

BUDGET UNCERTAINTY AND MISSILE DEFENSE

MDAA ISSUE BRIEF

OCTOBER 2015

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MISSILE DEFENSE IS FUNDAMENTALLY A BUDGET ISSUE. Missile defense programs are large undertakings with long investment lead-times, which means that budget certainty and consistent investment are particularly important to developing mature systems. Recent turmoil surrounding defense budgets has impacted missile defense programs in tangible and significant ways, undermining the ability of the United States to deploy capable and effective missile defense systems.

HIGHLIGHTS:

- Budget uncertainty and automatic cuts forced by the Budget Control Act have **delayed and undermined missile defense programs**.
- Budget issues create significant uncertainty in **critical modernization efforts** needed for existing missile defense systems to ensure their continued presence and reliability.
- Uncertainty and cuts have **delayed the development of crucial future capabilities** such as the Long Range Discrimination Radar.



The Obama Missile Defense Budgets: A Short History

The Obama administration's budget requests for the Missile Defense Agency (MDA) have ranged from as low as \$7.4 to as high as \$8.6 billion declining from a peak \$9.4 billion request in FY2009, the last year of the Bush Administration. These decisions reflected changing priorities assigned to missile defense programs in national defense strategy as well as budget turmoil during the the most recent administration.

Over the same time period, Congress has appropriated between \$7.6 and \$8.5 billion of Obama's requests as shown in the table below. In a number of years, Congress authorized and appropriated more than the President requested for missile defense programs.

One constraint on these decisions has been the Budget Control Act (BCA), which passed in 2011. This act put in place caps on annual discretionary spending from 2012

through 2021 and created the Joint Select Committee on Deficit Reduction to find a way to cut deficit spending by an additional \$1.2 trillion over ten years. The inability of the committee to reach an agreement resulted in across the board and indiscriminate sequestration cuts, forcing agencies like the Missile Defense Agency (MDA) to cut funding for vital programs like an additional ground-based sensor and interceptor follow-ons. Short-term fixes like the Ryan-Murray budget deal have helped to soften the blow from sequestration, but the effect the caps have on agency planning and expectations remain.

Budget uncertainty as a result of sequestration also plays a role in driving up the costs of missile defense programs. When programs with long investment lead-times like missile defense face unexpected cuts during the planning or research and development

phases, it takes longer to develop, test, and ultimately deploy the system; incurring additional costs throughout the life cycle of the program. This has contributed to many of the cost overruns often associated with missile defense programs.

The Obama administration's shifting priorities on BMD programs have also contributed to uncertainties. In 2009, the Obama administration reduced the number of ground based interceptors (GBI) from 44 to 30, before reversing this decision in 2013. The GMD program originally planned for a third GBI site in Poland, but this was cancelled and replaced with the European Phased Adaptive Approach. In recent years, Congress provided funding for studies to look at possible replacement sites on the East Coast of the United States including sites in New York, Maine, Ohio, and Michigan.

Missile Defense Spending FY2011-FY2016 in Billions of Dollars

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
President's Budget	8.4	8.6	7.8	7.7	7.46	8.1
Congressional Appropriation	8.5	8.4	8.3*	7.6	7.87	8.0**

*Does not include sequestration cuts. Actual FY2013 funding was \$7.6 billion.

**Authorized, not appropriated amount.

The FY2016 NDAA: An Ongoing Negotiation

To begin the FY2016 budget process, President Obama announced his budget on February 2, allocating \$615.5 billion for DOD of which roughly \$10 billion or 1.6% went to the Missile Defense Agency and missile defense related programs. Of the MDA's FY 2016 budget request about \$1.3 billion is set aside for procurement, \$432.1 million for operations and maintenance (O&M), \$6.2 billion for research, development, test, and evaluation (RDT&E), and \$169.2 million for military construction (MILCON).

The President's FY 2016 budget request also includes missile defense items that fall outside the purview of the MDA. These items total \$1.7 billion and include funding for programs and systems such as the Air and Missile Defense Radar (AMDR) system, strategic command and control, and ship self-defense systems.

Congress passed the FY 2016 National Defense Authorization Act (NDAA), which authorizes appropriations for the Department of Defense and national security programs run by the Department of Energy, on October 7, 2015. The NDAA uses the FY 2016 President's budget as a guide for the amount of money to authorize for each program, but has the authority to change funding levels or can choose not to fund a program. The President's budget for FY 2016 asks for \$8.1 billion in funding for the Missile Defense Agency and \$1.7 billion for other missile defense related programs and the FY 2016 NDAA authorizes \$8.0 billion and \$1.9 billion respectively.

The FY 2016 NDAA authorizes the amount requested by the President's budget for O&M and MILCON for FY 2016, while only authorizing \$1.3 billion for procurement and \$6.2 billion for RDT&E a decline of \$82.3 million and \$ 13.6 million respectively.

The major differences between the FY 2016 President's budget and NDAA come in on procurement and cooperative programs with allies, funding levels for Aegis BMD, homeland defense interceptors, and BMD command and control/battle management and communication. The FY 2016 NDAA removes \$102.8 million from the MDA's FY 2016 proposed budget for Israeli Cooperative Programs and moves this program to OCO funding along with \$41.4 million in Iron Dome procurement.

The NDAA also decreases Iron Dome funding by \$13.6 million. The FY 2016 NDAA reduces the BMD command and control program by \$12.3 million while increasing the funding for improved homeland defense interceptors by \$20 million. In addition, the NDAA authorizes \$120.4 million in additional funds for the Aegis BMD system and reduces Aegis BMD SM-3 IB Advanced Procurement by \$147.8 million.

In terms of non-MDA funding, the FY 2016 NDAA decreases funding for the IAMD battle command system by \$5 million and the MDA technology program by \$13.3 million. The FY 2016 NDAA also authorizes a total of \$230 million for projects that the President's budget did not request funding for, including \$200 million to the Army for Patriot PAC-3 missile improvements and \$30 million for planning and design for an East Coast missile site.

President Obama vetoed the initial version of the FY 2016 NDAA citing concerns that it used OCO funds designed for emergencies to avoid budget restrictions and because he would like to see spending limits raised on both defense and discretionary spending. In response, Congressional leaders and the White House reached a tentative budget deal in which caps on defense spending would increase by about \$25 billion for the next two years with a budget of \$548 billion for FY 2016 and \$551 billion for FY 2017. The deal also allocates \$59 billion in OCO funding for each of the next two years. The compromise also raises non-defense spending caps by \$25 billion for FY 2016 and \$15 billion for FY 2017. Budget increases are to be offset by spending cuts and changes to Medicare and Social Security disability benefits along with savings and revenue from other programs. In the coming days, the budget deal will head to Congress, where the debate has already begun.



Programs Affected by Budget Battles: An Overview

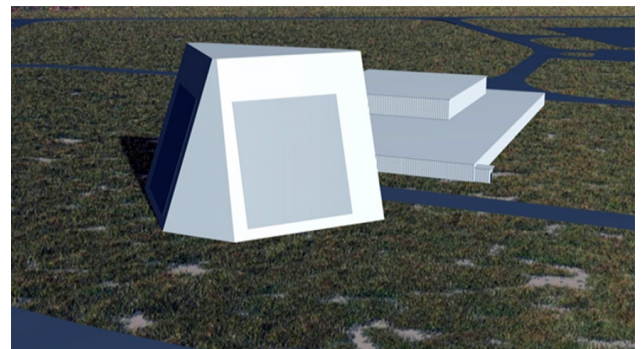
The following is a brief overview of some (not all) of the programs that have been affected by budget issues. These programs have not necessarily been cut entirely, but their authorization and production have been affected by the budget negotiations.

Redesigned Kill Vehicle (RKV) - The FY2016 NDAA authorizes \$286.7 million, a \$20 million increase over last year and a \$9.7 million increase from the MDA request, for RKV development. The RKV program hopes to reduce the number of construction steps required for the system and fix outstanding issues associated with the current Exo-atmospheric Kill Vehicle (EKV). These upgrades to the kill vehicle are essential to the reliability of the Ground-based Midcourse Defense system.



Multiple Object Kill Vehicle (MOKV) - In the FY 2016 NDAA, Congress authorized \$81.5 million for the MOKV program, but if a budget is not passed, this program will likely not move forward. The MOKV is considered a long-term technology and would not be deployed for about 10 years, but it provides a vital future capability to enhance the effectiveness of each interceptor in the U.S. arsenal, allowing engagement of more threatening objects.

Long Range Discriminating Radar (LRDR) - The LRDR program was delayed due to sequestration and cuts, and could face additional hurdles with continued budget uncertainty. MDA budget estimates for FY 2016-2020 ask for \$650 million in funding for LRDR and another \$285.1 million in military construction costs for the LRDR site. Deployment is planned for 2020 and it will serve as a midcourse sensor improving target discrimination capabilities for the Ballistic Missile Defense System (BMDS).



Aegis Baseline 9 Modernization - Originally, the Navy slated 62 ships to receive an upgrade to Aegis Baseline 9, which modernizes the ability of the Aegis weapon system to simultaneously track and defeat ballistic missiles and fight traditional anti-air warfare (AAW) threats. Due to budget restrictions, the Baseline 9 standard was shelved and a tiered system was instituted with some ships receiving midlife upgrades, other ships receiving a full upgrade, and boosting some ships to a higher ballistic missile defense (BMD) capability. Upgrading Arleigh Burke destroyers may face additional hurdles and uncertainty in the future due to continued budget restrictions.

Budget Basics: The NDAA Process

National Defense Authorization Act

The National Defense Authorization Act or NDAA authorizes appropriations for the Department for Defense and national security programs run by the Department of Energy. This comprehensive bill uses the President's budget as a guide and authorizes funding levels and policies for how funds will be spent for each program.

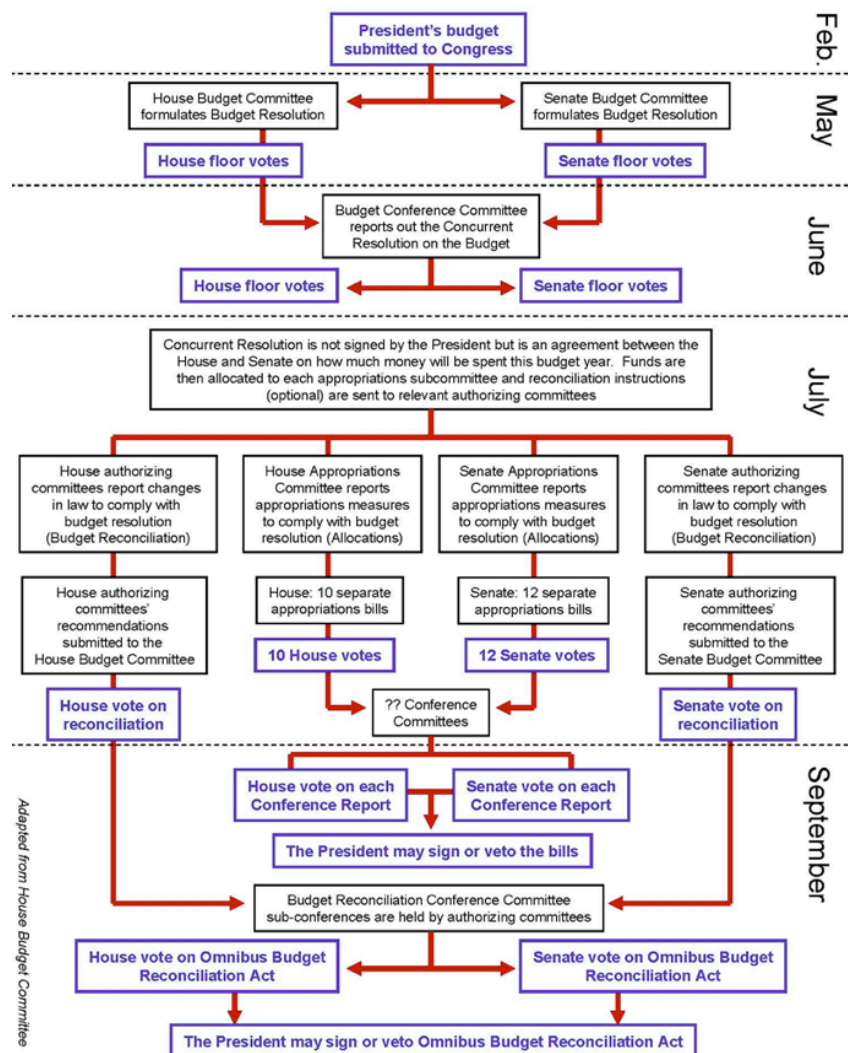
Appropriations Process

While the NDAA authorizes funds for Defense and national security programs it does not actually appropriate the money. Funds are appropriated to agencies through Omnibus legislation that allows federal agencies to incur obligations and authorize payments to be made out of the Treasury. Congressional Appropriations Committees do have the ability to appropriate more or less than the amount authorized for a specific purpose.

Continuing Resolution

A continuing resolution or CR is Congressional legislation in the form of a joint resolution that provides budget authority for Federal agencies and programs to continue operating once a new fiscal year begins but a regular appropriations bill has not yet been enacted. A CR continues to fund government programs and services, but only at current spending levels. Under a CR, new programs cannot be started or funded and programs or systems that require additional funds to move forward are often delayed.

The Budget Process and Time Line



About MDAA

MDAA's mission is to make the world safer by advocating for the development and deployment of missile defense systems to defend the United States, its armed forces and its allies against missile threats.

We are a non-partisan membership-based and membership-funded organization that does not advocate on behalf of any specific system, technology, architecture or entity.

Visit our website at www.missiledefenseadvocacy.org