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## WHY THE APPLICATION OF THE EXPECTED ACROSS-THE-BOARD APPROPRIATIONS CUT TO DEFENSE IS LIKELY TO BE PURELY COSMETIC

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Application of the one percent across-the-board appropriations cut to the Defense Department enacted in December is likely to be illusory. Defense funds that are reduced through the across-the-board cut now are likely to be fully restored this spring, when a supplemental appropriation for Iraq is enacted. Based on past Iraq supplementals, the supplemental is likely to be structured in a way that allows the Pentagon to move funds around and undo the across-the-board cut.

### Discussion

The fiscal year 2006 defense appropriation bill (H.R. 2863) enacted in late December included a one percent across-the-board cut in funding for almost all annually appropriated or “discretionary” programs, including both defense and domestic programs. (Emergency funding and veterans programs were exempted from the cut.) Although the across-the-board cut was attached to the defense appropriation bill, the cut’s scope extends to all of the other 2006 appropriations bills. The cut reduces 2006 funding by approximately \$8.6 billion.<sup>1</sup>

Including defense in any across-the-board cut of discretionary programs seems fair and sensible. (The cut excludes \$50 billion in funds for operations in Iraq and Afghanistan.) Defense, along with international and homeland security funding, has accounted for most or all of the growth in discretionary programs since 2001.<sup>2</sup>

- Adjusting for inflation and the growth of the U.S. population, funding for defense, international affairs, and homeland security grew at an average rate of 9.5 percent per year between 2001 and 2005, while funding for domestic programs grew at an average rate of 1.9% per year.

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<sup>1</sup> Our estimate that a one percent across-the-board funding cut amounts to \$8.6 billion takes into account that “obligation limits” in transportation programs are subject to the cut (as they have been in all prior instances) and are counted as funding for this purpose. It also reflects the fact that emergency funding, including \$50 billion for the Iraq and Afghanistan wars and \$33 billion for hurricane relief and recovery in Gulf Coast states that was included in the defense appropriations bill, and funding for veterans’ programs of about \$28 billion will be exempt from the cut.

<sup>2</sup> See *Have Domestic Appropriations Exploded?* CBPP, December 8, 2005, available at <http://www.cbpp.org/12-8-05bud3.pdf>.

- Funding for defense, international affairs, and homeland security grew from 3.4 percent of Gross Domestic Product in 2001 to 4.6 percent in 2005. By contrast, funding for domestic discretionary programs stood at 3.4 percent of GDP in both 2001 and 2005; as a share of GDP, it did not grow at all.

Yet the across-the-board cut is likely to have little or no effect on the actual level of funding that defense programs ultimately receive in 2006. There inevitably will be a large supplemental appropriations bill next year to fund ongoing operations in Iraq (in addition to the \$50 billion for Iraq that was included in the defense appropriation bill). This spring's Iraq supplemental bill almost certainly will include additional funds that could effectively be used to restore any reductions in funding that result from applying an across-the-board cut to defense programs now, even if the supplemental bill does not specifically state that the funds being provided can or should be used for that purpose.

- Such supplemental funding is generally provided to a wide range of Department of Defense accounts, with the extra funds available for *any* obligations incurred by that account.
- In addition, the Defense Department has authority to transfer significant amounts from one account to another.
- As a result, some supplemental funds ostensibly intended for operations in Iraq could be used to backfill shortages in routine DoD activities.

Applying an across-the-board cut to defense as well as domestic programs is politically useful now for the House Republican leadership — it permits the Leadership to speak of a larger total cut (between \$8 billion and \$9 billion) when talking with very conservative members of its caucus who look for the largest possible reduction. It also enables the Leadership to reassure moderates in the caucus that domestic programs are not being singled out for cuts.

In reality, however, the President and Congress will likely reverse the defense reduction when they provide supplemental funding for Iraq in coming months. When designing a supplemental appropriations bill this spring, the Administration is sure to request whatever funds it believes it needs for *all* defense purposes, whether for operations in Iraq or other Pentagon activities. Congress has shown little or no inclination in the past to reduce military funding below the Administration's request.