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Where Might the U.S. Army Budget Go, and How Might It Get There?

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Prepared for the United States Army

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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.\(^1\) 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.\(^2\)

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.

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2. The research presented in this report was completed before March 2011.
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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 S.1
**Four Broad Areas Where Budgets Might Be Reduced**

<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><strong>Description</strong></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><strong>Specific action</strong></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</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Combat Aviation Brigades</td>
<td></td>
</tr>
<tr>
<td><strong>Budget account</strong></td>
<td>O&amp;M</td>
<td>O&amp;M</td>
<td>Military personnel</td>
<td>Procurement</td>
</tr>
<tr>
<td></td>
<td>Military personnel</td>
<td>Procurement</td>
<td>O&amp;M</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procurement</td>
<td></td>
<td>Procurement</td>
<td></td>
</tr>
<tr>
<td><strong>Size</strong></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><strong>Impact</strong></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>