

Election-Year Headwinds for USAF Modernization

Congress left town for a seven-week summer recess with government funding for the next fiscal year still very much up in the air and the fate of major military programs like the newly operational F-35 strike fighter and next generation B-21 stealth bomber hanging in the balance.

When lawmakers return to Washington this month, the clock will be ticking down to Fiscal 2017, which begins Oct. 1.

The budget is certainly on the agenda for the few weeks Congress is in session before departing for another lengthy pre-election recess. But the best the government can realistically hope for is a stopgap measure to keep agencies running until lawmakers return for the lame-duck session in November.

With gridlock the order of the day in Washington, the Pentagon has grown accustomed to operating under a continuing resolution for at least the first few months of each fiscal year. But an unusually divisive election year has left many in Washington wondering whether lawmakers will be able to complete a massive spending bill late this fall—or will lawmakers just punt and leave the hard work up to the next Congress?

Much will depend on the outcome of the election itself.

If Republicans lose the Senate, they will want to complete work on the Fiscal 2017 spending bills before they are in the minority in January. If the GOP maintains a Senate majority, there is much less urgency to their completing work on the bills before January or February. This would put a major crimp in Pentagon planning.

Under a continuing resolution, the Pentagon is funded at the same topline as the previous year. That's not a problem this year for the department, whose overall funding levels are more or less the same in 2016 and 2017.

However, there is an issue with individual pots of money—particularly for programs scheduled to ramp up but stuck at the previous year's funding levels.

Now, Congress could stipulate some exceptions—or “anomalies”—in a continuing resolution, giving some programs more money than they otherwise would receive. Those are generally few and far between.

“If you make too many exceptions in a CR, it reduces the pressure to actually pass an appropriations bill,” says Todd Harrison, a budget analyst at the Center for Strategic and International Studies.

The B-21, still in its infancy, is perhaps the program that would be hit hardest under a long-term CR.

The budget for long-range strike—much of which is earmarked for beginning engineering and manufacturing development of the B-21—is supposed to grow from \$1.5 billion to \$2.2 billion between 2016 and 2017. Under a CR, however, the closely guarded program would not see this 50 percent year-over-year funding growth. The bomber's development program would be stuck at the lower 2016 level.

The exact spending plans for the next bomber, which could cost upward of \$100 billion, are not known, but a significant funding shortfall this early in development would almost certainly prompt schedule delays and, potentially, cost overruns down the road.

Meanwhile, the budget for the multiservice F-35 program was projected to decrease from 2016 to 2017, from \$11.6 billion to \$10.5 billion, thanks to caps on defense spending. The services bought 68 of the strike fighters this year and expect to procure five less in 2017.

But lawmakers anxious to upgrade the military's aging fighter fleet found creative ways to add F-35s to the defense spending bills to meet unfunded requirements outlined by the services.

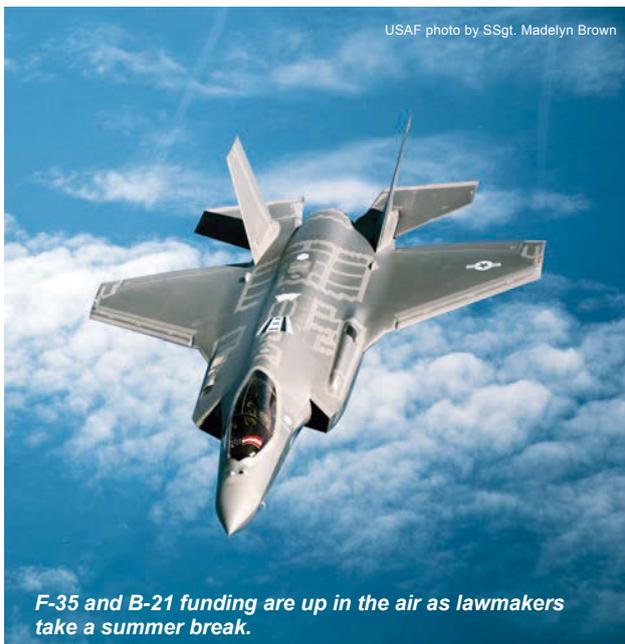
The Senate's version of the spending measure adds four additional F-35s for the Navy and Marine Corps and another \$100 million for advance procurement for the Air Force's F-35As.

The House-passed bill is much more generous, boosting the program even further, adding 11 F-35s—including five for the Air Force—to the Pentagon's request for 2017.

Until there is resolution to the budget process, the Pentagon will not know whether it will be buying the 63 F-35s requested for next year, the 74 funded in the House bill or, perhaps most likely, something in between. That makes planning extraordinarily difficult, particularly as the Obama Administration finalizes its final budget request, to be sent to Capitol Hill at the start of the next Administration.

Even as lawmakers remain firmly divided over how to proceed and become increasingly distracted by the upcoming elections, Harrison says he is optimistic there will be some kind of a deal on the 2017 budget this fall. Just don't expect it before Thanksgiving.

“This type of deal is not likely to take shape until the last minute,” he says. “We are going to go right up to the cliff, biting our fingernails.”



F-35 and B-21 funding are up in the air as lawmakers take a summer break.

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