

**Amendment number 2569** To restore \$294 million in operations and maintenance funding to members of the Armed Forces to prepare for and conduct combat operations by accounting for the August 2009 Congressional Budget Office economic assumptions and reducing funding for low-priority research and development earmarks.

### **Explanation of the problem**

Operation and Maintenance funds are directly related to military readiness because it provides funds for training troops for combat and for maintaining tanks, airplanes, ships, and related equipment such as the purchase of spare parts. O&M accounts also fund a wide range of activities such as civilian personnel management and payments, transportation expenses, health care, and child care.<sup>1</sup>

President Obama requested \$156.4 billion in operation and maintenance funds for FY2010. However, the Senate Appropriations Committee cut \$2.4 billion from this request for operations and maintenance in order to fund other priorities such as earmarks. \$294 million of this cut was due to “revised economic assumptions” based on out-of-date inflation information.

Operations and Maintenance appropriations are critically important as they are the only appropriated funds that unit commanders (battalion and squadron commanders, ship captains, etc) can spend easily. Other funds such as military personnel, procurement, research and development, and military construction accounts are spent at the highest levels of the military command leadership.<sup>2</sup>

### **How the amendment fixes the problem**

This amendment restores \$294 million to Operations and Maintenance funding accounts by striking the part of Section 8091 that the bill reduces operations and maintenance funding.

The amendment is offset by reducing overall spending in Research, Development, Test and Evaluation funding by the same amount (\$294 million).

Research and development accounts are the source for the majority of earmarks in the Department of Defense appropriations bill.

Out of 778 earmarks, 588 are research and development earmarks. Out of \$2.6 billion in earmarks, \$1.9 billion is for research and development earmarks.<sup>3</sup>

The Department of Defense can easily pay for the restored operation and maintenance funding by eliminating 1/6 of the most offensive earmarks.

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<sup>1</sup> GAO Report GAO/T-NSIAD-00-98, “Visibility and Accountability of O&M Fund Movements,” Government Accountability Office, February 29, 2000.

<sup>2</sup> Phillips, W. Darrell, Armed Forces Comptroller “Use of Operation and Maintenance funds during deployments,” Fall, 2006.

<sup>3</sup> Congressionally Directed Spending Items, Senate Report 111-74, Department of Defense Appropriations Bill, 2010.

## **Reduction in Operations and Maintenance funds is based on dated assumptions**

Sec. 8091 in the General Provisions of the defense appropriations bill **reduces** Operation and Maintenance (O&M) by \$294 million, based on “revised economic assumptions”.<sup>4</sup> The appropriations committee staff stated that the Congressional Budget Office (CBO) assumed a lower level of inflation for FY2010 and used this rationale to reduce funding for Operations and Maintenance accounts.<sup>5</sup> The committee assumes that because of the lower inflation forecast, goods and services purchased with Operations and Maintenance dollars will cost less in FY2010 than the administration assumed when crafting its budget request. The Senate appropriations committee bases their funding cut on the March CBO estimates of the GDP index inflation. In March of 2009, the administration estimated 1.1% GDP Index inflation and the Congressional Budget Office (CBO) estimated 0.8%.<sup>6</sup>

Because of this 0.3% difference, the Senate Appropriations Committee justifies the cut of \$294 million to Operations and Maintenance. However, CBO issued an August update to its GDP index estimate, which is now 1.1%, matching the Administration estimate from earlier in the year and the one it used to craft the budget.<sup>7</sup> Incidentally, the Administration revised its estimate to 1.3%.<sup>8</sup>

The appropriations committee used a favorable inflation estimate in order to free up money for earmarks and other committee priorities. However, Congress now has a newer estimate, which should be relied upon to determine the need for Operations and Maintenance funding for spare parts, training, fuel, and other necessary items for our military at war. That estimate is higher, and thus the need for this funding will be higher for our men and women in the military. The Senate should restore the \$294 million cut to Operations and Maintenance funding by removing an equivalent amount of funding for earmarks.

## **Operations and Maintenance Funding has increased higher than inflation for the last five decades**

Operations and Maintenance funding per troop has increased at an average annual rate of 2.6% above inflation ever since the end of the Korean War.<sup>9</sup> Many reasons contribute to this rise, none of them addressed in this legislation and thus an assumption that the Department of Defense will need fewer operation and maintenance resources is false.

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<sup>4</sup> H.R. 3326, as reported by the Senate Committee on Appropriations, Sec. 8091 page 239.

<sup>5</sup> Email from professional staff, Senate Committee on Appropriations, Defense subcommittee, September 22, 2009.

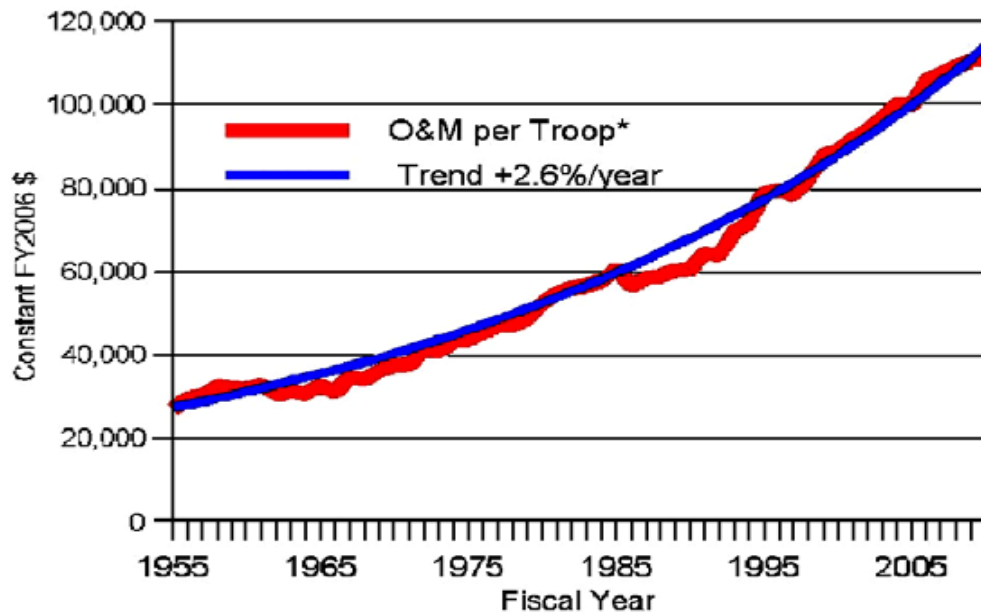
<sup>6</sup> Office of Management and Budget “Economic Assumptions and Analysis,” <http://www.whitehouse.gov/omb/budget/fy2010/assets/assumptions.pdf>.

<sup>7</sup> Congressional Budget Office, “The Budget and Economic Outlook: An Update,” August 2009, <http://www.cbo.gov/ftpdocs/105xx/doc10521/08-25-BudgetUpdate.pdf>.

<sup>8</sup> Office of Management and Budget, “Mid-Session Review: Budget of the U.S. Government Fiscal Year 2010,” August 25, 2009, [http://www.whitehouse.gov/omb/assets/fy2010\\_msr/10msr.pdf](http://www.whitehouse.gov/omb/assets/fy2010_msr/10msr.pdf).

<sup>9</sup> Daggett, Stephen, CRS Report RL 32877, “Defense Budget: Long-Term Challenges for FY2006 and Beyond,” April 20, 2005.

**Operation and Maintenance Budget  
Authority per Active Duty Troop  
FY1955-FY2010<sup>10</sup>**



\*Excluding Supplementals

- (1) the steadily growing cost of operating and maintaining new generations of more capable and sophisticated weapons
- (2) efforts to improve the extent and quality of military training
- (3) efforts to ensure that the quality of life in the military keeps up with the quality of life in the civilian sector as the military has shifted to an all volunteer, older, more commonly married, and more skilled force
- (4) the growth in health care costs for military personnel and their dependents
- (5) requirements that the Defense Department, like other Federal agencies and private organizations, reduce pollution and clean up earlier contamination
- 6) modest but steady real growth in the compensation of DOD civilian personnel, most of whom are paid with O&M funds.

<sup>10</sup> Daggett, Stephen, CRS Report RL 32877, "Defense Budget: Long-Term Challenges for FY2006 and Beyond," April 20, 2005.

## **The Navy ran out of Operations and Maintenance Funding this year (2009)**

According to the San Diego Union-Tribune in May 2009 the Navy ran out of Operations and Maintenance funding. They cancelled at-sea time of nondeployed ships and reduced training hours for carrier air wings. Legislators had to pump nearly \$1 billion into the operations and maintenance accounts of the four military services – including \$180 million for Navy ships and aircraft – in a midyear supplement to the Pentagon budget.<sup>11</sup>

Senator Webb has noted multiple times that the Navy has a \$28 billion backlog in shore facility restoration and modernization which are funded out of operations and maintenance accounts.<sup>12,13</sup>

Admiral Gary Roughead, the Chief of Naval Operations, testified earlier this year that increased operational demand, rising manpower costs, and an aging Fleet have led the Navy to underfund shore readiness, causing this \$28 billion backlog.<sup>14</sup>

## **President Obama and Secretary Gates oppose the cuts to operations and maintenance funding**

In its Statement of Administration Policy, the President said he strongly opposes the bill's reductions through direct cuts and cuts mandated in sections 8091. He said “these reductions would hurt force readiness and increase stress on military people and equipment.”<sup>15</sup>

## **The Air Force needs Operations and Maintenance funding to fund critical operations**<sup>16</sup>

The FY10 Operations and Maintenance appropriation funds pay and benefits for 179,000 civilian personnel, including 4,200 contractor to civilian conversions, an increase of 200 civilian acquisition professionals and a 2.0 percent pay raise. It fully funds 1.4 million flying hours, produces 1,200 pilots and sustains over 5,400 aging aircraft.

Operation and maintenance funds for 2010 will be used to sustain 76 B-52s for global strike capability and rebuild the nuclear infrastructure. The Air Force is also utilizing additional operations and maintenance funding to increase flights of unmanned aerial systems.

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<sup>11</sup> Liewer, Steve, “Will Cash Crisis Leave Navy High and Dry?” San Diego Union-Tribune

<sup>12</sup> Webb, James, “Virginia Leaders Seek to Block Move of Aircraft Carrier to Florida,” June 11, 2009, [http://webb.senate.gov/newsroom/record\\_article.cfm?id=314582&&](http://webb.senate.gov/newsroom/record_article.cfm?id=314582&&)

<sup>13</sup> Letter from Senator Webb to Gene Dodaro, Comptroller General of the United States, July 13, 2009, [http://www.webb.senate.gov/pdf/GAO\\_Shipyards.pdf](http://www.webb.senate.gov/pdf/GAO_Shipyards.pdf)

<sup>14</sup> Roughead, Gary, “Statement before the Subcommittee on Military Construction, Veterans Affairs, and Related Agencies of the House Appropriations Committee,” May 6, 2009, [http://appropriations.house.gov/Witness\\_testimony/MC/Gary\\_Roughead\\_05\\_06\\_09.pdf](http://appropriations.house.gov/Witness_testimony/MC/Gary_Roughead_05_06_09.pdf)

<sup>15</sup> Executive Office of the President, Office of Management and Budget, “Statement of Administration Policy: H.R. 3326 – Department of Defense Appropriations Act, 2010,” September 25, 2009.

<sup>16</sup> Honorable Michael Donley and General Norton Schwartz, “Presentation to the House Armed Services Committee: United States Air Force Posture Statement,” May 19, 2009, <http://www.af.mil/shared/media/document/AFD-090522-062.pdf>.

The operations and maintenance budget increases child care availability and special programs for children of deployed parents, providing assistance and advanced educational opportunities. Dollars are also committed to dormitory initiatives, unaccompanied housing, active Family Support Centers and Fitness Centers while still providing for the operating expenses of 83 major installations.

Cuts to Operations and Maintenance will necessarily come out of one, if not all, of these critical programs when instead over \$2 billion of earmarks will be fully funded.

**Troops preparing for combat are buying their own equipment, which would normally be purchased with operations and maintenance dollars**

On July 22, 2009 you received a letter from an Oklahoma constituent, asking for you to provide equipment for his son, who is a marine about to deploy to Afghanistan<sup>17</sup>:

“I have hesitated to write to you about this situation because I do not want these young men to be reprimanded for something that my tax dollars should be supplying. I am enclosing a copy of an email letter I received from my son, who is stationed in Twentynine Palms, California with the Fourth Marine Division of the United States Marine Corps. They are presently training in the Mojave Desert in preparation for deployment to Afghanistan.

Simply, they are attempting to raise money so they can purchase better and more efficient patrol packs, gloves, GPS's and other equipment that they lack before they deploy. As you know, our men and women in the Armed Services are not paid well and I think it is disgraceful that they have to appeal to friends and relatives to supply their Platoon for needed equipment before they deploy to a hostile situation. These young men and women are the best trained in the world and they should be the best equipped because they protect the freedom we enjoy.

The Marine Corps has turned my son into a young man and I am very proud of him. I am fortunate enough that I am able to send him the money he needs to buy equipment for himself or for one or two others. The taxes that I pay should be used to give these young men and women the best equipment we can get them.”

Funding for equipment that the marine mentions is provided through both the operations and maintenance and the procurement accounts at the Department of Defense.

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<sup>17</sup> Spaid, John, “Letter to Senators Inhofe and Coburn,” July, 22, 2009.

## **Claims versus Facts**

**Claim:** According to GAO, the military services do not spend all of their operations and maintenance funding each year. The Army alone failed to obligate \$500 million in funding from FY04-08.

**FACT:** GAO's letter states that its analysis is not accordance with generally accepted government auditing standards, which would have required more extensive testing and analysis of the reliability and validity of the data related to the President's budget request and the agencies' justification of estimates.

The GAO letter includes both supplemental and base budget funding. While it is possible that the units currently in Iraq and Afghanistan have the funding they need, the soldiers, sailors, airmen, and marines preparing to go to war need to have their operations and maintenance funding as well.

**Claim:** The CBO inflation adjustment was valid in March and when the Appropriations committee met to deliberate the bill, this was the only information they had.

**FACT:** Now that the full Senate has more information it should consider it and make improvements to the legislation on the floor, rather than subject our men and women in uniform to shortages in equipment and training.

## **Background**

O&M funds are typically 1-year appropriations and must be obligated during the fiscal year for which they are appropriated. When the fiscal year ends, budget authority expires and new obligations cannot be incurred against the appropriation. Any funds not obligated during the appropriation's period of availability become unobligated balances. These unobligated balances remain available for 5 additional years after the expiration of the appropriation to be used for recording, adjusting, and liquidating obligations that are properly chargeable to the fiscal year account.<sup>18</sup>

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<sup>18</sup> Government Accountability Office, "Letter to Congressional Requesters on Operation and Maintenance unobligated balances," March 27, 2009.