be available almost immediately to respond to a crisis. Due to its size, this envisioned peacekeeping force would not eliminate the need for longer, more traditional peacekeeping operations, but it would likely reduce the cost and length of, and sometimes the need for, subsequent operations.

As a permanent organization, a U.N. Emergency Peace Service would develop institutional memory and doctrine. Its leaders could impart lessons learned to national and regional peacekeepers to improve the effectiveness of peace operations worldwide.

This new peacekeeping force could help address conflicts in areas around the globe such as Syria and Bahrain, where the degree of civil conflict has not yet persuaded the U.N. Security Council to send in peacekeeping forces; peacekeeping forces are surely needed, however, to answer the recent violence and human rights violations. Currently, there is no adequate international structure to handle such crises. A U.N. Emergency Peace Service would serve an important purpose: Rather than following current practice by being made up of peacekeeping forces chosen by U.N. member countries, an Emergency Peace Service would be made up of forces chosen directly by the United Nations.

The creation of such a standalone U.N. force would reduce U.S. military expenditures in the long run and greatly aid our current budget situation. This new peace service could utilize troops and funding from developed and developing nations in the Group of 20, which would reduce U.S. military expenditures and allow for us to share the burden of peacekeeping with our allies. And such a force, unlike NATO, would be more likely to be accepted in parts of the world such as Afghanistan—where NATO is slowly drawing down—rather than being seen as part of a “Western” intervention. This legitimacy would be a major advantage of a standalone U.N. peacekeeping force.

Depending upon its final structure and field operations, startup expenses could equal \$2 billion, with an annual recurring cost of \$900 million or more.<sup>146</sup> The U.S. share of this would be about 26 percent. This cost could reasonably be offset by the future reduction in size, duration, and delays of subsequent, conventional U.N. peacekeeping operations, which all too often arrive on the scene too late to stop violence in its formative stages. It is also a small price to pay compared to unilateral or NATO-based ground force interventions.

Therefore, we recommend that the United States work within the United Nations and other international and regional organizations to help establish a standing U.N. Emergency Peace Service-type of international peacekeeping force to address critical situations around the globe.

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## International development and humanitarian assistance

The Obama administration’s request for the poverty-focused international development and humanitarian assistance accounts was about 2 percent lower in FY 2013 than in FY 2012, with the request for key bilateral assistance accounts drop-

ping even more.<sup>147</sup> While unsurprising given the climate of budget austerity in Washington, such a decrease stands in contrast to the goal of doubling U.S. foreign assistance by 2015 that the Obama administration laid out three years ago, and it means that U.S. foreign policy goals will go unmet.

Congress looks to be on track to provide slightly more than the request level in FY 2013—if they ultimately reconcile the House and Senate bills rather than just rely on a continuing resolution. The House and Senate have either matched or slightly increased requests in most accounts, and a continuing resolution would simply maintain spending at the previous level. Broadly, however, we expect that with the increasingly frequent natural disasters abroad, the turmoil in the Arab Spring, the and military disengagement in Iraq and Afghanistan all increasing the need for civilian engagement, development, and humanitarian spending is set to continue in the same rough spending band Congress has held it to for the last few years.

Yet effective aid delivery is people-centered, not government-centered. Where governments are legitimate and accountable to their citizens and have the capacity to distribute international aid and development assistance, the U.S. government should support those governments' development agendas. Where governments are weak or unaccountable, the United States should directly support communities to meet their needs and strengthen their ability to demand better performance from their governments. Development partnerships should prioritize local capacity building and country ownership.

Ongoing comprehensive efforts to modernize and reform the way U.S. aid is delivered require partnerships with nongovernmental organizations. These nongovernmental organizations, increasingly and regrettably bypassed by USAID, leverage the generosity of millions of Americans and boast often deep expertise and local ties in developing nations that lack effective government institutions. The U.S. government should prioritize improved partnerships between itself, nongovernmental organizations, and local entities—governments, communities, and organizations.

The next section of our report reviews the core poverty-focused international development and humanitarian assistance accounts in the federal budget and provides recommendations for the overall accounts and the sectoral programs within them—recommendations that attempt to strike a balance between the real needs abroad and U.S. political and budgetary realities.

## Development assistance

### **Recommendation: \$2.682 billion, including \$50 million for the Least Developed Countries Fund and Special Climate Change Fund, for FY 2013148**

This development assistance account is the bedrock of investments the U.S. makes to help the world's poorest people get access to education and clean water, grow nutritious food, protect the environment, respond to climate change, and create more sustainable, self-sufficient societies. Since 2010 the world's population has grown by 155 million people, yet funding for this account has remained flat at about \$2.5 billion a year. These programs have proved themselves, and they deserve increasing U.S. investment. (see Table 5)

**TABLE 5**  
**Development Assistance: FY 2012 Enacted and FY 2013 Recommendation**

	FY 2012 Enacted Level	FY 2013 USB Recommendation
Development Assistance overall	\$2.52 billion	\$2.68 billion
Food Security and Agriculture <sup>149</sup>	\$1.17 billion	\$1.25 billion
Microfinance	\$265 million	\$265 million
Basic Education	\$800 million	\$925 million
Climate Change	\$482 million	\$523 million
Biodiversity	\$200 million	\$200 million
Water	\$315 million	\$350 million

Source: Interaction, "Choose to Invest in Foreign Assistance 2012," "Budget & Appropriations," <http://www.interaction.org/choose-to-invest-2013>.

## Global health programs funded through USAID

### **Recommendation: \$2.798 billion in FY 2013150**

Funding for global health programs by the Development Assistance account is supported by an overwhelming majority of Americans, according to a United Nations Foundation poll, with 86 percent of Americans saying that they support "improving the health situation in poor, developing countries."<sup>151</sup> Such programs will enable the United States to treat more than 4 million people living with HIV and to prevent HIV transmission to millions more from FY 2010 to FY 2014, according to the U.S. President's Emergency Plan for AIDS Relief, a U.S. government initiative created in 2003.<sup>152</sup>

According to the President’s Malaria Initiative, malaria programs helped 50 million people in 2009 alone.<sup>153</sup> And according to the World Health Organization, immunization programs save more than 3 million lives each year.<sup>154</sup> According to the Guttmacher Institute, meanwhile, development assistance funding helped millions of women prevent unintended pregnancies.<sup>155</sup> It also increased the number of skilled birth attendants present during deliveries, and supported research to develop and deliver new vaccines, drugs, and other key health tools. All of these programs are critical to U.S. efforts to build a healthier, safer world. (see Table 6)

**TABLE 6**  
**Global health programs: FY 2012 enacted and FY 2013 recommendation**

	FY 2012 enacted level	FY 2013 USB recommendation
Global health programs – USAID	\$2.63 billion	\$2.8 billion
Maternal and child health	\$606 million	\$651 million
Family planning	\$610 million	\$700 million
Nutrition	\$95 million	\$200 million
Vulnerable children	\$18 million	\$18 million
HIV/AIDS	\$350 million	\$350 million
Malaria	\$650 million	\$650 million
Tuberculosis	\$236 million	\$236 million
Neglected tropical diseases	\$89 million	\$89 million

Source: Interaction, “Choose to Invest in Foreign Assistance 2012,” “Budget & Appropriations,” <http://www.interaction.org/choose-to-invest-2013>

## Global health programs funded by the State Department

### **Recommendation: \$6.143 billion, including \$1.65 billion for the Global Fund to Fight AIDS, Tuberculosis, and Malaria in FY 2013<sup>156</sup>**

In addition to USAID-led global health programs, there is also Department of State funding for USAID’s HIV/AIDS prevention program, which supports the President’s Emergency Plan for AIDS Relief. The State Department funding contributes to bilateral programs and to the Global Fund to Fight AIDS, Tuberculosis, and Malaria. These programs support testing and counseling for more than 40 million people, and have demonstrably contributed to a global decline in HIV infections.<sup>157</sup>

According to (RED), the AIDS-focused division of the ONE campaign, these State Department programs have also made the elimination of pediatric AIDS achievable—a goal the United States and other countries pledged to reach by 2015.<sup>158</sup> But these promising trends could be reversed without adequate funding.

According to UNAIDS, the Joint U.N. Programme on HIV/AIDS, the disease still kills nearly 2 million people each year and is a significant barrier to progress and development, particularly for countries in sub-Saharan Africa.<sup>159</sup>

The Global Fund to Fight AIDS, Tuberculosis and Malaria, which is a partnership between the private sector, civil society, governments, and affected countries is an essential U.S. government partner. U.S. contributions are matched 2-to-1, offering a strong leverage point with other international donors. Between 2002 and 2010 the Global Fund approved \$21.7 billion to support HIV/AIDS treatment for 3 million people, detected and treated 7.7 million cases of tuberculosis, and distributed 160 million insecticide-treated nets, helping to save the lives of roughly 6.5 million people in 150 countries.

## Millennium Challenge Corporation

### **Recommendation: \$898.2 million IN FY 2013**

The Millennium Challenge Corporation, an independent U.S. foreign aid organization created by Congress in 2004 to combat global poverty, partners with impoverished countries that are committed to funding innovative projects through good governance, economic freedom, and investments in their people. These projects reduce poverty by removing obstacles to economic growth in sectors such as health, transportation, agriculture, power, and fiscal transparency. The evidence shows constructive and sustainable policy changes in countries enacting compacts with the Millennium Challenge Corporation, as well as in those seeking to qualify for support.<sup>160</sup>

Fully funding the Obama administration's modest \$898.2 million request will allow compacts under development with Benin, El Salvador, and Ghana to move forward without further delay. It would preserve momentum and reward good governance in those countries, and it would help the Millennium Challenge Corporation avoid further erosion to its reputation for reliability—which has suffered from perceptions that indicators are biased toward conservative free market criteria—and its concomitant ability to motivate policy reforms.<sup>161</sup>

Continuing funding will also provide support for the corporation's revamped threshold initiative, which focuses on countries on the threshold of qualifying for the program. This policy reform program is currently in development for



Honduras, Nepal, Niger, and Tunisia, four important countries trying to improve the lives of their citizens.

## International disaster assistance

### **Recommendation: \$1.466 billion<sup>162</sup>**

This account funds the work of USAID's Office for U.S. Foreign Disaster Assistance, which provides immediate, life-saving assistance following natural and manmade disasters including conflicts, floods, and earthquakes. In 2011 this USAID office responded to those affected by famine in the Horn of Africa, sexual violence in the Democratic Republic of Congo, and ongoing strife in Darfur and South Sudan, to give just a few examples.<sup>163</sup> The Office for U.S. Foreign Disaster Assistance also helps communities boost their capacity to prepare for natural disasters and mitigate future damage.

In addition to saving lives, timely and robust U.S. humanitarian assistance ensures that humanitarian emergencies do not spiral into more destabilizing and costly events. For example, USAID has been working for 15 years with the Philippine government and regional and local groups to train and prepare responders to natural disasters. These efforts helped avoid greater loss of life in Tropical Storm Washi in December 2011.<sup>164</sup>

Strong U.S. humanitarian assistance also encourages other donors to step up, meaning that spending burdens are shared and more lives are saved. Investments in prevention, such as those funded through this account, are extremely cost effective. According to the World Bank and the U.S. Geological Survey, every \$1 invested in preventative measures saves \$7 in economic losses.<sup>165</sup>

## Migration and refugee assistance

### **Recommendation: \$1.875 billion**

The Migration and Refugee Assistance account funds the State Department's work providing basic lifesaving assistance to refugees and helping them resettle. The State Department does this through direct programs and through partners such as the United Nations High Commissioner for Refugees, the International

Committee of the Red Cross, and other international humanitarian agencies and nongovernmental organizations. The displaced persons supported by this account are almost entirely dependent on the international humanitarian system to survive. Their number has grown in recent years as a result of conflict in a number of countries, including Somalia, Iraq, Afghanistan, and Sudan.<sup>166</sup>

Most refugees live under precarious conditions, and reductions in assistance mean they will not have access to the most basic elements of survival—health care, safe shelter, clean water, food, and education. Refugees often cannot safely return home, and the countries that host them are typically poor themselves. According to the United Nations High Commissioner for Refugees, developing countries were home to four-fifths of the world’s refugees in 2010.<sup>167</sup>

## USAID operating expenses

### **Recommendation: \$1.374 billion<sup>168</sup>**

The USAID Operating Expenses account funds the operating costs of USAID programs including salaries and benefits, overseas and Washington operations, and central support—such as planning, evaluation, and security—to keep U.S. personnel safe. U.S. foreign policy objectives—both short- and long-term—require USAID engagement around the world. Cuts to the USAID operating budget in the late 1990s and the early years of this century did not reduce those requirements, but instead stretched the agency ever thinner, leading to lessened efficiency, effectiveness, and oversight.

After years of counterproductive hollowing out, recent staffing increases—in the form of the Development Leadership Initiative, started by the George W. Bush administration and continued by the Obama administration—have allowed the agency to begin replacing some of the personnel it lost in previous years. Those increases should be sustained. Full operational funding for USAID also supports a package of reforms designed to strengthen, streamline, and optimize the way USAID does business.

## International Development Association

### **Recommendation: \$1.359 billion<sup>169</sup>**

The International Development Association, known as the World Bank’s “fund for the poorest,” is one of the largest development financiers for the world’s least-developed countries. The IDA plays a critical role as facilitator and financier of development projects in areas such as infrastructure, institutional development, and technical support. Since its inception, the IDA has distributed \$238 billion in grants and interest-free, long-term loans, averaging \$15 billion annually in recent years and directing about half of that to Africa.<sup>170</sup>

IDA financing leverages the efforts of other donors, including other multilateral development banks, individual government development assistance programs, and non-governmental organizations, in order to help developing countries create the systems and capacity they need to utilize these other donors’ funds. During the past decade, IDA financing:

- Immunized 310 million children
- Provided 177 million people with access to water and sanitation
- Helped more than 47 million people receive health services
- Provided nutrition supplements to 98 million children
- Brought better education to more than 100 million children each year
- Built or rehabilitated over 73,000 miles of roads and maintained another 84,000 miles<sup>171</sup>

These are critical programs that need to be funded. (see Table 7)

TABLE 7

## International development and humanitarian assistance recommendations

Account/sector (thousands of dollars)	Requested in FY 2012	Appropriated in FY 2012	Requested in FY 2013	USB Recommendation for FY 2013
<b>Global health programs - USAID</b>	<b>3,073,600</b>	<b>2,625,000</b>	<b>2,504,000</b>	<b>2,798,250</b>
• Maternal and child health	846,000	605,550	578,000	650,550
• Family planning in all accounts	769,105	610,000	642,700	700,000
• Nutrition	150,000	95,000	90,000	200,000
• Vulnerable children	15,000	17,500	13,000	17,500
• HIV/AIDS	350,000	350,000	330,000	350,000
• Malaria	691,000	650,000	619,000	650,000
• TB	236,000	236,000	224,000	236,000
• Neglected tropical Diseases	100,000	89,000	67,000	89,000
<b>Global health programs - State</b>	<b>5,641,900</b>	<b>5,542,860</b>	<b>5,350,000</b>	<b>6,142,860</b>
• Global Fund to Fight AIDS, TB & Malaria	1,000,000	1,050,000	1,650,000	1650000
<b>NIH Global Health</b>	<b>599,600</b>	<b>581,000</b>	<b>605,700</b>	<b>605,700</b>
<b>CDC Global Health</b>	<b>347,594</b>	<b>347,600</b>	<b>362,900</b>	<b>362,900</b>
<b>Development assistance</b>	<b>2,918,002</b>	<b>2,519,950</b>	<b>2,525,500</b>	<b>2,681,532</b>
• Food security and agriculture in all bilateral accounts	1,100,272	1,170,000	1,245,971	1,245,971
• Microfinance in all accounts	155,532	265,000	194,582	265,000
• Basic education in all accounts	749,647	800,000	573,081	925,000
• Climate change in all state and USAID accounts	650,622	481,500	469,500	522,900
• SCCF & LDCF	Not specified	Not specified	46,000	50,000
• Biodiversity in all accounts	79,092	200,000	100,109	200,000
• Water in all accounts	301,992	315,000	299,072	350,000
<b>Millennium Challenge Corporation</b>	<b>1,125,100</b>	<b>898,200</b>	<b>898,200</b>	<b>898,200</b>
<b>International organizations and programs</b>	<b>348,705</b>	<b>348,705</b>	<b>327,300</b>	<b>348,705</b>
<b>International Development Association</b>	<b>1,358,500</b>	<b>1,325,000</b>	<b>1,358,500</b>	<b>1,358,500</b>
<b>Global Agriculture and Food Security Program</b>	<b>308,000</b>	<b>135,000</b>	<b>134,000</b>	<b>134,000</b>
<b>International Fund for Agricultural Development</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
<b>McGovern-Dole International Food For Education &amp; Child Nutrition (Ag bill)</b>	<b>200,500</b>	<b>184,000</b>	<b>184,000</b>	<b>209,500</b>
<b>Green Climate Fund</b>				<b>5,000</b>
<b>International disaster assistance</b>	<b>860,700</b>	<b>975,000</b>	<b>960,000</b>	<b>1,466,000</b>
<b>Migration and refugee assistance</b>	<b>1,613,100</b>	<b>1,875,100</b>	<b>1,625,400</b>	<b>1,875,100</b>
<b>Emergency refugee and migration assistance</b>	<b>32,000</b>	<b>27,200</b>	<b>50,000</b>	<b>100,000</b>
<b>P.L. 480 Title II Food for Peace (Ag bill)</b>	<b>1,690,000</b>	<b>1,466,000</b>	<b>1,400,000</b>	<b>1,840,000</b>
<b>Transition initiatives</b>	<b>56,000</b>	<b>56,695</b>	<b>57,600</b>	<b>57,600</b>
<b>USAID operating expenses</b>	<b>1,503,420</b>	<b>1,347,300</b>	<b>1,347,045</b>	<b>1,374,246</b>
<b>TOTAL</b>	<b>21,706,721</b>	<b>20,284,610</b>	<b>19,720,145</b>	<b>22,288,093</b>

Source: Interaction, "Choose to Invest in Development & Humanitarian Relief, FY2013" (2012), available at <http://www.interaction.org/choose-to-invest-2013> (last accessed October 25, 2012).

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## Investing in stabilizing the climate

Both the current National Security Strategy and the most recent Quadrennial Defense Review recognize climate change as a major security threat.<sup>172</sup> Unless we act to make substantial reductions in greenhouse gas emissions, global patterns of increased flooding and drought will exacerbate refugee flows and conflict over scarce viable land and water resources.

Climate change is, moreover, the security threat we can least afford to delay in addressing. Climate change is occurring day by day, and current measures are not arresting it. A growing consensus of climate scientists forecasts that, if current trends continue, we will reach a tipping point beyond which arresting climate change will be impossible and life for vast populations untenable.<sup>173</sup> And since climate change can't be arrested by anything we do in the United States alone—though the United States must also act unilaterally to combat climate change—helping the rest of the world with their transition to clean energy and transport is an investment in our own security.

The American Recovery and Reinvestment Act of 2009 contributed substantial resources to reducing our greenhouse gas emissions, targeting approximately \$80 billion in grants, loans, and tax credits to renewable power sources, including wind and solar, biofuels, and electric vehicles. The Council of Economic Advisors estimated that by the first quarter of 2010, the Recovery Act had created 80,000 clean energy jobs.<sup>174</sup> The federal production tax credit for wind has made wind power broadly competitive with natural gas, but the Recovery Act funds are gone now, and they are not being replaced. Longer-term subsidies for this sector are also being phased out,<sup>175</sup> though in early August the Senate Finance Committee did extend them for one year.<sup>176</sup>

Sustaining and increasing these investments is an economic as well as a security imperative. The components of climate stabilization—clean energy sources connected by a smart grid, clean transportation, and energy efficiency in our buildings and industrial processes—are foundational elements of the green economy.

And the shift of security dollars from military technologies we don't need to the green economic transition we do will pay dividends in job creation. A 2011 study by Task Force member Robert Pollin and his colleague Heidi Garrett-Peltier, both economists at the University of Massachusetts, found that \$1 billion spent on the military generates about 11,000 jobs as compared to the nearly 17,000 jobs generated by the same amount invested in clean energy.<sup>177</sup>

Alas, investments in clean technology continued to shrink in 2012. Overall, spending in the president’s FY 2013 request to reduce greenhouse gas emissions in the United States declined 17 percent from the previous year.<sup>178</sup> Key priorities sustained even larger losses. Energy Department programs for such purposes as guaranteed loans for innovative technology, construction of an energy efficient electric grid, and rebates for energy-saving home retrofits, were cut more than in half.<sup>179</sup> (see Table 8)

**TABLE 8**  
**Federal Expenditures on Climate Change (in billions)**

Line	Agency Name	Account Name	2010	2011	2012	2013
<b>Domestic Programs</b>						
	Treasury	Total Treasury	4.21	3.90	5.80	3.85
	DOE	Total DOE	7.42	11.01	15.23	6.52
	GSA	Total GSA	0.04	0	0	0
	HUD	Total HUD	0.39	0.15	0.04	0.03
	DOT	Total DOT	14.36	15.76	15.91	16.51
		<b>Domestic Programs</b>	<b>26.7</b>	<b>30.8</b>	<b>37.0</b>	<b>26.9</b>
<b>International Assistance</b>						
	State	International Assistance	10.7	6.4	3.5	6.9
		<b>Grant Total</b>	<b>37.4</b>	<b>37.2</b>	<b>40.5</b>	<b>33.8</b>

House Republicans intend to slash funding for these programs even more deeply. In June they voted to cut 13 key clean energy programs.<sup>180</sup>

### Recommendations to combat climate change

New investment to meet the extraordinary challenge of combating climate change is needed in four major areas.

- The development and commercialization of clean, renewable energy sources, and their connection to a smart grid
- Energy efficiency, including building retrofits and investing in more efficient industrial processes

- Clean transportation, including mass transit and advanced-technology vehicles scaled up by federal purchases
- Assistance to developing countries for their transition to clean energy and transport

To make up for ending the Recovery Act funding streams and provide necessary new investment, our budget allocates 68 percent of the savings, or \$20 billion, toward funding for greenhouse gas reductions. (see Table 9)

**TABLE 9**  
**Recommended Increases in Spending to Stabilize the Climate**

Renewable Energy	Percentage	Cost (billions)
Building Retrofits	45	9
Industrial Efficiency	3	0.6
Renewable Energy	18	3.6
Smart Grid	3	0.6
Clean Transportation	16	3.2
International Assistance	15	3

Since reducing energy use is the most technologically straightforward and least expensive means of reducing greenhouse emissions, our budget allocates its largest portion to energy efficiency measures. This means that most of the funds go toward building retrofits, but a small amount also goes toward retrofitting industrial processes.

Investment in climate stabilization is the portion of a Unified Security Budget that connects the goals of job creation, environmental protection, and national and global security. Therefore, it is a priority area in which to invest the savings produced by shifting our security budget toward a greater emphasis on cheaper, preventive measures.

Our final recommendation concerns the way in which the climate security mission is represented, or in fact not represented, in the federal budget. Until recently, the Office of Management and Budget was required to do an accounting of “Federal Climate Change Expenditures”—a climate change budget. In 2010 Congress decided to suspend this requirement. It should reinstate it. In addition, federal expenditures on climate change should be presented in a unified way in the federal budget, both as a separate Mission Area, and as a budget item in a Unified Security Budget.

There is precedent for this. When Congress created the Department of Homeland Security in response to the September 11 terrorist attacks on our nation, numerous federal government programs related to the homeland security mission were not incorporated into the new department. Therefore, the Office of Management and Budget created a Homeland Security Mission Area within its budget presentation that includes all federal programs, within and outside the department, that contribute to the Homeland Security mission.

In a similar way, a new Mission Area, labeled Climate Change or Climate Security, can pull together in one place in the budget all the diverse federal programs contributing to this mission. This will help establish the imperative of addressing climate change as a national priority and facilitate consideration of the most effective way to allocate resources. Including this Mission Area in the overall Unified Security Budget will connect the identification of climate security as a national security imperative to our budget allocations.



# Rebalancing security: Defense

Two separate reports issued in connection with the 10-year anniversary of 9/11 reached similar conclusions about the overall status of homeland security. The bipartisan National Security Preparedness Group, headed by former 9/11 Commission chairs Tom Kean and Lee Hamilton, concluded that while our country is safer and more secure than it was a decade ago, important 9/11 Commission recommendations are still unfulfilled, leaving us less secure than we could be.<sup>182</sup> In its own report, the Department of Homeland Security agreed, emphasizing that “terrorist threats facing our country continue to change.”<sup>182</sup>

There was considerably less agreement—and less bipartisanship—on the 10-year record of the Transportation Security Administration. Late in 2011 the agency’s administrator, John Pistole, described a transformed, newly robust, multilayered agency, especially with respect to aviation security.<sup>183</sup> But at about the same time, a report from Republican congressmen claimed that the agency had wasted money, ineffectively deployed new technology, and left Americans “no safer today than they were before 9/11.”<sup>184</sup>

So before examining the FY 2012 and FY 2013 homeland security budget, let’s look at the homeland security situation in 2011 and 2012. Afterwards, we present our recommendations.

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## Homeland security in 2011 and 2012

Among the recent major developments in homeland security have been the expansion of the no-fly list and the launch of the TSA PreCheck pilot program for passenger aviation; increased policy attention to cybersecurity; and growing concerns about resource shortages in public health security. The Kean-Hamilton NSPG “Tenth Anniversary Report Card: The Status of the 9/11 Commission Recommendations” highlighted progress on airline passenger pre-screening as one of the major success stories in homeland security. Under the Secure Flight

program, the Transportation Security Administration now checks the names of all airline passengers against terrorist watch lists.<sup>185</sup>

One of those watch lists is the no-fly list, which contains the names of suspected terrorists who are banned from flying within or to the United States. This compilation grew from 3,400 names—prior to the Christmas 2009 attempted terrorist bombing of Northwest Flight 253—to 10,000 in 2011. There are approximately 21,000 names on it today. This rapid expansion has raised concerns among civil liberties groups, who complain that American citizens (about 500 of the total number) are included on this secret list without explanation or their knowledge, and face difficulties in getting their names removed.

The Transportation Security Administration, however, maintains that in spite of the dramatic increase in the size of the no-fly list, the number of innocent individuals incorrectly listed has declined since the government took over responsibility from the airlines for checking passenger names against the list.<sup>186</sup> The agency also initiated the PreCheck pilot program, which allows certain individuals who voluntarily supply information establishing them as low risk to receive expedited processing through airport security checkpoints. The program, which responded to a recommendation by the U.S. Travel Association—a recommendation endorsed by last year’s Unified Security Budget—is designed to let the agency expend less time and resources scrutinizing low-risk travelers.<sup>187</sup> We note our concerns about implementation below.

Then there are cybersecurity concerns. There has been broad bipartisan support for enhancing national cybersecurity efforts. Even in the difficult budgetary environment of FY 2012, cybersecurity programs received an 18 percent increase over the previous year.<sup>188</sup> In November 2011 the Department of Homeland Security released its Cybersecurity Strategy, which aims to protect critical information infrastructure and strengthen the overall cyber environment.<sup>189</sup>

In spite of the general consensus supporting improved resistance to cyber attacks, attempts to establish a statutory framework for that policy have produced significant divisions in Congress and elsewhere, though the breaks have not necessarily been along traditional partisan or ideological lines. The controversy has centered on two major issues: the government’s role in maintaining cybersecurity and the appropriate level of privacy protections.

On April 26, 2012, The House passed the Cyber Intelligence Sharing and Protection Act. The House bill, which is backed by the U.S. Chamber of

Commerce as well as a number of trade groups and telecommunications and information technology companies, amends current law to allow the federal government to share classified cyber-threat intelligence with private companies. This enables them to thwart cyber attacks, and in turn permits participating companies to provide the government with real-time feedback on cyber threats they identify. With regard to privacy, the proposed legislation “encourages” companies to remove personal information from the data they share with the government and requires that any information the government receives must only be used for cybersecurity or other national security purposes.<sup>190</sup>

The Obama administration opposed the Cyber Intelligence Sharing and Protection Act and issued a veto threat, indicating the measure “fails to provide authorities to ensure that the nation’s core critical infrastructure is protected while repealing important provisions of electronic surveillance law without instituting corresponding privacy, confidentiality, and civil liberties safeguards.” A coalition of civil liberties, libertarian, and other groups also oppose the House bill on privacy grounds.<sup>191</sup>

The White House supports a competing measure in the Senate, the Cybersecurity Act of 2012. This act requires companies possessing computer systems that “if brought down or commandeered would lead to mass casualties, evacuations of major population centers, the collapse of financial markets, or significant degradation of security” to meet security performance standards established by the Department of Homeland Security. In addition, it establishes mechanisms for information sharing between the private sector and the federal government and creates security measures and oversight to protect privacy and other civil liberties.<sup>192</sup>

Finally, public health preparedness must be addressed. For many years, one of the top priorities supported by the Task Force for a Unified Security Budget has been to enhance public health infrastructure to increase the nation’s ability to cope with both bioterrorism and naturally occurring disease outbreaks. Though many areas of homeland security have been affected by the tighter budgets of recent years, none has been more demonstrably harmed than public health preparedness. A December 2011 report from the Trust for America’s Health on the progress and vulnerabilities in public health preparedness concluded that:

*... preparedness had been on an upward trajectory until the economic crisis hit. Since then, local, state and federal cuts to public health budgets and staff are starting to erode a decade’s worth of progress. Health departments are increas-*

*ingly spread thin and programs and core capabilities are being cut... Sixty percent of state health agencies have cut entire programs since 2008, while half of all local public health departments reported cutting at least one program altogether in the last year alone; and federal funds for state and local preparedness declined by 38 percent from FY2005 to 2012 (adjusted for inflation).<sup>193</sup>*

This is a huge danger that must be addressed.

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## FY 2012 Homeland Security budget

Once again, funding for homeland security programs was delayed until well after the start of the fiscal year, caught up in the partisan and ideological battles that postponed final action on most appropriations bills.

On May 26, 2011, the House passed its version of the FY 2012 Department of Homeland Security funding measure by a largely party-line vote of 231 to 188 (with most Republicans in favor and most Democrats opposed). The House bill cut almost \$3 billion from the Obama administration request, and was over \$1 billion less than the FY 2011 level, with the major reductions occurring at the Federal Emergency Management Agency, in state and local grants, and in science and technology programs. The Senate never took up a separate Department of Homeland Security spending bill on the floor, but its Appropriations Committee reported out to the full Congress for a vote a bill that restored \$400 million of the House cuts, with the largest additions being for the FEMA grants and the Coast Guard.<sup>194</sup>

This appropriations legislation was included in the omnibus appropriations bill that was signed into law in December 2011. The Department of Homeland Security received \$39.9 billion in discretionary budget authority, an amount that was \$2.9 billion below the comparable request from the president's budget request and \$111 million less than the final FY 2011 total. Details for select programs are included in Table 10.<sup>195</sup>

**TABLE 10**  
**Recommended Increases in Spending to Stabilize the Climate**

TOTAL SPENDING	Discretionary w/ OCO		Discretionary w/o OCO	
	FY 2012	FY 2013	FY 2012	FY 2013
Offense	678.9	648.3	563.5	559.8
Prevention	43.3	45.2	32.1	36.9
Defense	44.8	46.9	44.8	44.9
<b>TOTAL</b>	<b>767</b>	<b>740.3</b>	<b>640.4</b>	<b>643.6</b>
Ratios:				
Offense to Prevention	15.7 to 1	14.4 to 1	17.6 to 1	15.2 to 1
Offense to Defense	15.2 to 1	13.8 to 1	12.6 to 1	12.5 to 1
Military to Non-Military	7.7	7.0	7.3	6.7

As in the two previous versions, last year’s Task Force for a Unified Security Budget supported the Obama administration’s proposed overall homeland security funding level, but made some shifts in priorities within that total.<sup>196</sup> In these particular program areas, the final appropriations bill rejected most of our proposed changes adhering more closely to the President’s request. (see Table 11)

**TABLE 11**  
**Illustrative Military and Non-Military Trade-Offs, FY 2013**

\$20 billion	Maintain 1,968 operational nuclear warheads, a number which, according to the Air War College and School of Advanced Air and Space Studies <sup>1</sup> , is six-times greater than that needed for national security and military deterrence <sup>2</sup>	or	Develop and implement “smart grid” electricity transmissions systems, which are more efficient, reliable, economical, and sustainable than those used by the current electric grid  Protect the international affairs budget from cuts and have \$22.8 billion left over <sup>3</sup>
\$74.4 billion	Absorb cost overruns of weapons now in development (GAO estimate) <sup>4</sup>	or	Protect the international affairs budget from cuts and have \$22.8 billion left over <sup>5</sup>
\$1.65 billion	Purchase 7 additional F-35 aircraft, though the aircrafts’ usefulness and viability are unproven <sup>6</sup>	or	Reverse cuts to our nation’s contribution to the Global Fund to Fight AIDS, TB, and Malaria
\$5 billion	Maintain spending on military R&D that is significantly higher (in adjusted dollars) than that during the height of the Cold War <sup>7</sup>	or	Commit funds to deficit reduction
\$90 million	Buy one V-22 Osprey helicopter, despite bipartisan support to scrap production due to safety concerns and ongoing technical problems <sup>8</sup>	or	Implement program to train Foreign Service Officers and diplomats for better cooperation with international organizations

\$15 billion	Continue to finance the systemic inefficiencies in the military's healthcare programs (not including the cost of caring for injured or disabled veterans, who receive a separate health care plan) <sup>9</sup>	or	Fund 95% of the Department of Transportation's investment in clean fuels R&D, green emissions technologies, and sustainable transportation projects
\$4.5 billion	Build a new nuclear research facility (CMRR-NF), though the House Appropriations Committee recommended delay because it has "no coherent mission" and it would cost fifteen times more to maintain than to the existing facility <sup>10</sup>	or	Fully fund the International Atomic Energy Agency (IAEA), responsible for monitoring and regulating nuclear stockpiles, for eleven years <sup>11</sup>
\$2.6 billion	Purchase one additional Virginia Class Submarine, though it is ill-suited to fight today's asymmetrical wars <sup>12</sup>	or	Fully fund the White House's commitment to fund international peacekeeping forces, with \$500 million left over

1 Department of Defense, "Sustaining U.S. Global Leadership," January, 2012, p. 5, available at [http://www.defense.gov/news/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/news/Defense_Strategic_Guidance.pdf).

2 Unified Security Budget FY 2013, p.39.

3 Unified Security Budget 2013, p.14.

4 This estimate is for the lifetime cost. Government Accountability Office, "Defense Acquisitions: Assessments of Selected Weapons Programs" (Washington: Government Accountability Office, 2012).

5 Unified Security Budget 2013, p.14.

6 Winslow Wheeler, "The Jet That Ate the Pentagon," Foreign Policy, (April 26, 2012), available at: [http://www.foreignpolicy.com/articles/2012/04/26/the\\_jet\\_that\\_ate\\_the\\_pentagon?print=yes&hidecomments=yes&page=full](http://www.foreignpolicy.com/articles/2012/04/26/the_jet_that_ate_the_pentagon?print=yes&hidecomments=yes&page=full).

7 Department of Defense, "Overview—United States Department of Defense Fiscal Year 2013 Budget Request."

8 Department of the Navy, "Department of the Navy Fiscal Year 2013 Budget Estimates," available at [http://www.finance.hq.navy.mil/FMB/13pres/SCN\\_BOOK.pdf](http://www.finance.hq.navy.mil/FMB/13pres/SCN_BOOK.pdf).

9 Unified Security Budget, , p.47.

10 "November 2010 Update to the National Defense Authorization Act of FY 2010: Section 1251 Report," available at: [http://www.lasg.org/CMRR/Sect1251\\_update\\_17Nov2010.pdf](http://www.lasg.org/CMRR/Sect1251_update_17Nov2010.pdf).

11 "IAEA Regular Budget," available at: <http://www.iaea.org/About/budget.html>

12 "Department of the Navy Fiscal Year 2013 Budget Estimates," p. 3-1, available at [http://www.finance.hq.navy.mil/FMB/13pres/SCN\\_BOOK.pdf](http://www.finance.hq.navy.mil/FMB/13pres/SCN_BOOK.pdf).

## FY 2013 budget request

President Obama's FY 2013 budget provides \$68.9 billion in gross budget authority for all homeland security programs. This represents a \$917 million (1 percent) increase over the final FY 2012 level, but it is \$2.7 billion below the FY 2012 request. For non-Department of Defense, discretionary homeland security programs, the proposed net budget authority level is \$41.9 billion, \$165 million (0.4 percent) above the FY 2011 level but \$1.9 billion below the comparable FY 2012 administration proposal.<sup>197</sup>

Under the Obama administration's budget, the Department of Homeland Security is to receive \$59 billion in total budget authority, an \$882 million, or 1.5 percent, reduction from FY 2012, with the figure for net discretionary budget authority (after removing mandatory, fee, and trust fund components) being \$44.9 billion,

a two percent decrease from the preceding year.<sup>198</sup> The largest proposed increases over the FY 2012 level include:

- \$518 million more for the Federal Emergency Management Agency and state and local homeland security grant programs (for a total of \$2.9 billion). In addition, the administration calls for the creation of a new National Preparedness Grant Program that would consolidate all of FEMA's current homeland security preparedness grants (with the exception of Emergency Management Performance Grants and Assistance to Firefighter Grants) into a single grant program. The new grant program "will focus on creating a robust national response capacity based on cross-jurisdictional and readily deployable State and local assets rather than meeting mandates from multiple individual, and often disconnected, grant programs."<sup>199</sup>
- \$326 million more for the National Cyber Security Division, a 74 percent increase<sup>200</sup>
- A net increase of \$242 million for U.S. Customs and Border Protection, which includes additions for Southwest Border technology (plus \$92 million), targeting systems (plus \$78 million) and the Container Security Initiative (plus \$13 million)<sup>201</sup>
- \$163 million (24 percent) more for the Science and Technology Directorate, which experienced deep cutbacks (minus \$160 million) in FY 2012. The proposed additions would support restoration of research and development in aviation security explosives detection, biological threat detection, cybersecurity, and first responder technologies<sup>202</sup>

The Department of Homeland Security programs targeted for major reductions in the proposed FY 2013 budget include:

- A \$987 million decrease for the Federal Emergency Management Agency's Disaster Relief Fund, which covers all projected spending for previous declared disasters but assumes that catastrophic events that may occur in 2013 will be funded by emergency supplemental funding, as provided for in the Budget Control Act of 2011
- A net cut of \$338 million in discretionary budget authority for the Coast Guard, with the savings to be achieved by decommissioning of ships, aircraft, and facilities, as well as management efficiencies and targeted programmatic reductions<sup>203</sup>

- A net reduction of \$196 million in Transportation Security Administration funding, with the savings concentrated in Explosives Detection Systems Procurement and Installation (minus \$88 million); Federal Air Marshals (minus \$37 million); airport checkpoint support (minus \$31 million); screening technology maintenance (minus \$18 million); and the Federal Flight Deck Officer and Flight Crew Training programs (minus \$13 million) <sup>204</sup>

The Obama administration is also once again proposing an increase in the Aviation Passenger Security fee that has not been changed since its establishment in 2002. Last year's proposal was endorsed by our Task Force, but, like all previous attempts by both the Bush and Obama administrations, it failed in Congress.<sup>205</sup>

The new plan would replace the current fee-per-each-plane charge with a "per one-way trip" charge, which would be set at \$5.00 in 2013 and increase by \$0.50 annually until the fee reaches \$7.50 in 2018 and thereafter. This measure is projected to raise an additional \$25.5 billion in revenues over 10 years, of which \$7.5 billion would be allocated to offset aviation security costs. The remainder would applied to deficit reduction.<sup>206</sup>

Outside of the Department of Homeland Security, the major public health biodefense and emergency preparedness and response programs are again targeted for cuts in the Obama administration budget. The proposed cuts include \$47 million from the Strategic National Stockpile (which had been reduced by \$57 million in FY 2011), \$16 million from the Center for Disease Control and Preventions State and Local Preparedness and Response Capability program (which was down by \$7 million in FY 2011), and \$120 million from the Hospital Preparedness Grants program (which was funded at the same level as the previous fiscal year in FY 2011).<sup>207</sup>

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## Homeland security recommendations

In recognition of the continuing budgetary constraints facing the federal government, for the third successive year our Task Force is not suggesting any increase above the overall level for homeland security funding recommended by President Obama. At the same time, we do advocate certain changes in policy, including shifts in resources, which we feel would significantly enhance national security without adding to the deficit.



## Recommendation

### *Improve performance measurement, priority-setting, and congressional oversight of homeland security programs*

This has been a theme in several previous versions of our Task Force reports,<sup>208</sup> and though some progress has been made, much more remains to be done. The Department of Homeland Security has made some incremental improvement in its performance measurement process. For instance, the General Accountability Office reported:

*DHS [has] not yet fully developed outcome-based measures for assessing progress and performance for many of its mission functions... Our work across the department has shown that a number of programs lacked outcome goals and measures, which may have hindered the department's ability to effectively assess results or fully assess whether the department was using resources effectively and efficiently.*<sup>209</sup>

There has been even less forward movement with respect to congressional oversight. The September 2011 Kean-Hamilton report indicated:

*[T]he homeland security committees in the House and Senate do not have sufficient jurisdiction over important agencies within the Department of Homeland Security. Instead, jurisdiction has been carved up to accommodate antiquated committee structures... The resulting unwieldy jurisdictional divisions result in the inefficient allocation of limited resources to secure our nation... DHS receives conflicting guidance and Congress lacks one picture of how that enormous organization is functioning.*<sup>210</sup>

## Recommendation

### *Adopt the Obama administration's proposed increases in the Aviation Passenger Security Fee*

Our rationale for supporting this proposal remains the same as last year:

*Although we accept the premise that aviation security is a matter of national security and thus all taxpayers derive some benefit and should therefore pay a portion of its costs, we feel that, especially given the current budgetary situation,*

*it is appropriate to increase the share of that cost borne by the passengers and commercial aviation industry who receive the greatest benefit.*<sup>211</sup>

## Recommendation

*Continue to improve and expand the airline passenger pre-screening Secure Flight and PreCheck programs if accompanied by enhanced privacy protections*

The Secure Flight and PreCheck programs represent an important and cost-effective advance in aviation security. Yet these and a number of other homeland security policies, including cybersecurity, raise legitimate concerns with respect to civil liberties. Recognizing that such issues would arise as the nation stepped up its homeland security efforts, the 9/11 Commission recommended that “there should be a board within the executive branch to oversee adherence to [privacy] guidelines ... and the commitment the government makes to defend our civil liberties.”

Such an entity was statutorily established in 2004 as the Privacy and Civil Liberties Oversight Board, but this board had minimal impact during the Bush administration and has been entirely dormant for the past four years, with President Obama not submitting nominations until the latter part of 2011. The Senate finally held confirmation hearings on April 18, 2012, with further action pending.<sup>212</sup>

The September 2011 National Security Preparedness Group report stated:

*If we were issuing grades, the implementation of [the Privacy and Civil Liberties Oversight Board] would receive a failing mark. A robust and visible board can help reassure Americans that these [homeland security] programs are designed and executed with the preservation of our core values in mind. Board review can also give national security officials an extra degree of assurance that their efforts will not be perceived later as violating civil liberties.*<sup>213</sup> *We agree.*

## Recommendation

*To address certain funding deficiencies in the president's FY 2013 budget, we suggest that additions be made in the following areas*

**In-line checked bag screening equipment (plus \$313 million).** In spite of the many benefits to be derived from installing advanced checked-bag screening equipment into conveyor systems within the baggage handling areas of airports,<sup>214</sup> the president's budget calls for a reduction in funding for such purposes compared to the final FY 2012 appropriations bill, which itself represented a significant decrease from FY 2011 levels. Our recommendation assumes annual spending of \$448 million, the level necessary to achieve up to \$470 million in savings in Transportation Safety Administration staffing costs, according to the Government Accountability Office.<sup>215</sup>

**Center for Disease Control and Prevention state and local capacity grants and Department of Health and Human Services Hospital Preparedness Grants (plus \$281 million).** These critical public health preparedness programs have experienced significant declines since 2008, and are slated to receive further cuts under the president's latest budget proposal. We propose to fund these programs at their FY 2010 level of \$1.2 billion. Although the Obama administration claims that "enhanced alignment" of the grant programs will allow for "more efficient use of resources,"<sup>216</sup> the comments of the Director of CDC's Office of Public Health Preparedness and Response are sobering:

*From 2008 to 2010, more than 44,000 jobs were lost in state and local health departments... Thus, states must grapple with continued declines in funding levels that have already affected the ability of the public health system to respond effectively to routine and major health incidents... States cannot adequately meet every-day needs, let alone increase efforts for emergency incidents that have potential national implications, without reliable, dedicated, or sustained federal funding.<sup>217</sup>*

## Recommendation

*We propose the following decreases in the president's request in order to offset the cost of our proposed increases*

**Transportation Security Administration screening operation (minus \$260 million).** These savings assume the adoption of the proposal developed by the United

States Travel Association and advanced in our Task Force's FY 2012 report to require airlines to allow at least one bag to be checked without an additional charge. Such a change would reduce the amount of checked baggage, which would lower the agency's checkpoint resource needs by this estimated level while also reducing airport congestion and enhancing onboard safety and security.<sup>218</sup>

**Federal Air Marshals (minus \$70 million).** In the absence of evidence of security benefits or of other justifications for the substantial increase in appropriations for the Air Marshal program as a response to the December 2009 attempted bombing of Northwest Flight 253, we continue to support funding at the FY 2010 level of \$860 million.

**State Homeland Security Grant Program (minus \$31 million).** We once again propose that, in order to target finite resources based on risk, the state minimum allocation for this grant program (or its successor under pending proposals to reorganize FEMA's state and local grants programs) be eliminated.

**Department of Homeland Security Office of Health Affairs (minus \$27 million).** Uncertainties about the role of and the security value added by the Office of Health Affairs—and of the BioWatch environmental surveillance program that is its major component—lead us to recommend funding at the FY 2010 level of \$139 million.<sup>219</sup>

**Department of Homeland Security administrative savings (minus \$213 million).** The Senate Appropriations Subcommittee on Homeland Security recommended \$850 million in administrative savings in this department. We recommend that at least one-fourth of these savings be required.<sup>220</sup>

# Conclusion

Though the federal budget process has been going through the motions in 2012, the real action will take place at the end of the year, when several budget-overhaul strategies will converge. The train wreck metaphor is getting the most use by politicians and pundits alike to describe what will happen. But whatever happens, big cuts are certainly coming.

Over the past decade, two wars have driven Pentagon spending to levels not seen since World War II. At the beginning of the year, President Obama referred to the “extraordinary pace” of the last decade’s military budget growth. Since these wars were paid for through borrowing, they have contributed mightily to our budget deficit, and diverted resources from other investments in our domestic strength.

It is time for a responsible build-down of the post-9/11 buildup. One feature of the sclerotic politics of 2012, however, is the extraordinary expenditure of time and money devoted to seeing that this does not happen. Focus is largely on exempting the military budget from the sequestration of funds mandated by the Budget Control Act of 2011.

While sequestration is a poor way to manage a build-down, we argue in this report that the amount prescribed by this blunt instrument—\$600 billion—is readily achievable with no sacrifice to our security. Combined with other planned cuts, it would get us back to what we were spending in 2007 after accounting for inflation. These cuts would be less than all of its postwar predecessors. This document lays out a framework for achieving these cuts while rebalancing our overall security spending to meet the threats of the 21st century, alongside the strategic rationale for doing the cuts safely.

Referring to the extraordinary military budget increases of the past decade, President Obama quoted President Eisenhower about “the need to maintain balance in and among national programs.” After a decade of war, President Obama

added, “and as we rebuild the source of our strength—at home and abroad—it’s time to restore that balance.”

We agree. In this report we argue that achieving such a balance must involve shifting resources toward preventive and truly defensive security measures. As demonstrated by the wars in Iraq and Afghanistan, preventative measures are far less expensive than a military intervention, in both blood and treasure. As a result, our Unified Security Budget rebalances the security budget and identifies funds left over that can be applied to other purposes, including deficit reduction.

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## Task force members

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Carl Conetta has co-authored more than 30 reports for the Project on Defense Alternatives, a defense policy think tank, since joining the organization in 1991. He has testified before the House Armed Services Committee, and has made presentations at the U.S. Departments of Defense and State, the National Defense University, and the U.S. Army War College, and other governmental and nongovernmental organizations. He has been interviewed on CNN, ABC-TV, CBS-TV, CBC, BBC, Voice of America, and NPR, among others. He was lead author on “Debt, Deficits and Defense: A Way Forward” (Report of the Sustainable Defense Task Force, June 1, 2010).

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Anita Dancs researches and writes on the military and the U.S. economy, and on the economics of war and empire. She has been interviewed extensively by national media, making appearances on such outlets as CNN, CNBC, and Marketplace. Her research has been covered by The Washington Post, The New York Times, and the Associated Press, among others. Prior to Western New England College, Dancs researched and taught at universities in the United Kingdom and Hungary, and was research director of the National Priorities Project, a research and advocacy group focused on budget priorities. She has been a staff economist with the Center for Popular Economics for more than 15 years, making economics more accessible to the general population.

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Kenneth Forsberg is a senior manager for legislative affairs at InterAction, the largest coalition of U.S.-based humanitarian and international development nonprofit organizations, where he specializes in government oversight and reform, policy research, and advocacy. Previously, Forsberg worked as a legislative aid in the office of U.S. Senator Bob Kerry (D-NE) and as a legislative associate for U.S. Senator Dick Durbin (D-IL). He also worked for Common Cause.

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Lt. General Robert G. Gard, Jr., served in a variety of command and staff positions over his 31 years in the U.S. Army, including as military (executive) assistant to two Secretaries of Defense, combat duty in Korea and Vietnam, and a tour in Germany. He has also served as military fellow at the Council on Foreign Relations, president of the National Defense University, director of the Johns Hopkins University Center in Bologna, Italy, and president of the Monterey Institute of International Studies. He now serves on several non-profit boards, including the Science and Security Board of the Bulletin of Atomic Scientists. He is a member of the Council on Foreign Relations.

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Stephen Glain worked as a foreign correspondent for The Wall Street Journal for over a decade. His articles on the Arab world, East Asia, and U.S. foreign policy have appeared in the New Republic, The Atlantic Monthly, the Financial Times, The Nation, Smithsonian Magazine, Institutional Investor, and The Globalist. Recently, Glain has written and edited for Newsweek, The National, and Al Majalla. Glain's first book, *Dreaming of Damascus: Arab Voices in a Region of Turmoil* (John Murray, UK) was published in 2001; its updated version, titled *Mullahs, Merchants, and Militants: The Economic Collapse of the Arab World* (St. Martin's Press), was released in the U.S. in 2004 and named Book of the Year by The Globalist, an online magazine. His most recent book is titled *State vs. Defense: The Battle to Define America's Empire*, and was published by Crown Books in August 2011.

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Robert Greenstein founded the Center on Budget and Policy Priorities in 1981, aiming to "ensure that policymakers consider the needs of low-income families and individuals." He currently serves as the Center's president. In 1994 President Clinton appointed Greenstein to serve on the Bipartisan Commission on Entitlement and Tax Reform. More recently, he headed the federal budget policy component of the transition team that assisted President Obama. Greenstein was awarded a MacArthur Fellowship in 1996 and, in 2008, received both the John W. Gardner leadership award and the Heinz Award for Public Policy. This year, he was awarded Daniel Patrick Moynihan Prize from the American Academy of Political



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## Acknowledgements

This report was produced with the generous support of the Connect U.S. Fund and the Colombe Foundation.

Research assistance by Gabriel Rossman, Julia Heath, Arielle Weaver, Alex Rothman, Max Hoffman, Robert Ward, Melissa Kaplan, and Heidi Garrett-Peltier.

Special thanks to Ed Paisley.

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