The RAND Corporation is a nonprofit institution that helps improve policy and decisionmaking through research and analysis.

This electronic document was made available from www.rand.org as a public service of the RAND Corporation.

Skip all front matter: Jump to Page 1 ▼

Support RAND

Purchase this document
Browse Reports & Bookstore
Make a charitable contribution

For More Information

Visit RAND at www.rand.org
Explore the RAND Arroyo Center
View document details

Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Unauthorized posting of RAND electronic documents to a non-RAND website is prohibited. RAND electronic documents are protected under copyright law. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents for commercial use. For information on reprint and linking permissions, please see RAND Permissions.
This product is part of the RAND Corporation occasional paper series. RAND occasional papers may include an informed perspective on a timely policy issue, a discussion of new research methodologies, essays, a paper presented at a conference, a conference summary, or a summary of work in progress. All RAND occasional papers undergo rigorous peer review to ensure that they meet high standards for research quality and objectivity.
Where Might the U.S. Army Budget Go, and How Might It Get There?

Carter C. Price, Aaron L. Martin, Edward Wu, Christopher G. Pernin

Prepared for the United States Army

Approved for public release; distribution unlimited
The research described in this report was sponsored by the United States Army under Contract No. W74V8H-06-C-0001.

Library of Congress Cataloging-in-Publication Data
Where might the U.S. Army budget go, and how might it get there? / Carter C. Price ... [et al.].
p. cm.
Includes bibliographical references.

UA25.5.W54 2011
355.6'2280973—dc23
2011042825

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND’s publications do not necessarily reflect the opinions of its research clients and sponsors.

RAND® is a registered trademark.

© Copyright 2011 RAND Corporation
Permission is given to duplicate this document for personal use only, as long as it is unaltered and complete. Copies may not be duplicated for commercial purposes. Unauthorized posting of RAND documents to a non-RAND Web site is prohibited. RAND documents are protected under copyright law. For information on reprint and linking permissions, please visit the RAND permissions page (http://www.rand.org/publications/permissions.html).

Published 2011 by the RAND Corporation
1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
1200 South Hayes Street, Arlington, VA 22202-5050
4570 Fifth Avenue, Suite 600, Pittsburgh, PA 15213-2665
RAND URL: http://www.rand.org
To order RAND documents or to obtain additional information, contact
Distribution Services: Telephone: (310) 451-7002;
Fax: (310) 451-6915; Email: order@rand.org
Summary

In a speech in early January 2011, Secretary of Defense Robert Gates acknowledged that there will be cuts in defense spending over the next decade. He was explicit about some of these cuts, such as a reduction in the Army’s end strength. Other proposals will continue to be floated as the calls for deficit reduction grow. This paper seeks to answer two questions about the future of the Army’s budget: Where might the budget go? And what might the Army do? Our answers should provide decisionmakers in the Army with a historical context for the current budget environment and a set of possible paths to help adjust to future budget pressures.

Where Might the Budget Go?

The future budget environment will pose difficult decisions for the Army. In concert with hot and cold wars and their associated growth in Army force structure and supplemental funding, the Army’s budget has waxed and waned on a roughly 20-year cycle since 1950. As the U.S. presence in Iraq and Afghanistan diminishes over the next decade, the Army will likely enter the waning phase of the budget cycle. Historical trends in the Army’s budget imply that toward the end of the 2010s, assuming an end of operations in Afghanistan by 2015 or so, the real budget may fall by as much as half from 2011 outlays, as seen in Figure S.1.

This cyclic trend is not an inherent budget process but a by-product of war and postwar spending demands. If there is a return to the historical minimum spending level, the relatively small efficiencies that the Secretary of Defense has recently called for (less than 5 percent of the budget) will pale in comparison to the budget cuts looming. Particularly, historical projections of 50-percent cuts in operations and maintenance (O&M) (from $63 billion to $30 billion), 40-percent cuts in personnel (from $60 billion to $35 billion), and 70-percent cuts in procurement (from $38 billion to $10 billion to $15 billion) are possible. The percentage reductions are not the same for each account because the growth was not proportionally distributed. To reach those levels, the Army would face not just significant calls for efficiency but much more significant reductions in force structure.

---

2 The research presented in this report was completed before March 2011.
Where Might the U.S. Army Budget Go, and How Might It Get There?

Figure S.1
Army Outlays from 1950 to 2010

What Might the Army Do?

Given the deep trough into which budgets might fall in the coming years, it is important for military policymakers to consider how the Army might be changed if the overall budget were cut, and it is important for the Army to be prepared to help the Department of Defense (DoD) understand the implications of different, broad options for cutting spending (see Table S.1). Each option will affect the force’s capabilities and capacity, so it is important to begin analyzing the potential consequences of major changes sooner rather than later.
<table>
<thead>
<tr>
<th>Area</th>
<th>Level and Cost of Support</th>
<th>Efficiency</th>
<th>Force Structure</th>
<th>Modernization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Reduce the amount spent on activities supporting the force</td>
<td>Identify areas where funding may be used more efficiently</td>
<td>Reduce the size of the force</td>
<td>Reduce ongoing efforts to modernize the force</td>
</tr>
<tr>
<td>Specific action</td>
<td>Cut military pay</td>
<td>Use rotational equipping</td>
<td>General cut across the board</td>
<td>System upgrades</td>
</tr>
<tr>
<td></td>
<td>Reduce benefits</td>
<td>Reduce overhead</td>
<td>Easier to regenerate forces</td>
<td>New weapons/vehicles</td>
</tr>
<tr>
<td></td>
<td>Reduce contracting support</td>
<td>Reduce logistic demand</td>
<td>Overstructure areas</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve logistic efficiency</td>
<td>2 new Active Component Combat Aviation Brigades</td>
<td></td>
</tr>
<tr>
<td>Budget account</td>
<td>O&amp;M</td>
<td>O&amp;M Procurement</td>
<td>Military personnel</td>
<td>Procurement</td>
</tr>
<tr>
<td></td>
<td>Military personnel</td>
<td>O&amp;M Procurement</td>
<td>O&amp;M</td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>Small to medium cuts</td>
<td>Small cuts</td>
<td>Small to large cuts</td>
<td>Small to medium cuts</td>
</tr>
<tr>
<td>Impact</td>
<td>May reduce capacity</td>
<td>Does not reduce capacity or capability</td>
<td>Reduces capacity and capability</td>
<td>Reduces planned capability</td>
</tr>
</tbody>
</table>