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The FY2013 Defense Budget, the Threat of Defense Cuts and Sequestration, and the Strategy-Reality Gap

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The Realities that Should Shape US Strategy and US Military Forces for FY2013 and the Next Decade

- *Concepts are not a strategy. Broad outlines do not set real priorities. A strategy requires a plan with concrete goals numbers schedules and costs for procurement, allocation, manpower, force structure, and detailed operational capabilities.*
- *For all the talk of 10 years of planned spending levels and cuts, the President and Congress can only shape the actual budget and defense program one year at a time. Unpredicted events and realities will intervene. There is a near zero real world probability that the coming plan and budget will shape the future in spite of changes in the economy, politics, entitlements, and threats to the US.*
- Strategy will, however, be driven as much by changes in the national economy, national resource and cost constraints, and entitlements pressures, as by threats.
- Real world forces and mission capabilities will be budget and cost driven-barring unexpected existential threat. The command and JCS must develop resource-constrained joint plans and budgets.
- New threats, strategies, and tactics – cyberwarfare, space, cost-oriented asymmetric warfare -- will pose a growing challenge putting constant additional new pressures on force plans and resources.
- But, the global emergence of new economic powers and economic competition will be as important as military threats.
- A valid national strategy must increasingly consider the actions of potential allies and threats, global economic changes, domestic spending needs, foreign policy and aid, homeland defense,
- Non-traditional alliances and relations will continue to become steadily more important.
- The military aspects of strategic choices should be joint choices made by major mission and command. The services should not be strategic planners, only enablers. Interservice rivalry will be self-destructive.
- The quality of execution and cost control is critical, and must have top down Secretarial and Service Chief responsibility.

**Living with a Continuing Crisis
over Entitlements, Taxes,
deficits, and Pressures on
Discretionary and Defense
Spending**

Tying Security Strategy to the US Role in the Global Economy

- The US may not face peer threats in the near to mid term, but it faces a wide variety of lesser threats that make maintaining effective military forces, foreign aid, and other national security programs a vital national security interest.
- The US does need to reshape its national security planning and strategy to do a far better job of allocating resources to meet these threats. It needs to abandon theoretical and conceptual exercises in strategy that do not focus on detailed force plans, manpower plans, procurement plans, and budgets; and use its resources more wisely.
- The US still dominates world military spending, but it must recognize that maintaining the US economy is a vital national security interest in a world where the growth and development of other nations and regions means that the relative share the US has in the global economy will decline steadily over time, even under the best circumstances.
- At the same time, US dependence on the security and stability of the global economy will continue to grow indefinitely in the future. Talk of any form of “independence,” including freedom from energy imports, is a dangerous myth. The US cannot maintain and grow its economy without strong military forces and effective diplomatic and aid efforts.
- *US military and national security spending already places a far lower burden on the US economy than during the peaceful periods of the Cold War, and existing spending plans will lower that burden in the future. National security spending is now averaging between 4% and 5% of the GDP -- in spite of the fact the US has been fighting two wars in Iraq and Afghanistan -- versus 6-7% during the Cold War.*

The Strains of War: Ten Years of DoD “Topline” Budget Outlays in \$US Billions in Current and Constant Dollars

These dollars include all enacted war and supplemental funding

Wartime spending peaked in FY2010. It was 2.3 times (129%) higher in current dollars than in FY2001 (the last pre 9/11 budget) and 1.8 times (77%) higher in constant dollars

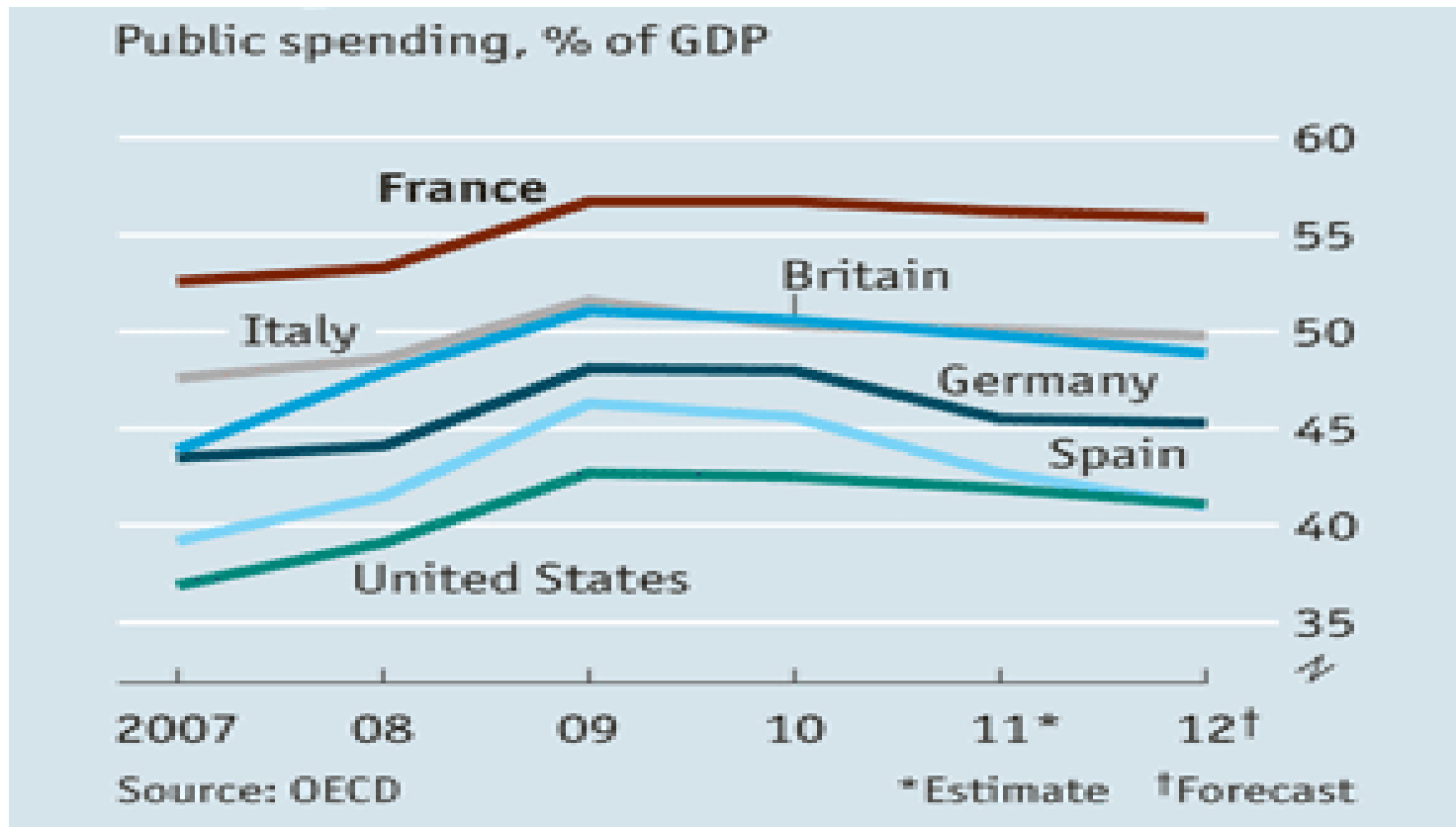
	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY 2011	FY2012
Current	281.2	291.0	332.1	387.3	436.5	474.2	499.3	529.1	594.6	636.3	666.7	678.0	688.2
Constant	397.2	398.6	442.6	505.3	550.2	572.4	582.7	600.1	651.3	686.5	705.3	702.2	699.1

But, Ten Years of War Have Placed a Limited Burden on the National Economy, and One Consistently Lower than in the Last Years of “Peace” in the Cold War

National Defense Totaled 5.2% to 6.2% of the US GDP from FY1980-FY1089; It had shrunk to a Post-WWII low of 3% in FY200 and FY2001. By comparison, it peaked at 37.8% in WWII, 14.2% in Korea, and 9.4% in Vietnam.

Fiscal Year*	% of Federal Budget		% of Net Public Spending		DoD as a % Public Employment				DoD as % of Total Labor Force	% of Gross Domestic Product	
	DoD	National Defense	DoD	National Defense	Military & Civilian		Civilian Only			DoD	National Defense
					Federal	Federal, State & Local	Federal, State & Local	Federal, State & Local			
2002	16.5	17.3	9.8	10.3	51.4	9.3	24.8	3.0	1.5	3.1	3.3
2003	17.9	18.7	10.8	11.3	51.1	9.3	24.3	3.0	1.5	3.5	3.7
2004	19.0	19.9	11.5	12.0	51.3	9.3	24.6	3.0	1.4	3.7	3.9
2005	19.2	20.0	11.7	12.2	51.0	9.1	24.7	3.0	1.4	3.8	4.0
2006	18.8	19.7	11.5	12.0	51.3	9.1	25.1	3.0	1.4	3.8	4.0
2007	19.4	20.2	11.6	12.1	50.3	8.9	24.4	3.0	1.4	3.8	4.0
2008 Base	15.9		8.1							3.3	
2008 Total	19.9	20.7	10.2	10.5	50.6	8.9	24.5	3.0	1.4	4.1	4.3
2009 Base	14.0		7.6							3.5	
2009 Total	18.1	18.8	9.7	10.1	51.3	9.1	25.4	3.1	1.4	4.6	4.7
2010 Base	14.6		7.6							3.5	
2010 Total	19.3	20.1	10.1	10.5	51.4	9.4	26.3	3.3	1.4	4.6	4.8
2011 Base	14.6		7.7							3.5	
2011 Total	18.8	19.6	9.9	10.3	52.6	9.6	27.7	3.5	1.5	4.5	4.7
2012 Base	14.9		7.9							3.6	
2012 Total	18.1	18.9	9.7	10.0	52.6		27.6			4.4	4.6
2013 Base	15.1		7.9							3.5	
2013 Total	17.7	18.5	9.3	9.7	52.2		27.3			4.1	4.3

The Key Problems are Recession, War Costs, and that Burden of US Public Spending is Limited Compared to Other Major Democracies, But Too high for American Politics



But CBO Estimates That There Will Be a Critical Rise in Deficit Without a Massive Increase in Taxes and Cut in Entitlements

Federal Debt Held by the Public Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of gross domestic product)



2020

Source: Congressional Budget Office.

Note: The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction), including those that expired at the end of December 2011, are instead extended; that the alternative minimum tax is indexed for inflation after 2011 (starting at the 2011 exemption amount); that Medicare's payment rates for physicians' services are held constant at their current level; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not take effect. The budgetary effects under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing.

OMB Estimates Entitlement Budget Authority Rises From 204%% of National Security in FY2012 (\$1,570.7B vs. \$738.0B) to 351% in FY2017 (\$1,850B vs. \$649.5B)

		<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
050	National Defense	717.4	676.7	647.4	566.3	579.0	589.4	601.3
150	International Affairs	53.6	61.3	69.8	39.6	42.5	45.4	48.2
250	General Science, Space and Technology	29.7	29.1	29.6	30.1	30.7	31.2	31.9
270	Energy	6.7	9.2	15.7	10.3	8.1	6.3	6.2
300	Natural Resources and Environment	35.4	37.1	34.8	36.2	37.0	37.9	39.1
350	Agriculture	21.5	17.1	24.0	18.4	20.2	20.1	20.1
370	Commerce and Housing Credit	-55.2	10.5	-7.7	-12.2	-16.6	-11.1	0.2
400	Transportation	86.5	138.6	89.2	101.9	108.3	115.1	121.5
450	Community & Regional Development	14.9	44.8	17.2	11.8	12.1	12.3	12.6
500	Education, Training, Employment, and Social Services	76.5	170.1	93.8	100.7	100.3	103.0	110.8
550	Health	359.7	364.8	366.8	484.2	548.2	575.2	607.5
570	Medicare	502.4	499.3	530.3	558.6	576.8	626.3	641.6
600	Income Security	583.7	566.6	551.2	536.9	542.3	552.3	553.7
650	Social Security	101.9	140.0	61.7	34.7	38.5	42.8	47.2
700	Veterans Benefit/Services	123.1	124.6	137.7	147.4	154.1	161.0	169.3
750	Administration of Justice	53.6	59.2	54.6	55.5	56.3	59.2	58.5
800	General Government	23.9	28.7	25.3	26.3	28.1	30.2	32.4
900	Net Interest	346.3	336.9	356.8	415.8	496.5	588.3	673.1
920	Allowances		0.5	5.5	34.8	33.4	33.9	34.4
950	Undistributed	-71.4	-83.3	-79.8	-79.4	-81.5	-82.7	-82.0
Grand Total		3,010.2	3,231.8	3,023.8	3,118.0	3,314.4	3,536.4	3,727.6

Data is from OMB Historical Table 5-1 (Budget Authority by Function and Subfunction).

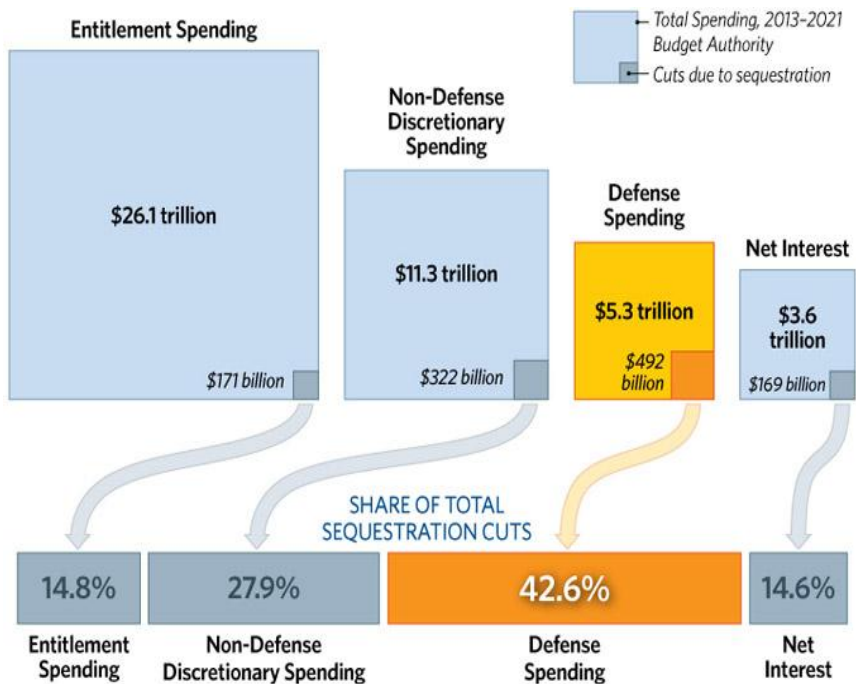
Even with Unrealistic Tax Rises, Entitlements Costs Could Cripple Federal Discretionary Spending : CBO 3/2012

	Actual,												Total	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
In Billions of Dollars														
Outlays														
Mandatory	2,026	2,101	2,129	2,225	2,361	2,534	2,633	2,742	2,923	3,096	3,283	3,535	11,882	27,462
Discretionary	1,347	1,303	1,219	1,195	1,198	1,220	1,233	1,250	1,283	1,312	1,343	1,381	6,065	12,634
Net Interest	230	224	233	248	286	343	401	454	503	544	573	604	1,511	4,189
Total	3,603	3,627	3,580	3,668	3,846	4,097	4,267	4,447	4,708	4,953	5,200	5,520	19,457	44,285
On-budget	3,104	3,124	2,941	2,959	3,091	3,296	3,417	3,547	3,754	3,939	4,123	4,377	15,704	35,443
Off-budget ^a	499	503	639	709	755	801	850	900	954	1,014	1,077	1,143	3,754	8,841
Deficit (-) or Surplus	-1,300	-1,171	-612	-385	-257	-259	-201	-175	-224	-234	-237	-303	-1,713	-2,887
On-budget	-1,367	-1,224	-647	-408	-275	-279	-223	-194	-235	-231	-216	-262	-1,833	-2,971
Off-budget ^a	67	53	36	23	18	21	22	19	11	-3	-21	-41	119	84
As a Percentage of Gross Domestic Product														
Outlays														
Mandatory	13.6	13.5	13.4	13.4	13.4	13.5	13.4	13.3	13.5	13.7	13.9	14.3	13.4	13.6
Discretionary	9.0	8.4	7.7	7.2	6.8	6.5	6.3	6.1	5.9	5.8	5.7	5.6	6.9	6.3
Net Interest	1.5	1.4	1.5	1.5	1.6	1.8	2.0	2.2	2.3	2.4	2.4	2.5	1.7	2.1
Total	24.1	23.4	22.5	22.1	21.8	21.9	21.7	21.5	21.8	21.9	22.0	22.4	22.0	22.0

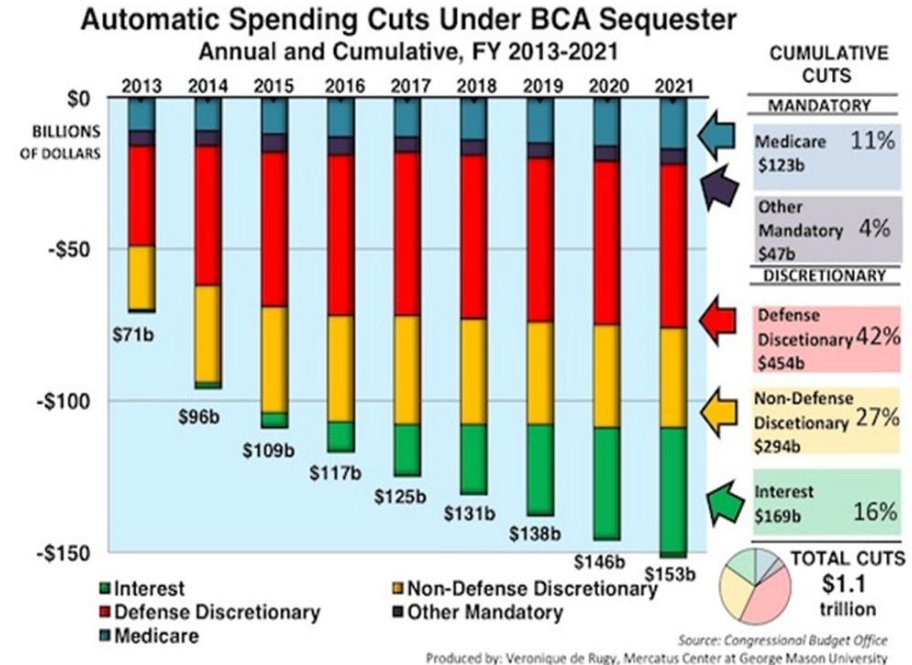
Much of the projected decline in the deficit only occurs because, under current law, revenues will rise considerably as a share of GDP—from 15.8 percent in 2012 to 19.8 percent in 2014 and 21.2 percent in 2022. In particular, in CBO’s baseline, revenues shoot up by more than 30 percent over the next two years, mostly because of the recent or scheduled expirations of tax provisions—such as those that reduce income and payroll tax rates and limit the reach of the alternative minimum tax (AMT)—and the imposition of new taxes, fees, and penalties that are scheduled to go into effect. **Under that alternative fiscal scenario, deficits over the 2013–2022 period would be much higher, averaging 5.3 percent of GDP rather than the 1.4 percent reflected in CBO’s baseline projections. Instead of declining to 61 percent of GDP, debt held by the public would climb to 93 percent in 2022, the highest percentage since just after World War II**

Defense Will Bear the Largest Share of the BCA Sequestrations

Defense will see the largest share of spending cuts under the Budget Control Act of 2011's automatic cuts. While entitlement spending is responsible for the largest share of federal government expenditures, discretionary cuts significantly outweigh entitlement cuts under this legislation.

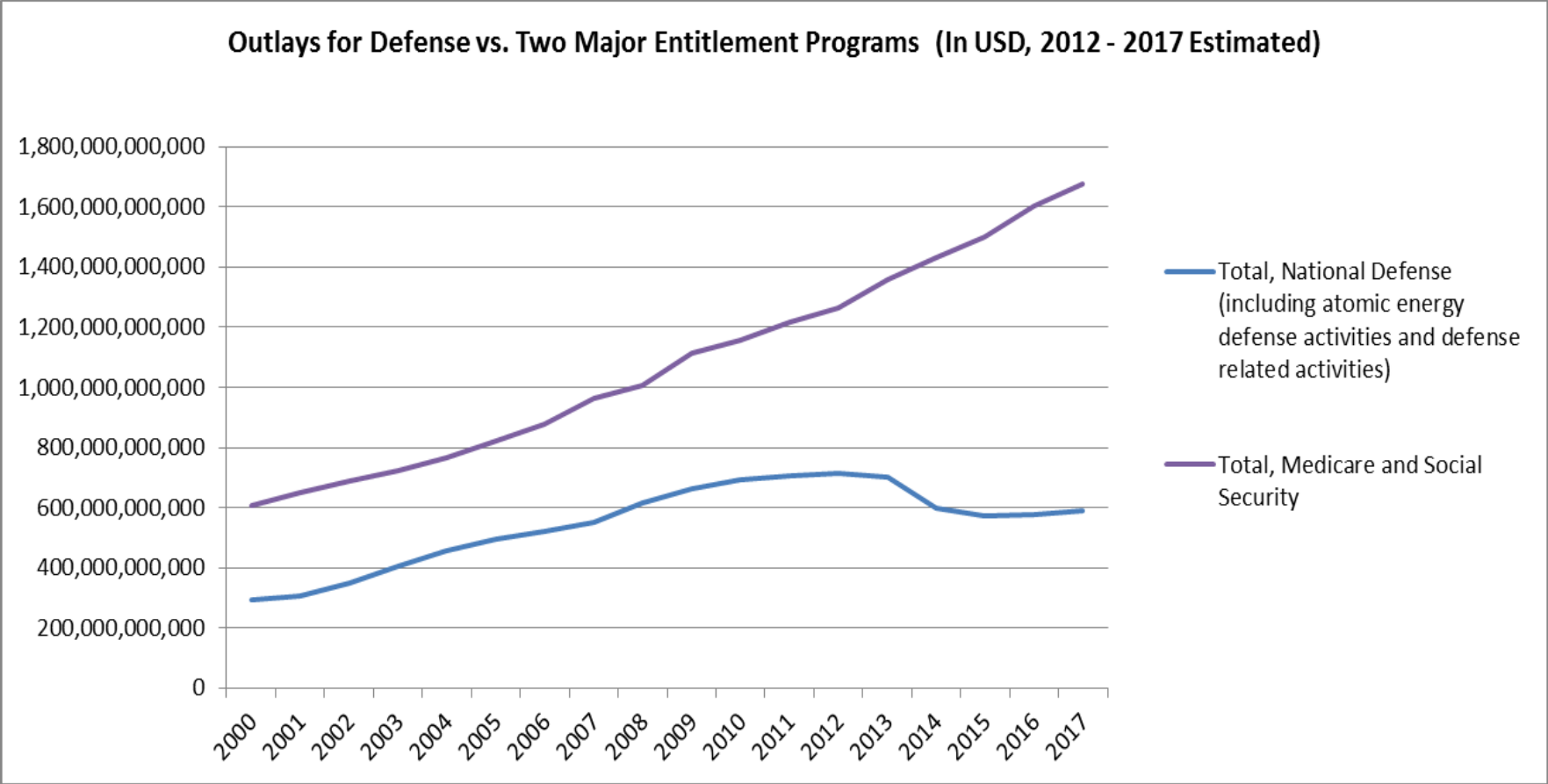


-Nominal Dollars, data from CBO, compiled by Heritage Foundation



-Graphic from *National Review Online*, <http://www.nationalreview.com/corner/281604/more-supercommittee-sequester-veronique-de-rugy>

Entitlements vs. Defense as a Burden on the National Budget



-Graph reflects data from OMB.

Our Greatest Threat is not Foreign, it is Managing Entitlements and the Social forces that Drive the Rise in Their Cost

- Mandatory or “entitlement” outlays will increase by 5.1 percent in 2011 and by an average of 4.4 percent annually between 2012 and 2020, compared with an average growth rate of 6.4 percent between 1999 and 2008.
- They will average 12.3% to 13.3% of the GDP during FY2012 to FY2020.
- Defense spending will average only 3.3% to 4.3%, dropping from a peak war year level of 4.7% in FY2010.
- All other discretionary federal spending will equal 4.1% to 3.1% of the GDP.*
- The defense share of federal spending is so low a percentage of total federal spending, the GDP, and rising entitlements costs that no feasible amount of cuts in US national security spending can have a major impact on the US deficit and debt problems..
- The most serious single threat the US faces to its national security does not come from foreign threats, but from the pressures on defense spending created by these domestic social and economic trends, and the rising cost US federal entitlements spending.
- These rises in total spending are driven two critical factors that cannot be addressed simply by altering the federal budget.
 - Cost of mandatory retirement and spending on the aging
 - Medical costs that extend far beyond government spending

* CBO, <http://www.cbo.gov/ftpdocs/108xx/doc10871/Chapter3.shtml>.)

An Aging Population Threatens National Security by Lacking Pensions and Savings

- In 1940, the life expectancy of a 65-year-old was almost 14 years; today it's almost 20 years. By 2036, there will be almost twice as many older Americans as today -- from 41.9 million today to 78.1 million.
- There are currently 2.9 workers for each Social Security beneficiary. By 2036, there will be 2.1 workers for each beneficiary. At the end of 2011, roughly 50% of the present US workforce had no private pension coverage, and 31% of the workforce has no savings set aside specifically for retirement.
- In 2011, 54% of retired married couples and 73% of unmarried persons – some 35 million Americans or 69% of those receiving benefits -- received 50% or more of their income from Social Security; and 22% of married couples.
- About 43% of unmarried persons receiving benefits relied on Social Security for 90% or more of their income.
- . Another 9% of Americans over 65 had no retirement savings and did not receive Social Security benefits.
- In addition, 8.4 million disabled Americans and 2 million of their dependents (19% of total benefits) depended on Social Security, plus 6.3 million survivors of deceased workers (12% of total benefits). (Social Security Administration)

The Rise in National Medical costs is the Greatest Single Threat to National Security

- Entire pattern of federal spending will be driven by the rising cost of Medicare, Medicaid (and potentially national medical care under the Affordable care Act as of 2014).
- These costs, however, are driven in turn massive rises in the national cost of medical care from around 6% of the GDP to well over 20% -- they rose 5.73% in 2011.
- Expenditures in the United States on health care surpassed \$2.3 trillion in 2008, more than three times the \$714 billion spent in 1990, and over eight times the \$253 billion spent in 1980. Without major changes in cost, they will equal some 25% of the GDP in 2025.
- They are costs which roughly one quarter of Americans have no insurance, and many only partial insurance coverage. Even so, the average health insurance premium for family coverage has more than doubled over the past decade to \$13,770 a year.
- Some 45.1% of the workforce from ages 18 to 64 had no coverage as of September 2011, and many retirees lacked the savings to pay for any additional payments above Medicare. These figures did not include Americans who had not worked in the last 12 months, and coverage had dropped substantially since 2008. If one includes self-financed medical insurance, some 50 million Americans or 16.% of the population had no coverage in 2010.
- In 2010, 31% of Americans relied on the government for health insurance, up from 24.2% in 1999. a total of 9.8% of children under age 18 are uninsured despite the government programs. (US Census Bureau, Kaiser Family Foundation, CNN Money)

But, the Self-Destructive Behavior of the Department of Defense is also Part of the Threat

The Department of Defense needs to make a major new effort to deal with its own, self-inflicted non-traditional threats.

- Massive rises in the cost per soldier on active duty.
- A quarter century of posturing (?), failed efforts to develop effective procurement programs and cost controls.
- A fundamental breakdown in the ability to tie strategy to feasible, affordable programs.

Strategy by Constraints on Topline Defense Spending: FY 2001-FY2017

*No Matter What Rationale is Provided, Our Real-World
Strategy is Now Driven by Budget Limits*

Secretary Panetta on the Risks of Letting Budget Limits Drive Strategy

- “The risks come with the fact that ... we will have a smaller force...when you have a smaller force, there are risks associated with that in terms of our capability to respond. “We think we've dealt with those risks because the combination of the forces we have in place and the ability, if we have to, to mobilize quickly will give us the capability to deal with any threat.”
- “We’re depending a great deal on being at the technological edge of the future...Can we develop the kind of technology we're going to need to confront the future? I’m confident we can, but there are risks associated with that.”
- “The reality is that as we draw down from Iraq and Afghanistan, we still face a number of very important threats in the world...Obviously we're continuing to fight a war in Afghanistan, and we continue to face the threat of terrorism.”
- “We see the threats coming from Iran, and a nuclear-capable Iran represents a threat to us and to the world...Weapons of mass destruction and proliferation of weapons of mass destruction are a concern. North Korea is a concern because they, too, are developing a nuclear capability.”
- You can see the vast array of threats that we have to confront with the force that we've designed here...So it's all of those that are my concern for the future.”

Jim Garamone, Panetta, Dempsey Discuss Risks, Threats of the Future, American Forces Press Service, Washington, Jan. 26, 2012

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Chairman Dempsey on the Risks

- “The greater risk would be had we decided that we would just wish away any particular capability or any particular form of conflict.. So, say, ‘no, ... we're just never going to do that.’ What you're expressing here is the recognition that we are retaining our full-spectrum capability, and that we didn't take any risk with that.”
- “At the same time, we put national security above parochial interest -- exactly what the American people should expect of us.”
- “Capability is more important than size...We get leaner. But this budget does not lead to a military in decline. It leads to a joint force that is global and networked, that is versatile and innovative, that is ably led and that is always ready.”
- That joint force “can win any conflict, anywhere,”
- There are no proposed pay freezes or reductions, and department officials will not change health care benefits for active-duty troops, those with combat injuries or service members who have medically retired, he added. “But we cannot – we cannot - ignore some hard realities...Pay and benefits are now roughly one-third of defense spending. ... pay will need to grow more slowly in the future.”
- “We'll take the time to determine how to enact any retirement reforms over the next year.
- “It represents responsible investment in our national security...But make no mistake, the tradeoffs were tough. The choices were complex.”
- “The primary risks lie not in what we can do, but in how much we can do and how fast we can do it,” he said. “The risks, therefore, are in terms of time and capacity.”
- “I am convinced we can properly manage them by ensuring we keep the force in balance, investing in new capabilities and preserving a strong reserve component...As I've said before, we will face greater risks if we do not change the way we've been doing things.”
- “Much will be said and written about the individual decisions underlying this budget...Some may be tempted to view them through the prism of a zero-sum game, parsing through each cut, each change, to look for a winner and a loser. That is actually the least-productive way to assess this budget...I'm confident it meets our nation's needs in our current fights and for our future.”

Jim Garamone, *Panetta, Dempsey Discuss Risks, Threats of the Future*, American Forces Press Service, Washington, Jan. 26, 2012; and Ken Parrish, *Dempsey: Defense Budget Reflects Clear Strategic Choices*, American Forces Press Service, Washington, Jan. 26, 2012.

Topline By the Numbers

- \$525 topline (Baseline) billion for FY2013, rising to \$567 billion in FY217 in current dollars. Down from \$531 billion in FY2011.
- Wartime (OCO) account drops from \$115 billion in FY2011 to \$88.4 billion in FY2012.
- Conforms to 2011 Budget Control Act requirement to reduce future DoD expenditures by \$487 billion over next decade (a cut of nearly 9%), or \$259 billion over next five years.
- The new budget level for the Defense Department will rise from FY 2013 to FY 2017; however, total U.S. defense spending, including both base funding and war costs, will drop by about 22% from its peak in 2010, after accounting for inflation.
- By comparison, the 7 years following the Vietnam and Cold War peak budgets saw a similar magnitude of decline on the order of 20 to 25%.
- Cuts are a continuation of the effort begun in 2010, which identified more than \$150 billion in savings over five years allocated among the three military departments, the defense agencies,
- combatant commands, and the Secretary's staff. This left less room for additional reductions to meet the new target of \$259 billion over FY13-17.
- Nonetheless, DoD found about \$60 billion in new projected savings over FY13-17.

Different Estimates of Coming Cuts

Budget Control Act Mandated Reductions

- \$487B over 10 years (FY 2012-2021)
- \$259B over 5 years (FY 2013-2017)

Defense Budget over Time¹

\$B	FY01	...	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Base	297		528	528	531	525	534	546	556	567
OCO²	13		163	159	115	88				
Total	310		691	687	646	614			TBD	

Budget Reduction from Peak FY10 Funding¹

	\$B	FY10	FY17	\$ Change	% Change
Nominal	Base	528	567	39	7%
	OCO	163	44 ³	-119	-73%
	Total	691	611	-80	-12%
Real (\$FY13)	Base	557	529	-28	-5%
	OCO	172	41	-131	-76%
	Total	729	570	-159	-22%

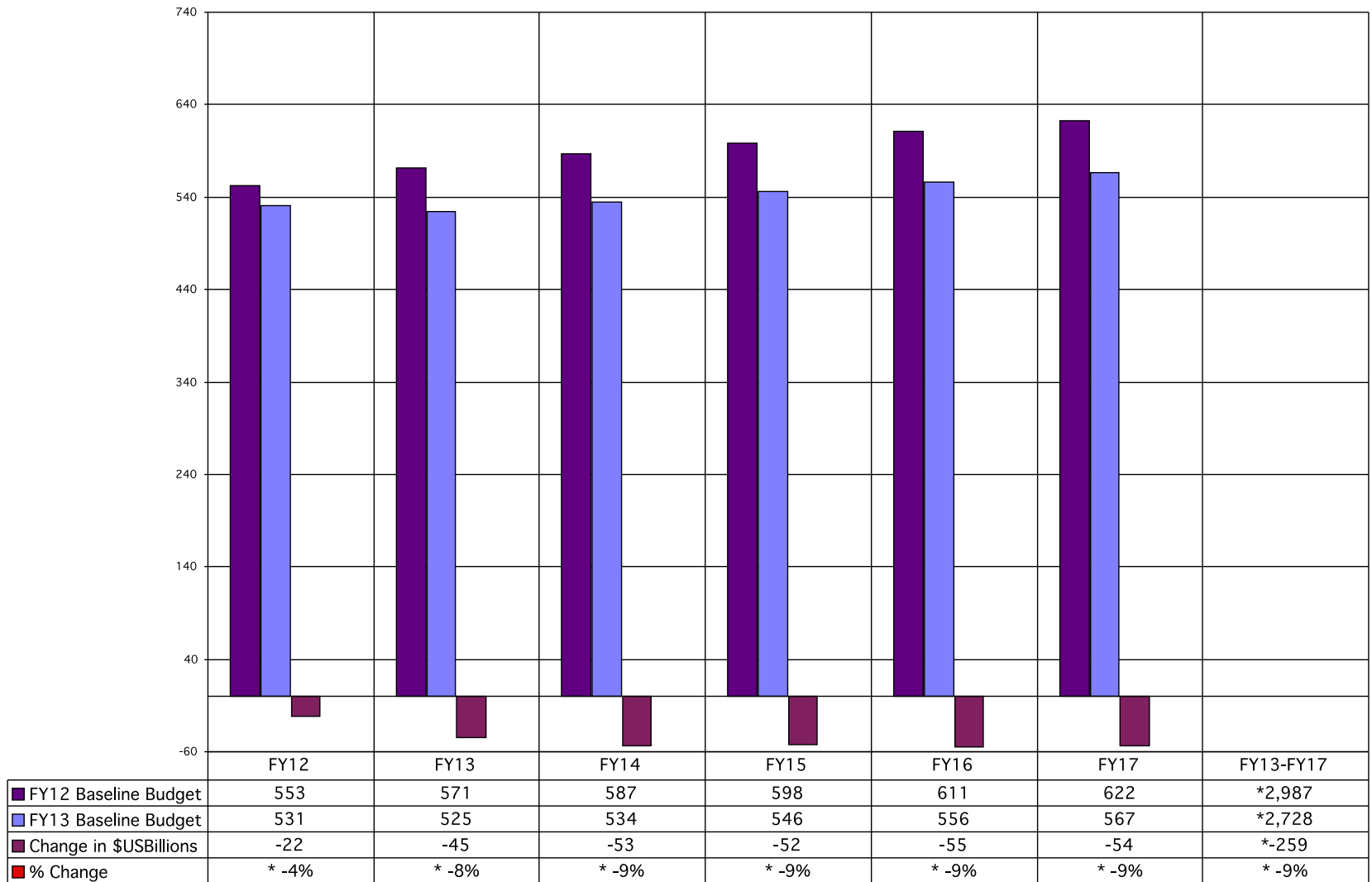
Change from the Base FY12 President's Budget¹

\$B	FY12	FY13	FY14	FY15	FY16	FY17	FY13-17
FY12 Budget	553	571	587	598	611	622	2,987
FY13 Budget	531 ⁴	525	534	546	556	567	2,728
\$ Change	-22	-45	-53	-52	-55	-54	-259
% Change	-4%	-8%	-9%	-9%	-9%	-9%	-9%

Annual Base Budget Changes¹

	\$B	FY12	FY13	FY14	FY15	FY16	FY17	FY13-17
Nominal	FY13 Budget	531	525	534	546	556	567	
	% Change		-1.0%	1.5%	2.3%	1.8%	2.1%	6.8%
Real (\$FY13)	FY13 Budget	538	525	527	531	530	529	
	% Change		-2.3%	0.3%	0.6%	-0.2%	-0.1%	-1.6%

Cuts from FY2012 President's Baseline Budget Request in FY2013 Request: (\$US in Current Billions)



Source: Adapted from DoD Factsheet issued by OSD (PA) on 26.1.12

How Much Should Be Enough? Still Roughly 4% of GDP in FY2001-FY2017:

\$ in Billions	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13*
Base	296.9	328.1	364.9	376.5	400.0	410.5	431.4	479.0	513.2	527.9	528.2	530.6	525.4
OCO/ Supplementals	13.4	16.8	72.5	90.7	75.6	115.7	166.2	186.9	145.6	162.3	158.8	115.1	88.5
Other**	5.8	--	--	0.3	3.2	8.1	3.1	--	7.4	0.7	--	--	--
Total	316.2	345.0	437.4	467.6	478.9	534.4	600.9	665.9	666.3	690.9	687.0	645.7	613.9

Numbers may not add due to rounding

Data is discretionary budget authority. FY 2001 through FY 2011 are actual levels. The FY 2012 is the appropriated or enacted amount.

** Budget Request.*

*** Non-war supplemental appropriations, e.g. funding needed in base budget for fuel costs, hurricane relief, and other disaster relief.*

\$ in Billions	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY13 – 17 TOTAL
FY 2012 PB	570.7	586.4	598.2	610.6	621.6	2,987.5
FY 2013 PB	525.4	533.6	545.9	555.9	567.3	2,728.1
Delta	-45.3	-52.8	-52.3	-54.7	-54.3	-259.4
Real Growth	*-2.5%	0.0%	+0.8%	+0.2%	+0.2%	** -0.3%

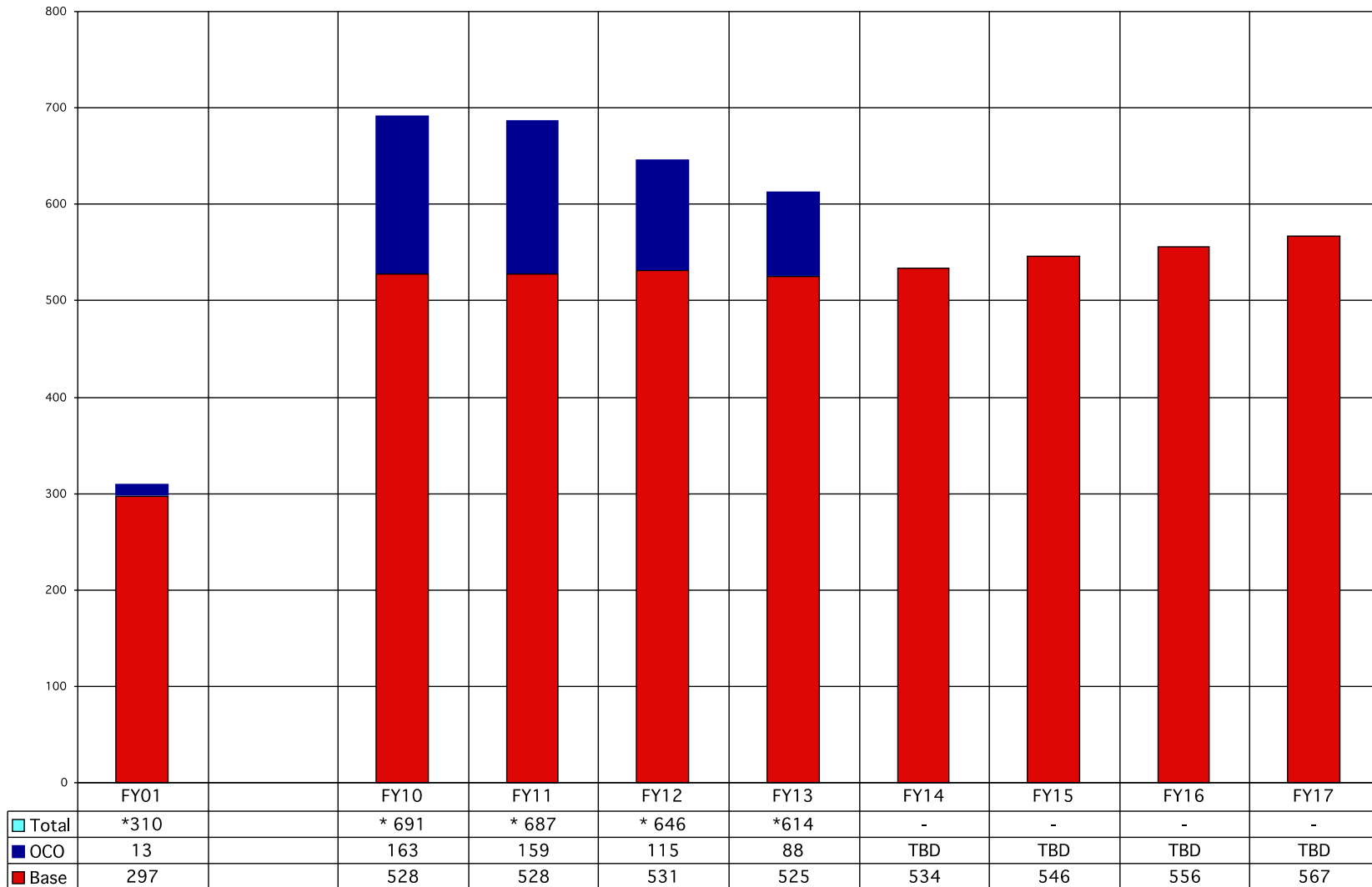
**Real growth calculated from the FY 2012 appropriation (\$530.6 billion).*

***Average annual real growth for FY 2013 – FY 2017.*

Source: DoD FY2013 Budget Summary

FY2013-FY2017 Budget Remains High If Exclude Wartime Spending

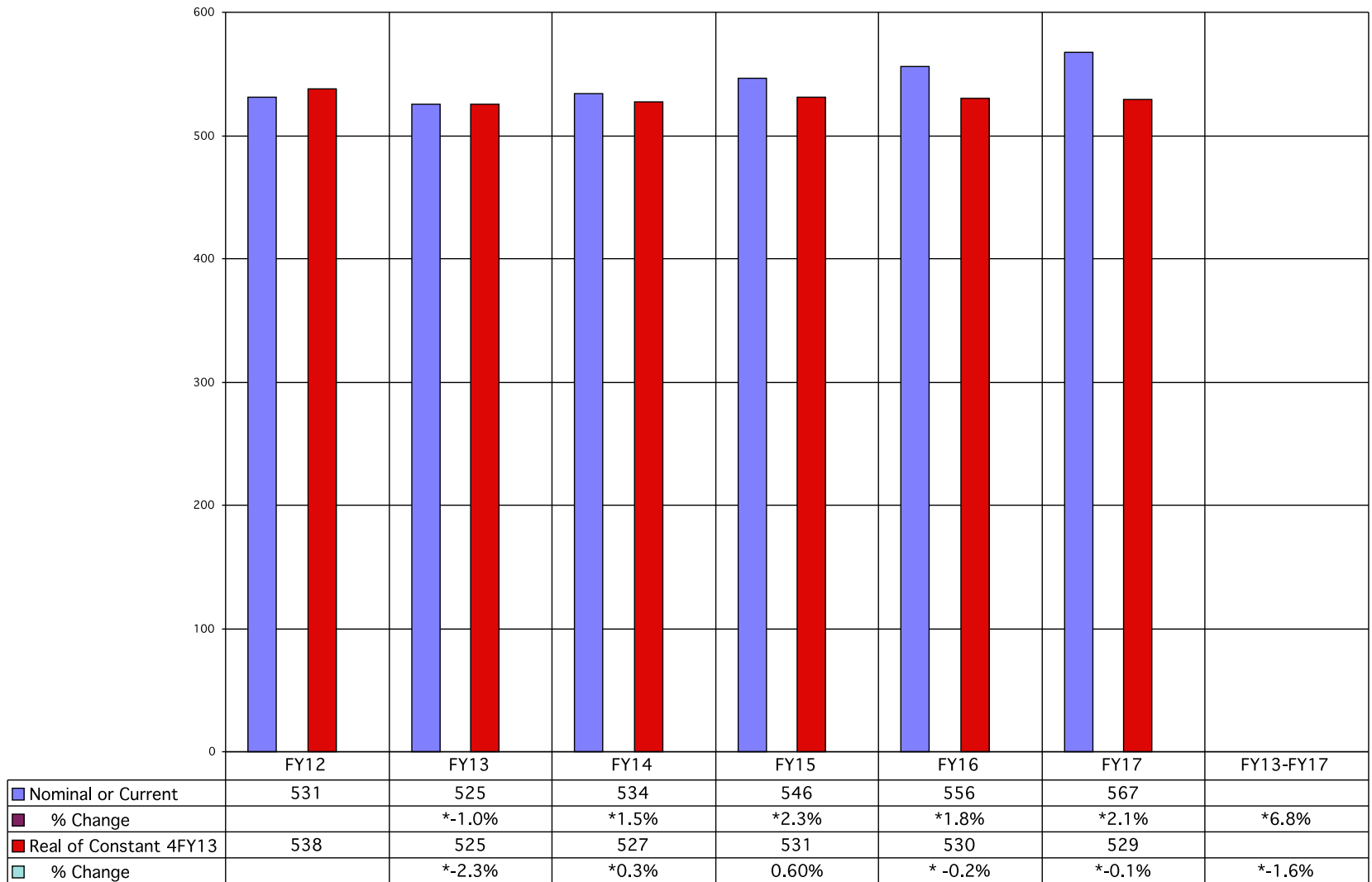
(\$US in Current or “Nominal” Billions)



Source: Adapted from DoD Factsheet issued by OSD (PA) on 26.1.12

Baseline Cuts Are Minimal Even in Constant Dollars

(\$US in Current vs. Constant Billions)



Source: Adapted from DoD Factsheet issued by OSD (PA) on 26.1.12

BUT, Sequestration Impact Could Cripple Defense Spending: Force \$54.6 Billion a Year Cut in Budget Caps: \$2,598B Over Five Years and \$4,878 Over Ten Years

Limits on Discretionary Budget Authority for Fiscal Years 2013 to 2021

(Millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Caps Set in the Budget Control Act^a									
Defense	546,000	556,000	566,000	577,000	590,000	603,000	616,000	630,000	644,000
Nondefense	501,000	510,000	520,000	530,000	541,000	553,000	566,000	578,000	590,000
Total	1,047,000	1,066,000	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Effect of Automatic Enforcement Procedures^b									
Defense	n.a.	-54,649	-54,649	-54,650	-54,650	-54,651	-54,651	-54,651	-54,652
Nondefense	n.a.	-37,937	-37,321	-36,568	-36,218	-35,648	-34,672	-33,301	-32,910
Total	n.a.	-92,586	-91,970	-91,218	-90,869	-90,298	-89,323	-87,952	-87,562
Revised Caps									
Defense	546,000	501,351	511,351	522,350	535,350	548,349	561,349	575,349	589,348
Nondefense	501,000	472,063	482,679	493,432	504,782	517,352	531,328	544,699	557,090
Total	1,047,000	973,414	994,030	1,015,782	1,040,131	1,065,702	1,092,677	1,120,048	1,146,438

Source: Congressional Budget Office.

Note: Numbers in the table may not add up to totals because of rounding; n.a. = not applicable.

- Section 251A of the Budget Control Act of 2011 (Public Law 112-25) specified that a different set of caps would take effect for 2013 through 2021 to cover defense (budget function 050) and nondefense budget authority if recommendations of the Joint Select Committee on Deficit Reduction that would reduce deficits by \$1.2 trillion over that period were not enacted by January 15, 2012.
- The automatic enforcement procedures delineated in the Budget Control Act would reduce the caps on discretionary budget authority for 2014 through 2021. For 2013, a sequestration of budgetary resources is scheduled to take effect, but no further reduction in the caps is specified in the law. Discretionary budget authority for 2013, CBO estimates, would be reduced by \$97,469 million through that sequestration. In addition, a sequestration of mandatory spending is scheduled each year between 2013 and 2021.

The Myth of Efficiency: “More Disciplined Use of Resources” = DoD Wide Cuts Worth \$30.8 Billion in FY2013-FY2017

- Civilian Pay Raises (\$10.4 billion). The civilian pay increase for FY 2013 was limited to 0.5 percent.
- Defense Agency/Office of the Secretary of Defense (\$10.7 billion). Initiatives include reducing overhead, staffing, and expenses; more efficient contracting and acquisition; and more.
- Better Buying Power (\$5.3 billion). obtain greater efficiency and productivity in defense spending by improving the way the Department acquires critical defense goods and services.
- Ensure Compliance with the Executive Order on Promoting Efficient Spending (\$0.5 billion). Reductions were made to travel, printing and reproduction by leveraging technology to teleconference and provide information in electronic form.
- Reduce Combatant Command Support Costs (\$1.5 billion). Initiatives include reducing overhead and support costs.
- Reduce Defense Working Capital Fund Rates (\$1.1 billion). Reduce rates for supplies and printing provided by the Defense Logistics Agency, financial services provided by the DoD Finance and Account Service, and Pentagon space as a result of cost reductions.
- Delay and restructure various facility projects (\$0.6 billion)

“More Disciplined Use of Resources”

Budget Cuts by Service: FY2013-FY2017 -- \$30.8 Billion

Department of Army (\$18.5 billion)

- Streamline installation support functions and reduce installation support (\$5.3 billion)
- Consolidate information technology enterprise services (\$1.4 billion)
- Streamline management headquarters and administrative support functions (\$0.7 billion)
- Reduce civilians supporting overhead functions (\$0.9 billion)
- Reduce recruiting, advertising and enlisted incentives as a result of economic conditions (\$0.7 billion)
- Defer training range revitalization projects (\$1.3 billion)
- Delay MILCON projects and facility restoration and modernization (\$5.8 billion)
- Reduce equipment technical support and ammunition sustainment (\$1.7 billion)
- Streamline Personnel Security administration (\$0.4 billion)
- Other streamlining efficiencies (\$0.3 billion)

Department of Navy (\$5.7 billion)

- Implement strategic sourcing of commodities and services (\$2.2 billion)
- Consolidate information technology enterprise services (\$1.6 billion)
- Streamline organizations (\$0.7 billion)
- Reduce procurement modifications (\$0.3 billion)
- Increase buying power (\$0.7 billion)
- Other streamlining efficiencies (\$0.2 billion)

Department of Air Force (\$6.6 billion)

- Consolidate information technology enterprise services (\$1.1 billion)
- Reduce service support contractors (\$1.2 billion)
- Reduce administrative travel and permanent change of station travel (\$0.5 billion)
- Streamline contracting (\$0.4 billion)
- Reduce inventories (\$0.3 billion)
- Reduce accessions and force development and training (\$0.5 billion)
- Delay MILCON projects (\$2.4 billion)
- Other streamlining efficiencies (\$0.2 billion)

\$60B More in “Projected Savings Through Efficiency, More Disciplined Use of Dollars”

- Continuation of the effort begun in 2010, which identified more than \$150 billion in savings over five years allocated among the three military departments, the defense agencies ,combatant commands, and the Secretary’s staff. This left less room for additional reductions to meet the new target of \$259 billion over FY13-17.
- Nonetheless, did find about \$60 billion in new projected savings over FY13-17.
- Examples include:
 - More skillful contracting practices to increase competition, reduce costs, and increase buying power
 - Better use of information technology
 - Better use of business and enterprise systems
 - Streamlined staff
 - Limitations on official travel
 - Better inventory management
 - Reductions in contract services
 - Deferral of some military construction to align our facilities more closely with the size and posture of our future force
 - Reductions in planned civilian pay raises.
- “Beyond the roughly \$60 billion in efficiencies and overhead savings, eliminated a number of poorly performing programs” described earlier.

Senate Markups to the FY2013 Defense Budget

The Senate Committee on Armed Services passed a \$631.4 billion budget authorization on May 24, which included approximately 150 amendments. Analysis of the draft bill is limited as of yet, but according to one observer, the draft bill includes:

- Restricting assistance to the Pakistani military while Pakistan continues to prohibit the movement of supplies to Afghanistan;
- Eliminating many of the funding decreases planned for the Air National Guard;
- Sustaining M1 Abrams production;
- Eliminating higher TRICARE fees;
- Cutting the number of civilians within DOD by 5% within 5 years.

Source: Jeremy Herb, "Senate Panel Moves \$631B Defense Bill." *DEFCON Hill: The HILL's Defense Blog*. May 24, 2012. <http://thehill.com/blogs/defcon-hill/budget-appropriations/229433-senate-panel-passes-631b-defense-bill>

Amendments offered by the Armed Services Committee's Subcommittee on Readiness and Management Support, the only subcommittee to hold a markup session open to the public, include:

- Eliminating approximately \$500 million from O&M and over \$600 million from military construction;
- Increasing funding for the DOD Inspector General (\$59 million increase) and the DOD Corrosion Control Initiative (\$21 million increase);
- Improving contracting to enhance the accountability of contractors and the efficiency of programs;
- Proposing that a risk assessment be conducted prior to cutting a key Marine Corps squadron;
- Improving efficiency in supplying the mission in Afghanistan through the Northern Supply Route;
- Eliminating base realignments and closures (BRACs) for FY 2013.

Source: US Senate, Subcommittee on Readiness and Management Support, Committee on Armed Services, "Hearing to Mark Up the Readiness and management Support Programs Contained in the National Defense Authorization Act for Fiscal Year 2013.," May 22, 2012. <http://armed-services.senate.gov/Transcripts/2012/05%20May/12-39%20-%205-22-12.pdf>

As the FY2013 Defense Budget Goes Through The Legislature, Congressionally-Driven Spending Could Cause Friction With the Obama Administration

The House of Representatives recently passed a defense budget worth \$642 billion, including billions more than what was proposed by the President. It is reported by the *Washington Post* that the President may veto the budget. Key issues include:

- The House does not support the closing of bases in the US in FY 2013;
- Representatives have stipulated that US troops would remain in Afghanistan until 2014 with a combat force 68,000 strong. An accelerated withdrawal amendment failed in the House;
- An additional \$100 million was included for a missile defense shield on the US East Coast.

Sources: AP, "Divisive Issues in the House Defense Budget," *The Guardian*, May 18, 2012. <http://www.guardian.co.uk/world/feedarticle/10248886>

Key political issues in the budget going forward:

- **BASE CLOSURES:** Both the House and the Senate are seemingly in agreement with regards to closing bases in the US. The decisions against the closings on both sides appear to be driven by the costliness of past closings;
- **BUDGET INCREASES:** The House bill and Senate draft bill call for spending in excess of what is permitted under the Budget Control Act of 2011. In fact, the House has approved a budget that adds several billion dollars to the Obama Administration's planned expenditures. Significantly more expenditures than planned by the administration raises the prospect of a presidential veto;
- **MISSILE DEFENSE:** A key point of disagreement in reconciling the bills will be the missile defense shield on the US East Coast, which is supported by the House but not the Senate. In terms of overseas defenses, both the House and the Senate are in agreement on strengthening missile defense in Israel;
- **INDEFINITE DETENTION:** Both the House bill and the draft bill that left the Senate Committee on Armed Services do not alter the section of the defense budget that allows for indefinite detention, although it is reported that Senator Udall will propose an amendment for the Senate floor when the bill is debated in June or July.

Sources: AP, "Divisive Issues in the House Defense Budget," *The Guardian*, May 18, 2012. <http://www.guardian.co.uk/world/feedarticle/10248886>; US Senate, Subcommittee on Readiness and Management Support, Committee on Armed Services, "Hearing to Mark Up the Readiness and management Support Programs Contained in the National Defense Authorization Act for Fiscal Year 2013.," May 22, 2012. <http://armed-services.senate.gov/Transcripts/2012/05%20May/12-39%20-%205-22-12.pdf>; Jeremy Herb, "Senate Panel Moves \$631B Defense Bill." *DEFCON Hill: The HILL's Defense Blog*. May 24, 2012. <http://thehill.com/blogs/defcon-hill/budget-appropriations/229433-senate-panel-passes-631b-defense-bill>

Other Key Issues in the FY2013 House Authorization and Draft Senate Authorization Bills

- **FACILITY UPKEEP AND OVERHAUL:** The House authorization bill contains just under \$600 million (just over \$770 million in the appropriations bill) for facility upkeep and overhaul. This has been described by a defense budget analyst as a “slush fund” for de facto pork barrel spending on programs yet to be defined. Republicans in the House however say it is necessary due to the administration’s attempts to save money on maintenance by simply extending the lifespan of facilities.
- **AIR NATIONAL GUARD:** Both the House and the Senate bills eliminate planned scale-backs for the Air National Guard.
- **VIRGINIA-CLASS SUBMARINE:** Procurement of a second vessel has been supported by both the House and Senate. This sub class was identified by SECDEF as playing a key role in advancing US area-denial penetration capabilities in East Asia.
- **TRICARE:** Rises in fees have been eliminated by the House and Senate.
- **M1 ABRAMS:** The House and Senate call for sustaining production.
- **MILITARY ASSISTANCE TO PAKISTAN:** Assistance is restricted in both the House and Senate bills. In both cases, the restrictions were the result of Pakistan continuing to prohibit the movement of supplies to Afghanistan. The House restriction puts a hold on \$650 for Pakistan – this hold is incumbent upon the supply route being closed.

Sources: Shaun Waterman, “House Republicans Add Half-Billion Dollars to Pentagon Budget,” *The Washington Times*, June 1, 2012. <http://www.washingtontimes.com/news/2012/jun/1/house-republicans-add-half-billion-pentagon-budget/>; Austin Wright, “House, Senate Face Off Over Defense Bill,” *Politico*, May 30, 2012. <http://www.politico.com/news/stories/0512/76886.html>; Roxana Tiron and Tony Capaccio, “Senate Panel Backs Defense Bill Keeping With Obama Budget,” *Bloomberg*, May 25, 2012. <http://www.bloomberg.com/news/2012-05-24/senate-panel-backs-defense-bill-keeping-with-obama-budget.html>; Jane Perlez, “Panetta Outlines New Weaponry for Pacific,” *New York Times*, June 1, 2012. <http://www.nytimes.com/2012/06/02/world/asia/leon-panetta-outlines-new-weaponry-for-pacific.html>; Rick Maze, “Senate Panel Kills Big Tricare Fee Hikes,” *Army Times*, May 24, 2012. <http://www.armytimes.com/news/2012/05/military-senate-panel-kills-tricare-fee-hikes-052412w/>; Agencies, “US House Puts Pak Aid on NATO Trucks,” *The Nation*, May 19, 2012. <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/national/19-May-2012/us-house-puts-pak-aid-on-nato-trucks>

The Impact of Sequestration on Defense and National Security

“...every dollar the United States spends on old and unnecessary programs is a dollar we lose from new, necessary strategic investments...Sequester was designed to be irrational...a sequester would have devastating effects on our readiness and our workforce and disrupt thousands of contracts and programs.” –Deputy Defense Secretary Ashton Carter, May 30, 2012.

- It was recently determined that sequestrations could have a direct impact on war fighting. While initially thought that overseas contingency operations (OCO) would be insulated from sequestration, a DOD statement from May 2012 indicates that OCO funds are in fact vulnerable to scale-backs.
- While DOD has sought cost-saving measures such as boosting TRICARE premiums and closing bases through BRACs, Congress has opposed these measures. Congressional resistance to DOD efforts to conserve resources threatens the department’s ability to adapt to the constraints of fiscal austerity.

Sources: Quote from US Department of Defense, “Deputy Secretary of Defense Carter Speech to the American Enterprise Institute Washington, DC,” News Transcript, May 30, 2012. <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5044>; Other sources Roxana Tiron, “War Funds Face Automatic Cuts In January, Pentagon Says,” *Bloomberg News*, May 30, 2012. and Charles S. Clark, “Pentagon’s No. 2 Leader Criticizes Lawmakers’ Add-Backs To Defense Bill,” *GovExec.com*, May 30, 2012.

Strategy as a Set of Vague Concepts

“New Strategic Priorities and Budgetary Goal” Are Described Largely in Terms of Good Intentions and “Fortune Cookie” Prose

Credible New Primary Strategic Priorities and Missions BUT, No Meaningful Explanation or Details

- ❑ **Counter Terrorism and Irregular Warfare**
- ❑ **Deter and Defeat Aggression**
- ❑ **Project Power Despite A2/AD Challenges**
- ❑ **Counter Weapons of Mass Destruction**
- ❑ **Operate Effectively in Cyberspace and Space**
- ❑ **Maintain a Safe, Secure, and Effective Nuclear Deterrent**
- ❑ **Defend the Homeland and Provide support to Civil Authorities**
- ❑ **Provide a Stabilizing Presence**
- ❑ **Conduct Stability and Counterinsurgency Operations**
- ❑ **Conduct Humanitarian, Disaster Relief, and Other Operations**
- ❑ **Continue to Move toward a more Collaborative in Interoperable Joint Force**

Strategy by Vague Concept

- The Pentagon released an outline of its forward-looking defense planning in light of the roughly \$490 billion in defense spending cuts over ten years currently underway as result of prior decisions in 2009-2011.
- This guidance did not, however, consider the \$580-\$600 billion in additional reductions specified under the Budget Control Act, apparently assuming that Congress will intervene to prevent sequestration. Dealing with sequestration came later.
- It featured a broad emphasis on technology, the air-land battle in Asia, maintaining a strong posture in the Middle East, relying more on partnerships with our allies, reduced but ready ground forces, and a slow-down in procurement
- *Broad outlines, however, do not set real priorities until concrete numbers and plans for procurement, allocation, manpower, force structure, and detailed operational capabilities.*
- *For all the talk of 10 years of planned spending levels and cuts, the President and Congress can only shape the actual budget and defense program one year at a time. There is a near zero real world probability that the coming plan and budget will shape the future in spite of changes in the economy, politics, entitlements, and threats to the US.*
- *A national strategy cannot be based on military spending alone. It must consider the actions of potential allies and threats, global economic changes, domestic spending needs, foreign policy and aid, homeland defense.*

“Strategy by Mystical Pyramid”



“Strategy by Concept”

STRATEGIC GOAL 1: PREVAIL IN TODAY’S WARS.

- 1.1-OCO: Degrade the Taliban to levels manageable by the Afghan National Security Force (ANSF), while increasing the size and capability of the ANSF.
- 1.2-OCO: Execute a responsible drawdown of the U.S. military presence in Iraq.

STRATEGIC GOAL 2: PREVENT AND DETER CONFLICT.

- 2.1-1F1: Extend a global posture to prevail across all domains by increasing capacity in general purpose forces and by enhancing stability operations and foreign security force competency.
- 2.2-1F2A: Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.
- 2.3-1F3: Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.
- 2.4-1X2: Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.

STRATEGIC GOAL 3: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.

- 3.1-1F2B: Improve the responsiveness and flexibility of consequence management response forces.
- 3.2-1F2C: Enhance capacity to locate, secure, or neutralize weapons of mass destruction, key materials, and related facilities.
- 3.3-1F2C: Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.
- 3.4-1X1: Expand capacity to succeed against adversary states armed with anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.
- 3.5-2D: Maintain a strong technical foundation within the Department’s Science and Technology (S&T) program.

STRATEGIC GOAL 4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.

- 4.1-2M: Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.
- 4.2-2P: Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.
- 4.3-2R: Better prepare and support families during the stress of multiple deployments.
- 4.4-2T: Train the Total Defense Workforce with the right competencies.

STRATEGIC GOAL 5: REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.

- 5.1-2A: Increase use of renewable energy and reduce energy demand at DoD installations.
- 5.2-2C: Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase mission assurance.
- 5.3-2E: Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.
- 5.4-2L: Provide more effective and efficient logistical support to forces abroad.
- 5.5-2U/V: Improve financial management and increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.

What Does This Actually Mean? Primary Missions and Priorities- I: ***“recalibrate its capabilities and make selective additional investments”***

Counter Terrorism and Irregular Warfare. Acting in concert with other means of national power, U.S. military forces must continue to hold al-Qa’ida and its affiliates and adherents under constant pressure, wherever they may be. *Achieving our core goal of disrupting, dismantling, and defeating al-Qa’ida and preventing Afghanistan from ever being a safe haven again will be central to this effort.*

As U.S. forces draw down in Afghanistan, our global counter terrorism efforts will become more widely distributed and will be characterized by a mix of direct action and security force assistance. Reflecting lessons learned of the past decade, we will continue to build and sustain tailored capabilities appropriate for counter terrorism and irregular warfare. We will also remain vigilant to threats posed by other designated terrorist organizations, such as Hezbollah.

Deter and Defeat Aggression. U.S. forces will be capable of deterring and defeating aggression by any potential adversary. *Credible deterrence results from both the capabilities to deny an aggressor the prospect of achieving his objectives and from the complementary capability to impose unacceptable costs on the aggressor.*

- As a nation with important interests in multiple regions, our forces must be capable of deterring and defeating aggression by an opportunistic adversary in one region even when our forces are committed to a large-scale operation elsewhere.
- Our planning envisages forces that are able to fully deny a capable state’s aggressive objectives in one region by conducting a combined arms campaign across all domains a land, air, maritime, space, and cyberspace.
- This includes being able to *secure territory and populations and facilitate a transition to stable governance on a small scale for a limited period using standing forces and, if necessary, for an extended period with mobilized forces.* Even when U.S. forces are committed to a large-scale operation in one region, *they will be capable of denying the objectives of -- or imposing unacceptable costs on -- an opportunistic aggressor in a second region.*
- U.S. forces will plan to operate whenever possible with allied and coalition forces. Our ground forces will be responsive and capitalize on balanced lift, presence, and prepositioning to maintain the agility needed to remain prepared for the several areas in which such conflicts could occur.

What Does This Actually Mean? Primary Missions and Priorities- II:

Project Power Despite Anti-Access/Area Denial Challenges. In order to credibly deter potential adversaries and to prevent them from achieving their objectives, the United States must maintain its ability to project power in areas in which our access and freedom to operate are challenged.

- In these areas, sophisticated adversaries will use asymmetric capabilities, to include electronic and cyber warfare, ballistic and cruise missiles,
- advanced air defenses, mining, and other methods, to complicate our operational calculus.
- States such as China and Iran will continue to pursue asymmetric means to counter our power projection capabilities, while the proliferation of sophisticated weapons and technology will extend to non-state actors as well.
- *Accordingly, the U.S. military will invest as required to ensure its ability to operate effectively in anti-access and area denial (A2/AD) environments.*
- This will include implementing the Joint Operational Access Concept, sustaining our undersea capabilities, developing a new stealth bomber, improving missile defenses, and continuing efforts to enhance the resiliency and effectiveness of critical space-based capabilities.

Operate Effectively in Cyberspace and Space. Modern armed forces cannot conduct high-tempo, effective operations without reliable information and communication networks and assured access to cyberspace and space.

- Today space systems and their supporting infrastructure face a range of threats that may degrade, disrupt, or destroy assets.
- *Accordingly, DoD will continue to work with domestic and international allies and partners and invest in advanced capabilities to defend its networks, operational capability, and resiliency in cyberspace and space.*

What Does This Actually Mean? Primary Missions and Priorities- III:

Maintain a Safe, Secure, and Effective Nuclear Deterrent. As long as nuclear weapons remain in existence, the United States will maintain a safe, secure, and effective arsenal.

- We will field nuclear forces that can under any circumstances confront an adversary with the prospect of unacceptable damage, both to deter potential adversaries and to assure U.S. allies and other security partners that they can count on America's security commitments.
- *It is possible that our deterrence goals can be achieved with a smaller nuclear force, which would reduce the number of nuclear weapons in our inventory as well as their role in U.S. national security strategy.*

Defend the Homeland and Provide Support to Civil Authorities. U.S. forces will continue to defend U.S. territory from direct attack by state and non-state actors.

- We will also come to the assistance of domestic civil authorities in the event such defense fails or in case of natural disasters, potentially in response to a very significant or even catastrophic event.
- Homeland defense and support to civil authorities require strong, steady-state force readiness, to include a robust missile defense capability. Threats to the homeland may be highest when U.S. forces are engaged in conflict with an adversary abroad.

Provide a Stabilizing Presence. U.S. forces will conduct a sustainable pace of presence operations abroad, including rotational deployments and bilateral and multilateral training exercises.

- These activities reinforce deterrence, help to build the capacity and competence of U.S., allied, and partner forces for internal and external defense, strengthen alliance cohesion, and increase U.S. influence.
- A reduction in resources will require innovative and creative solutions to maintain our support for allied and partner interoperability and building partner capacity. However, with reduced resources, thoughtful choices will need to be made regarding the location and frequency of these operations.

What Does This Actually Mean? Primary Missions and Priorities- IV:

Conduct Stability and Counterinsurgency Operations. In the aftermath of the wars in Iraq and Afghanistan, the United States will emphasize non-military means and military-to-military cooperation to address instability and reduce the demand for significant U.S. force commitments to stability operations.

- U.S. forces will nevertheless be ready to conduct limited counterinsurgency and other stability operations if required, operating alongside coalition forces wherever possible.
- Accordingly, U.S. forces will retain and continue to refine the lessons learned, expertise, and specialized capabilities that have been developed over the past ten years of counterinsurgency and stability operations in Iraq and Afghanistan.
- *However, U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations.*

Conduct Humanitarian, Disaster Relief, and Other Operations. The nation has frequently called upon its Armed Forces to respond to a range of situations that threaten the safety and well-being of its citizens and those of other countries.

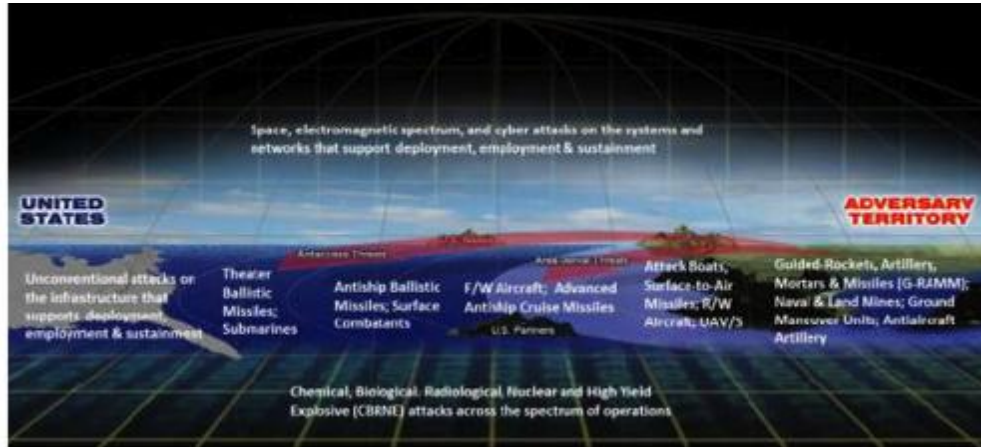
- U.S. forces possess rapidly deployable capabilities, including airlift and sealift, surveillance, medical evacuation and care, and communications that can be invaluable in supplementing lead relief agencies, by extending aid to victims of natural or man-made disasters, both at home and abroad.
- DoD will continue to develop joint doctrine and military response options to prevent and, if necessary, respond to mass atrocities.
- U.S. forces will also remain capable of conducting non-combatant evacuation operations for American citizens overseas on an emergency basis.

Air Sea Battle: *Access to What with What Land-Air Mix?*

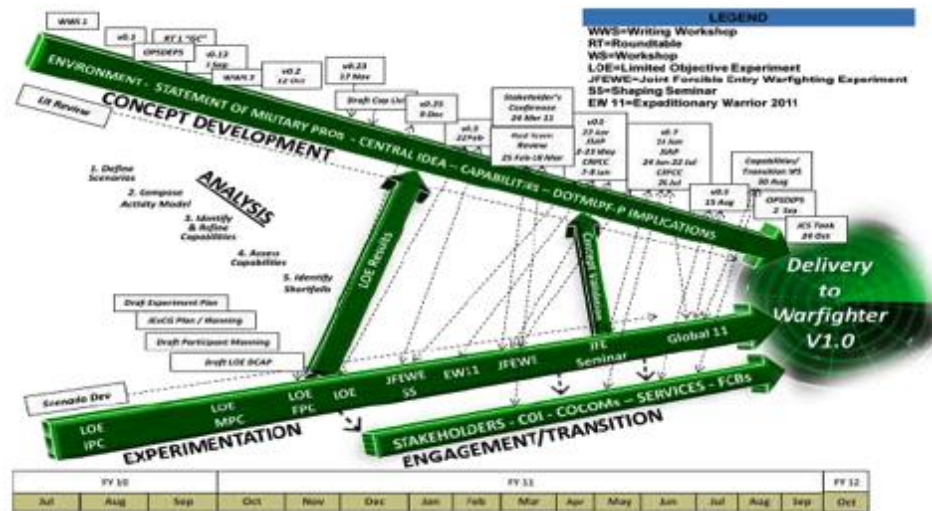
- Recognizing that antiaccess/area-denial capabilities present a growing challenge to how joint forces operate, the Secretary of Defense directed the Department of the Navy and the Department of the Air Force to develop the Air-Sea Battle Concept.
- The intent of Air-Sea Battle is to improve integration of air, land, naval, space, and cyberspace forces to provide combatant commanders the capabilities needed to deter and, if necessary, defeat an adversary employing sophisticated antiaccess/area-denial capabilities.
- It focuses on ensuring that joint forces will possess the ability to project force as required to preserve and defend U.S. interests well into the future.
- The Air-Sea Battle Concept is both an evolution of traditional U.S. power projection and a key supporting component of U.S. national security strategy for the 21st Century. However, it is important to note that Air-Sea Battle is a limited operational concept that focuses on the development of integrated air and naval forces in the context of antiaccess/area-denial threats. The concept identifies the actions needed to defeat those threats and the materiel and nonmateriel investments required to execute those actions.
- There are three key components of Air-Sea Battle designed to enhance cooperation within the Department of the Air Force and the Department of the Navy.
- The first component is an *institutional* commitment to developing an enduring organizational model that ensures formal collaboration to address the antiaccess/area-denial challenge over time.
- The second component is *conceptual* alignment to ensure that capabilities are integrated properly between Services.
- The final component is doctrinal, organizational, training, materiel, leadership and education, personnel, and facilities *initiatives* developed jointly to ensure they are complementary where appropriate, redundant when mandated by capacity requirements, fully interoperable, and fielded with integrated acquisition strategies that seek efficiencies where they can be achieved.

Air Sea Battle: Broad Concepts, No Plan, No Costs

- Complex mix of new threats without boundaries: Solution through “Cross Domain Synergy”



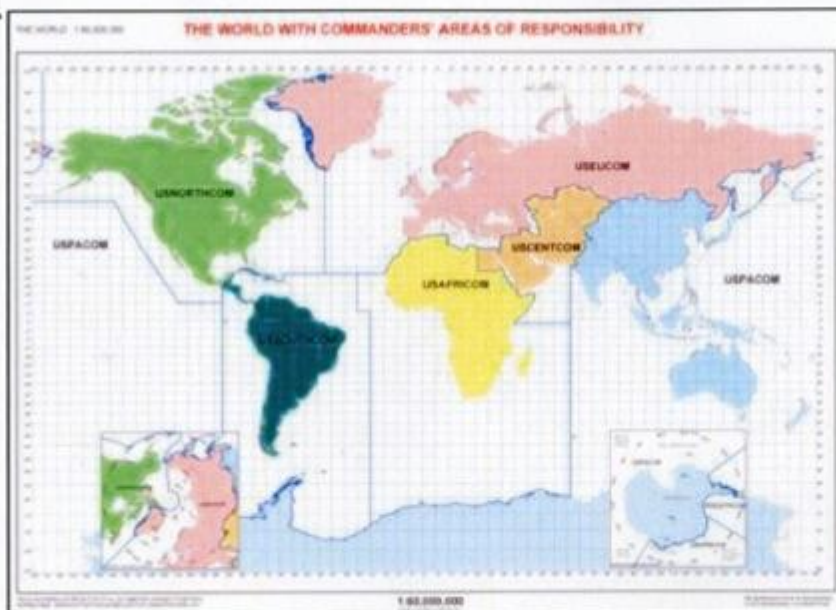
- But deliver a concept without a plan, and cost and feasibility not addressed as risk



Future Operational “Hybrid” Environment: *How Do You Make Strategic Plans and Trade-offs?*

Prevent Shape Win

- Counter Terrorism and Irregular Warfare
- Deter and Defeat Aggression
- Project Power Despite Anti-Access/Area Denial Challenges
- Counter Weapons of Mass Destruction
- Operate Effectively in Cyberspace and Space
- Maintain a Safe, Secure, and Effective Nuclear Deterrent
- Defend the Homeland and Provide Support to Civil Authorities
- Provide a Stabilizing Presence
- Conduct Stability and Counterinsurgency Operations
- Conduct Humanitarian, Disaster Relief, and Other Operations



Futures

The Probable

- Episodic Terror Attack
- Persistent Cyber Conflict
- Humanitarian Crisis
- WMD Proliferation
- Communist Cuba Fails

The Possible

- Iran Conflict
- India - Pak Conflict
- Korea Conflict
- Chem/Bio/Rad Attack in CONUS
- Failed State with Loose Nukes
- Arab - Israeli Conflict
- Iran-Arab Conflict
- Kurdish Nation
- Hostile Pakistan
- China-Taiwan Conflict
- Genocide
- Mass Migrations

The Unthinkable

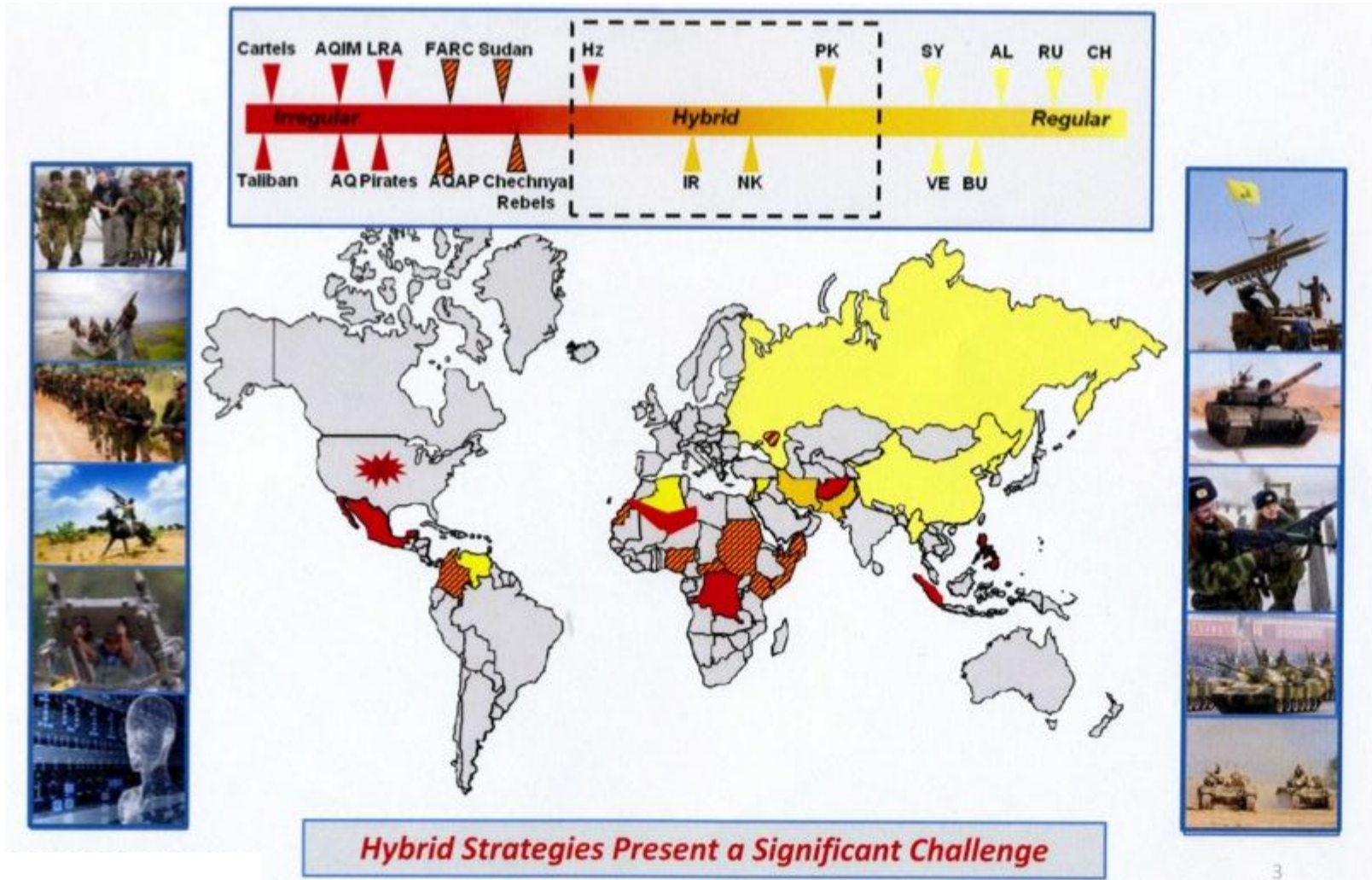
- Pandemic
- Fall of the House of Saud
- Nuclear Incident in CONUS
- Destruction of Panama Canal
- Russia-NATO Conflict
- Central American Narco States
- Hostile Turkish Regime

Global Trends

- Demographics & Migration
- WMD
- Regional Aggression
- Growing Debt
- Arab Spring
- Economic Malaise
- Persistent conflict Among the People
- Shifting Alliances
- Pacific focus
- Crime
- Resource Competition
- Proliferation, Globalization, Modernization
- Extremism
- Rise of Asia
- Cyber

Dynamic and rapidly changing security environment

Scaling Potential Challenges, But Broad Concepts, No Plan, No Costs



Sources: Defense Department, ARCIC.

Too Vague to Be A Strategy

- No stable force plan for any service in terms of major combat units and major combat weapons.
- **Meaningful plans to deal with manpower costs are deferred until FY2015 or beyond. No mid-term integrated manpower plan, showing active and reserve military, civilians, and contractors.**
- Only a nominal RDT&E and procurement plan for the FYDP or longer term. No indication of what the new emphasis on technology as a means of reducing the need for force size actually means.
- **No deployment and force plan for any region, or definition of the new goals in partnering.**
- No breakout of current and planned forces by combatant command.
- No net assessment of US, allied, and threat capabilities now, or over time.
- **Air-Sea Battle, Joint Operational Access, Hybrid Strategies all concepts, no plans.**
- New emphasis on Asia and the Middle East is undefined in terms of forces, costs and costs.
- US force posture after reductions in Europe, and concepts of partnering with NATO allies not defined.
- No explanation of what “innovative” approaches to Africa and Latin American really mean..
- **No clear plans for leaving Afghanistan, “transition,” or conversion to the new air-land-sea force posture, and no meaningful; OCO budget projections beyond FY2013.**
- Future size and nature of the strategic nuclear triad is unclear, as is the nature of future strategic, theater, and tactical missile defense programs.
- Post reduction size and capability of Mobility Forces is not defined, nor is prepositioning
- No plan for the defense industrial base.
- **Sequestration addressed by denying that the option could take place.**
- **Do not address the proper mix of State Department, Department of Defense, various homeland defense, and Intelligence Community efforts. Compartmented and stovepiped efforts do not produce an integrated strategy or efficient use of resources.**

Strategy as a Set of Vague Goals for Jointness

***“Toward the Joint Force of 2020” =
More Good Intentions and Fortune
Cookie Prose***

What Does This Actually Mean? Toward the Joint Force of 2020 - I

To ensure success in these missions, several principles will guide our force and program development.

First, given that we cannot predict how the strategic environment will evolve with absolute certainty, we will maintain a broad portfolio of military capabilities that, in the aggregate, offer versatility across the range of missions described above.

- The Department will make clear distinctions both *among* the key sizing and shaping missions listed above and *between* these mission areas and all other areas of the defense program.
- Wholesale divestment of the capability to conduct any mission would be unwise, based on historical and projected uses of U.S. military forces and our inability to predict the future.
- *Likewise, DoD will manage the force in ways that protect its ability to regenerate capabilities that might be needed to meet future, unforeseen demands, maintaining intellectual capital and rank structure that could be called upon to expand key elements of the force.*

Second, we have sought to differentiate between those investments that should be made today and those that can be deferred. This includes an accounting of our ability to make a course change that could be driven by many factors, including shocks or evolutions in the strategic, operational, economic, and technological spheres.

- *Accordingly, the concept of “reversibility,” including the vectors on which we place our industrial base, our people, our active-reserve component balance, our posture, and our partnership emphasis, is a key part of our decision calculus.*

Third, we are determined to maintain a ready and capable force, even as we reduce our overall capacity. *We will resist the temptation to sacrifice readiness in order to retain force structure, and will in fact rebuild readiness in areas that, by necessity, were deemphasized over the past decade.*

- An ill-prepared force will be vulnerable to corrosion in its morale, recruitment, and retention. Unless we are prepared to send confident, well-trained, and properly equipped men and women into battle, the nation will risk its most important military advantage a the health and quality of the All-Volunteer Force.

What Does This Actually Mean? Toward the Joint Force of 2020 - II

Fourth, the Department must continue to reduce the “cost of doing business.”

- *This entails reducing the rate of growth of manpower costs, finding further efficiencies in overhead and headquarters, business practices, and other support activities before taking further risk in meeting the demands of the strategy.*
- As DoD takes steps to reduce its manpower costs, to include reductions in the growth of compensation and health care costs, we will keep faith with those who serve.
- During the past decade, the men and women who comprise the All-Volunteer Force have shown versatility, adaptability, and commitment, enduring the constant stress and strain of fighting two overlapping conflicts.
- They have also endured prolonged and repeated deployments. Some a more than 46,000 men and women a have been wounded, and still others a more than 6,200 members of the Armed Forces a have lost their lives. As the Department reduces the size of the force, we will do so in a way that respects these sacrifices.
- This means, among other things, taking concrete steps to facilitate the transition of those who will leave the service. These include supporting programs to help veterans translate their military skills for the civilian workforce and aid their search for jobs.

Fifth, it will be necessary to examine how this strategy will influence existing campaign and contingency plans so that more limited resources may be better tuned to their requirements.

- *This will include a renewed emphasis on the need for a globally networked approach to deterrence and warfare.*

Sixth, the Department will need to examine the mix of Active Component (AC) and Reserve Component (RC) elements best suited to the strategy.

- Over the past decade, the National Guard and Reserves have consistently demonstrated their readiness and ability to make sustained contributions to national security. The challenges facing the United States today and in the future will require that we continue to employ National Guard and Reserve forces. *The expected pace of operations over the next decade will be a significant driver in determining an appropriate AC/RC mix and level of RC readiness.*

What Does This Actually Mean? Toward the Joint Force of 2020 - III

Seventh, as we transition out of Iraq and draw down in Afghanistan, we will take extra measures to retain and build on key advancements in networked warfare in which joint forces have finally become truly interdependent.

- *This imperative will shape a number of Departmental disciplines, ranging from establishing warfighting requirements to the way our forces train together.*

Finally, in adjusting our strategy and attendant force size, the Department will make every effort to maintain an adequate industrial base and our investment in science and technology.

- *We will also encourage innovation in concepts of operation.* Over the past ten years, the United States and its coalition allies and partners have learned hard lessons and applied new operational approaches in the counter terrorism, counterinsurgency, and security force assistance arenas, most often operating in uncontested sea and air environments.
- Accordingly, similar work needs to be done to ensure the United States, its allies, and partners are capable of operating in A2/AD, cyber, and other contested operating environments.
- To that end, the Department will both *encourage a culture of change and be prudent with its “seed corn,”* balancing reductions necessitated by resource pressures with the imperative to sustain key streams of innovation that may provide significant long-term payoffs.

The United States faces profound challenges that require strong, agile, and capable military forces whose actions are harmonized with other elements of U.S. national power. Our global responsibilities are significant; we cannot afford to fail. The balance between available resources and our security needs has never been more delicate. Force and program decisions made by the Department of Defense will be made in accordance with the strategic approach described in this document, which is designed to ensure our Armed Forces can meet the demands of the *U.S. National Security Strategy* at acceptable risk.

Strategy by Procurement

Modernization, Termination, and Restructuring by Service

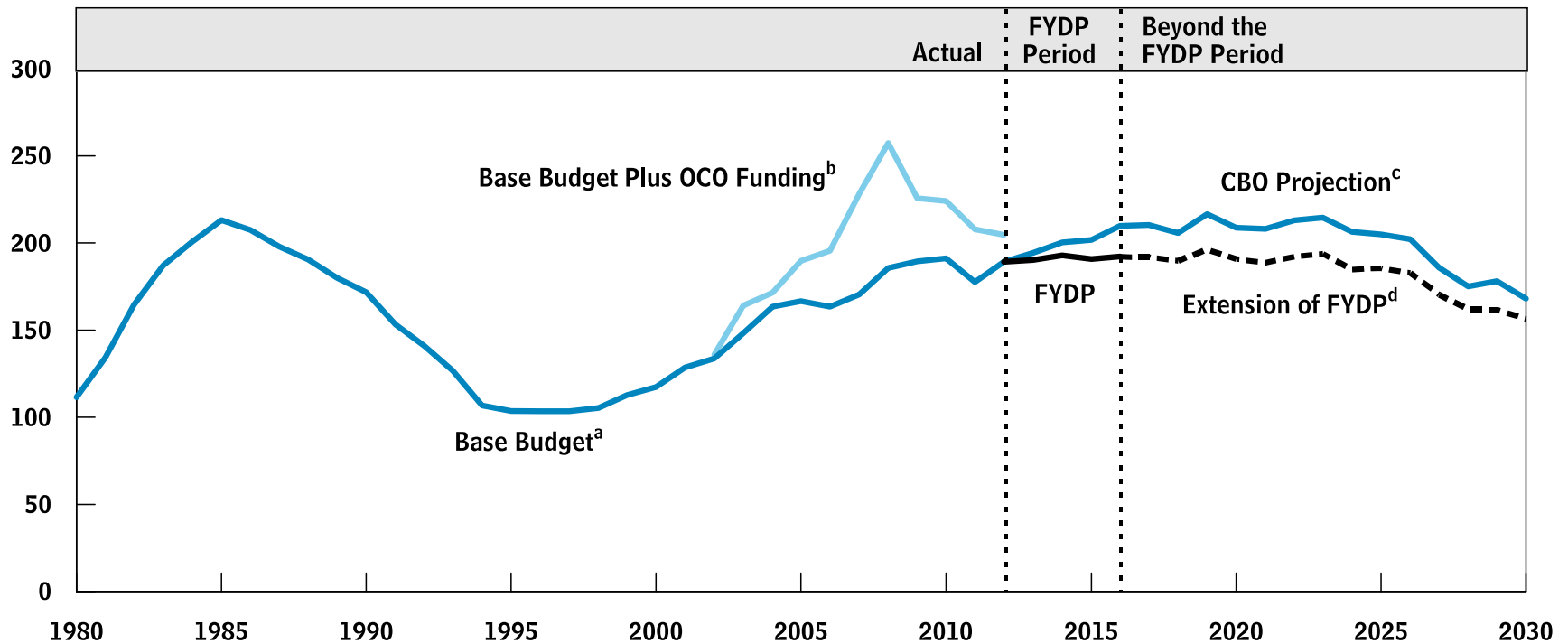
The Declining Industrial Base: Manufacturing in the U.S. Economy



Sources: Bureau of Economic Analysis; the World Bank. The New York Times.

CBO FY2012 Warning of “Acquisition Squeeze” from Cost Escalation

(Billions of 2012 dollars)

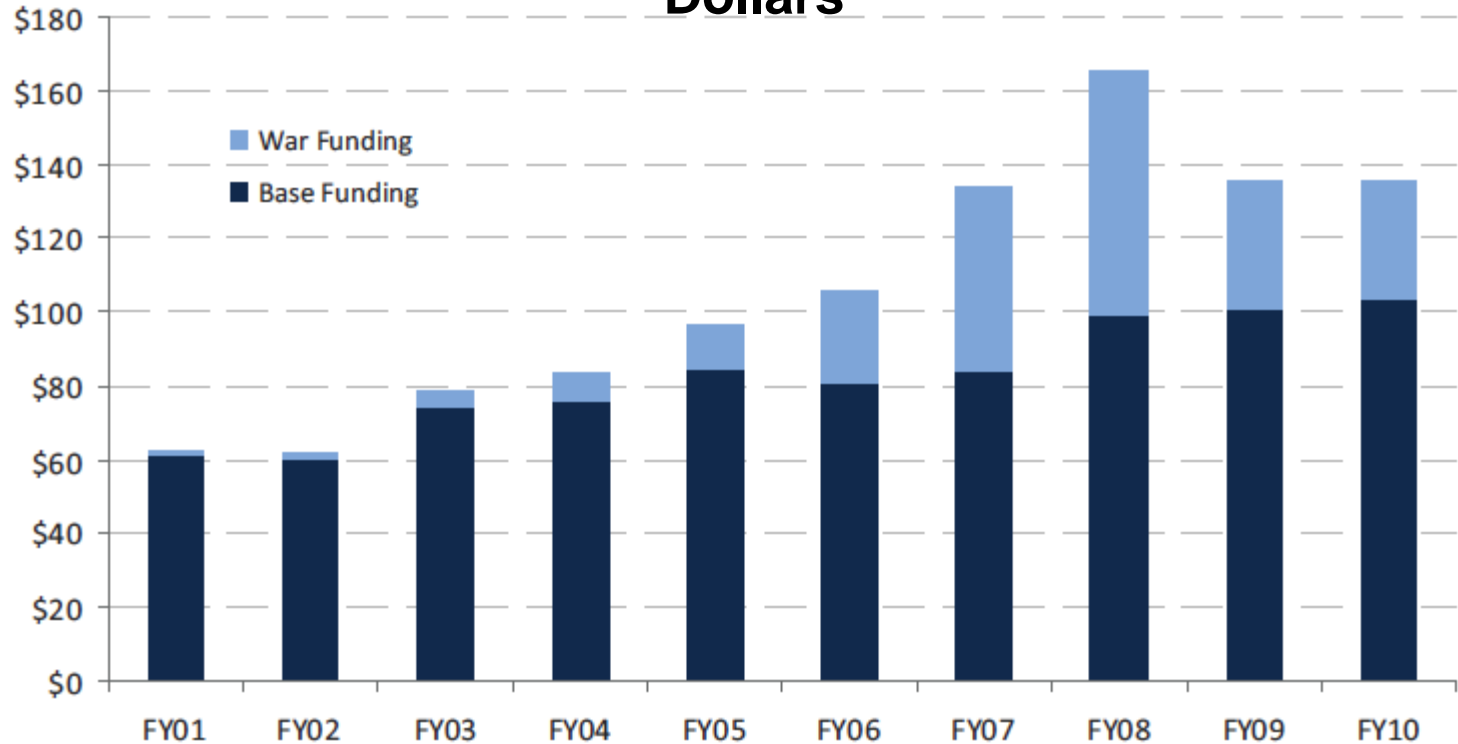


Source: Congressional Budget Office.

Note: FYDP = Future Years Defense Program; FYDP period = 2012 to 2016, the years for which the Department of Defense’s (DoD’s) plans are fully specified.

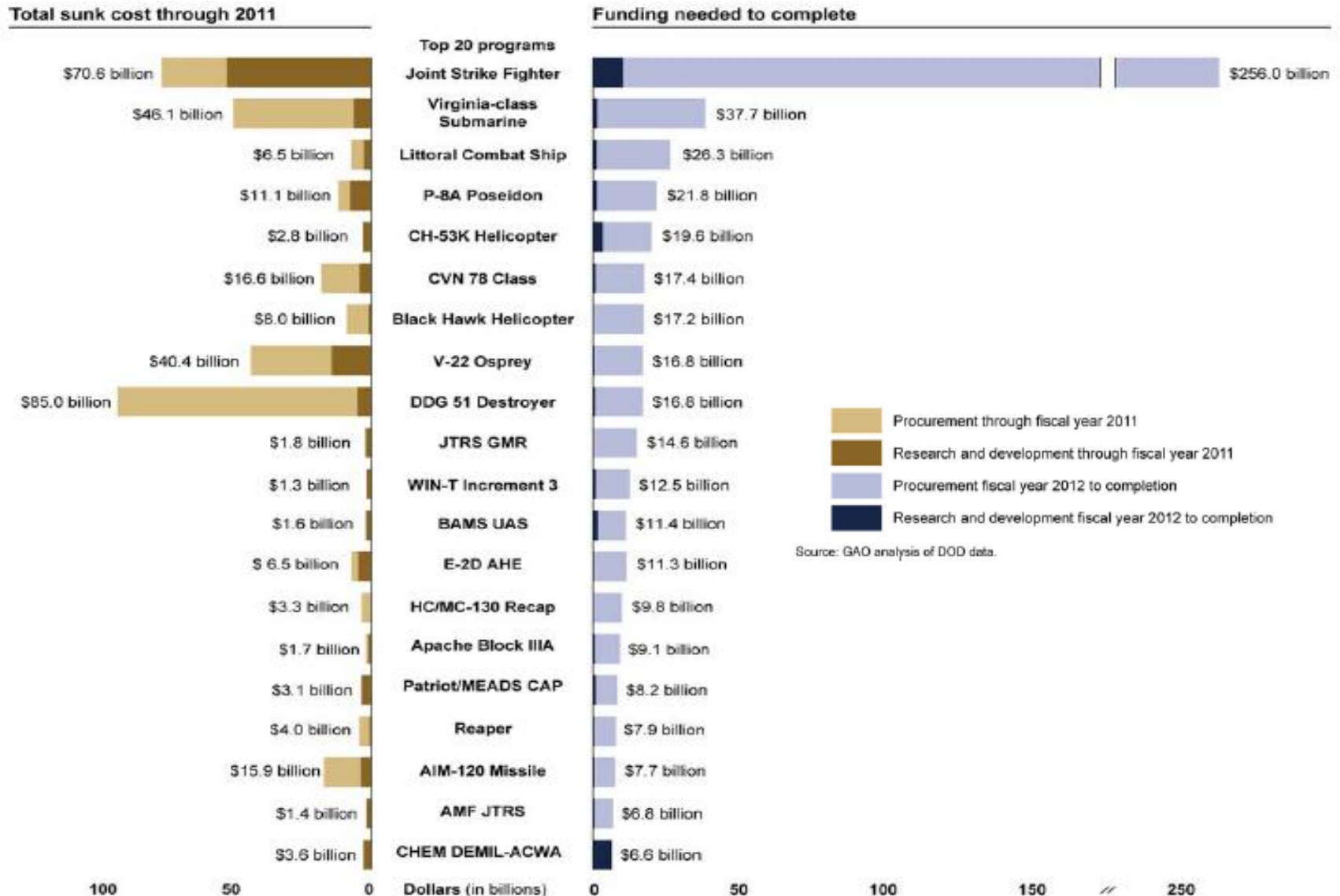
Building Down From \$1 Trillion in Procurement Over the Last 10 Years

Defense Procurement Funding in Billions of Dollars



Source: Data from the Department of Defense. Greenbook for FY2012. Table 2.1. Graph from the Stimson Center.

Procurement Cost Drivers Actually Shaping US Strategy:



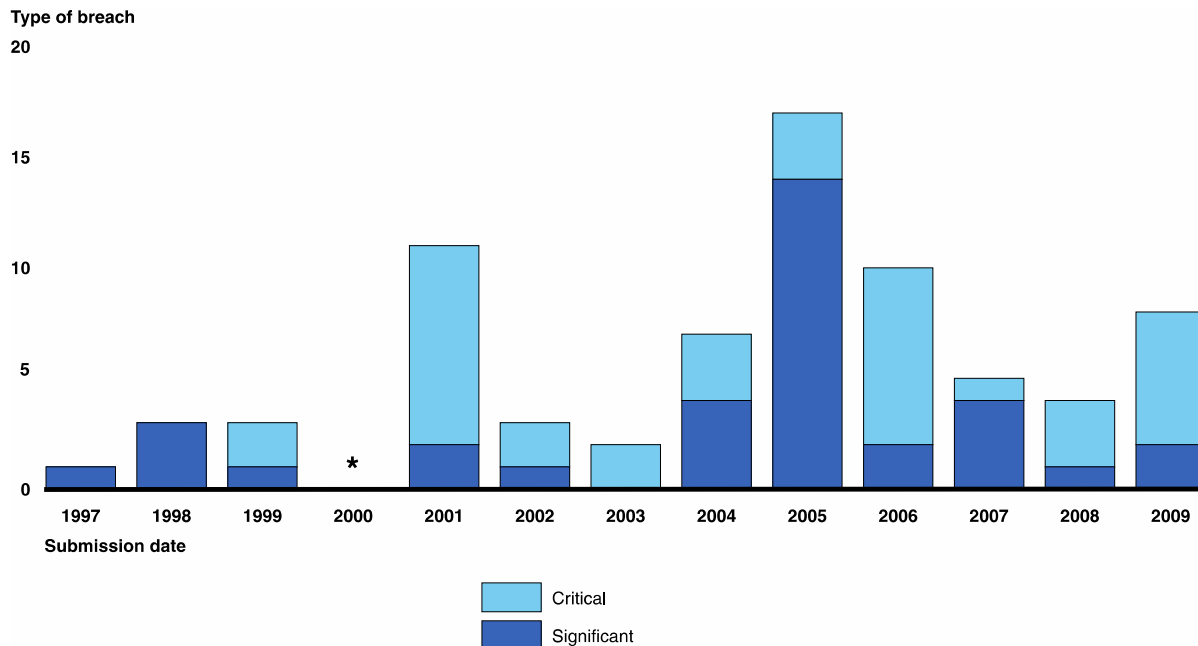
Living with a History of Critical Procurement Problems and Failures That Shape Real-World Forces

- Force multiplier = force reducer
- GAO documents constant history of cost escalation; violations of Nunn-McCurdy. DTOE reflects similar problems in test and development.
- Configuration creep (leap?); engineering cost vs. regression realism, State of the art = advanced development.
- Steady history of cost-performance drive force cuts.
- Army failure of FCS program and key follow-ons
- Navy failure to create affordable ship building and maintain air strength.
- USAF mortgaged to F-35, low-balling cost of new bomber, cost problems with tankers and enablers.
- Marine Corps tied to high cost air and amphibious lift; F-35.
- Bottom Up Accountability: Never fire the Chief and the Secretary first.

Nunn-McCurdy Breaches in Cost Escalation

- Since 1997, there have been 74 Nunn-McCurdy breaches involving 47 major defense acquisition programs...40% after a production decision had been made... Of the 47 programs that breached, 18 programs breached more than one time. Thirty-nine were critical breaches and 35 breaches were significant breaches
- Other GAO studies showed 1 In 3 major programs escalated in cost by 50% or more since 1977 – 47 of 134 programs at a cost of \$135 billion with \$70 billion over the last two years.

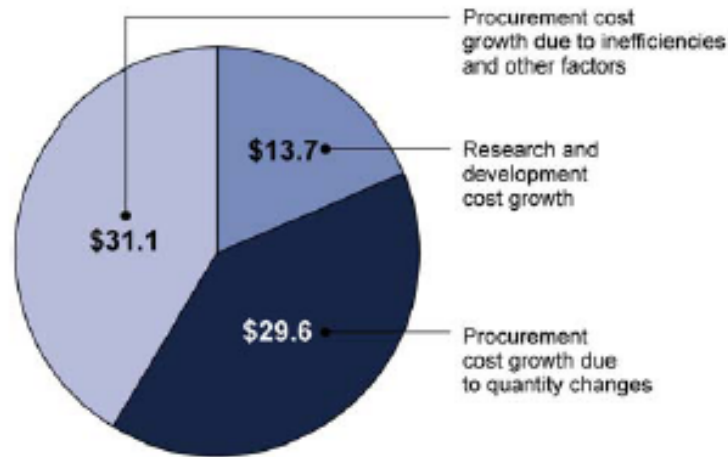
Figure 1: Critical and Significant Breaches by Calendar Year, 1997-2009



Source: GAO analysis of DOD data.

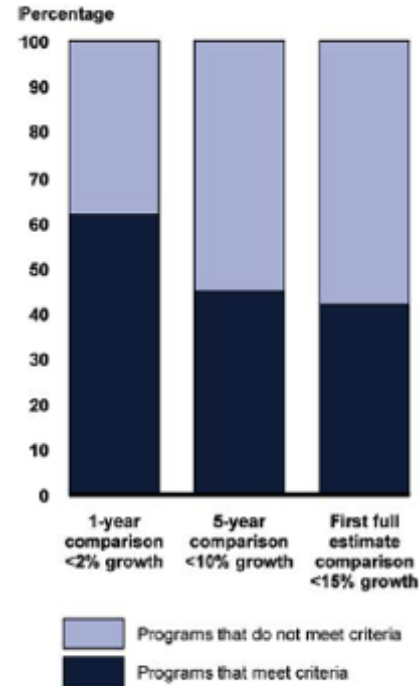
GAO as of 3/12: Cost Growth is Easing But Still Critical

Cost Growth over the Past Year for DOD's 2011 Portfolio of Major Defense Acquisition Programs (Fiscal Year 2012 Dollars in Billions)



Source: GAO analysis of DOD data.

Figure 3: Programs Meeting High-Risk Cost Metrics



Source: GAO analysis of DOD data.

The total estimated cost of the Department of Defense's (DOD) 2011 portfolio of 96 major defense acquisition programs stands at \$1.58 trillion. In the past year, the total acquisition cost of these programs has grown by over \$74.4 billion or 5 percent, of which about \$31.1 billion can be attributed to factors such as inefficiencies in production, \$29.6 billion to quantity changes, and \$13.7 billion to research and development cost growth

Total Cost Growth Case Studies (3/12) *

Fiscal year 2012 dollars in millions

*Does not reflect savings from cuts in total weapons numbers to be procured over time

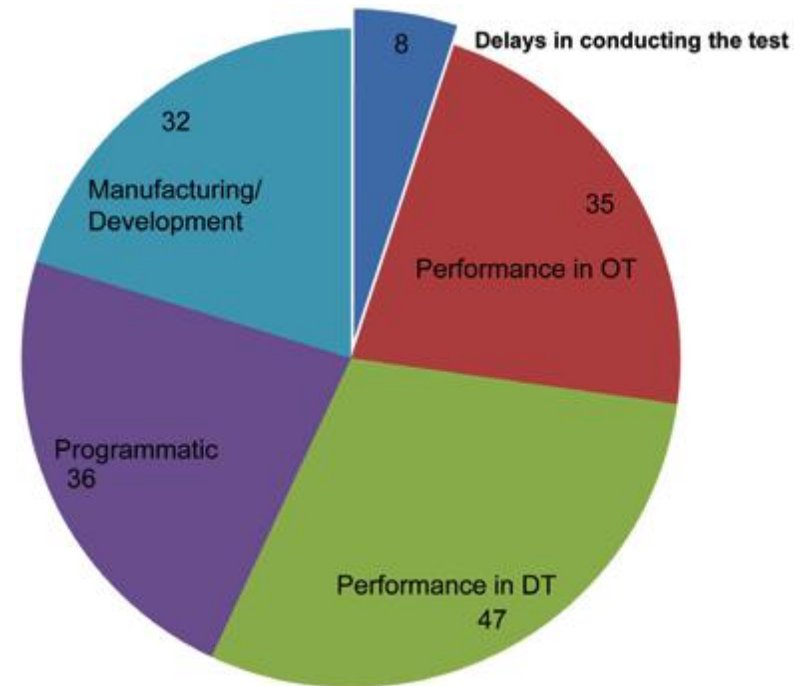
Program	Current total acquisition cost	First full total acquisition cost	Change in total acquisition cost from first full estimate (percent)	Change in total acquisition cost within the past year (percent)	Change in total acquisition cost within the past 5 years (percent)
Advanced Extremely High Frequency (AEHF) Satellite	\$14,083	\$6,370	121.1%	7.4%	106.6%
AH-64D Longbow Apache	14,773	6,132	140.9	0.3	34.8
AIM-120 Advanced Medium Range Air-to-Air Missile (AMRAAM)	23,582	10,931	115.7	-2.8	38.2
Black Hawk (UH-60M)	25,169	12,970	94.1	13.0	19.9
Block IV Tomahawk (Tactical Tomahawk)	6,943	2,116	228.1	-0.1	54.8
C-130J Hercules	15,397	949	1522.5	-1.0	79.5
Chemical Demilitarization-Assembled Chemical Weapons Alternatives (Chem Demil-ACWA)	10,173	2,642	285.0	26.2	118.3
DDG 51 Destroyer	101,819	15,186	570.5	6.3	29.3
F-35 Lightning II (Joint Strike Fighter)	326,535	213,708	52.8	13.4	34.1
Family of Medium Tactical Vehicles (FMTV)	20,048	10,447	91.9	-7.3	13.7
Force XXI Battle Command Brigade and Below (FBCB2)	4,147	2,827	46.7	-0.7	51.8
Global Hawk (RQ-4A/B)	13,992	5,392	159.5	1.5	68.4
Guided Multiple Launch Rocket System (GMLRS)	5,827	1,768	229.5	-0.4	-57.5
H-1 Upgrades (4BW/4BN)	12,557	3,627	246.3	4.3	55.5
Joint Air-to-Surface Standoff Missile (JASSM)	7,509	2,318	224.0	2.7	49.9
Joint Direct Attack Munition	6,578	3,419	92.4	1.6	11.6

Critical Failures in Performance in Operational Test & Evaluation

FY 2011 Annual Report by DoD Director, Operational Test and Evaluation:

- There were 158 instances of delays for the 67 programs in five categories (many of the programs had more than one reason for delays).
- Of the 67 programs, 56 programs (or 84 percent) had performance problems in testing (either DT, OT, or both) while only eight programs (or 12 percent) had issues conducting the tests that led to delays.
- The length of delays for the programs examined varied from none (for two of the Nunn-McCurdy programs) to 15 years.
- Thirty-seven programs were delayed greater than 3 years. The delays were measured against the most recent previously published schedule; so, in a sense the total delay experienced is likely to be even longer relative to the original planned schedule.
- Six of the programs were eventually cancelled, and one had its Milestone B approval rescinded.

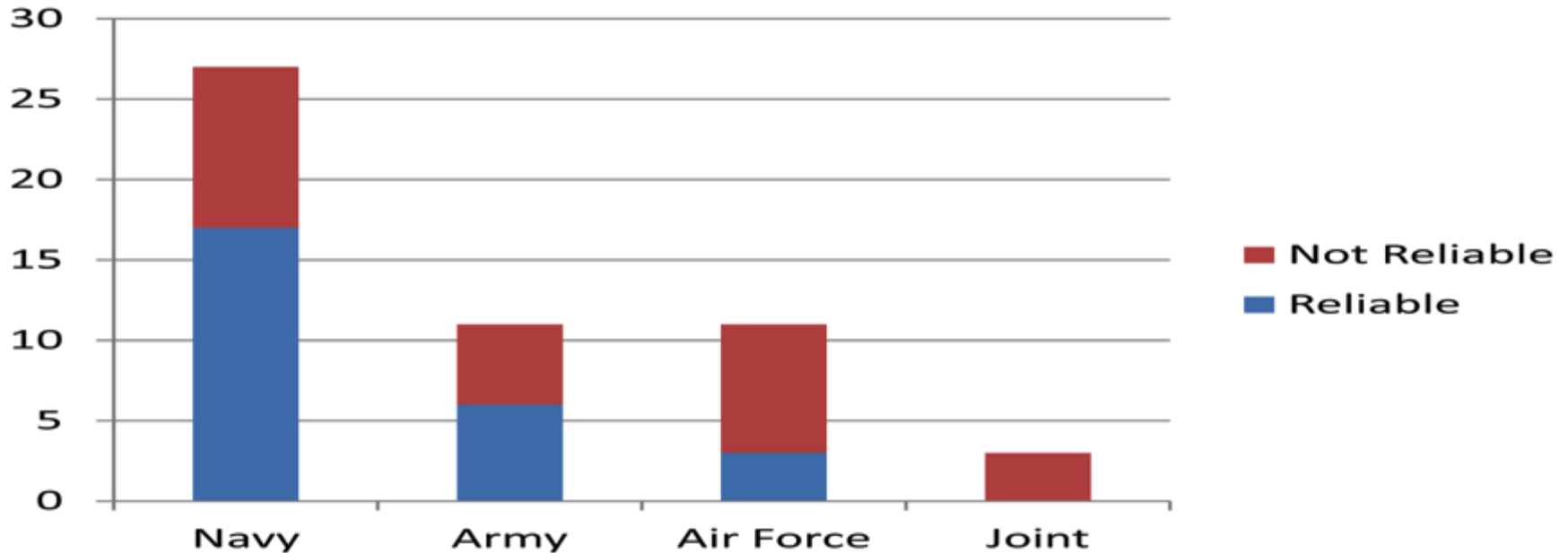
Reasons for Program Delays



FY 2011 Annual Report by DoD Director, Operational Test and Evaluation

Low New Equipment Reliability Thresholds: 2006-2011

Number of Programs Meeting Reliability Thresholds at IOT &E, by Service (from DOT &E Reports to Congress 2006 – 2011)



- The standard used to require that weapons systems were built with 30 percent reliability, meaning there was, at most, a 70 percent chance that replacements or updated elements would be needed after the systems had entered into operational use. Contractors' adherence to reliability standards is now voluntary, in part because reliability is seen as so difficult to predict.
- Only six of 11 Army programs that faced testing by the agency met their reliability thresholds. Among those that “did not do well” were unmanned systems and communications networks, even though the Army had stipulated in engineering and manufacturing development contracts that those programs should meet an early reliability test threshold.
- The Navy, which established a high-level director of reliability and maintainability and several other working groups to address reliability issues, had 17 of 27 systems meet their thresholds. The most reliable systems were aircraft and submarines, but “ships and software-intensive systems” did not fare as well.
- The Air Force had the worst record for reliability, with only three of 11 systems tested by DOT&E meeting the reliability threshold. The Air Force has produced a guidebook to identify risks and had courses on reliability built into levels of its acquisition and test personnel.

What the New Strategy and FY2013 Budget Say: Army Modernization, Terminations and Restructuring

- Warfighter Information Network – Tactical (WIN-T) funded: cornerstone tactical communications system funded. \$6.1B FY13-FY17
- CH-47 Chinook Helicopter Upgrades funded: \$5.7B FY13-FY17
- Stryker upgrades: \$0.5B FY13-FY17
- High Mobility Multi-Wheeled Vehicle (HMMWV) Recapitalization Termination: Save \$0.9B FY13-FY17
- Joint Air-to-Ground Missile (JAGM) Reduced: Save \$1.6 billion from FY 2013 – FY 2017.
- Ground Combat Vehicle (GCV) Delay: Totals \$1.3 billion from FY 2013 – FY 2017.
- Joint Light Tactical Vehicle (JLTV) Restructuring Family of Medium Tactical Vehicles (FMTV) Restructuring: Totals \$2.2 billion from FY 2013 – FY 2017.

What the New Strategy and FY2013 Budget Say: Navy Modernization, Terminations and Restructuring

- Procurement of 10 new ships: 2 Virginia-class attack submarines, as well as funding for the design of the Block 5 Virginia Payload Module, which will increase future Virginia-class submarine strike payload capacity; 2 DDG-51 class Aegis Destroyers; 4 Littoral Combat Ships (LCSs), 1 Joint High Speed Vessel (JHSV) and 1 CVN-21-class aircraft carrier. Totals \$83.7 billion from FY 2013 –FY 2017.
- \$38 million for design efforts to construct a modified Mobile Landing Platform (MLP) variant known as the Afloat Forward Staging Base (AFSB), planned for procurement in FY 2014.
- Procurement of 26 F/A-18E/F aircraft totals \$3.5 billion from FY 2013 – FY 2017.
- Procurement of 12 EA-18G aircraft totals \$1.1 billion from FY 2013 – FY 2017
- Procurement of Small Tactical Unmanned Aircraft Systems (STUAS) and modifications totals \$0.3 billion from FY 2013 – FY 2017
- **Medium-Range Maritime Unmanned Aerial System (MRMUAS) Termination: provides the Navy and Special Operations Forces with sea-based, airborne IS&R totals \$1.3 billion from FY 2013 – FY 2017**
- **Joint High Speed Vessels (JHSV) Restructuring reducing the procurement 18 ships to 10 ships saving \$1.5 billion from FY 2013 – FY 2017**
- **P-8A Poseidon Restructuring reduces procurement by 10 aircraft savings \$5.2 billion from FY 2013 – FY 2017**
- **E-2D Advanced Hawkeye (AHE) Surveillance Restructuring reduces program by 9 aircraft and saves \$0.5 billion from FY 2013 – FY 2017**
- **SSBN(X) Development Delay totals \$4.3 billion from FY 2013 – FY 2017**

Air Force Modernization, Terminations and Restructuring

- The U.S. Cyber Command (CYBERCOM) improvements raise total funding to \$18.0 billion from FY 2013 – FY 2017.
- FY 2013 Space budget request pursues satellite block buys, reduces engineering costs for the procurement of the Advanced Extremely High Frequency (AEHF) and Space Based Infrared System (SBIRS). New acquisition strategy for the Evolved Expendable Launch Vehicle program; and restructure Joint Space Operations Center Mission System, next generation GPS satellites, and commercial imagery and Operationally Responsive Space program in order to provide more responsive. Overall, space funding totals \$40.1 billion from FY 2013 – FY 2017
- New Bomber with average procurement unit cost is anticipated to be about \$550 million in FY 2010 dollars for a fleet of 80-100 aircraft totals \$6.3 billion from FY 2013 – FY 2017
- NATO Alliance Ground Surveillance System for three new airborne sensor platforms totals \$0.9 billion from FY 2013 – FY 2017.
- Joint Strike Fighter (JSF) Restructuring reduces procurement by 13 aircraft in FY 2013 and 179 aircraft from FY 2013 – FY 2017 saving \$15.1 billion.
- RQ-4 Global Hawk Block 30 (GH30) Termination of high-altitude, long-endurance unmanned aircraft saves \$2.5 billion from FY 2013 –FY 2017
- Defense Weather Satellite System (DWSS) Termination totals \$2.3 billion from FY 2013 – FY 2017.
- C-130 Avionics Modernization Program (AMP) Termination saving \$2.3 billion from FY 2013 – FY 2017.
- C-27J Joint Cargo Aircraft Termination saves \$0.4 billion from FY 2013 – FY 2017
- KC-46A Tanker Restructuring savings of \$2.4 billion from FY 2013 – FY 2017
- Unmanned Air Systems Restructuring sustains 65 MQ-1/9 combat air patrols with a surge capability to 85; Retains Predator longer than planned, protects funding for Army's Gray Eagle, and continues the development of new capabilities. Reduces procurement of the MQ-9 Reaper by 24 aircraft.

Defense-Wide Modernization, Terminations and Restructuring

- Missile Defense supports the European PAA (EPAA), pursued phased adaptive approaches in the Asia Pacific and the Middle East met its objectives for EPAA Phase 1 with the deployment of Aegis ballistic missile defense (BMD) ships and land-based radar in Europe in 2011. The next phases include deploying an Aegis Ashore in Romania with Standard Missile-3 Block IB (SM-3 IB) interceptors, deploying an Aegis Ashore in Poland with SM-3 IIA interceptors, and the addition of SM-3 Block IIB interceptors and early intercept capability. Other key efforts supported include:
 - Procurement of 5 ground-based interceptors (GBIs) to support the Ground-Based Midcourse Defense flight test program, and procurement of GBI reliability enhancements.
 - Continued conversion of Aegis ships, with a planned operational availability of 32 ships by FY 2017, and the procurement of 29 SM-3 interceptors for Aegis BMD ships.
 - Procurement of 84 Patriot Advanced Capability-3 (PAC-3) missiles; the procurement of 38 Enhanced Launcher Electronic Systems capable of firing PAC-3 missiles;
 - Continued development of the PAC-3 Missile Segment Enhancement designed to extend the PAC-3 range.
 - Completion of the Medium Extended Air Defense Systems (MEADS) Proof of Concept and demonstration.
- The FY 2013 budget request balances capabilities and risks to deter aggression, protect U.S.
- and allied interests, and pursue cost-effective and operationally-effective capabilities as a hedge
- against future threats. Funding in FY 2013 is \$9.7 billion and totals \$47.4 billion from FY 2013 –
- FY 2017. Science and Technology maintains a strong Science & Technology (S&T) posture, with the
- Department wide request of \$11.9 billion (\$62 billion from FY 2013 – FY 2017). The FY 2013
- request is above the FY 2011 enacted budget of \$11.7 billion, and down modestly from the
- FY 2012 enacted budget of \$12.2 billion
- Chemical-Biological Defense Program funding totals \$7.6 billion from FY 2013 – FY 2017
- Cooperative Threat Reduction totals \$2.3 billion from FY 2013 – FY 2017
- Terminal High Altitude Area Defense (THAAD) Restructuring reduces the total number of interceptors from 333 to 180 from FY 2013 – FY 2017 saving \$1.8 billion from FY 2013 – FY 2017

Every Major Program Remains at Hazard: “Reasonable Reductions, Responsible Risks” in FY2013

In order to sustain the highest priority investments, we made substantial reductions to programs that:

- *Are experiencing schedule, cost, or performance issues:*
 - F-35 Joint Strike Fighter – Buy only 179 over the next five years. committed to the JSF program of record that includes all three variants, but slowed procurement to complete more testing and make developmental changes to minimize concurrency issues before buying in significant quantities
 - Army Ground Combat Vehicle - delayed by protest, thus freeing up available funding for other priorities
 - Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS) -
 - curtailed due to concerns about program cost and operational mobility.
- *Are offering or augmenting capability that already exists, but at significantly higher cost:*
 - Joint Air-to-Ground Munition (JAGM) - significantly reduced, but limited funding sustained to enable lower cost alternatives such as Hellfire.
 - Global Hawk Block 30 replacement for U-2 - terminated for cost escalation reasons. Hope lessons will help other Global Hawk programs like the USAF Global Hawk Block 40 and Navy Broad Area Maritime Surveillance (BAMS).
- *Are entering service before they are needed:*
 - Defense Weather Satellite System (DWSS) -terminated because premature to need
 - Army aviation - delayed helicopter modernization by three to five years
- *Or are deemed excess to requirements:*
 - Commercial satellite imagery - reduced purchases for capacity excess to requirements, but will still be substantially increasing coverage beyond today’s capability
 - HMMWVs - terminated upgrades and focused modernization resources on the Joint Light Tactical Vehicle

Risks in Defense Industry and Industrial Base

- In support of the strategic guidance's tenet of reversibility, this budget plan sustains, where possible, key skills in the design and manufacture of military systems in segments of the industrial base that cannot be duplicated elsewhere in the economy or regenerated quickly.
- However, the industrial base will require careful monitoring in the future.
- For example, adding the afloat forward staging base addresses urgent operational shortfalls and will help sustain the shipbuilding industry in the near-term and mitigate the impact of reducing ship procurement in the FYDP.

Dealing With “Duplication, Overlap, and Fragmentation”

The GAO has identified six program areas where the Defense budget suffers from inefficiencies in procurement and support stemming from duplication, overlap, and fragmentation: electronic warfare; unmanned aircraft systems; counter-IED initiatives; defense language and culture training; and stabilization, reconstruction, and humanitarian assistance efforts.

Their report highlights the inefficiencies associated with procurement programs that are largely service-driven, with little or no priority given to addressing common needs between the services, sharing information and technology, and collaborating on joint programs.

Source: GAO, Report to Congressional Addresses, “2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue,” February 2012. p. 21-50.
<http://www.gao.gov/assets/590/588818.pdf>

Managing Excessive Procurement Programs: Electronic Warfare

- DOD is anticipated to spend \$17.6 billion from FY2007-2016 to develop four separate airborne electronic attack systems.
- The four systems share similar mission requirements, and GAO believes there can be a consolidation of efforts, at least for the Marine Corps' CORPORAL and the Army's CEASAR systems.
- Why the duplication? – Multiple urgent needs requests to address similar challenges that may be revisited as combat operations end.

Potential Overlap among Communication Jamming Systems Supporting Ground Forces				
System name	Collaborative On-line Reconnaissance Provider Operationally Responsive Attack Link (CORPORAL)	Intrepid Tiger II	Communications Electronic Attack with Surveillance and Reconnaissance (CEASAR)	MQ-9 Reaper Electronic Attack Pod
Service sponsor	Marine Corps	Marine Corps	Army	Air Force
Host platform	RQ-7B Shadow unmanned aerial vehicle	AV-8B fixed wing aircraft ^a	C-12 fixed wing aircraft	MQ-9 Reaper unmanned aerial vehicle
Mission description	Communications jamming in support of ground forces ^b	Communications jamming and surveillance capability in support of ground forces	Denial and disruption of enemy communications systems and improvised explosive devices in support of unit-level ground commanders	Communications and improvised explosive device jamming in support of combatant commander mission needs
Estimated acquisition cost	\$54.5 million	\$76.8 million	\$13.8 million ^c	\$233.7 million

Source: GAO analysis of Department of Defense data.

^aAfter the AV-8B, the Intrepid Tiger II pod will be integrated onto additional aircraft.

^bCORPORAL also consists of other technologies that serve broader purposes.

^cTotal excludes \$26.3 million in funding from the Operations and Maintenance, Army budget account through fiscal year 2013. The Army uses these funds to (1) lease two C-12 aircraft to fly the CEASAR pod and (2) fund aircraft and pod sustainment costs.

Source: GAO, Report to Congressional Addresses, "2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," February 2012. p. 21-24.
<http://www.gao.gov/assets/590/588818.pdf>

Managing Excessive Procurement Programs: UAVs

- There are eight large-size (Group 4 and 5) UAVs under development by DOD. The total costs to develop all platforms will be around \$51 billion.
- Roughly \$9 billion will be spent in developing 42 payloads for UAVs, including infrared optics, radar, and SIGINT sensors.
- Service-driven requests for similar capabilities has led to overlap in programs and opportunities for cost-effective collaboration.

Overlapping Development of Sensors for UAS Payloads in Group 4 and 5 Aircraft

Sensor type	Number of programs
Electro-optical/infra-red	Four Air Force programs
	Four Army programs
	One Navy program
	Five multiservice programs
Radar	Three Air Force programs
	Two Army programs
	One Navy program
	One multiservice program
Signals intelligence	Four Air Force programs
	Two Navy programs
	Two Army programs

Source: GAO analysis of DOD data.

Source: GAO, Report to Congressional Addresses, “2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue,” February 2012. p. 26-31.
<http://www.gao.gov/assets/590/588818.pdf>

Managing Excessive Procurement Programs: Counter-IED Initiatives and Culture and Language Training

Counter-IED Initiatives

- “DOD does not have full visibility over all of its counter-IED efforts.” – GAO (p. 33)
- There are six directed energy counter-IED programs (\$104 million).
- Army and Navy each have a counter-IED radio frequency jamming system in development, despite the fact that the Navy system can be land-based. The Army system, Duke, is anticipated to cost \$1.062 billion. These systems are being developed separately to achieve similar functions.
- The Joint IED Defeat Organization (JIEDDO) has spent over \$180 million on 70 different tools for electronic data collection and analysis. JIEDDO has acknowledged the overlap in these tools, and has cut the Tripwire Analytical Capability, the tool being implemented by the Defense Intelligence Agency. This limited streamlining makes it difficult to have a unified counter-IED database within DOD.

Defense Language and Cultural Training

- DOD is currently using multiple training programs in cultural and language training
- Have a Defense Language Office and Senior Language Authorities within OSD, but services still have autonomy over cultural and to a certain degree language training, creating inefficiencies.
- Some \$266 million had been invested over 6 years for training. GAO concludes that some \$30 million was spent on training products with some degree of overlap.

Source: GAO, Report to Congressional Addresses, “2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue,” February 2012, p. 33-43.
<http://www.gao.gov/assets/590/588818.pdf>

Avoiding Wasteful Inter-Agency Overlap in Development and Assistance Programs

“DOD has been conducting stabilization and reconstruction efforts that are similar to those of USAID and State; and the three agencies face challenges in project evaluation and information sharing which, if not addressed, could result in the potential for unnecessary overlap, wasted resources, and a fragmented approach to U.S. assistance efforts.” –GAO (p.45)

Key DOD Stability, Reconstruction, and Humanitarian Assistance Efforts

Program (Key agencies involved)	Description	Estimated program funding
Commander's Emergency Response Program (CERP) (DOD)	This program began in 2003 and has enabled commanders to respond to urgent humanitarian relief and reconstruction needs in Iraq, Afghanistan, and the Philippines. It has evolved in terms of project cost and complexity. Projects include new construction or rehabilitation of existing infrastructure, ranging from small scale projects like water wells to dormitories and roads. DOD uses some CERP funds to increase agricultural production with projects focused on irrigation systems, wells, and ditches; canal cleanup; and water sanitation.	At least \$7.9 billion made available for FYs 2004-2011
Security and Stabilization Assistance Program (also known as the Section 1207 Program) (DOD, State)	Created in 2006, this program authorized DOD to transfer funds to State for nonmilitary assistance related to stabilization, reconstruction, and security. Activities could include removing unexploded ordnance or reforming extremist educational programs. The authority for the program expired in 2010, but Congress authorized a similar program for DOD and State in fiscal year 2012, called the Global Security Contingency Fund.	Over \$350 million provided by DOD to State for FYs 2006-2009; at least \$250 million made available in FY 2012 for the new fund
Task Force for Business and Stability Operations (DOD)	Established in June 2006, the Task Force supports economic stabilization efforts, first in Iraq and now in Afghanistan. Activities include developing businesses, creating jobs, and attracting foreign investment in sectors such as agriculture, energy, banking and finance, and communications and technology.	\$828 million made available to the Task Force for FYs 2007-2012
Afghanistan Infrastructure Fund (DOD, State)	Established in 2011, the fund supports a joint DOD/State program for high-priority, large-scale infrastructure projects that support the U.S. military-civilian effort in Afghanistan.	\$800 million for FYs 2011-2013
Peacetime Humanitarian Assistance Programs (DOD)	DOD's two key programs are the Overseas Humanitarian, Disaster, and Civic Aid-funded humanitarian assistance program and the Humanitarian and Civic Assistance program. Activities, which are typically performed outside of war or disaster environments, include renovating schools and hospitals, drilling wells, providing basic health care, and providing training to prepare for natural disasters. From fiscal years 2005 through 2010 DOD obligated about \$328.4 million to support the Overseas Humanitarian, Disaster, and Civic Aid-funded humanitarian assistance program, which represented an increase in obligations of about 60 percent over the time period (figures in constant FY 2011 dollars).	\$383 million obligated for FYs 2005-2010 outside of Iraq and Afghanistan

Source: GAO analysis of data from DOD, the Special Inspector General for Afghanistan, relevant legislation, and GAO's prior work.

Note: While direct comparison among dollar figures cannot be made, the table is intended to highlight examples of various programs and estimated funding associated with them.

Source: GAO, Report to Congressional Addresses, "2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," February 2012, p. 45-46.

<http://www.gao.gov/assets/590/588818.pdf>

Reducing Costs Associated With the Strategic Shift Toward Asia

The US troop presence in the Pacific region is reported to have cost DOD \$24.6 billion between 2006 and 2010. As Asia becomes a defense policy priority, the GAO makes a number of recommendations through which DOD can reduce costs associated with strategic planning and the shift toward Asia.

- Reevaluating the tour normalization policy for US forces stationed in Korea. Tour normalization is anticipated to cost DOD \$5 billion until FY2020. GAO suggests that DOD explore single-year unaccompanied tours or other options to reduce the costs associated with longer deployments, the relocation and housing of military families, and the building of support facilities in-country.
- Realigning forces in Japan and Guam is expected to cost the US and Japan \$29.1 billion, although DOD cost estimates and schedules, which will help ensure the efficiency of the realignment, have yet to be produced.

Source: GAO, Report to Congressional Addresses, "2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," February 2012. p. 250-254.
<http://www.gao.gov/assets/590/588818.pdf>

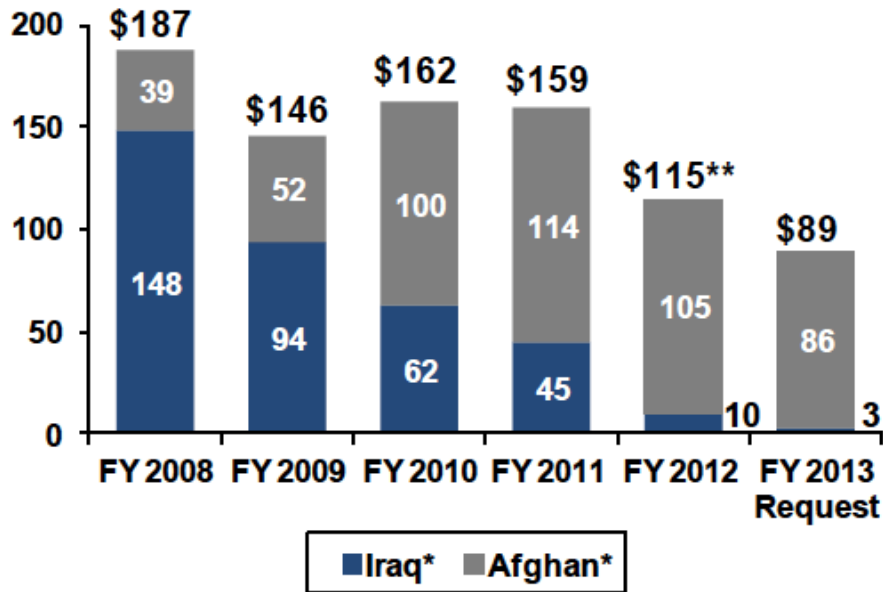
Unstable Strategy for Cutting Wartime (OCO) Spending

Emerging Strategic Lessons of Iraq and Afghanistan

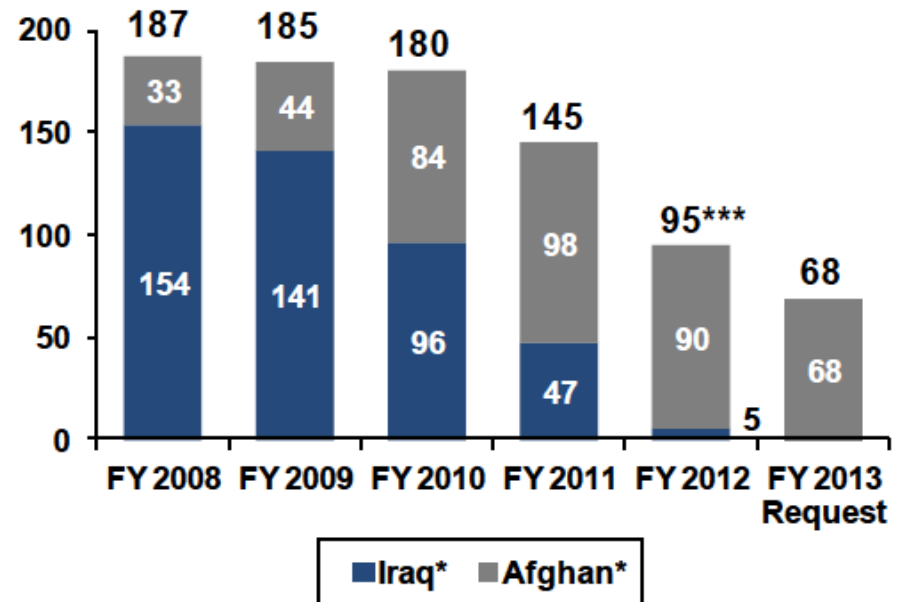
- Strategic overreach results in failure, and transforming other states is strategic overreach.
- US must fundamentally rethink its approach to “optional wars.” It is far from clear that it can win the Iraq War, rather than empower Iran.
- US will decisively lose the Afghan and Pakistan conflict if it does not quickly develop plans for a military and diplomatic presence, and help to aid Afghanistan in transitioning away from dependence on foreign military and economic spending during 2012-2020. US troop cuts are not a transition plan, and focusing on withdrawal is a recipe for defeat.
- US must deal with non-traditional threats with a far better and more affordable mix of global, regional, and national strategies that can deal with issues like the turmoil in the Middle East, and South and Central Asia, and terrorism and instability on a global basis.
- Steady decline in the size and military capability of our traditional allies poses a critical non-traditional threat. No amount of US exhortation will change this situation and the US must reshape its strategy accordingly.
- US must rely on aiding friendly states, deterrence, containment, and far more limited and less costly forms of intervention.
- Terrorism and insurgency are only one aspect of shifts in the threats to the US that force it to work far more closely and effectively with non-traditional allies, reshape elements of its military spending and operations to help build up their capabilities, and maintain strong embassy teams and aid efforts to help bring political and economic stability.

FY2008-FY2013: OCO War Funding and Troops Make Afghan Transition a Significant Risk

Trends in OCO Funding (*\$ in Billions*)



Trends in OCO Troop Levels (*Annual Average in Thousands*)



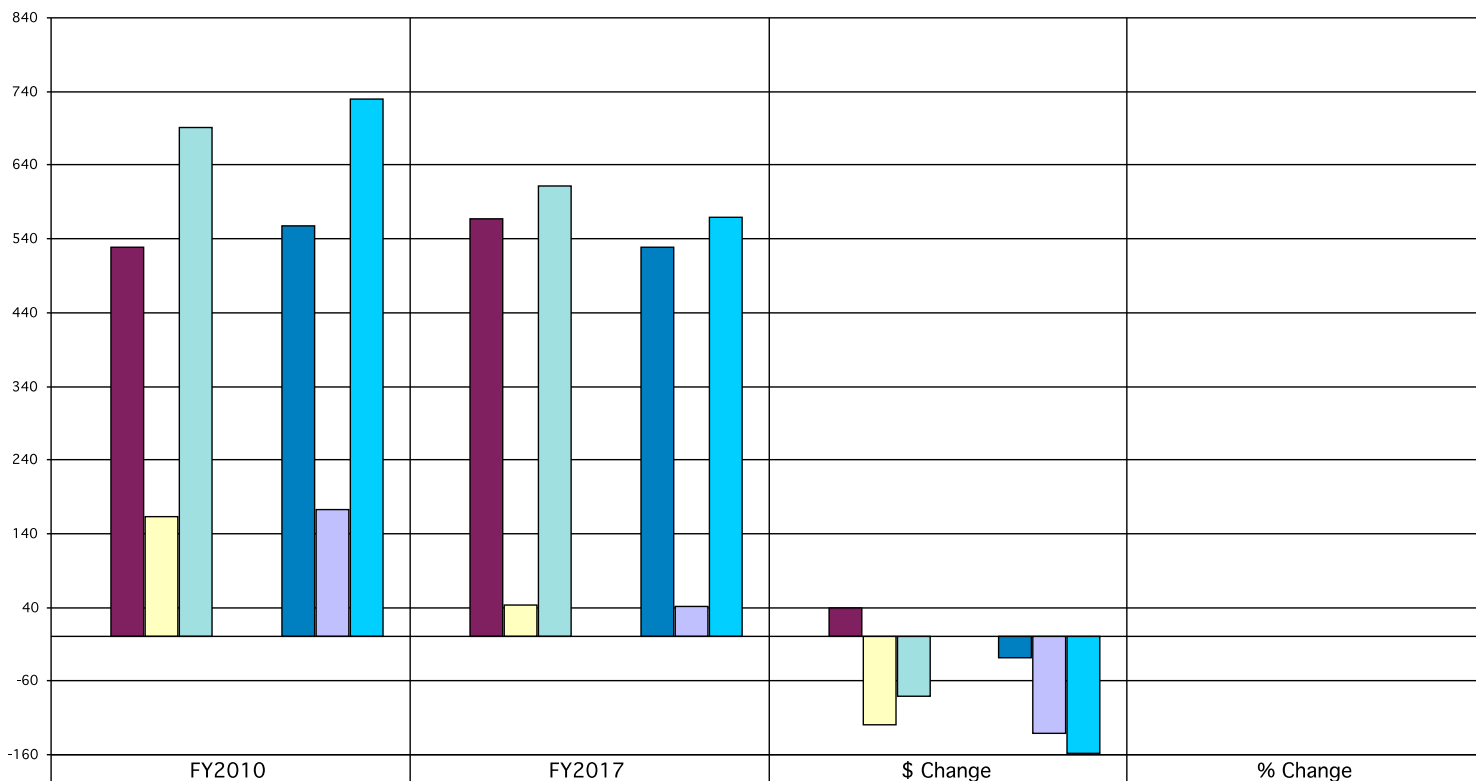
* Afghan data is for Operation ENDURING FREEDOM. Iraq data is for Operation IRAQI FREEDOM and Operation NEW DAWN, and Iraq activities.

** FY 2012 number (\$115B) includes \$0.6B of rescissions that were applicable to FY 2010 OCO appropriations.

*** U.S. forces deployed in Iraq only for the first quarter of FY 2012.

B22-23

Highly Uncertain End FY2017 Reductions from Peak FY2010 Wartime Spending (in \$US Current Billions)



	FY2010	FY2017	\$ Change	% Change
Current \$B				
--Baseline	528	567	39	* 7%
--OCO	163	44	-119	* -73%
--Total	691	611	-80	* -12%
Constant \$B FY13				
--Baseline	557	529	-28	* -5%
--OCO	172	41	-131	* -76%
--Total	729	570	-159	* -22%

Source: Adapted from DoD Factsheet issued by OSD (PA) on 26.1.12

FY2012-FY2013: Shift in OCO Funding (\$USB) Threatens ANSF and Reset

Operations	60.2	48.2
Force Protection	6.5	5.1
Improvised Explosive Devices (IED) Defeat	2.4	1.7
Military Intelligence Program (MIP) <i>(Includes ISR)</i>	5.8	4.5
Afghanistan Security Forces Fund (ASFF)	11.2	5.7
Afghanistan Infrastructure Fund (AIF)*	0.4	0.4
Commander's Emergency Response Program (CERP)*	0.4	0.4
Support for Coalition Forces	2.1	2.2
Equipment Reset	13.0	9.3
Military Construction	0.3	--
Temporary End Strength	2.2	6.1
Non-DoD Classified	5.4	4.9
Non-war/Other*	5.8	--
Total	115.7	88.5
Rescissions**	-0.6	--
Total including Rescissions	115.1	88.5

* Reflects base budget amounts transferred by the Congress to OCO, and congressional non-war adds (e.g., \$1B for domestic National Guard and Reserve Equipment).

**Includes rescissions enacted in FY 2012 for FY 2010 OCO appropriations.

The FY 2013 budget also includes:

- TFBSO: \$179 million for the Task Force for Business Stability Operations
- \$508 million for the operation of the Office of Security Cooperation – Iraq (OSC-I)

FY2012-FY2014: The Incredible Shrinking ANSF Funding

Then:

	ANSF Fund* (<i>\$ in Billions</i>)		ANSF Strength (<i>in Thousands</i>)		
	FY 2012 Enacted	FY 2013 Request	Oct 2011 Actual	FY 2012 Goal	FY 2013 Goal
Afghan National Army (ANA)	6.5	3.7	173	195	195
Afghan National Police (ANP)	4.6	2.0	139	157	157
Related Activities	<0.1	<0.1	--	--	--
Total Afghan National Security Forces	11.2	5.7	312	352	352

* *Approved end-strength of 352,000.*

Numbers may not add due to rounding

Now:

- **Funds shrink to \$4.4 billion annual versus CY2011 plans for \$7-9 billion at unstated time – FY2015?**
- **US goes from 54% funding to 25%: 50% allies, 25% Afghan?.**
- **ANSF shrinks to closer to 200,000.**
- **Role of ANP, ALP, APPF uncertain; So is funding for justice system and governance.**

**Strategy vs. Cuts by Military
Service:
Army Does Not Lose in Baseline
Spending**

Army Loses in FY2012-FY2013 Topline Delta

<i>\$ in Thousands</i>	FY 2012 Enacted	FY 2013 Request	Delta '12-'13
Total Budget			
Army	201,386,549	184,640,025	-16,746,524
Navy	172,509,651	170,132,077	-2,377,574
Air Force	161,666,101	154,337,023	-7,329,078
Defense-Wide	110,145,285	104,822,462	-5,322,823
Total	645,707,586	613,931,587	-31,775,999

<i>\$ in Thousands</i>	FY 2012 Enacted	FY 2013 Request	Delta '12-'13
Total Budget			
Military Personnel	153,111,873	149,171,893	-3,939,980
Operation and Maintenance	283,989,327	272,745,422	-11,243,905
Procurement	120,579,571	108,510,595	-12,068,976
RDT&E	71,902,070	69,653,283	-2,248,787
Military Construction	11,366,701	9,571,929	-1,794,772
Family Housing	1,682,946	1,650,781	-32,165
Revolving and Management Funds	3,075,098	2,627,684	-447,414
Total	645,707,586	613,931,587	-31,775,999

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

And, Army Loses in FY2012-FY2013 OCO Delta

<i>\$ in Thousands</i>	FY 2012 Enacted	FY 2013 Request	Delta '12-'13
OCO Budget			
Army	67,445,544	50,052,150	-17,393,394
Navy	15,693,315	14,230,117	-1,463,198
Air Force	16,796,526	14,272,783	-2,523,743
Defense-Wide	15,147,492	9,927,368	-5,220,124
Total	115,082,877	88,482,418	-26,600,459

<i>\$ in Thousands</i>	FY 2012 Enacted	FY 2013 Request	Delta '12-'13
OCO Budget			
Military Personnel	11,293,469	14,060,094	2,766,625
Operation and Maintenance	86,775,842	63,986,203	-22,789,639
Procurement	16,052,195	9,687,241	-6,364,954
RDT&E	526,358	245,516	-280,842
Military Construction			0
Family Housing			0
Revolving and Management Funds	435,013	503,364	68,351
Total	115,082,877	88,482,418	-26,600,459

Numbers may not add due to rounding

But, Army Wins in FY2012-FY2013 Baseline Delta

<i>\$ in Thousands</i>	FY 2012 Enacted	FY 2013 Request	Delta '12-'13
Base Budget			
Army	133,941,005	134,587,875	646,870
Navy	156,816,336	155,901,960	-914,376
Air Force	144,869,575	140,064,240	-4,805,335
Defense-Wide	94,997,793	94,895,094	-102,699
Total	530,624,709	525,449,169	-5,175,540

<i>\$ in Thousands</i>	FY 2012 Enacted	FY 2013 Request	Delta '12-'13
Base Budget			
Military Personnel	141,818,404	135,111,799	-6,706,605
Operation and Maintenance	197,213,485	208,759,219	11,545,734
Procurement	104,527,376	98,823,354	-5,704,022
RDT&E	71,375,712	69,407,767	-1,967,945
Military Construction	11,366,701	9,571,929	-1,794,772
Family Housing	1,682,946	1,650,781	-32,165
Revolving and Management Funds	2,640,085	2,124,320	-515,765
Total	530,624,709	525,449,169	-5,175,540

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

Strategy as Doing More with Fewer forces and Personnel

“Preserving the Force by Cutting Costs”

Force Strength Changes : FY-2013-FY2017

- The Army eliminates a minimum of 8 Brigade Combat Teams (BCTs) and studies brigade structure.
- The Navy eliminates 7 cruisers and 2 Dock Landing Ships (LSDs).
- The Air Force eliminates 6 combat coded fighter squadrons (1 active and 5 reserve components) and 1 non-combat coded fighter squadron (active).
 - – The active component includes 1 A-10 squadron and 1 F-15C squadron.
 - – The reserve component includes 4 A-10 squadrons and 1 F-16 squadron.
- The Air Force reduces 303 aircraft:
 - – 123 Combat Aircraft – 102 A-10, 21 F-16
 - – 150 Mobility and Tanker Aircraft – 65 C-130, 27 C-5A, 20 KC-135, 38 C-27
 - – 30 Intelligence, surveillance, and reconnaissance (ISR) Aircraft – 11 RC-26, 1 E-8C,
 - 18 RQ-4

End Strength Changes : FY-2013-FY2017

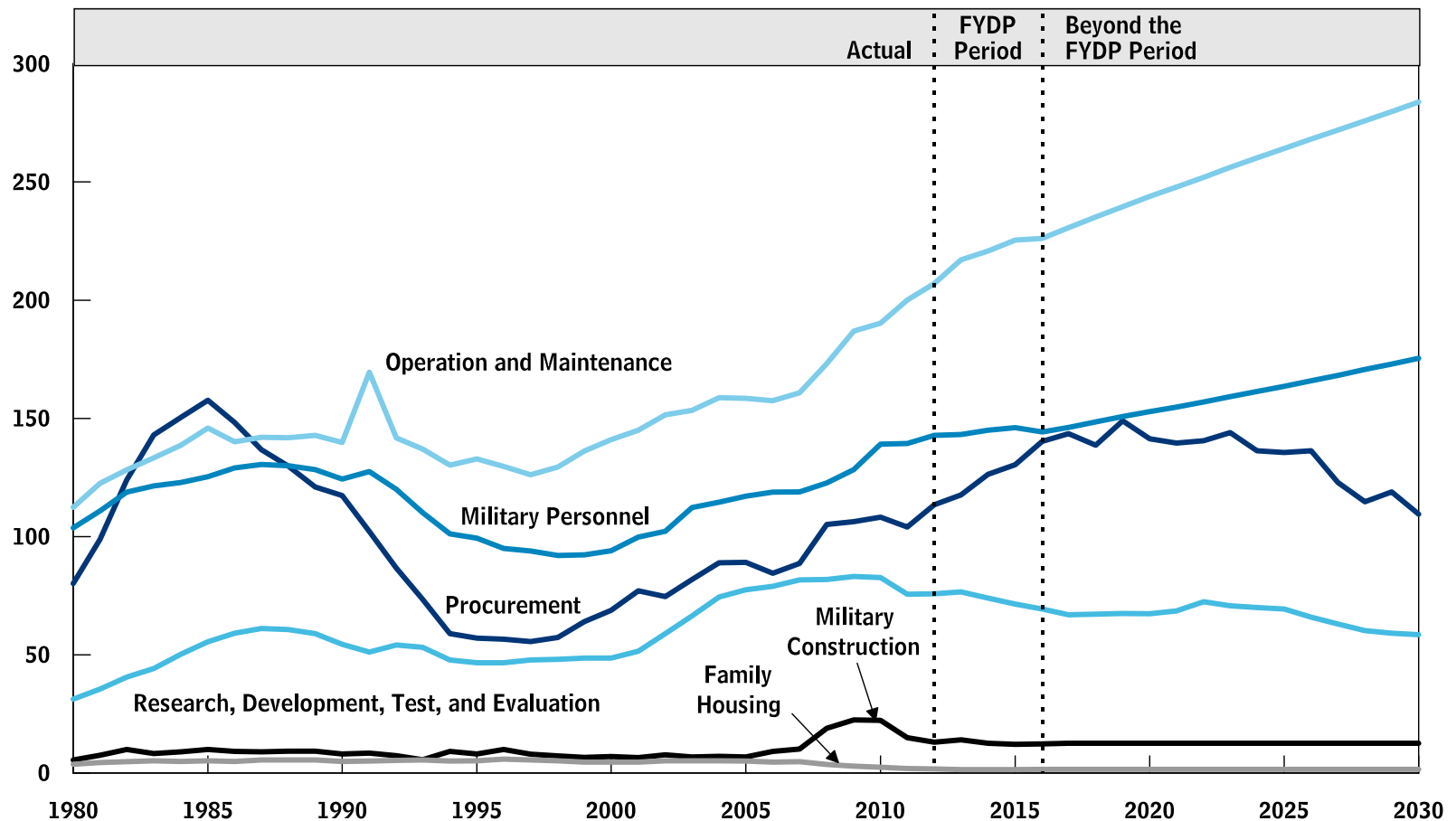
- The Department's overall military end strength (Base and Overseas Contingency Operations) changes from 2,269,700 in FY 2012 to 2,238,400 in FY 2013, a 1.4 percent reduction equating to 31,300 in end strength.
- By FY 2017, the overall military end strength will be 2,145,800, a 5.5 percent reduction equating to 123,900 in end strength from FY 2012. Details provided below:
- Army Active, Reserve, and Army National Guard end strength in FY 2013 is 1,115,300 –0.9 percent less than FY 2012. In FY 2017 the end strength will be 1,048,200, a 6.8 percent reduction from FY 2012.
- Navy Active and Reserve end strength in FY 2013 is 385,200 – 1.7 percent less than FY 2012. In FY 2017, the end strength will be 376,600, a 3.9 percent reduction from FY 2012.
- Marine Corps Active and Reserve end strength in FY 2013 is 236,900 – 2.0 percent less than FY 2012. In FY 2017 the end strength will be 221,700, an 8.3 percent reduction from FY 2012.
- Air Force Active, Reserve, and Air National Guard end strength in FY 2013 is 501,000 – 1.9 percent less than FY 2012. In FY 2017, the end strength will be 499,300, a 2.3 percent reduction from FY 2012.

Cost-Driven Military Personnel Cuts are Not a Strategy or a Plan

- Define active manpower cuts, but only Army and Marine cuts are relation to changes in OCO mission.
- Navy and Air Force cuts driven more by procurement cost-escalation. Suffer more in baseline cuts than Army and Marine Corps
- Unclear can control cost of military entitlements; force size vs. entitlements remains an issue.
- Reserves and civil service cuts defined largely in budgeting terms, with efforts to restructure reserves still to come.
- No clear effort to deal with contractor cost and role issues.
- Driven largely by Defense, government-wide annual cost of service contracts rose 44% over last 10 years from \$181 billion to \$324 billion. Contractor pay cap is \$400,000. Does not include OCO efforts.
- Spending on federal employees increased by 34% from \$170 billion to \$324 billion.

CBO Estimate of Personnel and O&M Cost Pressures

(Billions of 2012 dollars)



Source: Congressional Budget Office.

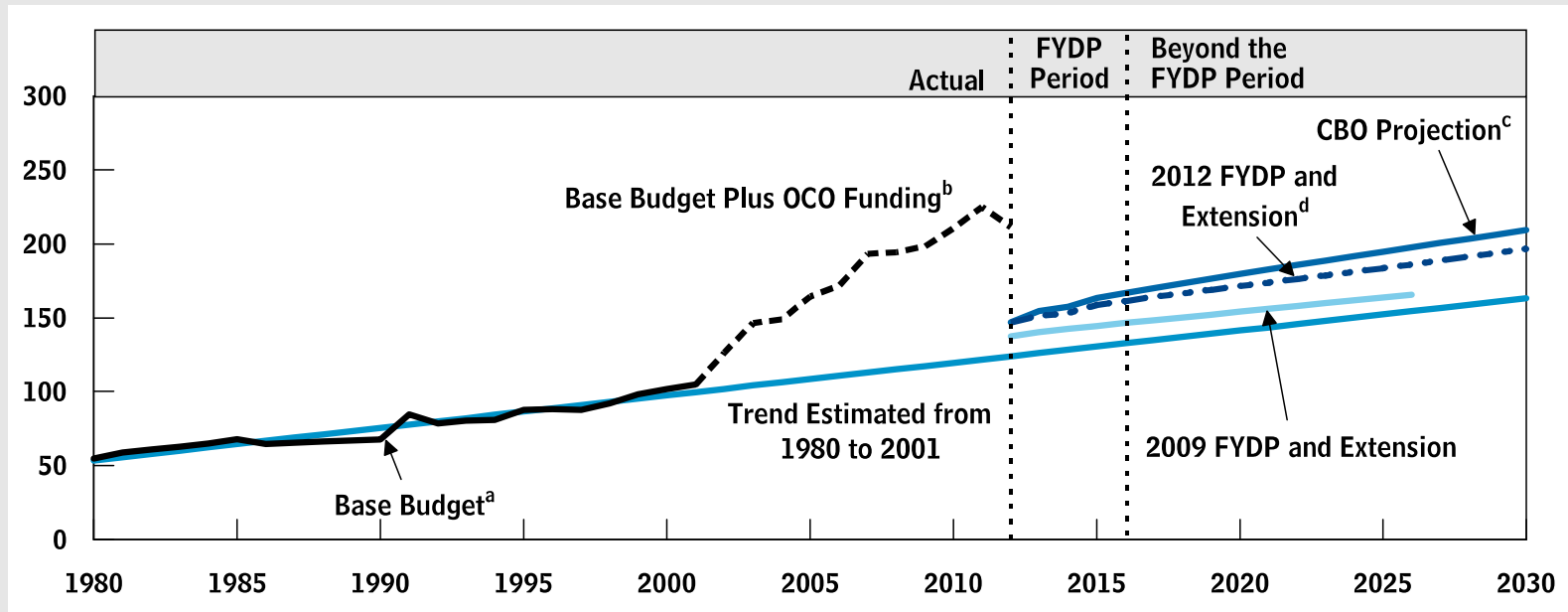
Notes: Base-budget data include supplemental and emergency funding before 2002.

FYDP = Future Years Defense Program; FYDP period = 2012 to 2016, the years for which the Department of Defense's (DoD's) plans are fully specified.

CBO, *Long Term Implications of 2012 Future Years Defense Program*, June 23, 2011, p. 7.

CBO Breakdown of O&M Cost Per Active-Duty Service Member

(Thousands of 2012 dollars)



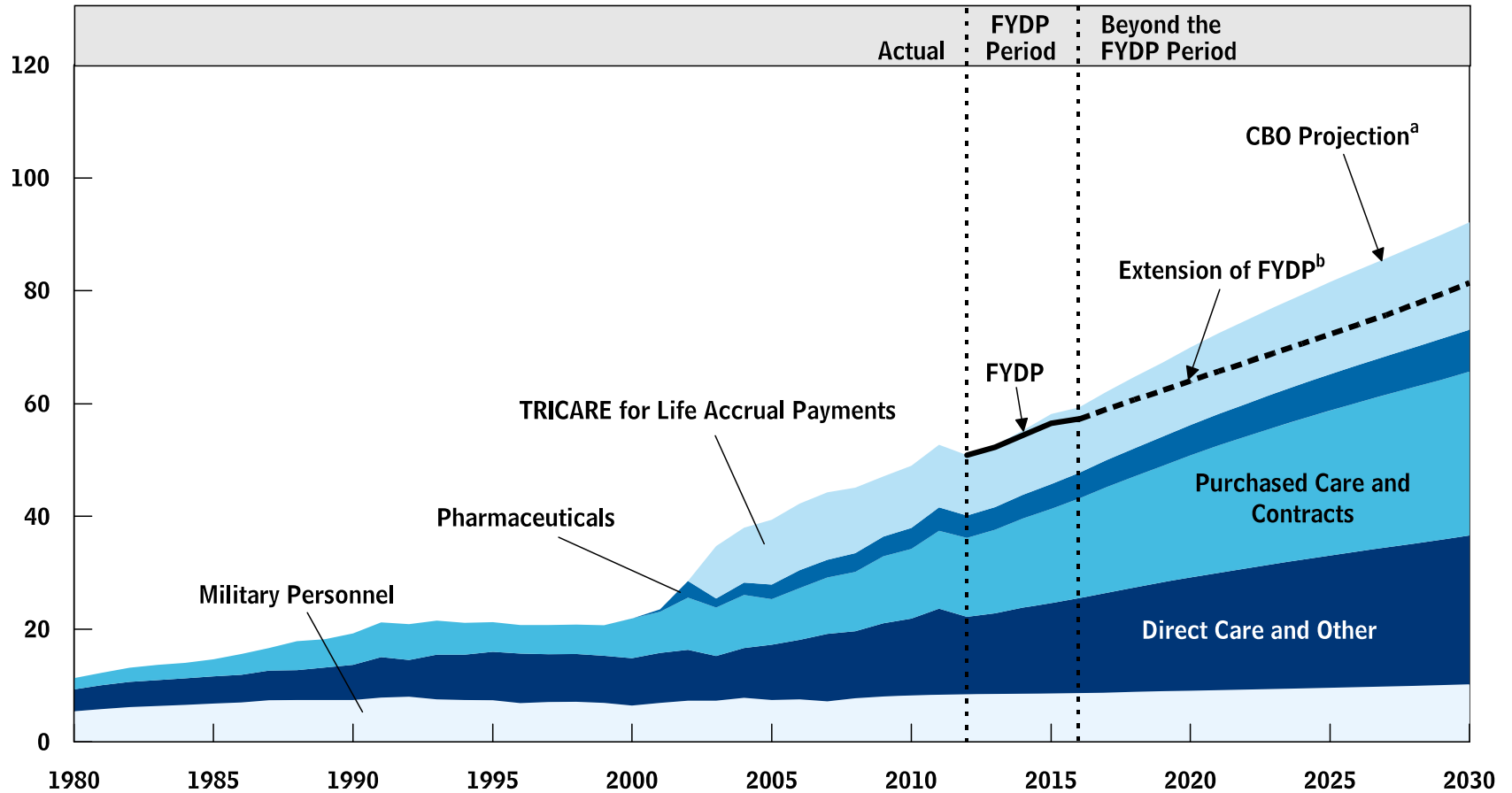
Source: Congressional Budget Office.

Note: FYDP = Future Years Defense Program; FYDP period = 2012 to 2016, the years for which the Department of Defense's (DoD's) plans are fully specified.

- Base-budget data include supplemental and emergency funding before 2002.
- For 2002 to 2012, supplemental and emergency funding for overseas contingency operations (OCO), such as those in Afghanistan and Iraq, and for other purposes is shown separately from the base-budget data. The amount shown for 2012 has been requested but has not been appropriated.
- The CBO projection of the base budget incorporates costs that are consistent with DoD's recent experience.
- For the extension of the FYDP (2017 to 2030), CBO projects the costs of DoD's plans using the department's estimates of costs to the extent they are available and costs that are consistent with the broader U.S. economy if such estimates are not available.

The Tricare Threat to US Strategy

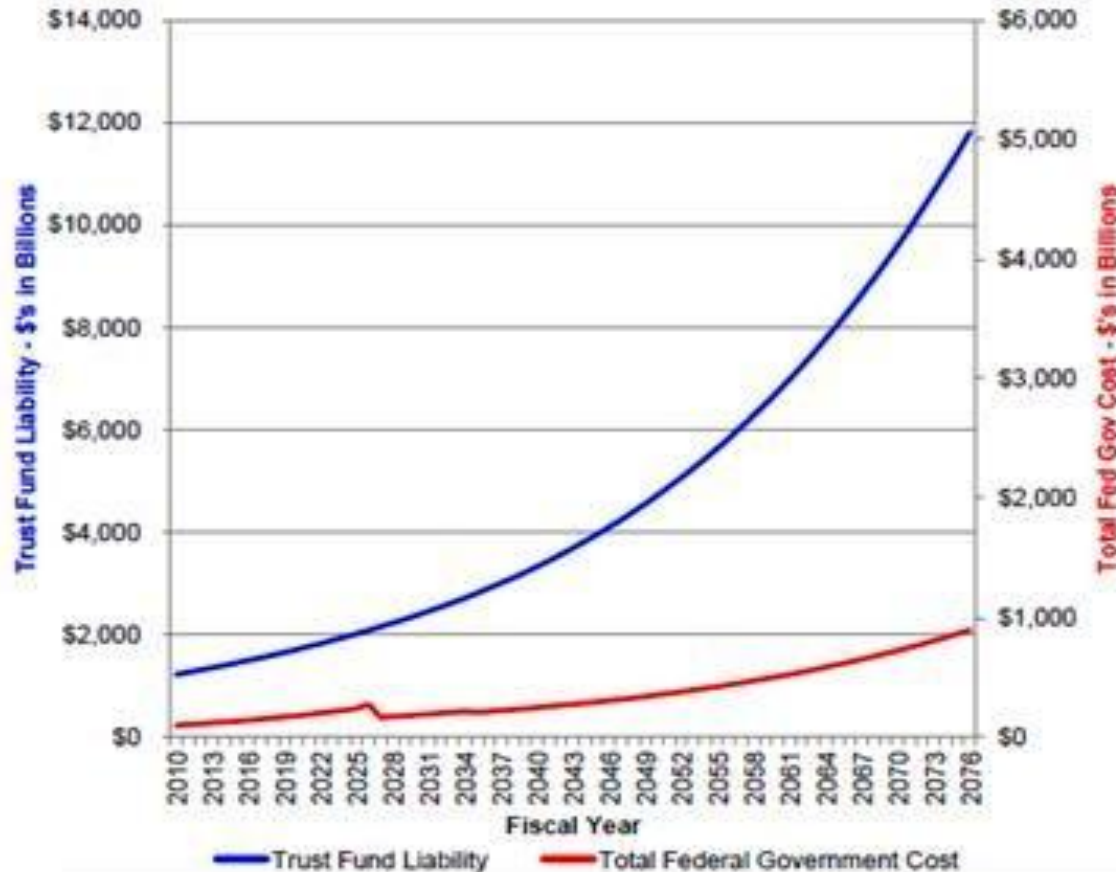
(Billions of 2012 dollars)



Source: Congressional Budget Office.

Notes: Supplemental and emergency funding for overseas contingency operations (OCO), such as those in Afghanistan and Iraq, is included for 2011 and earlier but not for later years.

The Military Retirement Threat to US Strategy



Military compensation and healthcare expenses have expanded by nearly 80 percent since 2001, despite a comparatively small 5 percent increase in force size.

Source: Defense Business Board, "Recommendations to Optimize the Department's Military Retirement System." October 2011.

Ongoing Manpower Cuts: FY2012-FY2016

On January 6, 2011 Secretary Gates explained his decision to reduce the size of the Active Army and Marine Corps in FY 2015 and FY 2016, saving about \$6 billion. The U.S. Army's permanent active duty end strength would decline by 27,000 troops, while the Marine Corps would decline by somewhere between 15,000 to 20,000, depending on the outcome of their force structure review. These projected reductions are based on an assumption that America's ground combat commitment in Afghanistan would be significantly reduced by the end of 2014 in accordance with the President's strategy.

The Figure below shows these end strength reductions compared to FY 2012 levels, and the FY 2007 baseline levels at which the Army and Marine Corps had been operating. As shown, after these proposed reductions in FY 2015 and FY 2016, both Services will be well above FY 2007 levels.

End Strength-Base Budget (thousands)	FY 2007 Baseline	FY 2012 Request	Change	FY 2015 – FY 2016 Proposal		
				Plan	Change from FY 2012	Change from FY 2007
Army*	482	547	+65	520	-27	+38
Marine Corps**	175	202	+27	187	-15	+12
				182	-20	+7

* Excludes end strength funded in FY 2012 OCO budget for 14,600 additional Active Army soldiers – a temporary wartime allowance – to help the Army meet its commitments in Iraq and Afghanistan.

** Marine Corps will decline somewhere between 15,000 and 20,000 in FY 2015 – FY 2016.

FY2012-FY2017: Active Personnel Cuts: Navy and Air Force Get Hit Hardest **in Terms of Pre-War Levels**

End Strength	FY 2001	FY 2012 ^{/1}	FY 2013 ^{/2}	FY 2017 Plan
Army	480,801	562,000	552,100	490,000
Navy	377,810	325,700	322,700	319,500
Marine Corps	172,934	202,100	197,300	182,100
Air Force	353,571	332,800	328,900	328,600
Total	1,385,116	1,422,600	1,401,000	1,320,200

/1 Includes end strength funded in OCO appropriations. The OCO component of the FY 2012 budget includes funding for 14,600 additional Active Army soldiers – a temporary wartime allowance – to help the Army meet its commitments in Iraq and Afghanistan.

/2 The FY 2013 Army base budget funds enduring end strength of 490,000 plus 12,400 Temporary End Strength Army Medical (TEAM) associated with non-deployable Soldiers in the Integrated Disability System. Includes end strength funded in FY 2013 OCO – 49,700 Army and 15,200 Marine Corps.

FY2012-FY2017: Military Reserve Personnel Cuts: Navy and Air Force Get Hit Hardest

(End Strength in Thousands)

Selected Reserve	FY 2012 Authorized	FY 2013 Request	FY 2017 Plan
Army Reserve	205.0	205.0	205.0
Navy Reserve	66.2	62.5	57.1
Marine Corps Reserve	39.6	39.6	39.6
Air Force Reserve	71.4	70.5	69.5
Army National Guard	358.2	358.2	353.2
Air National Guard	106.7	101.6	101.2
Total	847.1	837.4	825.6

Numbers may not add due to rounding

(Dollars in Billions)

Program (Base Budget)	FY 2012 Enacted	FY 2013 Request
Army Reserve	9.3	9.1
Navy Reserve	3.7	3.5
Marine Corps Reserve	1.1	1.0
Air Force Reserve	5.5	5.4
Army National Guard	19.3	18.3
Air National Guard	10.0	9.7
<i>Subtotal Reserve</i>	19.6	19.0
<i>Subtotal National Guard</i>	29.3	28.0
Total	48.9	47.0

* Includes Military Personnel, Operation & Maintenance, Military Construction Appropriation levels, and estimated Procurement funding excluding National Guard and Reserve Equipment (NGRE)

**No Clear Personnel Strategy
After CY2014: “Fortune Cookie”
Focus on Military; No Integrated
Effort Involving Civilians and
Contractors**

Why Integrated Military-Civilian-Contractor Manpower Policy Matters: Even if One Ignores Massive Increases in Contractor Role and Cost: Half of DoD Career Personnel are Civilians

(End Strength/FTE in Thousands)

Fiscal Year	Military Active Duty	DoD DH Civilian WorkForce	Total DoD Man-power	Other Federal Civil Service	Total Federal Civilian Employ ^{1/}	Coast Guard ^{1/}	Total Federal Employ	State & Local Govts ^{2/}	Total US Public Employ	Private Sector Employ	Total Employ	Unemployment ^{3/}	Total Labor Force ^{3/}
2008	1,474	666	2,140	2,049	2,715	42	4,231	19,748	23,979	121,384	145,363	8,924	155,803
2009	1,493	690	2,183	2,029	2,719	43	4,255	19,723	23,978	115,899	139,877	14,265	155,678
2010	1,506	743	2,249	2,080	2,823	43	4,372	19,514	23,886	115,178	139,064	14,825	155,438
2011	1,501	767	2,268	2,005	2,772	42	4,315	19,248	23,563	116,307	139,870	13,747	155,160
2012 Base	1,481	760	2,241										
2012 OCO	19		19										
2012 Total	1,500	760	2,260	1,996	2,756	43	4,299						
2013 Base	1,413	752	2,165										
2013 OCO	65		65										
2013 Total	1,478	752	2,230	2,002	2,754	43	4,275						

The DoD direct hire (DH) civilian work force figures include both U.S. and foreign national direct hires. Foreign national indirect hire (PNIH) employees that support DoD forces overseas are not included.

Beginning with FY 1996, all the Federal civilian work force is measured in Full-Time Equivalents (FTE) on this table.

The FY 1990 Active Duty Military includes 25,652 National Guardsmen and Reservists activated pursuant to section 673b, Title 10 U.S.C. FY 1991 Active Duty Military includes 17,059 National Guardsmen and Reservists, and FY 1992 Active Duty Military includes 954 National Guardsmen and Reservists activated pursuant to sections 672 and 673, Title 10 U.S.C., in support of Operation Desert Shield/Desert Storm.

All enacted war and supplemental data are rolled up into the Defense totals prior to 2012. Certain non-Defense employment data was not available past 2011.

^{1/} From OMB Analytical Perspectives Table 11-3 (Total Federal Employment).

^{2/} From the Economic Report of the President, Table B-46 (Employees on Nonagricultural Payrolls, by Major Industry).

^{3/} From the Economic Report of the President, Table B-35 (Civilian Population and Labor Force).

The Military Personnel Cost Pressures Described Earlier Remain Critical

The cost of military personnel has grown at an unsustainable rate over the last decade.

- Including wartime funding or OCO appropriations, military personnel costs have doubled since 2001, or about 40% above inflation, while the number of full-time military personnel, including activated reserves, increased by only 8% during the same time period.
- Basic pay has risen 62 percent, housing allowances have increased by 58 percent, and subsistence allowance is up 43 percent, compared to a 46-percent rise in private-sector salaries
- Within the base budget alone (i.e., excluding wartime funding or OCO) during this same time period personnel costs increased by nearly 90%, or about 30% above inflation, while the number of military personnel has increased by only about 3%.
- Now spend about \$181 billion a year on personnel, close to one-third of baseline budget: \$107 billion for salaries, \$50 billion for health care, and \$24 billion for retirement.

DoD addressed the growth of personnel-related costs while keeping in mind that:

- The core of the U.S. military is our All Volunteer Force
- Military life entails unique challenges and stresses
- War-related deployments of the past decade have put extraordinary demands on many troops and their families.

“Preserving the All-Volunteer Force While Cutting Costs”

No Plan or Strategy After 2014?

- Reductions in the rate of growth in spending on military compensation and other personnel-related costs and benefits in the budget are significantly less than their share of total defense spending.
- Military compensation and benefits currently account for roughly 1/3 of the defense budget; however, the changes in compensation and benefits account for about 1/9 of the total budget reductions.
- *Military Pay.* Instead of reducing military pay, created sufficient room to allow full pay raises in 2013 and 2014 to keep pace with increases in private sector pay.
 - Will achieve some cost savings by providing more limited pay raises beginning in 2015. This will give troops, and their families fair notice and lead time before these proposed changes take effect. Use some savings in the later years to invest in force structure and modernization.
 - Despite this change, military personnel will see their pay check increase every year across the FYDP.
- *Health Care.* Military health care has seen rapid growth relative to the rest of the defense budget. Most of the changes made in this budget will not affect active duty personnel or their families. Also exempting medically retired and survivors of those who died on active duty from all health care changes.

“Preserving the All-Volunteer Force While Cutting Costs” Says Nothing About Scale and Spend of Services

Budget plan sustains or enhances key support programs while reforming and re-organizing others to be more effective and responsive to the needs of troops and their families:

- Wounded Warriors - extra funding added in the base and OCO budgets to enhance the Integrated Disability Evaluation System
- Transition Assistance - reform of the Transition Assistance Program and transition process for all service members through a collaborative DoD--VA initiative that improves career opportunities and readiness focusing on education, technical training, job placement, and entrepreneurship preparation
- Family Support - effective programs sustained, expanded, or improved, including non-clinical counselors, marriage support, new patient support, and stress-reducing recreation for returning troops
- Psychological Health - programs sustained and particularly effective programs, such as those addressing traumatic brain injury and post-traumatic stress disorder, were significantly expanded
- Reserve Component Support – DoD’s Yellow Ribbon program provides services and referrals to reservists, guardsmen, their families, and their employers through each stage of the mobilization cycle
- DOD Schools - facilities being restored and modernized
- Military Commissary System - current number and distribution of stores maintained

“Preserving the All-Volunteer Force While Cutting Costs”

Putting Retirement Up for Grabs

- Those most affected will be working-age retirees under the age of 65 still likely to be employed in the civilian sector. These proposed changes include:
 - Further increasing and adding new enrollment fees for retirees under age 65 in the TRICARE program, using a tiered approach based on retired pay that requires senior-grade retirees to pay more and junior--grade retirees less; the resulting fees remain below comparable civilian equivalents
 - Establishing a new enrollment fee for the TRICARE--for--Life program for retirees 65 and older, again using a tiered approach; the resulting fees will be well below comparable civilian equivalents
 - Implementing additional increases in pharmacy co--pays in a manner that increases incentives for use of generics and mail order.
- *Retirement.* Will ask Congress to establish a commission with BRAC--like authority to conduct a comprehensive review of military retirement in the context of total military compensation.
 - Goal is to recommend changes in order to meet the personnel needs of in a cost effective manner.
 - DoD strongly supports protecting the retirement benefits of those who currently serve by grandfathering their benefits. Any reforms should only affect future recruits

“Restructuring and Maintaining Reserve Forces”

In What Way and How?

- A smaller active force requires a capable and ready Reserve Component. Among other applications, a strong Reserve Component is a vital element of the concept of reversibility embedded in the strategic guidance.
- Consequently, marginal reductions are being made in the Army reserve and Army National Guard and no reductions to the Marine Corps Reserve.
- Furthermore, will leverage the operational experience and institute a progressive readiness model in the National Guard and Reserves in order to sustain increased readiness prior to mobilization.
- In particular, will maintain key combat support capabilities such as sustainment as well as combat service support capabilities such as civil affairs maintained at a high readiness level in the Reserve Component.
- Similarly, the Air Force is balancing the size of its reserve and active components, including aircraft and manpower reductions, and adjusting the alignment of missions and installations to sustain the operational Reserve Component for the long term.
- The Air Force will augment the readiness of their reserves by increasing Active-Reserve Component associations.

**Strategy by
Listing -- *But Not Defining the
Plans for* -- Key Mission Areas**

**No Picture of What Forces Exist and
Where, or of Capabilities relative to
Potential Threat, Role of Allies,**

Concepts: Five Major Strategic Tenets Without a Single Plan or Cost

The Department's leadership and subject matter experts assessed the potential strategic, military and programmatic risks associated with each budget decision in accordance with five major tenets within the President's strategic guidance:

- I. Rebalance force structure and investments toward the Asia-Pacific and Middle East regions while sustaining key alliances and partnerships in other regions
- II. Plan and size forces to be able to defeat a major adversary in one theater while denying aggression elsewhere or imposing unacceptable costs
- III. Protect key investments in the technologically advanced capabilities most needed for the future, including countering anti-access threats
- IV. No longer size active forces to conduct large and protracted stability operations while retaining the expertise of a decade of war.
- V. To the extent possible, structure major adjustments in a way that best allows for their reversal or for regeneration of capabilities in the future if circumstances change

Key Force Capabilities to Meet New Strategic Priorities and Budgetary Goals With No Net Assessment of threat or Allies or US Forces

“The resulting joint force, while smaller and leaner, will remain agile, flexible, ready, innovative, and technologically advanced.” It will be a force that is:

- Adaptable and capable of deterring aggression and providing a stabilizing presence,
- especially in the highest priority areas and missions in the Asia--Pacific region and the Middle East, while still ensuring our ability to maintain our defense commitments to
- Europe and other allies and partners
- Ready, rapidly deployable, and expeditionary such that it can project power on arrival
- Capable of defending the homeland and providing support to civil authorities
- Possessing cutting-edge capabilities that exploit our technological, joint, and networked advantage
- Able to reconstitute quickly or grow capabilities as needed
- Above all, manned and led by the highest quality professionals

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- Above all, manned and led by the highest quality professionals

Service or Command Driven-Strategy: No Plan, Costs, or Net Assessment

Six commanders have specific mission objectives for their geographical areas of responsibility:



Three commanders have worldwide mission responsibilities, each focused on a particular function:



Vague Priorities for Asia- Pacific and Middle East Regions

- **Rebalanced by.**
 - Maintained the current bomber fleet
 - Maintained the aircraft carrier fleet at 11 ships and 10 air wings
 - Maintained the big-deck amphibious fleet
 - Sustained Army and Marine Corps force structure in the Pacific, while maintaining persistent presence in the Middle East
 - Budgeted to forward station Littoral Combat Ships in Singapore and patrol craft in Bahrain
 - Funded development of a new afloat forward staging base that can be dedicated to support missions in areas where ground-based access is not available, such as counter-mine operations
- **Increased or protected investment in capabilities that preserve the US military's ability to project power in contested areas and strike quickly from over the horizon, including:**
 - Funding for the new bomber
 - Design changes to increase cruise missile capacity of future Virginia-° ©-class submarines
 - Design of a conventional prompt strike option from submarines
 - Upgraded radars for tactical aircraft and ships
 - Improved air--to--air missiles
 - New electronic warfare and communications capabilities

Cuts and Slow Downs to Support Strategic Priorities in Asia Pacific and Middle East to be replaced by What?

- Reduce the number of ships by slowing the pace of building new ships and by accelerating the retirement of some existing ships. These include:
 - Retiring 7 cruisers early -- 6 did not have ballistic missile defense (BMD) capability, and the seventh with BMD capability is in need of costly hull repairs
 - Slipping a large deck amphibious ship (LHA) by 1 year
 - Slipping 1 new Virginia class submarine outside the FYDP
 - Slipping ocean surveillance vessel
 - Reducing Littoral Combat Ships by 2 ships in the FYDP
 - Reducing Joint High Speed Vessels by 8 in the FYDP
 - Retiring 2 smaller amphibious ships (LSD) early and moving their replacement outside the FYDP
- Concluded that DoD could, at minimal risk, disestablish six Air Force tactical-air fighter squadrons (out of 60) and one training squadron. As we reduce air force structure are protecting aircraft with multi--role capabilities versus niche capabilities.
- Adjust the posture of land forces in Europe in concert with overall Army transformation including eliminating two heavy brigades forward-stationed there

The Last Land War in Anywhere? North Korea? Iran?

“Not Needed for Long-term Stability Operations”

- In response to the demands of the Afghanistan and Iraq campaigns, active Army end-strength increased by 95,000 and Marine Corps end-strength by 30,000.
- The U.S. military commitment in Iraq is complete and a security transition in Afghanistan is underway.
- *In this budget, plan to reduce the size of the active Army from a post--9/11 peak of about 570,000 in 2010 to 490,000 and the active Marine Corps from a peak of about 202,000 to 182,000.*
- *The Army plans to remove at least eight Brigade Combat Teams from its existing structure; however, the future organizing construct of the Army is under review.*
- Even with these reductions, the Army and Marine Corps will be larger than they were in 2001.
- While the U.S. does not anticipate engaging in prolonged, large--scale stability operations - requiring a large rotation force - in the near-to mid--term, cannot rule out the possibility.
- If such a campaign were to occur, would respond by mobilizing the Reserve Component and, over time, regenerating Active Component end strength.
- Additionally, even as troop strength draws down, the Army, Marine Corps, and U.S. Special Operations Command will preserve expertise in security force assistance and counterinsurgency training.
- *These lessons apply to procurement as well; for example, the kind of troop transport vehicles needed to succeed and survive in an irregular warfare environment are included in the Army and Marine Corps modernization plans.*

Power Projection: Protect but Don't Define Force Goals

- Protected important capabilities like:
 - the new bomber,
 - upgrades to the small diameter bomb,
 - aircraft carriers,
 - surface combatant modernization,
 - and cyber capabilities.
- Also protected capabilities that allow US to project power in denied environments.
- In addition to funding for the new bomber and increasing the cruise missile capacity of future submarines, protected anti-submarine warfare and counter-mine capabilities.

Cuts in Air Mobility Forces to Match Reductions in Emphasis on Land Options and “Capacity to Support Two Large, Simultaneous and Rapidly Developing Ground Campaigns”

- Eliminate surplus without losing lift capability to move to another region
- 130 Aircraft will be retired or divested from the airlift fleet.
- Retiring 27 aging C-5As, resulting in a fleet of modernized 52 C-5Ms and 222 C-17s
- Retiring 65 of the oldest C-130s, resulting in a fleet of 318 C-130s
- Divesting 38 C-27s.
- Canceling C-27J and C-130 upgrades

Undefined Goals, Forces, and Spending for Counterterrorism, Special Forces, and Cyberoperations

Protected key components of the force that are adept in executing Counterterrorism mission:

- Special Operations Forces - critical to U.S. and partner counter terrorism operations -and a variety of other contemporary contingencies
- Unmanned Air Systems -- fund enough trained personnel, infrastructure, and platforms to sustain 65 USAF MQ-1/9 combat air patrols (CAPs) with a surge capacity of 85;
 - Retained Predator aircraft retained longer than previously planned, allowing DoD to slow the buy of the Reaper aircraft and gain some savings;
 - Funding for the Army's air system, Gray Eagle
- Sea-based unmanned intelligence, surveillance and reconnaissance (ISR) systems such as Fire Scout -- important ISR assets where ground basing is not available
- Advanced ISR --new unmanned systems with increased capabilities
- *Cyber operations*. The strategic guidance highlights the increasing importance of cyberoperations. As a result, cyber is one of the few areas in which actually increased investments, including in both defensive and offensive capabilities.

Cyber Operations as Case Example

Protected key components of the force that are adept in executing this mission:

- Special Operations Forces - critical to U.S. and partner counter terrorism operations -and a variety of other contemporary contingencies
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- Sea-based unmanned intelligence, surveillance and reconnaissance (ISR) systems such as Fire Scout -- important ISR assets where ground basing is not available
- Advanced ISR --new unmanned systems with increased capabilities

Changes in Strategic Triad With No Goals, Costs, Assessments

- Under the new strategic guidance, will maintain a safe, secure, and effective nuclear deterrent.
- Budget protects all three legs of the Triad - bombers that provide both conventional and nuclear deterrence, intercontinental ballistic missiles (ICBM), and ballistic missile submarines.
- To this end, are committed to the procurement of a new bomber.
- However, will delay the new Ohio submarine replacement by two years without undermining our partnership with the UK. While this delay will create challenges in maintaining current at-sea presence requirements in the 2030s, we believe this risk can be managed.
- An ongoing White House review of nuclear deterrence will address the potential for maintaining our deterrent with a different nuclear force.

Missile Defense Capabilities and Space Systems: Ditto

- *Missile defense programs:* provide the capability to defend homeland, support our allies, and protect U.S. military forces when operating in regions across the globe.
 - Despite its importance, were not able to protect all of the funding in this area.
 - Protected investments in homeland defense and,
 - Phased Adaptive Approach for missile defense in Europe aimed at protecting allies.
 - Reduced spending and accepted some risk in deployable regional missile defense and will increase reliance on allies and partners in the future.
- *Space systems.* Space systems are critical to our surveillance, communications, positioning and networking capabilities.
 - Protected funding for upgrades to the Global Positioning System (GPS), the Space Based Infrared System (SBIRS) and Advanced Extremely High Frequency (AEHF) satellite programs

Defining a Strategy for National Security

Critical Questions

- If the funding picture requires the Pentagon to do less with less, how will the military now serve all of its newly revised primary missions? Where will scarce resources be spent and what specific capabilities need to be purchased in order to achieve our goals?
- What will happen if sequestration is not averted and the Pentagon needs to cope with an additional \$600 billion in cuts over the next 10 years?
- Given the past systemic failure of all military services to efficiently manage their procurement and acquisition, will these dollars be allocated to maximize their strategic efficacy and in ways that preserve vital development capabilities within the US defense-industrial base?
- Given that this new guidance operates outside of the QDR/QDDR process, how will interagency coordination and funding over reconstruction/transition be accounted for in Afghanistan and Iraq?
- Exactly how does the US create smaller and cheaper forces that can be so flexible, ready, and deployable that they can fight and defeat any aggressor in any fight in every kind of war at once?
- Can the US really maintain an all-volunteer force - the willingness to stay in military careers for the years required to be fully effective - and cut spending? What are the details of the human factors necessary to make such a strategy workable?

Bringing Entitlements, Defense Discretionary Spending, Other Discretionary Spending – **and revenues** – into a stable, affordable balance

- Requires hard social choices about mandatory spending
 - Raise age limits, force efficiency and triage, or increase revenues.
 - Aging population, rising real medical costs pose major national threat.
 - So does any failure in economic growth.
- Discretionary spending can be cut, but does not solve budget problem.
- Real burden of defense on US economy is not a driving factor in historical terms. But,
 - Wars are unpopular and projections assume “victory” in 2014.
 - Perceptions of waste and mismanagement are critical.
 - Assumes a “one major regional contingency” force structure is enough.

Creating a Functional System for Tying **Strategic Planning** to a Working **PPBS** and Force Planning System Actually Executed **on Time**, at the **Promised Level**, and at the **Promised Cost**

- Must force system to actually execute plans at projected cost.
- High cost programs have to work. Must stop confusing force multipliers with force degraders.
- Top Down Accountability: “Fish rot from the head down.”
- Need real strategies and not concepts: Force plans, personnel plans, modernization plans, timescales, and costs.
- Need to make hard trade-offs, and by mission – not by service.
- Plan annually in rolling five year (ten? fifteen?) periods.
- Shift PPBS system away from services to major commands

Creating a Functional PPBS/QDR/QDDR

Six commanders have specific mission objectives for their geographical areas of responsibility:



United States
Northern Command



United States
Pacific Command



United States
European Command



United States
Southern Command



United States
Africa Command



United States
Central Command



Three commanders have worldwide mission responsibilities, each focused on a particular function:



United States
Strategic Command



United States
Transportation Command



United States
Special Operations
Command

Structuring US Strategy to Create an Affordable, Evolving, **Civil-Military**, National Security Posture that Meets Critical Needs

- After ten years of war, still do not have meaningful integrated efforts, or clear definition of “hold, build, and transition.”
- Challenge of Withdrawal in Iraq and Transition to State is prelude to Afghanistan.
- Turmoil in Middle East shows risk of overdependence on security sector.
- Failure of QDDR illustrates the challenge. So does delay in civilian “surge” in Afghanistan. (1,100 military in 2009 vs. several hundred civilians now.)
- Need for integrated strategy and PPBS for OCOS and regional/national operations.
- Not simply a matter of State, USAID, and civilian partners abroad. Key trade offs involve some \$77 billion in Homeland Security and GWOT.

Finding the Balance Between Irregular/Asymmetric, Conventional, and WMD Warfare in a Period of Constant Technological Change

- “Hybrid Warfare,” Air-Sea Battle,” etc. only have real meaning if not tied to force posture and resource choices.
- Nuclear, cyber, biotechnology, weapons of mass effectiveness, increases in strike range, and unconventional delivery all change the map and nature of military power.
 - Counterproliferation can simply shift the activity to covert and/or alternative means.
 - Same with missile defense, preemptive/ preventive strikes.
- Every key US and allied capability, resource dependence, and critical facility redefines the target mix.
- If you can’t ban the crossbow, you have to find an affordable way to live with it.

Coping with Ideological and Non-State Actors at the Political and Civil as Well as the Combat and Counterterrorism levels.

- Middle East crises are a warning that no population is passive or can be continuously repressed.
- Face at least two decades of demographic pressure, inadequate governance, religious and ideological challenges to come.
- Struggle for the future of Islam is internal, not a clash between civilizations, but shows the scale of the spillover effect.
- Impacts on key imports of resources, global economy (which steadily equals our economy.)
- Immigration, travel, speed and complexity of global transport, communications/Internet, financial training systems, and IT add to the problem.
- Steadily increases need to see through other's eyes, define security to meet their interests and values.

Creating a Unified National Security Budget

- National strategy, defense QDR, State QDDR, and DNI strategies are not coordinated, tied to resources, and linked to coordinated regional and country plans.
- State Department resources are under even more intense budget pressure than DoD at time developments like “Arab Spring” show integrated State-DoD programs are critical.
- Department of Homeland Security alone cost \$37 billion in FY2012 budget request. OMB estimates that total cost with DoD and 29 other departments and agencies is \$71.6 billion.

International Programs, State Department, and National Security: How Much is Already Too Little ?

(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Spending¹			
Discretionary Budget Authority:			
Administration of Foreign Affairs.....	9,716		10,362
International Organizations and Peacekeeping.....	3,808		3,539
Economic Support Fund.....	6,570		5,969
Global Health and Child Survival.....	7,829		8,716
International Narcotics and Law Enforcement.....	1,848		1,512
Migration and Refugee Assistance.....	1,693		1,613
Non-proliferation, Anti-terrorism, Demining Programs.....	754		709
Foreign Military Financing.....	5,470		5,550
Assistance for Europe, Eurasia, and Central Asia.....	742		627
Development Assistance.....	2,520		2,918
USAID Operating Expenses.....	1,389		1,503
Other State and USAID programs.....	2,527		2,326
USDA Food for Peace Title II (non-add in total budget authority line).....	1,690		1,690
Sub-Total, Department of State and USAID (including Food for Peace).....	46,554	47,421	47,033
Treasury International Programs.....	2,129		3,364
Millennium Challenge Corporation.....	1,105		1,125
Peace Corps.....	400		440
Broadcasting Board of Governors.....	746		767
Export-Import Bank.....	2		-213
Overseas Private Investment Corporation.....	-203		-188
Other International Programs.....	250		283
Total, Discretionary budget authority ^{2,3}	49,293	51,384	50,921
<i>Memorandum:</i>			
Budget authority from enacted supplementals not included above.....	2,318	—	—
Total, Discretionary outlays.....	43,876	55,851	62,656
Total, Mandatory outlays.....	1,124	-1,050	-47
Total, Outlays.....	45,000	54,801	62,609
Credit activity			
Direct Loan Disbursements:			
Export-Import Bank.....	2,936	25	25
All other programs.....	518	8,283	6,203
Total, Direct loan disbursements.....	3,454	8,308	6,228
Guaranteed Loan Commitments:			
Export-Import Bank.....	17,725	14,425	21,500
All other programs.....	954	3,294	3,558
Total, Guaranteed loan commitments.....	18,679	17,719	25,058

¹ Discretionary Budget Authority does not include 2010 and 2011 Overseas Contingency Operations (OCO) equivalent funding or 2012 OCO funding, which are presented in the OCO Chapter.

² 2010 Total Discretionary Budget Authority includes \$1.5 billion in funding from the 2010 Supplemental (P.L. 111-212) and \$1.5 billion in forward funding from the 2009 Supplemental (P.L. 111-32).

³ 2010 Total Discretionary Budget Authority does not include a \$300 million transfer from the Department of Health and Human Services to the Department of State and USAID for the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Even if one ignore the non-DoD expenditures going to the OCO account for the wars in Iraq and Afghanistan, and the security benefits of conventional foreign aid and diplomatic activity, more than 20% of direct spending goes to national security.

- \$3,593M for international organizations and peacekeeping
- \$1,512M for INL
- \$708 million for non-proliferation.
- \$5,550 for foreign military financing.
- \$3,364 for Treasury activity heavily tied to counterterrorism.

Uncertain Transparency: The National Intelligence Program

No unclassified way to reliably estimate size, cost, national security functions, or budget justification.

There are 17 federal organizations in the Intelligence Community:

- [Central Intelligence Agency](#)
- [Defense Intelligence Agency](#)
- [Department of Energy](#) (Office of Intelligence and Counterintelligence)
- [Department of Homeland Security](#) (Office of Intelligence and Analysis)
- [Department of State](#) (Bureau of Intelligence and Research)
- [Department of the Treasury](#) (Office of Intelligence and Analysis)
- [Drug Enforcement Administration](#) (Office of National Security Intelligence)
- [Federal Bureau of Investigation](#) (National Security Branch)
- [National Geospatial-Intelligence Agency](#)
- [National Reconnaissance Office](#)
- [National Security Agency/Central Security Service](#)
- [Office of the Director of National Intelligence](#)
- [US Air Force](#)
- [US Army](#)
- [US Coast Guard](#)
- [US Marines](#)
- [US Navy](#)

No reliable cost data.

- US officially put cost at over \$80 billion for FY2010,
- Some sources put at \$75 billion in FY2009, and 200,000 personnel – including contractors.
- Unclear how much of DoD operations, RDT&E, and general procurement funding relating to intelligence, surveillance, and reconnaissance (IS&R) is counted in intelligence budget.
- Zero effective transparency through DDI.

US dominates global efforts. Christian Hippner of the Department of Intelligence Studies at Mercyhurst College in Pennsylvania estimated global spending on intelligence at \$106 billion a year in 2010m, and the number of people (working for 246 different agencies around the world) at 1.13 million

The Part of National Security Costs That No Budget Cutter Ever Addresses: “Homeland Defense”

(Budget authority in millions of dollars)

Agency	2010 Enacted	2010 Supplemental/	CR	2012 Request
1 Department of Agriculture	613.9	.....	603.5	597.4
2 Department of Commerce	284.1	.....	259.4	344.6
3 Department of Defense	19,054.4	.....	17,625.7	18,102.3
4 Department of Education	29.0	.....	30.0	32.9
5 Department of Energy	2,015.5	.....	1,969.0	1,973.0
6 Department of Health and Human Services	7,196.0	.....	4,227.3	4,579.0
7 Department of Homeland Security	32,609.2	626.6	35,985.1	37,045.8
8 Department of Housing and Urban Development	4.9	.....	4.0	4.0
9 Department of the Interior	51.5	.....	65.9	61.9
10 Department of Justice	4,093.5	25.2	4,071.8	4,068.3
11 Department of Labor	39.5	.....	41.5	46.1
12 Department of State	1,792.9	.....	2,130.7	2,326.6
13 Department of Transportation	228.3	.....	247.5	281.1
14 Department of the Treasury	124.8	.....	122.0	118.4
15 Department of Veterans Affairs	426.8	.....	421.3	375.1
16 Corps of Engineers	35.5	.....	35.5	35.5
17 Environmental Protection Agency	153.8	.....	153.8	103.4
18 Executive Office of the President	12.0	.....	12.0	10.4
19 General Services Administration	214.0	.....	50.0	427.0
20 National Aeronautics and Space Administration	218.0	.....	182.8	191.5
21 National Science Foundation	390.0	.....	390.0	425.9
22 Office of Personnel Management	1.8	.....	.....	.....
23 Social Security Administration	189.5	.....	210.5	245.8
24 District of Columbia	15.0	.....	15.0	15.0
25 Federal Communications Commission	1.2	.....	.....	2.6
26 Intelligence Community Management Account	13.7	.....	13.4	10.0
27 National Archives and Records Administration	20.0	.....	20.2	20.9
28 Nuclear Regulatory Commission	65.4	.....	65.4	78.9
29 Securities and Exchange Commission	6.0	.....	7.0	7.0
30 Smithsonian Institution	98.5	.....	98.5	97.8
31 United States Holocaust Memorial Museum	10.0	.....	10.0	11.0
Total, Homeland Security Budget Authority	70,008.5	651.9	69,068.8	71,638.9
Less Department of Defense	-19,054.4	.....	-17,625.7	-18,102.3
Non-Defense Homeland Security BA	50,954.1	651.9	51,443.1	53,536.7
Less Fee-Funded Homeland Security Programs	-5,061.0	.....	-5,521.0	-6,753.0
Less Mandatory Homeland Security Programs	-2,538.8	.....	-2,884.8	-2,976.1
Net Non-Defense Discretionary Homeland Security BA ..	43,354.4	651.9	43,037.4	43,807.6

Total funding for homeland security has grown significantly since the attacks of September 11, 2001.

For 2012, the President’s Budget includes \$71.6 billion of gross budget authority for homeland security activities, a \$2.6 billion (4 percent) increase above the 2011 annualized continuing appropriations level.

Excluding mandatory spending, fees, and the Department of Defense’s (DOD) homeland security budget, the 2012 Budget proposes a net, non-Defense, discretionary budget authority level of \$43.8 billion, which is an increase of \$0.8 billion (2 per-cent) above the 2011 annualized continuing appropriations level.

A total of 31 agency budgets include Federal homeland security funding in 2012. Six agencies—the Departments of Homeland Security, Defense, Health and Human Services (HHS), Justice (DOJ), State (DOS), and Energy (DOE)—account for approximately \$68.1 billion (95 per- cent) of total Government-wide gross discretionary home- land security funding in

2012.