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US Budget Sequestration

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Sequestration in the US budget is a process of across-the-board spending cuts, mandated by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). In the separate legislation of the Budget Control Act of 2011 (Public Law 112-125), one of the provisions states that failure by Congress to reduce the budget by \$1.2 trillion would result in automatic spending reductions in Fiscal Years (FY) 2013-2021. Cuts were to be made in equal size to security and non-security budgets.¹ On March 1, 2013, after the failure by Congress to act on the FY2013 budget, the President issued a sequestration order of \$85 billion for the remainder of FY 2013.² The order specifies the various programs in which cuts are to be made, amounting to \$42.667 billion in defense spending and an equal figure in non-defense departments.³

The one certain result of this development is the uncertainty it introduces into US government performance, at least over the next seven months until the end of FY 2013 on September 30, 2013. In any event, it is clear that serious cuts to the US budget will take place either through the sequestration route or through a budget eventually agreed to by Republicans and Democrats in Congress.

Immediate steps have already been announced and taken by the Secretary of Defense and other high ranking officials.⁴ These include a reduction in the flying hours in the US Air Force and the stand down of four wings in the US Navy. In the Middle East in particular it will mean cutting by half the number of days at sea of ships in the area, and cutting the number of hours of flight operations of the aircraft by a quarter. One aircraft carrier, *USS Harry S. Truman* (CVN 75), will not be deployed as planned in the Gulf. The Amphibious Ready Group (ARG), which previously took part in various activities, including against terrorism threats in Africa, will not be deployed in 2014.

Israel might be affected in several ways, though the full impact of these cuts is not yet clear. Regarding the State Department share in the sequestration, the Office of Management and Budget (OMB) ordered a cut from \$6.344 billion, at a 5 percent sequester rate, i.e., \$317 million. Theoretically this could mean a loss of about \$150

million from Israel's \$3 billion share in the Foreign Military Financing (FMF) program. The budget for peacekeeping operations will also be reduced by \$19 million, though again, it is uncertain whether this will affect the Multinational Force deployed in the Sinai.

Cuts in the Department of Defense (DoD) create a bigger question mark concerning the exact impact of OMB-ordered cuts to the procurement of the US Air Force, Navy, and Army, and it is unclear how the contracts of Israeli companies will be affected. Joint exercises will be affected as well: although there will be no loss in terms of financial transfers to Israel, the exercises are important both for the strategic bilateral cooperation and the Israeli defense posture.

The area that may be most affected by the cuts is in the development, production, and deployment of anti-missile systems. Beyond the sword of sequestration, the situation is complicated by the failure of Congress to reach an agreement on the budget for FY2013. In such cases, a Continuous Resolution (CR) kicks in, which means that the US government runs on a monthly basis, receiving only 1/12 of the FY2012 budget until Congress and the President agree on a new budget. In FY2013, Israel is due to receive \$211 million in DoD funding for the Iron Dome system, and an additional \$269 million is slated for other programs, such as the Arrow 2, Arrow 3, and David's Sling systems, representing an increase of \$35 million over the \$235 million that was included in the FY2012 budget.

Cuts in FMF affect all recipient states, including Egypt and Jordan. The dilemma for Israel and the pro-Israel lobby is whether it should use the support it enjoys in the US Congress in order to exempt the assistance for Israel, and especially the financial support for anti-missile/rocket systems. In view of possible negative complications for the US resulting from the "Arab Spring" and the withdrawal from Iraq and Afghanistan, it is recommended that Israel agree to the sequestration in FMF. This may affect long term procurement of weapon systems and the portion of the FMF that Israel is allowed to convert to shekels for the purposes of procuring hardware and services in Israel itself. However, the long term impact of US budget cuts can be used to review some of these long term procurement plans and to adjust them to the budget situation, both in the US and in Israel. This may also be an opportunity to reconsider the decision to buy the F-35, whose production may be delayed anyway by the US, given the enormous budgets that the system will require. At the same time, efforts should be made to exempt as much as possible the earmarks for the specific anti-missile systems that enjoy the full support of the President and Congress, and that are particularly relevant to the threats Israel faces in the foreseeable future.

The possible reductions in the US budgets for defense by more than half a trillion dollars over the next decade will undoubtedly influence the US ability to project the image of a global leader and pursue its strategic goals.⁵ One important dimension in this respect will be the impact that such deep cuts have on both the willingness and readiness of the US political and military establishment to embark on a military operation against Iran's nuclear military program. Assumptions regarding the overall costs to the US of such an operation are of course speculative and depend on several variables, most of which remain unpredictable. A prolonged period of military operations can nullify the bulk of the savings generated either by sequestration or a bipartisan budget agreement with similar cuts. It is, however, too early to draw a conclusion on the relation between the long term budget cuts in defense and the US resolve to prevent Iran from obtaining nuclear military capabilities.

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¹ For a full explanation, see "Budget 'Sequestration' and Selected Program Exemptions and Special Rules," August 9, 2012, Congressional Research Service Report for Congress 7-5700.

² Memorandum M-13-06 from the Office of Management and Budget to Heads of Executive Departments and Agencies of 1 March 2013, The White House official website.

³ Precise figures of sequestration in each of the government departments can be found in "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," March 1, 2013, OMB Website.

⁴ Department of Defense Press Briefing on Sequestration from the Pentagon with Secretary of Defense Chuck Hagel and Deputy Secretary of Defense Ashton B. Carter, March 1 2013, DoD official website; Statement by Admiral Jonathan Greenert, Chief of Naval Operations, Before the House Subcommittee on Defense, Committee of Appropriations, February 26, 2013.

⁵ Ted Galen Carpenter, "Delusions of Indispensability," *National Interest*, March-April 2013.

