

# **Will the Bush/Rumsfeld Pentagon Endorse Existing Plans to Worsen Military Readiness?**

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## Summary

Since 1998, there has been rhetoric from both Defense Department officials and Republican and Democratic Members of Congress about low military readiness and the need to increase defense spending to address it. Largely as a result, Department of Defense (DoD) budgets for fiscal years (FYs) 1999-2002 have increased by \$117 billion.<sup>ii</sup>

**Despite this \$117 billion increase, spending for core military readiness<sup>iii</sup> activities, as enacted by Congress up to calendar year 2001, has declined. By one measure the decline has been \$300 million; by another it is 2.9 billion.<sup>iv</sup> These data calculate to a 0.7 to 8.3 percent reduction over the same period (1999-2002).**

Readiness in “first deployer<sup>v</sup>” units remains a significant problem, and undelivered spending increases for readiness remain needed. However, that is not the expressed plan of the Joint Chiefs of Staff (JCS). Based on their statements in September 2000, the Joint Chiefs want to shift future spending increases away from DoD’s Operations and Maintenance account (O&M) toward the Procurement account. More recent statements by the Joint Chiefs show no intention to alter this plan. If the dollar shift proposed by the Joint Chiefs occurs, current problems in the readiness of U.S. military units can be expected to worsen.

**With defense spending increasing and with readiness spending declining, the current defense budget has achieved a condition of declining readiness at increasing cost. When Secretary of Defense Rumsfeld completes the proposed 2002 defense budget, it should be carefully inspected to determine whether it helps or hurts funding for the core readiness of combat units.**

The text of this analysis follows on the next page.

### Identification of the Readiness Problem

In December 1997, a congressional staff report found widespread readiness problems in the Army.<sup>vi</sup> The Department of Defense termed the report “totally wrong” and asserted that there were only minor problems “around the edges” .... “that have been resolved.”<sup>vii</sup> The following February, the Chairman of Joint Chiefs reaffirmed that “we are fundamentally healthy,” “we are in an acceptable band of readiness and risk,” and the military services “have been taking measures to address their concerns.”<sup>viii</sup> By September of the same year (1998), the Joint Chiefs sharply reversed themselves: “Our readiness is fraying and ...the long term health of the total force is in jeopardy.”<sup>ix</sup> The about-face was abrupt enough for Senator John McCain to call it “an Orwellian experience.”<sup>x</sup>

### DoD Gets More than It Asks For

In their September 1998 testimony, the Joint Chiefs asked for \$17.5 billion per year above President Clinton’s previous 1999-2004 budget plan. They received that and more. President Clinton revised his new 2000-2005 Future Years Defense Plan (FYDP) requesting an increase over six years of \$112 billion (i.e. on average \$18.6 billion per year) over and above the 1999 plan.<sup>xi</sup> Congress appropriated funds well above the upward revised Clinton request. And, over and above these increases, President Bush is seeking still more: a \$6.5 billion supplemental for 2001 and an additional \$15 billion for 2002, which is likely to increase further later this year.

Altogether, for the budgets that have been acted on since 1999 and for the 2001/2002 budgets proposed by President Bush (thus far), Presidential requests from Clinton and Bush exceeded the 1999 Clinton plan by \$69.0 billion (thus far), and Congress added on top of that another \$41.7 billion (thus far), making a total addition above the first four years of the original 1999 defense budget plan of at least \$116.7 billion (thus far), averaging \$29.2 billion per year (thus far). See table 1 below.

Table 1: Additions to DoD's 1999 FYDP (Constant 2001 \$, Billions)

Fiscal Year	FY1999 Clinton FYDP Plan	Actual Clinton and/or Bush Request	Clinton or Bush Add to 1999 Clinton FYDP	Final Appropriations	Congressional Add to Request	Total Adds to 1999 FYDP
1999	270.8	270.8	--	292.6	21.8	21.8
2000	271.0	277.0	6.0	292.9	15.9	21.9
2001	271.1	299.0	27.9	At least 296.5	At least 4.0	At least 31.9
2002	268.9	310.0	41.1	Unknown	Unknown	At least 41.1
Totals	1,081.8	1,156.8	69.0	At least 1,185.9	At least 41.7	At least 116.7

#### O&M Benefits from Increases

Given that readiness was the predominant rationale for the additions (up to the probable additional rationale of "transformation" to be embodied in the as yet unreceived final 2002 Bush defense budget), one would think that with \$116.7 billion worth of help up to now there must have been a lot done for readiness. The figures initially appear to bear this out. Table 2 shows the increases, thus far, above the 1999 FYDP made by President Clinton, President Bush's 2001 supplemental request, and Congress in enacted appropriations for the Operations and Maintenance (O&M) budget. (O&M is traditionally equated with readiness; Procurement is historically a more popular account in Congress for additions.)

Table 2: Additions to O&M and to Procurement (Constant 2001 \$, Billions)

Fiscal Year	1999 FYDP Plan for O&M	Actual O&M Requests & Appropriations	O&M Increase	1999 FYDP Plan for Procurement	Actual Procurement Requests & Appropriations	Procurement Increase
1999	100.0	110.7	10.7	50.2	52.5	2.3
2000	99.4	112.2	12.8	55.0	54.7	-0.3
2001	97.8	113.0	15.2	61.3	63.1	1.8
2002	97.8	~118 <sup>xii</sup>	~20.2	59.7	~59 <sup>xiii</sup>	~-0.7
Totals	395.0	~453.9	~58.9	226.2	~229.3	~3.1

Clearly, the budget account most directly associated with military readiness, O&M, had been the beneficiary of large increases: almost \$59 billion in just three years.<sup>xiv</sup> By comparison, the procurement account, which so frequently in the past had been the target of congressional additions, had benefitted hardly at all: just \$3.1 billion.

The additions for O&M had been sufficiently large that the Chairman of the Joint Chiefs told Congress in September 2000 that spending for readiness had been on the “increase”<sup>xv</sup> and the time had come to stop shifting money from the procurement budget to O&M: “in fact robbing Peter to pay Paul, or, in this case, robbing modernization ... to pay for current readiness.”<sup>xvi</sup> It was time, General Shelton argued, to arrest funding transfers into O&M and to start “increasing procurement ... now and in the out years.”<sup>xvii</sup> General Shelton and the Joint Chiefs were conveying the message that progress had been made to address readiness shortfalls, and the focus should now shift to procurement.

#### Cupboard Bare for Readiness

Review of both the actual readiness of the armed forces and O&M spending for readiness reveals serious remaining problems in the forces, especially combat units or “first deployers” and no real increase in funds actually applied to core readiness. Despite the assurances by the Joint Chiefs that combat units are basically in good shape,<sup>xviii</sup> multiple reports, including a torrent of press articles, have surfaced about serious readiness problems even in the “first deployer” units.<sup>xix</sup> To help explain how so much money could be poured into O&M with so little positive result in readiness, an inspection of DoD’s O&M account is needed.

#### The O&M Menagerie

DoD’s O&M account totals \$113.0 billion in 2001 enacted and proposed appropriations to date. Unlike the Procurement and Research and Development (R&D) accounts that devote themselves almost entirely to the activities described by their titles, O&M is a catch-all for many activities,

several of them having little – if anything – to do with military readiness, which as noted above is defined in this paper as combat and support forces training, spare parts, equipment maintenance, and military exercises.

Many of these non core readiness activities in the O&M budget are important, if not essential, to operations of the Department of Defense, but they are not immediately and directly related to combat readiness. A major such category is the Defense Health Program (i.e. healthcare for military personnel and retirees and their dependents), which totaled over \$12.9 billion in O&M enacted and proposed for 2001. Also, in O&M are the operating expenses of the Court of Military Appeals (\$9 million), the DoD Inspector General (\$148 million), international humanitarian disaster assistance (\$56 million), Cooperative Threat Reduction for the Former Soviet Union (\$434 million), drug interdiction activities (\$869 million), and environmental clean up at defense facilities (\$1.3 billion).

What is left for readiness appears in four major accounts for each of the active military services: Army (\$20.0 billion in 2001), Navy (\$24.8 billion), Marines (\$2.9 billion), and Air Force (\$23.4 billion).<sup>xx</sup> There are also accounts for the Reserves and National Guard, which in 2001 total \$11.3 billion. However, the total in all of these accounts, \$82.4 billion, is not the amount DoD will spend in 2001 for readiness. There remain myriad activities in each of these military service O&M accounts that again have little, if anything, to do with readiness.

A sizeable category is the payroll for civilian employees. In 2001, the civilians employed by the military services total 567,000.<sup>xxi</sup> Some of these civilians do perform readiness tasks; 66,000 are maintenance and ordnance technicians who perform equipment repair – an important readiness function. The rest, however, should not be counted in a tabulation of core readiness spending. The payroll for all the civilians in the military services is approximately \$33 billion. The equipment technicians have a payroll of about \$4 billion.<sup>xxii</sup> Thus, of the military services' O&M budgets (\$82.4 billion), \$29 billion is for non-core readiness civilians; the balance rounds to \$53 billion. However, this remaining \$53 billion still contains spending not clearly related to readiness.

### OSD Database Sheds Some Light

To gain an additional perspective, this analysis uses two DoD data bases that were developed in DoD's private sector research component, the Institute for Data Analyses (IDA), in work sponsored by the Office of Program Analysis and Evaluation (PA&E). The data bases are the Infrastructure Code (IC) and Defense Mission Code (DMC) data bases. Using different criteria, both data bases break down data on the military services' O&M accounts from the Future Years Defense Program (FYDP) into categories, including Forces, Acquisition, Base Operations, Logistics, and Training in the Infrastructure Code data base, and General Purpose Forces, Intelligence, Communications, and Information Management in the Defense Mission Code data base. Each further breaks down the categories into scores of subcategories, called "contents." (The categories and "contents" of both data bases are listed in Appendix A.)

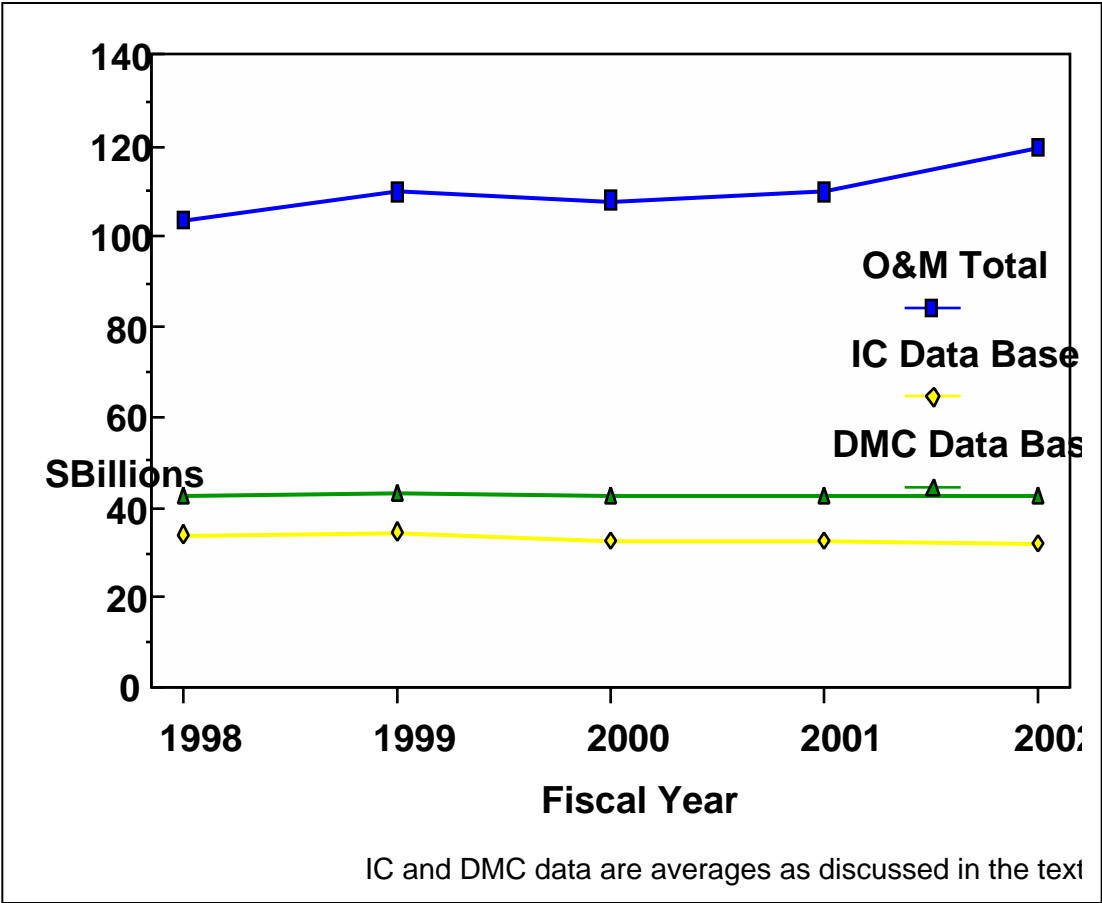
The "contents" can be used to exclude activities such as management, administration, communications, research and development, and acquisition activities that occur in the O&M

budget. Unfortunately, the remaining “contents” such as Army & Marine Divisions, “Air-to-Air Combat” forces, “Submarines,” “Cruisers & Destroyers,” and “Aviation and Flight Training” continue to include some non-core readiness spending, such as certain management, intelligence, and operating costs. However, in the absence of a more precise segregation of the data, which appears not to be publically available, these “contents” bring as close an approximation as is currently obtainable for what spending in the O&M budget does go for core readiness activities. The data are imperfect, but they are significantly more valid and reliable than the simplistic – and misleading – measure of the gross total of DoD’s O&M budget.

With several score “contents” to choose from and no universally agreed and clear cut definition of core readiness, individuals can disagree about what should or should not be included. For this reason, this analysis employs four different defense experts from three different congressional instrumentalities independently assessing the subcategories in the two data bases.<sup>xxiii</sup> The amount of readiness spending identified by each analyst was tabulated, and averages were calculated.<sup>xxiv</sup> The average totals were \$32.9 billion in the Infrastructure Code data base and \$43.0 billion in the Defense Mission Code data base for 2001 core readiness spending. These amounts are 30% and 39%, respectively, of the \$110 billion already appropriated in 2001 for O&M.<sup>xxv</sup>

Tracking the recent history of this spending reveals that readiness funding has **not** been growing along with total O&M spending.<sup>xxvi</sup> See Figure 1.

Figure 1: Total O&M and Core Readiness Spending, as Measured by Infrastructure (IC) and Defense Mission (DMC) Code Categories, Constant 2001 Dollars



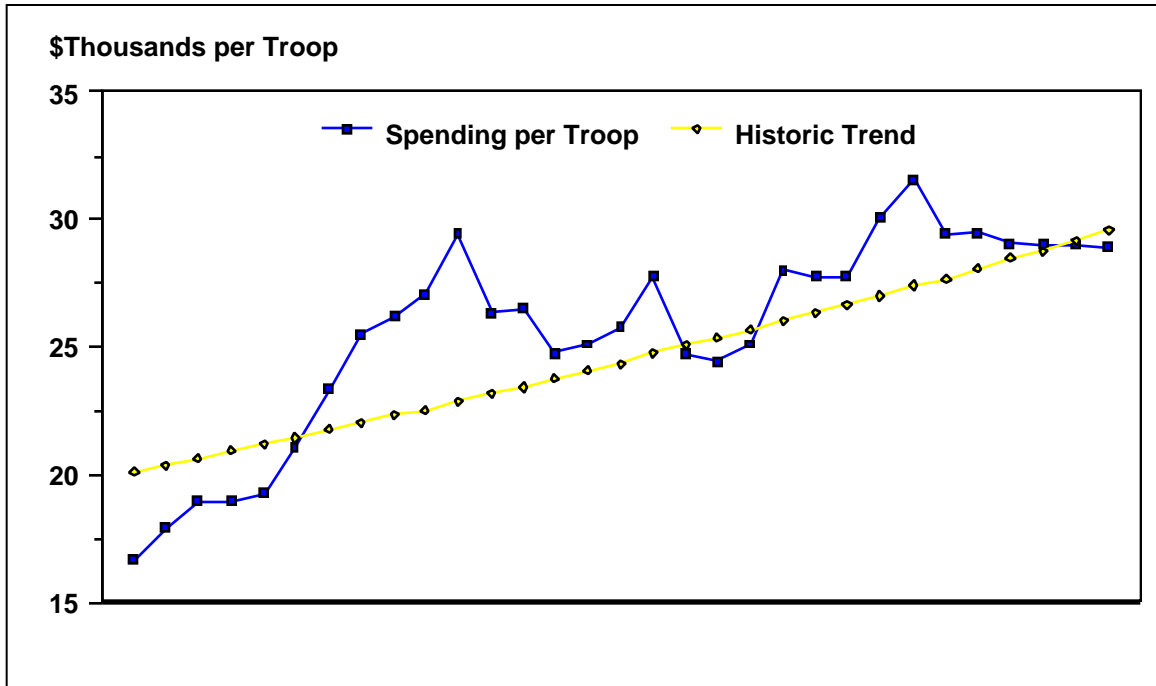
## Results of Analysis

**According to these data, total O&M spending has increased by \$10 billion (9%) from 1999 to 2002, while spending for core readiness, which constitutes only 40% of O&M spending at best, has decreased by \$2.9 billion (8.3%), according to Infrastructure Code data, or by \$0.3 billion (0.7%), according to the Defense Mission Code data. In sum, spending for core readiness, since 1999 when it was revealed by staff reports, the press, and ultimately by the Joint Chiefs of Staff as a problem, has declined in real terms.**

Measured in other ways, the data show the same trends. If the spending for core readiness is normalized to military manpower (i.e. core readiness spending per troop), the data historically show a constantly increasing trend from about \$17,000 per troop in 1975 to about \$32,000 per troop in 1999. CBO assesses this trend at an average rate of 3% real growth per year for the past 25 years.<sup>xxvii</sup> However, since 1999, actual spending has departed from this annual 3% growth trend and has declined to about \$29,000 per troop in 2000. Moreover, while projections of Bush O&M spending are not available; the data show a planned Clinton Administration departure from the historic trend by remaining flat into the projected out-years.<sup>xxviii</sup> See Figure 2.



Figure 2: Infrastructure Code Category “Core” Readiness Spending per Troop, based on Total Military Endstrength, Constant 2001 Dollars.



### Planned Decline in Readiness

This occurring and planned departure from the trend of growing O&M costs per troop is significant. A constant level of readiness has historically required a growing amount of spending. A flat level of readiness spending could signal a declining level of readiness. Moreover, even an increased level of spending in the O&M budget can still mean a decline in readiness if spending directly for readiness is not also increasing or is increasing only at a rate below the historic trend.

Given that US armed forces have been receiving declining funding for readiness per troop, it should come as little surprise that, contrary to the assertions of some, the readiness of “first deployer” combat forces is not robust now. These problems are made clear in recent staff and press reports.<sup>xxix</sup> Moreover, if the Bush 2002 budget does not depart from the previous Clinton plans, further deterioration – not improvement – of readiness can be expected. Thus, the time has **not** come to transfer O&M to procurement; the time **has** come to reverse current trends and to actually increase spending for core readiness.

It is also worth noting that consistent with the expressed intention of the Joint Chiefs to suspend increases in O&M spending to increase procurement spending, the pre-existing, pre-Bush FYDP projection for 2002 to 2005 for the O&M top line shows a decline.<sup>xxx</sup> For this reason, there is little prospect that readiness will do anything but worsen under the JCS/Cohen plan.

### Where Is the O&M Money Going?

There are a number of rising O&M costs while readiness spending declines or stays flat. The IC and DMC data also show an increase in spending for administration, management services, and utilities. Another growing O&M cost is the Defense Health Program, which has increased \$2.5 billion (27%) from \$9.1 billion in FY 1994 to \$13.0 billion in FY 2001.

Still another is Congressional add ons. For FY 2001, Congress added in excess of 150 “Member Items” to the O&M budget. These consisted of state-specific spending projects added to the O&M account in the 2001 DoD Appropriations Act, as enacted, that were unrequested in the DoD budget and not included in the “wish lists” submitted by the Joint Chiefs after President Clinton’s budget request. For 2001, these cost appear to have over \$600 million. While Congress has virtually always added “Member Items” to the defense budget, in the past they were usually in the Procurement, R&D, and Military Construction accounts. In recent years, they have grown in O&M; in 1995, for example, the state specific add-ons were only about \$200 million.

## Conclusions

The O&M budget is an inaccurate measure of DoD spending for readiness. The publicly available data do not precisely quantify DoD's spending for readiness. However, unclassified DoD data do reveal spending that analysts can agree approximate core readiness spending.

Data on core readiness show that spending has been declining in real terms since 1999, and current JCS, pre-existing Clinton Administration plans are for it to remain flat, if not decline, in real terms and to decline more significantly relative to historic trends. The results have been demonstrated in the readiness problems being experienced by "first deployer" combat units. The future likelihood is for further decline if the Bush Administration permits these budgeting plans to remain in place.

## Recommendation

**Thus, with the top line of O&M increasing and readiness spending declining, the current defense budget has achieved a condition of declining readiness at increasing cost. When Secretary of Defense Rumsfeld completes the proposed 2002 defense budget, it should be carefully inspected to determine whether it helps or hurts funding for the core readiness of combat units.**

## Appendix A

## Endnotes

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<sup>i</sup> The author is a member of the congressional staff, and because this paper includes his personal views, he has made the paper available using a pseudonym to avoid any mis-association of his views with the office where he works.

<sup>ii</sup> To eliminate the effects of inflation on the analysis, unless specified otherwise, all dollars amounts in this paper are expressed in 2001 constant dollars.

<sup>iii</sup> Core readiness activities are defined in this paper as combat and support forces training, spare parts, equipment maintenance, and military exercises.

<sup>iv</sup> The data bases and methods of calculation used are explained below.

<sup>v</sup> "First deployer" units are those combat formations of the military services that are designated in DoD planning documents as those units most likely to be employed in the early stages of a conflict or peacekeeping contingency operations where combat skills may be employed.

<sup>vi</sup> "Peacekeeping Puts Drag on Army's Mission," Rowan Scarborough, Washington Times, 12/23/97. A copy of the full staff report is available.

<sup>vii</sup> AP story (Washington), "Troops Are Ready," December 24, 1997.

<sup>viii</sup> Gen. Henry H. Shelton, USA, Chairman, Joint Chiefs of Staff, Department of Defense Authorization for Appropriations for Fiscal Year 1999 and the Future Years Defense Program, Hearings before the Senate Armed Services Committee, February 3, 1998, p. 23.

<sup>ix</sup> Gen. Henry H. Shelton, USA, Chairman, Joint Chiefs of Staff, U.S. Armed Forces Preparedness, Hearings before the Senate Armed Services Committee, September 29, 1998, p. 76-77.

<sup>x</sup> IBID, p. 138.

<sup>xi</sup> Of the proposed addition of \$112 billion over six years, only \$84.3 billion was new money. Of the rest, \$26.1 billion consisted of forecasts of additional buying power through reduced inflation and lower fuel costs (the latter failed to materialize after FY 2000); the balance of \$1.6 billion was a budget gimmick consisting of rescissions that were never requested. Thus, for new money, DoD was really requesting on average just \$14 billion per year.

<sup>xii</sup> The estimates for 2002 O&M are approximate. Precise data are not available; the figure cited is based on a graph in the FY 2002 DoD Annual Report from SecDef Cohen. See Annual Report to the President and the Congress, William S. Cohen, Secretary of Defense, 2001, p. B-1, vii, and viii. The data for the 2002 Bush request are currently unknown and will remain unknown until the detailed request is submitted to Congress in late June or early July.

<sup>xiii</sup> The estimates for 2002 procurement are approximate. Precise data are not available; the figure cited is based on a graph in the FY 2002 DoD Annual Report from

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SecDef Cohen. See Annual Report to the President and the Congress, William S. Cohen, Secretary of Defense, 2001, p. B-1, vii, and viii.

xiv The balance of the \$104 billion increase was made to DoD's Research & Development, Military Construction, and Military Personnel Accounts.

xv Transcript of House Armed Services Committee hearing with Joint Chiefs of Staff, September 27, 2000, third paragraph of General Shelton's opening oral remarks.

xvi IBID. , Opening statement.

xvii IBID., Closing paragraphs of opening statement.

xviii IBID., Opening statement.

xix "Disputed Army Division Has 'Serious Shortages,'" John M. Donnelly, Defense Week, October 2, 2000. "Report Criticizes Army's Readiness," Rowan Scarborough, Washington Times, October 2, 2000. "Senate Report Casts Doubt on Army Unit's Contested Readiness," Elaine Grossman, Inside the Pentagon, Oct. 2, 2000. A copy of the report referred to in these articles is available on request. Articles on other readiness problems in other units include the following: "Readiness Is Not Improving," The Washington Times; August 28, 2000, by Rowan Scarborough; "Helo Readiness Lacking in U.S. Military," Helicopter, 10, 6, 2000, by John Guardiano; "For U.S. Aviators, Readiness Woes Are a 2-Front Struggle," The Washington Post, 2/3/2000, by Robert Suro; "The Readiness Crisis of the U.S. Air Force: A Review and Diagnosis," Project on Defense Alternatives, The Commonwealth Institute; 4/22, 1999, by Carl Conetta and Charles Knight; "'Drastic Cutbacks' Hurt Navy Readiness," The Washington Times, 11/3/2000, by Rowan Scarborough; Improved Spare Parts Supply Not Yet Translating to Better Readiness," Inside the Air Force, 11/3/2000, by Adam J. Hebert ; "Rising Cost of Low Readiness - A Senior Logistician's Lament Lays Out the Challenge for the New QDR," May 25, 2000; Chuck Spinney "Blaster" e-mail; Comment # 359; at <http://www.infowar.com/iwftp/cspinney/>>.

xx These dollars figures include the 2001 supplemental O&M requests for each of the military services.

xxi This figure does not include 116,000 civilians employed directly by DoD, not the military services. See National Defense Budget Estimates for FY 2001, Office of the Under Secretary of Defense (Comptroller), March 2000, p. 213.

xxii IBID., p. 147; 80% (451/567) of the total civilian payroll of \$41.5 billion is calculated to estimate the payroll of military service civilians. The equipment technicians constitute 12% of the civilian manpower and, presumably, of the payroll. Data on the number of equipment technicians in the military services was provided by the Congressional Research Service.

xxiii These instrumentalities included the author, with more than 25 years of experience in national security affairs in various legislative branch offices and expert representatives of two independent congressional research entities.

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xxiv The averages were calculated two different ways. For the Infrastructure Code Categories, the totals of the spending in the core readiness categories selected by each of four analysts were averaged. For the Defense Mission Code Categories, each analyst assigned a priority of one to four for each “content” and the numerical designations of the subcategories were averaged. Any subcategory that scored below three was included in the categorization of “core readiness,” and the spending total was tabulated. These different methods and different data bases were employed in the analysis in an effort to eliminate biases among any of the four analysts.

xxv These data do not include the \$2.9 billion requested by President Bush for O&M spending in the 2001 supplemental. Neither data base incorporates that recently submitted budget request.

xxvi Inclusion of the 2001 supplemental request of \$2.9 billion for O&M would not close this gap and could widen it.

xxvii”Paying for Military Readiness and Upkeep: Trends in Operation and Maintenance Spending,” Congressional Budget Office, September 1997, p. 5 of Chapter One.

xxviii These data are from a CRS analysis provided to the author and are available on request.

xxix For references, see endnote 19. See also Final Report of Naval Aviation Spares and Readiness, Naval Inspector General, 13 December 1999 - 28 April 2000.

xxx See Cohen, op. cit., p. vii.