

# Cut Commissary Subsidies

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
\$500	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$4,500	\$9,500

## Heritage Recommendation:

The Defense Department should cut subsidies to its commissaries. This proposal saves \$500 million in 2016, and \$9.5 billion over 10 years.

## Rationale:

The DOD currently has an extensive and separate retail network to serve those in the military and their dependents. There are four different retail systems operated by the DOD. One of them, the commissaries, is a network of grocery stores, available to all branches of the military. In addition to commissaries, the military has three separate exchanges, or general retail stores, one for the Army and Air Force, one for the Navy, and another for the Marine Corps.

Commissaries and exchanges are managed differently. All three of the exchanges are self-sustaining, relying on the revenue from their sales rather than direct appropriations. Commissaries, which are run by the Defense Commissary Agency (DeCA), rely on an annual subsidy to pay for their civilian workforce. Unlike the exchanges, the commissaries do not mark up the prices enough to fully fund their operations.

The Obama Administration's recommendation to cut subsidies to defense commissaries and strive toward streamlining the various systems into a single network is on the right track.<sup>18</sup>

## Additional Reading:

- Mackenzie Eaglen and Julia Pollack, "How to Save Money, Reform Processes, and Increase Efficiency in the Defense Department," Heritage Foundation *Backgrounder* No. 2507, January 10, 2011, <http://www.Heritage.org/research/reports/2011/01/how-to-save-money-reform-processes-and-increase-efficiency-in-the-defense-department>.
- Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12085/03-10-reducingthedeficit.pdf>.

## Calculations:

Savings are expressed as budget authority, and are from the DOD's plans to reduce commissary subsidies by \$1 billion over a three-year period, fully implemented in 2017 as described in chapter 5, page 6, in the "United States Department of Defense Fiscal Year 2015 Budget Request Overview," [http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015\\_Budget\\_Request\\_Overview\\_Book.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request_Overview_Book.pdf).