

The Pentagon has officially been told the national security top line for fiscal 2020 will be \$700 billion, representing the first cut to defense spending under the Trump administration.

Deputy Secretary of Defense Patrick Shanahan told reporters at the Military Reporters & Editors Conference on Friday that Office of Management and Budget head Mick Mulvaney directly told him the Department of Defense must aim for the \$700 billion figure, first floated by President Donald Trump at a [Cabinet meeting last week](#).

Notably, Shanahan indicated this will not be a one-year blip, but rather part of a flattening of budgets, saying “when you look at the \$700 billion, it’s not just for one year drop down, [or] a phase, it’s a drop and then held constant over the” future years defense program, a five year projection included in every budget.

Asked whether this impacts the department’s plan to shift roughly \$50 billion from the Overseas Contingency Operations wartime funding account [into the base budget](#), Shanahan said that no decision has been made. Critics of OCO have argued the DoD pushes items that should be in the base budget into the wartime fund in order to circumvent the sequestration-related budget caps.

The change comes with just weeks left in the DoD’s budget planning process, where the department had been working under the assumption it would have a \$733 billion budget top line.

The \$700 billion figure represents a roughly 2.2 percent cut below the FY19 level of \$716 billion, and a 4.5 percent cut below the projected \$733 billion for FY20. However, the new figure still exceeds the \$576 billion budget caps for discretionary defense spending, set under the Budget Control Act for fiscal 2020.

In years past, easing those caps have required intense bipartisan negotiations, though if the new number holds, budget hawks and the Pentagon would have less to show for them than last year.

As a result of the last-minute change, Pentagon Comptroller David Norquist is now developing two parallel budget documents, one still working to the \$733

billion figure and one working to the \$700 billion figure, to illustrate for Secretary of Defense Jim Mattis the potential “trade-offs.”

“Imagine we’ve been going through this very disciplined process for the whole year to build a budget that’s \$733 billion, and then last week we’re told to build a \$700 billion budget. We are not going to reverse course on all that planning, but we will build two budgets,” Shanahan said.

Under the budget change, expect modernization to take a hit.

“The way I would think about those two budgets and the approach, there are certain things that you can’t change. There are just near-term costs that we’re going to spend in the next year that are on contract, and for all intents and purposes are fixed. Then there are other investments we would make in science and technology and procurement, where we have [options] in terms of timing.”

As an example, Shanahan pointed to the number of [hypersonic weapon systems](#) in development, noting some of those may be delayed as one way to save investment funding — despite the systems [being a priority](#) for the department.

“It comes down to a judgment call, how fast do we modernize? And that’s probably the biggest knob that we have to turn,” he said.

Asked whether that means a trade-off between capability and capacity, Shanahan tried to thread the needle, saying, “In this budget, quantity is very important,” before pointing out part of his mission is to improve the systems already in hand.

“We’re looking at taking from the assets we already have and getting more,” Shanahan said, noting as an example that the department is “very committed to getting more F-18s flying.”

However, Shanahan indicated that the development of a [Space Force](#) and its associated offices will still be part of the budget request.

The news drew a measured reaction from the fiscally conservative think tank FreedomWorks, whose president Adam Brandon said the organization was “cautiously optimistic,” since Congress would still have to approve the request.

“There’s a possibility Congress continues to boost defense spending or uses off-budget slush funds like Overseas Contingency Operations to further increase the Pentagon’s budget,” Brandon said. “The greatest existential threat to the United States is still our massive debt. By being responsible now and balancing the budget we can ensure the long-term ability to defend our nation.”

But the hawkishly conservative Heritage Foundation blasted the move as, “political games or lack of leadership” and questioned Trump’s commitment to “making the military great again.” Retired Lt. Gen. Tom Spoehr, director of its Center for National Defense, said this demonstrates “the United States does not possess that same seriousness” in military investments as its enemies, “even as we enter a new era of great-power competition.”

Despite defense increases to \$700 billion in FY18 and \$716 billion in FY19, Spoehr said budget caps, an excessive reliance on OCO, “and the department’s acceptance of stagnant budget growth are all preventing the military from regaining the strength it needs to defend the nation.”

“Rebuilding our military will take years and require sustained commitment,” Spoehr said in a statement. “If Pres. Trump is truly devoted to ‘making the military great again,’ he needs to lead on this issue and work with Congress to ensure we maintain that positive trajectory, and ensure our role as the world’s leading superpower for decades to come.”