

Issue Brief

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The Bipartisan Map For Congress and Biden to Trim the Defense Budget By \$338 Billion

Lawmakers have now appropriated trillions of dollars to the federal government's COVID-19 response over the past 10 months. While some of this spending was necessary to mitigate the public health impacts of the virus and the economic impacts of government-mandated lockdowns, the deficit-financed relief has no doubt made America's ongoing debt crisis worse.

NTU recently [outlined](#) \$3.6 trillion in ten-year deficit reduction proposals in an issue brief calling for a new Budget Control Act in 2021. Many of these proposals would be a challenge to pass and implement at *any* point in time, and are even more so under current political conditions in Washington.

However, as organizations like NTU continue to advocate for budgetary restraint across the federal government, there may be near-term interest from some Democrats (and some fiscally responsible Republicans) in trimming the Department of Defense's (DoD) budget over the coming years. NTU [has long argued](#) that Pentagon spending must be '[on the table](#)' as lawmakers discuss deficit reduction, even though some members in both parties insist that not a dime be cut from the Pentagon budget.

Key Facts:



DoD budgets are projected to grow significantly in the years to come, despite the drawdown of overseas conflicts and an era of unprecedented debt and deficits.



NTU has aggregated \$338 billion in four-year deficit reduction options for Congress and the Biden administration, enabling them to make bold but smart cuts to the DoD topline.



These proposals can help right-size the Pentagon budget for future years without harming America's troops or the military's competitiveness with foreign adversaries.

NTU also recognizes it's not enough for an organization like ours to merely demand DoD cut their budget. What follows is a specific proposal for reduced DoD topline spending levels over the next four years (covering President Biden's first term), *with* deficit reduction options to help DoD meet those lower toplines.

The deficit reduction options are neither completely novel nor surprising. Most stem from the nonpartisan Congressional Budget Office (CBO) series on "Options for Reducing the Deficit," while a few others stem from NTU's long campaign to eliminate the Overseas Contingency Operations (OCO) [slush fund](#).

What these options add up to is **\$338 billion** in deficit reduction over the next four fiscal years (FYs 2022-2025), which if enacted would enable the Biden Administration and Congress to meet lower topline DoD spending levels for the next four years: \$660 billion, \$668 billion, \$674 billion, and \$684 billion, respectively, rather than \$732 billion, \$748 billion, \$763 billion, and \$779 billion. They also just about meet (or narrowly exceed) a 10-percent cut to the DoD budget each year, putting pen to paper on a [proposal championed by some progressives](#).

These proposals are no political walk in the park, given the staunch and often bipartisan resistance to Pentagon budget reductions and reform. None of the options are impossible or even implausible to pass and implement, though, and would help right-size the Pentagon budget for years to come. Though this paper focuses on the savings the Biden Administration and Congress can achieve over the next four years, it goes without saying that the savings are multiplied over the course of a decade or more.

What's the Baseline? Examining DoD and CBO Projections for Defense Spending

Figuring out a savings target requires examining what experts believe the DoD will spend over the next several years. For example CBO, in its September 2020 "[Update to the Budget Outlook](#)," projects the following amounts for defense budget authority (BA) for FYs 2022-2025: \$765 billion, \$781 billion, \$798 billion, and \$817 billion. However, the "defense" or "security" designation here likely reflects several departments beyond DoD, including Homeland Security (DHS), Veterans Affairs (VA), the National Nuclear Security Administration (NNSA), intelligence community, and international affairs spending.

A more targeted approach is to examine what *DoD itself* believes it will spend over the next four fiscal years. Those projections can be found in DoD's FY 2021 budget submission, which includes the department's "National Defense Budget Estimates for FY 2021." There, the agency [estimates](#) the amount of total DoD budget authority for the next four fiscal years, broken out by discretionary spending, mandatory spending, and an "Outyears Placeholder" for the OCO account.

Here's how those estimates pan out:

Table I - Projected DoD Budget Authority, FYs 2022-2025 (in millions)						
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Totals, FYs 2022-2025
DoD (Discretionary)	\$705,392	\$701,902	\$717,063	\$742,555	\$758,334	\$2,919,854
DoD (Mandatory)	\$10,770	\$10,608	\$10,934	\$10,804	\$11,044	\$43,390
Outyears Placeholder for OCO	--	\$20,000	\$20,000	\$10,000	\$10,000	\$60,000
Total DoD Budget Authority	\$716,162	\$732,510	\$747,997	\$763,359	\$779,378	\$3,023,244

Despite DoD clearly planning for the OCO slush fund to go away (note they have a "placeholder for OCO in FYs 2022-2025), they also protect their interest in an ever-increasing defense topline by building OCO *amounts* into the future growth of the DoD baseline.

Given the Defense Department is the nation’s largest bureaucracy, and is full of fat that can be responsibly trimmed, NTU does not believe lawmakers have to simply accept DoD’s projections for future defense spending growth. Instead, DoD can make modest spending reductions over the next four years to right-size the Pentagon budget and set the Department on a more sustainable path for the future.

Here’s what we would recommend:

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Totals, FYs 2022-2025
DoD (Discretionary)	\$705,392	\$629,022	\$657,163	\$663,055	\$672,534	\$2,621,774
DoD (Mandatory)	\$10,770	\$10,608	\$10,934	\$10,804	\$11,044	\$43,390
Outyears Placeholder for OCO	--	\$20,000	--	--	--	\$20,000
Total DoD	\$716,162	\$659,630	\$668,097	\$673,859	\$683,578	\$2,685,164
Difference From Actual	--	-\$72,700	-\$79,900	-\$89,500	-\$95,800	-\$337,900
% Cut From Current Projections	--	9.90%	10.70%	11.70%	12.30%	11.20%

Again, note that the FY 2022 cut almost perfectly corresponds with recent amendments in Congress to reduce the Pentagon budget by 10 percent. Though [legislation like this](#) can be inefficient for federal agencies, since it either forces across-the-board spending cuts or requires the impacted agency to do all the work in achieving a spending reduction target, we believe that a 10 percent goal is, again, neither impossible nor implausible—especially when backed up by real deficit reduction options. To policymakers who may see these cuts as excessive, we would point out that even in FY 2025, four years from now, the projected DoD discretionary budget under the NTU plan would be 95.3 percent of its FY 2021 level. We have supported efforts to make smaller federal agencies offer similar sacrifices in the past, and believe it is reasonable to ask the nation’s largest bureaucracy to do so.

Deficit Reduction Options for DoD

Above, NTU outlines a plan for \$337.9 billion in reductions to DoD budget authority over the next four fiscal years (FYs 2022-2025). Below, NTU outlines 12 options for DoD that would trim the deficit by \$337.9 billion. One-third of the savings come from 10 deficit reduction options outlined by CBO. For eight of the 10 options, CBO projected deficit reductions as recently as December 2020. For two others, CBO last projected deficit reductions in December 2018, meaning the projections listed below are rough estimates.

The remaining two-thirds of the savings come from eliminating the OCO account after the upcoming fiscal year. If Congress wants to eliminate the account *before* this fiscal year then that is all the better, but we understand that some lawmakers or military leaders may blanch at the immediate and complete elimination of OCO while the U.S. has ongoing contingency requirements due to overseas military actions or combat operations. More importantly are two steps lawmakers must take after eliminating OCO: 1) remove the *amount* of base and enduring requirements in recent OCO budgets from the DoD baseline, and 2) eliminate the outyears placeholder OCO funding that DoD currently projects in their budget.

Below see a summary of each deficit reduction option, and its impact on the DoD budget in FYs 2022-2025.

Table III - DoD Deficit Reduction Options and Projected Savings, FYs 2022-2025 (in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	Total
Reduce O&M	-\$6,000	-\$8,000	-\$13,000	-\$18,000	-\$45,000
Replace Military Personnel With Civilians	-\$300	-\$800	-\$1,300	-\$1,900	-\$4,300
Reduce Funding for Naval Ship Construction	-\$4,800	-\$7,200	-\$9,100	-\$10,100	-\$31,200
Reduce Size of Nuclear Triad	-\$100	-\$1,100	-\$1,400	-\$1,100	-\$3,700
Defer Development of the B-21	-\$2,900	-\$3,800	-\$5,200	-\$6,300	-\$18,200
Retire the B-1B	-\$1,700	-\$1,700	-\$1,700	-\$1,700	-\$6,800
Retire the F-22	-\$3,700	-\$3,800	-\$3,900	-\$4,000	-\$15,400
Cancel LRSO	-\$1,400	-\$1,500	-\$1,400	-\$1,400	-\$5,700
Cancel Plans to Purchase Add'l F-35s*	-\$2,000	-\$2,200	-\$2,600	-\$1,000	-\$7,800
Cancel GMD*	-\$1,800	-\$1,800	-\$1,900	-\$2,300	-\$7,800
Remove OCO Enduring/Base Requirements from the DoD Baseline**	-\$48,000	-\$48,000	-\$48,000	-\$48,000	-\$192,000
Eliminate OCO Placeholder After FY 2022	--	-\$20,000	-\$10,000	-\$10,000	-\$40,000
Total	-\$72,700	-\$79,900	-\$89,500	-\$95,800	-\$337,900

* = rough estimate of deficit reduction based on CBO's December 2018 report

** = rough estimate of deficit reduction based on past two years of OCO budget requests

What follows is a brief summary of each deficit reduction option, many of which were featured earlier in the NTU Foundation-U.S. Public Interest Research Group (PIRG) Education Fund [report](#), “Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for Congress.”

Freeze the Operations & Maintenance (O&M) Budget for Five Years: Of the numerous portions of the DoD discretionary budget—Military Personnel, O&M, Procurement, RDT&E (Research, Development, Test & Evaluation), and Revolving and Management Funds—O&M is the largest portion of the budget and, according to CBO, is [projected](#) to “grow faster than inflation through 2030.” This deficit reduction [option](#) would freeze the O&M budget at FY 2021 request levels through FY 2025, saving taxpayers \$45 billion over that time period. Military leaders would be in charge of making spending reductions to meet the new targets. But, as our colleagues at the Project on Government Oversight (POGO) have [pointed out](#), “[o]perations and maintenance spending has often been higher than the Defense Department can responsibly spend.”

Replace Military Personnel with Civilians: According to CBO, “DoD would replace, over four years, 80,000 active-duty military personnel in commercial jobs with 64,000 civilian employees.” Civilian employees can perform many of the same duties at DoD at a lower cost to taxpayers. This [option](#) would save \$4.3 billion from FYs 2022 through 2025.

Reduce Funding for Naval Ship Construction: The Navy’s aggressive shipbuilding plan—calling for a [355-ship goal](#) when the current size of the fleet is between 270 and 300 ships—will cost taxpayers [hundreds of billions of dollars](#) in the coming decades. The outgoing Trump administration took this questionable project even further in December by [unveiling](#) a “new plan for a 500-ship Navy by 2045.” Instead, this [option](#) would reduce Naval shipbuilding funding “to its 30-year average in real terms,” saving taxpayers \$31.2 billion from FYs 2022-2025.

Reduce the Size of the Nuclear Triad: Our colleagues at Taxpayers for Common Sense (TCS) explain the [many problems](#) with the triad quite well. Given modernizing the triad is a 30-year commitment (at least), these efforts have come to function something like a de facto entitlement program. Question whether the scale and scope of the triad can at any point in the future be reformed, and you're accused of questioning America's national security. This should sound familiar to fiscal conservatives, who have been accused of callous indifference to retirees merely for raising the question of whether Social Security is financially sustainable in the intermediate term.

It does not have to be this way. As CBO [writes](#) in its 2018 report on this option (the less significant reduction of two options), “[t]he official Nuclear Weapons Employment Strategy of the United States, released in 2013, states that the United States could maintain a ‘strong and credible’ strategic nuclear deterrent with about one-third fewer weapons deployed than the number allowed under New START.” A December 2020 update from CBO found that retaining a nuclear triad with 10 submarines (down from 12 deployed), 300 intercontinental ballistic missiles (ICBMs; down from 400 deployed), and 1,550 warheads (same as currently allowed under the New START treaty) would save the U.S. [\\$3.7 billion](#) from FYs 2021 through 2025.

Defer Development of the B-21 Bomber: As CBO [explains](#) (emphasis ours), “[t]he Air Force currently operates a fleet of long-range bombers that entered service between the 1960s and 1990s and should be able to continue flying through at least the late 2030s.” Given America's ongoing debt and deficit crises, military leaders should be looking to stretch existing resources for as long as they can. While DoD officials will need to plan for aircraft replacement years ahead of time, they can certainly defer development of a bomber that won't be necessary until almost 20 years from now. Some defense hawks or military officials might be uneasy with this option when paired with the recommendation below, to retire the B-1B bomber. A possible compromise point would be deferring the development of the B-21 bomber by just four years, rather than the full ten-year window recommended by CBO. This deficit reduction option would save taxpayers \$18.2 billion from FYs 2021 through 2025.

Retire the B-1B Bomber: CBO [noted](#) in 2018 that the B-1B long-range bombers were originally developed “to serve as part of the nation's Cold War nuclear deterrent,” but cannot be used for nuclear purposes due to ongoing arms control treaties with Russia. There are also ongoing questions about the long-term sustainability of the bombers which are [unreliable](#) and have not “[aged gracefully](#).” Instead, CBO says, some argue other aircraft can assume current B-1B missions, including “[t]he 76 B-52H and 20 B-2A aircraft that would remain in the Air Force's inventory under this option.” Based on their updated 2020 estimate, CBO says [this option](#) will save taxpayers \$6.8 billion from FYs 2021 through 2025.

Retire the F-22: This [option](#) from CBO would still allow “other aircraft, stealthy and nonstealthy, to carry out the F-22's mission.” It would save taxpayers \$15.4 billion from FYs 2021-2025.

Cancel Plans to Purchase Additional F-35s: NTU has written about the failures of the F-35 Joint Strike Fighter program [time](#) and [time](#) and [time](#) and [time](#) again. If anything, the program becomes more of a taxpayer boondoggle with time, not less. This deficit reduction option [produced](#) by CBO in 2018 would involve “halt[ing] further production of the F-35 and instead purchas[ing] the most advanced versions of older, nonstealthy fighter aircraft that are still in production[, the F-16 and the F/A-18].” CBO [estimated](#) in 2018 that this would produce \$7.8 billion in savings from FYs 2022-2025, which is the basis of our estimate above. However, given this cost estimate is now two years old, the actual savings may differ in one direction or another. Options based on other aircraft platforms might present themselves as well.

Cancel the Long-Range Standoff Weapon: NTU supported legislation in [2016](#) and [2017](#) to decrease or limit spending on the Long Range Standoff Weapon (LRSO), noting that “[w]ith major nuclear modernization

costs looming on the horizon, legislators should not fully fund this new program when major questions about cost and strategic role remain unanswered.” This deficit reduction [option](#) from CBO “would cancel the LRSO and the [corresponding] W80-4 warhead development program,” but would not completely eliminate DoD’s nuclear weapons programs (retaining the B61-12 life extension program (LEP)). It would save taxpayers \$5.7 billion from FYs 2022-2025.

Cancel the Ground-Based Midcourse Defense (GMD) System: A project that NTU and POGO have called “[less-than-effective](#),” and a “program [that] has resulted in an [excessive expenditure](#) with no recorded operational capacity,” this CBO [option](#) would reduce deficits by \$7.8 billion in the FYs 2022-2025 period.

Remove Enduring and Base Requirements from the OCO Account and the DoD Baseline: As NTU has pointed out [before](#), a *majority* of the OCO budget requests for FYs 2020 and 2021 were for requirements that either a) belong in the base budget or b) are “enduring” requirements that will outlast the duration of any combat operations overseas. The total [combined amount](#) of OCO funding dedicated to base and enduring requirements was \$47.8 billion in FY 2020 and \$48.5 billion in FY 2021, averaging out to around \$48 billion per year over the past two years. This is the basis of our projection that eliminating base and enduring requirements from OCO and reducing the topline accordingly could save \$48 billion per year over the next four years (though this is a rough projection).

These parts of the OCO budget fly in the face of the account’s purpose—to fund emergency, contingency needs—and should be required to compete with everything else in the base budget. The kinds of [items](#) on the chopping block would include “overseas basing, depot maintenance, ship operations, and weapons system sustainment,” the European Deterrence Initiative (EDI), the Ukraine Security Assistance Initiative (USAI), security cooperation costs, and the billions of dollars the DoD requests to fund base requirements through the OCO account. Military leaders or members of Congress may indeed deem some of these items, programs, or initiatives as necessary components of the DoD budget; if so, they can put these items back in the base budget and eliminate something from the base budget to meet their spending targets. However, given many of these programs (like EDI) are [regularly](#) stuffed into the OCO account, we question how critical or essential they are to DoD leaders and lawmakers. OCO has too long acted as a release valve that fulfills spending wish lists, and the practice must end.

Eliminate the OCO Placeholder After FY 2022: Congress can follow a more aggressive timeline in eliminating OCO and its placeholder budget allocations than what DoD is currently projecting, especially given there is continued bipartisan interest in drawing down U.S. operations in Afghanistan. Eliminating OCO after FY 2022—and not allocating additional budget authority to DoD in the process—would [reduce spending \\$40 billion](#) over three years (FYs 2023-2025). As we outlined in an issue brief [published](#) last year, Congress could instead fund DoD contingency needs with supplemental appropriations and/or “emergency” designations as necessary, reducing the likelihood that funding intended for immediate and pressing needs goes instead to base and enduring budget requirements.

Additional Options

The above proposals—compiled from CBO and from prior NTU work—are by no means the only smart and accessible DoD deficit reduction options available to policymakers. Defense Priorities featured a [symposium](#) on DoD budget cuts on their website last year, which includes excellent work from [Dan Grazier and Mandy Smithberger at POGO](#) and [William Hartung of the Center for International Policy’s Sustainable Defense Task Force](#). Jonathan Bydlak of R Street Institute has a [Guide for a Strong America](#) that includes dozens of deficit reduction options that would improve the DoD bureaucracy while trimming the Pentagon budget. NTU has also pointed to [numerous areas of waste](#) in the defense budget such as the Littoral Combat Ship (LCS) and Navy frigate programs, and the new Space Force bureaucracy, though we do not include some

of these options in the above list due to a lack of ironclad cost-savings estimates from CBO or some other government source. And “hawks” on the right may take issue with some of the prioritization that would need to result from the specific set of actions illustrated in Table III above. Yet, prioritization is precisely the point of this exercise—and if other ideas can also credibly move the federal budget in a responsible direction, they are worth considering.

However, we believe that the above set of options demonstrate that it is possible to cut 10 percent from the Pentagon budget—and a total of \$338 billion over the next four years—without harming America’s national security efforts. In fact, right-sizing the DoD budget may *boost* America’s security in the near and long-term future, by allowing policymakers to focus on less expensive but still impactful public interventions (like pandemic preparedness) and on reducing a federal debt load that *also* threatens our security.

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