



Congressional Budget Office

**Presentation to the National Commission on
Fiscal Responsibility and Reform**

Discretionary Defense Spending

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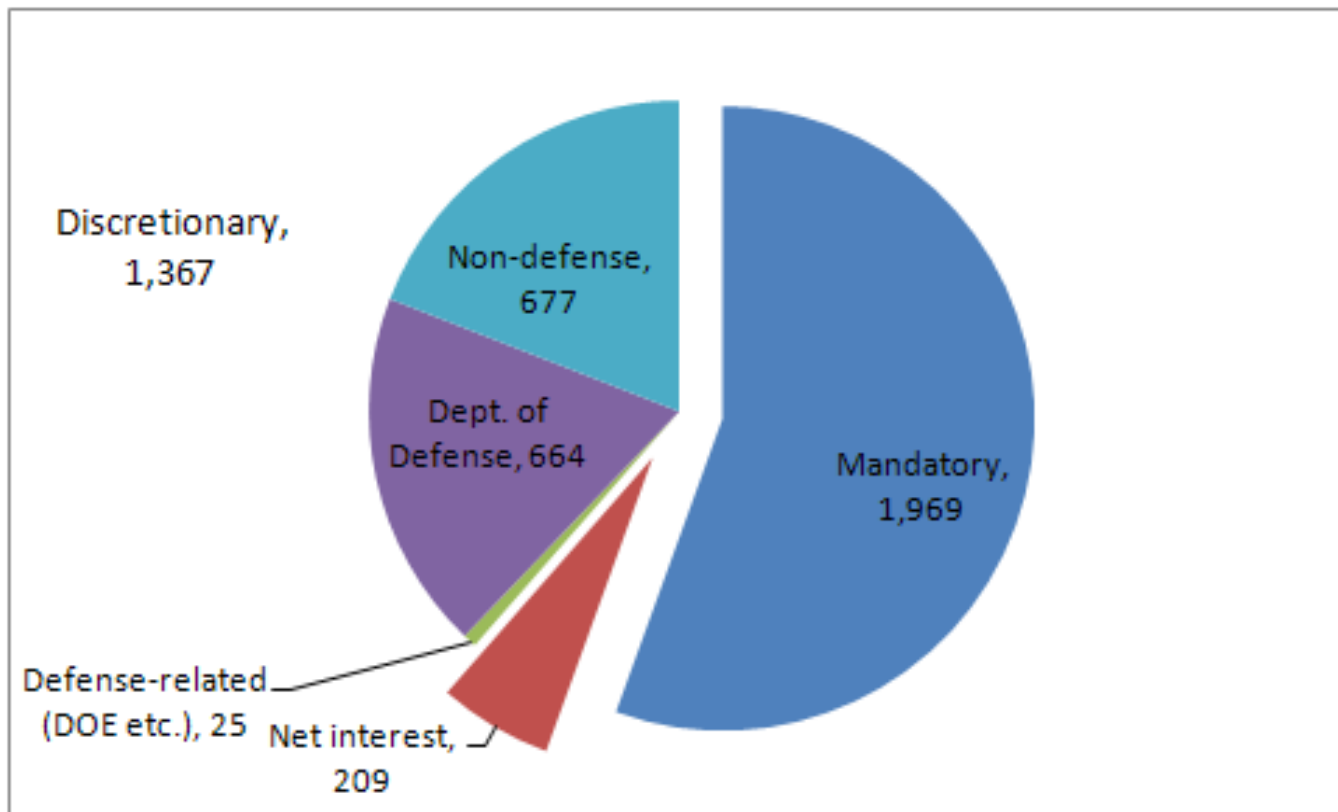
Outline of Presentation

- How much discretionary spending are we currently undertaking for national defense?
- How much funding would the Congress need to provide in the future to implement current defense plans?
- What are some of the challenges in acquiring major weapon systems?
- How much of the projected growth in spending is due to pay and health benefits for military personnel?



Estimated Federal Outlays by Category, 2010

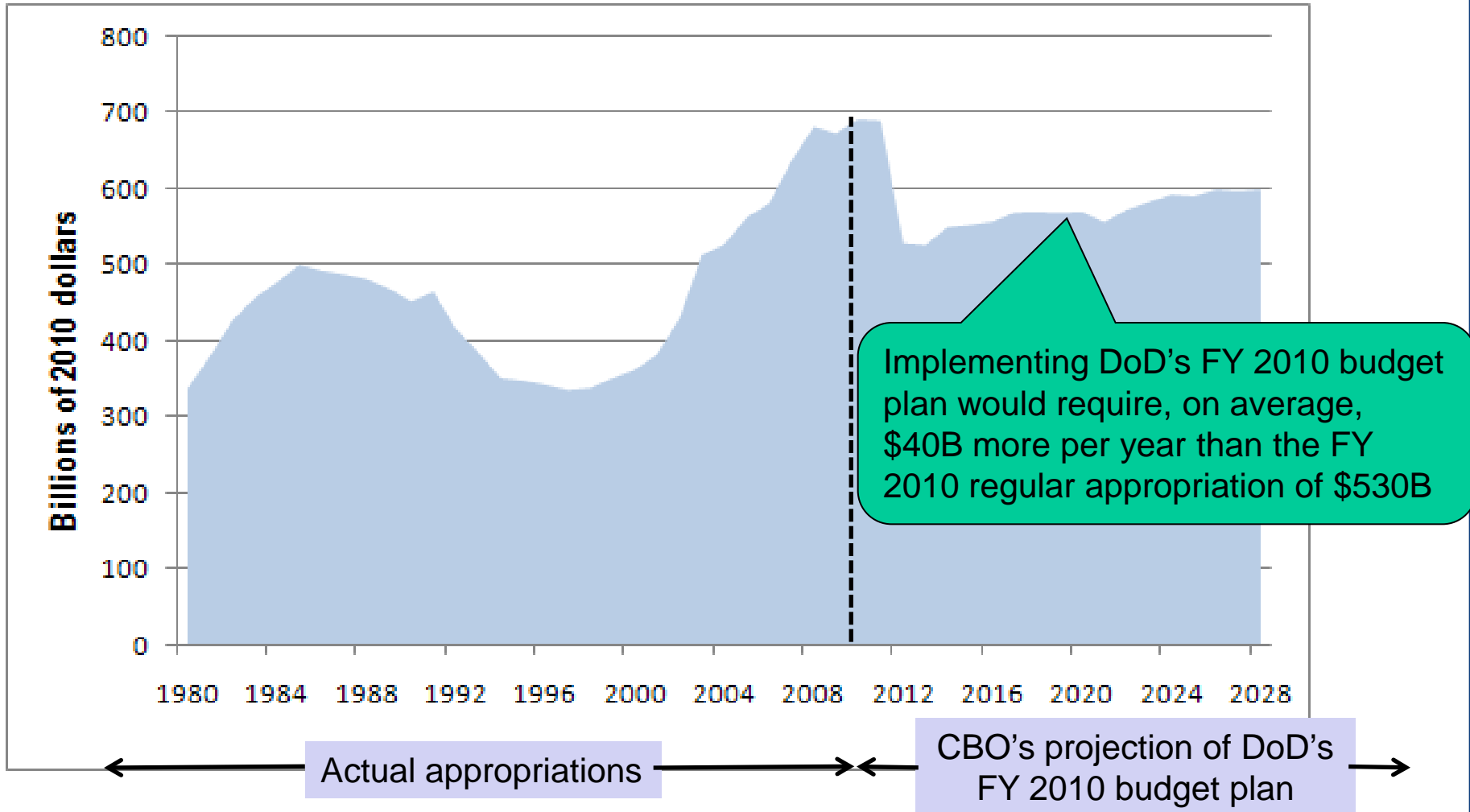
Billions of Dollars



Source: Congressional Budget Office



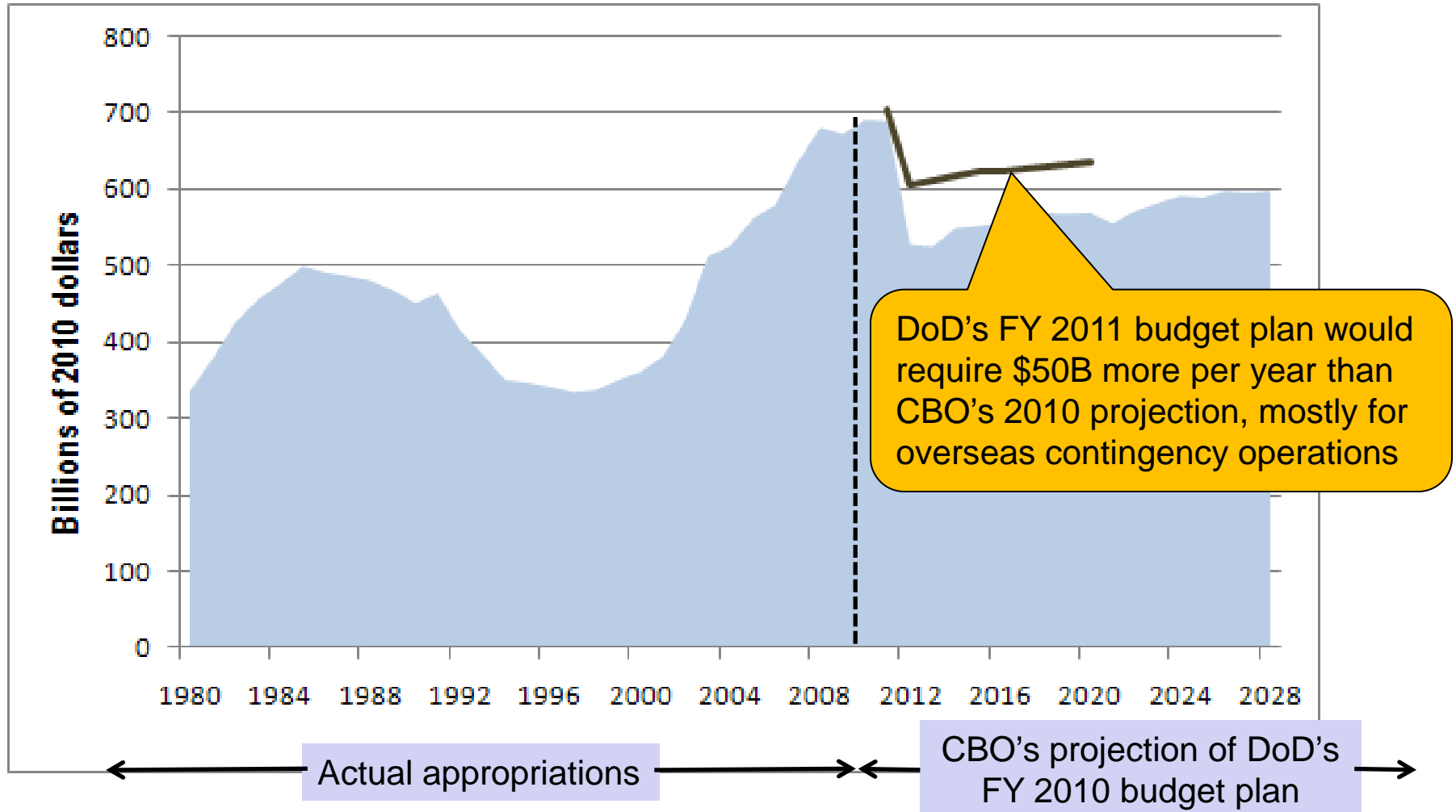
How much funding would we need to provide in the future to implement current defense plans?



Source: Congressional Budget Office



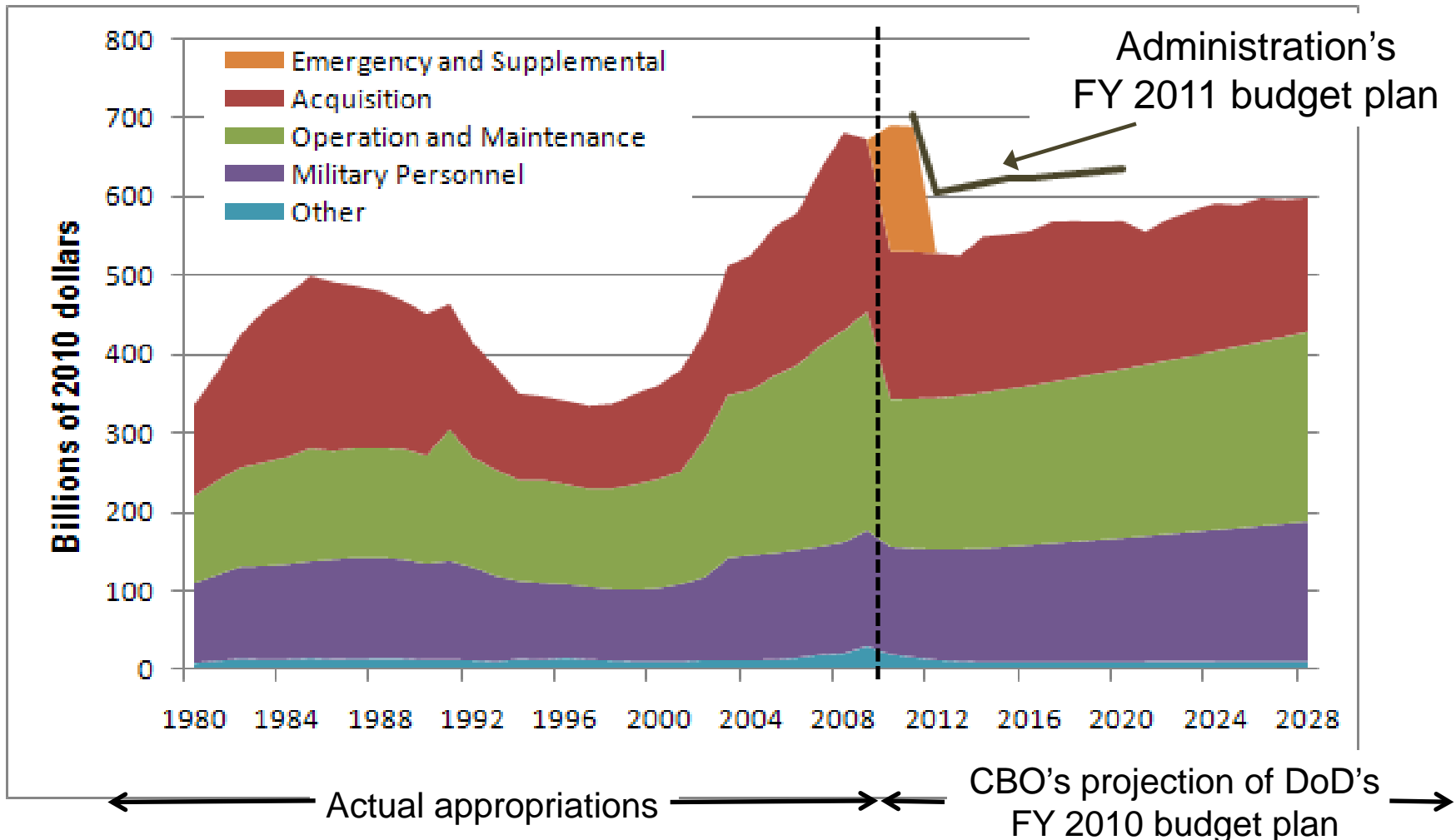
How much discretionary funding is the Administration projecting for defense over the next 10 years?



Source: Congressional Budget Office



Factors that may drive growth in future defense budgets



Source: Congressional Budget Office

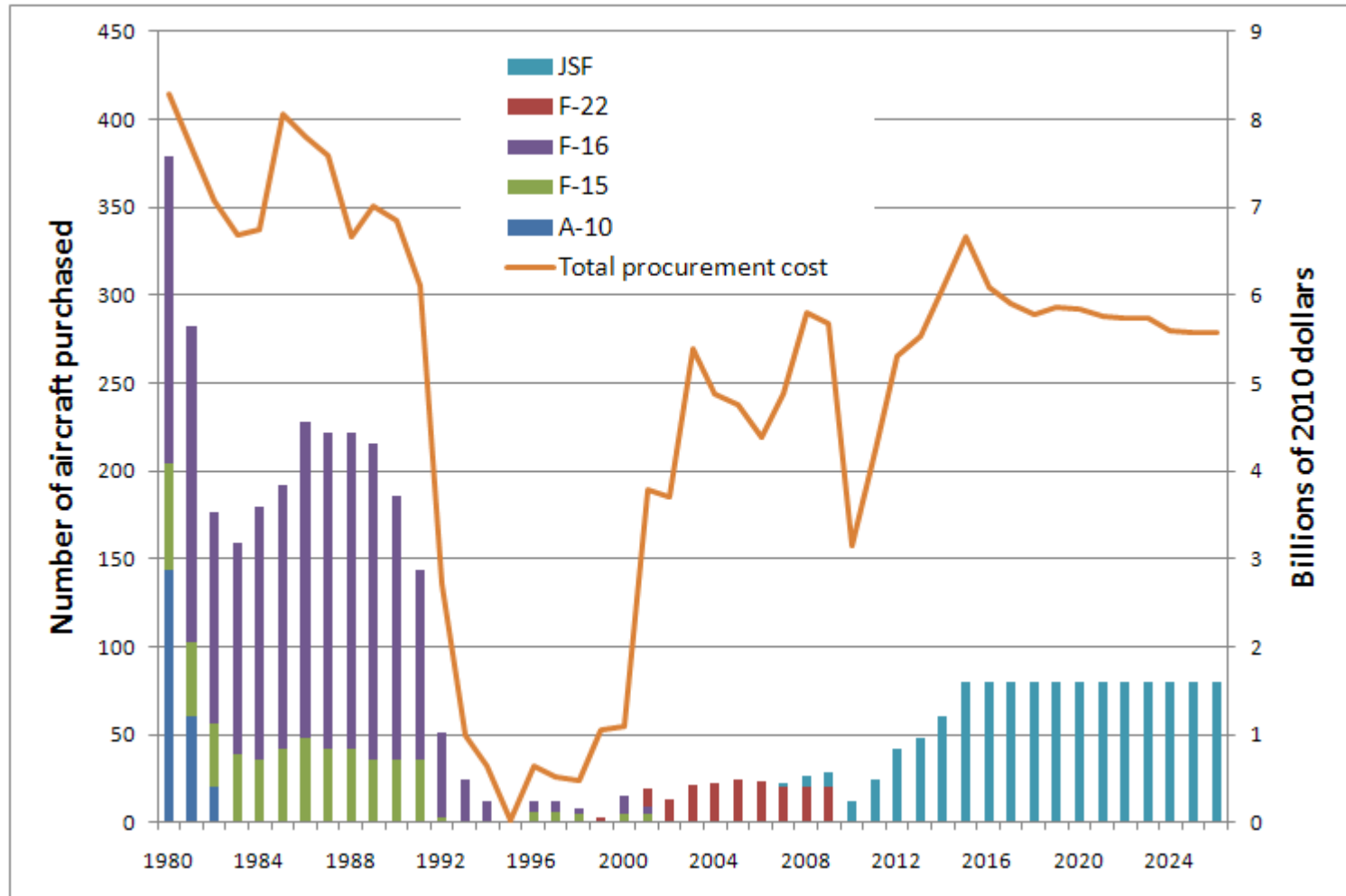


Budget Issues for Selected Major Weapon Systems

- Air Force fighter and attack aircraft
- Navy / Marine Corps fighter aircraft
- Navy shipbuilding



Procurement History for Air Force Fighter and Attack Aircraft

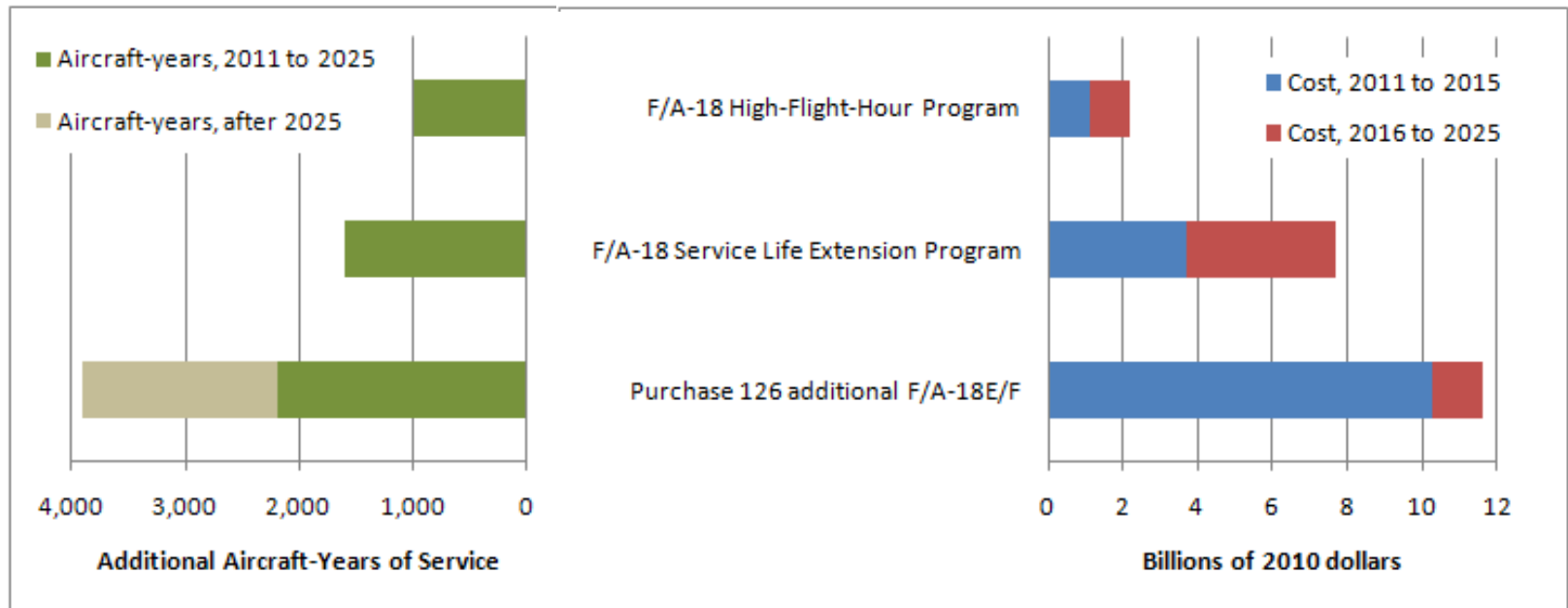


Source: Congressional Budget Office



Three Options to Bridge the Navy / Marine Corps “Fighter Gap”

With the Joint Strike Fighter (JSF) program experiencing schedule delays, the Navy / Marine Corps may have to spend more in the near-term to maintain their fighter inventory levels.

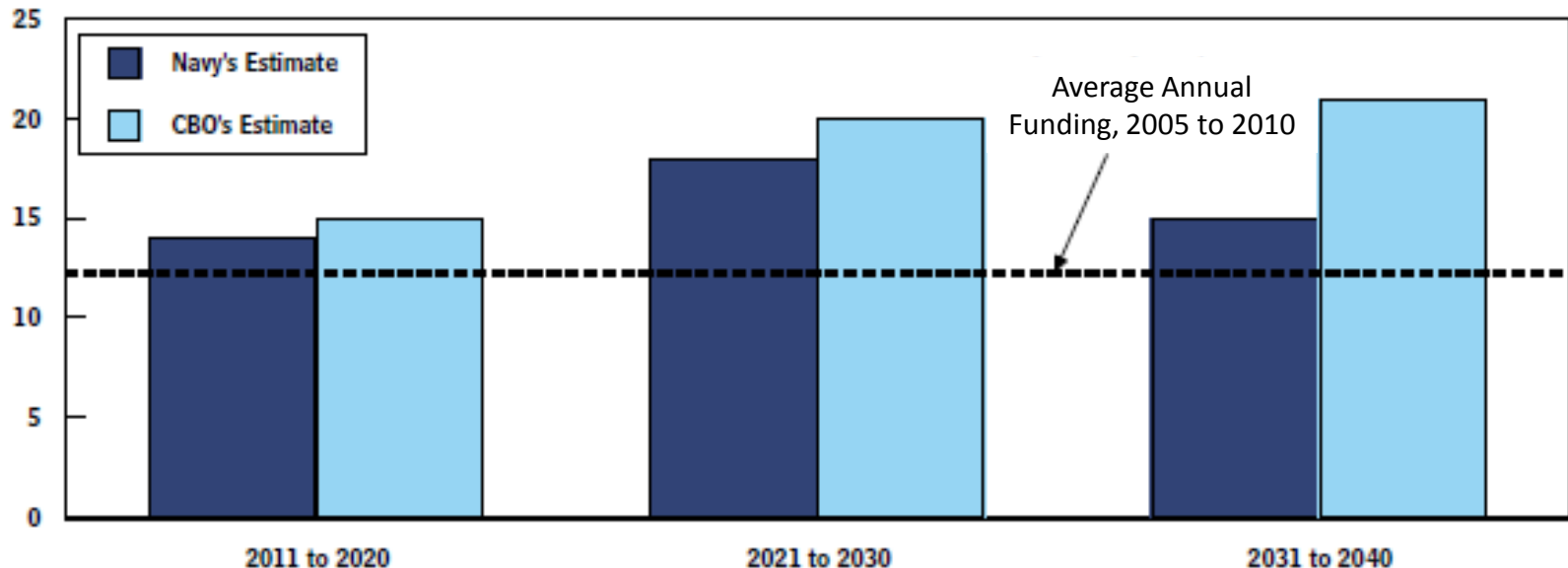




Average Annual Cost of New Ship Construction Under the Navy's 2011 Plan

- The Navy's plan would purchase 276 ships over the next 30 years, not enough to build to a 322-ship Navy
- That plan would also require more appropriations for ship construction than the Navy has recently received

(Billions of 2010 dollars)



Source: Congressional Budget Office

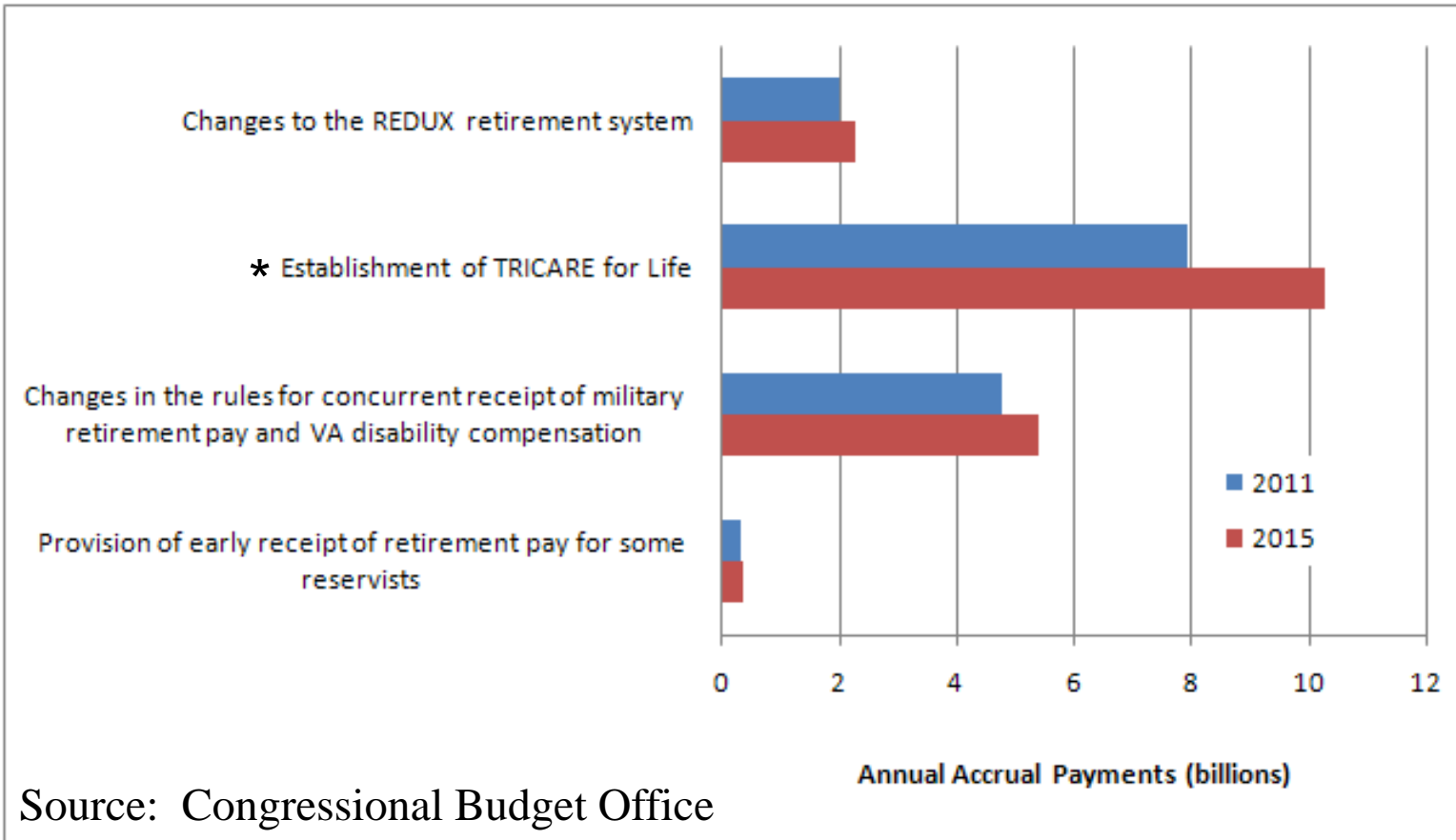


Is Military Pay Adequate?

- CBO study found that, in 2006, average cash compensation for military personnel exceeded the compensation of 75 percent of civilians (of comparable age and education)
- Non-cash benefits (e.g., health care) better than for most civilian jobs
- All branches of service met their recruiting and retention goals in 2009 and first part of 2010
 - However, shortages exist in particular military occupations



Accrual Costs of Enhancements to Military Compensation Enacted During the Past Decade



* Excludes accrual payments related to care received at military treatment facilities because such care was provided before the enactment of TRICARE for Life.



Pending January 2011 Military Pay Raise

- The Administration requested a 1.4% military pay raise for January 2011, equal to the percentage increase in the civilian Employment Cost Index (ECI)
- Congress has enacted ECI + 0.5% military pay raise every year since 2004
- If Congress continues to enact ECI + 0.5% for the next five years (2011 – 2015), cumulative increase in then-year outlays (relative to pay raise = ECI):
 - \$350M in FY 2011
 - \$6.9B total for the five years FY 2011 – 2015
 - \$21B total for the ten years FY 2011 – 2020



User Fees for the TRICARE Health Program

- TRICARE Prime annual enrollment fees for non-Medicare retirees have been fixed since 1995 at \$230 single / \$460 family
- DoD proposed increases in the enrollment and other fees in its budget submissions for FY 2007, 2008, 2009
 - enrollment fees and copayments for TRICARE Prime
 - charge for inpatient care for TRICARE Standard
- Congress explicitly prohibited those proposed fee increases in the past four defense authorization acts