

THE AIR FORCE'S BUDGET BLACK HOLE

By Jennifer Hlad, Senior Editor

Perched at the top of the Air Force's breakdown of its \$166.9 billion budget request for Fiscal 2017 is a \$34.2 billion black hole: a "non-blue" budget, which is frequently mentioned but rarely explained.

The funds in the non-blue budget support accounts that are classified—mainly the Defense Health Program, special operations, and the National Intelligence Program, according to a 2013 RAND report—and while they fall under the Air Force's topline, the service does not benefit from this money and has no authority over it.

In a February speech outlining the Fiscal 2017 budget request, Air Force Deputy Assistant Secretary for Budget Maj. Gen. James F. Martin Jr. described the non-blue budget as "a portion of the Air Force budget that is not directly under our control, but managed by other departments or agencies."

Col. Elizabeth Eidal, director of Air Force budget programs, said the service separates the budget submission into "blue" and "non-blue" to delineate between what the Air Force plans,

programs, and executes from the portion that just passes through. "The Air Force serves as an administrative conduit for the non-blue funds, but is not responsible for its management," she said.

It may seem strange that the Air Force budget is the temporary depository for billions of dollars that do not go to the Air Force. But perhaps even stranger is the fact that no other service has a similar albatross weighing down its budget—or, at a minimum, weighing down perceptions about its budget.

"This is something that is really unique to the Air Force in terms of the magnitude of the pass-through here. I'm not aware of anything even close to this in the other services," Todd Harrison, director of defense budget analysis at the Center for Strategic and International Studies, told *Air Force Magazine*. "Really, it's one of these boring, inside-Washington budget things that needs to be fixed, but no one else cares or even knows about it."

Clearly, budget officials inside the Pentagon do know about the non-blue

budget, and take that into consideration when giving out fiscal guidance, Harrison said. But "where it really matters is more in the public communication of the budget," he said—a statement echoed by Air Force budget officials.

"The Air Force has to continually remind everyone year after year, both members of Congress and the general public, that there is this pass-through money in their budget, because it makes their budget look larger in total than it actually is," Harrison said.

Those reminders become more difficult if the total amount needed for the non-blue budget increases, making it seem like the Air Force itself is asking for more money, even if the blue portion of the budget stays the same, officials said.

Adding to the challenge is the fact that most or all of the programs and activities funded by the non-blue budget are classified, so no one can talk about them in media briefings or public congressional testimony.

"They can't even reassure people in an unclassified setting that it's not going

to something that does belong in the Air Force's budget. All they can say is it's classified non-blue.

It's needlessly making the budget communication process more difficult for the Air Force than it should be. And the Army, and Navy,

and Marine Corps are more than happy to gloss over this when they talk about shares of budget and just include all of this pass-through money as being part of the Air Force's budget, even though it's not," Harrison said.

Eidal said Congress appropriates the funding to align with how the Pentagon has requested it. Each level of the government—including the Office of Management and Budget, the Secretary of Defense's office, the Air Force, and the responsible agencies—understand the Air Force's "administrative role in these programs," she said, but they rely on the management agencies to provide further details on the requirements and plans for the non-blue funding.

Despite the challenge, Air Force officials make sure to separate the non-blue budget from the blue budget in annual budget release materials. It's also usually mentioned, at least in passing, in congressional hearings on the budget.

In testimony to the Senate Armed Services Committee in April 2014, Air Force Secretary Deborah Lee James noted that since 1962, the service's non-blue total obligation authority had risen to more than 20 percent of the Air Force's TOA. That squeeze, along with other budget pressures, created a constrained environment with "no room for error," she said.

That year, the requested amount of non-blue funds was \$28.5 billion, or 20.7 percent of the requested \$137.9 billion total Fiscal 2015 Air Force budget, according to USAF briefing materials. In Fiscal 2012, the non-blue portion of the budget was just 18.6 percent of the total budget request.

The \$34.2 billion non-blue included in the Fiscal 2017 request is 20.5 percent of the \$166.9 billion total requested Air Force budget.

The inclusion of non-blue funds in the Air Force budget means that in recent years, the Air Force has been getting less than a quarter of all defense dollars, contrary to the oft-repeated notion that each of the services gets roughly a third of the defense budget.

Harrison said this assumed rule of thirds is just plain false. "It's never been true," he said. "Even if you count the pass-through money as part of the Air Force's budget, it's still not true."

The main reason it's incorrect, he

deterrent and was building two legs of the nuclear triad within the service.

Likewise, the Army got a much larger share of the budget during the wars in Korea, Vietnam, Iraq, and Afghanistan, Harrison said, because ground forces played a very significant role in those conflicts.

How non-blue funds got stuck in the Air Force's budget in the first place is less clear, but Harrison called it a "historical artifact."

"There are programs that go all the way back to the beginning of the space age that started out being affiliated with the Air Force, but have since grown and morphed and spread, and for whatever reason, the appropriators keep tucking that money into the Air Force's budget every year," he said.

The easiest and quickest way to fix the Air Force's non-blue problem would be for the appropriators to create a new appropriation account in the defensewide budget and put the money there, Harrison said. Alternately, the Office of Management and Budget could propose the change in

the next budget submission. But they'd still need appropriators to go along with the idea.

"You ask the Air Force, and they say, 'Well, we can't change the appropriation categories; we've got to get permission from OMB or Congress has to do it.' I talk to people in OMB and they're like, 'Well, we don't want to do it because that would upset the balance of power among the appropriators, because it would change who's doing the oversight.' And you talk to the appropriators, and they're like, 'Why would we change it if the Administration's not asking us to change it?'" Harrison explained.

He said the Air Force is stuck in a kind of loop where "no one has an incentive to be the first mover to change it, but it makes no sense that this money, on paper, shows up as being part of the Air Force's budget." 

USAF ALONE SEES BILLIONS OF DOLLARS "PASS THROUGH" ITS ACCOUNTS EVERY YEAR, OUTSIDE OF SERVICE CONTROL.

said, is that 20 percent of the defense budget goes to defensewide activities, instead of any single service. And, he said, "Even looking at the part of the budget that does go to the services, it's not equal. It's never been equal—especially when you take into account the pass-through money for the Air Force."

Based on DOD's Fiscal 2017 total base budget of \$523.9 billion in constant 2017 dollars, the percentages are: Army 23.5 percent, Navy 29.7 percent, and Air Force 28.8 percent, including non-blue funding. USAF blue-only is 23 percent.

This hasn't always been the case. Budgets can fluctuate widely depending on national defense strategy at the time. Harrison pointed out that the Air Force got about 49 percent of the defense budget in the mid-50s, when the country was looking to rely more on the nuclear