

# Budget Legerdemain

By Col. Daniel Smith (Ret.) | January 6, 2005

Congress returned to Washington on January 4 and was immediately confronted with spending rumors that spiraled into the tens of billions of dollars, threatening a new flood of red ink. As revealing as the actual dollar costs are, the real game lay in watching how the administration tried to manipulate perceptions and “test the waters.” This year saw an added element beyond the usual divide between defense (military and homeland security) and non-defense domestic accounts: a focus on foreign humanitarian aid.

Late December headlines spun an image of progress toward getting control of federal spending to meet President Bush's campaign pledge to cut the deficit in half by the time he leaves office. (In Fiscal Year (FY) 2004 the deficit was \$413 billion.) While all departments and agencies expected to endure cuts in FY2006, the Pentagon was portrayed as facing a \$60 billion cut over its six-year budget forecast.

Within a week, it was quite apparent that this was no more than a trial balloon, most likely intended to take the heat and gauge resistance before the real figure contained in Defense Department Program Budget Decision (PBD) 753 (dated December 23, 2004)—\$30 billion—became public.

What the media didn't make clear is that neither figure is an absolute budget cut. Rather, they represent a reduction in the rate of increase in Pentagon spending from what was projected for FY2006 when the FY2005 budget was presented to Congress. The non-partisan Arms Control Center projects that even with the \$5.9 billion cut for FY2006 in the PBD, the Pentagon's budget will still increase \$16.6 billion above what Congress approved for FY2005—\$420.6 billion. Moreover, PBD 753 language seems so definitive in its direction to “terminate” or “delete” three equipment programs, “restructure” five programs, “reduce” the absolute procurement numbers or rate of procurement of five other programs, and “retire” an aircraft carrier.

Enter Congress, which disposes of what the President proposes. To be sure, there are many in Congress of both parties who are concerned about run-away deficits, but there are also many for whom even a slowdown in Pentagon spending could curb the flow of federal government contracts and money to constituents. The collision of these interests and concerns makes impossible any accurate forecasting of congressional action. But there are recurring realities behind the words that really do influence which programs survive and how much money is appropriated.

For example, the most costly of the three terminated programs is the C-130J cargo aircraft. According to the

Government Accountability Office, when the Air Force budgets for the C-130J for the active force, it requests only one or two planes. The service assumes—and Congress routinely complies—that more planes will be funded for reserve units as state governors whose Air National Guard flies C130s want the latest model. Program termination is far from assured.

“Shrinking” the Air Force F/22 stealth air supremacy fighter procurement from 276 to 180 is likewise euphemistic. Secretary of the Air Force James Roche has already signaled that this proposed change will be contested. Congress will be sympathetic in that contractors working on some aspect of the plane are spread across the entire nation.

Major changes in naval procurement will continue to face reversal as long as ex-Secretary of the Navy Senator John Warner (R-VA) chairs the Senate Armed Services Committee. Warner's position on ship-building reductions—two destroyers and one amphibious ship—and on slowing procurement of Virginia-class nuclear submarines to one per year is made less challenging because the changes are slated for Fiscal Years 2008-2011.

Warner has already said he will look closely at another proposal: retiring the USS John F. Kennedy aircraft carrier in FY2006. The ship is based in Florida, but should it be taken out of service, Florida governor and President Bush's brother Jeb Bush might push to have one of the five carriers in Norfolk, VA replace the Kennedy.

Considering the above, the fact that programs the Pentagon “restructures” invariably cost much more than budgeted, and that the PBD projects the largest dollar savings in FY2008 (\$8.35 billion) and FY2009 (\$7.35 billion)—leaving two years in which to make further changes—a significant part of the lowered rate of defense spending could be reversed.

Beyond these uncertainties is the question of timing. The administration must submit its proposed FY2006



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budget to Congress no later than February 7. There was speculation that the FY2006 budget request might go up on Friday, February 4, three days earlier than previously projected, in part to let the bad news play out over Saturday and give administration spokespersons time to hit the Sunday morning talk shows ahead of detailed analysis of the figures. Some observers speculated that the White House might be aiming to “hide” the expected \$100 billion FY2005 Iraq War and Reconstruction supplemental by sending both budget requests to Congress on the same day. Newer rumors scotch this approach because Congress is pressing the White House to send a “tsunami” supplemental first.

In this regard, President Bush, after a cautious start, has pledged to date \$350 million to victims of the South Asia tsunami that killed more than 155,000 in a dozen countries and rendered homeless more than 5 million others. This money will be drawn from the \$389.5 million fund appropriated by Congress for the International Disaster and Famine Assistance Program of the U.S. Agency for International Development (USAID). Somewhat puzzling, given that nine months remain in the fiscal year and the disaster and famine assistance account will be down to \$39.5 million, the White House initially said it would not submit a “tsunami” supplemental. (Administration officials also rejected the idea of diverting some of the \$18 billion allocated for Iraq reconstruction even though most of these funds remain unspent because security is so poor.) The Pentagon does have \$115 million for humanitarian relief support, but this may quickly disappear because 21 U.S. ships and as many as 120 helicopters and other aircraft are engaged in post-tsunami relief aid. Just to operate the aircraft carrier USS Abraham Lincoln costs \$2.5 million per day.

Unquestionably, any “tsunami” supplemental—\$500 million, for example—pales in comparison to the anticipated \$100 billion (one-half of one percent) to continue to fight in Iraq. And in the end, if the war supplemental is delayed to the end of February, the administration would have more time to assess the effects on the insurgency of the January 30 elections and whether “staying the course” remains a real option.

Between now and February will be the inauguration and the State of the Union. Both events will be used to try to rally support for both domestic and international programs and priorities. The President will be “Texas eloquent,” but as always, the public must look beyond the rhetoric to the reality of where the White House intends to spend its “political capital” and—more importantly—the nation’s gold.

Or, as Dorothy in the Wizard of Oz was advised: “follow the yellow-brick road.”

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