America’s
$1 Trillion
National Security Budget

BY WINSLOW WHEELER, DIRECTOR,
STRAUS MILITARY REFORM PROJECT

The Pentagon’s current leadership and most on the House and Senate Armed Services Committees in Congress describe President Obama’s 2015 defense budget request as painfully austere, if not dangerously inadequate. The defense trade press is full of statements from generals, admirals and the other politicians from both political parties that there is not nearly enough money available to buy adequate amounts of new hardware, maintain current pay and benefits or provide even low amounts of training and equipment maintenance. As a result, they are looking for ways to relieve the Pentagon from its penury.

Scarcity of money is not their problem. The trade press is full of statements about the Pentagon’s $495.6 billion budget and how low that is. However, there is much more than $495.6 billion in the budget for the Pentagon, and there are piles of national security funding outside the Pentagon—all of it as elemental to national security as any new aircraft and ships and the morale and well-being of our troops.

The relevant data for 2014 is also presented for comparison, and the notations in the “Comments” column help explain the data.

Note the various ways the Pentagon and cooperative budgeters on Capitol Hill and in the White House’s Office of Management and Budget augment DOD’s budget well above the $495.6 billion that is frequently cited by the people seeking more money.

- $74.9 billion: Additional “placeholder” amount for the wars in Afghanistan and elsewhere, which may or may not turn out to be smaller once the formal request for this spending is compiled and Congress is finished fiddling with it; adding huge amounts of non-war (or “base”) spending to this account by both DOD and Congress is routine.
- $6.2 billion in “mandatory” (or entitlement) spending the Pentagon’s complete budget must include for military retirement and other DOD-only programs.
- $26 billion: The Pentagon’s portion of the “Opportunity, Growth and Security Initiative” (a slush fund if ever there was one) that OMB and Secretary of Defense Hagel have dreamed up—to the

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### TOTAL U.S. NATIONAL SECURITY SPENDING, 2014-2015

(All figures are $Billions in then-year dollars)

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<tr>
<th>NATIONAL SECURITY PROGRAM</th>
<th>2014 AS ENACTED</th>
<th>2015 AS REQUESTED</th>
<th>COMMENTS</th>
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<tr>
<td>DOD Base Budget (Discretionary)</td>
<td>496.0</td>
<td>495.6</td>
<td>The “base” budget purportedly contains all routine, peacetime expenses; however, DOD and Congress have loaded tens of billions of dollars of such “base” spending into the Overseas Contingency Operations fund for declared wartime expenses. See below.</td>
</tr>
<tr>
<td>DOD Base Budget (Mandatory)</td>
<td>5.7</td>
<td>6.2</td>
<td>DOD often does not count this “mandatory” spending in its budget presentations to the public; however, being for military retirement and other DOD-only spending, it is as much a part of the DOD budget as military pay and acquisition.</td>
</tr>
<tr>
<td>DOD Base Budget (Total)</td>
<td>501.7</td>
<td>501.8</td>
<td>“Total” spending is discretionary and mandatory combined.</td>
</tr>
<tr>
<td>Overseas Contingency Operations (OCO)</td>
<td>85.2</td>
<td>79.4</td>
<td>The $85.2 billion in 2014 contains at least $30 billion in “base” budget spending. The $79.4 billion for 2015 is a “place holder” pending a decision on the actual amount to be requested, which may take months. The ultimate 2015 OCO request may be smaller, but that is not certain given past behavior.</td>
</tr>
<tr>
<td>DOD Subtotal</td>
<td>586.9</td>
<td>581.2</td>
<td>—</td>
</tr>
<tr>
<td>DOE / Nuclear (Total)</td>
<td>18.6</td>
<td>19.4</td>
<td>For nuclear weapons activities.</td>
</tr>
<tr>
<td>“Defense-related activities” (Total)</td>
<td>8.2</td>
<td>36.0</td>
<td>This spending is usually just for international FBI activities, Selective Service, the National Defense Stockpile, and other miscellaneous defense-related activities. For 2015 OMB added a $27.7 billion “Opportunity, Growth and Security Initiative” that comprises an additional slush fund.</td>
</tr>
<tr>
<td>National Defense (Total)</td>
<td>613.6</td>
<td>636.6</td>
<td>This is the OMB budget function “National Defense” (also known as “050”) which is sometimes confused as Pentagon-only spending.</td>
</tr>
<tr>
<td>Military Retirement Costs Not Scored to DOD</td>
<td>35.8</td>
<td>37.8</td>
<td>This category shows funds paid by the Treasury for military retirement programs, minus interest and contributions from the DOD military personnel budget. As DOD-unique spending, they should be displayed as part of the DOD budget, but they are not by either DOD or OMB.</td>
</tr>
<tr>
<td>DOD Retiree Healthcare Fund Costs</td>
<td>1.1</td>
<td>0.1</td>
<td>Shown are net costs to the Treasury for this DOD healthcare program. As DOD-unique spending, they should be displayed as part of the DOD budget, but they are not by either DOD or OMB.</td>
</tr>
<tr>
<td>Veterans Affairs (Total)</td>
<td>151.3</td>
<td>161.2</td>
<td>These costs are projected to increase to $238.1 billion in 2024 as the human costs of the wars in Iraq and Afghanistan continue to grow.</td>
</tr>
<tr>
<td>International Affairs (Total)</td>
<td>38.5</td>
<td>39.0</td>
<td>The amount for the International Affairs budget does not include its share of the yet-to-be-determined request for OCO funding for 2015.</td>
</tr>
<tr>
<td>Homeland Security (Total)</td>
<td>51.0</td>
<td>52.1</td>
<td>Includes Homeland Security spending in DHS for federal agencies not shown on this table (thereby excluding DOD, DOE, State, and VA).</td>
</tr>
<tr>
<td>Share of Interest on the Debt</td>
<td>76.3</td>
<td>82.7</td>
<td>Total Federal Budget Authority is $2.9 trillion in 2014 and $3.2 trillion in 2015. Total gross interest paid on Treasury debt is $254.3 billion in 2014 and $285.3 billion in 2015. The calculable shares of defense-related spending relative to the federal totals are 30% in 2014 and 29% in 2015.</td>
</tr>
<tr>
<td>Grand Total</td>
<td>967.9</td>
<td>1,009.5</td>
<td>—</td>
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applause of the Joint Chiefs of Staff.

• While some in the press have caught most of the above additions, they virtually never spot the additional money the Treasury pays out for additional military retirement ($37.8 billion in 2015) and DOD healthcare (just $100 million in 2015 but more in other years).

In all, the Pentagon’s budget for all of its own expenses in 2015 is not $495.6 billion—it is $645.1 billion, or $149.5 billion (30 percent) more. If one were to add the nuclear weapons’ costs borne by the Department of Energy, the amount would be $664.5 billion, or 34 percent more. (Don’t add the four score billions of dollars for intelligence and snooping; the budgets for CIA, NSA and all the rest are embedded in the DOD budget.)

Consider also the substantial costs that are properly outside of the Pentagon’s budget but that are central to U.S. national security:

• $52.1 billion in non-DOD spending in the Department of Homeland Security
• $161.2 billion in the Department of Veterans Affairs for the human consequences of past and ongoing wars
• $39 billion for the activities of the Department of State and related agencies for international security and the exercise of U.S. power abroad

With the addition of an equitable share of the interest on the national debt that is attributable to this spending, it all adds up to $1.0095 trillion.

It is that amount, not $495.6 billion, which U.S. taxpayers are being asked to pay in 2015 for “defense,” defined generically. However, you will not find that number in the talking points of the Joint Chiefs of Staff, Secretary Hagel, or most Republicans and Democrats on the House and Senate Armed Services Committees. They are arguing that times are tough and if still more money can be found, it should go to these accounts.

There is another perspective to measure defense spending in 2015. We can compare just the amounts formally requested for the Pentagon (the “base” budget plus the “placeholder” amount for Overseas Contingency Operations) to what has been spent historically. By converting annual Pentagon spending to constant (inflation adjusted) dollars adjusted to their 2015 value, and by using the economy-wide GDP measure of inflation for doing so (not the Pentagon’s own hopelessly self-serving measure of inflation, which CDI and military reformers have written about since the 1980s), we can compare the 2015 Pentagon budget to its post-World War Two history. See the figure below.

This graph tells us that the 2015 level of Pentagon spending would return us to the same overall level as 2005 when Donald Rumsfeld was secretary of defense and the DOD budget was generally considered flush with money and supporting substantial fighting in both the Iraq and Afghanistan wars. Note also that this is a level of spending that matches the peak of the Ronald Reagan years that was thought by its advocates to be a U.S. build-up so massive it was intimidating the Soviet Union into collapse. The 2015 level is also an amount that significantly exceeds the peaks of the Korea and Vietnam wars—both of them higher-intensity conflicts with hundreds of thousands more U.S. troops deployed than are currently in Afghanistan.

To repeat, the problem is not scarcity of money. The problem is how it is being spent. We are getting very little defense—training, maintenance, hardware, and troops—for a
gigantic amount of money. By virtue of how they characterize $1 trillion as penury, our national security leaders in the Pentagon and Congress are clearly incapable of dealing with the problem.

Our equipment is outrageously expensive and yet too much of it is a step backwards in effectiveness. Since the mid-1990s Congress has bulldozed money into across-the-board pay raises, double pensions for many military retirees, significantly increased benefits for the survivors of World-War-Two veterans, and much else that has much more to do with placating constituencies than addressing 21st century security problems. In addition, the Pentagon’s civilian and military leadership has bloated itself to historically unprecedented levels of overhead. Worse yet, none of them have even bothered to inform the public so that we can understand the dimension of the problems in a fundamental sense. This is because under Pentagon leadership in the Bush I, Clinton, Bush II, and Obama administrations, DOD has been and remains un-audited and un-auditable. In 1990, Congress passed the Chief Financial Officers Act requiring all federal agencies to report a clean audit. The Pentagon has failed to conform. After almost a quarter century of non-compliance, it is easy to conclude that the problem is not the magnitude of the task but the willingness to undertake it. Indeed, even if DOD succeeds in meeting its latest financial management goals, it will remain outside the criteria of a full and complete audit. But even the current decades-overdue and embarrassingly modest financial management goals are not being met.

One more time: the problem is not scarcity of money.

More Guns, Fewer Generals
Reducing combat capabilities isn’t the only way to save the military money

BY DANIEL L. DAVIS AND YOUNG J. KIM

According to Secretary of Defense Chuck Hagel, if Congress is not able to remove the effects of sequestration for the fiscal year 2016 budget, the U.S. Army will dwindle to just 420,000 troops by 2019. A February 28 Congressional Research Service (CRS) study, Army Drawdown and Restructuring: Background and Issues for Congress, reports that senior Army leaders have claimed that such reductions would leave the resulting Army lacking “the capacity to conduct simultaneous major combat operations while defending the nation at home.” They are right, but this is not the fault of Congress as many claim. Instead, the dwindling capability of the U.S. Army is primarily self-inflicted.

The Army has made a number of unforced decisions in recent years that cumulatively make it less capable. According to the CRS report cited above, the Army is planning, over the coming five years, to reduce its number of active duty combat brigades to 28 if sequestration is avoided, 24 if it is not. Army Chief of Staff Gen. Raymond Odierno made news last year when he revealed that only 2 of 43 combat brigades could be considered at that time to be ready for war. Yet with or without sequestration, the readiness system the Army is planning on using for the future—“tiered readiness”—will ensure “a system of readiness have-haves and have-nots, in which some units are never fully trained.”

Moreover, the last thing you want to do when your most lethal potential adversaries are improving and modernizing their conventional war-making capabilities—such as Russia and China are doing—is to retool your military to become a light force. Yet that is just what is happening. U.S. armor and mechanized infantry brigades will be cut while, according to Secretary Hagel, special operations troops will grow “by nearly 4,000 personnel.” How light fighters such as special operations troops will be of value against resurgent conventional threats is not explained. Yet even while cutting more combat troops, the Army is retaining virtually every level of two-, three-, and four-star headquarters. For example, despite planned reductions in brigades to almost half their 2011 size by 2016, the number of division, corps, and combatant commands will apparently remain unchanged.

To sum: the U.S. Army’s fighting strength is getting smaller, lighter, and less trained while other countries such as Russia and China are getting
more technologically advanced and heavier, and are undergoing more sophisticated training.

But in order to have a military strong enough to take care of the legitimately existential threats, we do not need to increase defense spending; in fact, just throwing more money at the current dysfunctional system would only exacerbate the situation. Instead, we need to transform our military into something that enhances the percentage of fighting troops in relation to headquarters troops.

There is an alternative plan currently gaining the attention of some on the Hill under which the Army can operate within the same top-line cap of 420,000 troops yet produce a force that has a great deal more combat power, is more strategically flexible, and—even under sequestration—can maintain 35,000 to 50,000 troops in a perpetual state of combat readiness. It’s called the Macgregor Transformation Model (MTM).

Designed by retired Army Col. Douglas A. Macgregor, the MTM would enable a considerable and sustainable improvement in the military’s combat capability over current Army and Department of Defense plans. In an article published in The National Interest last autumn, the retired former Commander of U.S. Naval Forces, Europe, Adm. Mark Fitzgerald—along with Air Force Lt. Gen. David Deptula, retired, and Army Col. Gian Gentile—advocated for the adoption of the plan. They wrote, “the MTM would allow the Army to reduce its current size of approximately 551,000 troops to as low as 420,000 and yet in the end produce a force that has greater combat capability, costs less to operate, is more sustainable over the long term, and is more strategically and operationally responsive to joint-force operations.”5

The centerpiece of the reorganization is the combat group, which is smaller than a division but larger than a current brigade. There are several types of combat groups, but the main maneuver element is called the Combat Maneuver Group (CMG). It is composed of an armed reconnaissance squadron, three maneuver battalions, a strike battalion (indirect fire), and an intelligence and sustainment battalion. One of the unique benefits of the MTM is that because it sheds or reduces numerous echelons of headquarters and other nonessential elements, it can reduce the overall number of active duty troops while increasing the number of actual combat formations. Thus, the striking power of MTM after reduction would actually exceed—by a significant margin—that of the current force before any reductions take place.

As a means of graphically depicting why Admiral Fitzgerald et al. believe the MTM increases combat power so strongly, consider that the MTM force of 420,000 would include 2,320 units in armored strength (M1 Abrams Tanks/Stryker Mobile Gun System), while the U.S. Army of 490,000 (the latest size for which the Army has published data) would include a mere 1,209. According to our analysis, as a result of numerous formation and institutional reforms the MTM force of 420,000 may also cost $10 billion per year less than what the current force would cost at the same size. Thus, the MTM could produce an Army with almost double the armor, be sustainable even under sequestration, and save an additional $10 billion per year.

In the uncertain international security environment that exists today, it is of paramount importance that the United States ensure it has the most powerful Army possible within budgetary constraints. The Macgregor Transformation Model could be the vehicle that accomplishes that goal. What is needed before a decision can be made, however, is an unbiased analysis. The Government Accountability Office should examine the current proposal of the U.S. Army should it be forced down to 420,000 and compare it to the MTM at the same size. The stakes are too high to willingly choose an Army construct that is smaller and less capable when an alternative plan exists that would better ensure America’s vital national interests.

The views shared in this article are those of the authors alone and do not reflect the official position of the Department of Defense or the U.S. Army.

Daniel L. Davis is a Lt. Col. in the U.S. Army stationed in the Washington, DC, area. He has been deployed into combat zones four times, winning the Bronze Star Medal for Valor in Desert Storm. Young J. Kim is a former Army captain with tours in Korea and Iraq. He holds a master’s degree in defense and strategic studies from Missouri State University.

WITH HIS CLOSE CROPPED HAIR AND UNASSUMING APPEARANCE, former A-10 pilot Lt. Col. Robert (“Muck”) Brown made a very different initial impression from the over-groomed, in-your-face egoism that many in Washington, DC, have come to expect from Air Force pilots on the hunt to make a point. The impression deepened once Muck started talking. Without the unnecessary rhetorical flourishes also so common here, he immediately made obvious that he had a deep intellect, was acutely well-informed about all things Air Force, and had a passion about his profession that his calm demeanor belied.

I first met Muck at the seminars the Straus Military Reform Project and POGO sponsored at the end of 2013 on close air support (CAS) for our Soldiers and Marines engaged in close combat in Afghanistan. The subjects at hand were the unique and lasting effectiveness of the A-10 “Warthog” that Muck and other pilots at the seminars have flown in combat; the brilliance of its cheap, simple design; and the disturbing news that the Chief of Staff of the Air Force had decided to retire all A-10s to make room in the Air Force’s budget for the continuing cost growth of the F-35 Joint Strike Fighter.

Muck sat at the same table as I at the first CAS seminar in November; the only thing I noticed at first was that he was taking extensive notes as the speakers made their points. Then, as a participant from the audience, he started talking. As military reformer Chuck Spinney put it later, “he mopped up the floor with his comments.” Contradicting some self-satisfied policy-wonk opining that had just occurred at the seminar on what Washington thinks the troops need and the Air Force’s pretentious biases about its own past, Muck used ground truth and real-world history to point out what the troops and pilots in combat theaters were really saying, what technologies actually worked in combat, and why the past is important for understanding and preparing for the future. He was a force to behold; Spinney had it exactly right. Later, after the second CAS seminar on the Hill in December, I had the chance to sit down and talk with him and his delightful wife, Martha. What an honor to know them.

Between the two seminars, Muck was in the process of learning that he had something called Leptomeningeal disease, an extremely painful and debilitating cancer of the brain lining and spinal fluid. As we walked to Union Station from the second seminar, I learned how much pain he was in just to move. Yet his comments from the floor earlier that day were forceful, incisive, and brilliant—and without the slightest hint that he was in any pain at all.

The prognosis for Muck was up and down, like a roller coaster, for an illness that is inoperable and subject only to new, untested treatments. Then, on March 18, this extraordinary individual passed away. The Air Force needs more people like him; now there is one less. I truly wish I had the chance to know him better, but his words and thoughts remain, vivid and alive; we ignore them at our peril.

The Arizona Independent Daily published an article on Muck’s passing and relating his thoughts on the A-10 and the Air Force’s plans to do away with the entire A-10 force. I urge you to consider what he had to say about this aircraft and the plan of the Air Force’s civilian and military leadership to give the close air support mission what is literally second-rate consideration—a plan that will mean more American casualties in the next conflict that requires our ground forces to confront yet another enemy that the leadership failed to anticipate or prepare for.

The Arizona Independent Daily article can be found at http://www.arizonadailyindependent.com/2014/03/20/a-10-legend-muck-brown-passes-away/. 
Afghanistan Reconstruction Watchdog Faces Dwindling Access, Uncooperative Pentagon

BY NEIL GORDON, INVESTIGATOR, PROJECT ON GOVERNMENT OVERSIGHT

The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) has the herculean task of exposing and remedying fraud, waste, and abuse in the Afghanistan redevelopment effort, which has cost taxpayers approximately $100 billion to date. This task will soon get even more difficult—the planned year-end withdrawal of U.S. and NATO troops will leave vast regions of the country unprotected and thus largely inaccessible to international monitors.

SIGAR is facing other challenges besides a steadily shrinking range of safe access. Since becoming SIGAR’s chief in 2012, John F. Sopko has revitalized this watchdog office, aggressively going after wasteful and fraudulent reconstruction spending. But the office’s renewed vigor, combined with Sopko’s pugnacious and outspoken style, has rankled the principal agencies involved in the reconstruction, particularly the Department of Defense (DOD). It’s no secret that the relationship between the Pentagon and SIGAR during Sopko’s tenure has been strained.

In January, USA Today reported that the U.S. central command in Afghanistan is waging a public relations war against SIGAR, burying unfavorable audit and inspection reports under pro-military spin. For example, SIGAR issued a report highlighting serious defects in a U.S.-funded hospital built in the northeastern part of the country at a cost of $600,000. The same day, U.S. Forces-Afghanistan (USFOR-A) issued a press release painting a rosy picture of the hospital—even though, as USA Today pointed out, military officials had not inspected the hospital for months. In typical fashion, Special Inspector General Sopko quipped that USFOR-A should “[spend] less time writing misleading press releases and more time fixing the problems we’ve identified.”

On occasion, SIGAR must lean on the military to resolve findings of waste, mismanagement, or other irregularities. This most recently occurred in March on an Army Corps of Engineers contract to construct waste incinerators at Forward Operating Base (FOB) Sharana. SIGAR found the $5.4-million incinerators were not being used because they were riddled with defects. The Army Corps took possession of them without holding the contractor accountable for the poor workmanship. In response to SIGAR’s inquiries, the Army Corps insisted that the incinerators were constructed in accordance with contract specifications and that its officers who worked on the contract had acted appropriately. After several months of back-and-forth with the Army Corps, SIGAR decided in March to launch a more formal investigation into the matter.

Letting contractors off the hook for poor performance has become a disturbing habit for the Army Corps in Afghanistan, and a particular area of concern for SIGAR. In addition to the FOB Sharana incinerators and the garrison, the Army Corps paid another contractor $5 million for non-functioning waste incinerators at FOB Salerno.

SIGAR is doing its best to bring transparency and accountability to the $100-billion-and-growing Afghanistan reconstruction effort. But impending political and military transitions in Afghanistan will constrain the office’s ability to oversee reconstruction. To help SIGAR continue serving the interests of the U.S. government and taxpayers, DOD must dial back the ill will and become a more engaged partner of this watchdog.
THE DEFENSE MONITOR

The Project On Government Oversight is a nonpartisan independent watchdog that champions good government reforms. POGO's investigations into corruption, misconduct, and conflicts of interest achieve a more effective, accountable, open, and ethical federal government.

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