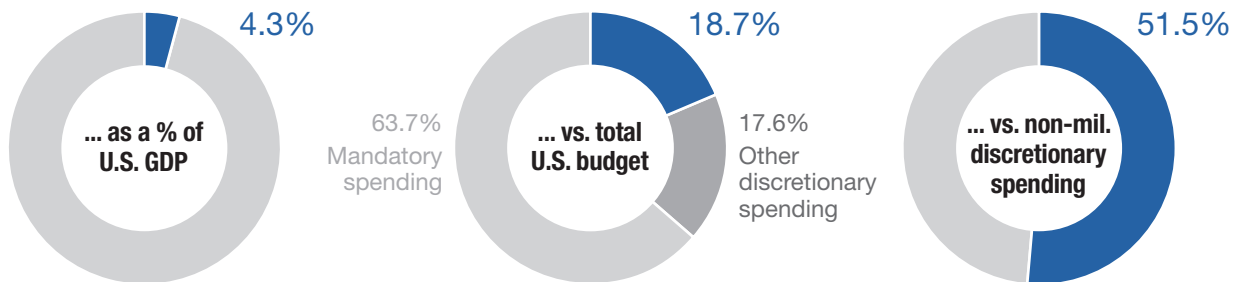
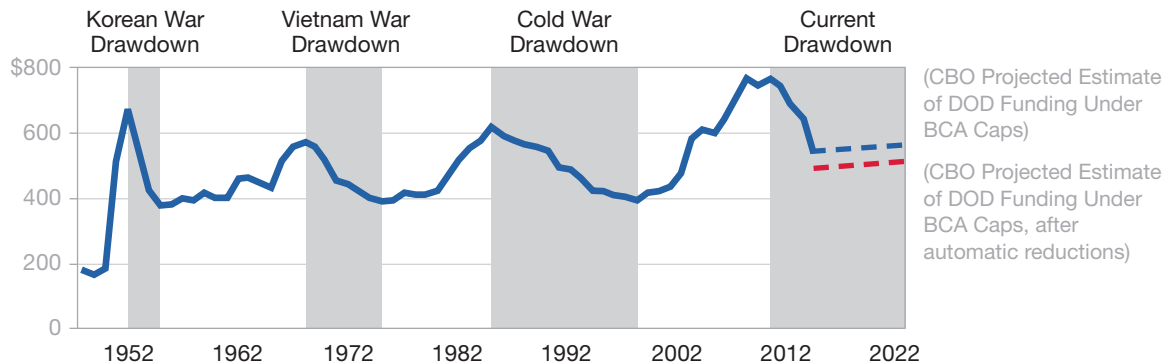


As Congress considers additional defense budget reductions as part of a deal to avert sequestration, it is helpful to understand some basic facts and figures. Third Way has compiled some key information on defense spending that will help you understand the debate.

Defense Spending Compared to Other Economic Measures (2012)

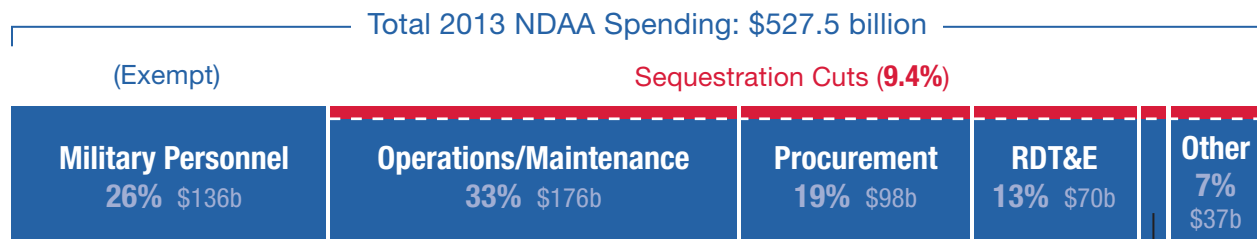


Defense Spending Over Time (in billions, constant FY2013 dollars)



This chart shows 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?



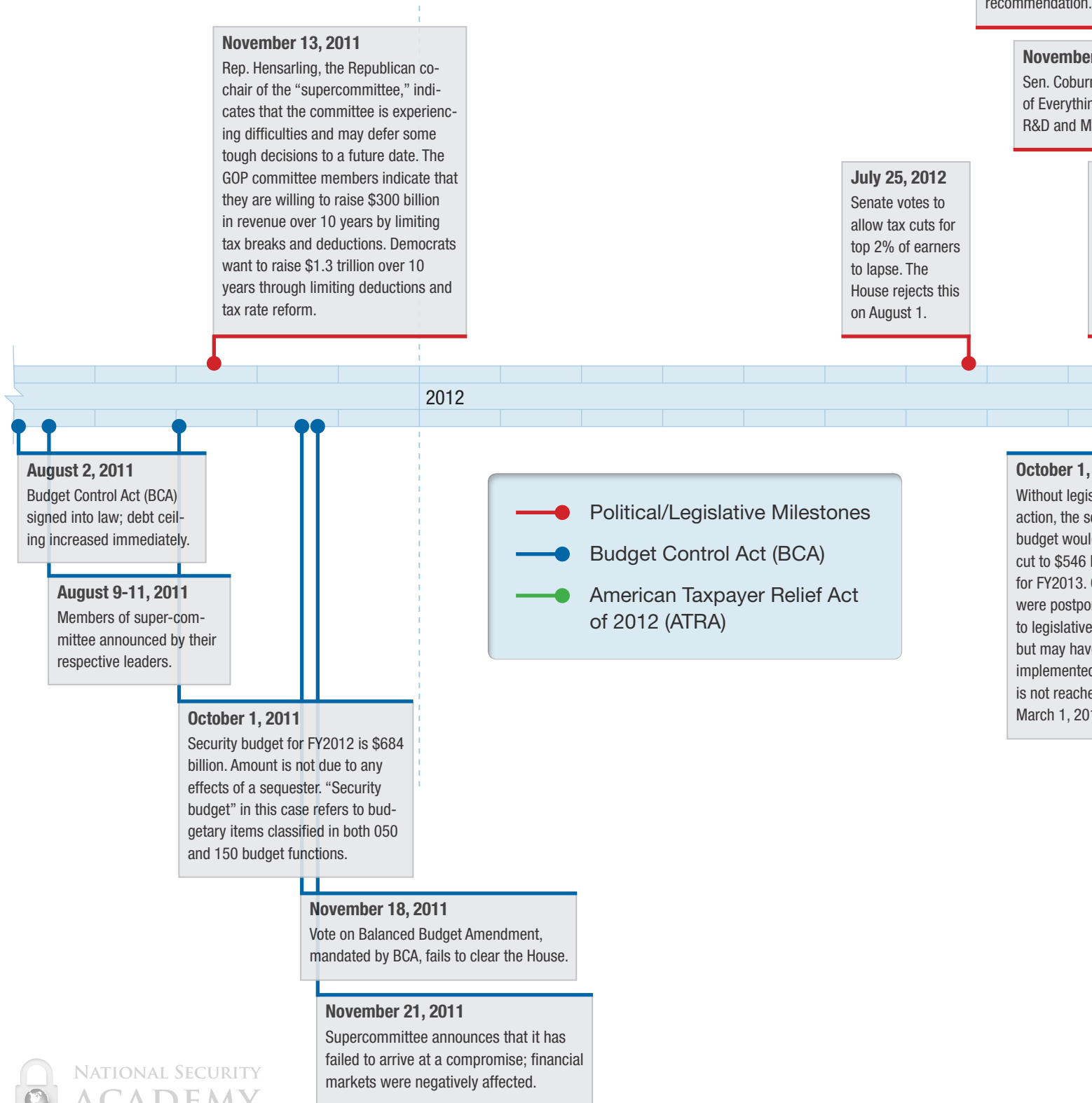
The Defense budget funds the people, operations, equipment, and facilities of the Department of Defense and the four military services. Under current law, sequestration will cut indiscriminately across these categories—except for military personnel accounts, which the President has exempted. Because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

Military Construction
2% \$10b

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.



NATIONAL SECURITY
ACADEMY

2
voices support for
cuts” of sequester with
ductions in spending.
raising the tax rates
earners, and opposes
se from cuts at the
fense programs.
to come up with a

er 15, 2012
n publishes his “Department
ng” report, proposing cuts to
WR services.

November 29, 2012
Pres. Obama calls for \$1.6 trillion
in tax revenues over 10 years
and for cutting \$400 billion from
earned benefit programs. Also
advocates extension of payroll
tax cut.

January 2013
Fiscal cliff averted due to ATRA.

February 5, 2013
Progressive Caucus introduces the “Balancing Act.” Rules Commit-
tee rejects House Dems’ “Balanced Approach to Deficit Reduction”
amendment to HR 444, which was proposed by Rep. Van Hollen.

February 6, 2013
Rep. McKeon and GOP HASC members introduce “Down Payment to
Protect National Security Act,” preventing further cuts to DOD.
House passes “Require a Plan Act,” which stipulates a balanced
budget in a decade, but it is unlikely to be approved by the Senate.

Dec 18, 2012
Speaker Boehner
introduces
“Plan B,” which
would raise taxes
on those earning
more than \$1
million. Forced to
withdraw it due
to GOP pressure
2 days later.

February 12, 2013
Pres. Obama criticizes sequester in SOTU, condemns cutting earned
benefits and leaving defense untouched. Proposes reforms to Medicare.

March 27, 2013
The Continuing Resolution—a stopgap measure which
continues funding at FY2012 levels—expires.

2012
relative
security
d be
billion
Cuts
ned due
action
e to be
d if a deal
ed before
13.

January 1, 2013
The “fiscal cliff” technically
goes into effect on this day.
However, the ATRA retroac-
tively changes the date of the
implementation of its seques-
tration measures until March
1. Payroll tax holiday ends;
ATRA does not reverse the
cessation of that holiday.

January 1, 2013
Senate passes ATRA 89-8 (2 am)
House passes ATRA 257-167 (11 pm)

January 2, 2013
Signed into law; budget cuts postponed until March 1, 2013. Marginal tax
rates on individuals making \$400,000 a year and couples making \$450,000
a year increase to 39.6%. Capital gains and other taxes also affected.

January 10, 2013
In light of the impending
sequestration, Ashton Carter,
Deputy Secretary of Defense,
issues a memo mandating the
Pentagon begin making plans
for cuts. He specifies areas
that can be cut and areas that
are exempt.

February 6, 2013
With sequestration looming, Secre-
tary of Defense Panetta approves
delays in deployment of the aircraft
carrier USS Truman and the cruiser
USS Gettysburg.

March 1, 2013
Starting on this date, without additional legislative action,
\$546 billion would be the new budget for DOD for FY2013.
As this comes halfway through the FY, massive cuts will
have to be enacted. After this date, the sequestration mea-
sures of BCA go into effect for all subsequent years.

October 1, 2013-2020
Without legislative action, defense budget will be reduced to:

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
\$556b	\$566b	\$577b	\$590b	\$603b	\$616b	\$630b	\$644b

The Defense Budget Process

State of the Union

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.

