Acquisition with Shrinking Resources

“Giving More & Growing Less?”

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U.S. House of Representatives

Committee on Armed Services
### Summary of National Defense Fiscal Scenarios

Analysis over 10-year period FY 2012 – FY 2021

(Totals in Billions of Dollars)

<table>
<thead>
<tr>
<th>National Defense Budget Function (§B)</th>
<th>Cumulative Total FY2012 - FY2021</th>
<th>Change From FY11 Request</th>
<th>Change From FY12 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2010 - FY 2011 Administration Projection (FY 2011 Budget Submission)</td>
<td>6,703</td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 2011 - FY 2012 Administration Projection (FY 2012 Budget Submission - includes efficiencies)</td>
<td>6,414</td>
<td>-289</td>
<td></td>
</tr>
<tr>
<td>July 2011 - FY 2012 House Appropriation Position (Current appropriation bills with CBO inflation – no real growth)</td>
<td>6,264</td>
<td>-439</td>
<td>-150</td>
</tr>
<tr>
<td><strong>Budget Control Act</strong></td>
<td>5,949</td>
<td>-754</td>
<td>-465</td>
</tr>
<tr>
<td>(Specifies new Security category to include DHS, IA, and VA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If Joint Select Committee fails, additional decrease FY13-21</td>
<td>5,385</td>
<td>-1,318</td>
<td>-1,029</td>
</tr>
</tbody>
</table>

April 2011, President Obama announces goal to reduce defense by $400B and examine roles & missions

** - HASC estimate
Budget Control Act - Title I

- Defines “Security Category” for first time
- Sets caps for discretionary spending for FY12 and FY13.
  - $684B for FY12
  - $686B for FY13
- National Defense
  - $596B request for FY13
  - Likely to remain at FY11 levels: $553B

<table>
<thead>
<tr>
<th></th>
<th>H.R. 1</th>
<th>FY12 House</th>
<th>APPN</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense</td>
<td>513.0</td>
<td>530.0</td>
<td></td>
<td>504.4</td>
</tr>
<tr>
<td>MILCON/VA</td>
<td>73.3</td>
<td>72.5</td>
<td></td>
<td>72.1</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>41.7</td>
<td>40.9</td>
<td></td>
<td>41.0</td>
</tr>
<tr>
<td>NNSA</td>
<td>10.6</td>
<td>10.6</td>
<td></td>
<td>10.4</td>
</tr>
<tr>
<td>Foreign Ops</td>
<td>50.2</td>
<td>41.6</td>
<td></td>
<td>49.4</td>
</tr>
<tr>
<td>Total Security</td>
<td>688.8</td>
<td>695.6</td>
<td></td>
<td>684.0</td>
</tr>
</tbody>
</table>
**Budget Control Act – Sequestration**

- The Budget Control Act established a Joint Select Committee for Deficit Reduction.
  - $1.2 trillion mandate
  - Deadlines
- Should the Joint Select Committee fail, or the House or Senate fail to adopt the Select Committee’s recommendations, sequestration takes effect.
  - Amount of sequestration may vary
- New caps immediately take effect for national defense ONLY in FY13.
  - $546B for FY13
  - Baseline for further cuts
- Full sequestration is an effective cut of 18% - 24%
  - President has the authority to hold military pay and benefits exempt.
- Overseas Contingency Operations accounts are not required to be sequestered.
National Defense Base Budget Topline
January 2012 – Implementation of Budget Control Act (BCA) Sequestration
FY 2009 – FY 2021
Constant FY 2012 Dollars

Base Budget
(In Billions of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Base Budget</th>
<th>Base Budget Projection</th>
<th>Amount After Sequestration</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>557</td>
<td>549</td>
<td>-29</td>
</tr>
<tr>
<td>FY10</td>
<td>570</td>
<td>482</td>
<td>-49</td>
</tr>
<tr>
<td>FY11</td>
<td>562</td>
<td>481</td>
<td>-54</td>
</tr>
<tr>
<td>FY12</td>
<td>549</td>
<td>480</td>
<td>-51</td>
</tr>
<tr>
<td>FY13</td>
<td>482</td>
<td>479</td>
<td>-50</td>
</tr>
<tr>
<td>FY14</td>
<td>481</td>
<td>478</td>
<td>-49</td>
</tr>
<tr>
<td>FY15</td>
<td>480</td>
<td>477</td>
<td>-48</td>
</tr>
<tr>
<td>FY16</td>
<td>479</td>
<td>475</td>
<td>-46</td>
</tr>
<tr>
<td>FY17</td>
<td>478</td>
<td>474</td>
<td>-45</td>
</tr>
<tr>
<td>FY18</td>
<td>477</td>
<td>474</td>
<td>-44</td>
</tr>
<tr>
<td>FY19</td>
<td>475</td>
<td>474</td>
<td>-43</td>
</tr>
<tr>
<td>FY20</td>
<td>474</td>
<td>474</td>
<td>-42</td>
</tr>
<tr>
<td>FY21</td>
<td>474</td>
<td>474</td>
<td>-41</td>
</tr>
</tbody>
</table>

Original Budget Request included minimal real growth

BCA baseline: Reduces spending to pre-surge levels

Full sequestration: Reduces spending to pre-9/11 levels
Defense Department Funding as a Percentage of Total Budget Authority
FY1976 – FY2021

- FY 2013 - FY 2021 includes an estimated $50B in OCO funding
- Outyear projections based on full sequestration

Bush 41 / Clinton-Era Defense Levels

Lowest Since Before WWII

Cold War Build Up
Afghanistan
Iraq
Iraq Drawdown
Afghanistan Drawdown

Fiscal Year
### Cuts to Military End Strength

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>Estimated Force Based on Current Funding</th>
<th>If Super-Committee Fails</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>569,400</td>
<td>481,000</td>
<td>426,000</td>
</tr>
<tr>
<td>Marine Corps</td>
<td>202,000</td>
<td>173,000</td>
<td>145,000</td>
</tr>
<tr>
<td>Total</td>
<td>771,400</td>
<td>654,000</td>
<td>571,000</td>
</tr>
</tbody>
</table>

- Savings as a result of reductions to end strength is minimal in the near term, increases in out-years
- CBO - returning to pre 9/11 levels yields only $4.1B in FY 2013
  - Only $2.6B is in military personnel accounts
- Procurement and research and development accounts likely be reduced disproportionately
Aging Platforms – No Relief in Operations & Maintenance

<table>
<thead>
<tr>
<th></th>
<th>Average Age (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amphibious Assault Vehicle</td>
<td>35</td>
</tr>
<tr>
<td>Light Attack Vehicle</td>
<td>20</td>
</tr>
<tr>
<td>Navy Ships</td>
<td>19</td>
</tr>
<tr>
<td>Army CH-47 Helicopters</td>
<td>16</td>
</tr>
<tr>
<td>Strategic Bombers</td>
<td>34</td>
</tr>
<tr>
<td>Tanker Aircraft</td>
<td>47</td>
</tr>
<tr>
<td>Airlift Aircraft</td>
<td>19</td>
</tr>
</tbody>
</table>

“There is increased operational tempo for a force that is much smaller than it was during the years of the Cold War. In addition, the age of major military systems has increased within all the services, and that age has been magnified by wear and tear through intensified use.”

### Declining Force Structure

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>Today</th>
<th>Estimate Based on Current Funding</th>
<th>If Super-Committee Fails</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army Maneuver Battalions</td>
<td>172</td>
<td>98</td>
<td>100</td>
<td>78</td>
<td>60 - 70</td>
</tr>
<tr>
<td>Navy Ships</td>
<td>546</td>
<td>316</td>
<td>288</td>
<td>263</td>
<td>238</td>
</tr>
<tr>
<td>USAF Fighters</td>
<td>4355</td>
<td>3602</td>
<td>1990</td>
<td>1739</td>
<td>1512</td>
</tr>
<tr>
<td>Strategic Bombers</td>
<td>282</td>
<td>153</td>
<td>135</td>
<td>118</td>
<td>101</td>
</tr>
<tr>
<td>Strategic and Tactical Air Lift</td>
<td>872</td>
<td>743</td>
<td>651</td>
<td>572</td>
<td>494</td>
</tr>
</tbody>
</table>

“The general trend has been to replace more with fewer more-capable systems. We are concerned that, beyond a certain point, quality cannot substitute for quantity.”

Broad Impacts

- Mission risk and force planning construct
- U.S. Marine Corps
- Deterrence
- Breaking Faith with All Volunteer Force
- Shipbuilding
Consequences for Acquisition

- Reductions to civilian workforce follow reductions in military end strength
  - Growth in acquisition workforce limited
  - Loss of seasoned professionals
- Modernization programs at risk
- Services prioritize core capabilities
- Renewed emphasis on incremental capability versus transformational leaps
- Impacts on R&D and small business
A Few Myths

• Defense funding can be “fixed” next year
  – Irrevocable changes
• Diminished forward presence can save money
  – Little cost savings and opportunity cost
• Negotiated deal is better than sequestration
  – Devil is in the details.
• OCO is safe
Thank you!

Questions?
## Yearly Breakdown of Scenarios

### Budget Function 050

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<td>February 2010 - FY 2011 Administration Projection (FY 2011 Budget Submission)</td>
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<td>574</td>
<td>591</td>
<td>607</td>
<td>624</td>
<td>643</td>
<td>659</td>
<td>677</td>
<td>696</td>
<td>715</td>
<td>735</td>
<td>756</td>
<td>6,703</td>
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** If Joint Select Committee stalemates, additional decrease FY13-21

*552 - FY10 and FY11 appropriation figures entered for reference only

** - HASC estimate