

# FUNCTION 050: NATIONAL DEFENSE

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## FUNCTION SUMMARY

The National Defense budget function includes the Department of Defense (DOD), Atomic Energy Defense Activities of the Department of Energy (DOE), and other defense activities in the Federal Emergency Management Agency, the Selective Service, the General Services Administration, and other agencies. DOD spending is 96 percent of all National Defense spending; DOE defense spending is 4 percent.

The Chairman's Mark fully funds the amount agreed to in the 1997 BBA. Accordingly, it sets BA at \$270.5 billion and outlays at \$265.5 billion. Furthermore, based on current CBO estimates of the 1999 inflation "dividend" and the President's request for an emergency budget amendment, the Chairman's Mark effectively accommodates \$3.6 billion in BA and \$2.7 billion in outlays for actual, but not nominal, defense spending in 1999.

The funding levels of the BBA and the Chairman's Mark, which Congress, the President, and the Department of Defense specifically endorsed in 1997, were based on the higher spending levels of Congress's 1997 Budget Resolution for 1998-1999 and the President's higher 1998 budget proposals for 2000-2002. Accordingly, the five-year total spending in the Chairman's Mark and the BBA is higher than proposed last year by either Congress or the President.

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## SPENDING SUMMARY\*

(\$ billions)

		1998	1999	2000	2001	2002	2003
Chairman's Mark	BA	267.7	270.5	274.3	280.8	288.6	296.8
	OT	268.1	265.5	268.0	269.7	272.1	279.8
BBA	BA	267.7	270.5	274.3	280.8	288.6	296.8
	OT	268.1	265.5	268.0	269.7	272.1	279.8
Freeze Baseline	BA	267.7	267.8	267.8	267.8	267.9	267.9
	OT	268.1	267.2	268.8	263.8	266.1	266.3
Chairman's Mark compared to:							
BBA	BA	--	--	--	--	--	--
	OT	--	--	--	--	--	--
Freeze Baseline	BA	--	+ 2.7	+6.5	+13.0	+20.8	+28.9
	OT	--	-1.6	-0.9	+5.8	+6.0	+13.5

\*The Chairman's Mark and the Freeze Baseline have been adjusted to include the effect of the Military Construction line-item-veto override, which passed the Congress on February 25, 1998, and was not included in CBO's most recent estimates.

### DESCRIPTION OF CHAIRMAN'S MARK

The Chairman's Mark is the BBA. For 1999-2003, the Chairman's Mark exceeds the Freeze Baseline by \$71.9 billion in BA and \$22.9 billion in outlays. The Chairman's Mark includes some downward revisions compared with the President's budget request, as reestimated by CBO.

The Chairman's Mark assumes an increase in discretionary BA between 1998 and 1999 for this function. Appropriations would increase from \$269.0 billion to \$271.6 billion. In addition, as provided by the BBA, "firewalls" would expire after 1999 as envisioned in the BBA.

In 1999 there is a difference of \$3.7 billion in outlays between the Chairman's Mark and the President's request. Because the shortfall involves outlays from the upcoming 1999 budget year, there is considerable flexibility to manage programs and expenditures to deal with this issue.

Specifically, the Chairman's Mark assumes the following:

- ▶ CBO scoring is used for the 1999 Budget Resolution.
- ▶ National Defense will retain this year's inflation "dividend." According to CBO

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calculations, DOD's inflation "dividend" adds \$1.7 billion in BA and \$0.8 billion in outlays for 1999 and \$13.2 billion in BA and \$10.3 billion in outlays for 1999-2003.

- ▶ DOD will exercise available flexibility to adjust to its own -- and OMB's -- undercounting of outlays. The 1999 outlay shortfall occurs in new outlays, rather than outlays from prior years. Thus, there is potential flexibility to manage future programs and expenditures to reduce the scope of the problem.
- ▶ The Administration's request for an "emergency" \$1.9 billion budget amendment for 1999 to pay for U.S. military operations in Bosnia will be enacted
- ▶ The intelligence budget portion of Function 050, publicly estimated at \$25-30 billion, has never been comprehensively audited by GAO. Such a comprehensive and independent audit might yield excess unobligated balances similar to the approximate \$3 billion divulged by the National Reconnaissance Office in 1996.
- ▶ The Chairman's Mark assumes the defense activities of the Department of Energy at the President's request of \$12.3 billion in BA and \$11.9 billion in outlays.

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