



FACT SHEET DEFENSE AND INTERNATIONAL PROPOSALS IN PRESIDENT BUSH'S FY 2006 BUDGET

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FY 2006 Budget Continues Defense and Foreign Affairs Buildup

DEFENSE

The President's request for the overall national defense budget (Function 050 – including funding for the Department of Defense, atomic energy and nuclear weapons programs at the Department of Energy, and intelligence agencies) for 2006 is the largest in history, in nominal terms. At \$438.8 billion (\$441.8 billion including mandatory accounts), it is almost 2 percent above the CBO baseline – the level needed to maintain current services. The President's discretionary request for the Department of Defense alone (Function 051) will increase funding for the agency by 4.8 percent over last year's enacted level, excluding supplementals.

Even excluding war costs, the 2006 request is roughly 18 percent higher in real terms than the average Cold War defense budget. Although the President's budget does not contain account level detail on discretionary spending plans beyond 2006, total defense discretionary spending is projected to rise to \$511 billion by 2010 (\$513.9 billion including mandatory accounts). The discretionary budget for the Department of Defense will increase to \$492.1 billion that year (\$494.2 billion including mandatory accounts).

Budget excludes war costs after 2005. The President's budget fails to include any new funding to pay for the wars in Iraq and Afghanistan beyond September 30, 2005. (It does include projected outlays resulting from the funding provided in previous appropriations bills and the administration's \$82 billion 2005 supplemental request.) Although exact war costs cannot be known, they clearly will be more than the zero shown in the President's budget.

According to the Defense Finance and Accounting Service, monthly obligations for Iraq averaged \$4.4 billion in 2003 and \$5.1 billion in 2004. In addition to the administration's \$82 billion supplemental for 2005, CBO projects that ongoing military operations will cost \$383 billion over the 2006-2015 period. This CBO estimate assumes a fairly smooth draw-down of troops from Iraq. If the draw-down does not go smoothly, costs could be higher. In May 2003, the Bush administration estimated that troops in Iraq would be reduced to only four brigades by the end of 2004. The actual occupation force in Iraq today consists of 20 brigades. According to news reports, the Army is planning to maintain roughly current troop levels in Iraq through at least 2006.

Improved death benefits included in supplemental, instead of budget. The Bush administration announced its support for enhancing military death benefits, but did not include any

funding in its budget submission for this purpose. Retroactively providing these benefits will cost about \$570 million in direct spending in 2005, while the ongoing benefit enhancement will entail discretionary costs of approximately \$200 million a year, if military operations continue at their current intensity. The administration did include \$400 million in its supplemental request for these enhanced benefits.

Some Army modularity and force structure funding included in supplemental, instead of budget. The Army is in the early stages of its plans to reorganize its existing force structure into new, brigade-sized units of action. Even though modularity funding is an ongoing Army initiative and not an incremental cost of military operations, the Bush administration’s 2006 budget request does not include this cost. The \$82 billion supplemental request for 2005 includes \$5.3 billion for modularity efforts (\$5 billion for the Army and \$300 million for the Marine Corps), and another supplemental request for modularity funding is expected in 2006. This is funding that should have been included in the regular budget submission. Defense Secretary Rumsfeld has redirected another \$25 billion within the defense budget to fund the Army’s modularity costs from 2007 to 2011.

Other portions of Army budget also shifted to supplemental. Even setting aside the modularity issue, other peacetime costs of the Army are also shifted into the supplemental. Total Army discretionary funding in the President’s budget is actually cut from the \$100.3 billion in 2005 (excluding supplementals) to \$100.0 billion in 2006. This allowed the administration to provide other services with somewhat larger increases.

To make up for the cut in Army funding in the President’s budget, a total of \$41.2 billion is provided in the supplemental for the Army. For example, the budget cuts Army Operations and Maintenance accounts by \$900 million, or 3.5 percent below CBO’s baseline, but those accounts receive \$17.3 billion in the supplemental budget. Some of the other services’ accounts benefitted from shifting the Army’s costs onto the supplemental, as Table 1 suggests.

Table 1 – Bush FY 2006 Defense Request Offloads Army Costs to Supplemental Discretionary Budget Authority for selected accounts (in \$ billions)				
	2006 Request	2006 CBO Baseline	Request vs. Baseline	FY 2005 Supplemental Funding Request
Operation and Maintenance, Army	25.3	26.2	-0.9	17.3
Weapons/Tracked Vehicles, Army	1.7	2.5	-0.8	2.4
Aircraft Procurement, Navy	10.5	8.9	1.5	0.2

INTERNATIONAL AFFAIRS

The President’s budget provides \$33.7 billion in discretionary budget authority for international affairs (Function 150) in 2006, an increase of \$3.2 billion, or 10.4 percent, over CBO’s baseline, excluding supplemental appropriations. This funding amount also represents an increase of 12.4 percent over 2005 funding levels.

Development Aid. The Bush administration proposes \$3 billion for the Millennium Challenge Corporation (MCC) to assist eligible developing countries that have demonstrated their commitment to “rule justly, invest in their people, and encourage economic freedom.” This amount is an increase of \$1.5 billion over the 2005 level.

The President proposes \$1.1 billion for the Development Assistance (DA) account, a cut of \$344 million, or 24 percent, below CBO’s baseline. A large portion of this cut – \$275 million – is due to the transfer of development aid for Afghanistan, Haiti, Sudan, and Ethiopia to the Transition Initiatives account.

Global Health. In his 2003 State of the Union address, President Bush proposed a new initiative to devote \$15 billion over five years to fight global HIV/AIDS. For 2006, his budget requests a total of \$3.2 billion for this continuing effort, of which \$2.6 billion is funded from Function 150 and the rest out of the Health budget.

Of the \$3.2 billion, the administration provides \$1.97 billion in 2006 to its Global AIDS Initiative – over \$570 million, or 41 percent, above the CBO baseline. The Initiative is focused on programs in 15 countries, mostly in Africa.

The administration is not seeking increases for more broadly focused HIV/AIDS programs. The President proposes to cut funding for USAID-administered bilateral initiatives by about \$17 million below the 2005 enacted level. Funding for the Global AIDS Program administered by the Centers for Disease Control is frozen at \$124 million. The administration also proposes \$300 million in total contributions to the Global Fund for HIV/AIDS, representing a decrease from the \$435 million enacted for 2005. (This includes \$87.8 million in Global Fund contributions withheld in 2004 and carried over into 2005.)

Within USAID’s Child Survival and Health account, the President’s budget also proposes reductions in other global health programs. For example, the administration cuts programs for other infectious diseases by about \$59.4 million, or 30 percent below 2004 enacted levels; and funding for vulnerable children by \$20 million, or 67 percent. Overall, the budget would cut the Child Survival and Health account by \$300 million, or 20 percent, below baseline.

Iraq Aid. For the first time, the Bush administration is requesting funds for Iraqi reconstruction out of the regular budget, instead of supplemental appropriations. The President proposes \$360 million from the Economic Support Fund (ESF), with the funds to be dedicated to promoting political and economic governance, private sector initiatives, and agricultural development programs. The administration is also calling for funds to be dedicated to Iraq aid from the following accounts: \$27 million from Non-Proliferation, Anti-Terrorism, Demining, and Related Programs (NADR); \$26.5 million from International Narcotics Control and Law Enforcement (INCLE); \$0.7 million from International Military Education and Training (IMET); and an unspecified amount from Migration and Refugee Assistance.

**Table 2 – Bush FY 2006 Request for International Affairs
Discretionary Budget Authority (in \$ millions)**

	2006 Request	2006 CBO Baseline	Request vs. Baseline	Percent Change
Total Discretionary Budget Authority	33,653	30,470	+3,183	10.4%
International Development & Humanitarian Assist.	15,158	13,286	+1,872	14.1%
International Security Assistance	8,448	8,099	+349	4.3%
Conduct of Foreign Affairs	8,635	7,903	+732	9.3%
Foreign Information & Exchange	1,201	1,081	+120	11.1%
International Financial Programs	211	101	+110	108.9%

NOTE: All years are fiscal years unless otherwise noted.

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