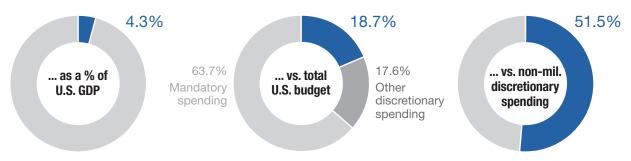




As Congress considers additional defense budget reductions as part of a deal to avert sequestration, it is helpful to understand some basic facts and figures. Third Way has compiled some key information on defense spending that will help you understand the debate.

Defense Spending Compared to Other Economic Measures (2012)



Defense Spending Over Time (in billions, constant FY2013 dollars)



This chart show DOD spending in a historical context. During wartime, defense spending increases; following the end of conflict, America traditionally reduced its defense spending. We are currently in a budgetary drawdown following the wars in Iraq and Afghanistan.

What's In the Defense Budget?



The Defense budget funds the people, operations, equipment, and facilities of the Department of Defense and the four military services. Under current law, sequestration will cut indiscriminately across these categories—except for military personnel accounts, which the President has exempted. Because of this exemption, the other accounts will be cut more deeply than originally anticipated.

Sequestration Timeline

August 2011 – October 2020

Congress adopted and then modified sequestration. This timeline shows the major milestones in the two laws that Congress has passed—the Budget Control Act (BCA) and the American Taxpayer Relief Act (ATRA)—as well as key external events that affected the course of the legislation.

November 13, 2011

Rep. Hensarling, the Republican cochair of the "supercommittee," indicates that the committee is experiencing difficulties and may defer some tough decisions to a future date. The GOP committee members indicate that they are willing to raise \$300 billion in revenue over 10 years by limiting tax breaks and deductions. Democrats want to raise \$1.3 trillion over 10 years through limiting deductions and tax rate reform.

November 201:

President Obama replacing "blunt of more targeted recorded the also supports on the top 2% of exempting defense expense of nonde "Gang of 8" fails if recommendation.

Novembe

Sen. Cobur of Everythir R&D and M

July 25, 2012

Senate votes to allow tax cuts for top 2% of earners to lapse. The House rejects this on August 1.

2012

August 2, 2011

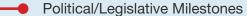
Budget Control Act (BCA) signed into law; debt ceiling increased immediately.

August 9-11, 2011

Members of super-committee announced by their respective leaders.

October 1, 2011

Security budget for FY2012 is \$684 billion. Amount is not due to any effects of a sequester. "Security budget" in this case refers to budgetary items classified in both 050 and 150 budget functions.





 American Taxpayer Relief Act of 2012 (ATRA)

October 1,

Without legis action, the s budget woul cut to \$546 for FY2013. were postpot to legislative but may hav implemented is not reached March 1, 20

November 18, 2011

Vote on Balanced Budget Amendment, mandated by BCA, fails to clear the House.

November 21, 2011

Supercommittee announces that it has failed to arrive at a compromise; financial markets were negatively affected.



January 2013 voices support for Fiscal cliff averted due to ATRA. uts" of sequester with luctions in spending. raising the tax rates **February 5, 2013** earners, and opposes Progressive Caucus introduces the "Balancing Act." Rules Commitse from cuts at the tee rejects House Dems' "Balanced Approach to Deficit Reduction" fense programs. amendment to HR 444, which was proposed by Rep. Van Hollen. to come up with a February 6, 2013 Rep. McKeon and GOP HASC members introduce "Down Payment to r **15, 2012** Protect National Security Act," preventing further cuts to DOD. n publishes his "Department Dec 18, 2012 House passes "Require a Plan Act," which stipulates a balanced ng" report, proposing cuts to Speaker Boehner budget in a decade, but it is unlikely to be approved by the Senate. WR services. introduces "Plan B," which February 12, 2013 November 29, 2012 would raise taxes Pres. Obama criticizes sequester in SOTU, condemns cutting earned Pres. Obama calls for \$1.6 trillion on those earning benefits and leaving defense untouched. Proposes reforms to Medicare. more than \$1 in tax revenues over 10 years million. Forced to and for cutting \$400 billion from March 27, 2013 earned benefit programs. Also withdraw it due to GOP pressure The Continuing Resolution—a stopgap measure which advocates extension of payroll continues funding at FY2012 levels-expires. 2 days later. 2013 2015 2016 2017 | 2018 2019 2020 October 1, 2013-2020 2012 January 1, 2013 January 1, 2013 The "fiscal cliff" technically Senate passes ATRA 89-8 (2 am) Without legislative action, defense budget will be reduced to: slative House passes ATRA 257-167 (11 pm) goes into effect on this day. ecurity FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 d be However, the ATRA retroac-\$556b \$566b \$577b \$590b \$603b \$616b \$630b \$644b billion tively changes the date of the Cuts implementation of its seques-**January 2, 2013** ned due tration measures until March Signed into law; budget cuts postponed until March 1, 2013. Marginal tax 1. Payroll tax holiday ends; action rates on individuals making \$400,000 a year and couples making \$450,000 e to be ATRA does not reverse the a year increase to 39.6%. Capital gains and other taxes also affected. cessation of that holiday. d if a deal d before 13. January 10, 2013 In light of the impending March 1, 2013 sequestration, Ashton Carter, Starting on this date, without additional legislative action, Deputy Secretary of Defense, \$546 billion would be the new budget for DOD for FY2013. issues a memo mandating the As this comes halfway through the FY, massive cuts will Pentagon begin making plans have to be enacted. After this date, the sequestration meafor cuts. He specifies areas sures of BCA go into effect for all subsequent years. that can be cut and areas that are exempt. **February 6, 2013** With sequestration looming, Secretary of Defense Panetta approves delays in deployment of the aircraft carrier USS Truman and the cruiser

USS Gettysburg.

The Defense Budget Process



When all is working normally, Congress and the Executive Branch work together to set the annual Defense Budget before it starts. This diagram represents what should happen.

President's Budget

