



DEPARTMENT OF DEFENSE

The severity of our fiscal crisis is not lost on our senior military leaders. In fact, Chairman of the Joint Chiefs of Staff Admiral Mullen stated the national debt is our nation's greatest national security threat.⁴⁹⁷ In light of this threat, the Department of Defense can and must play a role in bringing our budgets into balance.

Despite the sacrifice, heroism, and professionalism our military personnel show in Iraq and Afghanistan, America's defenses are decaying, despite increasing budgets. The ongoing corrosion and growing expense have been with us for decades, and span numerous presidents and political parties.

Over the last thirty years, Congress increased annual appropriations to the Department of Defense by about 44 percent in constant, inflation adjusted dollars.⁴⁹⁸ Today's non-war defense budget is larger than the total defense budget during the Vietnam War when we had over 500,000 troops fighting overseas.⁴⁹⁹

However, this significant increase has not increased the size and strength of our military as traditionally measured. Despite higher levels of funding, active duty troop levels have decreased by 30 percent, the number of Navy ships is down 45 percent, and the Air Force's fighter and attack aircraft are down more than 50 percent.⁵⁰⁰ Former Secretary Robert Gates noted in a speech last year that current submarines and amphibious ships are three times as expensive as their equivalents during the 1980s and we have fewer of them.⁵⁰¹

The Government Accountability Office (GAO) releases an annual report of cost overruns of major weapon systems. Between 2001 and 2008, they found nearly \$300 billion in cost overruns and schedule delays for major defense acquisition programs.⁵⁰²

Rising personnel and benefit costs are another factor. Given our continued military operations, this requires adequate funding to recruit and retain military personnel. However, Congress chose to

⁴⁹⁷ CNN Wire Staff, "Mullen: Debt is top national security threat," August 27, 2010, http://articles.cnn.com/2010-08-27/us/debt.security.mullen_1_pentagon-budget-national-debt-michael-mullen?_s=PM:US.

⁴⁹⁸ Unless otherwise noted, all historical dollar figures are adjusted for inflation. Defense Business Board, "Reducing Overhead and Improving Business Operations: Initial Observations," July 22, 2010, Slide 8, <http://dbb.defense.gov/reports2010.shtml>.

⁴⁹⁹ Unless otherwise noted, all historical dollar figures are adjusted for inflation.

⁵⁰⁰ Defense Business Board, "Reducing Overhead and Improving Business Operations: Initial Observations," July 22, 2010, Slide 8, <http://dbb.defense.gov/reports2010.shtml>.

⁵⁰¹ Gates, Robert, "Navy League Sea-Air Space Exposition, Remarks as Delivered," Gaylord Convention Center, National Harbor, Maryland, May 3, 2010, <http://www.defense.gov/speeches/speech.aspx?speechid=1460>.

⁵⁰² GAO 08-467SP, "Defense Acquisitions: Assessments of Selected Weapon Programs," Government Accountability Office, March 2008, <http://www.gao.gov/new.items/d08467sp.pdf>.

structure its pay and benefits increases across the spectrum of military personnel and retirees rather than target pay and benefits increases directly towards those serving in war zones. Even after the Quadrennial Review of Military Compensation and other non-partisan experts recommended Congress change the way they compensate our military, Congress decided not to enact major reforms in this area.⁵⁰³

The cuts listed below are savings options that should be considered as part of plans to reduce our \$14.6 trillion debt. Former Secretary of Defense Robert Gates recently stated “the defense budget, however large it may be, is not the cause of this country’s fiscal woes,” but it “must be at least part of the solution.”⁵⁰⁴

Some of the options listed here, especially those dealing with the overall size of our military, will be hotly debated. However, we would hope each proposal would be debated on its merits. As an example, an option to reduce the number of aircraft carriers from eleven to ten is not equivalent to an option of permanently decommissioning every single aircraft carrier in the Navy’s fleet.

It should also be noted what is not included in these proposals. Under this plan, the Army will return to its pre-war size but not be cut further. The Navy will remain nearly the same size as will the Air Force as measured in total number of ships and combat wings. Key modernization programs, even the Joint Strike Fighter, will continue. Procurement of ships such as the Virginia class submarine and the USS Gerald Ford, the newest aircraft carrier, will continue as well. The nation’s nuclear deterrent will remain robust. Pay levels will not be cut or frozen for active duty military service members. In fact if the option regarding defense commissaries and post exchanges is adopted, active duty military pay will increase.

While the options below represent \$1 trillion in savings, the reduced spending from these options listed below would put the Pentagon back on the level of annual funding it had just five years ago at the height of the Iraq surge.

⁵⁰³ The Tenth Quadrennial Review of Military Compensation, February 2008, <http://www.whs.mil/library/doc/Tenth.pdf>.

⁵⁰⁴ Banusiewicz, John, “Defense Cuts Must Be Part of Nation’s Fiscal Solution, Secretary Says,” American Forces Press Service, May 24, 2011, <http://www.defense.gov/news/newsarticle.aspx?id=64062>.

Non-Defense Spending at the Department of Defense

Spending and Duplication by Other Federal Agencies

One area of significant costs at the Department of Defense (DOD) that receives more attention than military personnel costs, weapons procurement, or earmarks is spending within the Department of Defense that is not a core mission of the Pentagon.

Some of these functions, such as grocery store operations, have been performed by the military or on military installations for over a hundred years. Others, such as the Congressionally-directed Medical Research Program, are more recent additions to the Pentagon's roles and missions.

Regardless of the amount of time these non-military organizations have existed as part of the military, they (and all DOD support programs and activities) should be evaluated regularly on whether or not they are a priority and that it is still appropriate to continue them.

Some nonmilitary defense spending provides noncash compensation benefits for our military and their families. Ideally this would aid in both recruitment and retention of the all-volunteer military. Other nonmilitary defense spending is intended to create benefits for society at large not by increased national security but by breakthroughs in medical research or commercial adoption of technology.

Consolidate DoD Administered Grocery and Retail Stores (\$9.1 billion⁵⁰⁵)

The Defense Commissary Agency operates a worldwide chain of 252 grocery stores on military bases around the world for military members, their families, and retirees. In 2009, it totaled nearly \$6 billion in sales.⁵⁰⁶ If the Defense Commissary Agency (DeCA) were a corporation, it would easily be one of the largest grocery store chains in the United States.⁵⁰⁷ However, unlike private sector grocery stores, the Defense Commissary Agency is heavily subsidized by taxpayers.

The three separate Post Exchange systems, which sell retail goods similar to Wal-Mart on military bases, had combined annual sales around \$12 billion. Unlike the Defense Commissary Agency, they do not receive appropriations from Congress. They fund their operations based on sales. However, some of their costs, such as expenses for transporting merchandise overseas, are paid from defense appropriations by other parts of the DOD.⁵⁰⁸

DeCA states it returns more than two dollars in benefits (through lower costs of groceries) to military members and their families for every dollar in appropriated funds.⁵⁰⁹ However, the

⁵⁰⁵ Unless otherwise noted, savings are over 10 years,

⁵⁰⁶ Defense Commissary Agency, "Annual Report 2009,"

http://www.commissaries.com/press_room/documents/AnnualReport.pdf, Accessed May 10, 2011.

⁵⁰⁷ CNN, "Fortune 500 Food and Drug Stores,"

<http://money.cnn.com/magazines/fortune/fortune500/2011/industries/148/index.html>, Accessed May 12, 2011.

⁵⁰⁸ CBO Report, "Reducing the Deficit: Spending and Revenue Options," Congressional Budget Options, March 2010, pages 84-85, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁰⁹ Defense Commissary Agency, "Strategic Plan FY 2007 – FY 2013,"

http://www.commissaries.com/documents/insidedeca/strat_plan_2007_2013.pdf, page 5, Accessed May 12, 2011.

Congressional Budget Office (CBO) previously questioned this analysis.⁵¹⁰ The conclusion assumes members of the military would have purchased the exact same items at full retail price at other commercial grocery stores.

The Defense Commissary Agency charges items at cost plus a five-percent surcharge.⁵¹¹ This surcharge is intended to offset the costs of new commissaries and maintenance and repair of current commissaries. However, the cost of DeCA employees – including salaries, health care and pension benefits – are funded with taxpayer money and not from the five-percent surcharge.^{512 513}

DeCA received approximately \$1.27 billion in congressional appropriations last year and President Obama requested \$1.37 billion – an increase of \$100 million – for Fiscal Year 2012.⁵¹⁴ The Defense Commissary Agency employs nearly 18,000 workers.⁵¹⁵

The Congressional Budget Office has suggested eliminating the subsidy for the commissary over a five-year period, and requiring it to self-fund more like the military's retail stores. CBO estimated prices would be about seven percent higher, or about \$400 per year for the average military family.⁵¹⁶ DOD could supplement the existing military pay benefit of Basic Allowance for Subsistence (BAS) by this amount and still save billions of dollars for deficit reduction. The CBO also estimated consolidation of the post exchanges would provide organizational and administrative benefits.⁵¹⁷

Increasing military pay across the board and allowing military members to shop at the stores of their choice (or choose to save the money) would increase their quality of life. It would also certainly help achieve the purpose of the commissary benefit: recruitment and retention through higher pay and benefits.

The Congressional Budget Office also previously noted the Department of Defense “cannot target commissary benefits to those pay grades and skills that it most needs to retain.”⁵¹⁸ Some of the funds saved from this proposal could be used instead for targeted enlistment and retention bonuses.⁵¹⁹

⁵¹⁰ Congressional Budget Office, “The Costs and Benefits of Retail Activities at Military Bases,” page 5, October 1997, <http://www.cbo.gov/ftpdocs/1xx/doc158/retail.pdf>.

⁵¹¹ The Defense Commissary Agency received approximately \$1.27 billion in congressional appropriations last year and President Obama has requested \$1.37 billion – an increase of \$100 million – for Fiscal Year 2012. The Defense Commissary Agency employs nearly 18,000 workers.

⁵¹² Defense Commissary Agency, “About Us,” http://www.commissaries.com/about_us.cfm, Accessed May 10, 2011.

⁵¹³ USAJOBS, “Federal Employment Information Fact Sheets: Benefits of Working for the Federal Government,” <http://www.usajobs.gov/EI/benefits.asp>, Accessed May 10, 2011.

⁵¹⁴ Department of Defense Comptroller, “FY 2012 President’s Budget, Exhibit RF-1 FY 2012 President’s Budget,” February, 2011, pages 84-85. http://comptroller.defense.gov/defbudget/fy2012/fy2012_rf1.pdf

⁵¹⁵ Defense Commissary Agency, “About Us,” http://www.commissaries.com/about_us.cfm, Accessed May 10, 2011.

⁵¹⁶ CBO Report, “Reducing the Deficit: Spending and Revenue Options,” Congressional Budget Options, March 2010, pages 84-85, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵¹⁷ CBO Report, “Reducing the Deficit: Spending and Revenue Options,” Congressional Budget Options, March 2010, pages 84-85, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵¹⁸ Congressional Budget Office, “The Costs and Benefits of Retail Activities at Military Bases,” page 4, October 1997, <http://www.cbo.gov/ftpdocs/1xx/doc158/retail.pdf>.

⁵¹⁹ Asch, Beth; et. al, “Cash Incentives and Military Enlistment, Attrition, and Reenlistment,” Rand Corporation, 2010, page 111 http://www.rand.org/content/dam/rand/pubs/monographs/2010/RAND_MG950.pdf.

Close Department of Defense Elementary Schools (\$10 billion)

The Department of Defense operates 64 schools on 16 military installations in the United States called the Domestic Dependent Elementary and Secondary Schools (DDESS).

Today 26,000 students are taught by 2,300 teachers who are employees of the Department of Defense. A number of schools here in the United States were originally justified because the post-World War II military was racially integrated while some of the local schools where military bases were located were still segregated.⁵²⁰

Despite generous funding -- \$468 million in 2010 -- a recent report by the Center for Public Integrity noted “Conditions are so bad [on military-run schools] that some educators at base schools envy the civilian public schools off base, which admittedly have their own challenges.” Also, “Some of the new schools in town make our schools look like a prison,” says David C. Primer, who uses a trailer as a classroom to teach students German at the vaunted Marine headquarters in Quantico, Va., just 30 miles south of the nation’s capital, in one of the country’s most affluent suburbs.⁵²¹

The Department of Defense must provide quality educational opportunities for the children of our men and women in uniform serving overseas where English-speaking schools are not available and the overseas schools appear to be meeting that goal.

However, the rationale for operating schools in the United States no longer exists.

Last year the National Commission on Fiscal Responsibility and Reform recommended ending the system and allowing those students to attend local schools.⁵²² If adopted, this option could save \$1.1 billion in Fiscal Year 2015.⁵²³

Close DoD Run Science, Technology, Education, and Mathematics Programs for Elementary School Students (\$1.7 billion)

The National Defense Education Act, passed in 1958 in the wake of the Soviet Union’s launch of Sputnik, made it a priority of the government to ensure young men and women would pursue careers in science and mathematics in order to ensure our nation could develop the technology to defend our nation.

⁵²⁰ Domestic Dependent Elementary and Secondary Schools, “DDESS/DODDS – Cuba History,” http://www.am.dodea.edu/ddessasc/aboutddess/description_history.html, Accessed May 12, 2011.

⁵²¹ Lombardi, Kristen, “Daddy, Why is My School Falling Down?” Newsweek, June 27, 2011, <http://www.newsweek.com/2011/06/26/military-children-s-schools-in-disrepair.html>.

⁵²² National Commission on Fiscal Responsibility, “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,” Dec. 1, 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf, accessed July 15, 2011.

⁵²³ The program was initially established when schools in the South were segregated, however it is no longer clear why the system is still necessary, or why the Defense Department plans to spend \$1.2 billion for FY 2011-FY 2015 to rebuild these schools, raising the cost per student from \$51,000 in FY 2011 to \$81,000 in FY 2015.

Today the Department of Defense operates over 100 distinct programs to encourage students to study science, technology, engineering and mathematics (STEM).⁵²⁴ These are in addition to 207 other federal programs at other federal agencies.⁵²⁵

America's scientific and technological advantage is one of our key national strengths. The federal government has a role in ensuring we create the next generation of scientific and engineering leaders so that transformational discoveries are made here in the United States by Americans. However, it is not clear the Department of Defense is an agency that needs to devote hundreds of millions of dollars to encourage K-12 children to study math and science, especially when many other federal agencies are already doing so. For example, the K-12 programs at DOD are directly duplicative of programs at the Department of Education's programs for encouraging students to one day enter into a STEM career. But, the Department of Education should take the lead – and be responsible for funding – any DOD programs to encourage STEM study that are geared toward K-12 children. The federal government, mostly through the Department of Education and National Science Foundation, but also including NASA, and the Departments of Agriculture and Energy, funded in 2007 (the most recent year that data is available) at least 19 programs at over \$500 million annually for K-12 programs for encouraging and preparing students for STEM careers and study.⁵²⁶

The Department of Defense employs 35,000 scientists and engineers, more than any other federal agency.⁵²⁷ It has an interest in ensuring there will be a future workforce. There may be some need for DOD to continue funding graduate and post-graduate programs toward national security research as it does today.

To the extent the Department of Defense could use its military equipment to create interest in math and science, it should be reimbursed by other federal agencies for any costs associated with such use. Of course, before that happens, the Government Accountability Office or some other group needs to evaluate all federal programs to determine which STEM efforts are working and which are not.

Reduce Spending at the Congressionally Directed Medical Research Program on Non-Military Specific Diseases (\$250 million)

This proposal would reduce spending at the Congressionally Directed Medical Research Program (CDMRP) on non-military specific diseases and transfer that responsibility to the National Institutes

⁵²⁴ Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics, "Survey of DOD Science, Technology, Engineering, and Mathematics (STEM) Programs," 2010,

http://www.acq.osd.mil/rd/organization/docs/STEM_Program_Survey.pdf, Accessed July 15, 2011.

⁵²⁵ GAO Report 06-114, "Federal Science, Technology, Engineering, and Mathematics Programs and Related Trends," Government Accountability Office, October 2005, <http://www.gao.gov/new.items/d06114.pdf>.

⁵²⁶ Department of Education, "Report of the Academic Competitiveness Council," May 2007, page 51, <http://www2.ed.gov/about/inits/ed/competitiveness/acc-mathscience/report.pdf>, Accessed May 16, 2011.

⁵²⁷ Miller, Cynthia, "Defense Department Embraces STEM Education Outreach," National Defense Magazine, January 2011, <http://www.nationaldefensemagazine.org/archive/2011/January/Pages/DefenseDepartmentEmbracesSTEMEducationOutreach.aspx>.

of Health. The CDMRP exists to “find and fund the best research to eradicate diseases and support the war fighter for the benefit of the American public.”⁵²⁸ It began in 1992 as a congressional earmark for breast cancer research.⁵²⁹ Over the last two decades, Congress funded CDRMP with nearly \$6.5 billion for research into a variety of non-military diseases conditions with nearly \$600 million for 2010.⁵³⁰ Some projects directly relate to military concerns such as \$463 million research effort into psychological health and traumatic brain injury. However, some other projects such as \$2.6 billion for breast cancer, \$47.8 million for lung cancer, \$113 million for prostate cancer, and \$4.4 million for food allergies, have a vague connection to the military.

Research on these diseases is specifically directed by the defense committees in Congress during consideration of the annual appropriations bills.⁵³¹ In contrast, the spending bills that provide funding for the National Institutes of Health generally do not appropriate specific levels of research funding for specific diseases, allowing the Institute’s professional scientists to do so.⁵³² This option would transfer funding for cancer research that affects the general population back to NIH and reduce the administrative costs of administering this research for savings.

Reduce Funding for the National Guard Counterdrug Program (\$250 million)

This option would continue to fund the National Guard in counterdrug missions to federal operations such as radar support and interdiction of drug traffickers. However, funding would be reduced for duplicative support of drug programs for local law enforcement and promotion of anti-drug messages to youth that are performed by other federal agencies.

The National Guard Counterdrug Program provides “military support for local, state, and federal Law Enforcement Agencies and Community Based Organizations” to combat illicit drugs and “threats to the Homeland.”⁵³³ However, some aspects of the programs appear to be outside the core mission of the National Guard, or duplicate existing agencies.

For example, the National Guard Counterdrug School System provides training at no charge to law enforcement personnel and community-based organizations.⁵³⁴ Courses include:

- **Grant Writing** – “Will provide the participant with the fundamental skills needed to research, develop, write, and submit competitive grant proposals.”⁵³⁵

⁵²⁸ U.S. Army Medical Research and Materiel Command, “Congressionally Directed Medical Research Programs: Annual Report,” September 30, 2010, page 1, <http://cdmrp.army.mil/pubs/annreports/2010annrep/2010annreport.pdf>.

⁵²⁹ U.S. Army Medical Research and Materiel Command, “Congressionally Directed Medical Research Programs: Annual Report,” September 30, 2010, page 1, <http://cdmrp.army.mil/pubs/annreports/2010annrep/2010annreport.pdf>.

⁵³⁰ U.S. Army Medical Research and Materiel Command, “Congressionally Directed Medical Research Programs: Annual Report,” September 30, 2010, page 1, <http://cdmrp.army.mil/pubs/annreports/2010annrep/2010annreport.pdf>.

⁵³¹ CRS Report RL33537, “Military Medical Care: Questions and Answers,” page 16, May 14, 2009, <http://www.fas.org/sgp/crs/misc/RL33537.pdf>.

⁵³² CRS Report R41705, “The National Institutes of Health (NIH): Organization, Funding, and Congressional Issues,” Congressional Research Service, March 16, 2011, <http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41705&Source=search>.

⁵³³ National Guard “Counterdrug Program: About Us,” <http://ngbcounterdrug.ng.mil/aboutus/Pages/default.aspx>, Accessed May 16, 2011.

⁵³⁴ National Guard “Counterdrug Program: Counterdrug Schools,” <http://ngbcounterdrug.ng.mil/programs/Pages/CounterdrugSchools.aspx>, Accessed May 16, 2011.

This option would reduce spending by around 90 percent from \$500 million per year to \$50 million per year, and limit it to use as a retention tool where the military services have a critical-needs shortage of military personnel.

Under current law, the Department of Defense Tuition Assistance program provides any active-duty service member a benefit equivalent to \$250 per credit hour up to \$4,500 per year.⁵⁴² Active-duty troops are allowed to take courses that are more expensive than this, but must pay the difference out-of-pocket or through student loans.⁵⁴³

Similar to the Defense Commissary Agency, the military's tuition assistance program is promoted to enhance recruiting, readiness, and retention for the military. But the DOD Tuition Assistance Program may not meet these three goals in a cost-effective manner.

Earlier this year the Government Accountability Office (GAO) issued a report critical of the Department of Defense's oversight of the Tuition Assistance Program.⁵⁴⁴ They found:

- DOD's reviews of schools receiving the tuition assistance benefit are limited to only those that have a presence on the military installation where the service member is based. In Fiscal Year 09, that accounted for only 29 percent of courses paid for through Tuition Assistance benefits. The remaining 71 percent of the courses paid for through Tuition Assistance were distance learning and were not subject to these quality reviews.
- Only one of the services—the US Army—requires follow-up reporting indicating actions were taken in response to the quality review's findings. DOD is conducting no quality review in 2011. DOD plans to bid out a new contract in order for quality reviews to resume in 2012.

Additionally, the DOD Tuition Assistance program is not targeted toward those who served in combat zones or multiple tours in Iraq or Afghanistan. In fact, those who deploy to war zones the most are least able to take advantage of this benefit as they generally cannot take courses while in combat units in Iraq or Afghanistan.

⁵⁴² DOD Voluntary Education Office "Tuition Assistance payments,"

<http://apps.mhf.dod.mil/pls/psgprod/f?p=VOLED:SUB:0::::COHE,TITLE,IMG:257590,Programs,257789>, Accessed May 17, 2011.

⁵⁴³ Military Tuition Assistance benefits are paid out on a reimbursable basis, after a service member successfully completes his or her approved courses and must earn a "C" or better for undergraduate courses and a "B" or better for graduate classes

⁵⁴⁴ GAO Report 11-300, "DOD Education Benefits: Increased Oversight of Tuition Assistance is Needed," March 2011, <http://www.gao.gov/new.items/d11300.pdf>.

Health Care

A military service member who served for twenty years and has not been injured by service is currently entitled to extremely low-cost health care for life. This benefit is extended to spouses and dependents. This benefit is not awarded in relation to the amount of time spent overseas or deployed to combat. For example, some beneficiaries of the general health care plan for retirees did not serve in Iraq or Afghanistan. By contrast, uninjured veterans of the current conflicts who leave the military without serving 20 years are not entitled to any of these health care benefits. The following options make changes to TRICARE, the civilian component of the Military Health System that provides certain benefits to retirees and their families.

Reform TRICARE Standard and Prime for Military Retirees and Dependents (\$115 billion)

This option would retain TRICARE Standard and TRICARE Extra for military retirees, but limit TRICARE Prime to active duty soldiers and their dependents. This option would not allow military retirees to use TRICARE Prime, a managed care benefit which is the TRICARE option with the lowest out-of-pocket cost.⁵⁴⁵

Under this option, working-age military retirees enrolled in TRICARE would pay greater monthly fees, comparable to private sector health plans. The expenses for a single retiree would be approximately \$2000 per year and \$3500 for a family.

However, the maximum out-of-pocket expenses for military retirees and their families under this plan would be \$7,500 per retiree with dependents. Deductions would be raised to \$350 for a single retiree in 2012 and \$500 in 2017. For a retiree with dependents, this deduction would be raised to \$700 in 2012 and \$1050 in 2017.

Military retirees and their dependents could still receive care at no cost at military treatment facilities. The Congressional Budget Office estimates that many military retirees would use employer-health plans in lieu of staying on TRICARE as three-quarters of military retirees are currently eligible to receive health care through their employer.

The combined effect of this proposal would save \$115 billion over the next ten years. This option would not affect active-duty members of the military and their families nor would it affect military retirees that are eligible for Medicare.

Increase Cost Sharing for Pharmaceuticals Under TRICARE (\$26 billion)

In 2009, the Department of Defense (DOD) spent more than \$8 billion on outpatient pharmacy benefits.⁵⁴⁶

⁵⁴⁵ Active-duty personnel would continue to be enrolled automatically in TRICARE Prime, and Prime enrollment would remain available for dependents of active-duty personnel. The enrollment fee and most cost sharing would continue to be waived for active-duty service members and their dependents.

⁵⁴⁶ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 82, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

Current retirees and other users of TRICARE pay three dollars every 30 days for generic prescription drugs and nine dollars every 30 days for brand-name prescription drugs from retail pharmacies.⁵⁴⁷ Under this option those fees would rise to fifteen dollars for generics and twenty-five dollars for brand-name drugs. Additional copayments would apply if the prescription drug were not on the TRICARE formulary.

Active-duty service members would not be affected by this change, though their family members would pay the three dollar generic and nine dollar brand-name copayment. The Congressional Budget Office estimates this option would save \$26 billion over the next 10 years.⁵⁴⁸

Introduce Minimum Out-of-Pocket Requirements Under TRICARE for Life (\$43 billion)

TRICARE For Life (TFL) is a second payer for health care after Medicare for Medicare-eligible military retirees. With TRICARE For Life, military retirees pay very little for their health care upon reaching the age of 65. The Department of Defense (DOD) currently has no way to manage the cost of this care, which has risen in recent years.

This option would require out-of-pocket copayments for military retirees that become eligible for Medicare.⁵⁴⁹ Under this option military retirees would be responsible for the first \$550 in health care half of the cost of care not covered by Medicare – up to \$3,025. At that point all further costs would be paid by TRICARE. This option would retain around 75-80 percent of a medical benefit program that was introduced nine years ago. For a retired enlisted non-commissioned officer total medical costs would consume only 15 percent of their retirement pay. Any expenses beyond this amount would be borne by the government.⁵⁵⁰ Of course, this retiree would also be receiving Social Security payments as well as have access to any investments made through the Thrift Savings Plan (TSP).

⁵⁴⁷ Congressional Budget Office, “Reducing the Deficit: Spending and Revenue Options”, page 82, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁴⁸ Congressional Budget Office, “Reducing the Deficit: Spending and Revenue Options”, page 82, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁴⁹ Congressional Budget Office, “Reducing the Deficit: Spending and Revenue Options”, page 19, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁵⁰ Estimates from the Military Compensation Calculator at <http://militarypay.defense.gov/mpcalcs/Calculators/FinalPayHigh3.aspx>.

Weapons Systems and Hardware

Joint Strike Fighter

The F-35 Joint Strike Fighter is the Department of Defense's (DOD) costliest weapon systems ever.⁵⁵¹ Full costs of the F-35 throughout its useful life are estimated to be over \$1 trillion. The Department of Defense and eight allied nations plan to purchase thousands of the aircraft over the next twenty years.⁵⁵²

Unfortunately, the F-35 program is years behind schedule and billions over budget. Begun over fifteen years ago, the initial idea was to pursue a common platform for the entire U.S. military for a multirole fighter. Congress and DOD should take this time during the budget debate to determine the future of the Joint Strike Fighter before we commit to full rate production.

Two reasonable and modest options presented. The combination of these options would preserve the Joint Strike Fighter program, save money over the long-term, and give the military services the plane they need and want to perform their service-specific mission.

Air Force: Full Support of Joint Strike Fighter, Negotiate a Multi-Year Procurement (\$7 billion)

Under current Air Force plans, it will buy 602 F-35A Joint Strike Fighters by 2020. At a per-unit procurement cost of \$133 million (the cost assumed by the Air Force), it will spend \$70 billion in the next nine years on the Joint Strike Fighter.⁵⁵³ This option would lock in a multiyear procurement of the Joint Strike Fighter and assume 10 percent savings to achieve through a multiyear purchase, comparable to savings possible from previous multiyear procurements and remarks from officials from Lockheed Martin.⁵⁵⁴

As repeatedly stated, the F-35 Joint Strike Fighter is going to be the workhorse of the fighter fleet for at least the next three decades. The DOD should finish operational testing of this version, stabilize costs, and enter into a multiyear procurement of F-35s in order to save \$7 billion over the next ten years. As the Air Force is planning to eventually buy nearly 1,800 planes, this amount of savings could be doubled for the 2021-2030 timeframe.

⁵⁵¹ Ferran, Lee, "F-35 Fighter: Price Goes Up \$771 Million on Most Expensive Defense Program," ABCNews.com, July 14, 2011, <http://abcnews.go.com/Blotter/lockheed-martin-35-fighters-cost-771/story?id=14071402>, accessed July 15, 2011.

⁵⁵² CRS RL30563, "F-35 Joint Strike Fighter Program," Congressional Research Service, July 5, 2011.

⁵⁵³ Rolfsen, Bruce, "Plan lays out aircraft acquisition through 2040," Air Force Times, March 6, 2010, http://www.airforcetimes.com/news/2010/03/airforce_30_year_plan_030610w/.

⁵⁵⁴ Younossi, Obaid, et. al, "F-22A Multi-Year Procurement Program: An Assessment of Cost Savings," Rand Corporation, 2007, <http://www.rand.org/pubs/monographs/MG664.html>.

Navy and Marine Corps: Cancel the Joint Strike Fighter and Replace with F/A-18 Super Hornet (\$18 billion)

This option would cancel the F-35 Joint Strike Fighter for the Navy and Marine Corps and allow two services to purchase F/A-18 Super Hornets instead. This option, first proposed by CBO, would also save \$18 billion through 2021.⁵⁵⁵

The Navy and Marine Corps have less need for the new F-35 Joint Strike Fighter as the F/A-18 Super Hornet is a relatively new plane compared to the F-16 for the Air Force. The F/A-18 Super Hornet also provides service-specific capabilities for the Navy and Marine Corps. However, this option would not replace the AV-8 Harriers of the Marine Corps. This option assumes Marine ground forces would not enter an area with contested airspace without the support of an aircraft carrier for close air support.⁵⁵⁶ This option also allows for future development of combat drones and unmanned aerial vehicles that will change the needs for naval aviation in the future.

Reduce Aircraft Carriers From 11 to 10, Navy Air Wings from 10 to 9 (\$7 billion)

The option to reduce the United States' aircraft carrier fleet and Navy Air wings by one each could save over \$7 billion over the next ten years, according to the CBO.⁵⁵⁷ This would be accomplished by retiring the USS George Washington in 2016 rather than have it refurbished and having the air wing eventually retired and not replaced with newer planes.⁵⁵⁸

Under current plans the Navy will have only 10 aircraft carriers from 2013 to 2015 due to the planned decommissioning of the USS Enterprise and the 2015 delivery of the USS Gerald Ford.⁵⁵⁹ An eleven aircraft carrier strategy was needed during the Cold War when there was the possibility naval forces could be needed against the Soviets in the Mediterranean Sea, the Atlantic Ocean, and the Pacific Ocean. Under this option there would be five or six carriers available within 90 days for mobilization against any conventional threats that arose. Recent actions in Libya suggest this option is very workable. Indeed, the U.S. military conducted air operations in Libya without the benefit of an aircraft carrier. They did so from air bases in Italy and other bases in Europe, with allies,⁵⁶⁰ as well as from amphibious assault ships.⁵⁶¹

⁵⁵⁵ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 88, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁵⁶ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 88, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁵⁷ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 90-91, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁵⁸ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 90-91, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁵⁹ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 90-91, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁶⁰ Kington, Tom "Libya Proving Value of Carrier Jets for Italian Navy," Defense News June 20, 2011, <http://www.defensenews.com/story.php?i=6862656&c=FEA&s=SPE>.

⁵⁶¹ Kington, Tom, "Harrier Ops Making Case for F-35B," Defense News, March 28, 2011, <http://www.defensenews.com/story.php?i=6072569>.

Delay Fielding of the Army's Ground Combat Vehicle (\$7 billion)

Delaying, but not canceling, the fielding of the Army's Ground Combat Vehicle could reduce the need for appropriations by \$14 billion over the next ten years.⁵⁶²

The Army's Ground Combat Vehicle is designed to replace some of its current armored vehicles that transport infantry soldiers. With the purchase of MRAP vehicles there appears to be less of an urgent need for the Army to acquire a brand-new armored vehicle. The Ground Combat Vehicle would not replace all of the current Bradley Fighting Vehicles or other vehicles currently used in this role. Thus, instead of purchasing a new Ground Combat Vehicle, the Army could use some of the savings for upgrades and improvements to the existing Bradley Fighting Vehicle as well as determine if other vehicles, such as the MRAP variants developed for Iraq and Afghanistan, can meet the needs of the military for this capability.

Terminate the Medium Extended Air Defense System (MEADS) Program (\$13 billion)

The military could save \$13 billion over the next ten years by terminating the Medium Extended Air Defense System (MEADS) program and instead upgrade and improve the Patriot systems to provide the same air-defense capability.⁵⁶³

MEADS is a joint venture by Germany, Italy, and the United States to procure a mobile air defense system. The United States provides most of the funding under a cost-sharing agreement with Germany and Italy. Questions have been raised about the MEADS program and whether or not it will meet the requirements of the Army when it is fully deployed.⁵⁶⁴ According to former defense officials, neither Germany nor Italy has budgetary plans to actually purchase the MEADS system that is being designed today.⁵⁶⁵

The Patriot system is the current air defense system used by the Army and several other allied nations. This option would end development of MEADS and invest \$3 billion in upgrades to the Patriot system which could provide comparable critical air-defense capability.

Reduce Nuclear Weapons Force Structure (\$79 billion)

This option would reduce the size of the nuclear weapon stockpile to levels within the START treaty limits and make the following changes:⁵⁶⁶

⁵⁶² Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 94-95, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁶³ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 96, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁶⁴ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 96, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁶⁵ Whitlock, Craig, "Pentagon resists Army's desire to stop development of MEADS missile system," Washington Post, March 9, 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/03/08/AR2010030804865.html>.

⁵⁶⁶ Kosiak, Steven, "Spending on US Strategic Nuclear Forces: Plans and Options for the 21st Century," Center for Strategic and Budgetary Assessments, 2006, <http://www.csbaonline.org/wp-content/uploads/2007/03/2006.09.01-US-Strategic-Nuclear-Forces-Spending.pdf>.

- Reduce the size of the Intercontinental Ballistic Missile (ICBM) force from 500 to 300.
- Maintain a 1,100 nuclear weapon reserve.
- Reduce the size of the ballistic nuclear submarine fleet from 14 to 11.
- Maintain 40 strategic bombers and delay the purchase of new bombers until the mid-2020s.

Reduce Planned Future Purchases of the V-22 Osprey (\$6 billion)

This option adopts the recommendation by the National Commission on Fiscal Responsibility and Reform to shrink the DOD's purchase of the V-22 Osprey.⁵⁶⁷

The V-22 Osprey is a tiltrotor aircraft that can take off and land vertically as a helicopter but can accelerate to fixed-wing aircraft speeds while in the air. The aircraft was designed for the Navy, Marine Corps, and Special Operations forces.⁵⁶⁸

Under this option, the Department of Defense would end purchases of the V-22 at 288 aircraft instead of the planned 458. However this option would purchase additional MH-60 helicopters (which are around a quarter of the cost of a V-22) for use in instances when the military does not specifically need the tiltrotor capability of the V-22 such as carrying fewer troops or moving less cargo. This option would cancel the expected \$11 billion the Marine Corps plans to spend over the next decade procuring V-22s and spend \$5 billion in the purchase of an additional 170 MH-60 helicopters.

Reduce Spending for "Other Procurement" (\$52 billion)

This option adopts the recommendation by the National Commission on Fiscal Responsibility and Reform to reduce spending on "Other Procurement," a category of Department of Defense spending for support items outside of spending on the major weapon systems.⁵⁶⁹ For example, this account funds tactical radios, radars, and night vision goggles.

According to the Fiscal Commission, the military services spent \$400 billion above and beyond their 'base' budget requests on this equipment in the last ten years. These equipment items last for years and do not need to be replenished annually, except for a small percentage of combat losses. This option would set the level of "Other Procurement" to \$30 billion per year in 2015 and maintain that level until 2021 which would be adequate given the levels of equipment damage and loss in Afghanistan and Iraq. This option would represent a 50 percent increase over base levels of funding that DOD received for "Other Procurement" in Fiscal Year 2000.

⁵⁶⁷ "\$200 Billion in Illustrative Savings: Option 44," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

⁵⁶⁸ "\$200 Billion in Illustrative Savings: Option 44," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

⁵⁶⁹ "\$200 Billion in Illustrative Savings: Option 50", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

Additional Weapon System, Information Technology System, and Other Options (\$35.5 billion)

Below is a list of additional programs to be considered for termination given one or more of the following characteristics: cost overruns, duplication with other programs within the Department of Defense, not a priority at this time, undefined requirements, or better business practices.

Army Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS)

Savings: \$5.8 billion

The military is planning to spend \$5.8 billion in additional funds on 14 aerostat vehicles (over \$400M per copy) to provide “detection and tracking of land-attack cruise missiles” and persistent surveillance and reconnaissance.⁵⁷⁰ Instead that may not occur until later this year. The military can instead use their existing 60 Rapid Aerostat Initial Deployment (RAID) systems, successfully in use in Iraq and Afghanistan, and the Air Force’s E-3 Sentry (which cost \$360M in today’s dollars) for airborne warning and control missions.⁵⁷¹ Additionally, the Army could consider outfitting existing unmanned aerial vehicles (UAVs) with sensors in order to detect cruise missiles.⁵⁷²

Navy Vertical Take-off and Landing Tactical Unmanned Aerial Vehicle (VTUAV)

Savings: \$1.68 billion

The VTUAV has suffered delays due to unreliability. The VTUAV program began in 2000 and was expected to field an initial operational capability by 2003.⁵⁷³ The Navy is planning to spend \$1.6 billion to procure 156 VTUAV aircraft. Instead, the Navy could use existing fixed and rotary wing assets for their intelligence, surveillance, and reconnaissance needs. Other options would include reducing the future purchases of manned systems and using or adapting existing UAV assets that require short takeoff space from carriers, amphibious assault ships such as the upgraded Shadow UAV which has a flight endurance of five hours, similar to the Navy’s VTUAV but at significantly lower cost.⁵⁷⁴

A recent report by the Defense Department Director of Operational Test and Evaluation found that despite years of development the VTUAV cannot provide information to ground forces, it failed nearly half of its missions, and that the communications capability of the reconnaissance aircraft is “fragile.”⁵⁷⁵

Unused Department of Defense Equipment

Savings: \$500 million

⁵⁷⁰ GAO 11-233SP, “Defense Acquisitions: Assessments of Selected Weapon Programs,” March 2011, page 87, <http://www.gao.gov/new.items/d11233sp.pdf>.

⁵⁷¹ “E-3 Sentry AWACS Fact Sheet”, United States Air Force, <http://www.af.mil/information/factsheets/factsheet.asp?id=98>.

⁵⁷² Naval Studies Board, “Naval Forces’ Capability for Theater Missile Defense,” National Research Council, National Academy Press, Washington D.C., 2001.

⁵⁷³ Kilvert-Jones, Timothy, “Navy-Marine Corps VTUAV system,” Sea Power magazine, June 2000.

⁵⁷⁴ Shadow 400 Data Sheet, Textron Systems, http://www.aaicorp.com/pdfs/shadow400_12-18-09bfinal.pdf.

⁵⁷⁵ Ackerman, Spencer, “Drone Copter Flops Half Its Missions; Navy Still Wants More,” Danger Room, July 12, 2011, <http://www.wired.com/dangerroom/2011/07/drone-copter-flops-half-its-missions-navy-still-wants-more/>.

The Department of Defense gives away millions of dollars worth of new, unused, or excellent-condition equipment to state and local federal agencies. The Defense Logistics Agency stated that the Department of Defense gave away around \$200 million worth of equipment annually to state agencies in Fiscal Year 2005, the latest year figures are available.⁵⁷⁶ Assuming a 25 percent resell rate for this equipment, changing the rules could save over \$500 million the next decade.

The Department of Defense, under current rules, is allowed to transfer new, unused, and high quality equipment to other federal agencies, state, and local governments at no charge. This creates a perverse incentive for federal agencies to acquire equipment just because it is free, not because they need it. For state and local governments needing the equipment, it is at no cost to them. However, the Government Accountability Office (GAO) noted the military had some trouble in executing this program. The Defense Reutilization and Marketing Service (DRMS) is giving away or selling items for pennies on the dollar that the Department of Defense continues to purchase. GAO identified at least \$400 million of fiscal year 2002 and 2003 commodity purchases when identical new, unused, and excellent condition items were available for reutilization.⁵⁷⁷

Precision Tracking Space System Program

Savings: \$7.5 billion

Terminating the Missile Defense Agency's Precision Tracking Space System (PTSS) would save \$7.5 billion over the next ten years. According to the CBO, the plan to build a constellation of six to twelve satellites for the purpose of detecting enemy missiles may not be a cost-effective use of funds given the Air Force's and Missile Defense Agency's existing ability to track missiles with both surface and space-based assets.⁵⁷⁸

Expeditionary Fighting Vehicle

Savings: \$9 billion

In his last budget, former Defense Secretary Robert Gates proposed to terminate the Marine Corps' armored Expeditionary Fighting Vehicle (EFV). The Congressional Budget Office and the National Fiscal Commission on Responsibility and Reform also presented options for its termination.^{579 580}

The EFV was designed decades ago to meet a threat the U.S. or allied forces will not likely face in the near term. In a speech at the Naval War College in 2009 Secretary Gates questioned "the need for a new capability to get large numbers of troops from ship to shore – in other words, the capability provided by the Marine Expeditionary Fighting Vehicle." He further stated "we have to

⁵⁷⁶ GAO Report 05-729T, "DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency," Government Accountability Office, June 7, 2005, <http://www.gao.gov/new.items/d05729t.pdf>.

Grasso, Valerie, Email from Congressional Research Service to Defense Logistics Agency, May 26, 2010.

⁵⁷⁷ GAO Report 05-729T, "DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency," Government Accountability Office, June 7, 2005, <http://www.gao.gov/new.items/d05729t.pdf>.

⁵⁷⁸ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 97, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁷⁹ Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 92, March 2011, <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

⁵⁸⁰ "\$200 Billion in Illustrative Savings: Option 45", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

take a hard look at where it would be necessary or sensible to launch another major amphibious action again. In the 21st century, how much amphibious capability do we need?”⁵⁸¹

C-27 Joint Cargo Aircraft

Savings: \$1.4 billion

The C-27J Joint Cargo Aircraft program is an Air Force program to procure 38 smaller cargo planes for intra-theater transportation of mission critical personnel and equipment. But many question the need for a new aircraft.

This option would terminate the remaining purchase of these planes and direct the Air Force to fully support the Army’s tactical logistic needs with existing C-130 assets. Former Secretary of Defense Gates noted existing C-130 aircraft, currently still in production, carries more, costs less and can land nearly everywhere the C-27 will be able to land.⁵⁸² Costs between the two planes are similar and the C-130 is “capable of operating from rough, dirt strips and is the prime transport for air dropping troops and equipment into hostile areas.”⁵⁸³

Enterprise Resource Planning (ERP) Systems

Savings: \$8 billion

The Department of Defense is spending billions of dollars to upgrade its legacy financial information technology (IT) systems in an effort to improve their business operations and save money. But the new systems cost much more than the ones they would replace and raise questions about whether or not any savings will be achieved.⁵⁸⁴ Some of the largest IT systems being acquired are called Enterprise Resource Planning (ERP) systems, as they are capable of consolidating all business processes across the enterprise (human resources, writing contracts, timekeeping, ordering, maintenance, etc) into one system. The military services are purchasing seven major ERP systems.

This option would eliminate two systems: the Global Combat Support System for the Army and the Expeditionary Combat Support for the Air Force. These two ERP systems are logistics systems that will have to be configured to interface with, rather than replace, other systems. The Army system is a \$3.9 billion system that was started in 2003 and will not be operational until 2017. The Air Force system, started in 2004, may cost \$5.2 billion and will be fully operational on a similar time frame.⁵⁸⁵ The costs of these two systems are high compared to the systems they are replacing and the cost of other ERP systems.⁵⁸⁶

⁵⁸¹ Remarks, “Secretary of Defense Gates Address to the Naval War College at Newport, RI.” April 17, 2009. <http://www.defense.gov/speeches/speech.aspx?speechid=1346>.

⁵⁸² Scully, Megan, “The Little Airlifter That Could,” Air Force Magazine, July 2010, <http://www.airforce-magazine.com/MagazineArchive/Pages/2010/July%202010/0710spartan.aspx>.

⁵⁸³ C-130 Hercules Fact Sheet, United States Air Force, October 22, 2009, <http://www.af.mil/information/factsheets/factsheet.asp?id=92>.

⁵⁸⁴ GAO Report 11-53, “DOD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed,” October 2010, <http://www.gao.gov/new.items/d1153.pdf>.

⁵⁸⁵ Office of the Undersecretary of Defense for Comptroller, “Financial Improvement and Audit Readiness,” Department of Defense, May 2011, Slide I-9, http://comptroller.defense.gov/FIAR/documents/FIAR_Plan_May_2011.pdf.

⁵⁸⁶ GAO Report 11-53, “DOD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed,” October 2010, <http://www.gao.gov/new.items/d1153.pdf>.

If adopted, the Army and the Air Force could use their remaining ERP systems to perform the logistics function, upgrade legacy systems to interface with their remaining ERP systems, or adopt logistics ERP systems already built by other military services, defense agencies, or the federal government. Regardless, the Air Force and Army must pay for the cost of these changes out of the savings they will achieve from implementing them.

Personnel Levels, Staffing, and Efficiencies

Adopt Secretary Gates' Efficiency Recommendations (\$100 billion)

The initiatives from former Secretary Gates include reducing the number of personnel services contractors, limiting personnel growth in the Office of the Secretary of Defense (OSD), defense agencies, and the combatant commands, and consolidating information technology infrastructure facilities. However, instead of using these savings for additional purchases of weapon systems or other investments, this funding will be used for deficit reduction.⁵⁸⁷

Double Secretary Gates Reductions to Contracting for Staff Augmentees (\$37.8 billion)

This proposal, offered by the National Commission on Fiscal Responsibility and Reform, would reduce contractor staff augmentees by 20 percent instead of 10 percent per year as former Secretary Gates proposed.⁵⁸⁸

Freeze Federal Salaries for DoD Employees (\$15.5 billion)

This option would adopt the National Commission on Fiscal Responsibility and Reform's recommendation regarding the civilian workforce at the Department of Defense. Given the elevated levels of unemployment in the private sector, and wage freezes and declines for many, it is unlikely freezing DOD pay would significantly impact the DOD workforce.⁵⁸⁹

Reverse the Grow the Army Initiative (\$92 billion)

According to the Congressional Budget Office, the military could save \$92.5 billion over ten years by reversing the "Grow the Army Initiative," and returning to pre-2007 levels of active duty personnel.⁵⁹⁰ The Army is currently authorized for 547,400 soldiers, a rise from the previous permanent authorization of 482,400 soldiers. This option would return the Army to 482,400 soldiers on active duty and slightly reduce the number of reservists.

Former Secretary Gates proposed trimming troop levels. In January, Secretary Gates proposed the Army reduce its active duty forces by 27,000 troops in 2015.⁵⁹¹

Alternatives to consider for this recommendation regarding personnel savings:

- Adjusting the number of Army soldiers in support units versus Brigade Combat Teams
- Freezing or reforming base pay levels of all military Service members.
- Reducing more active duty Army forces but adding a greater number of Army National Guard or Army Reserve units.

Reduce Military Personnel Overseas in Europe and Asia (\$69.5 billion)

This option adopts the recommendation by the National Commission on Fiscal Responsibility and Reform to reduce the military personnel stationed at overseas bases in Europe and Asia by one-

⁵⁸⁷ Garamone, Jim, "Gates Reveals Budget Efficiencies, Reinvestment Possibilities," January 6, 2011, <http://www.defense.gov/news/newsarticle.aspx?id=62351>.

⁵⁸⁸ "\$200 Billion in Illustrative Savings: Option 42", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

⁵⁸⁹ "\$200 Billion in Illustrative Savings: Option 40", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

⁵⁹⁰ Congressional Budget Office, "Budget Options Volume 2", page 7, August 2009, <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

⁵⁹¹ Keyes, Charley, "Defense Secretary announces billions in budget cuts," January 6, 2011, CNN, http://articles.cnn.com/2011-01-06/politics/pentagon.budget.cuts_1_defense-budget-gates-plan-defense-secretary-robert-gates?_s=PM:POLITICS.

third.⁵⁹² This would be combined with a Congressional Budget Office proposal to reduce military personnel stationed in headquarters overseas, and decrease the overall permanent authorization of troops by the same amount.⁵⁹³ The combination of these options would save nearly \$70 billion over ten years.

One of the military deployments to cancel that makes the most strategic sense is the military deployment to Guam. The original plan for Guam was a result of a bilateral agreement with the Japanese government to transfer 8,600 Marines and 9,000 dependents from Japan to Guam. Japan agreed to pay for approximately \$6 billion of the total costs, which are now expected to run to as high as \$23.9 billion.⁵⁹⁴ These conventional troops could be maintained in the continental United States at a far lower cost.

This option would leave plenty of military capability by maintaining strategic air bases and naval ports to provide logistics links to the current operations in Iraq, Afghanistan, and Libya. However, the strategic rationale for maintaining conventional ground troops in the middle of Western Europe and on islands in Asia has passed given the end of the Cold War.

Under this option, the current fleet of over 300 cargo planes, the civil reserve air fleet, and the upcoming Joint High Speed Vessel transport ship will ensure that if ground forces are needed quickly they will be available for the Commander-in-Chief.

Reduction Travel at the Departments of Defense (\$14 billion)

According to OMB figures, the Department of Defense (DOD) spent \$9.1 billion on airfare, hotels, rental cars and meals in 2008, a figure that was expected to rise by \$200 million in 2009.⁵⁹⁵ President Obama requested his Cabinet Secretaries to cut \$100 million in their administrative budgets. He highlighted the actions of one agency as an example of how travel reform could save money, by stating:

“Just a couple of examples: Veterans Affairs has cancelled or delayed 26 conferences, saving nearly \$17.8 million, and they’re using less expensive alternatives like videoconferencing.”⁵⁹⁶ In addition to utilizing videoconferencing and other training methods to reduce travel costs, a Government Accountability Office (GAO) report from several years ago noted the military services spent almost \$3 billion in moving over 750,000 personnel from one base to another base every one to three years, *not counting moves to combat areas*.⁵⁹⁷

⁵⁹² “\$200 Billion in Illustrative Savings: Option 51”, National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

⁵⁹³ Congressional Budget Office, “Budget Options Volume 2”, page 26, August 2009, <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

⁵⁹⁴ GAO D11-459R, “Military Buildup on Guam: Costs and Challenges in Meeting Construction Timelines,” June 27, 2011, <http://www.gao.gov/new.items/d11459r.pdf>.

⁵⁹⁵ Rosenberg, Alyssa, “Agencies cut back on travel,” *Government Executive*, September 3, 2009, <http://www.govexec.com/dailyfed/0909/090309mag.htm>, accessed July 15, 2011.

⁵⁹⁶ Lee, Jesse, “\$100 million there, \$100 million here,” *The White House Blog*, April 20, 2009, <http://www.whitehouse.gov/blog/2009/04/20/100-million-there-100-million-here>.

⁵⁹⁷ GAO/NSIAD-96-84, “Military Personnel Reassignments: Services are Exploring Opportunities to Reduce Relocation Costs,” Government Accountability Office, February 1996, <http://www.gao.gov/archive/1996/ns96084.pdf>.

This proposal would call for a reduction in future travel expenditures by Defense Department personnel by 15 percent or around \$1.4 billion per year, leaving around \$7.5 billion available for essential travel purposes. This could easily be accomplished by reducing unnecessary travel and lengthening tours at military bases from one to three years to four to six years. For the Army in particular, the large bases such as Fort Hood and Fort Bragg offer opportunities for soldiers to move to new organizations for promotion opportunities without leaving for another Army base, and in turn reducing moving costs for the government.

Replace Military Personnel Performing Commercial Activities with Civilians (\$53 billion)

This option, presented by the National Commission on Fiscal Responsibility and Reform, would replace 88,000 military personnel who perform commercial-type activities with civilian personnel – beginning in Fiscal Year 2013.

Examples of these positions would be installation support, supply, transportation, communications, and morale, welfare, and recreation support.⁵⁹⁸ According to the Defense Business Board there are over 339,000 active duty military performing commercial-type activity.⁵⁹⁹ This proposal affects less than one-third of the military's active duty troops in these commercial-type positions.

These positions would be replaced with 62,000 civilians, which would provide considerable savings as their total compensation is lower than active duty military.⁶⁰⁰

Standardize Per Troop Spending and Reduce Spending on Maintenance Due to Base Closures (\$34 billion)

This option, proposed by the National Commission on Fiscal Responsibility and Reform, would direct the services to standardize their spending on base support by examining the best practices of the four military services. There is currently a 50 percent difference in base support costs per troop from the Army to the Air Force. The Department of Defense has common standards and these should be upheld.

Another area for savings is reducing spending on facilities maintenance due to Base Realignment and Closure (BRAC). As a result of BRAC DOD's square footage decreased by 20 percent and its spending on maintenance increased by nearly 20 percent. The most recent round of BRAC just ended and consolidations are complete which provide ample opportunity for savings on base maintenance.

Consolidate Military Health Care Services (\$2.8 billion)

The Government Accountability Office has identified the military health care system as an opportunity for the Department of Defense to achieve financial efficiencies.⁶⁰¹ In 2006 the

⁵⁹⁸ "\$200 Billion in Illustrative Savings: Option 53", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

⁵⁹⁹ Defense Business, Board, "Reducing Overhead and Improving Business Operations," Slide 25, July 22, 2010, <http://www.govexec.com/pdfs/072210rb1.pdf>.

⁶⁰⁰ "\$200 Billion in Illustrative Savings: Option 53", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

Department of Defense chose not to implement a recommendation to establish a unified military medical command rather than maintaining separate health care bureaucracies with the Army, Navy, Air Force and the Office of the Secretary of Defense.⁶⁰²

The conservative estimate reported from the Government Accountability Office was that \$281 million more per year or at least \$2.8 billion over the next ten years could potentially be saved through the establishment of a unified military medical command. This option would direct the Department of Defense to consolidate their military medical command structure to achieve those savings.

⁶⁰¹ GAO Report 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," page 13, March 2011, <http://www.gao.gov/new.items/d11318sp.pdf>.

⁶⁰² GAO Report 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," page 13, March 2011, <http://www.gao.gov/new.items/d11318sp.pdf>.

General Reductions

Audit the Pentagon (\$25 billion)

The Department of Defense is one of the few agencies in the federal government which cannot and has never passed an independent audit of its finances. Unfortunately, it is the largest government agency in terms of annual expenditures and the costs of its non-compliance with the numerous laws requiring audited financial statements are significant.

The Marine Corps recently realized approximately \$3 in savings for every \$1 it invested in rudimentary financial improvement operations.⁶⁰³ This is an extremely conservative ratio; other government organizations show significantly more robust cost savings when improving their financial operations, some as high as a 10 to 1 return on investment.⁶⁰⁴ If Congress forced the Department of Defense to achieve audit readiness, it could generate substantial savings. It is entirely within the realm of possibility for the Pentagon to receive at least \$25 billion in savings (less than ½ of 1 percent of base budget funding) each year for the next ten years through improved financial management.

Keep Intelligence Spending Constant (\$26 billion)

This option would cut current intelligence spending by three percent and then freeze it for the next ten years.⁶⁰⁵ This would be accomplished by directing the Armed Services, Intelligence, and Appropriations Committees to identify and eliminate duplication between the National Intelligence Program (NIP) and the Military Intelligence Program (MIP).

There remains a great deal of overlap in roles and responsibilities in the budget for intelligence even though the world and the intelligence professionals have changed their practices and procedures. In 2009, Director of National Intelligence Blair stated this theme saying “this old distinction between military and non-military intelligence is no longer relevant. The problems that we face in the world have strong military, diplomatic, economic and other aspects that all work together and need to be supported by an interlocked and interweaving set of intelligence activities.”⁶⁰⁶ The results of this duplication review and budgetary changes would be classified.

Research and Development Funding (\$79 billion)

This option would direct DoD to cut ten percent of its Research and Development budget and fund only the top 90 percent most important projects for two years. Under this recommendation,

⁶⁰³ Knubel, John, “How Financial Improvement / Audit Readiness Efforts Can Reduce ‘Leakage’ (Inefficiencies) in Financial Operations: Based on the Marine Corps Experience to Date,” Department of the Navy Powerpoint Presentation, September 2009.

⁶⁰⁴ “Financial Accountability, How the Federal Government is moving toward Financial Accountability,” October 15/16, 2008, <http://www.federalnewsradio.com/?nid=422&sid=1492683>.

⁶⁰⁵ Total Intelligence spending discloses for FY 2010 was \$80 billion, for FY 2009: \$75 billion. http://www.washingtonpost.com/blogs/checkpoint-washington/post/intelligence-spending-still-buried-deep-in-the-budget/2011/06/24/AGfhBTjH_blog.html. <http://washingtonindependent.com/59248/howd-the-intelligence-budget-get-to-75-billion-anyway>.

⁶⁰⁶ Blair, Dennis, “Media Conference Call with the Director of National Intelligence: 2009 National Intelligence Strategy,” September 15, 2009, http://www.dni.gov/interviews/20090915_interview.pdf.

Congress could shift funding within this amount but could not increase the amount overall. After the first two years, funding would be frozen at this amount for the next eight years.

In constant Fiscal Year 2011 dollars, the Defense Department received \$580 billion in research and development funds from Fiscal Year 2001 to Fiscal Year 2008, an average of \$72 billion a year. In contrast the Defense Department received only \$407 billion from 1981 to 1988, an average of \$51 billion per year in constant dollars which includes the height of the Reagan-buildup and while the nation faced the nuclear threat from the Soviet Union.⁶⁰⁷

This option would eventually return funding back to \$58 billion per year, well above the Reagan-era averages for Research and Development (R&D). It would reduce Fiscal Year 2012 funding for R&D by 10 percent, Fiscal Year 2013 funding by another 10 percent, and then maintaining this level for the next eight years.

Reduce the Civilian Workforce by Five Percent Beginning in 2014 (\$22.5 billion)

Other options in this chapter reduce the active duty strength of the Army, reduce personnel overseas, and for eliminate several weapon systems acquisitions. All of these functions are supported by a civilian workforce at the Department of Defense that can be reduced further if these options are adopted.

Former Deputy Secretary of Defense Gordon England recently stated that 100,000 of the current 700,000 civilians at the Department of Defense (more than 14percent) could be reduced without adding contractors to replace them and this would not affect the military capability of the Department of Defense.⁶⁰⁸

Further, military services and defense agencies such as the Defense Finance and Accounting Service, the Defense Logistics Agency, and others benefitted from large scale IT implementation that automated functions previously done by manual labor. Through attrition and other management, DOD should use these systems to their maximum capability, adopt private sector best practices with the use of the new IT systems, and reduce the workforce.

DEPARTMENT OF DEFENSE TEN YEAR SAVINGS

Discretionary: \$963.3 billion

Mandatory: \$43 billion

Total: \$1.006 trillion

⁶⁰⁷ Office of the Undersecretary of Defense (Comptroller), "National Defense Budget Estimates for FY 2012," March 2011, http://comptroller.defense.gov/defbudget/fy2012/FY_12_Green_Book.pdf.

⁶⁰⁸ England, Gordon, "The Pentagon's Financial Drawdown," New York Times, July 15, 2011, <http://www.nytimes.com/2011/07/15/opinion/15England.html>.