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# Cleansing the Poisoned Chalice?

The Obama Administration and the Challenge  
of National Security Planning, Programming,  
and Budgeting

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# Introduction

**The Obama Administration faces a crisis in US national security planning, programming, and budgeting that has built up over more than a decade. This crisis has accelerated sharply over the last eight years and has now resulted in an unaffordable defense posture without functional strategic priorities, and which still decouples military activity from the civil side of national security.**

**This crisis is not the fault of any one administration, and has often been shaped by the mistakes of the US Congress and key military commanders. The fact remains, however, that the mismanagement of force modernization and procurement in the previous administrations, compounded by the current economic crisis, is forcing the Obama administration to make significant cuts in DoD programs and to reshape US force plans, procurement plans, and strategic commitments and relationships.**

**So far, the Administration has only hinted at the course it will take.. Secretary Gates has advanced some general priorities, but his FY2010 budget submission is little more than a mix of short term fixes that add up to a rushed effort to deal with the fact that the real cost of national security spending was likely to be 20-30% higher than what had been estimated in the previous future Year Defense Plan (FYDP). The FY2009 supplemental request pledges that it will be the last supplement to cover the cost of war fighting, but it once again fails to provide both any meaningful estimate of the past, current, and future cost of the Iraq and “AfPak” wars, or any clear picture of the costs that are and are not included.**

**Whether or not it is fair to call this crisis a “poisoned chalice” depends on one’s choice in rhetoric. What is clear is that there is a wide range of critical areas where cost escalation poses a critical problem, where no hard choices have been made, where key programs are not fully defined or cannot be implemented, and where trade-offs will have to be made between major increases in the defense budget and current force plans.**

**It is all too clear that combined cost of war, steadily rising military manpower costs, the underfunding of operations and maintenance, and a procurement crisis in every service will force the Obama Administration to reshape almost every aspect of current defense plans, programs, and budgets.**

**The same is true of the need to fix a failed, stovepiped, and self-paralyzing interagency process that shows little capability to create implementable plans and strategy and rebalance the mix of military and civilian efforts necessary to deal with today’s national security challenges.**

# The Key Challenges the Obama Administration Must Now Face

- **Estimating and paying for the real cost of the national security program**
- **Determining whether the burden on federal spending and the GDP is acceptable.**
- **Balancing the interaction between national security spending and the overall fiscal squeeze driven by rising mandatory spending and entitlement costs.**
- **Creating and funding a proper approach to the Iraq War, Afghan War, and GWOT; defining capabilities for “armed nation building.”**
- **Creating a meaningful approach to a national strategy that is directly coupled to a well defined plan, program, and long-term budget.**
- **Bring the overall pattern of civil and military operations and support into a well managed and affordable path.**
- **Dealing with a crisis in defense manpower.**
- **Managing the problem of escalating military medical costs.**
- **Properly funding O&M and reset costs.**
- **Dealing with a major crisis in defense procurement and the failure to manage military modernization.**

# Baseline Budget Requests versus Real Defense Needs

- **The FY2010 budget request and current future year defense budget do not fund the Afghan War, Iraq War, and GWOT in the outyears and continue to rely on one year supplementals.**
- **All other aspects of future year costs are based on unrealistic cost and program estimates designed to minimize apparent cost.**
- **Does not properly fund the expansion or real-world cost of military and civilian manpower, and separates veterans costs from defense costs.**
- **Military entitlement and medical costs present a key problem -- but then so do civilian medical costs.**
- **One year fixes in FY2010 solve nothing. Future procurement costs are still badly underestimated and every service faces a crisis in affordability and cost constraint.**
- **No service has a credible program for shaping and maintaining its present forces and or/force goals.**
- **There is no clear way to model true future year costs, given the lack of credible analysis by the Department of Defense, but the Congressional Budget Office has developed illustrative estimates.**
- **“Smart power,” a “comprehensive approach, and “balanced civil-military programs” remain conceptual myths of uncertain credibility.**

# Probable Real World Program Costs of the “Poisoned Chalice”

- **Funding the Afghan War, Iraq War, and GWOT in the outyears would require supplementals ranging from 5-15%.**
- **The real world cost of the expansion of military and civilian manpower, and sustaining the all-volunteer force structure will be at least 5-8% higher than DoD estimates.**
- **Future procurement costs are badly underestimated, as are the cost of reset and modernization due to program delays, cutbacks and possible cancellations.**
- **Program delays, cutbacks, and cancellations may limit cost growth to 10% over the DoD procurement and RDT&E estimate, but no prediction is really possible.**
- **O&M will probably be 5-8% higher than DoD estimates if war continues to create a major burden on O&M.**
- **These factors will create turmoil and instability in the National Security planning, programming, and budgeting process through the life of the coming administration.**

# **Estimating the Real Cost of the Defense Program**

*No FY2010 Projections Yet Exist  
but the FY2009 Estimates Are A  
Grim Warning*

# Some “Punchline” Trends-- Although the FY2009 Estimates Have Not Been Updated

- Public debt to rise from \$5.8 trillion in FY2008 to \$9.3 trillion in FY2011 and \$11 trillion in FY2016.
- \$459 billion deficit in FY2008, and projected at \$4.43 trillion FY10 to FY14.
- DOD projects decline in real spending; CBO projects a rise in entitlements from 11.2% of GDP in 2008 to 17.5% in 2009 and 13.1% in 2019.
  - Aging squeeze really hits hard after 2020.
- Projected Changes in baseline DOD Budget request in Billions of Constant FY2008 Dollars:

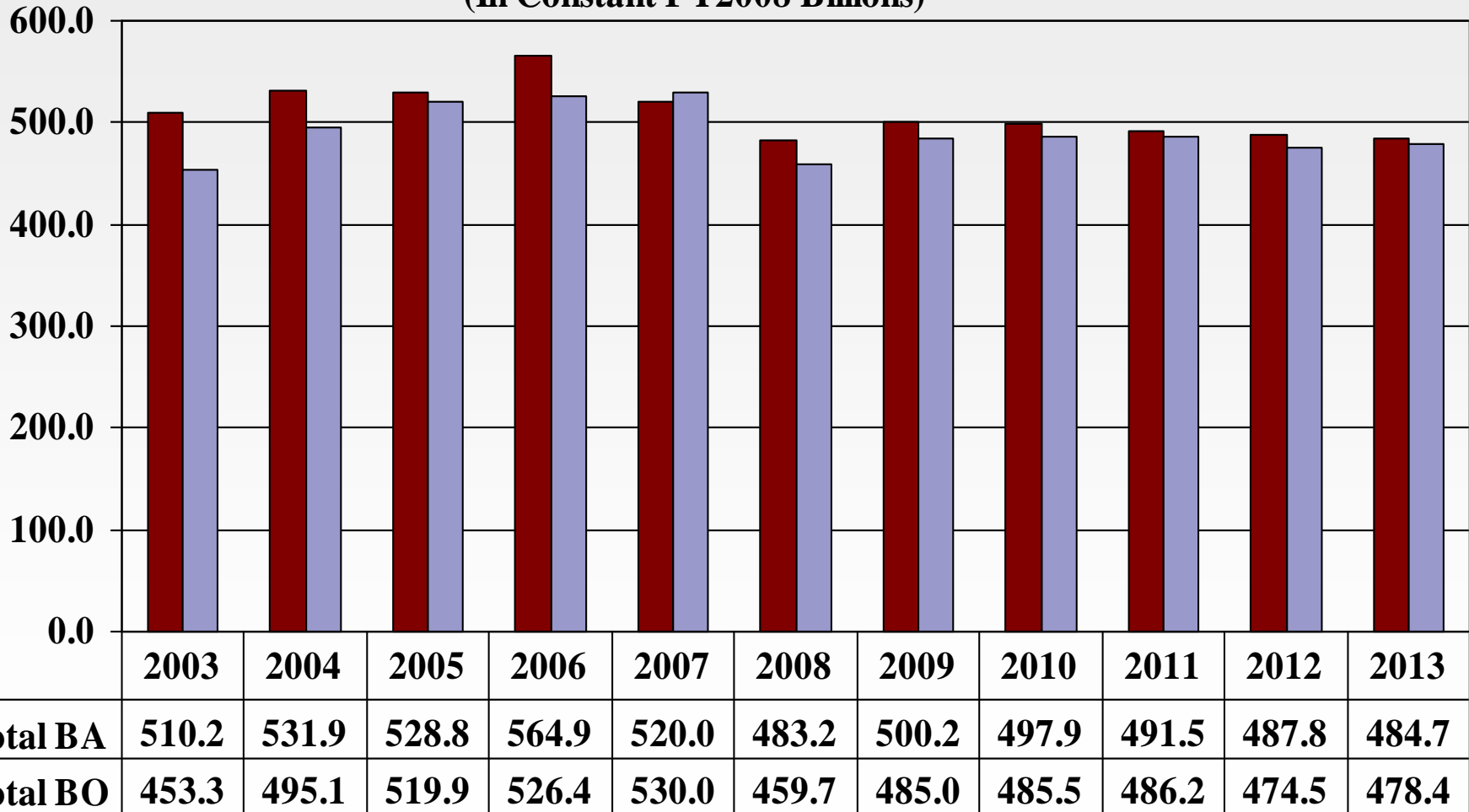
	<u>FY2001</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY 2009</u>	<u>FY2013</u>
□ <b>Total BA</b>	<b>394.7</b>	<b>634.8</b>	<b>581.7</b>	<b>518.3</b>	<b>501.4</b>
■ <b>Military Manpower</b>	<b>101.3</b>	<b>140.0</b>	<b>124.0</b>	<b>128.9</b>	<b>140.0</b>
■ <b>Procurement</b>	<b>74.4</b>	<b>139.1</b>	<b>128.7</b>	<b>104.2</b>	<b>115.6</b>
□ <b>Total B0</b>	<b>369.4</b>	<b>558.1</b>	<b>558.3</b>	<b>551.1</b>	<b>497.3</b>
■ <b>Military Manpower</b>	<b>97.9</b>	<b>136.9</b>	<b>121.9</b>	<b>128.6</b>	<b>130.7</b>
■ <b>Procurement</b>	<b>64.6</b>	<b>103.6</b>	<b>117.7</b>	<b>112.9</b>	<b>109.9</b>

Source: Undersecretary of Defense (Comptroller), *National Defense Budget Estimate for the FY 2009 Budget (Greenbook*. March 2008, pp. 113-115; 131-133.



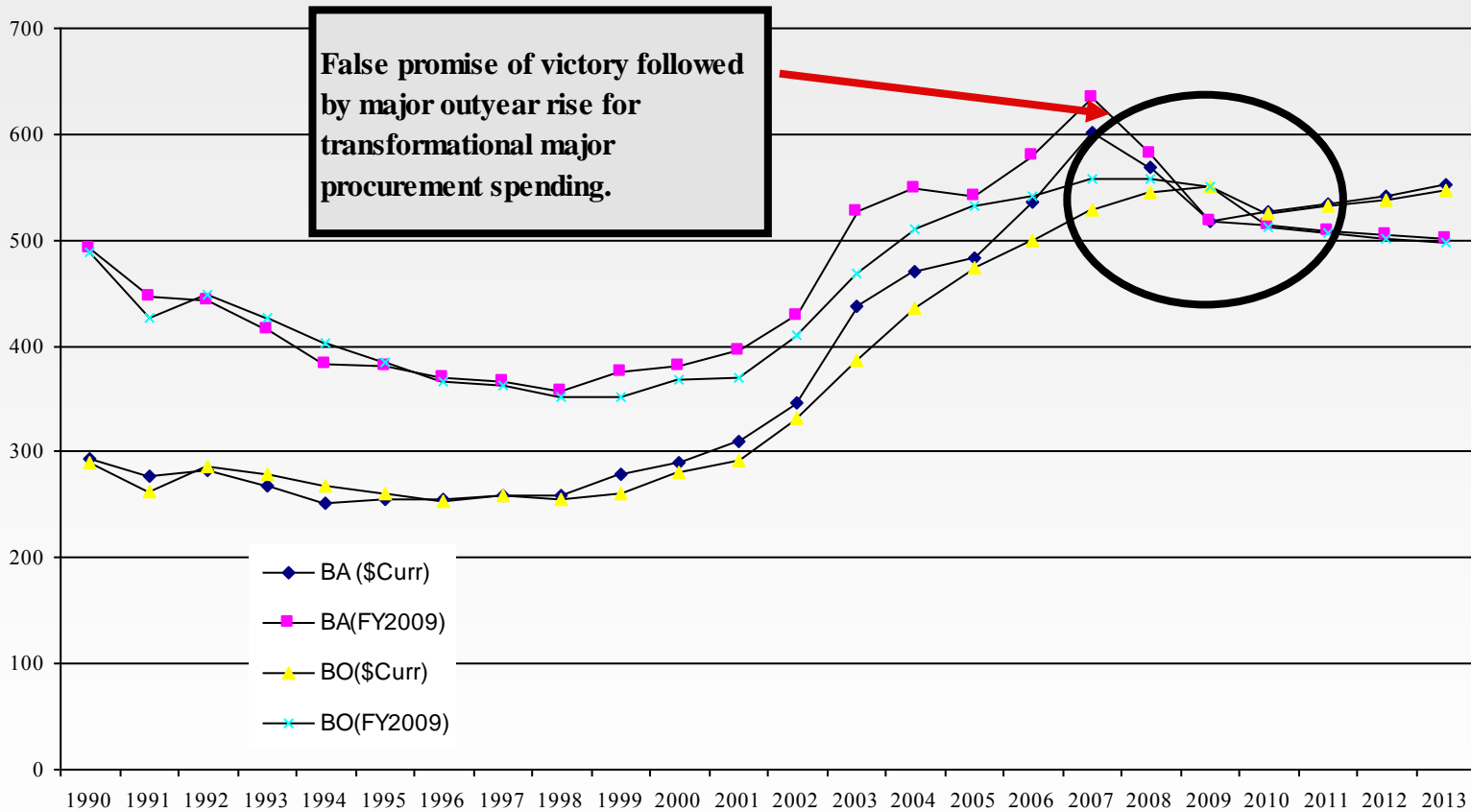
# The Baseline Without Realism: Proposed DoD FYDP:2003-2013

(In Constant FY2008 Billions)



Source: *FY2008 Green Book*, p. 115 and 133.

# Requested Trend 1990-2011: (051)



Source: Undersecretary of Defense (Comptroller), *National Defense Budget Estimate for the FY 2009 Budget (Greenbook, March 2008, pp. 113-115; 131-133.*

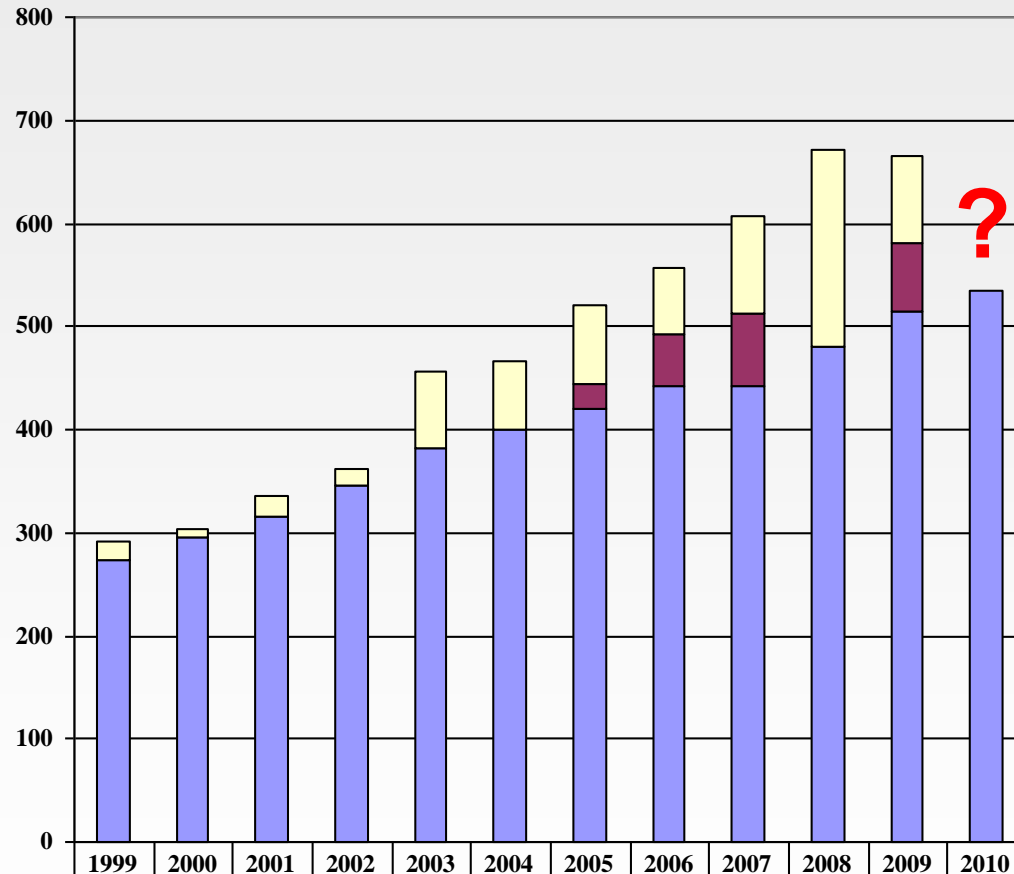
# When You Truly and Sincerely Can't or Won't Plan: The Growing Impact of Wartime Supplementals

(in \$US billions)

**\$66 billion of supplemental funds have been enacted by Congress for FY2009 as of March 2009.**

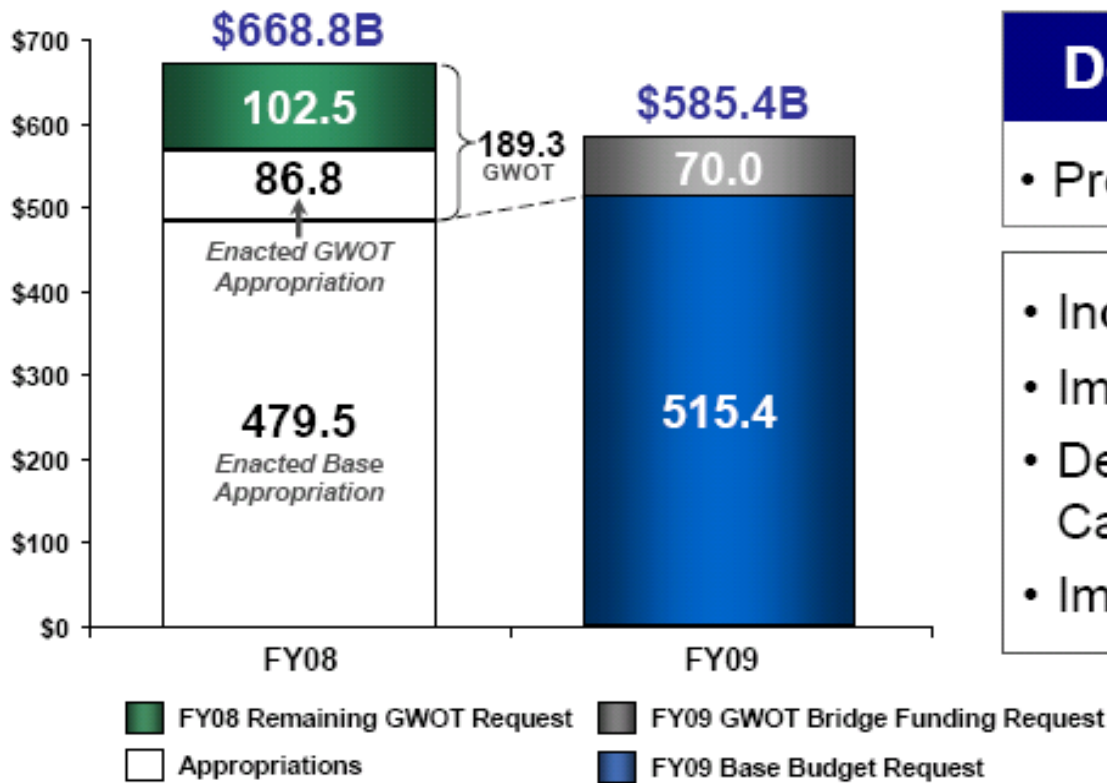
**The Obama Administration requested another \$84 billion for the remainder of FY2009.**

Source: Adapted by Anthony C. Cordesman from data provided by Office of the Undersecretary of Defense (Comptroller), "National Defense Budget Estimates for 2008", Washington, Department of Defense, March 2007.



□ Supplemental Bills	19.1	8.6	19.8	17.3	72.6	65.3	75.9	65.8	93.4	189.3	84	
■ Bridge Funding							25	50	70		66	
■ DoD Budget	273.2	295.5	315.7	344.8	382.7	400.5	420	441.5	442.8	481.4	515.4	534

# President Bush's Partly Funded Budget Request for FY2008 and Non-Request FY2009



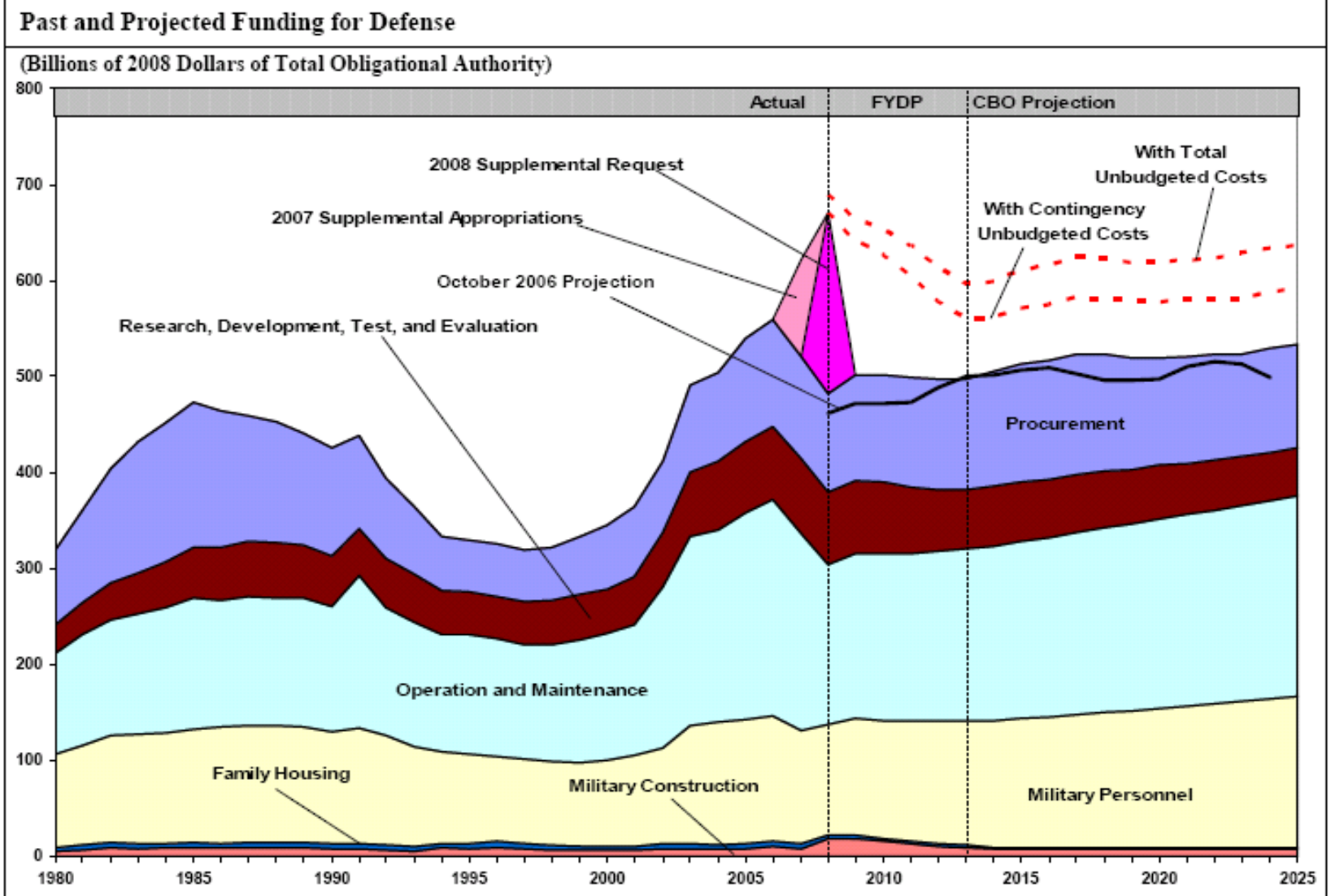
## Department Priorities

- Prevail in the War on Terror
- 
- Increase Ground Capabilities
  - Improve Force Readiness
  - Develop Future Combat Capabilities
  - Improve Quality of Life

**Base budget increases by \$35.9B (7.5%) from FY 2008 to FY 2009**

Source: FY 2009 DoD Budget Request; FY 2008 DoD Appropriations and GWOT Request

# The Gap Between the Bush Administration Projected DoD Budget and Real World Probable Costs: The CBO Estimate



Source: CBO. *The Long-Term Implications of Current Defense Plans: Detailed Update for Fiscal Year 2008*. March 2009, p. 2.

# The Gap Between the Bush Administration Projected Baseline Budgets and Real World Probable Costs: The CBO Explanation

- This chart shows total obligational authority (TOA) for the Department of Defense for the 1980-2025 period. TOA for defense grew rapidly between the early and mid-1980s, reaching a peak of \$473 billion in 1985 (all funds are in 2008 dollars). TOA then generally declined during the late 1980s and into the 1990s, reaching a low point of about \$319 billion in 1997. DoD's TOA began to rise thereafter, reaching \$364 billion by 2001. It has grown even more rapidly in recent years as U.S. forces have become engaged in operations in Afghanistan and Iraq. DoD's TOA reached \$622 billion, including \$170 billion to fund those operations.
- The President requested \$482 billion for DoD in 2008. The President's budget anticipated \$188 billion in additional emergency and supplemental funding, of which \$87 billion has been provided by the Congress. The 2008 FYDP included none of that anticipated emergency and supplemental funding.
- The 2008 FYFP – on which CBO based the projections shown in this briefing – anticipated that defense resources (excluding supplemental appropriations) would rise from \$482 billion for 2008 to \$497 billion for 2013.
- If the program in the 2008 FYDP was carried out as currently envisioned, the demand for defense resources excluding funding for contingencies, would average \$521 billion a year between 2014 and 2025, CBO projects – or about 8 percent more than the 2008 request excluding emergency supplemental funding.
- CBO also made projection of potential unbudgeted costs (shown by the dashed red lines in the figure). CBO projects that resource demands including unbudgeted costs will average about \$146 billion a year through 2013 and about \$100 billion annually between 2014 and 2025. Those values are about 29 percent and 19 percent higher, respectively, than the amounts excluding those unbudgeted costs. Assumptions underlying the projections for unbudgeted costs include the following:
  - Costs for weapons programs grow as they have since the Vietnam War; and
  - The United States continues to conduct military operations overseas as part of the global war on terrorism (presented as “With Contingency Unbudgeted Costs” in the figure), albeit with levels of delayed personnel declining by 2014 to about 35 percent of current deployments.

Source: CBO. *The Long-Term Implications of Current Defense Plans: Detailed Update for Fiscal Year 2008*. March 2009, p. 2.

**No Credible Projections Yet Exist  
of the Future US GNP and Federal  
Spending,**

*But, These Problems May Still  
However, Create a Critical Burden  
on Federal Spending or the  
Economy*

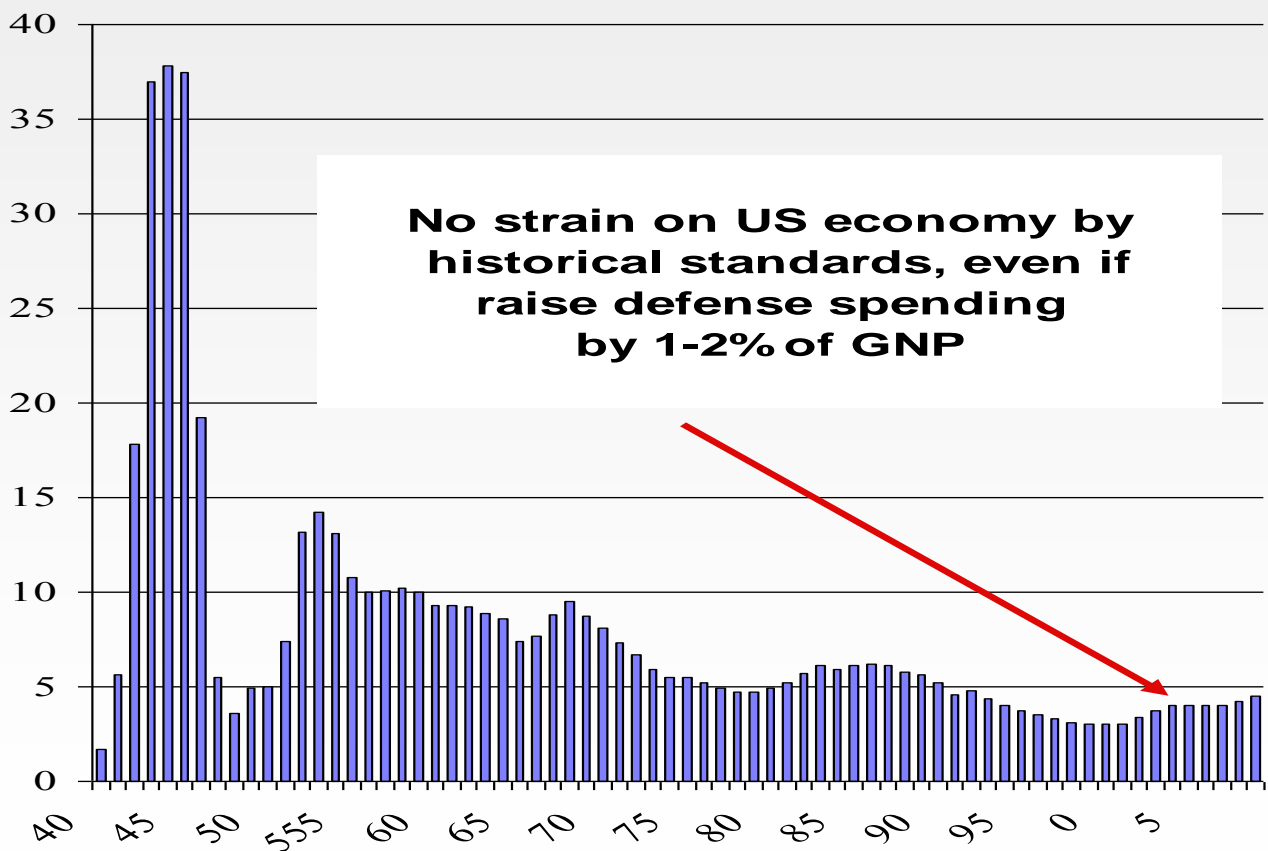
# **“Guesstimating” the Burden that Defense Will Place on National Economy and Federal Spending**

- **Past baseline (FY209) DoD and Federal Budget requests ignore wartime costs, real world program and procurement cost escalation, and separate out veteran’s costs.**
- **Future war costs are uncertain, but unlikely to escalate sharply over FY2007 peaks.**
- **Program delays, cutbacks, and cancellations will limit the year-by-year impact of the failure of every service and agency to manage costs and programs effectively.**
- **Adequate funding for “civilian partners” like the State Department and other civilian departments is not included, but may have a limited impact on total federal spending.**
- **Homeland defense (DHS) costs are not included in the national security budget.**



# The US Has Long Dealt with Much Higher National Security Burdens: Defense Spending as a % of GDP Since WWII

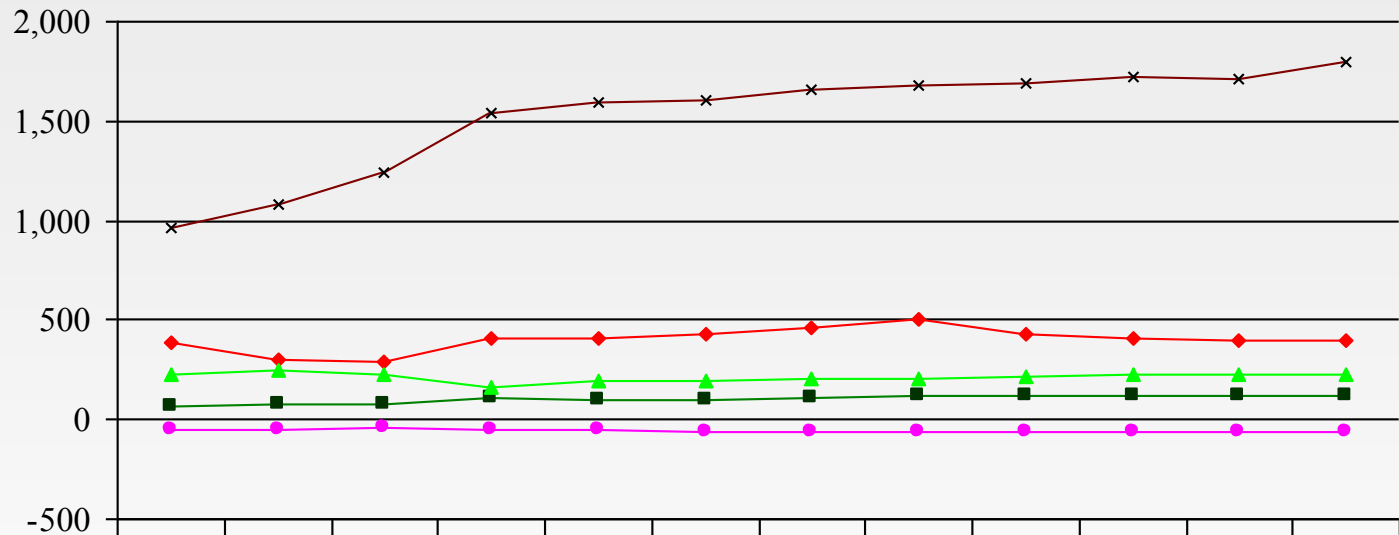
National Defense Spending as a Percent of GDP: 1940-2009  
 (050 Total defense spending for DoD and all agencies as % of GDP)



Source: Undersecretary of Defense (Comptroller). *National Defense Budget Estimate for the FY 2009 Budget (Greenbook)*. March 2008, pp. 216-127.

# Baseline Comparison of Defense to Other Federal Outlays

(Trend by Category in FY 2000 \$US Billions)



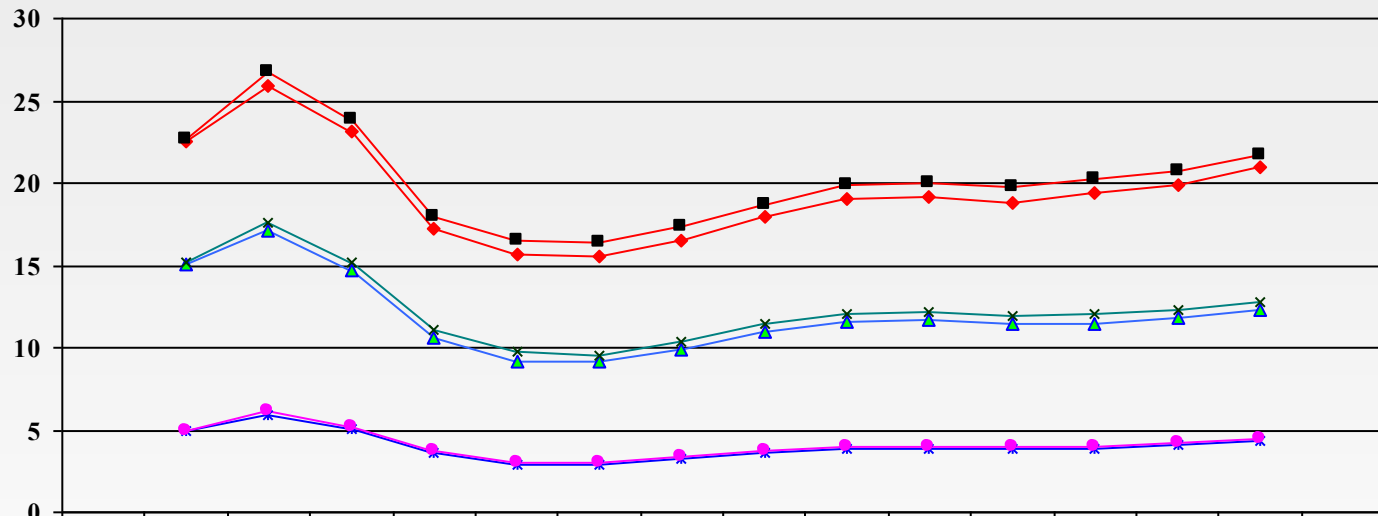
	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
◆ National Defense	383	306	295	407	412	426	464	505	433	403	397	395
■ Veterans, Space, International	69	73	77	106	98	98	113	118	116	120	115	118
▲ Net Interest	227	252	223	163	195	198	200	209	221	227	227	225
× Social & Economic	965	1,084	1,238	1,541	1,597	1,602	1,654	1,678	1,687	1,717	1,716	1,798
* Agency Total	1644*	1715*	1832*	2218*	2302*	2325*	2431*	2510*	2457*	2467*	2455*	2536*
● Undistributed Offsetting Receipts	54-	53-	43-	53-	53-	62-	65-	59-	65-	62-	65-	67-
+ Grand Total*	1590*	1662*	1790*	2165*	2249*	2263*	2366*	2452*	2392*	2404*	2390*	2469*

Source: Office of the Undersecretary of Defense (Comptroller). *National Defense Budget Estimate for the FY 2009 Budget (Greenbook)*. March 2008, p. 207.

# The FY2009 Baseline Estimate Did Badly Understate

## Defense Shares of Federal Budget, Public Spending, and GDP

(Percentages of Indicated Totals Measured in Budget Outlays)

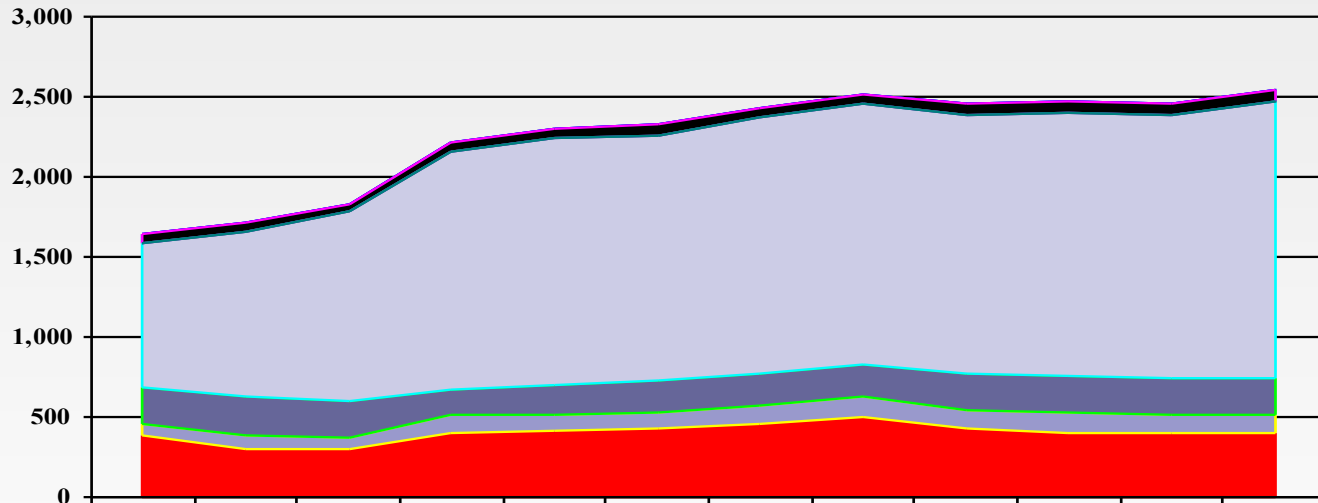


		1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
◆ of Federal Budget %	DoD	22.5	25.9	23.1	17.2	15.7	15.6	16.5	17.9	19	19.2	18.8	19.4	19.9	21
■ of Federal Budget %	Nation	22.7	26.7	23.9	17.9	16.5	16.4	17.3	18.7	19.9	20	19.7	20.2	20.7	21.7
▲ of Public Spending %	DoD	15.1	17.1	14.7	10.6	9.2	9.1	9.9	11	11.6	11.7	11.4	11.5	11.8	12.3
✕ of Public Spending %	Nation	15.2	17.6	15.2	11.1	9.7	9.5	10.4	11.5	12.1	12.2	11.9	12	12.3	12.8
✱ of GDP %	DoD	4.9	5.9	5.1	3.6	2.9	2.9	3.2	3.6	3.8	3.9	3.8	3.9	4.1	4.3
● of GDP %	Nation	4.9	6.1	5.2	3.7	3	3	3.4	3.7	4	4	4	4	4.2	4.5

Source: Office of the Undersecretary of Defense (Comptroller).  
*National Defense Budget Estimate for the FY 2009 Budget*  
 (Greenbook). March 2008, p. 217.

# The Defense Baseline May Understate Costs, But Growth in Federal Spending Will Still Be Driven by Civil Programs

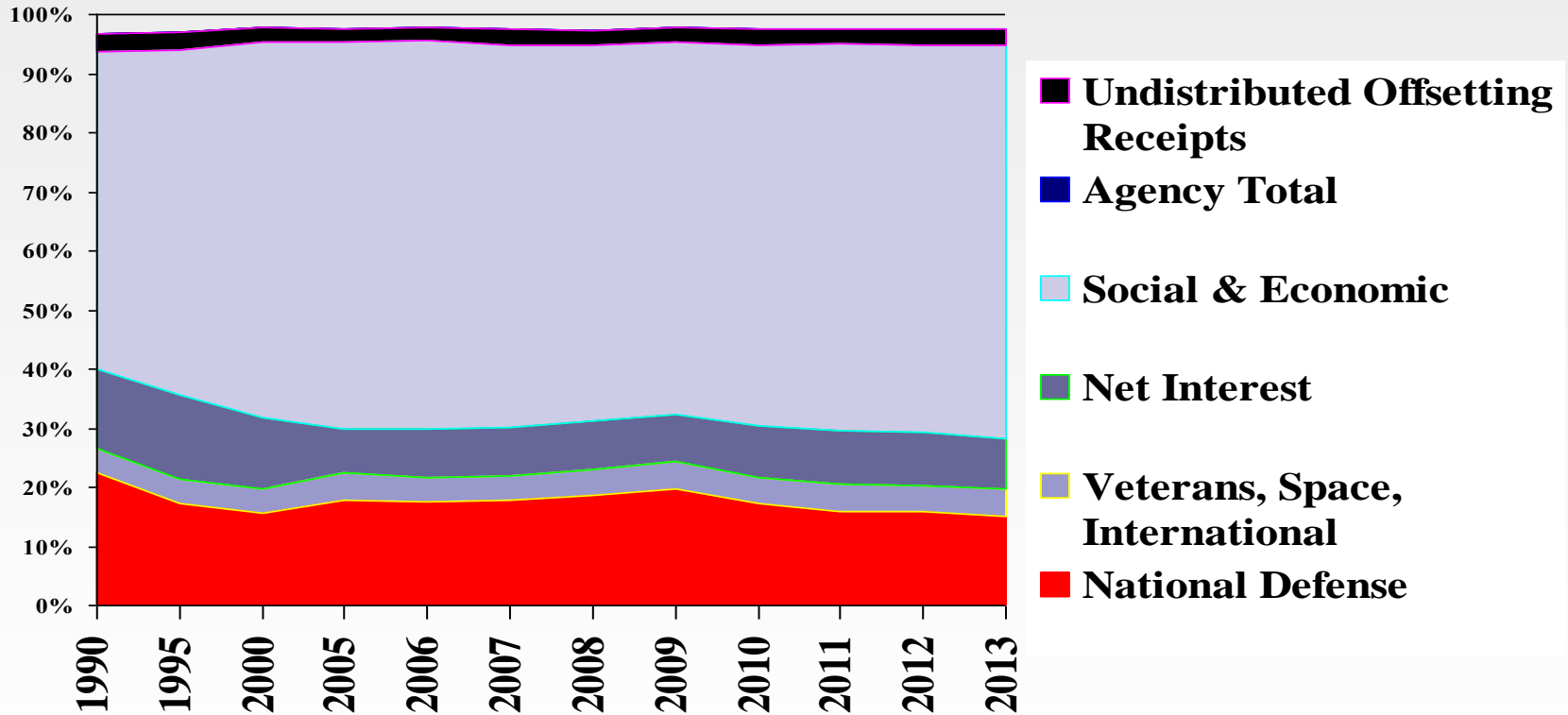
(Trend in Total Spending in FY 2000 \$US Billions)



	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
*Grand Total	*1590	*1662	*1790	*2165	*2249	*2263	*2366	*2452	*2392	*2404	*2390	*2469
■ Undistributed Offsetting Receipts	-54	-53	-43	-53	-53	-62	-65	-59	-65	-62	-65	-67
■ Agency Total	*1644	*1715	*1832	*2218	*2302	*2325	*2431	*2510	*2457	*2467	*2455	*2536
■ Social & Economic	965	1,084	1,238	1,541	1,597	1,602	1,654	1,678	1,687	1,717	1,716	1,798
■ Net Interest	227	252	223	163	195	198	200	209	221	227	227	225
■ Veterans, Space, International	69	73	77	106	98	98	113	118	116	120	115	118
■ National Defense	383	306	295	407	412	426	464	505	433	403	397	395

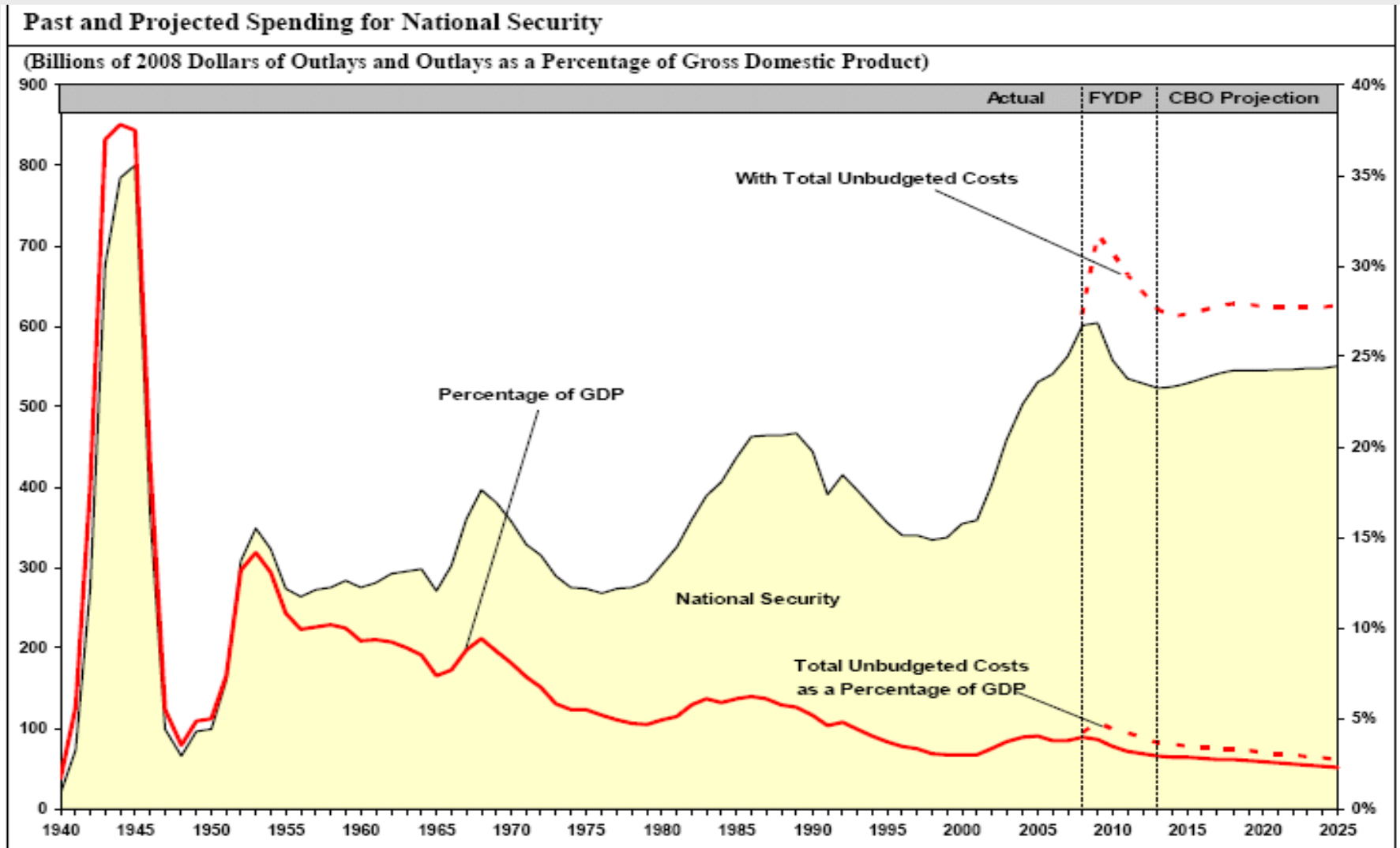
Source: Office of the Undersecretary of Defense (Comptroller).  
*National Defense Budget Estimate for the FY 2009 Budget*  
 (Greenbook). March 2008, p. 207.

# Drop in Baseline Defense Budget as a Percent of Total Federal Outlays



Source: Office of the Undersecretary of Defense (Comptroller).  
*National Defense Budget Estimate for the FY 2009 Budget*  
 (Greenbook). March 2008, p. 207.

# CBO Estimate Indicates that Probable Cost Escalation Would Still have Limited Impact on Federal Spending and GDP



# Probable Real World Impact on Federal Spending and GDP

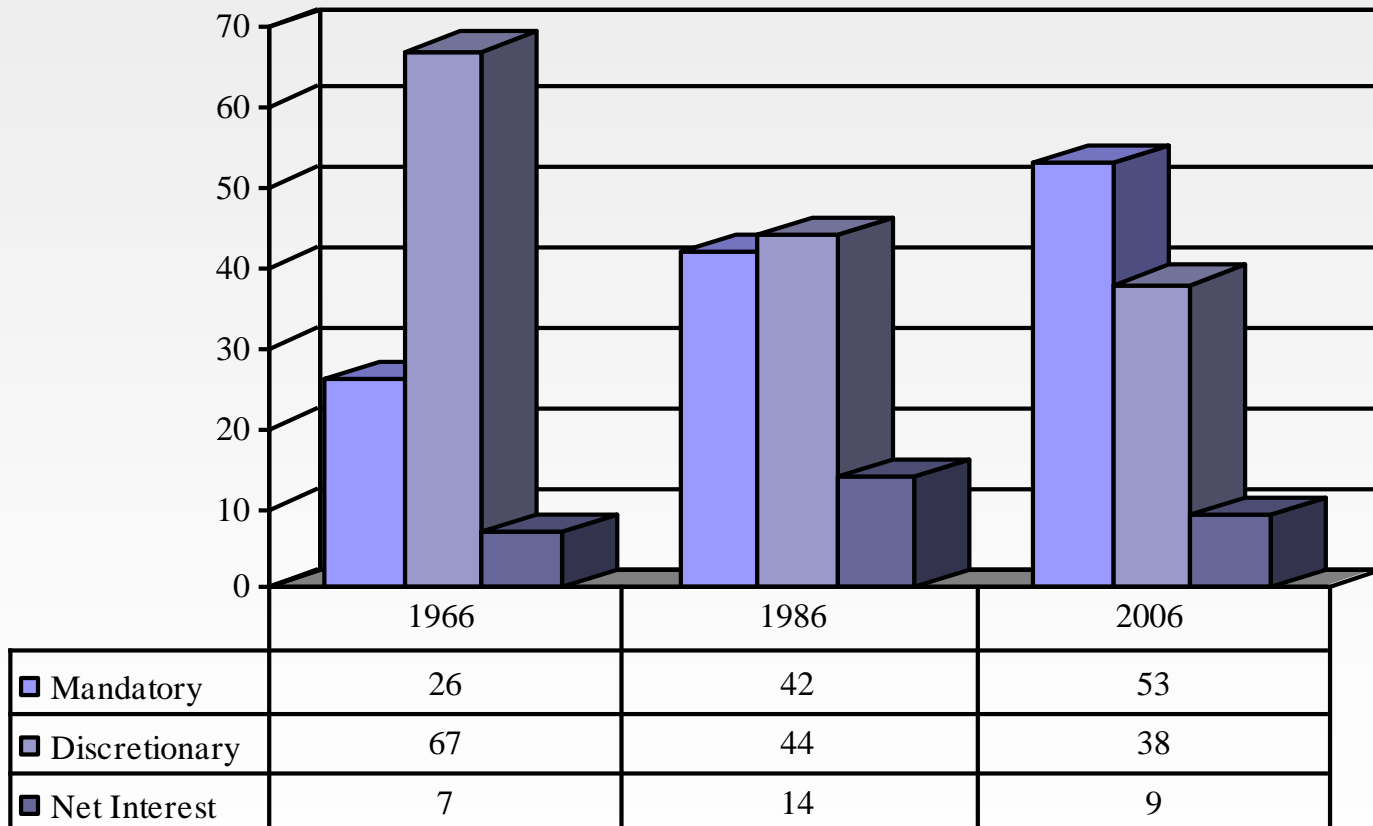
- **No one can really estimate the future interaction of national security spending and trends in the GDP.**
- **Near-term trends will be less far less favorable than projected in the baseline budget, which ignores war costs and cost-escalation, but are unlikely to exceed 5% of GDP -- even given current financial crisis.**
- **The impact of ending the Iraq War during the next administration would ease the burden on the GDP and federal spending, but only by an average of well under \$100 billion a year.**
- **Adjustments in the US force posture in the Gulf and shifts of resources to the Afghan War might offset probable savings.**
- **Major shifts in spending from national security to civil spending would require major long-term reductions in US strategic commitments.**
- **The real world burden of the increases in federal spending on the GDP will continue to be driven by the rising cost of civil and not military programs.**

# **The Main National Security Threat to the US Will Be US Entitlement Programs**

*The Growing Pressure on Defense  
and Other Discretionary Programs  
from Mandatory Entitlements  
Programs*

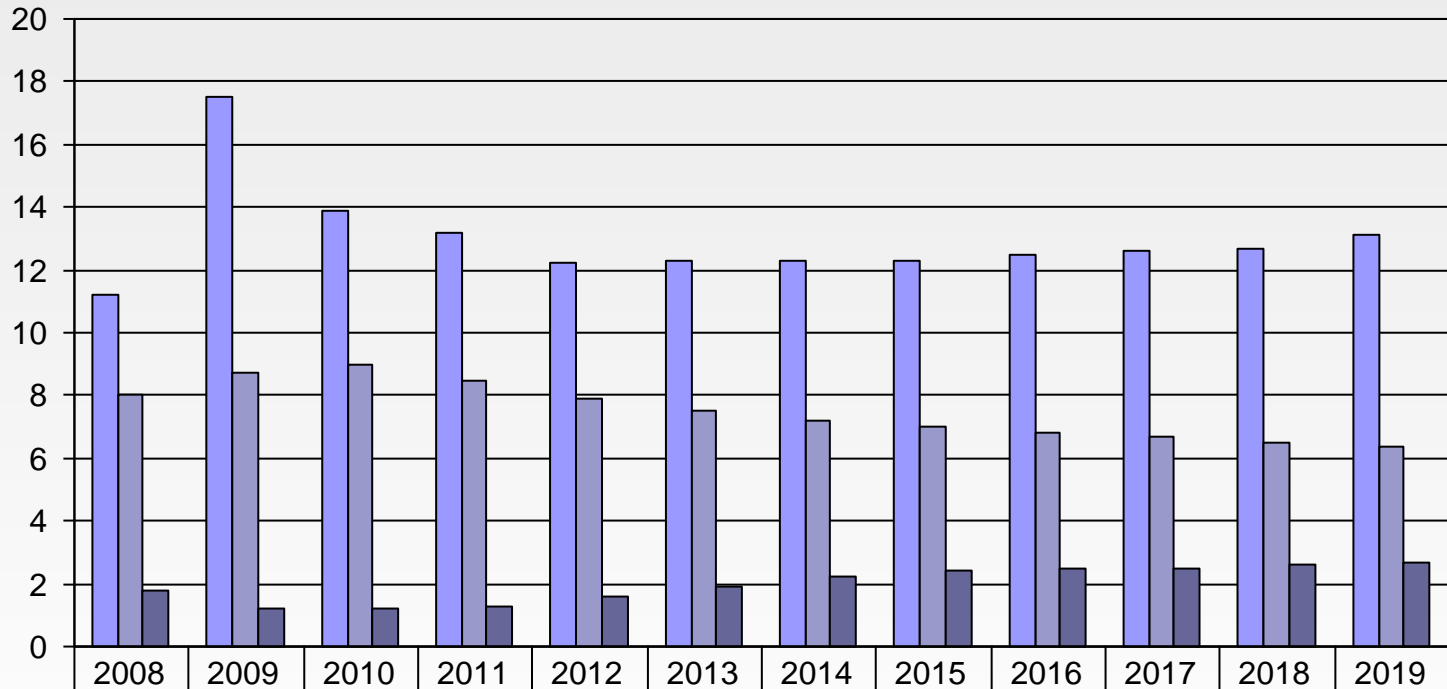


# Historical Trend in Discretionary vs. Mandatory Spending as Percent of Federal Budget (IP)



Source: GAO-07-500CG, *DOD Transformation: Challenges and Opportunities*.

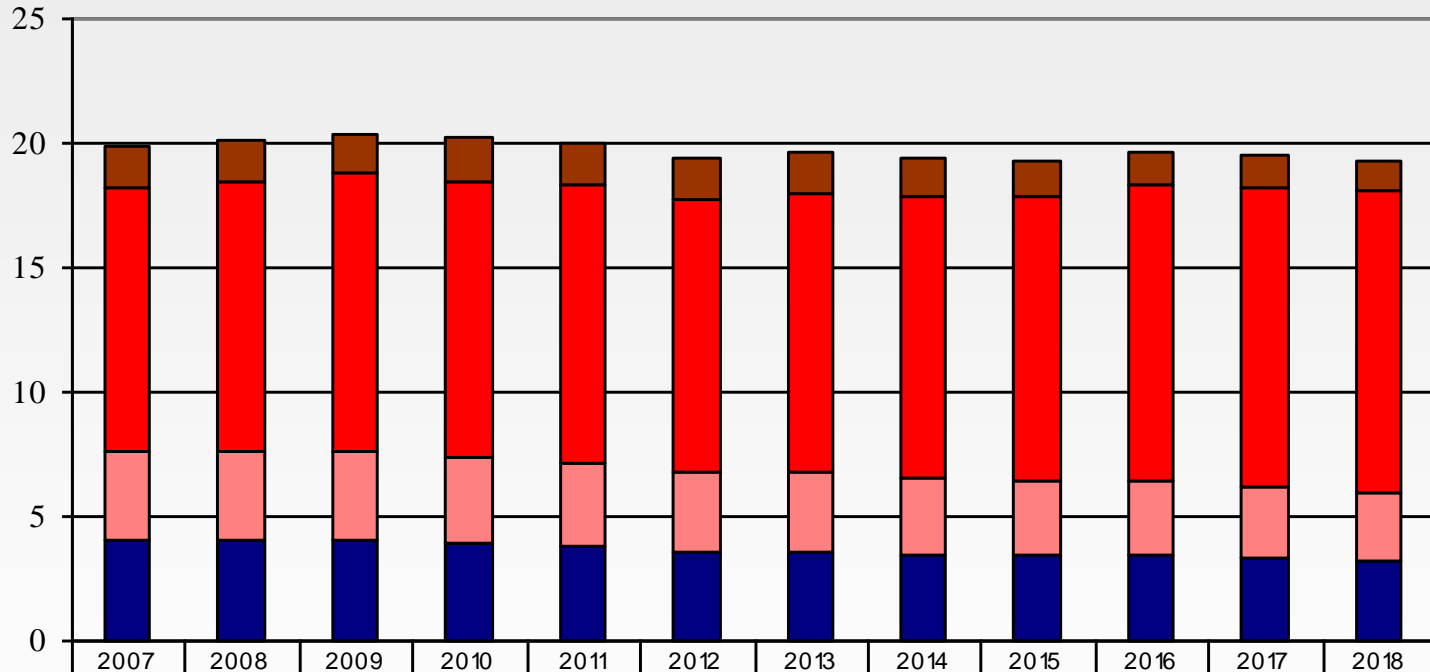
# FY2009 Projections of Discretionary vs. Mandatory Spending as Percentage of GDP



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
■ Mandatory BO	11.2	17.5	13.9	13.2	12.2	12.3	12.3	12.3	12.5	12.6	12.7	13.1
■ Discretionary BO	8	8.7	9	8.5	7.9	7.5	7.2	7	6.8	6.7	6.5	6.4
■ Net Interest	1.8	1.2	1.2	1.3	1.6	1.9	2.2	2.4	2.5	2.5	2.6	2.7

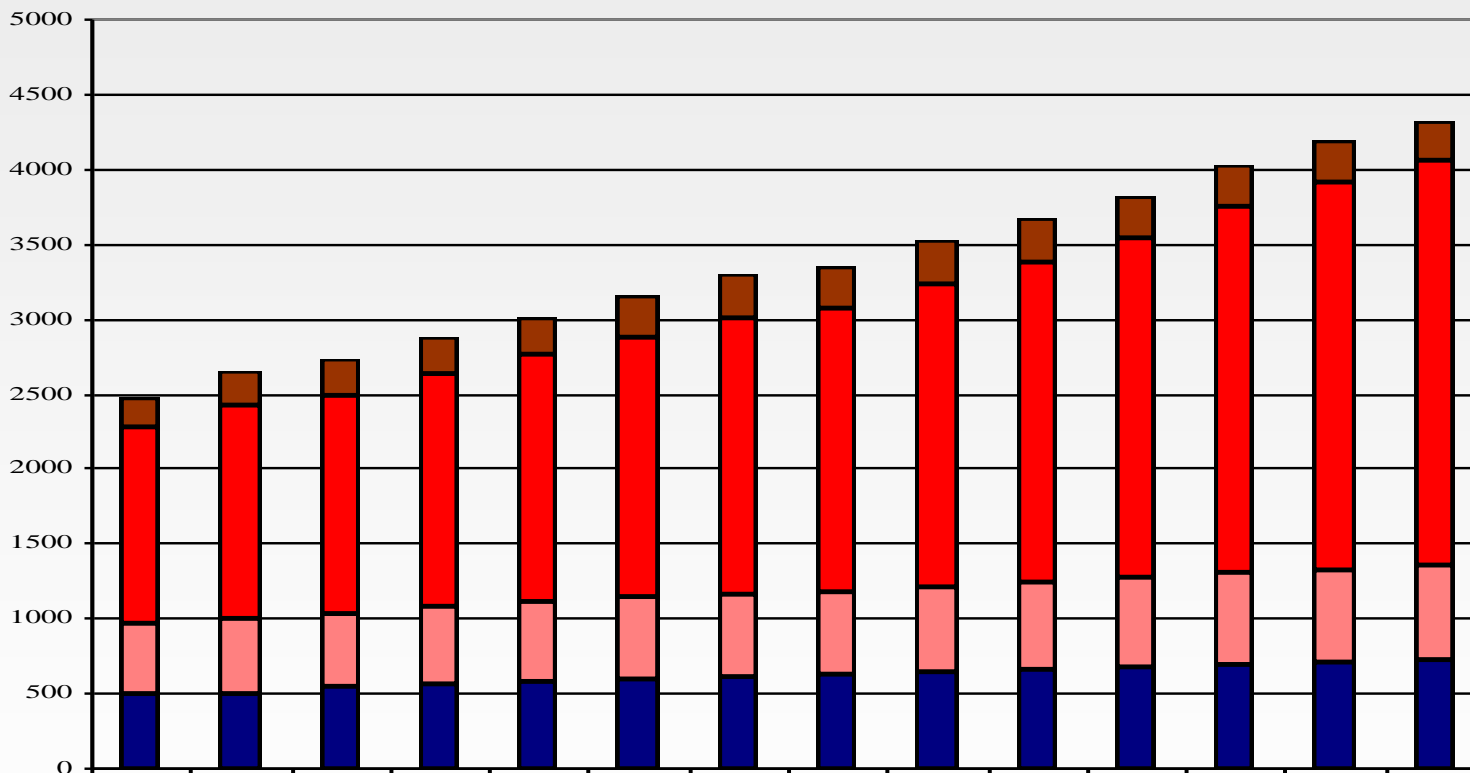
Source: CBO, A Preliminary Analysis of the President's Budget and Update of CBO's Budget and Economic Outlook, March 2009, Table 1-2.

**CSIS** **The FY209 Baseline Defense Budget Would Have Reduced the Burden on the Pre-Crisis GDP, But Was Always a Dishonest Fantasy (Outlays as a % of GDP)**



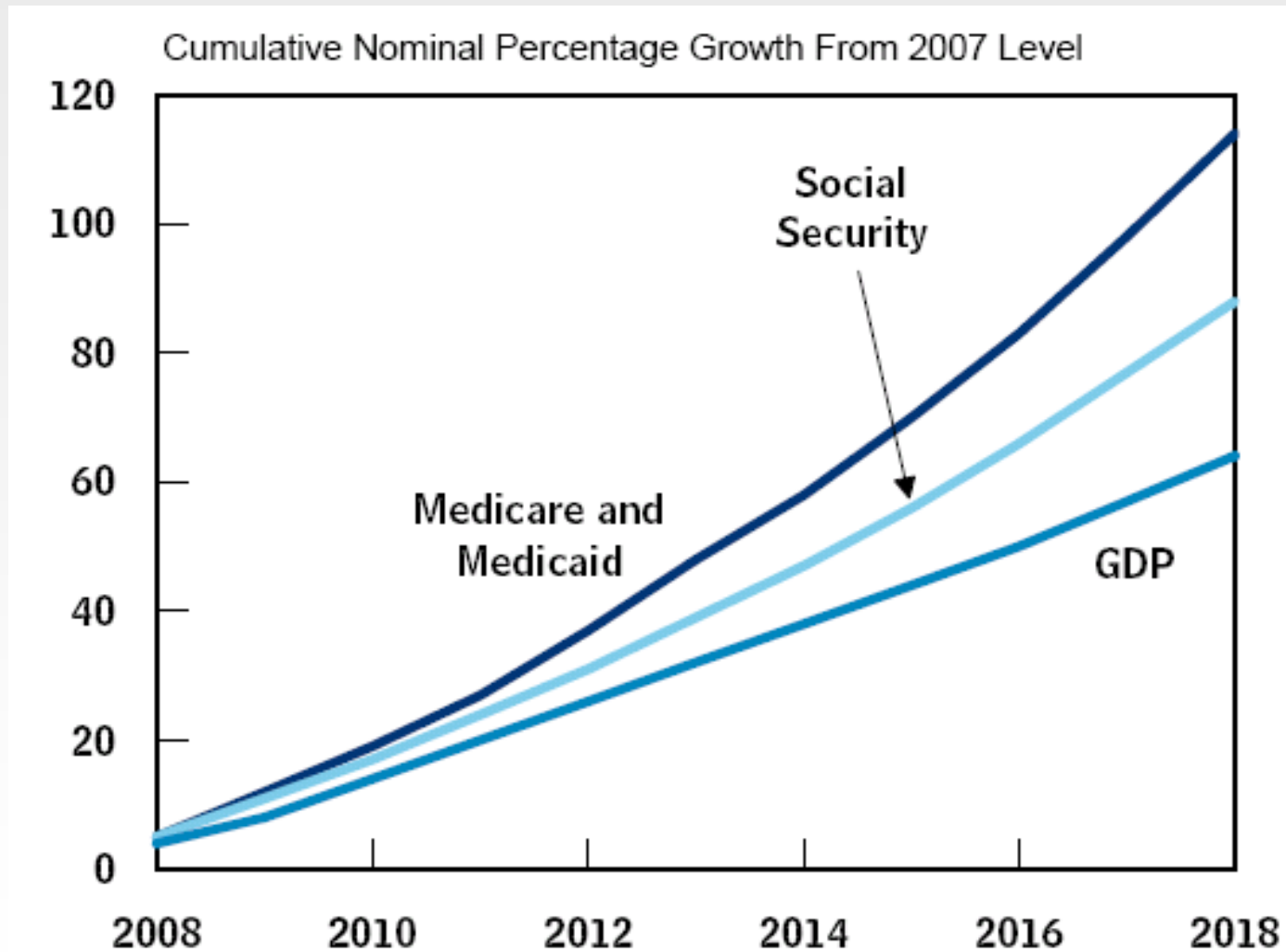
Source: CBO, *The Budget and Economic Outlook: Fiscal Years 2009 to 2018*, January 2008, p. 52

# Increases in Mandatory Civil Programs Drove the FY2009 Increase in the Near Term Burden of Federal Spending (\$US Billions in FY Outlays)



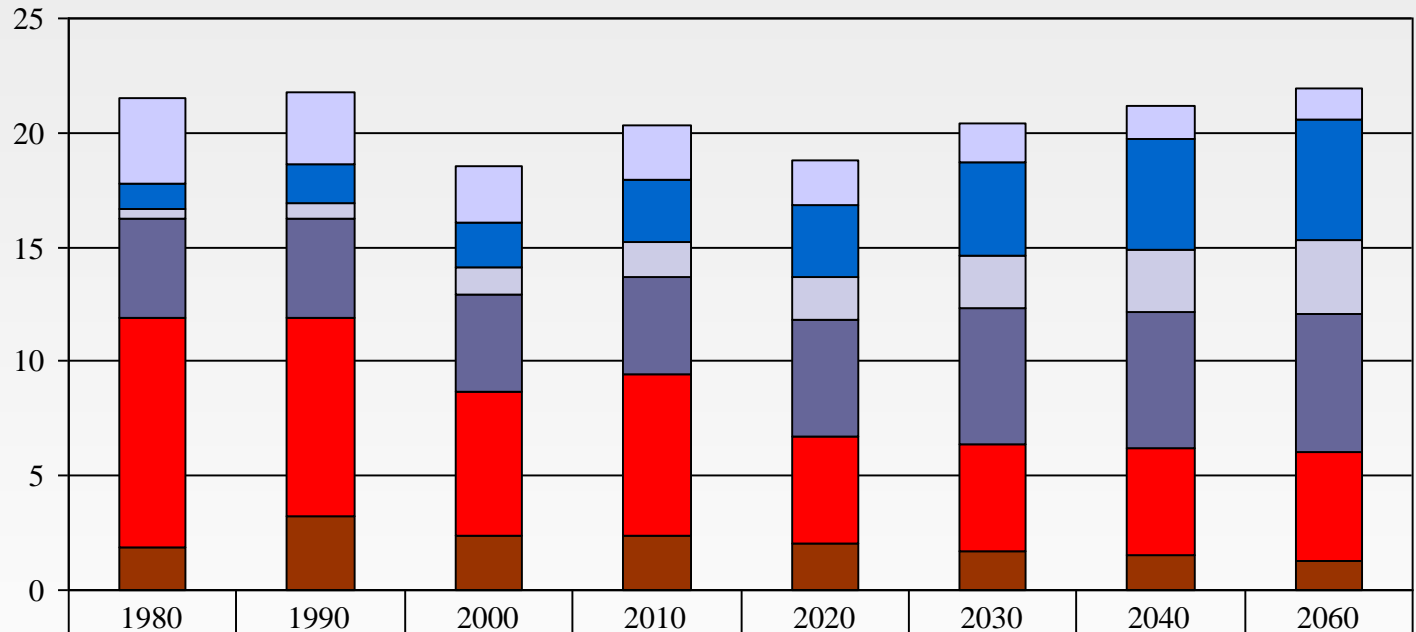
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
■ TOTAL	*2472	*2649	*2731	*2873	*3015	*3148	*3299	*3355	*3524	*3666	*3824	*4037	*4183	*4325
■ Interest	184	217	238	234	241	266	283	286	285	285	282	278	271	259
■ Mandatory	1320	1432	1450	1550	1654	1737	1846	1884	2022	2138	2270	2451	2578	2706
■ Other Discretionary	474	499	493	517	531	542	550	560	571	583	596	610	624	637
■ Defense	494	500	549	572	590	603	620	626	645	660	677	698	710	723

# CBO Estimate of Percentage Rise in the Cost of Mandatory Programs in the FY2009 Projections



# OMB's FY2009 Guess About the Entitlements "Squeeze"

Federal Budget Outlays As a Percent of GDP

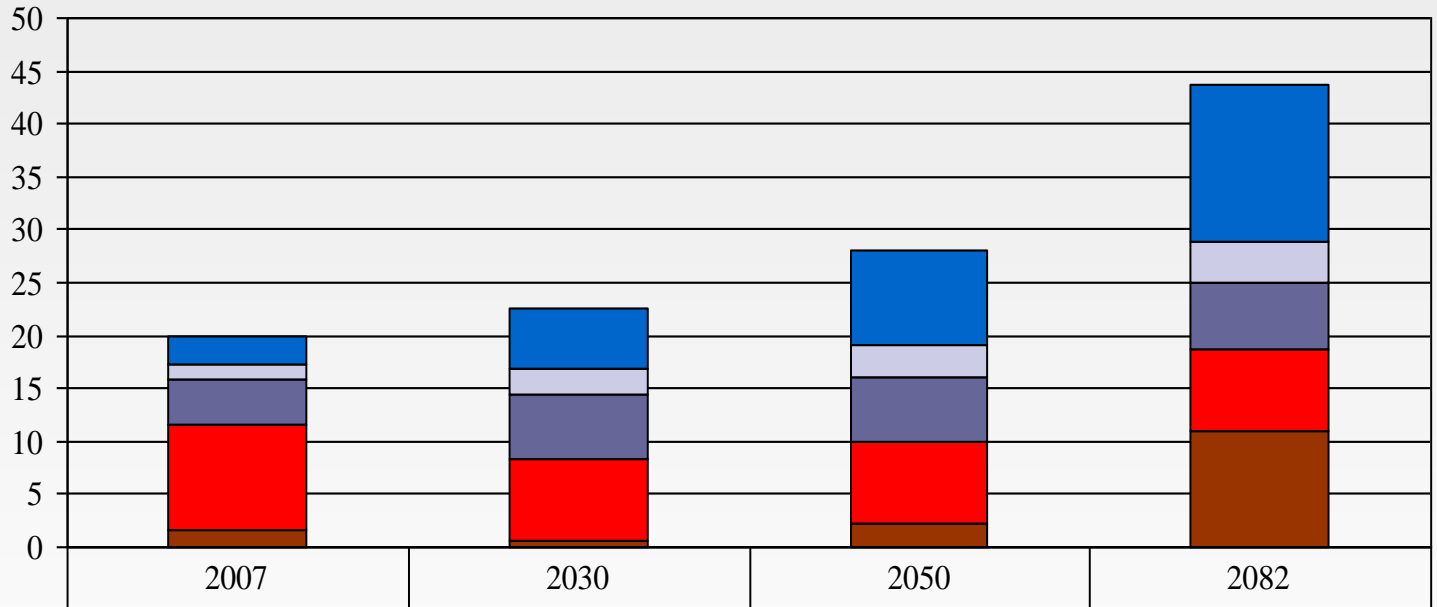


Other Mandatory	3.7	3.2	2.4	2.4	2	1.7	1.5	1.3
Medicare	1.1	1.7	2	2.7	3.1	4.1	4.8	5.3
Medicaid	0.5	0.7	1.2	1.5	1.9	2.3	2.7	3.2
Social Security	4.3	4.3	4.2	4.3	5.1	5.9	6	6.1
Defense & All Discretionary	10	8.7	6.3	7	4.7	4.7	4.7	4.7
Interest	1.9	3.2	2.4	2.4	2	1.7	1.5	1.3

Source: OMB, *FY2009 Budget, Analytical Perspectives*, p. 188

# “Entitlements Hell:” The CBO’s Long Term FY2009 Projections

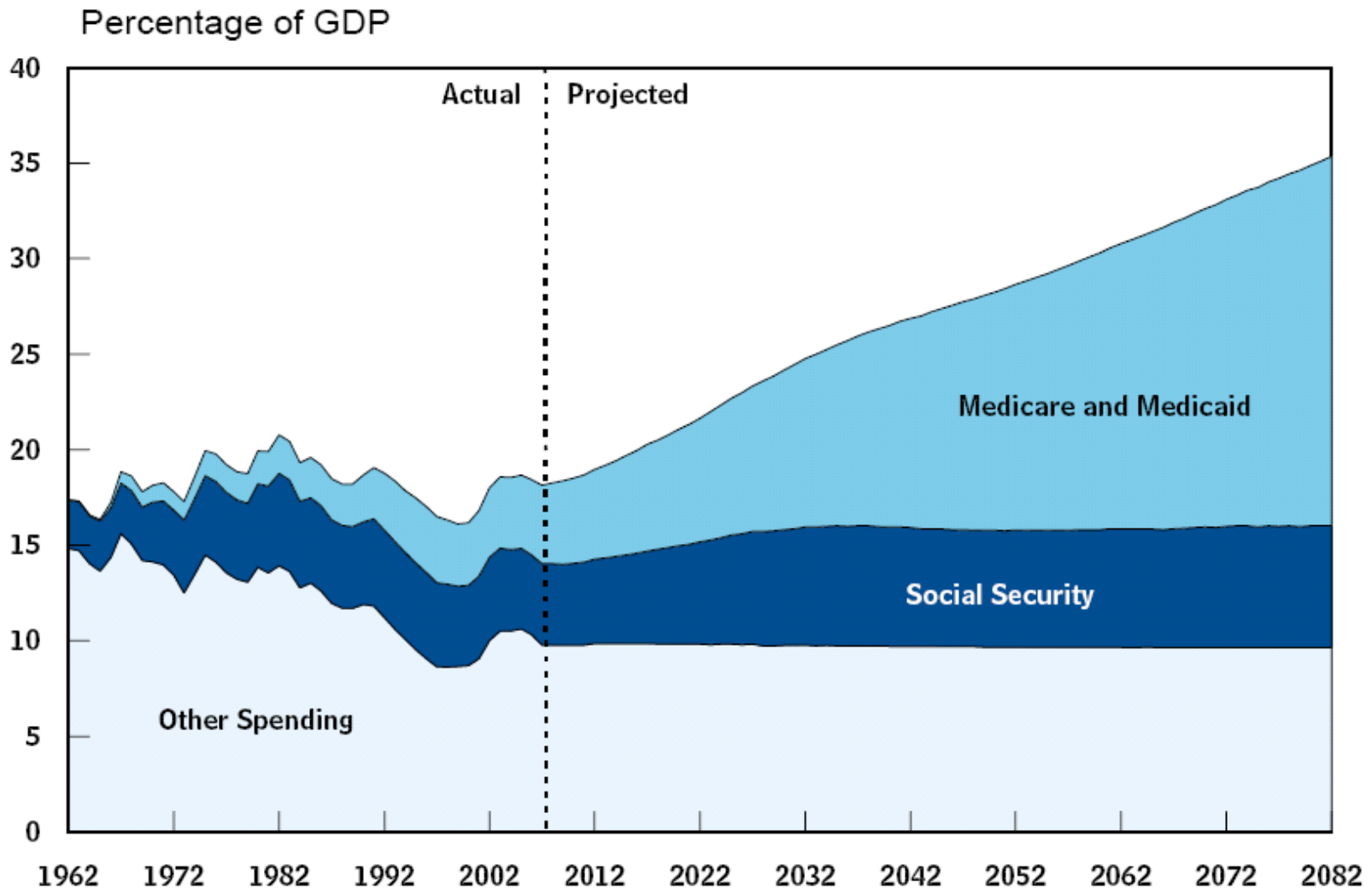
Extended Baseline Federal Budget As a Percent of GDP



	2007	2030	2050	2082
■ Medicare	2.7	5.6	8.9	14.8
■ Medicaid	1.4	2.5	3.1	3.8
■ Social Security	4.3	6.1	6.1	6.4
■ Defense & All Discretionary	9.9	7.7	7.6	7.6
■ Interest	1.7	0.6	2.3	11
■ Total	20.0*	22.4*	28.1*	43.6*

Source: CBO, *The Long Term Budget Outlook*, December 2007, p.5

# CBO FY2009 Estimate of the Impact of Mandatory Programs on GDP versus Defense and Other Spending



Source: CBO: The Budget and Economic Outlook: FY2008-2018, January, 2008, pp. 18-19



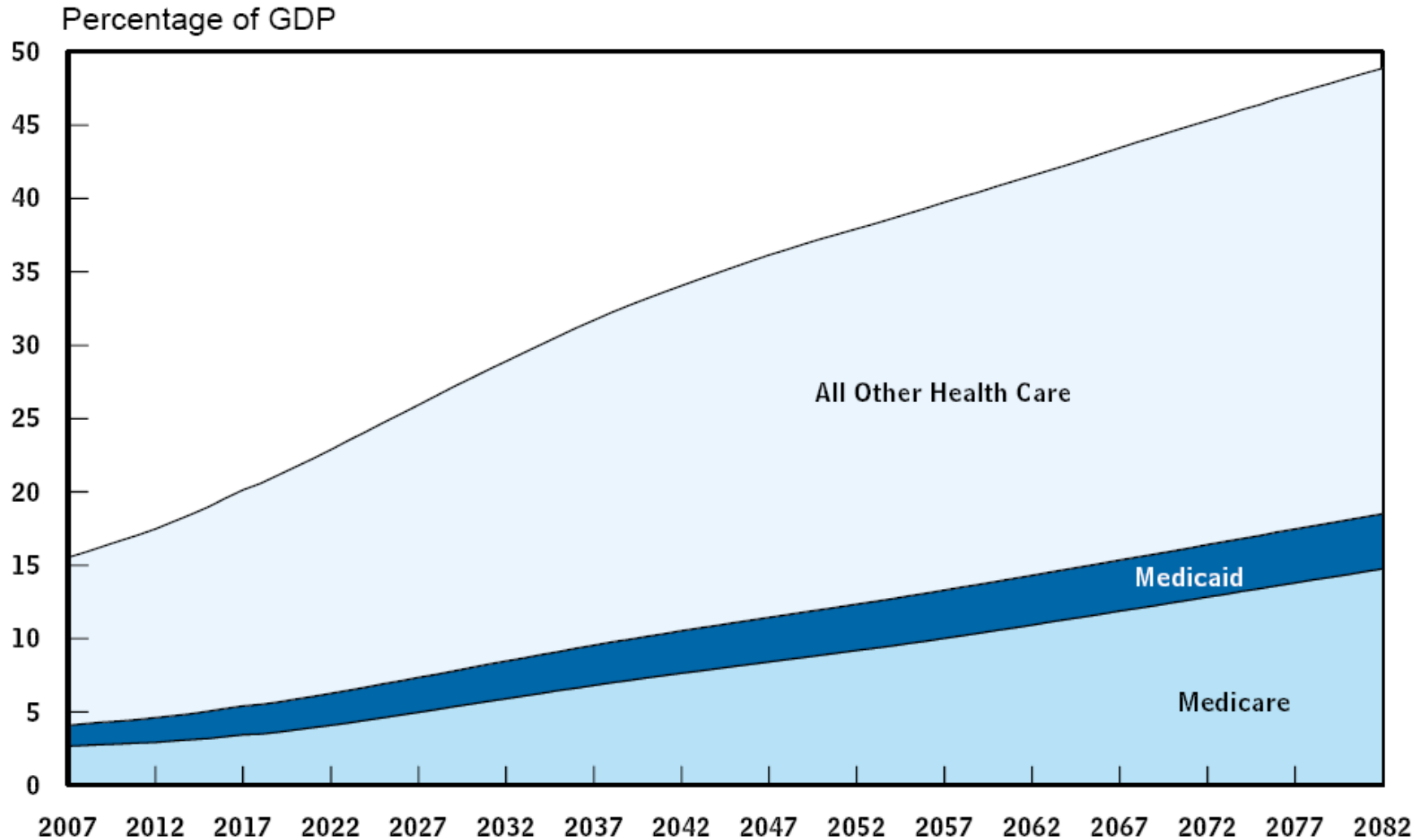
# The CBO Estimate of the Health Care Threat to the US

Rising health care costs and their consequences for Medicare and Medicaid constitute the nation's central fiscal challenge. Without changes in federal law, the government's spending on those two programs is on a path that cannot be sustained.

Over the past 30 years, total national spending on health care has more than doubled as a share of gross domestic product (GDP). **According to CBO's latest projections in its Long-Term Outlook for Health Care Spending, that share will double again by 2035, claiming more than 30 percent of GDP. Thereafter, health care costs continue to account for a steadily growing share of GDP, reaching more than 40 percent by 2060 and almost 50 percent by 2082. Federal spending on Medicare and Medicaid, which accounts for 4 percent of GDP today, is projected to rise to 9 percent by 2035 and 19 percent by 2082 under current law.**

Although the aging of the population is frequently cited as the major factor contributing to the large projected increase in federal spending on Medicare and Medicaid, it accounts for only a modest fraction of the growth that CBO projects. The main factor is excess cost growth-or the extent to which the increase in health care spending exceeds the growth of the economy. The gains from higher spending are not clear, however: Substantial evidence exists that more expensive care does not always mean higher-quality care. Consequently, embedded in the country's fiscal challenge are opportunities to reduce costs without impairing health outcomes overall.

# CBO FY2009 Estimate of the Impact of All Health Care Costs as Percent of GDP



CBO: The Long-Term Outlook for Health Care Spending, November 2007, p. 2

# National Security versus Other Discretionary Spending and Entitlements

- **The key pressures on the budget and GDP come after FY2018; there is time to create affordable federal spending and no immediate “crunch” between discretionary and mandatory spending.**
- **Cost containment is vital to effective defense planning, programming, and budgeting but neither the baseline nor the baseline plus wartime costs is the a major burden on federal spending and the GDP by historical standards.**
- **Entitlements and mandatory programs are growing at an unacceptable rate, and will create an unacceptable burden.**
- **Health costs and an aging population (Social Security) drive the problem, but the key issue is health costs.**
- **The previous graphs show that no practical level of reduction in defense and other discretionary spending can fund currently projected entitlements.**

**The Gates FY2010 Budget is At Best  
“20% of a Half Measure”**

*A Few Fixes, But Meaningful Strategy,  
Plans, Programs, and Budgets Are Still  
Missing*

# Secretary Gates' Objectives vs. the Substance of His FY2010 Request

If approved, Secretary Gates' recommendations will profoundly reform how the DoD does business, following three principal objectives:

- Reaffirm the commitment to take care of the all-volunteer force.
- Rebalance the department's programs in order to institutionalize and enhance capabilities to fight the wars in Iraq and Afghanistan and likely future scenarios.
- Fundamental overhaul of the current approach to procurement, acquisition, and contracting.

*These recommendations raise far more questions than the FY2010 request provides answers.*

# Objective One: Troops and Families

## (\$13 Billion)

Item	Spending Increase in FY2010
Growing ground combat forces	+\$11 Billion
Growth in medical Research and Development	+\$400 Million
Institutionalizing and funding efforts to treat the wounded, ill, injured, traumatic brain injuries, and psychological health problems	+\$300 Million
Child care, spousal support, lodging, and education	+\$200 Million

Source: Robert M. Gates, *Budget Press Briefing*, Arlington, VA, delivered 6 April 2009, transcript available at [www.defenselink.mil/](http://www.defenselink.mil/) and US Department of Defense, *Fiscal Year 2009 Budget Request, Summary Justification*, 4 February 2008.

# Objective Two: Building and Institutionalizing a Constituency for Today's Wars

Increase intelligence, surveillance, and reconnaissance support for the warfighter	+\$2 Billion	<ul style="list-style-type: none"> <li>■ Field and sustain 50 Predator-class UAVs by FY2011 and permanently fund them in the base budget (127 percent increase in capability over one year ago.)</li> <li>■ Increase manned ISR capabilities, such as turbo-prop aircraft</li> <li>■ Increase funding for R&amp;D of a number of ISR enhancement and experimental platforms optimized for today's battlefields.</li> </ul>
Field and sustain more helicopters	+\$500 Million	Recruit and train more Army helicopter crews.
Boost global partnership capacity efforts	+\$500 Million	Training and equipping foreign militaries for counterterrorism and stability operations.
Grow special operations capabilities	n/a	<ul style="list-style-type: none"> <li>■ Increase personnel by 2,800 or five percent.</li> <li>■ Buy more special forces-optimized lift, mobility, and refueling aircraft.</li> <li>■ Increase procurement number of Littoral Combat Ship from 2 to 3 in FY2010 with a goal of buying 55 ships total.</li> </ul>
Improve inter-theater lift capacity	n/a	Increase charter of Joint High Speed Vessel (JHSV) from 2 to 4 until own production begins deliveries in 2011.
Stop growth of Army Brigade Combat Teams (BCT) at 45 versus 48	n/a	While maintaining the planned increase in end strength at 547,000

Source: Robert M. Gates, *Budget Press Briefing*, Arlington, VA, delivered 6 April 2009, transcript available at [www.defenselink.mil/](http://www.defenselink.mil/).

# Objective Three: Shifts in Key Investment Areas

Building fifth generation tactical fighter capability	+\$6.8 Billion	<ul style="list-style-type: none"> <li>■ Increase the procurement of F-35 Joint Strike Fighter from 14 aircraft in FY09 to 30 in FY2010.</li> <li>■ Include 513 F-35s in the FYDP and ultimately buy 2,443.</li> <li>■ Buy 31 F/A-18s in FY10</li> </ul>
Rejuvenate TacAir fleet	n/a	Retire 250 of the oldest tactical fighter aircraft in FY2010.
End production of the F-22 at planned level	n/a	End production at 187 plus 4 in the FY09 supplemental for a total of 183 aircraft.
Ballistic Missile Defense	+\$700 Million	Field more of the most capable theater missile defense systems, such as the Terminal High Altitude Area Defense (THAAD) System and the Standard Missile 3 (SM-3) programs.
Maritime ballistic missile defense	+\$200 Million	Convert six additional Aegis ships to provide ballistic missile defense capabilities.
Improve cyberspace capabilities	n/a	Increase the number of cyberspace experts the department can train from 80 students per year to 250 students per year by 2011.
Replace Air Force tanker fleet	n/a	Maintain KC-X schedule and funding with intent to solicit bids in summer 2009.
Nuclear and strategic forces	n/a	<ul style="list-style-type: none"> <li>■ Begin replacement program for the Ohio class ballistic missile submarine program.</li> <li>■ Reexamine need, requirement, and technology before proceeding with the development program for a follow-on Air Force bomber.</li> </ul>
Slow production of surface combatants	n/a	<ul style="list-style-type: none"> <li>■ Shift Navy aircraft carrier program to a five-year build cycle. This will result in 10 carriers after 2040.</li> <li>■ Delay the Navy CG-X next generation cruiser program, review requirements and acquisition strategy.</li> <li>■ Delay amphibious ship and sea-basing programs (LPD, MLP) to FY2011, reassess needs and costs.</li> </ul>
Air Lift	n/a	Complete production of the C-17s at 205 aircraft.

Source: Robert M. Gates, *Budget Press Briefing*, Arlington, VA, delivered 6 April 2009, transcript available at [www.defenselink.mil/](http://www.defenselink.mil/).



# An Uncertain Start to a Series of Massive Adjustments

- **Lack of detail:**

Secretary Gates' recommendations lack in detail to constitute any coherent long-term plan or strategy. Part of the reason for this lack of detail may lie in the need to rush some decisions out in time to meet budget deadlines, and before the Secretary had time to develop all of the necessary supporting plans and analysis.

- **“Fairy dust:”**

According to some press reports, Secretary Gates was responding to new budget guidance from the White House and OMB that flatly rejected a previous request for an addition of \$60 billion to the past DoD budget baseline to pay for what the Washington Post referred to as Gordon England's “fairy dust” – an effort described as “fairy dust” because the Department sought to solve its procurement, manpower, and resource crises -- and the issues raised in the previous QDR – by throwing more money at them.

- **One year cost containment vs. goals for major changes:**

Secretary Gates only began a series of massive adjustments to the US defense posture that will play out over at least a decade. It will address most of the issues involved at a conceptual level and focus on a few select program decisions that will have to be followed by major changes in US spending in the outyears, changes in US force and procurement plans, and a massive long term restructuring of the US defense program budget.

- **QDR 2010 needs to be tied to strategy, but may be a purposeless farce:**

Quadrennial Defense Review this year, although it is far from clear as yet that it will be any better tied to a clear force plan, procurement plan, and future year defense program and budget (FYDP) than its largely meaningless predecessors.

# More Questions than Answers

Secretary Gates' recommendations raise far more questions than they provide answers. This becomes clear when one takes a look at the individual key areas:

- **Choices Between “Conventional,” “Irregular,” and “Mixed Warfare”**

There are no clear force plans or details which explain what choices have actually been made about the strategic goals for US warfighting capabilities and how these translate into shifts in force plans, future equipment strength, and budgets.

- **Military, Civilian, and Contractor Manpower and End Strength**

No decision on what the end strength should be, whether it will be affordable in terms of equipment and sustainability, and how it should be linked to a detailed force plan for each service and outyear budget. Does not address key questions about the proper mix of military, career civilians.

- **Military Entitlements Problems**

Dodges around the near crisis the Congress has caused by grossly overfunding military entitlements for domestic political reasons.

- **Intelligence, Surveillance, and Reconnaissance**

No clear picture of the overall architecture for the “IS&R” effort, particularly when increasingly tied to combat capabilities like UCAVs, 5th generation combat aircraft, and the Army’s Future Combat Systems (FCS).

- **Army and Ground Forces**

No clear picture of the future size, force structure, equipment, readiness or any other aspect of US ground forces – Army or Marine Corps. No mention is made of the need to make difficult near-term decisions to deal with the wear of equipment because of the Iraq and “AfPak” wars – an issue sometimes called “reset.”

## ■ **Aircraft Procurement and Force Size**

Series of one-time fixes that does not define future force plans, programs, or procurement goals, and leaves virtually every aspect of future aircraft modernization unresolved. Growing problems in creating a stable, competitive industrial base for US defense industry, and bringing future procurements into balance with resources and affordable technology are left unaddressed.

## ■ **Fleet Modernization and Ship Building**

Series of one-time fixes that does not define future force plans, programs, or procurement goals, and leaves virtually every aspect of naval modernization unresolved. Growing problems in creating a stable, competitive industrial base for US defense industry, and bringing future procurements into balance with resources and affordable technology are left unaddressed.

## ■ **Nuclear Posture**

No decisions taken

## ■ **Missile Defense**

One-shot fixes for cost and individual program reasons that provides no sense of future direction, architecture, procurement, or deployment for either strategic or theater missile defenses. No mention of how this will affect plans for Europe, cooperation with Israel or the needs of the Arab Gulf states in dealing with Iran. No discussion of the problems in getting the services ready to handle the transfer of theater systems from BMDO, and links to arms control issues. No discussion of the problems in developing proper cost projections and test and evaluation methods.

## ■ **Cost Containment and Procurement and RDT&E Reform**

The Secretary advanced some key issues and priorities for reform. Unfortunately, exactly the same comments could have been made during the Eisenhower Administration – and were.

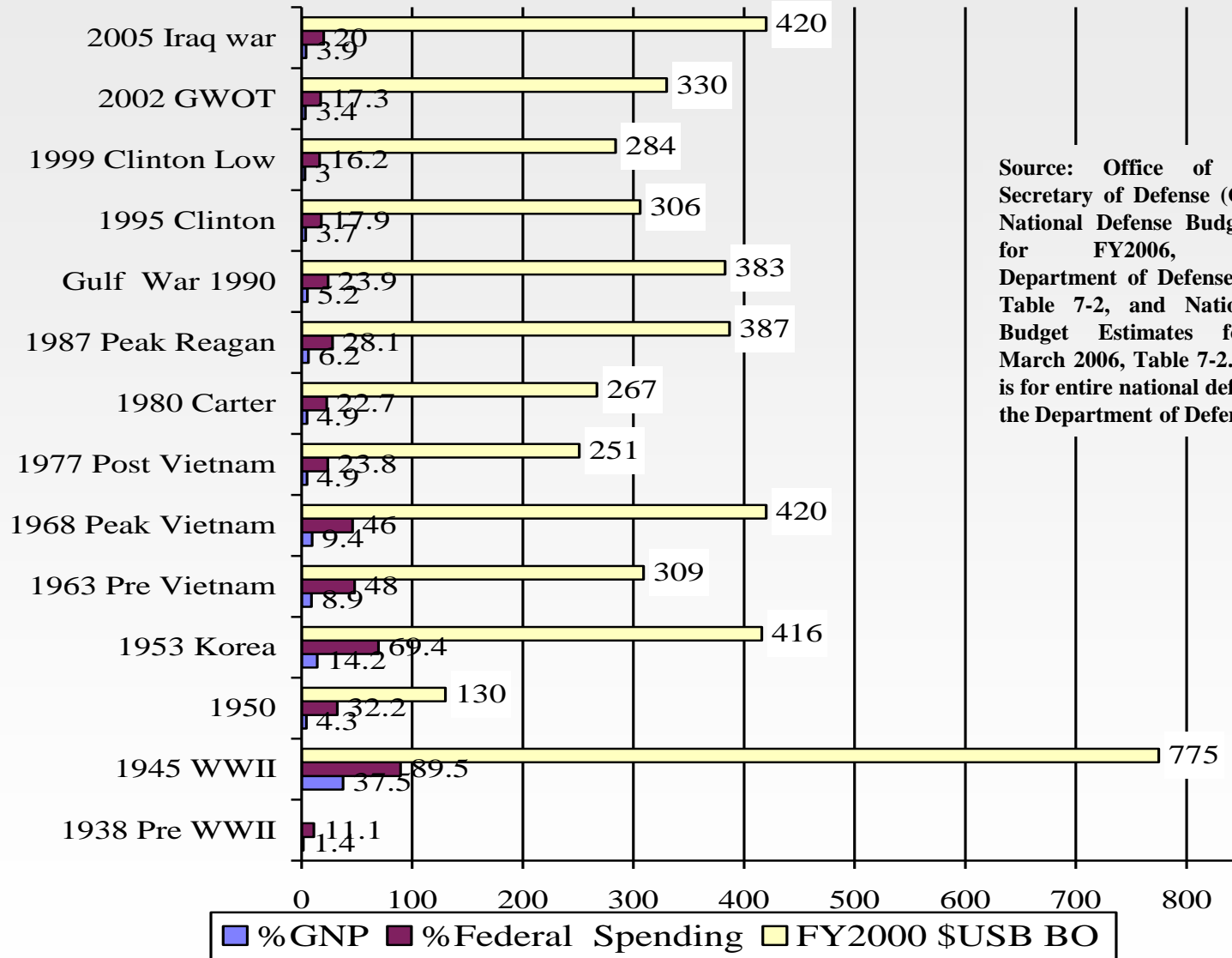
# **The War Cost Crisis:**

*Failing to Plan or Budget for  
Ongoing Wars*

# **“Guesstimating” the Future Cost of the Afghan War, Iraq War, and GWOT**

- **Past costs will be “sunk” costs for this Administration. The issue is future costs and what can be done about them.**
- **It is not clear how supplemental war funds will be integrated into the baseline budget.**
- **Supplementals are not measures of the cost of the war.**
- **There are no reliable DoD cost estimates, and the CRS, CBO, and GAO have produced different estimates.**
- **The full nature of deferred costs is unclear.**
- **The Iraq War is driven by externals like Iran, Iraqi accommodation, Iraqi force development and willingness to take over the financial burden.**
- **The Afghan War is driven by externals like Pakistan, the role of our allies, and progress in Afghan governance and force development.**

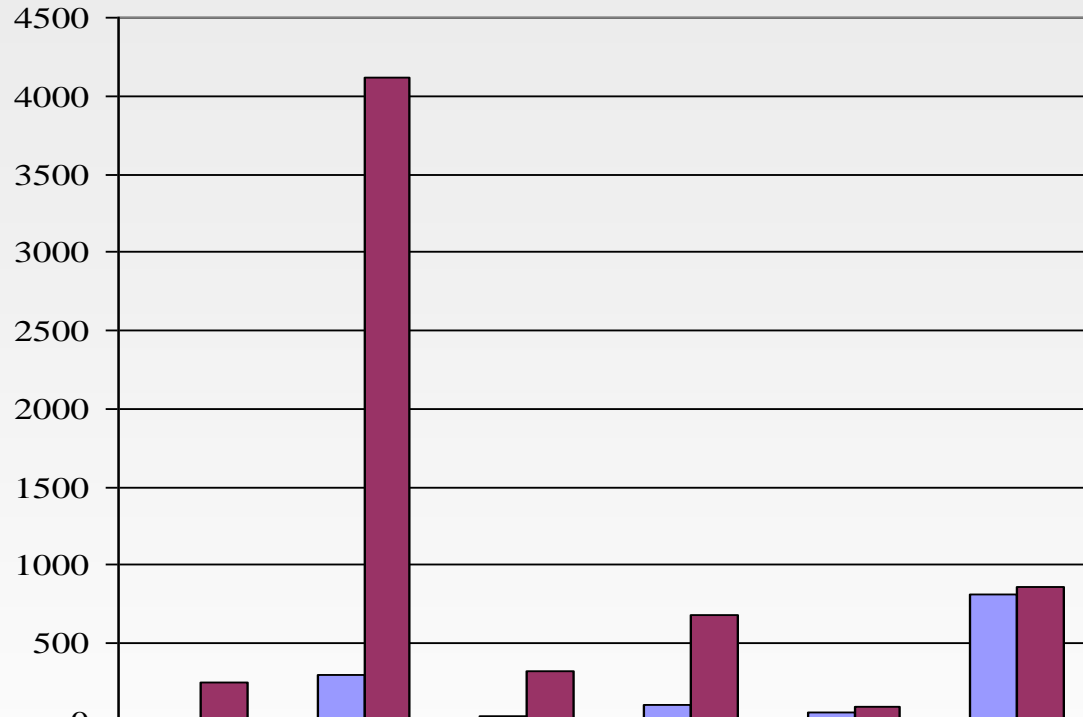
# The Annual Cost and Burden of Previous Wars



Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY2006, Washington, Department of Defense, April 2005, Table 7-2, and National Defense Budget Estimates for FY2007, March 2006, Table 7-2. Budget total is for entire national defense, not just the Department of Defense.

# The Total Cost of Previous Wars

(In Billions of \$US Dollars)

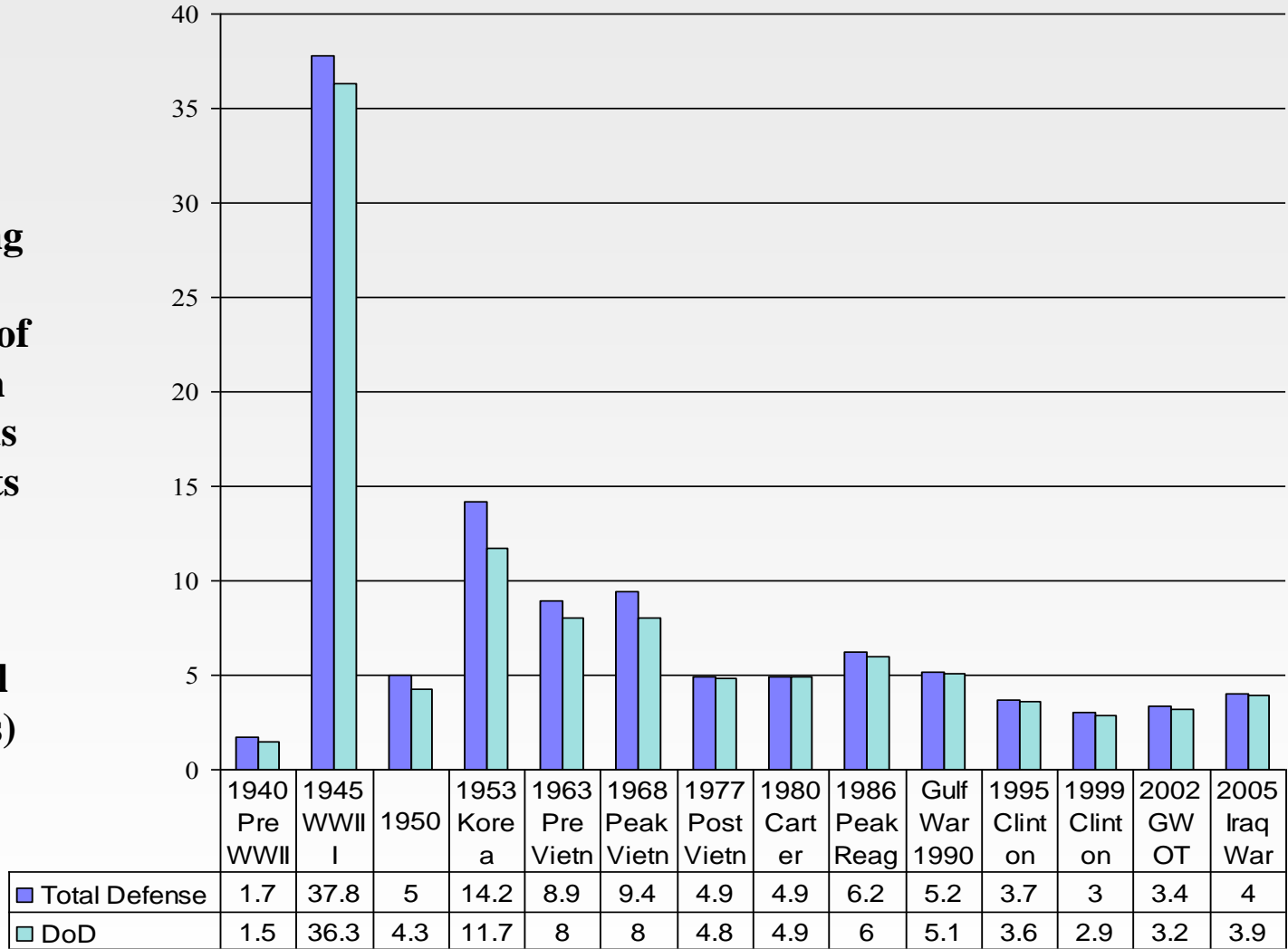


	World War I	World War II	Korea	Vietnam	Gulf War	Iraq & War on Terrorism
Current Year \$	20	296	30	111	61	809
Constant FY2008 \$	253	4,114	320	686	96	859

Source: CRS, *Costs of Major U.S. Wars*, 24 July, 2008, RS22926, p. 3..

# The Burden of Previous Wars

**Spending as a Percent of GNP in Previous Conflicts and Crises (Total Federal Outlays)**



Source: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2007*, Washington, Department of Defense, March 2006, Table 7-7, pp. 216-217. Budget Total is for entire national defense, and not just Department of Defense.



# CRS Estimate of Total Cost of War To US Through FY2008

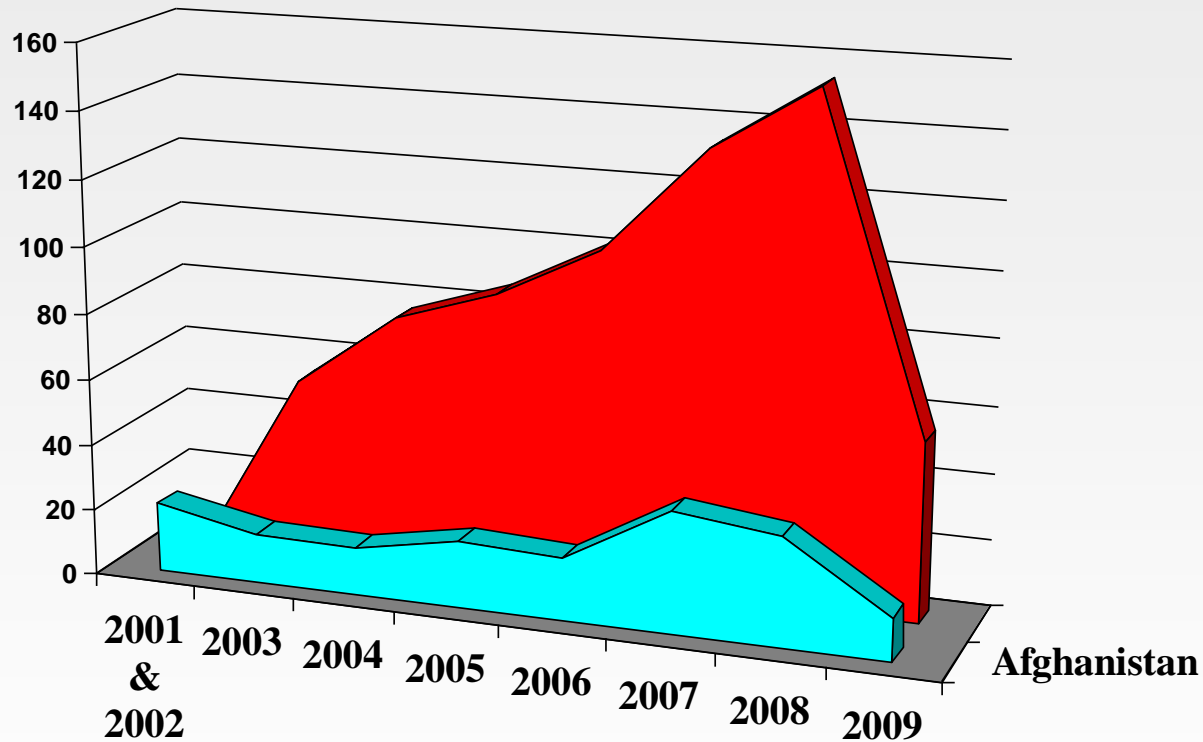
By Operation and Funding Source	FY 01 & FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	Cum. Enacted FY01-FY09 Bridge as of H.R. 2642/P.L. 110-252
<b>OPERATION IRAQI FREEDOM (OIF)</b>									
Department of Defense	0	50.0	56.4	83.4	98.1	129.6	149.7	53.4	620.6
Foreign Aid and Diplomatic Ops	0	3.0	19.5	2.0	3.2	3.2	2.8	0.6	34.2
VA medical	0	0	0	0.2	0.4	0.9	1.0	0.0	2.5
<b>Total Iraq</b>	<b>0</b>	<b>53.0</b>	<b>75.9</b>	<b>85.5</b>	<b>101.7</b>	<b>133.6</b>	153.5	<b>54.1</b>	<b>657.3</b>
<b>OPERATION ENDURING FREEDOM (OEF)/Afghanistan and GWOT</b>									
Department of Defense	20.0	14.0	12.4	17.2	17.9	34.9	31.4	12.5	160.1
Foreign Aid and Diplomatic Ops	0.8	0.7	2.2	2.8	1.1	1.9	2.4	0.6	12.4
VA medical	0	0	0	0	0	0.1	0.3	0.0	0.4
<b>Total OEF</b>	<b>20.8</b>	<b>14.7</b>	<b>14.5</b>	<b>20.0</b>	<b>19.0</b>	<b>36.9</b>	32.8	<b>13.1</b>	<b>172.9</b>

CRS report indicates that CBO estimates that cost of next 10 years for both OIF and OEF would be \$570 billion more if troops fell to 30,000 by 2010, or \$1,055 billion if fell to 75,000 by 2013

# CRS Estimate of US Cost of Afghan and Iraq Wars

## Including DoD, Foreign Aid and VA

(In \$US Current Billions in Budget Authority)

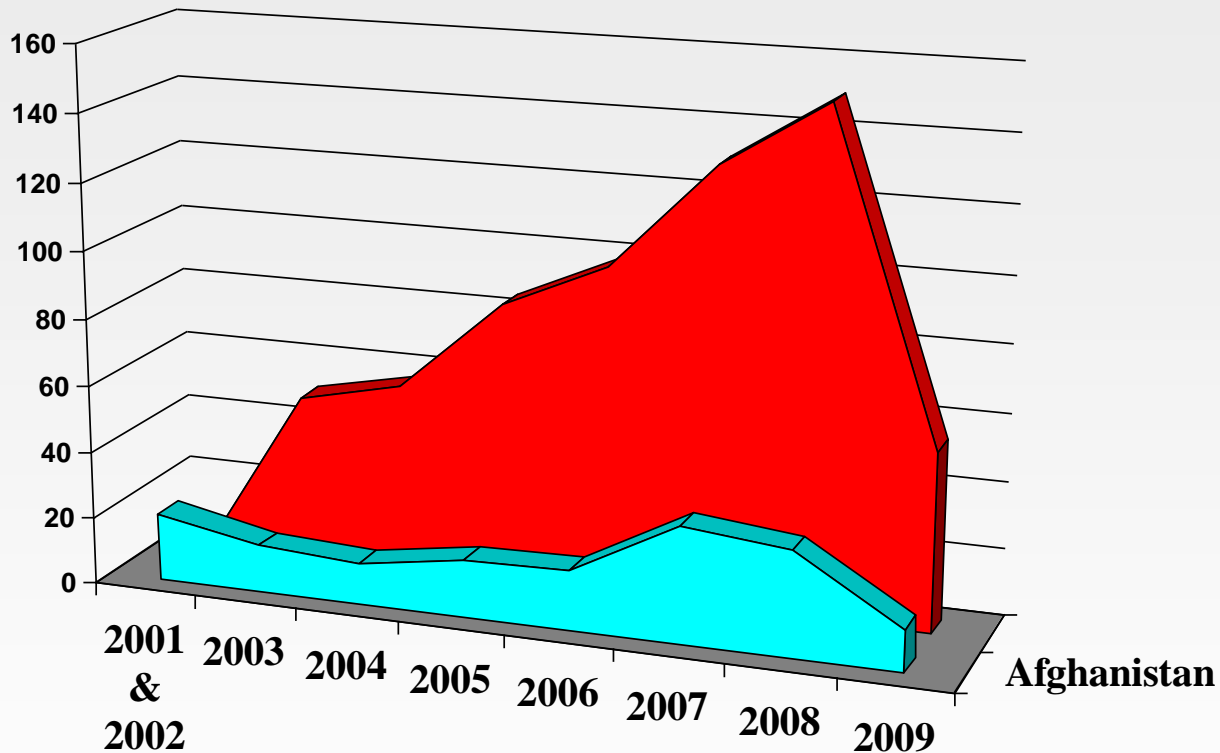


	2002 & 2001	2003	2004	2005	2006	2007	2008	2009
■ Afghanistan	20.8	14.7	14.5	20	19	36.9	32.8	13.1
■ Iraq	0	53	75.9	85.5	101.7	133.6	153.5	54.1

Source: CRS, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, RL33110, Updated 15 October 2008, p. 10.

# CRS Estimate of US DoD Cost of Afghan and Iraq Wars

(In \$US Current Billions in Budget Authority)



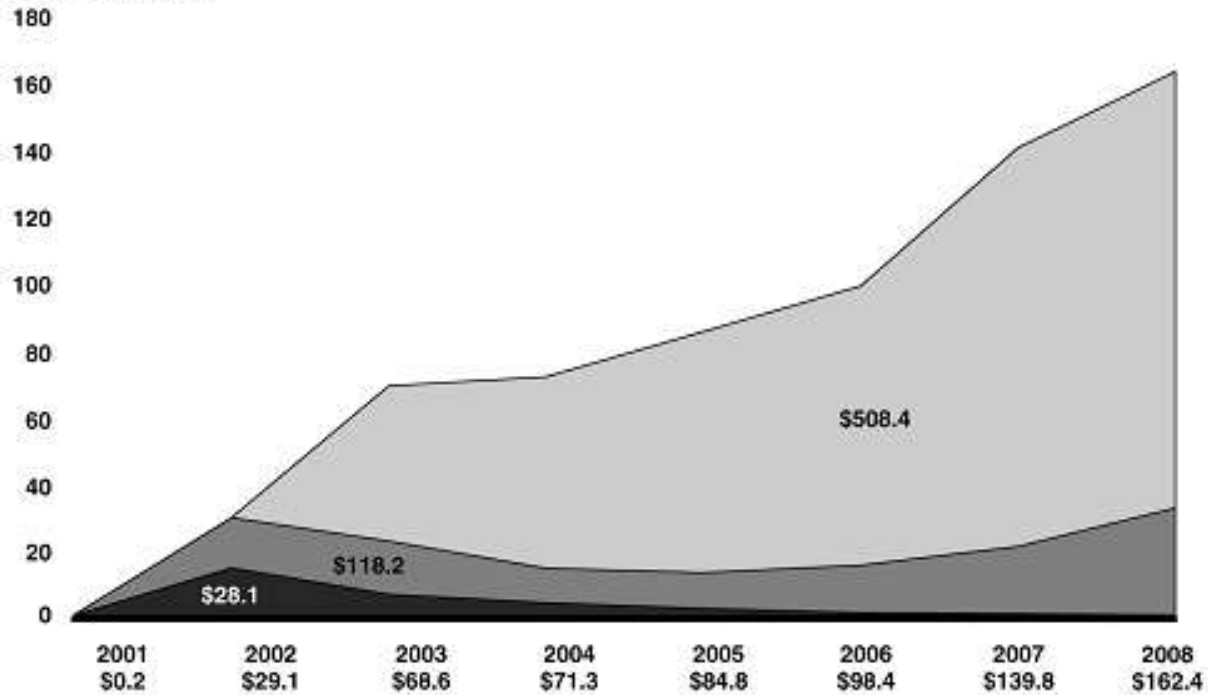
	2002 & 2001	2003	2004	2005	2006	2007	2008	2009
■ Afghanistan	20	14	12.4	17.2	17.9	34.9	31.4	12.5
■ Iraq	0	50	56.4	84.3	98.1	129.6	149.7	53.4

Source: CRS, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, RL33110, Updated 15 October 2008, p. 10.

# GAO Estimate of Cost of War To DoD Through FY2007

**Figure 2: DOD's Reported GWOT Obligations for Fiscal Years 2001 through 2008 by Operation**

Dollars (in billions)



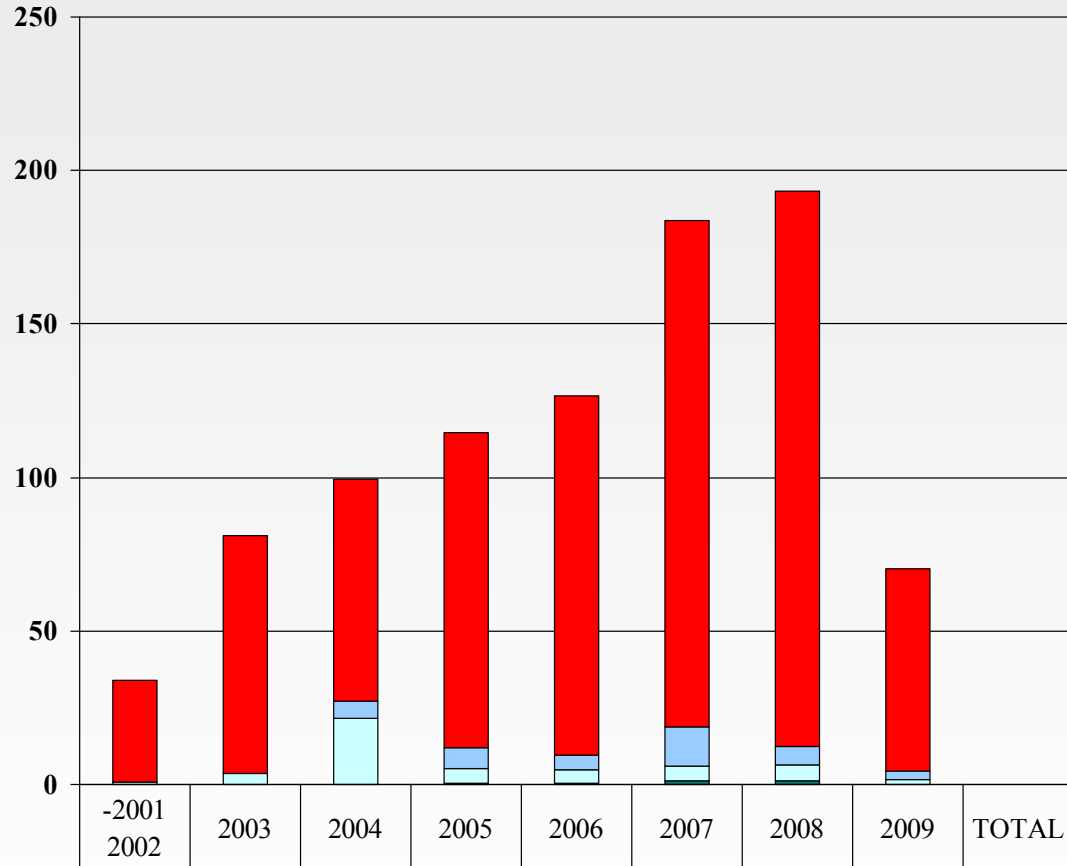
Reported GWOT obligations per fiscal year

- Operation Iraqi Freedom
- Operation Enduring Freedom
- Operation Noble Eagle

# CRS Estimate of Cost of All US Government Activity in Afghan Wars and GWOT, by Category

## (In Appropriations of \$US Current Billions by Fiscal year)

Source: CRS, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, RL33110, Updated 15 October 2008, p. 10.



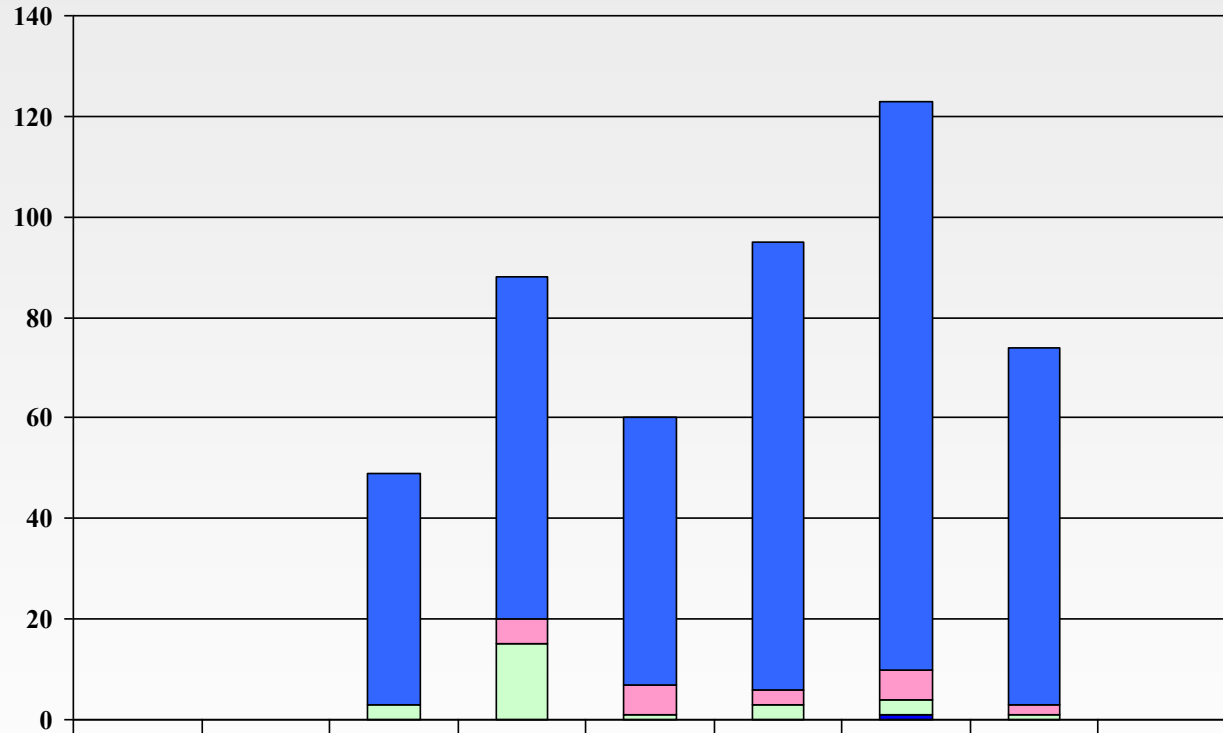
■ Department of Defense	33	77.4	72.4	102.6	116.8	165	181.2	65.9	814.5*
■ Indigenous Security Forces Funds	0	0	5.3	7	4.9	12.9	5.8	3	38.9*
■ Diplomacy and Foreign Aid	0.8	3.7	21.7	4.8	4.3	5	5.1	1.4	46.6*
■ VA Medical	0	0	0	0.2	0.4	1	1.3	0	2.9*
■ Total	33.8*	81.1*	94.1*	107.6*	121.5*	171*	187.6*	67.3*	864*

# Current Cost Estimates for the Iraq War: Pick A Cost, Any Cost

- **Some of the best work to date has been by Amy Belasco of the CRS. It attempts to combine the budget authority cost of the war for both the Department of Defense and Department of State.**
  - **The Iraq War totals \$608.3 billion for FY2001-FY2008 in the February 2008 estimate.**
  - **The Iraq War has cost 3.7 times the cost of the Afghan War to date.**
  - **But, the FY2008 estimates do not include a guesstimate for the ultimate cost of the supplemental request, whether deferred or current.**
- **The GAO has provided estimates in terms of obligations. The costs are much lower because they do not include the authorized future costs in the CRS estimate and they do not include FY2008.**
  - **The total cost of the war to DoD through FY2007 is shown as \$378.1 billion.**

# CBO Estimate of Cost of All US Government Activity in the Iraq War by Category (In Appropriations of \$US Current Billions by Fiscal year)

Source: CBO, *Budget and Economic Outlook for Fiscal Years 2008 to 2018*, January, 2008, p. 52

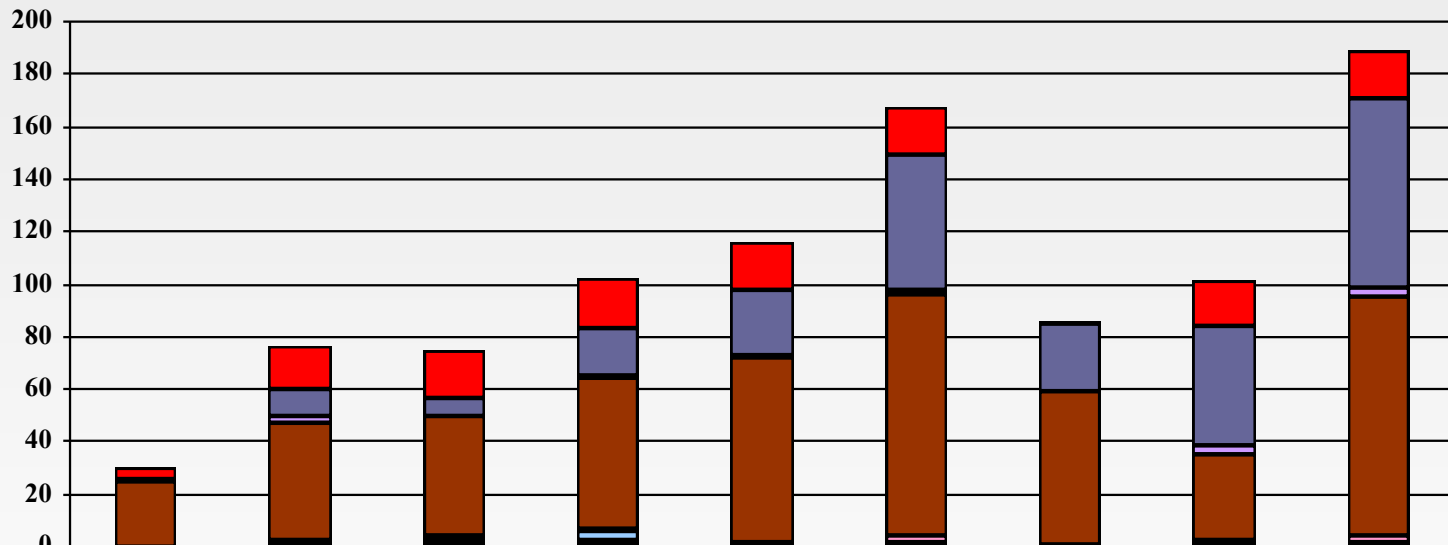


	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
■ Military Operations	0	0	46	68	53	89	113	71	440*
■ Indigenous Security Forces	0	0	0	5	6	3	6	2	21*
■ Diplomacy & Foreign Aid	0	0	3	15	1	3	3	1	26*
■ Veteran's Benefits & Service	0	0	0	0	0	0	1	0	1*
■ Total	0*	0*	49*	88*	60*	95*	123*	74*	488*

# CBO Estimate of Cost of Defense Activity in Afghan and Iraq Wars, and GWOT, by Category

(In Appropriations of \$US Current Billions by Fiscal year)

Source:  
CBO,  
*Analysis of the Growth in /funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism, February 11, 2008.*



	2001 & 2002	2003	2004	2005	2006	2007	08 Enacted	08 Requested	08 Total
□ Cumulative	*32	*108	*182	*283	*399	*564	*651	*752	*752
□ Annual Total	*32	*76	*74	*101	*116	*165	*87	*101	*188
■ Personnel	4	16	18	19	18	18	1	17	18
■ Procurement	1	10	7	18	25	51	26	45	72
■ RDT&E		3		1	1	2		4	4
■ O&M	25	44	46	57	70	92	58	32	91
■ MilCon		1	1	1		2		2	2
■ Other		1	1	3	2	1	1	1	2
■ Transfers		1	2	2		1			
■ AE& Other				1					



# CBO Estimate of Cost of All Activity in Afghan and Iraq Wars by Category

(In Appropriations of \$US Current Billions by Fiscal Year)

Source: CBO,  
*Budget and  
Economic Outlook  
for Fiscal Years  
2008 to 2018,,  
January, 2008, p.  
52*

	2001	2002	2003	2004	2005	2006	2007	2008	2001-2008
<b>Military Operations and Other Defense Activities</b>									
Iraq <sup>a</sup>	0	0	46	68	53	89	113	71	440
Other <sup>b</sup>	14	18	34	21	18	22	39	13	178
<b>Subtotal</b>	<b>14</b>	<b>18</b>	<b>80</b>	<b>88</b>	<b>70</b>	<b>111</b>	<b>152</b>	<b>84</b>	<b>618</b>
<b>Indigenous Security Forces<sup>c</sup></b>									
Iraq	0	0	0	5	6	3	6	2	21
Afghanistan	0	0	0	0	1	2	7	1	12
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>13</b>	<b>3</b>	<b>33</b>
<b>Diplomatic Operations and Foreign Aid</b>									
Iraq	0	0	3	15	1	3	3	1	40
Other	*	2	5	2	2	1	2	1	15
<b>Subtotal</b>	<b>*</b>	<b>2</b>	<b>8</b>	<b>17</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>40</b>
<b>Veterans' Benefits and Services<sup>d</sup></b>									
Iraq	0	0	0	0	0	0	1	0	1
Other	0	0	0	0	0	0	*	0	*
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total<sup>e</sup></b>	<b>14</b>	<b>19</b>	<b>88</b>	<b>111</b>	<b>81</b>	<b>120</b>	<b>171</b>	<b>88</b>	<b>691</b>

\*= between 0 and \$500 million

- a. CBO estimated how much money has been provided for Operation Iraqi Freedom by allocating funds on the basis of obligations reported by the Department of Defense (DoD). For more information about funding for that operation, see Congressional Budget Office, *Estimated Costs of U.S. Operations in Iraq Under Two Specified Scenarios* (July 13, 2006).
- b. Includes Operation Enduring Freedom (in and around Afghanistan), Operation Noble Eagle (homeland security missions, such as combat air patrols, in the United States), the restructuring of Army and Marine Corps units, classified activities other than those funded by appropriations for the Iraq Freedom Fund, and other operations. (For 2005 through 2008, funding for Operations Noble Eagle has been intermingled with regular appropriations for the Department of Defense. That funding is not included in this table because it cannot be separately identified.)
- c. Funding for indigenous security forces – which went to accounts for diplomatic operations and foreign aid (budget function 150) in 2004 and, since 2005, has gone to defense accounts (budget function 050) – is used to train and equip local military and police units in Iraq and Afghanistan.
- d. Excludes almost \$2 billion in spending for medical care, disability compensation, and survivors' benefits for veterans of operations in Iraq and Afghanistan and the war on terrorism. Those amounts are based on CBO's estimates of spending from regular appropriations for the Department of Veterans Affairs and were not explicitly appropriated for war-related expenses.
- e. At the current rate of military operations, the funding provided to date for 2008 will not be sufficient to pay for all the costs that will be incurred this year.

# Past CBO Estimates of the Cost of War

Since September 2001, the Congress and the President have provided a total of \$691 billion in budget authority for military and diplomatic operations in Iraq, Afghanistan, and other regions in support of the war on terrorism and for related veterans' benefits and services (see table). Appropriations specifically designated for those activities, which averaged about \$93 billion in 2006 and \$171 billion in 2007. The Administration has requested \$193 billion for war-related purposes in 2008, of which \$88 billion has been appropriated thus far.

Funding to date for military operations and other defense activities related to the war totals \$618 billion, most of which has gone to the Department of Defense (DoD). Lawmakers also provided \$33 billion to train and equip indigenous security forces in Iraq and Afghanistan.<sup>1</sup> A total of \$651 billion has thus been appropriated since September 2001 for defense operations in Iraq and Afghanistan and for the war on terrorism.

In addition, \$40 billion has been provided for diplomatic operations and foreign aid to Iraq, Afghanistan and other countries that are assisting the United States in the war on terrorism. Of that amount, \$16 billion was appropriated for the Iraq Relief and Reconstruction Fund.

DoD reports that it obligated an average of about \$11 billion per month in 2007 for operations in Iraq and Afghanistan and for other activities related to the war on terrorism – an increase of about \$3 billion compared with average monthly obligations in 2006. Operation Iraqi Freedom accounted for approximately 85 percent of all reported obligations; Operation Enduring Freedom (which refers mainly to operations in and around Afghanistan) accounted for another 15 percent. Additional security missions that have taken place in the United States since the terrorist attacks of September 11, 2001 – such as combat air patrols over Washington, D.C., and New York City (known as Operation Noble Eagle) – accounted for less than 1 percent.

Because most appropriations for operations in Iraq and Afghanistan and for other activities related to the war on terrorism appear in the same budget accounts that record appropriations for DoD's other functions, determining how much has actually been spent for those activities is difficult. However, CBO estimates that appropriations for defense operations in Iraq and Afghanistan and for the war on terrorism resulted in outlays of about \$430 billion through fiscal year 2007 (with about \$115 billion occurring in 2007). Of the funds appropriated for international affairs related to the war, about \$30 billion was spent through 2007, CBO estimates. In total, by the agency's estimate, outlays for operations in Iraq and Afghanistan amounted to about \$120 billion last year. The President has requested another \$105 billion for the war in 2008, in addition to the \$88 billion that has been appropriated for that year. If that amount is provided, outlays in 2008 (which also include outlays from prior years' appropriations) would total about \$145 billion, CBO estimates.

1. The \$33 billion includes \$5 billion provided for Iraqi security forces in 2004 in an appropriation for the Department of State's Iraq Relief and Reconstruction Fund. **Source:** CBO, *The Budget and Economic Outlook: FY2008-2018, January, 2008*, p 7

# Putting the Various Estimates of Past Wartime Costs in Perspective

- **Last supplemental in FY2009?**
  - **Peak appropriated costs and outlays for Iraq War alone have ranged around \$10-12 billion a month.**
  - **Iraq War costs should decline in FY2009 as cut from 20 to 15 brigade equivalents, Iraq assumes growing portion of costs, and US investment & O&M costs decline.**
- **May drop to \$7-9 billion a month.**
- **Afghan War has cost from \$2billion to \$4billion a month, but has been badly underfunded.**
  - **Afghan war costs will increase in FY2009 with new troop deployments. Are now open-ended, and complicated by fact should include aid to Pakistan.**
  - **No way to predict FY2009 costs, but probably around 20% higher.**
- **Direct costs have peaked at around \$120-130 billion a year. Somewhere around 1% of GDP.**

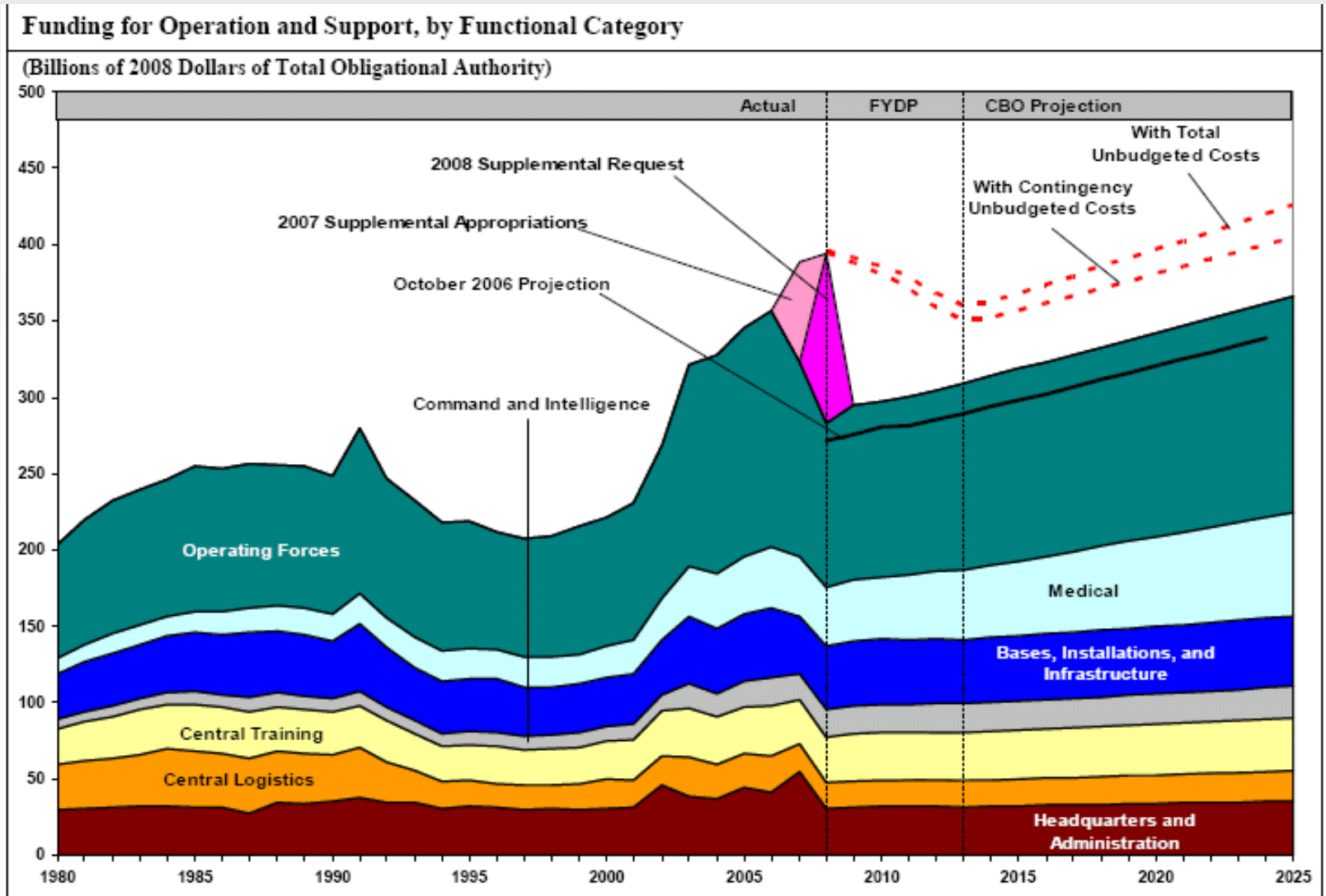
# Key Factors Driving Future War-Related Costs

- Major increases are being made in ground forces with very uncertain mixes of modernization and “reset,” and allowances for transfers of equipment and supplies to Iraqi and Afghan forces.
- The CBO does not project the rise in military manpower costs per se, but does project that the future O&M costs of military manpower will rise sharply above the historical trend:
  - By approximately by 20% from FY2006-FY2025 if real-world unbudgeted costs are included .
- The CBO’s estimate of rising medical costs is stunning:
  - It has is projected to rise from a level of around \$290 billion a year since the start of the war to a level of over \$80 billion a year by FY2025.
  - But much of this is not war related, but rather the result of Congressional actions that have effectively raised the entitlement cost of of military medical care for the entire military.

# The CBO did provide an Estimate of the Impact of Current Wars on the Entire Defense Budget Through FY2025

- The estimated baseline cost of the defense budget averages \$521 billion a year between FY2014 and FY2025 -- if deployed US combat personnel drop to about 35% of the present total by FY2025
  - The \$521 billion does not include supplementals but does raise the DoD level by 8% to correct for DoD undercosting.
- The real world cost, with supplementals and correcting for DoD undercosting of the budget would be about \$146 billion higher than DoD projects through FY2013, and would average about \$621 billion from FY2014-FY2025.
- The real world operating cost of US forces would be far higher than DoD budgets.
- *But, even with these cost increases, the percent of GDP spent on defense would still continue to drop, reaching 2-3% by FY2025.*

# Rising Operations and Support Costs if The US Cannot Cut Wartime Costs & Deployments

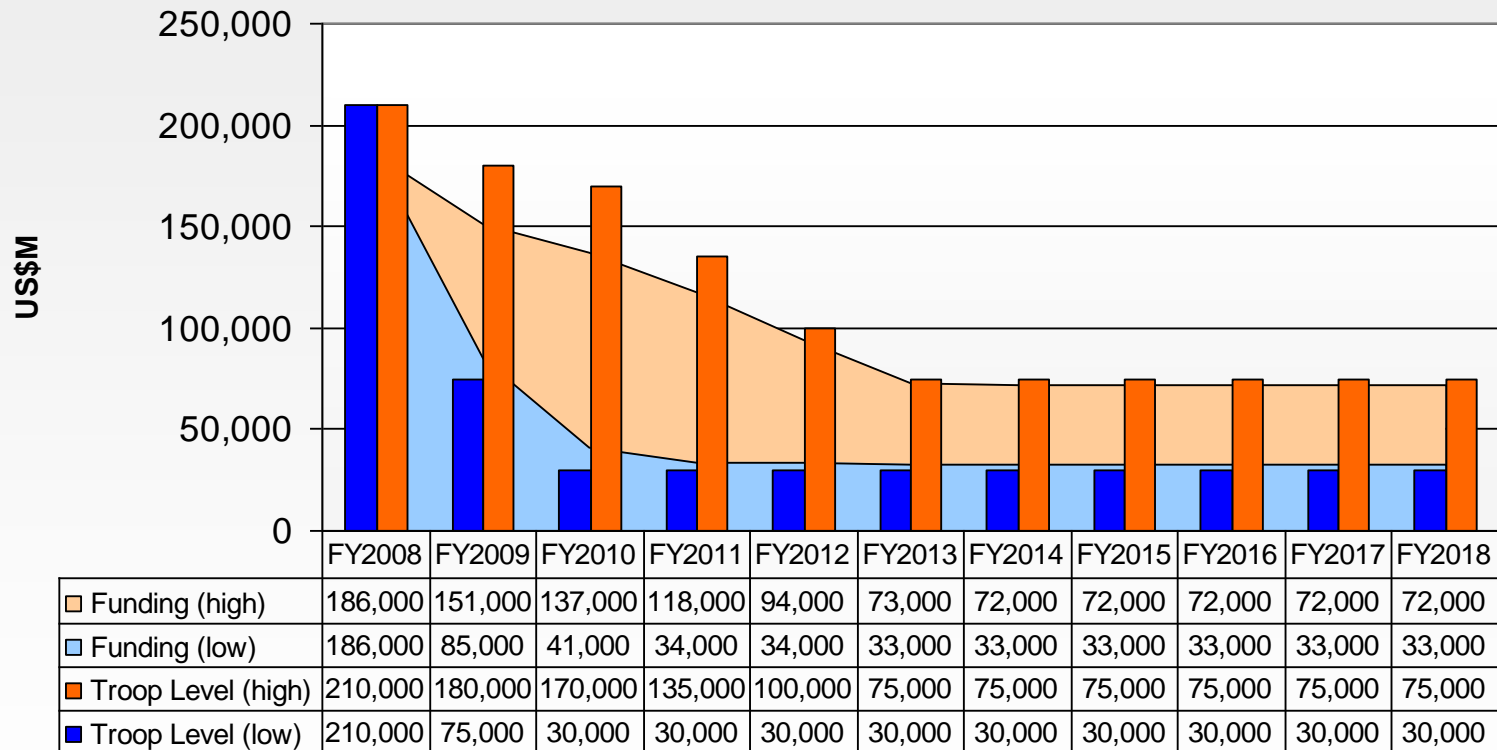


Source: CBO, *Long Term Implications of Defense Spending*, March 2008, p 4.

# CBO's 2008 Iraq Scenarios

- **The CBO developed two withdrawal scenarios and calculated the cost of maintaining the respective troop presence in Iraq. These estimates do however not include the cost of the withdrawal itself or any other contingencies and are hypothetical alternatives unrelated to the President's announced plans.**
- **Alternative High** predicts a withdrawal to 75,000 troops by 2013, which would bring funding down by about 60% to a steady \$72 billion a year.
- **Alternative Low** predicts a much faster withdrawal to 30,000 troops by next year. This alternative would bring costs down by more than 80% to a steady \$34 billion a year in 2011.
- The Obama campaign pledged a withdrawal in 16 months, which could concur with CBO alternative Low. However, it has been reported recently that the administration is now considering three different withdrawal options. In addition to the 16 month plan, the government considering a 19 month plan and the JCS is favoring even a 23 month withdrawal.
- Meanwhile, 17,000 additional troops will be deployed to Afghanistan. This number could reach 30,000 by the end of the year and bring the total of deployed troops in Afghanistan to 63,000 US troops.
- Commitment to Afghanistan will be, like Iraq, for the long term. Admiral Mullen has stated recently that it will take another ten years until other agencies will be able to take over from DoD.
- **Thus, reduction in war spending in Iraq may be offset by an increased involvement in Afghanistan.**

# CBO 2008 Estimate of War Costs Under Two Different Withdrawal Scenarios from Iraq



Source: Data provided by CBO, *The Budget and Economic Outlook: An Update*, September 2008, Table 1-8.



# The Lower Cost of “Winning?”

- Most future cost estimates assume either a constant level of war or a three to five year decline in spending as the US “wins.”
- The CBO has provided other estimates of the DoD budget in outlays if major cuts take place in current deployments.
- There is also a CBO estimate showing the steady-state cost of maintaining a US presence once the US has helped Iraq achieve a high degree of security and stability.
  - The capital cost of the US maintaining a 55,000 manpower level in strategic overwatch and an advisory role is estimated to be \$4-8 billion. The annual cost is estimated to be \$10 billion.
  - The capital cost of the US maintaining a 55,000 manpower level that both supports Iraqi forces in combat and provides an advisory role is estimated to be \$8 billion. The annual cost is estimated to be \$25 billion.

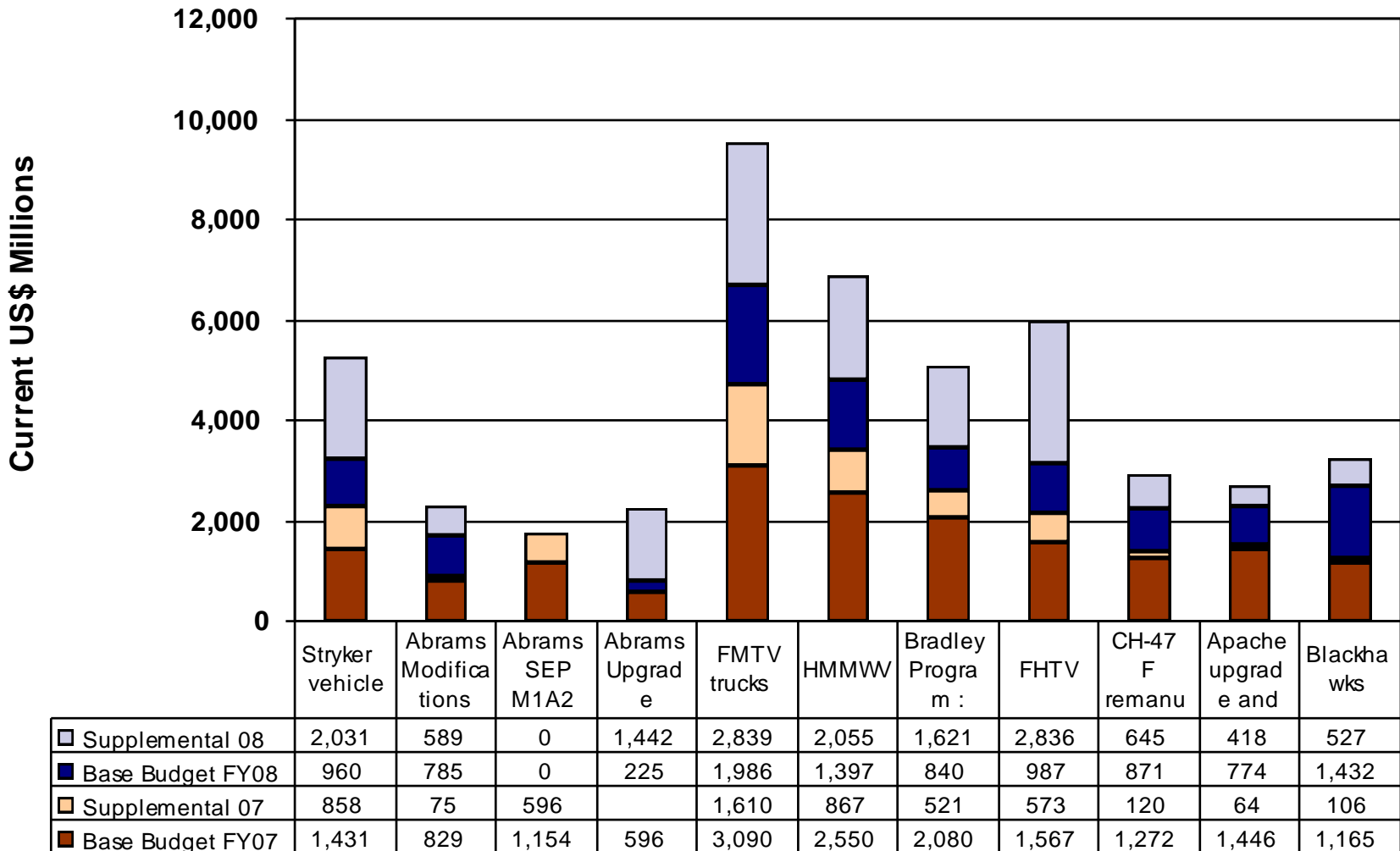
# **Bringing Integrity and Transparency to Funding Our Wars**

*The “Last Supplemental?”*

# The Self-Defeating Practice of Funding the Wars with Supplemental Appropriations

- War costs of close to \$900 billion have been covered by supplemental emergency appropriations. Traditionally, extended military operations have been included in the baseline defense budgets. Both the Truman and Johnson administrations included the costs for the Korean and Vietnam wars in the base budget after no more than one year of ongoing operations.
- Paying for the wars in Iraq and Afghanistan and the activities related to what the Bush administration called the ‘Global War on Terrorism’ through supplemental appropriations compounds the services lack of strategic plans, programs, long-term force structure, and modernization plans.
- This funding practice further provides a misleading and far too optimistic view of defense funding requirements for the coming fiscal year and does not reflect the true cost of policy choices.
- The supplemental appropriation process shortcuts proper defense budget deliberations and reduces oversight.
  - Regular annual defense appropriations require approval from Senate and House Budgeting, Armed Services, and Appropriations Committees.
  - Supplemental appropriation requests are directly submitted to the Appropriations Committees where they receive final approval.

# Funding Modernization Programs with War Funds

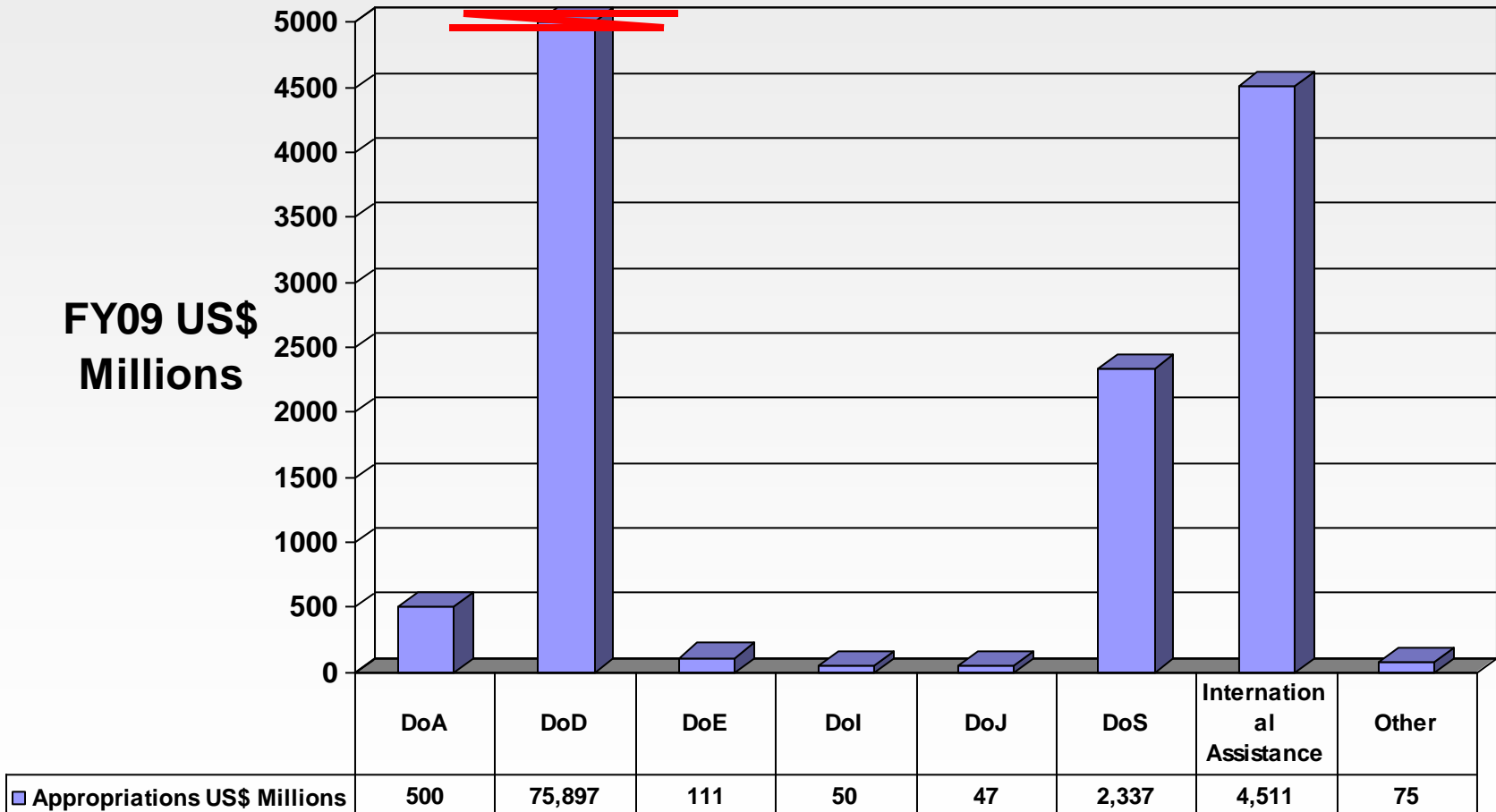


Source: Undersecretary of Defense (Comptroller), Budget Materials FY2007, 2008, available at <http://www.defenselink.mil/comptroller/>.

# Fixing the Supplemental Problem: Next Year?

- **Many of the programs and activities partially or fully funded in previous supplemental appropriations were only indirectly related to the wars in Iraq and Afghanistan.**
- **The Pentagon expanded its notion of supplemental wartime appropriations – and the range of programs and activities that could be funded – in October 2006. Starting with the Spring 2007 Supplemental, any programs and activities that related to the Global War on Terror could be funded through Supplementals.**
  - The Center for Strategic and Budgetary Assessment (CSBA) finds that such a broad conceptualization is as if during the height of the Vietnam War, anything relating to the Cold War competition had been included in Supplementals.
  - The CSBA’s assessment further notes that this practice has a “detrimental effect on DoD’s planning and budgeting process. In essence, the new guidance largely removed any principled distinction between what should be included in special war-related appropriations and what should be included in the base defense budget.”  
(Source: Steven M. Kosiak, *Cost of the Wars in Iraq and Afghanistan, and Other Military Operations Through 2008 and Beyond*, CSBA, 2008, p. 53.)
- **The Obama administration has pledged to reintegrate funding for the Iraq and Afghanistan wars into the base defense budget. The disentangling of supplemental funds will be a significant conceptual, programming, and budgeting challenge. It will also further increase pressure on other baseline budget items that already have to compete with restrictive fiscal policies and rising mandatory expenditures.**
- **Peter R. Orszag, the Director of OMB that the Administration would change its approach to funding its strategy in future years:**
  - First and foremost, these dollars represent what should be the last supplemental funding request for the wars in Iraq and Afghanistan. As part of creating an honest accounting of how taxpayer dollars are spent, you have directed the Office of Management and Budget, the Department of Defense, and the State Department to anticipate the costs for overseas operations in regular budget processes. Accordingly, your FY 2010 Budget includes those costs in the base Defense and State requests. While unanticipated emergency situations may arise, we believe that there will be sufficient contingency funding in the budget to accommodate those needs. Secondly, we do not seek to declare these funds as “emergency spending.” The emergency funding label has become a gimmick to mask the true costs of the wars in our budgets. Moving forward, the emergency label will be used as it was intended, namely, to fund unanticipated, sudden, urgent needs which cannot be provided within base operating funds.

# Obama 09 Supplemental Across Departments



Source: OMB, *Supplemental Appropriations Request for FY2009*, Estimate No. 1, 9 April 2009.

# Over \$6 Billion of Non-DoD Appropriations

**President Obama's request for supplemental appropriations will largely fund DoD's ongoing operations in Iraq and Afghanistan with \$76 billion. It also includes:**

- **\$2,9 billion** for an Economic Support Fund, of which
  - \$839 million for Afghanistan
  - \$556 million for the West bank and Gaza
  - \$449 to Iraq
  - \$430 for Pakistan
  - \$13 million for humanitarian assistance to Burma
- **\$887 million** for UN peacekeeping operations in the Democratic Republic of Congo, Chad, the Central African Republic, and the African Union Mission in Somalia.
- **\$806 million** to construct new secure and safe facilities in Pakistan, including a new Embassy in Islamabad, and \$40 million for diplomatic facilities in Peshawar.
- **\$595 million** to the DoS to cover increased costs of security and operations of the US Mission in Iraq, and of increased staffing levels, support operations, and security programs in of the US Mission in Afghanistan.
- **\$300 million** to address unanticipated emergency food needs in Africa and elsewhere.
- **\$243 million** to fulfill the US government's pledge to provide \$1 billion in assistance for Georgia in the aftermath of the 2008 conflict.
- **\$25 million** for assistance to Palestinian refugees in Lebanon and **\$125 million** to support emergency humanitarian needs in Gaza and the West Bank. None of these funds "may be made available for assistance to Hamas, or any entity effectively controlled by Hamas or any power-sharing government of which Hamas is a member."
- **\$108 million** for basic social services to Iraqi refugees, internally displaced persons, and conflict victims
- **\$30 million** for the DoJ to implement recently signed executive orders to shut down Guantanamo Bay detention facilities, among others, and to review detention policy options, and fund the incarceration and litigation of cases that might result from such a review.

Source: OMB, *Supplemental Appropriations Request for FY2009*, Estimate No. 1, 9 April 2009.

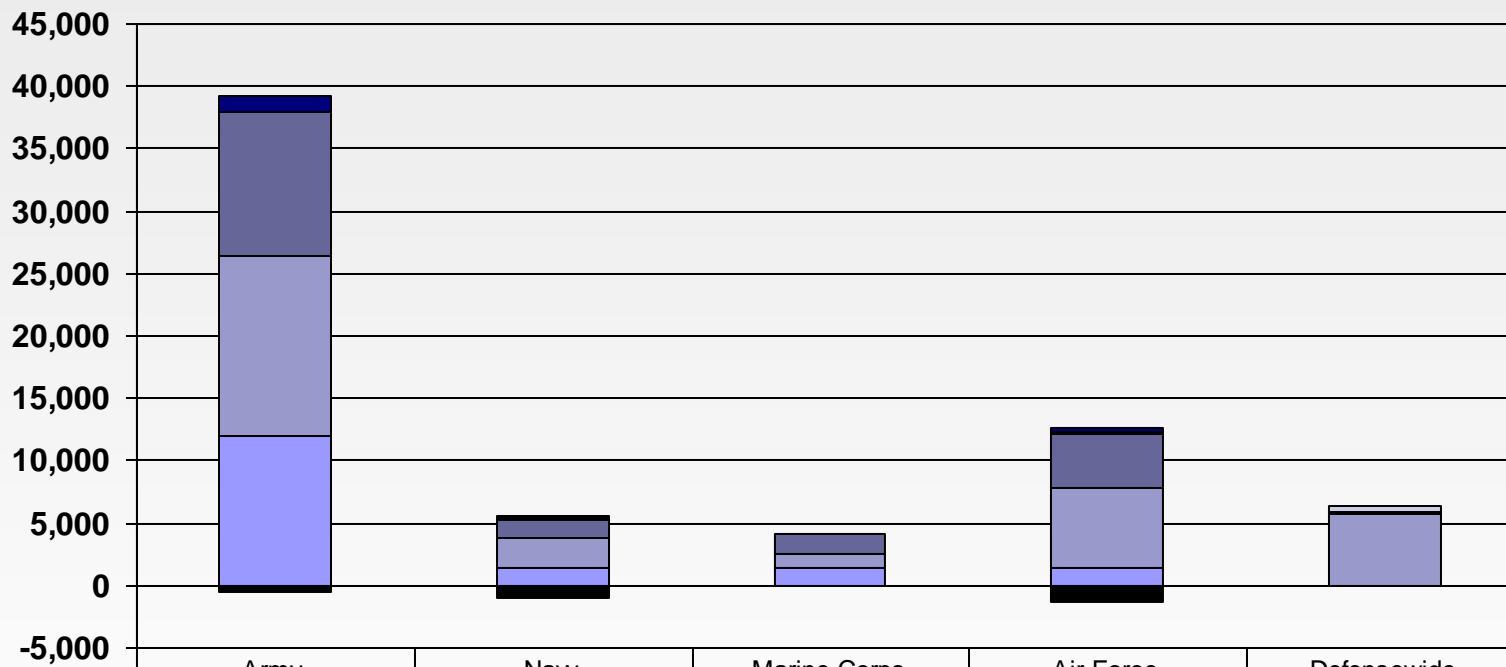
# The Obama 09 Supplemental Request – International Affairs and Stabilization Activities

## ■ Foreign Assistance:

- **\$3.7 billion for foreign assistance and operations in Afghanistan, Pakistan, and Iraq:**
  - **\$1.6 billion for increased economic assistance for Afghanistan, and to support additional civilian personnel, and diplomatic operations;**
  - **\$1.4 billion for economic assistance for Pakistan, and to support additional civilian personnel, more secure infrastructure, and diplomatic operations; and**
  - **\$0.7 billion for assistance for Iraq and related diplomatic operations.**



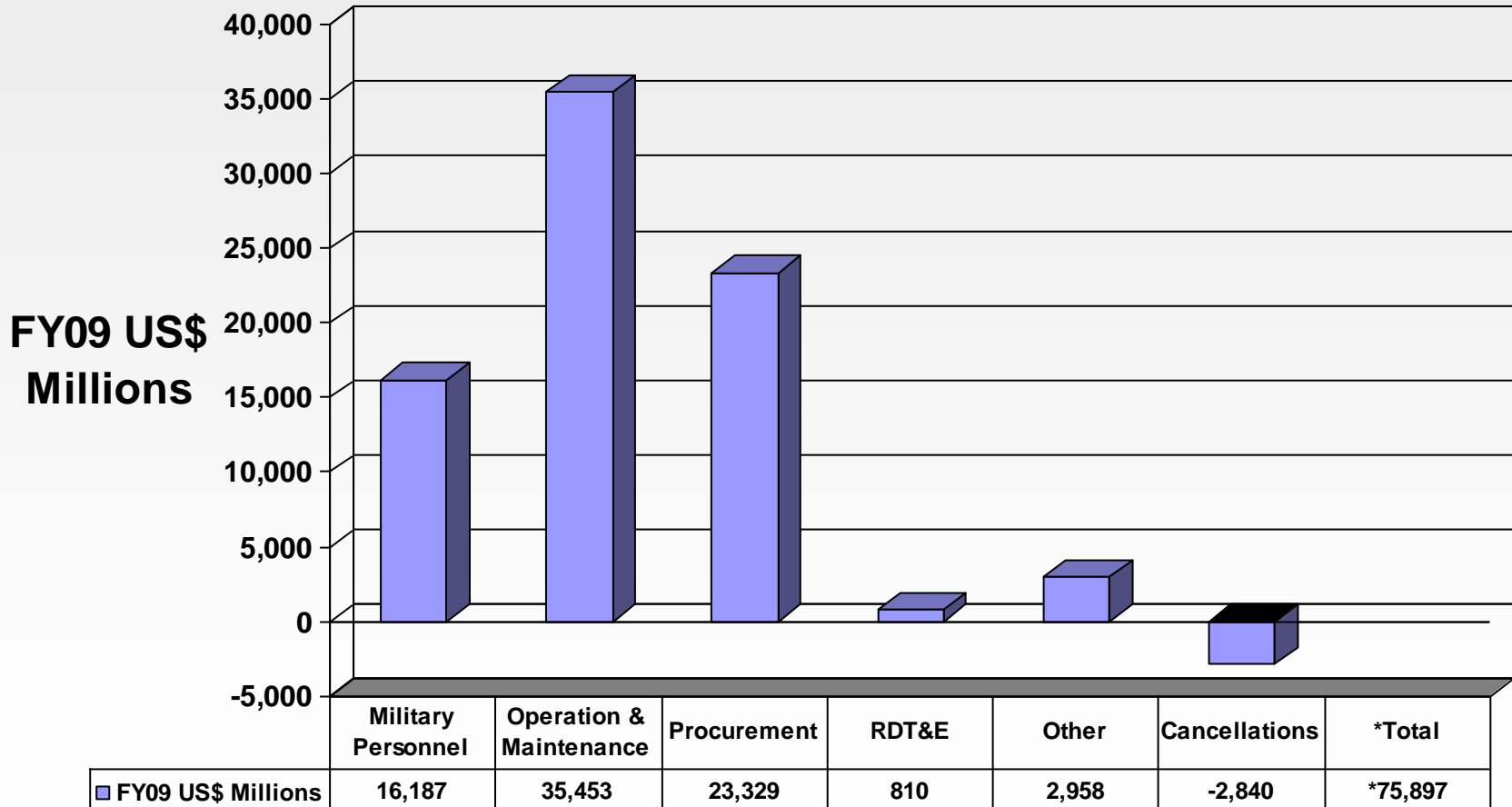
# Obama 09 Supplemental Across Services



	Army	Navy	Marine Corps	Air Force	Defensewide
■ Cancellations	-434	-980	-56	-1,355	-5
■ Military Construction	1,230	239		281	
□ RDT&E	74	145		108	483
■ Procurement	11,565	1,414	1,638	4,455	197
■ O&M	14,438	2,416	1,122	6,329	5,667
■ Personnel	11,918	1,394	1,449	1,426	

Source: OMB, *Supplemental Appropriations Request for FY2009*, Estimate No. 1, 9 April 2009.

# Obama 09 Supplemental - DoD



Source: OMB, *Supplemental Appropriations Request for FY2009*, Estimate No. 1, 9 April 2009.

# Obama FY09 Supplemental Request – DoD

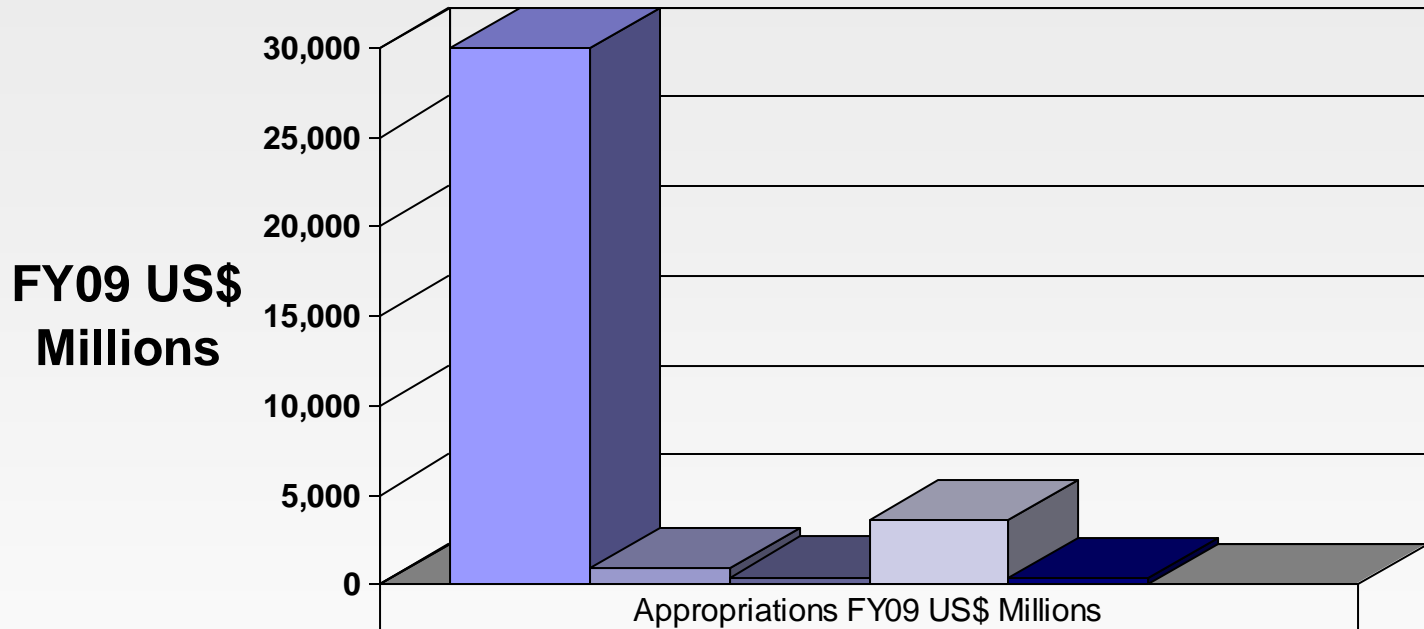
## Ongoing Operations

**The Obama Administration requested an additional \$83.4 billion in supplemental appropriations to fund ongoing military, intelligence, and diplomatic operations through the end of FY2009.**

**Nearly 91% of the money (\$75.5 billion) will fund DOD and Intelligence Community activities in support of operations in Iraq and Afghanistan.**

- Ongoing Military Operations:**
  - **\$38.0 billion to ongoing military operations in Iraq and Afghanistan during Fiscal Year 2009.**
- Equipment and Force Structure:**
  - **\$11.6 billion to, “refurbish or replace equipment that is worn out or damaged from operating in harsh conditions in Iraq and Afghanistan, including \$0.6 billion to procure four F-22 Raptor fighter aircraft to replace four fighter aircraft lost in the theater of operations.”**
  - **\$9.8 billion to improve the protection of our forces with lightweight body armor, armored vehicles, safe and secure operating bases, identity management for access control, and persistent surveillance capabilities, and \$1.5 billion to confront the evolving threat from Improvised Explosive Devices.**
- Support for Coalition Partners:**
  - **\$5 billion to expand and improve Afghan security forces and to support coalition partners who have provided assistance to US military operations in Iraq and Afghanistan**

# The O&M Account



■ O&M Services	29,972
■ Defense Health Program	909
■ Iraqi Freedom Fund	415
■ Afghanistan Security Forces Fund	3,607
■ Pakistan Counter-Insurgency Capability Fund	400
■ <b>*Total O&amp;M</b>	<b>*35,303</b>

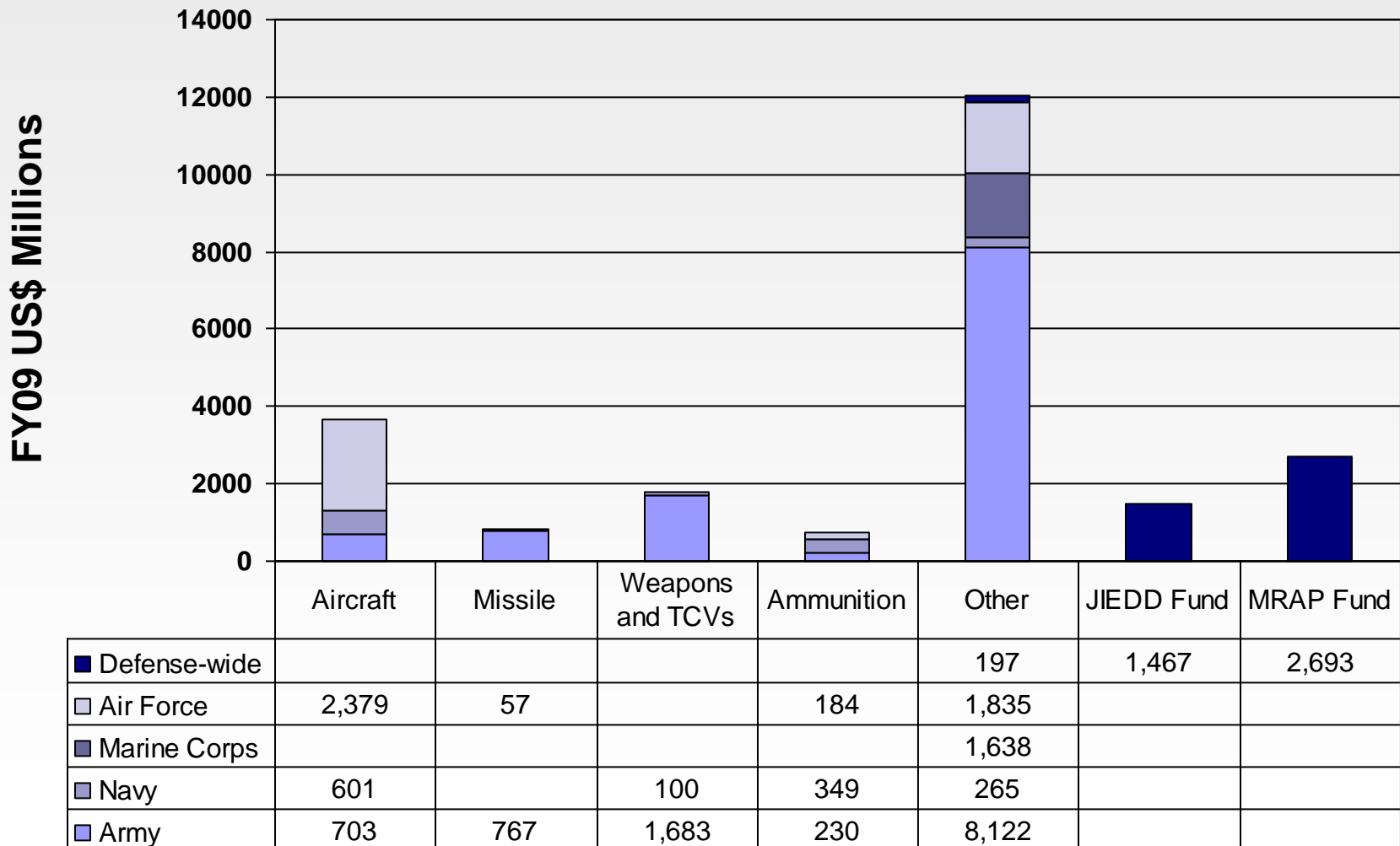
Source: OMB, *Supplemental Appropriations Request for FY2009*, Estimate No. 1, 9 April 2009.

# \$5.3 Billion for Healthcare, Iraq, and Afghanistan's Security Forces

The bulk of the Operations & Maintenance account goes to fund the remaining incremental costs for activities in support of Operations Iraqi Freedom and Enduring Freedom. These funds cover costs of ground combat operations, flying hours, military intelligence activities, subsistence and logistics support, base support, and depot maintenance related to military operations in Iraq and Afghanistan. In addition to these activities, the O&M account also provides funds for :

- **Defense Health Fund (\$909M):** medical and dental services to active forces and mobilized Reserve components, and their family members, as they support Operations Iraqi Freedom and Enduring Freedom.
- **Iraqi Freedom Fund (\$415M):**
  - \$50 million for the relocation and disposition of individuals detained at Guantanamo bay Naval base, and to relocate military and support forces associated with the detainee operations.
  - \$350 million for the rapid response to unforeseen, immediate warfighter needs for Iraq and Afghanistan in order to minimize casualties and ensure mission success.
  - \$15 million for the transport of the remains of service members killed in combat operations.
- **Afghanistan Security Forces Fund (\$3.6B):** to the Commander , Combined Security Transition Command, Afghanistan to train, equip, and sustain the Afghan National Security Forces (ANSF), including the Afghan National Army (ANA) and the Afghan National Police (ANP) and military detainee guard force.
- **Pakistan Counterinsurgency Capability Fund (\$400M):** to provide “assistance to Pakistan’s security forces; including program management and the provision of equipment, supplies, services, training, and funds; and facility and infrastructure repair, renovation, and construction to build the counterinsurgency capability of Pakistan’s military, Frontier Corps, and irregular security forces...”

# The Procurement Account



Source: OMB, *Supplemental Appropriations Request for FY2009*, Estimate No. 1, 9 April 2009.

# \$12.2 Billion in Procurement Funds to Increase Safety and Respond to Immediate Needs in Iraq and Afghanistan

- **\$8.1 billion** in “**Other Procurement, Army**” are intended to buy a range of tactical vehicles, such as High Mobility Multi-Purpose Wheeled Vehicles (HMMWVs), communications and electronic equipment, night vision devices, unmanned aerial systems, and other ISR equipment.
- **\$1.4 billion** for the **Joint Improvised Explosive Device Defeat (JIEDD) Fund**. This money will cover activities to defeat IEDs, such as attacking the network, defeating the device, and training the force. Previously the fund received \$1.9 billion out of FY06 supplemental appropriations, \$2.4 billion in FY07, \$2.7 billion in FY08, and \$1.3 billion for FY09. The Obama Supplemental would bring FY09 supplemental appropriations for the JIEDD Fund to \$2.7 billion.
- **\$2.7 billion** go into the **Mine Resistant Ambush Protected Vehicle (MRAP) Fund**. Prior to 2008, \$5.6 billion had been set aside through both baseline and supplemental appropriations to develop, reprogram, and procure the MRAP vehicles. In the FY2008 supplemental request an adjustment was inserted that added another \$16.8 billion to the fund, mostly taken from the Army and Marine Corps Procurement accounts. \$1.7 billion were included in the FY2009 bridge request under the Bush administration. The Obama administration’s request will fund the “sustainment, transportation, and upgrades” of MRAP vehicles for the forces deployed in Iraq and Afghanistan. Language in the current supplemental request indicates that the \$2.7 billion will also allow “additional procurement [of vehicles] should ongoing analysis of theater requirement warrant.”

# **Pointless QDRs, Resource and Reality Gaps, and the Strategy Implosion**

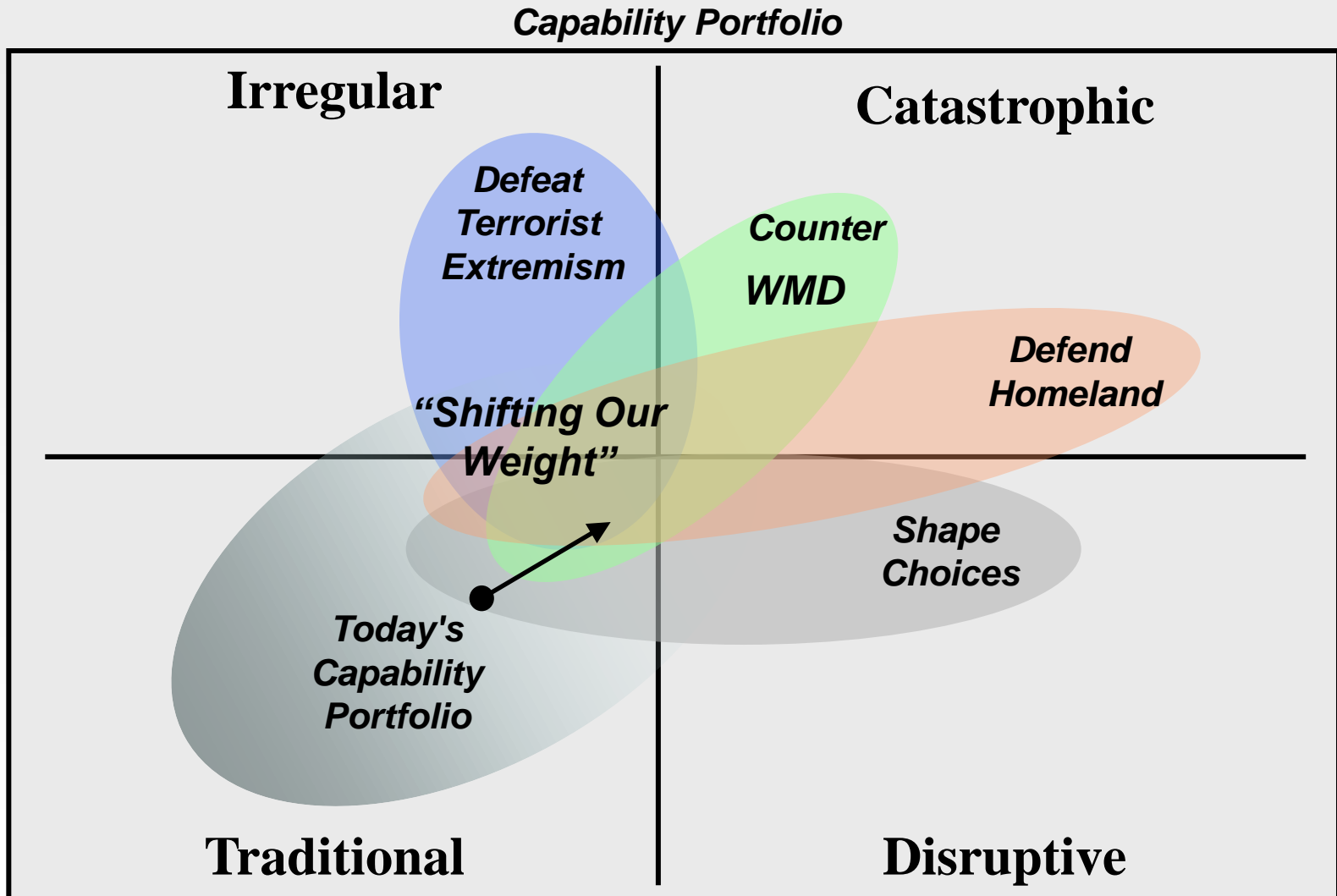
*No Real Force Plans, Budgets, or Path for Modernization*



# Strategy Without Planning, Programming, and Budgeting

- **QDR consisted largely vague concepts with no ties to force plans, hard program decisions, or future budgets.**
- **Service chiefs focus on vague strategy documents and grabs for resources.**
- **Senior officials fail to take hard decisions, make difficult trade-offs.**
- **FYDP and defense program are steadily mortgaged both in terms of undercosting, failure in cost containment, and lack of clear ties between strategy, force plans, programs, and budgets.**
- **All services now rely on “failed” major procurement programs?**
- **No overall manpower plan for the future.**
- **Post-Iraq/Afghan Retention and Rebalancing issues largely unaddressed.**

# DoD QDR'06 Objective – Planning by Blob



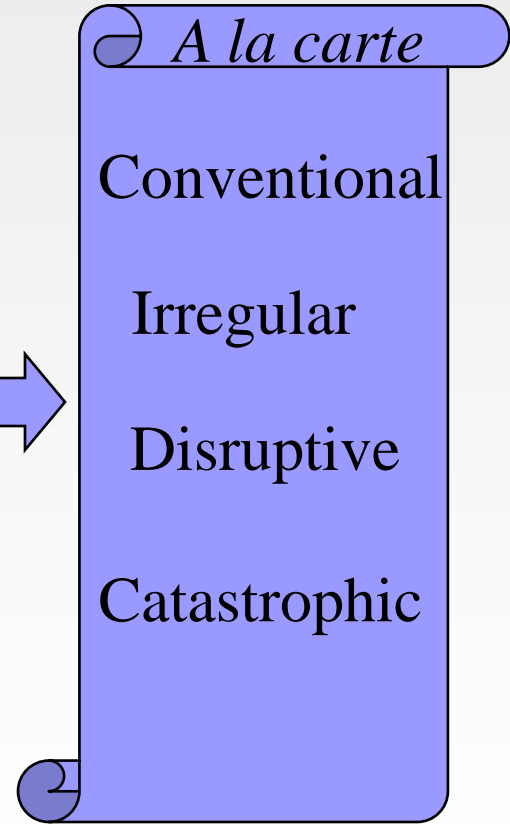
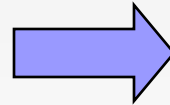
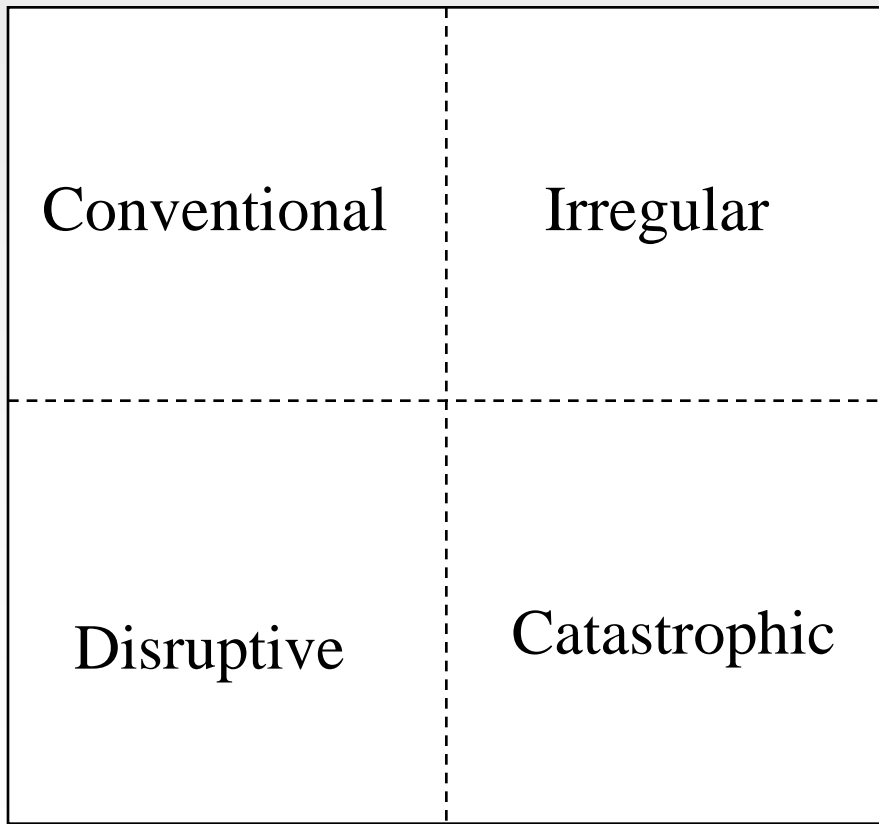
# **The 2006 QDR & the Importance of Failing to Deal with Resource Limits and Uncertainty**

- **What force levels can the US really afford?**
- **What is the future role of the US military: Warrior or “full spectrum” operations?**
- **How typical is Iraq? (Korea? Taiwan? Iran?)**
- **How real is the “long war?”**
- **Cost of failure to make hard decisions and trade-offs grows steadily with time, as does time needed to make changes.**
- **No clear plans for civilian partners.**
- **Ill-defined, US-centric goals for friends and allies.**
- **Many homeland defense issues unaddressed.**

# Measuring the Extent To Which the U.S. Has Too Few Forces or the Wrong Forces

- **Can modularity, changing MOS specialties, rebalancing actives and reserves really do the job?**
  - **One-third increase in in Special Forces in QDR not clearly in Green Book. (p. 81)**
  - **National builders and stability experts really up one-third?**
- **Netcentric to Humancentric to Cost Containment to Allied Reliance**
- **High tech “RMA” versus Legacy Systems on Hand?**
- **What war(s) to plan for? What does “full spectrum” mean?**
  - **Iraq vs. Korea vs. Taiwan**
  - **Long War**
  - **War “X?”**
- **Coalition of the Unpredictable and Unquantifiable**

# Current Strategic Framework – the Quad Chart and the Vagueness of Hybrid or “Full Spectrum” Warfare



# Hybrid Adversaries & Hybrid Tactics

- **States using conventional and unconventional means: Iran, China, North Korea**
- **Non-state actors using both irregular and “state-like” capabilities: Hezbollah, the Taliban, Mahdi Army**
- **Terrorist networks presenting irregular and catastrophic threats: Al-Qaeda**
- **If cannot win a conventional fight, can challenge US through political, ideological, and economic means as well as asymmetric warfare.**
- **War of endurance or attrition also pose major challenge.**

# Failing to Deal with the Impact of War and Strains on US Forces

- Wars have sharply stressed our force posture. Clear too few forces to fight two major regional contingencies or one major regional and one counterterrorism case.
  - Marginal, not “hollow”
- QDR2006 and service studies have produced “100 Flowers of Uncertainty” in undefined plans and budgets.
- FY2009-FY2013 FYDP Green Book projections show only marginal effort to fund the necessary changes.
  - Rolling “get well” costs versus slipping outlays to out years and “dancing to the right”
- Much depends on Army and Marine Corp modularity and force restructuring.
- Underplanned Iraq War and other resets increasing interact with procurement problems?
- Manpower entitlement cost legacy is growing; as yet no clear effort to “rebalance” actives, reserves, career civilians, and contractors.
- Questions about should the US fight wars involving massive armed nation building; If limited wars are limited and optional, should the US commit itself.

# Broken Army?

- **Most Army brigades are “not combat ready” due to equipment shortages.**
- **Half of the Army’s 43 combat brigades are deployed overseas, with the remainder either recovering from their latest deployment or preparing for their next one.**
- **For the first time in almost half a century, the 82<sup>nd</sup> Airborne Division cannot generate enough combat power to keep one of its brigades on strategic alert as a rapid-reaction unit.**
- **In total, nearly half of the Army’s fighting equipment is wearing away in Iraq or Afghanistan or waiting forlornly for repair or disposal.**
- **Usage rate for tanks in peacetime are about 550 miles per year. In Iraq tanks average over 5000 miles per year.**
- **Repeated deployments and shortened “dwell time” increase the risk of losing junior officers and mid-grade enlisted soldiers who would be very hard to replace.**
- **Two of the five new brigades bound for Iraq had to skip standard training at Fort Irwin, Calif.**

Sources: Gordon Lubold, “Is US Army Bent To The Breaking Point?”, CSM, April 4, 2007; Jay Price, “Stretched Thin, 82<sup>nd</sup> Airborne Giving Up Rapid-Reaction Unit”, Raleigh News & Observer, March 22<sup>nd</sup>, 2007; Robert H. Scales, “Army Equipment Disaster”, Washington Times, April 9, 2007; Mark Thompson, “Why Our Army is At The Breaking Point”, Time, April 16, 2007.



# Shaping a Strategy and Force Posture: Deal with the Complexity of the “Long War”

- **Struggles to deal with national threats, often of very different kinds and fought on different terms;**
- **International struggles to defeat terrorist movements that cut across national lines, and often cultures, political systems, and religions;**
- **An ideological and political battle against Islamist extremism, and tensions between the West and Middle East, that act as a breeding ground for terrorism and the tolerance or support of terrorist movements;**
- **A struggle to deal with new forms of national and global vulnerability such as proliferation, increasing dependence on information technology and netting; critical infrastructure, and the secure, just-in-time flow of global trade.**
- **The problem that terrorism/insurgency cannot be separated from asymmetric warfare and insurgency, state use of terrorists as proxies or false flags, or terrorist use of states as sanctuaries.**
- **Cannot separate forces or technology from need for humanitarian, nation-building, and stability operations.**
- **All military actions have broader consequences, part of information warfare, public diplomacy, war of perceptions.**
- **More than local perceptions count: World opinion, world media, NGOs, UN, etc.**

# The Administration Must Set New Spending Priorities: “Transform” Transformation

- **Must win sustainable Congressional and public support for real world and affordable plans, programs, and budgets.**
- **Clear decisions about who will do what when efforts are needed to create host country political accommodation, governance, development, and security forces.**
- **Create a functional interagency process and partner our military with effective civilian counterparts.**
- **Shape the future year planning, programming, and budgeting process to create real world “full spectrum” of capabilities to prevent hybrid threats from operating below or above the threshold of US conventional military superiority.**
- **Resize and balance US strategic commitments, forces, and/or budgets.**
- **Focus on the fact the best “force multiplier” may often be effective allies, and interoperability with a true partner.**
- **Come to grips with the need to conduct ideological and political warfare, and probable dependence on allies and friendly states.**
- **Accept the reality that political legitimacy in counterinsurgency will be measured in local terms and not in terms of American ideology.**

# Strategy, Plans, and Programs Need to Be Global and Directed Towards the Future

- **Korea: Precision strike/stealth, missile/air defense, intel, sea power, key land elements, extended deterrence.**
- **Taiwan: Sea power, ASW, precision strike/stealth, missile/air defense, intel, sea power, extended deterrence**
- **Iran: Counterproliferation, defense against asymmetric naval threats, ASW, precision strike/stealth, missile/air defense, intel, sea power, extended deterrence**
- **Afghanistan: Far more limited exercises in counterterrorism and limited war.**
- **Strategic: Shaping the mix of nuclear, conventional, and defense.**
- **Intelligence and Netcentric: Meeting diversified global needs.**
- **Power projection: Increasing speed, sustainability, and capability with severe limits on numbers; avoiding breaking the force.**

# **Must Create New Approaches to Interoperability and Alliances on the National Level**

- **Shaping US forces for jointness with regional and local allies.**
- **A New Hierarchy? Local, national, regional CT and CI forces versus conventional warfare?**
- **Redefining interoperability**
- **Redefining advisory, power projection, arms transfer efforts.**
- **Counterproliferation**
  - **Defensive is offensive**
  - **Real role of BMD**
- **Emergency relief/Humanitarian assistance**
- **The NGO/UN/civil agency problem.**

# **Must Reshape US Approach to the Problem of Alliances, International Cooperation, and Interoperability at the Regional and Global Level**

- **Post-NATO modernism: Alliance of the willing and capable.**
- **Reliance on regional and local powers for what?**
  - **Regional deterrence, war fighting, containment, and counterterrorism.**
  - **Taiwan, South Korea**
- **Developing the forces (political systems and economy) of “failed states.”**
- **Dealing with international informal networks of non-state actors: Specifically Neo-Salafi Sunni Islamists.**
- **Counterproliferation/Extended deterrence**
- **Cooperation in ideological battles, information warfare, and public diplomacy.**

# Must Redefine “Jointness”:

## Create An Effective Interagency Capability to Perform National Security Missions

- **NSC: Interagency versus line authority.**
  - **Role of the Vice President’s office.**
- **Creating a focused, risk oriented foreign service.**
- **Integrating Homeland defense.**
- **What is the proper role of NDI and how should the intelligence community be defined.**
- **Solving the stability operation/nation building problem.**
  - **The art of strategic neglect.**
- **Redefining the role of Congress.**

# Limited Progress to Date in Creating USG “Whole-of-Government” National Security Capabilities

- **NSS, QDR, NSPD 44, DoD Directive 3000.05 all recognize the importance of SSTR/COIN/Irregular Warfare operations, BUT...**
  - **Few extra resources have been allocated to support the implementation of DoD’s Directive 3000.05, despite acknowledged capability shortages in various aspects of SSTR operations.**
  - **NSPD 44 designates S/CRS as lead agency, but the office is underfunded, understaffed, and lacks bureaucratic clout.**

# **The Trilogy of Incompetence: O&M, Manpower, and Procurement**

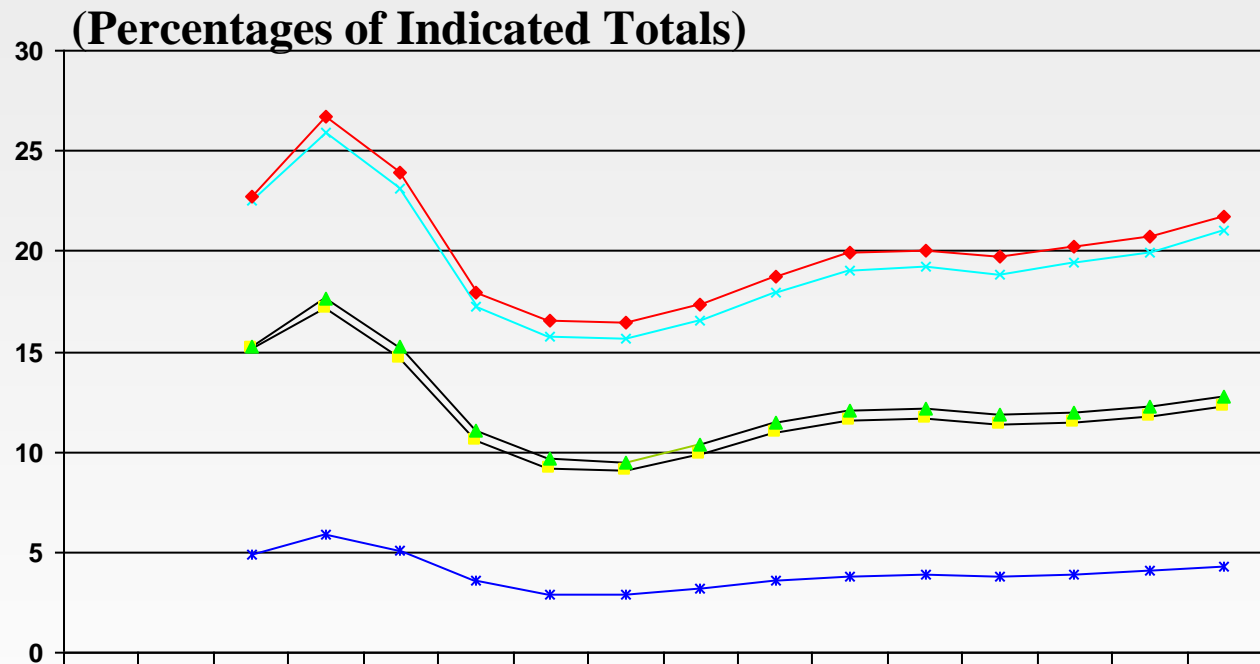
*Defense Manpower Affordability  
Issues*



# Meeting The Needs Of The U.S. Active And Reserve Military

- **Impact of Past Cuts in end strength:**
  - **Military from 2.1 million in FY1990 to 1.5 in FY2007, and 1.4 in 2009 in FY2009**
  - **Civilians from 997,000 in FY1990 to 664,000 in FY2007, and 713,000 in FY2009.**
  - **Contractors?**
- **Need for “rebalance” actives and reserves, and ensure all take a turn in combat.**
- **Impact of overdeployment and the need for a new “Social Contract”**
  - **Need for time to train; career development and family.**
  - **Need for longer reserve duty cycles less frequently.**
- **Problems of determining risk premium when so few serve.**
- **Realism of uncertain calls for “Super soldier” in QDR**
  - **Everyone above average with unusual foreign language skill.**
- **Real-world life cycle cost and productivity of military vs, civilian vs. contracting out?**
  - **Civilians as supplements to military end strength?**

# FY2009: Defense Manpower Places Limited Burden as Shares of Public Employment and Total Labor Force

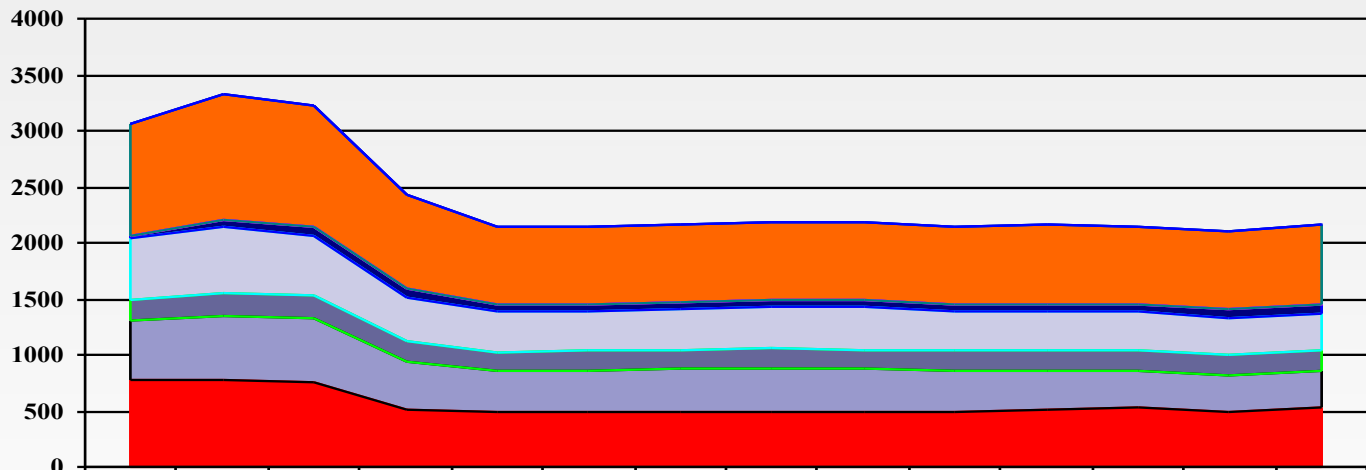


			1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
—x— DoD Mil as a % Public Employment	Milita	Federa	22.5	25.9	23.1	17.2	15.7	15.6	16.5	17.9	19	19.2	18.8	19.4	19.9	21
—♦— Def Mil as a % Public Employment	Milita	Federa	22.7	26.7	23.9	17.9	16.5	16.4	17.3	18.7	19.9	20	19.7	20.2	20.7	21.7
—■— DoD Civ as a % Public Employment	Civilia	Federa	15.1	17.1	14.7	10.6	9.2	9.1	9.9	11	11.6	11.7	11.4	11.5	11.8	12.3
—▲— Def Civ as a % Public Employment	Civilia	Federa	15.2	17.6	15.2	11.1	9.7	9.5	10.4	11.5	12.1	12.2	11.9	12	12.3	12.8
—*— DoD as % of Total Labor Force			4.9	5.9	5.1	3.6	2.9	2.9	3.2	3.6	3.8	3.9	3.8	3.9	4.1	4.3

Source: Office of the Undersecretary of Defense (Comptroller). *National Defense Budget Estimate for the FY 2009 Budget (Greenbook)*. March 2008, p. 217.

# Decline in Total DoD Manpower Since End of Cold War

(Trend in Total Manpower in End Strength in Thousands)

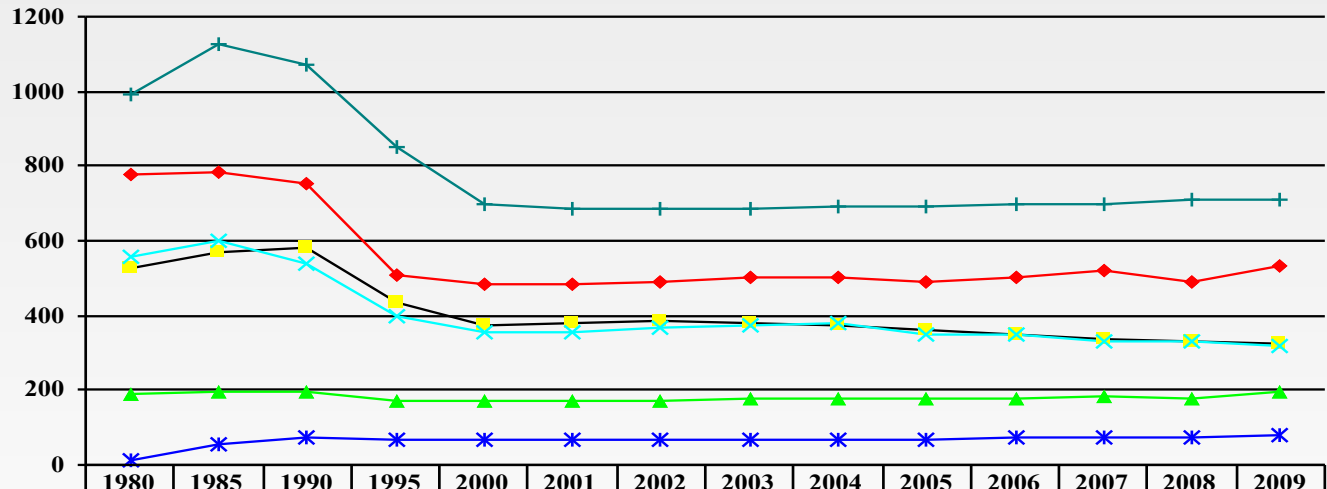


	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
*Total DoD Manpower	*3054	*3336	*3217	*2432	*2147	*2138	*2165	*2188	*2184	*2147	*2156	*2145	*2110	*2158
*Total Civilians	991	1129	1073	849	698	687	687	688	690	692	700	695	708	713
*Total Military	*2063	*2207	*2144	*1583	*1449	*1451	*1478	*1500	*1494	*1455	*1456	*1451	*1402	*1445
Full Time Guard and Reserve	13	55	74	65	65	65	66	66	66	69	71	72	76	77
Air Force	558	602	539	400	356	354	368	375	377	352	349	333	329	317
Marine Corps	188	198	197	174	173	173	174	178	178	180	180	186	180	194
Navy	527	571	583	435	373	378	383	382	373	362	350	338	328	325
Army	777	781	751	509	482	481	487	499	500	492	505	522	489	532

Source: Office of the Undersecretary of Defense (Comptroller).  
*National Defense Budget Estimate for the FY 2009 Budget (Greenbook).*  
 March 2008, p. 213.

# Army and Marine Corps Gains Offset Air Force and Navy Losses

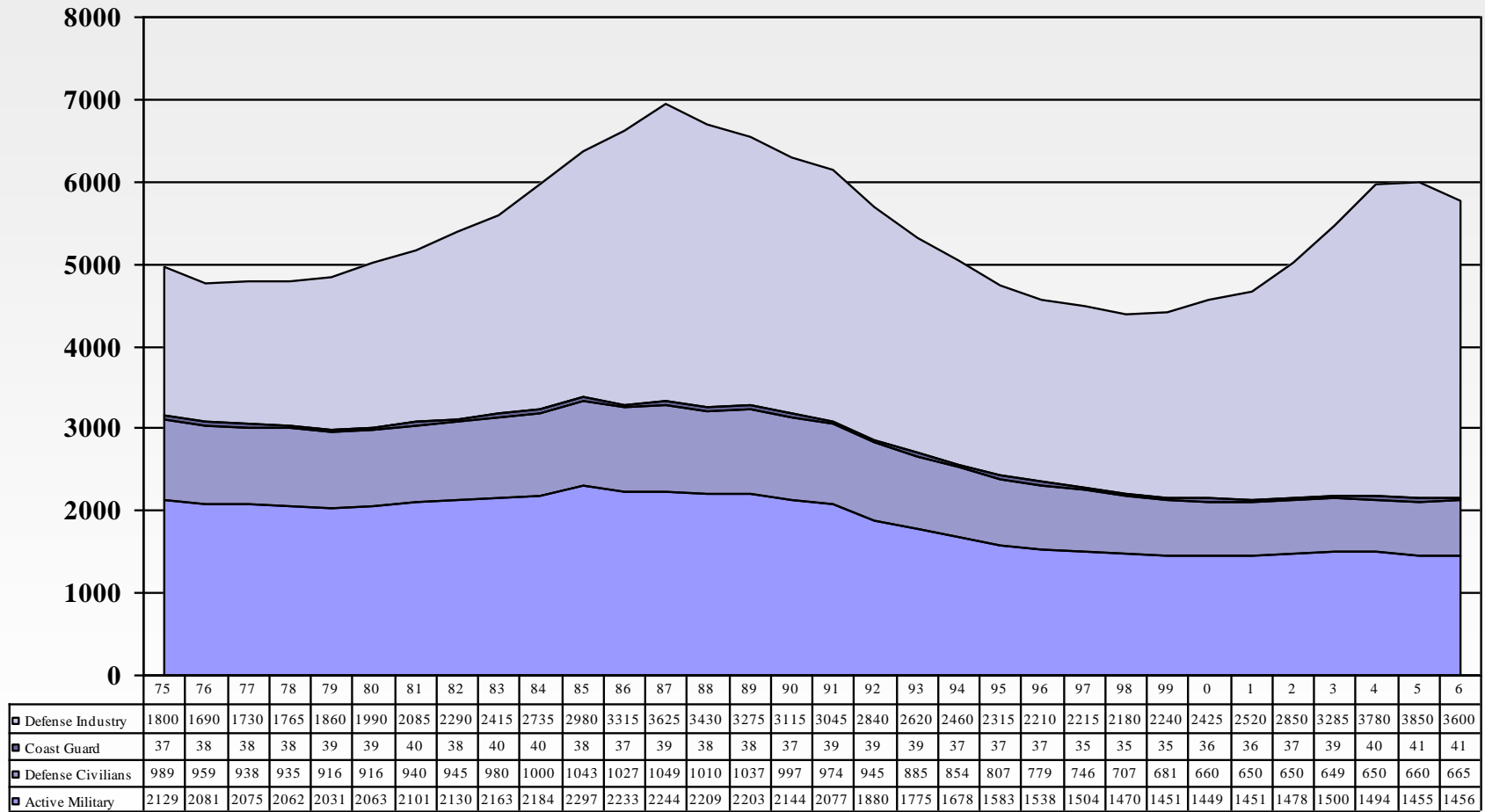
(Trend by Key Force Element in End Strength in Thousands)



	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
◆ Army	777	781	751	509	482	481	487	499	500	492	505	522	489	532
■ Navy	527	571	583	435	373	378	383	382	373	362	350	338	328	325
▲ Marine Corps	188	198	197	174	173	173	174	178	178	180	180	186	180	194
✕ Air Force	558	602	539	400	356	354	368	375	377	352	349	333	329	317
* Full Time Guard and Reserve	13	55	74	65	65	65	66	66	66	69	71	72	76	77
● *Total Military	*2063	*2207	*2144	*1583	*1449	*1451	*1478	*1500	*1494	*1455	*1456	*1451	*1402	*1445
+ *Total Civilians	991	1129	1073	849	698	687	687	688	690	692	700	695	708	713
* *Total DoD Manpower	*3054	*3336	*3217	*2432	*2147	*2138	*2165	*2188	*2184	*2147	*2156	*2145	*2110	*2158

Source: Office of the Undersecretary of Defense (Comptroller).  
 National Defense Budget Estimate for the FY 2009 Budget  
 (Greenbook). March 2008, p. 213.

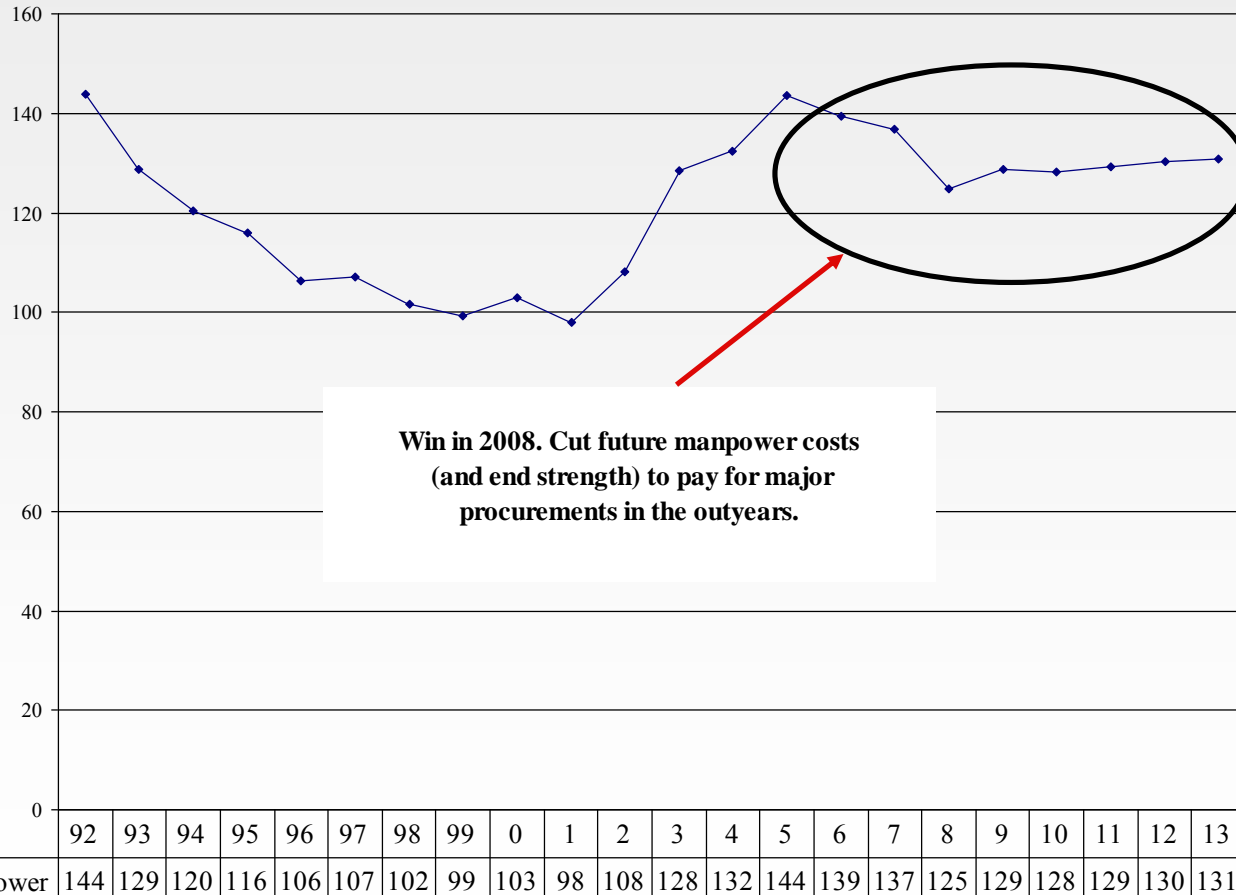
# But, Trends in Defense Manpower Since 1970s: Cut Career, Boost Contract



Source: Office of the Undersecretary of Defense (Comptroller), *National Defense Budget Estimates for FY2006*, Washington, Department of defense, April 2005, Table 7-6.

# And, FY209 Baseline Budget Request and FYDP Did Not Properly Fund Military Manpower Costs

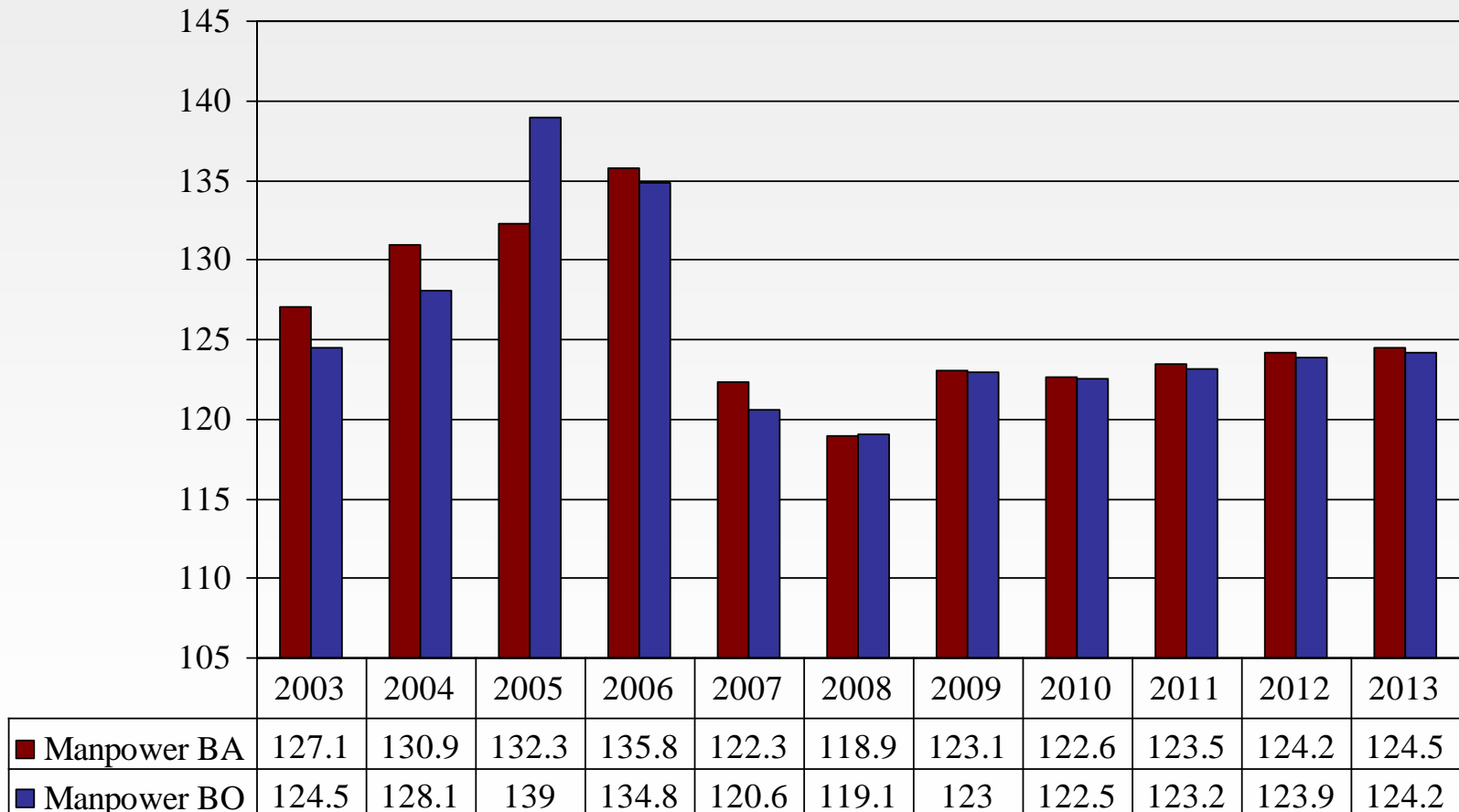
(In Constant FY2009 \$US billions in Budget Outlays)



Source: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2009*, Washington, Department of Defense, April 2008, Table 6-11.

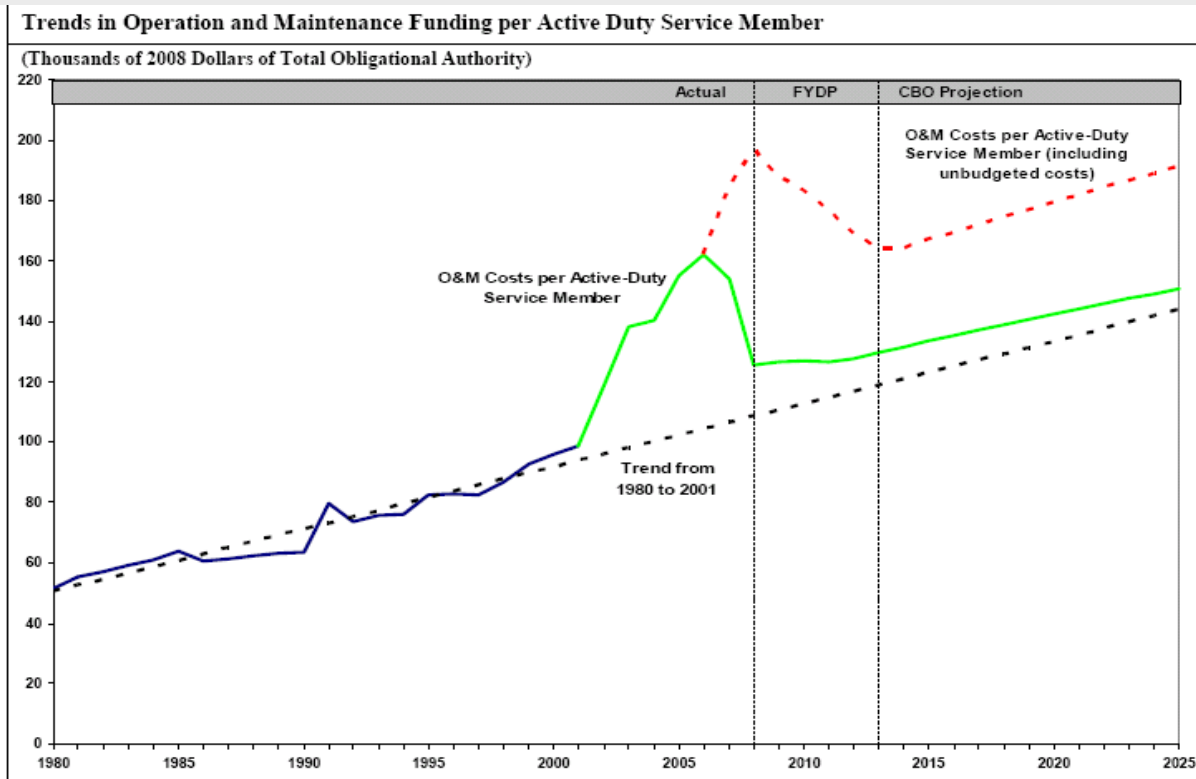
# Planned Manpower Expenditures Did Not Reflect Future Plans for Constant Manpower Levels and Major Rises in Costs

(In Constant FY2008 Billions)



Source: *FY2008 Green Book*, p. 115 and 133

# The Real-World Trends: Rising Cost of Military Personnel



- From 1980 to 2001, operation and maintenance costs grew steadily by an average of about \$2,000 per active-duty service member per year. Excluding potential unbudgeted costs, CBO projects a similar rate of O&M cost growth in the future.
- Since 2001, O&M costs per service member have grown more rapidly because of funding for operations in Iraq and Afghanistan. The FYDP and CBO's projection exclude future funding for those operations.

Source: CBO, *Long Term Implications of Defense Spending*, March 2008, p 8.

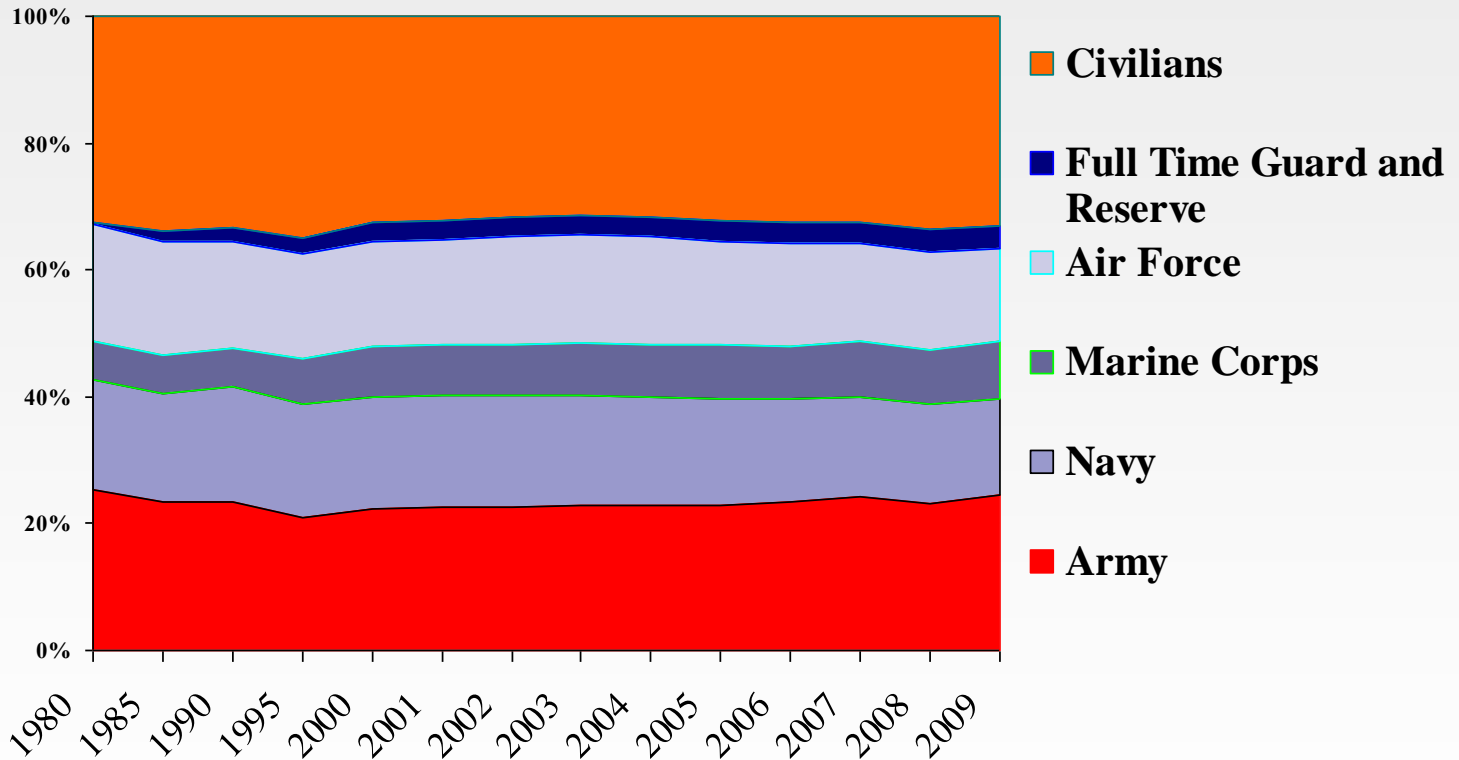


# **Need More Realistic Plans and Budgets to Determine Army and Marine Corps End Strength**

- **Recent deployment levels have strained active and reserve force to limit, if not beyond.**
- **Need fully deployable forces, not Cold War legacies or stay at home “battle buddies”**
- **Planned changes in land force structure and deployability at least partially address these issues, but unclear are enough to deal with current and future long wars.**
- **Similarly, boosting of Army and Marine Corps end strength is affordable, but may not be enough for long war era if it continues.**
- **Can’t have a two major regional contingency strategy with a one major regional contingency manpower base.**

# Planned Army and Marine Corps Gains Do Not Lead to Dramatic Shifts in Force Share

(Percentage by Key Force Element in End Strength in Thousands)



Source: Office of the Undersecretary of Defense (Comptroller).  
*National Defense Budget Estimate for the FY 2009 Budget*  
 (Greenbook). March 2008, p. 213.

# The Administration Must Determine How Much Manpower is Enough? How Much is Affordable?

- **Legacy of current wars is high military manpower costs which limit ability to pay for adequate force levels.**
  - Cost containment is a key issue, but so is force quality.
  - Need “risk premiums” when so few Americans serve
  - Military medical costs are creating major new “entitlement” cost.
- **Need more realism in determining how combat ready and deployable reserves can and should be.**
- **Need to re-examine military-civilian trade-offs in terms of cost-effectiveness:**
  - Military versus career civilian.
  - Career military and civilian versus contractor.
  - Role of contractors in combat. .
- **Uncertain calls for “Supersoldier” character of QDR**
  - *Everyone above average with unusual foreign language skills?*
- **What should the future manpower impact of the State Department and other civilian agencies be.**

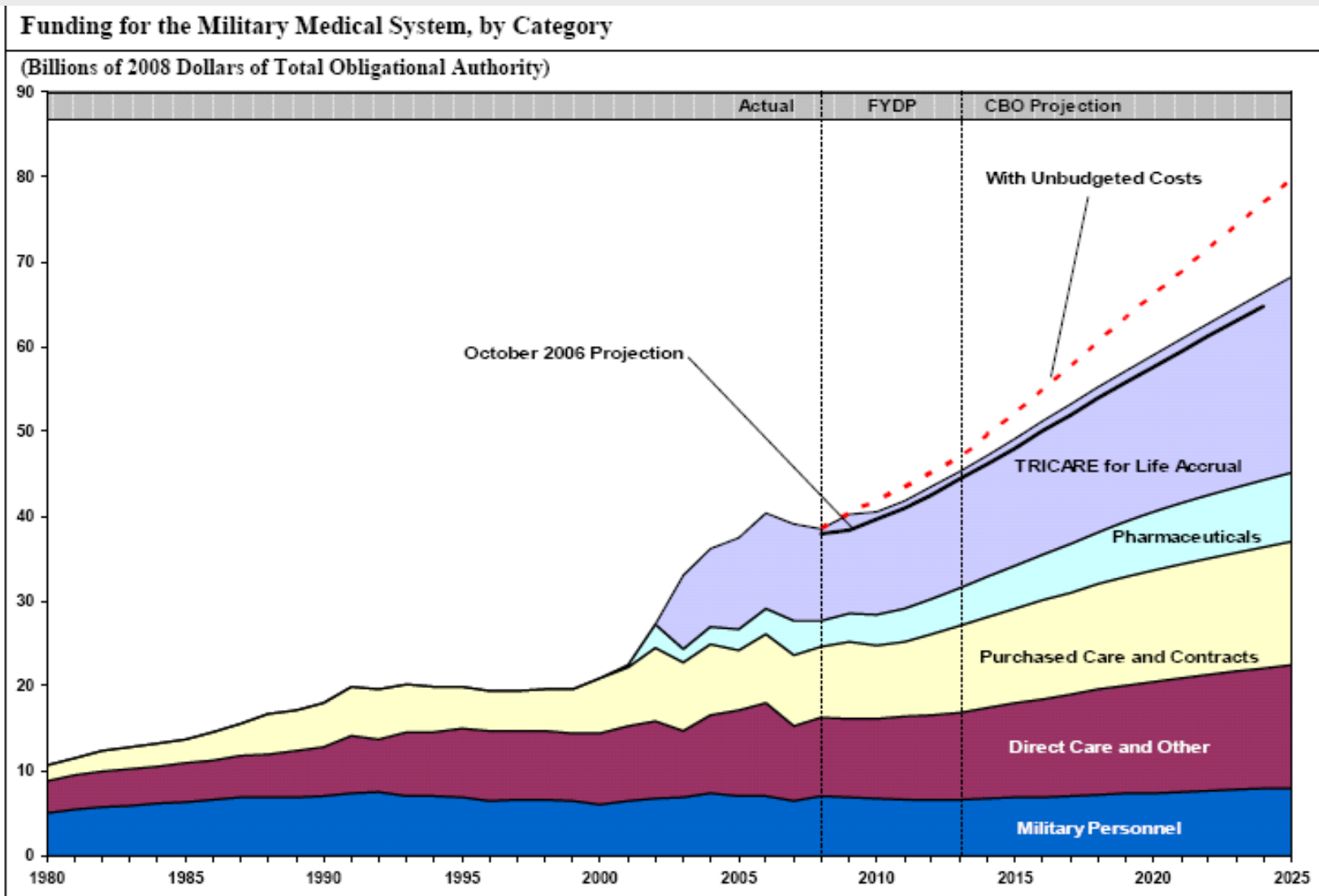
# **Rising Military Medical Costs**

# The Unaffordable Military Medical Burden?

## CBO Estimate

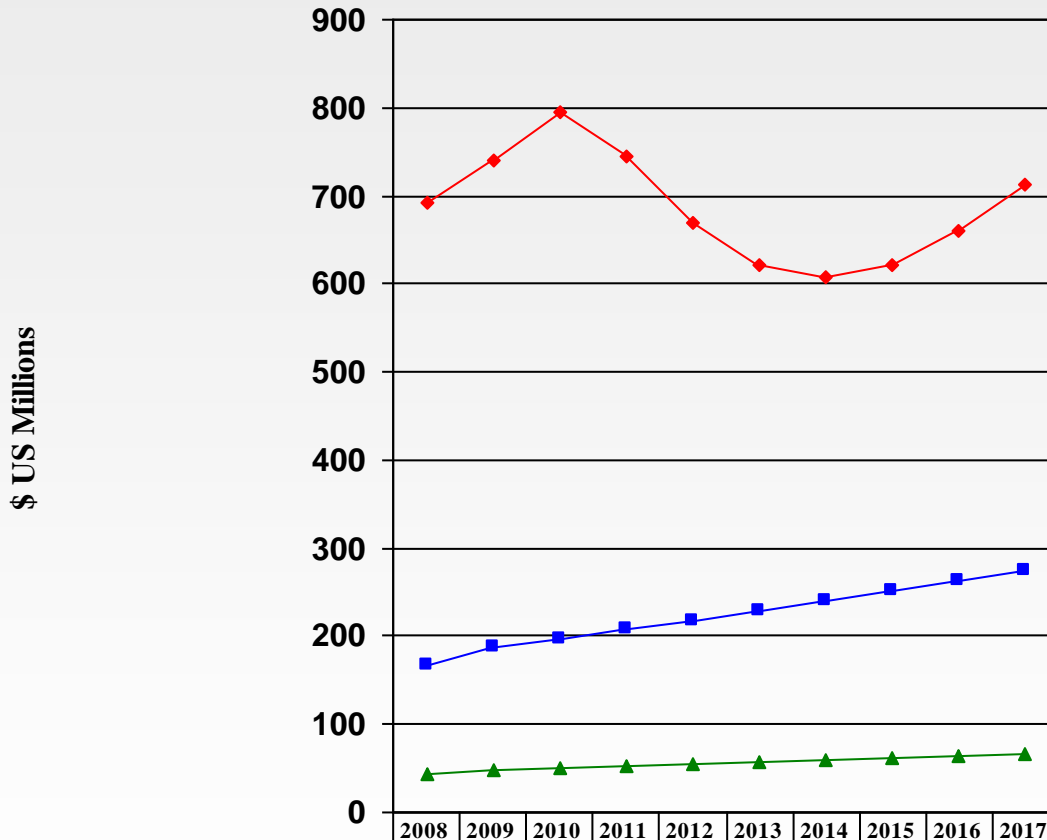
- **CBO estimates that total real medical funding will increase by 77 percent, from \$39 billion in 2008 to \$68 billion by 2025. Real medical funding including potential unbudgeted costs could more than double, reaching \$80 billion by 2025, CBO projects.**
- **Accrual payments for beneficiaries over age 65 will make up more than 41 percent of the increase in medical funding. CBO projection indicates that by 2025, accrual payments will be twice as large in real terms as they are currently, reaching a total of \$23 billion. (Note that payments are made out of the accrual fund to cover pharmaceuticals, purchased care, and direct care for Medicare-eligible beneficiaries. The amounts spent on those beneficiaries are therefore excluded from the remaining categories described below.)**
- **Pharmaceutical expenditures are projected to more than double, from \$3 billion in 2008 to \$8 billion in 2025; with cost risk included, real drug expenditures will more than triple, to \$11 billion in 2025.**
- **Purchased care and private-sector contracts are projected to grow by 75 percent in real terms, from \$8 billion in 2008 to \$15 billion in 2025. Funding for that category including cost risk could increase by 117 percent in real terms, reaching \$18 billion in 2025.**
- **The category that comprises the military's direct-care system and other medical funding is projected to grow by nearly 60 percent in real terms, from \$9 billion in 2008 to \$15 billion in 2025. If costs grew more quickly than DoD has anticipated, funding in that category could rise by 114 percent in real terms, reaching \$20 billion in 2025, and contributing (along with other factors) to the dashed line labeled "With Unbudgeted Costs" in the figure.**
- **CBO anticipates that funding for uniformed medical personnel will grow by 14 percent in real terms by 2025 as a result of pay increases that outpace inflation. CBO expects real funding for the military personnel category to grow from \$7 billion in 2006 to \$8 billion in 2025.**

# The Unaffordable Military Medical Burden? CBO Estimate



CBO: Long Term Implications of Defense Spending, March 2008, p 9.

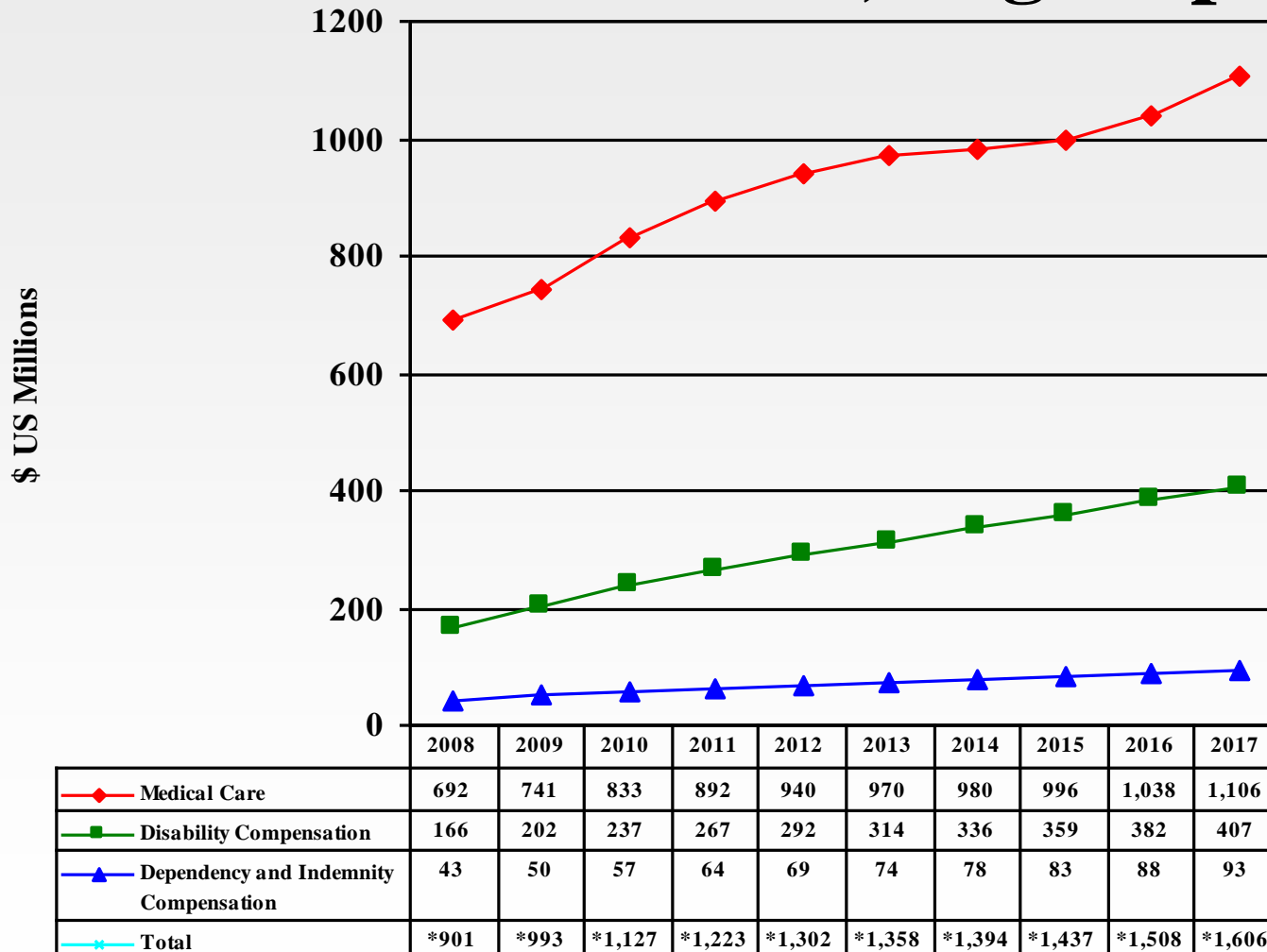
# Estimated VA Spending of OIF and OEF Veterans 2008-2017, Low Option



- Source: CBO Testimony, Statement of Mathew S. Goldberg, Deputy Assistant Director for National Security. Projecting the Costs to Care for Veterans of U.S. Military Operations in Iraq and Afghanistan. 17 October 2007, 17.
- As of December 2006, of 1 million active duty and 400,000 reservists deployed to Iraq and Afghanistan, 690,000 have become eligible for VA healthcare.
- Of 229,000 OIF/OEF patients seen by the VA, 3 percent have been hospitalized in VA facilities at least once since 2002. The rest were on an outpatient basis only. VA estimates an average annual cost of \$ 2,610 per OIF/OEF veteran who used VA health care in 2006, and an overall average of \$ 5,765 per year for all VA patients
- VA medical costs associated with the wars could total between \$7 billion and \$ 9 billion over the 10-year period until 2017. disability compensation and survivors' benefits could add another \$3 billion to \$4 billion over the same period.

◆ Medical Care	692	741	796	745	669	621	607	622	660	712
■ Disability Compensation	166	188	197	207	218	228	239	251	263	275
▲ Dependency and Indemnity Compensation	43	47	50	52	54	57	59	62	64	67
✧ Total	*901	*976	*1,043	*1,005	*940	*906	*906	*935	*987	*1,055

# Estimated VA Spending of OIF and OEF Veterans 2008-2017, High Option



Source: CBO Testimony, Statement of Mathew S. Goldberg, Deputy Assistant Director for National Security. Projecting the Costs to Care for Veterans of U.S. Military Operations in Iraq and Afghanistan. 17 October 2007, p. 17.



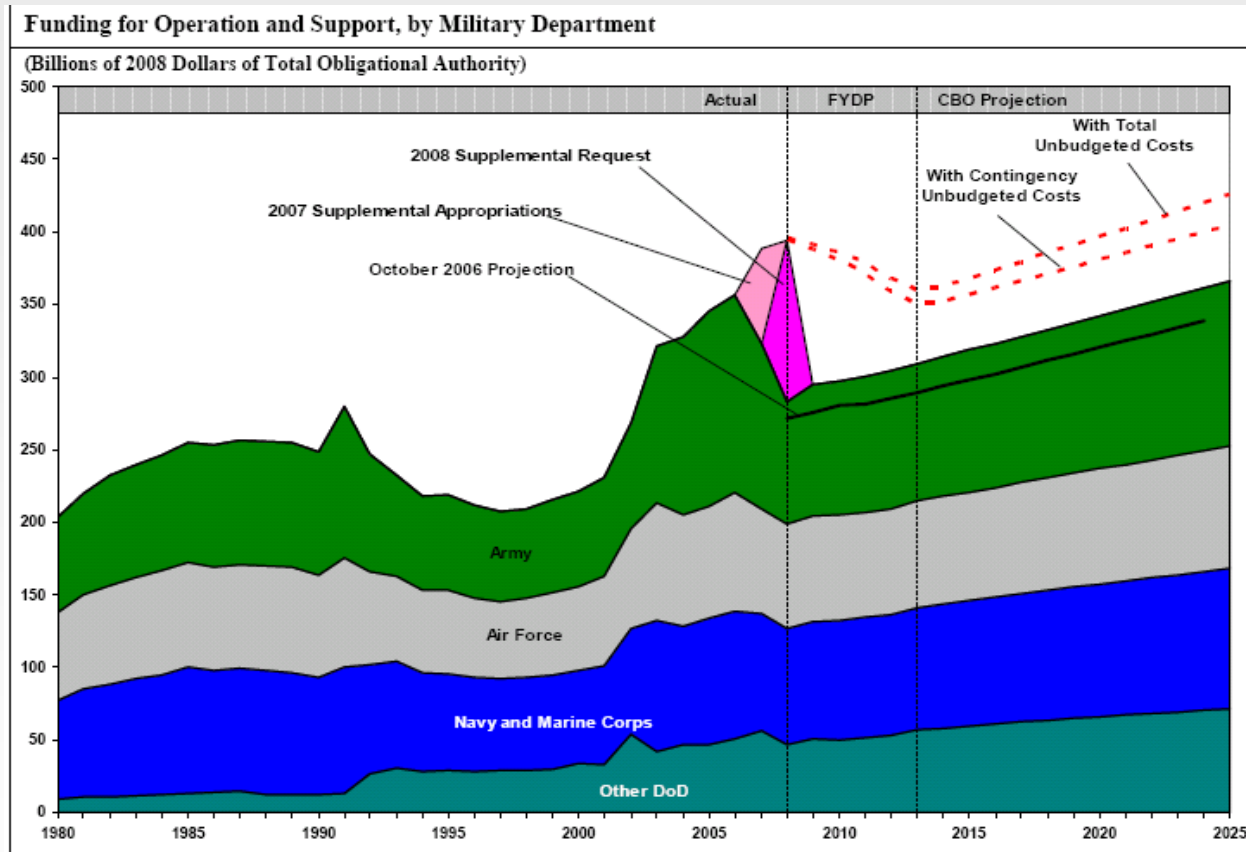
# **The Trilogy of Incompetence: O&M, Manpower, and Procurement**

*Overall Trends in Rising Operating  
Costs: Reality vs. The Baseline*

# Rising Operations and Support Costs: CBO Estimate

- **Operation and Support (O&S) accounts for about 60 percent of defense funding and pays for DoD’s day-to-day operations as well as for military and civilian payrolls. CBO created subcategories of O&S funding based on the force and infrastructure codes used within DoD. O&S funding will reach \$366 billion in 2025 not including potential unbudgeted costs, CBO projects.**
- **Most of the projected growth in O&S funding results from the growing cost of medical benefits for military personnel and from rising wages for both military and civilian personnel.**
- **As the dashed red lines in the figure show, growth in the demand for O&S resources could be greater than DoD anticipates. CBO estimates that with unbudgeted costs, the O&S budget might reach \$426 billion in 2025. the largest potential unbudgeted costs are those the following:**
  - **Continued involvement in contingency operations associated with the war on terrorism, such as those in Afghanistan, Iraq, and elsewhere (those unbudgeted costs decrease to about \$30 billion in 2025 under the assumption that the U.S. forces comprising about 75,000 personnel continue to be deployed overseas as part of the war on terrorism.**
  - **Faster-than-expected growth in DoD’s health care costs (\$12 billion of unbudgeted costs in 2025).**
- **Increases in military and civilian pay account for all of CBO’s projected funding growth in every subcategory except “Operating Forces” and “Medical”. CBO projects that those pay levels will grow at the same rate as the employment cost index (ECI), a measure of the average pay level in the U.S. civilian economy.**
- **In comparison with last year’s FYFP (covering 2007 to 2011), the 2008 FYDP shows an average increase in total O&S funding of 6 percent. That increase is largely the result of planned growth in the number of Army and Marine Corps personnel. For the 2007-2013 period, the 2008 FYDP shows a cumulative end-strength increase of 65,000 active-duty Army personnel and nearly 28,000 active-duty Marine Corps personnel.**

# FY2009: Real-World Projection of Far Higher Operating Costs of US Forces Through FY2025



- The O&S subcategory “Operating Forces” pays for military and support units assigned to Combat Commands.
- CBO projects that the Operating Forces category will experience \$6 billion of funding between 2013 and 2025, in addition to pay increases. That extra growth is attributable to the following sources:
  - Continuing long-term trends of rising O&M costs per active-duty service member in the Army and Marine Corps ground forces.
  - Increased O&M costs for aging weapon systems; and
  - New weapon systems that are more complex and have higher O&M costs than the systems they replace.
- In comparison with the 2007 FYDP, the 2008 FYDP shows an average increase in total Operating Forces funding of about 9 percent over the period spanning 2008 to 2013. that increase is largely the result of planned growth on the number of Army and Marine Corps personnel.

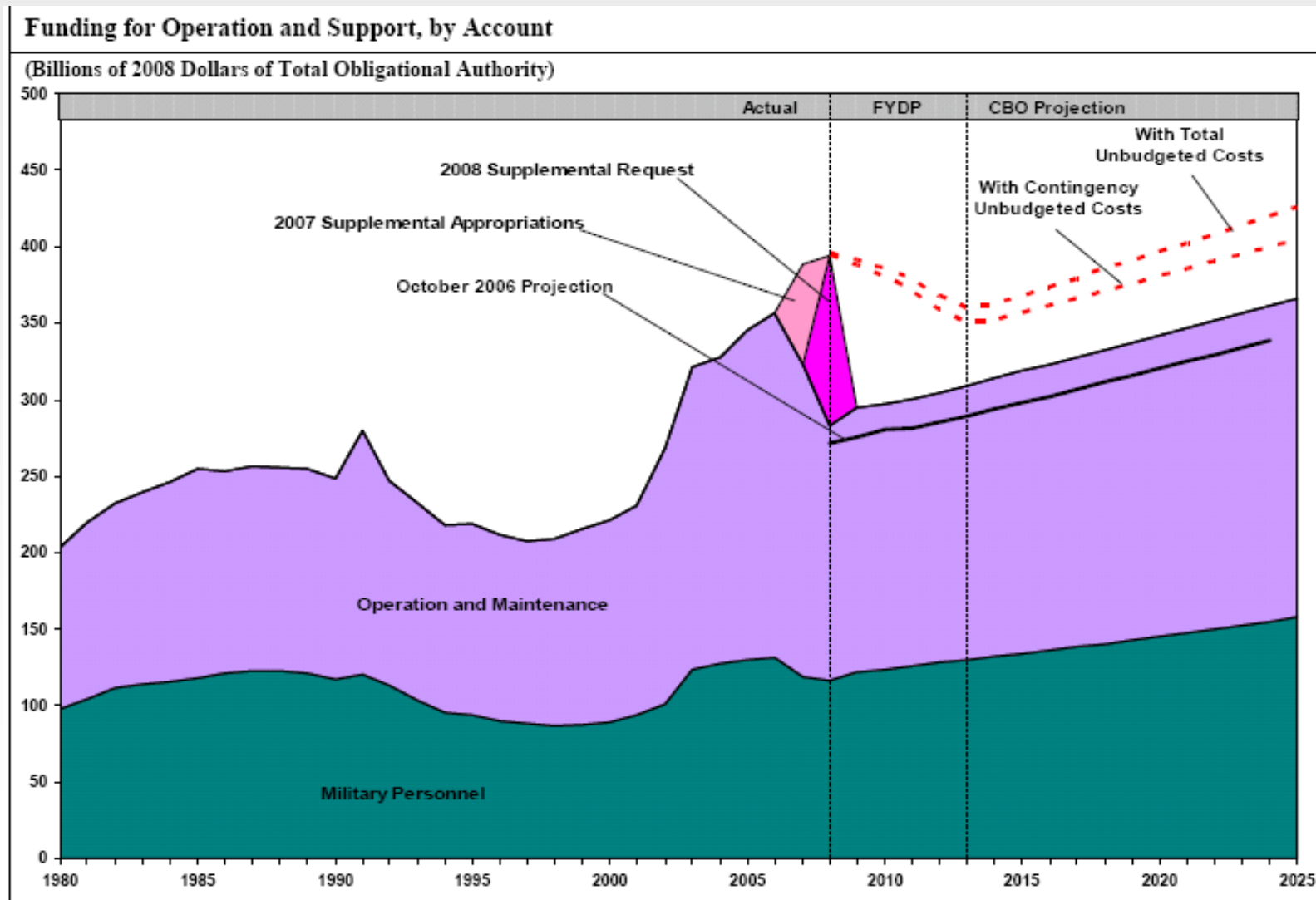
Source: CBO, *Long Term Implications of Current Defense Plans: detailed Update for FY2008*, march 2008, <http://www.cbo.gov/publications/bysubject.cfm?cat=38>

## FY2009: Mil Pers vs. O&M: CBO Estimate

- **CBO projects that funding for military personnel will increase from \$130 billion in 2013 to \$158 billion in 2025, an average annual growth rate of 1.6 percent. That growth is attributable to two factors:**
  - **CBO's assumption that military pay raises will keep pace with the ECI (which has historically grown faster than inflation); and**
  - **CBO's assumption, which is consistent with that of DoD's actuaries, that medical accrual costs will steadily increase at a nominal annual rate of 6.25 percent. Those accrual costs are intended to reflect the future liability arising from the government's obligation to provide medical care for current service members (and their dependants) after they retire from the military and reach age 65.**
  
- **In CBO's projection, operation and maintenance (O&M) funding will increase from \$180 billion in 2013 to \$209 billion in 2025, an average annual growth rate of 1.3 percent. Most of that growth comes from the following sources:**
  - **The assumption that DoD civilian employee pay raises, like military pay raises, will also keep pace with the ECI; and**
  - **Rising medical costs associated with the Defense Health Program, which provides medical care to active-duty military personnel and their dependants. The Defense Health Program is not funded on an accrual basis.**
  
- **About 84 percent of emergency and supplemental funding for O&M is allocated to O&M in 2008; about 16 percent is allocated to paying for military personnel, including special pays and compensation for activating reserve component personnel.**

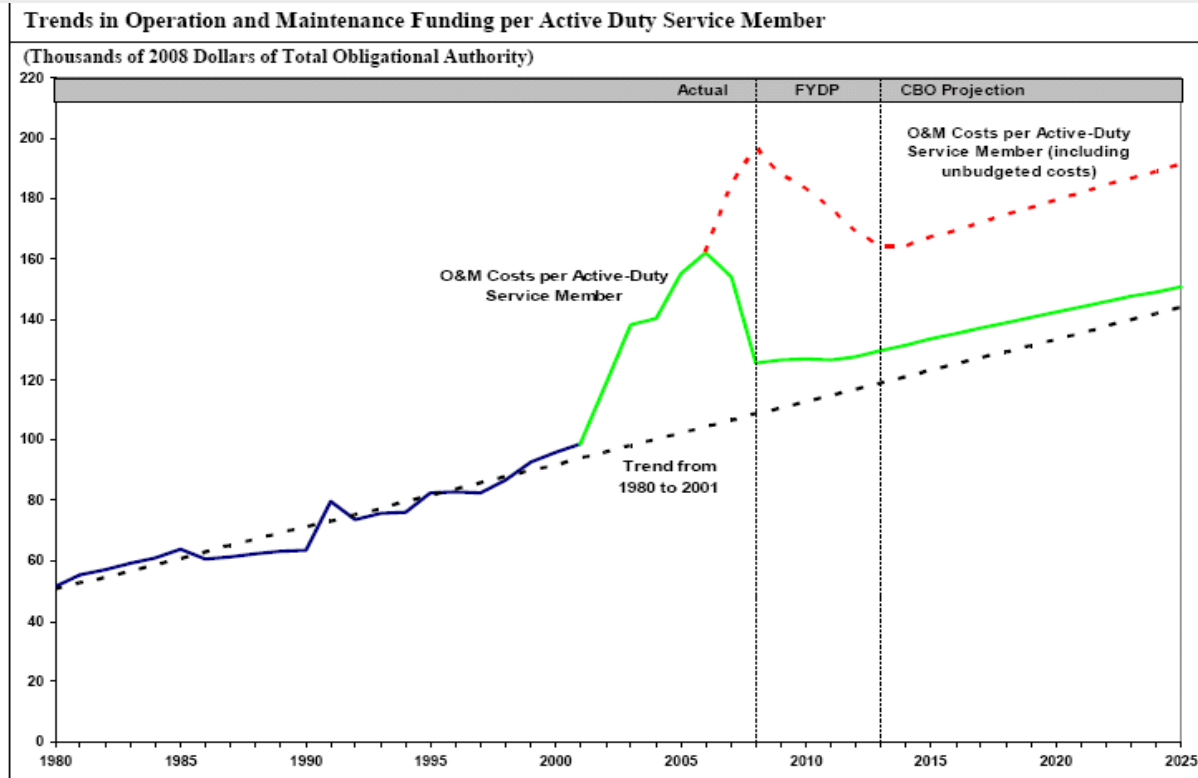
Source: CBO, *Long Term Implications of Defense Spending*, March 2008, p. 6.

# FY2009: Military Personnel and O&M Costs Will Be Much Higher than DoD “Baseline” Budget Estimates



Source: CBO, *Long Term Implications of Defense Spending*, March 2008, p. 6.

# FY2009: An “Unaffordable” All Volunteer Force?: CBO Projection of Operating Costs Per Soldier Through FY2025

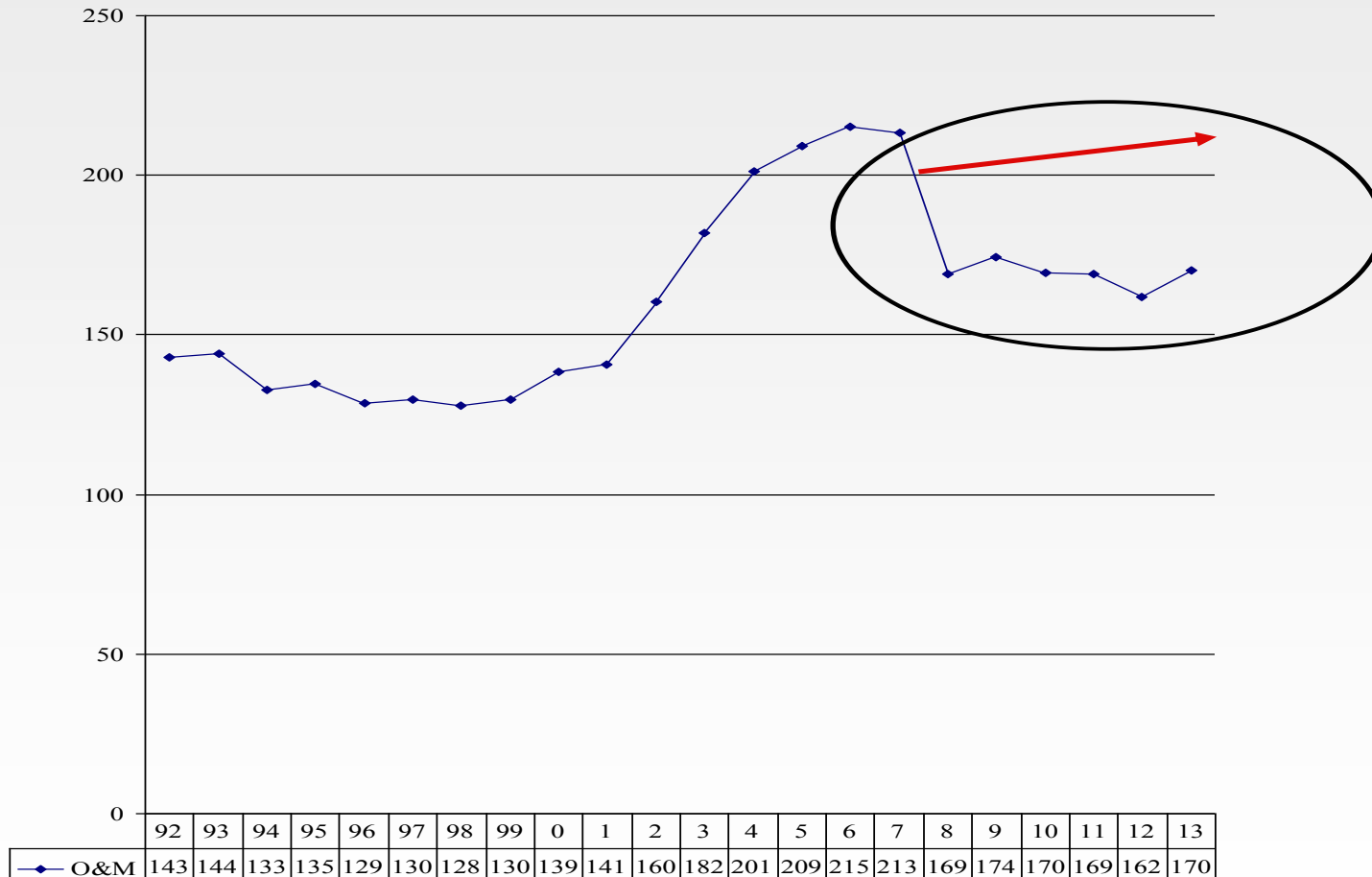


- From 1980 to 2001, operation and maintenance costs grew steadily by an average of about \$2,000 per active-duty service member per year. Excluding potential unbudgeted costs, CBO projects a similar rate of O&M cost growth in the future.
- Since 2001, O&M costs per service member have grown more rapidly because of funding for operations in Iraq and Afghanistan. The FYDP and CBO’s projection exclude future funding for those operations.

Source: CBO, *Long Term Implications of Current Defense Plans: detailed Update for FY2008*, march 2008, <http://www.cbo.gov/publications/bysubject.cfm?cat=38>

# **The Operations, Maintenance, and “Reset” Crisis**

# Real War, Phony Operations and Maintenance Budget: FY1992-2013

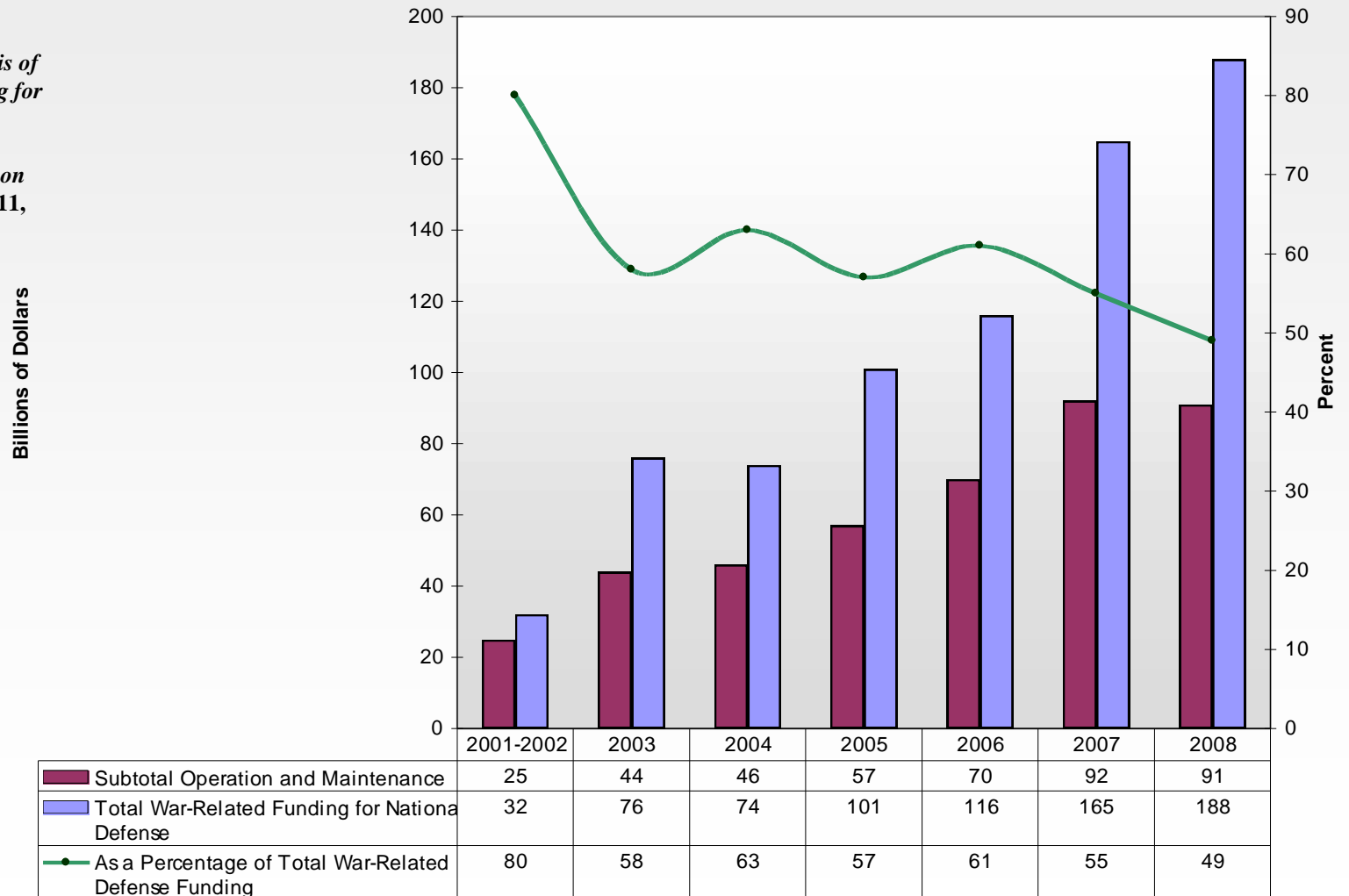


Source: Adapted by Anthony H. Cordesman from data provided by Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2008*, Washington, Department of Defense, March 2006, Table 6-8 and 6-11.



# Poisoning the Chalice: Operations and Maintenance Funds Drop as Share of Emergency and Supplemental Appropriations for Afghan and Iraq Wars, and GWOT (In \$US Current Billions by Fiscal year)

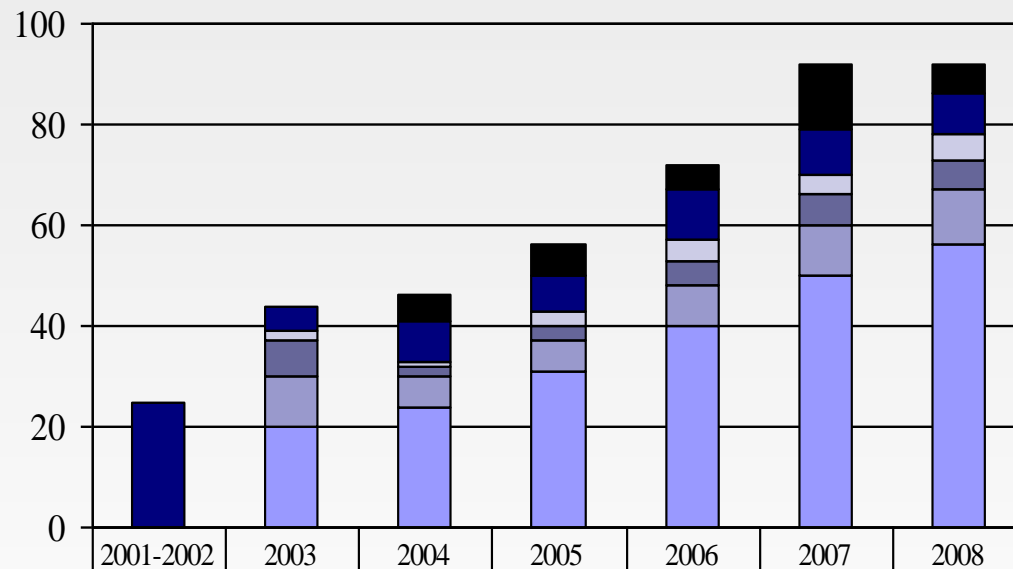
Source: CBO, *Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism*, February 11, 2008.



# O&M, Reset, and/or Force Modernization?

## Supplemental and Emergency War Appropriations for Operation and Maintenance by Branches

Source: CBO, *Analysis of the Growth in /funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism*, February 11, 2008.



■ Iraq and Afghanistan Security Forces	0	0	5	6	5	13	6
■ Defensewide and Other	25	5	8	7	10	9	8
□ Marine Corps	0	2	1	3	4	4	5
■ Navy	*	7	2	3	5	6	6
■ Air Force	*	10	6	6	8	10	11
■ Army	*	20	24	31	40	50	56

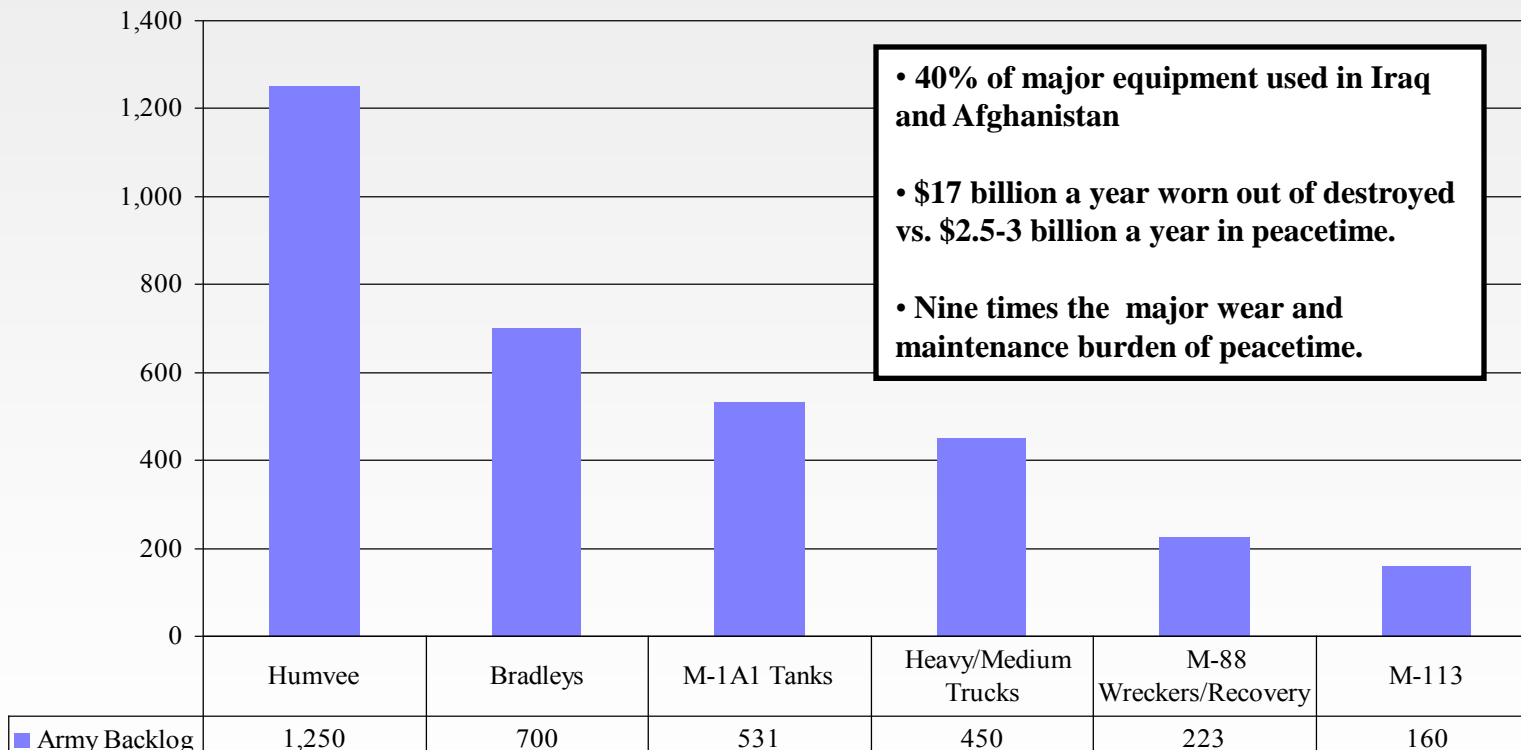
\* = less than \$500 million

# The Army-Marine Corps Equipment Readiness Crisis

“We have a strategy right now that is outstripping the means to execute it.”

Army Chief of Staff Gen. Schoomaker

March, 19 2007



“This is not an Army that was built to sustain a Long War”

Gen. John Abizaid

# **The Trilogy of Incompetence: O&M, Manpower, and Procurement**

*The Modernization and  
Procurement Crisis*

# Major Uncertainties in Estimates of Equipping-Related Costs to Restructure, Grow and Rebuild the Army<sup>a</sup>

Dollars in billions

Program	Estimates Based on Army Data	Description and Limitations
Equip restructured modular units	\$43.6	<ul style="list-style-type: none"> <li>■ Estimate developed before unit designs were finalized.</li> <li>■ Army has not revised its 2005 estimate.</li> <li>■ Army plans to request additional funds to address equipment shortages in modular units through fiscal year 2017.</li> </ul>
Increase the number of and equip new Army units	\$18.5	<ul style="list-style-type: none"> <li>■ Could not assess how the Army calculated this amount because Army budget documents do not identify key assumptions or the steps used to develop the estimate.</li> <li>■ Army plans to accelerate the completions if this plan from fiscal year 2013 to 2010.</li> </ul>
Reset the force	\$118.5 <sup>b</sup>	<ul style="list-style-type: none"> <li>■ Army stated it will require reset funding for a minimum of 2 to 3 years after hostilities end.</li> <li>■ Future reset costs are unclear, according to the Army, because they depend on how much equipment is lost, damaged, or worn beyond repair during current operations and how long the operations will continue.</li> </ul>
Reconstitute prepositioned stocks	\$10.6	<ul style="list-style-type: none"> <li>■ Army estimates that total costs will be between \$10.6 billion and \$12.8 billion.</li> <li>■ Unclear whether the Army has included these funds into future budget planning.</li> </ul>
<b>Total</b>	<b>\$191.2<sup>c</sup></b>	

a. These estimates include costs for both procurement and operation and maintenance.

b. The estimate includes \$54 billion in funds for reset from fiscal year 2004 through fiscal year 2008, as reported by the Army in its February 2008 report to Congress. To calculate fiscal years 2009-2013 estimates, we assumed \$12 billion per year through fiscal year 2013, which is the average of the 2006-2007 amounts.

c. There are on-going assessments of some of these estimates as part of the fiscal years 2010-2015 programming process that could lead to revised estimates, according to Office of the Secretary of Defense and Army officials.

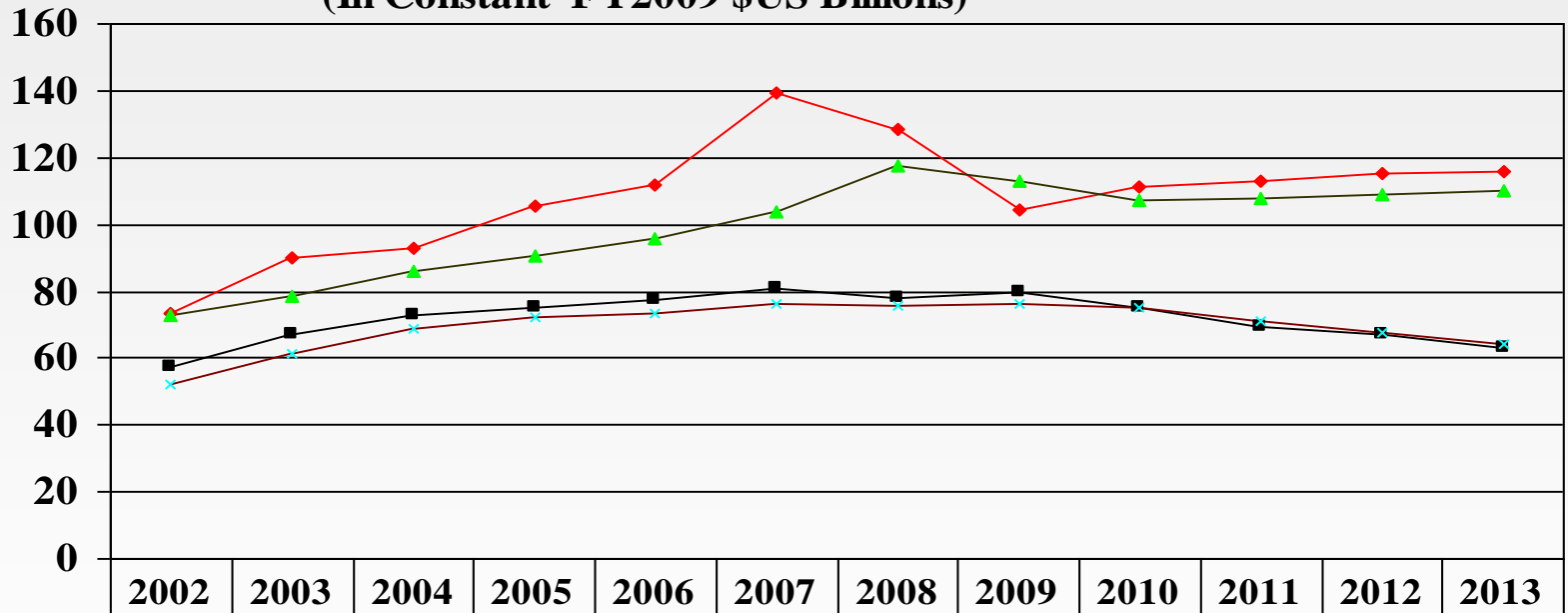
Source: GAO, *Restructuring and Rebuilding Army Will Cost Billions of Dollars for Equipment but Total Cost Is Uncertain*, GAO-08-669T, April 10, 2008, p. 6.

# Future Procurement and Force Transformation Not Properly Funded

- **FYDP does not fund adequate RDT&E and procurement funds for current service force and modernization plans.**
- **CBO estimates show the FYDP calls for major ramp up in procurement in BA, but slips BO to post Bush years**
- **Crisis not new, all too apparent in 2007**
- **GAO estimated that the Pentagon often underestimated procurement time and costs by 20-50%.**
- **Top five weapons programs' costs escalated by 85% between FY 2001 and FY 2005, from \$281 billion to \$521 billion.**
- **26 major systems showed RDT&E cost escalation of \$42.7 billion last year.**
- **RDT&E costs are expected to rise 28% between FY 2005 and FY 2009, from \$144 billion to \$185 billion.**
- **“Liar’s contest” mentality.**

# “Dancing to the Right”: Disguise Procurement Problems by Slipping to Outyears and Cutting RDT&E

(In Constant FY2009 \$US Billions)

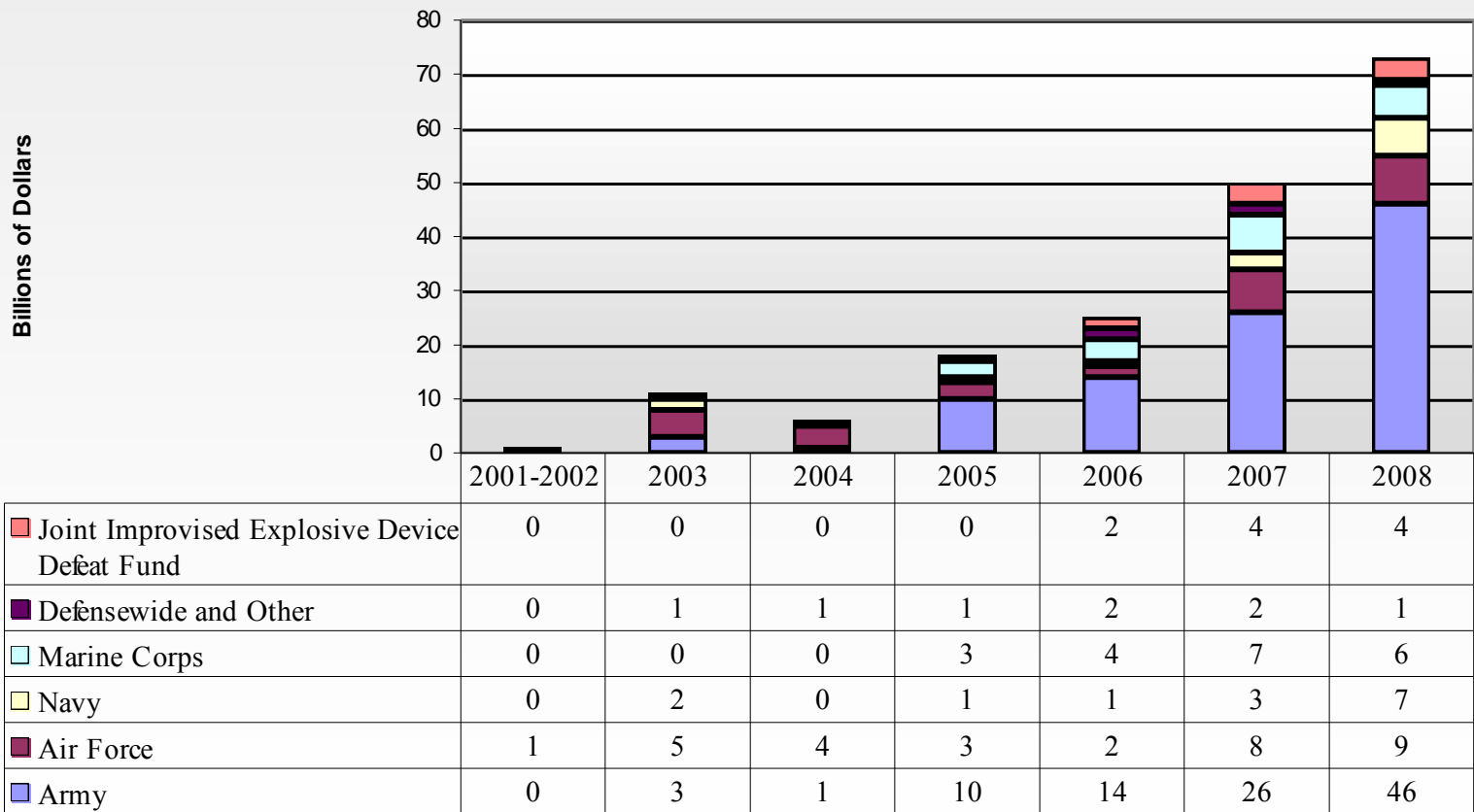


Source: *FY2009 Green Book*, p. 114-115 and 132-133.

# Emergency and Supplemental Procurement Costs for Afghan and Iraq Wars, and GWOT Impose Further Strain

(In appropriations of \$US Current Billions by Fiscal year)

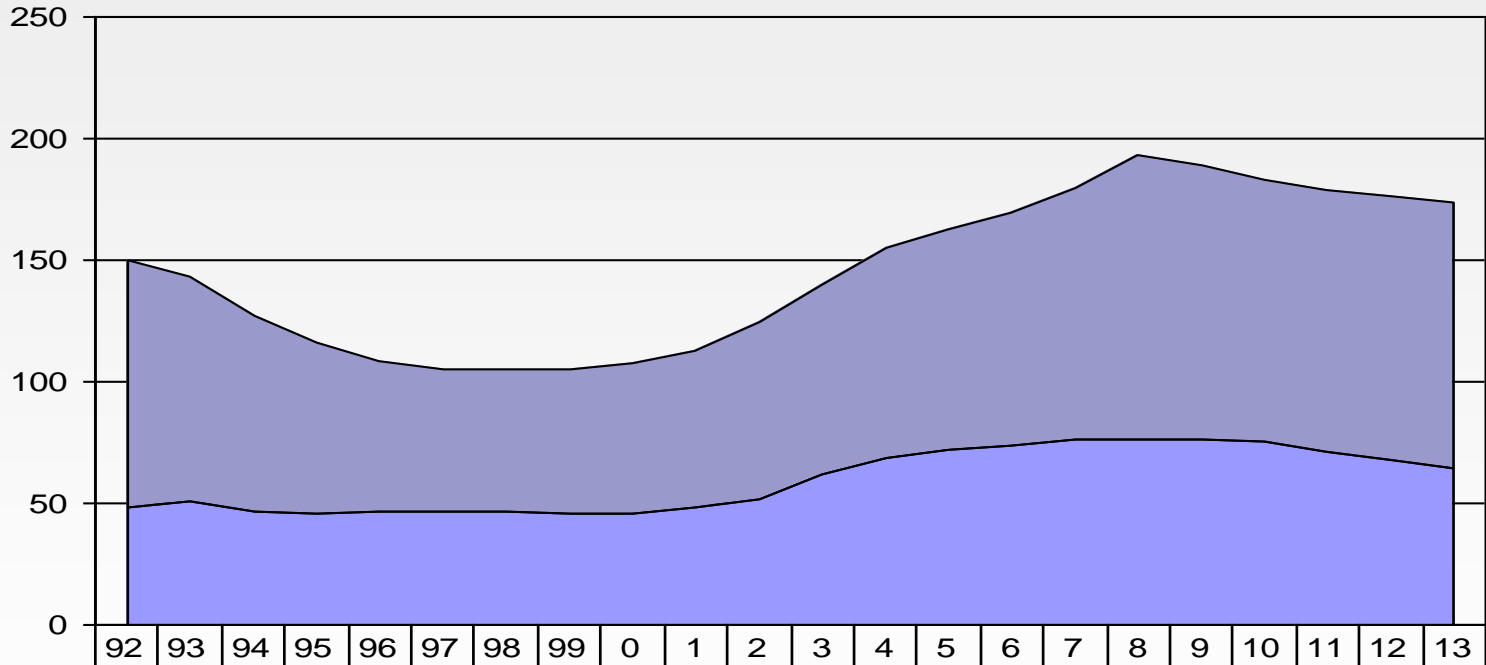
Source:  
CBO,  
*Analysis of  
the Growth in  
/funding for  
Operations in  
Iraq,  
Afghanistan,  
and  
Elsewhere in  
the War on  
Terrorism,*  
February 11,  
2008.





# FY2009: Paying for Transformation at the Expense of RDT&E

(Constant FY2009 \$US billions in Budget Outlays)



	92	93	94	95	96	97	98	99	0	1	2	3	4	5	6	7	8	9	10	11	12	13
■ Procurement	102	93	81	70	61	59	59	59	62	65	73	78	86	91	96	104	118	113	107	108	109	110
■ RDT&E	48	51	47	46	47	47	47	46	46	48	52	62	69	72	73	76	76	76	75	71	67	64

Source: Adapted by Anthony H. Cordesman from data provided by Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2008*, Washington, Department of Defense, March 2006, Table 6-8 and 6-11.

# \$336 Billion, and the Future US Force Posture, At Hazard in Major Procurement Programs

## Planned RDT&E and Procurement Funding for Major Defense Acquisition Programs, as of December 2006

Fiscal year 2008 dollars in billions

Program	Fiscal year					Total
	2008	2009	2010	2011	2012	
Ballistic Missile Defense System	\$8.9	\$9.1	\$9.1	\$8.9	\$8.8	<b>\$44.9</b>
Joint Strike Fighter	6.7	6.9	8.1	8.4	11.3	<b>\$41.4</b>
Virginia Class Submarine	2.9	3.7	3.9	3.8	4.7	<b>\$19.0</b>
Future Combat Systems	3.6	3.2	3.2	3.2	3.7	<b>\$17.0</b>
V-22 Joint Services Advanced Vertical Lift Aircraft	3.0	3.1	3.1	2.8	3.0	<b>\$15.0</b>
DDG 1000 Destroyer	3.5	2.8	2.9	2.7	2.6	<b>\$14.4</b>
Future Aircraft Carrier	3.1	4.6	1.7	0.6	3.4	<b>\$13.4</b>
F-22A	4.4	4.3	0.5	0.4	0.5	<b>\$10.1</b>
P-8A Multi-mission Maritime Aircraft	0.9	1.2	2.9	2.7	2.5	<b>\$10.1</b>
F/A-18 EF	2.1	1.7	1.9	1.6	1.5	<b>\$8.8</b>
<b>Funding for Top 10 MDAP programs</b>	<b>39.1</b>	<b>40.6</b>	<b>37.3</b>	<b>35.2</b>	<b>42.0</b>	<b>\$194.2</b>
<b>Funding for other 85 MDAP programs</b>	<b>33.2</b>	<b>31.5</b>	<b>26.9</b>	<b>25.4</b>	<b>24.1</b>	<b>\$141.1</b>
<b>Total</b>	<b>\$72.3</b>	<b>\$72.1</b>	<b>\$64.2</b>	<b>\$60.6</b>	<b>\$66.1</b>	<b>\$335.3</b>
Top 10 MDAP programs (percentage of total)	54	56	58	58	64	<b>58</b>

Source: GAO, *Defense Acquisitions – Assessment of Selected Weapon programs*, GAO-08-467SP, March 2008, pp. 10-11.

# Legacy of Cold War Programs and Past Efforts At Force Transformation that that Are Fundamentally Unaffordable

## ■ Legacy Problems

- FCS
- Ship building
- Aircraft
- Net and IT Systems: Agency-wide
- Space

## ■ New Requirements

- Counterterrorism
- Counterinsurgency
- Stability/Nation Building Humanitarian
- Homeland Defense

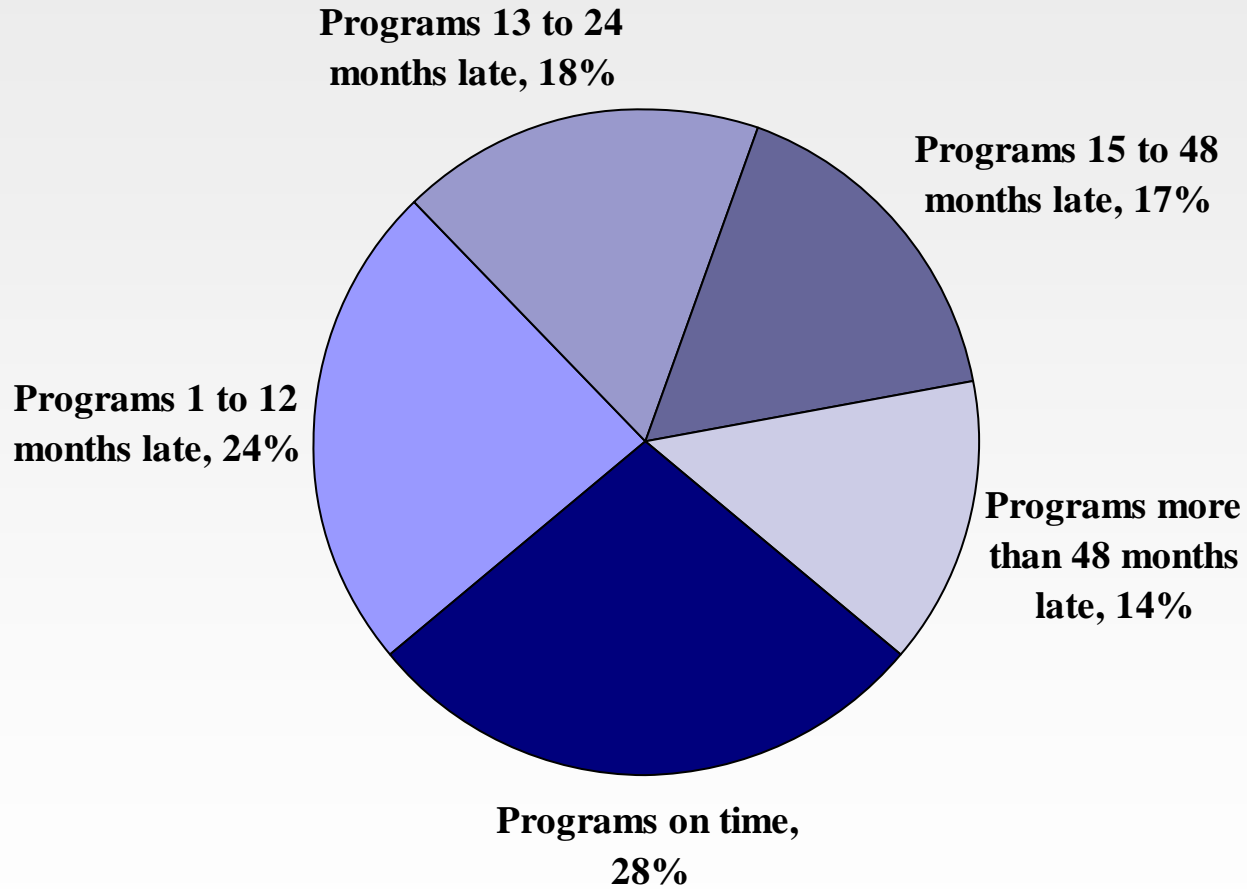
# Defense Acquisition is Out of Control: FY2000-FY2007

## Analysis of DoD Major Defense Acquisition Program Portfolios (FY2009 dollars)

	FY 2003 Portfolio	FY 2005 Portfolio	FY 2008 Portfolio
<b>Portfolio size</b>			
Number of programs	77	95	96
Total planned commitments	\$1.2 Trillion	\$1.6 Trillion	\$1.6 Trillion
Commitments outstanding	\$724.2 Billion	\$875.2 Billion	\$786.3 Billion
<b>Portfolio performance</b>			
Change in total RDT&E costs from first estimate	37 percent	40 percent	42 percent
Change in total acquisition cost growth	19 percent	26 percent	25 percent
Total acquisition cost growth	\$183 Billion	\$301.3 Billion	\$296.4 Billion
Share of programs with 25 percent or more increase in program acquisition unit cost	41 percent	44 percent	42 percent
Average schedule delay in delivering initial capabilities	18 months	21 months	22 months

Source: GAO, *Defense Acquisitions, Assessments of Selected Weapons Systems*, GAO-09-326SP, March 2009, p. 7.

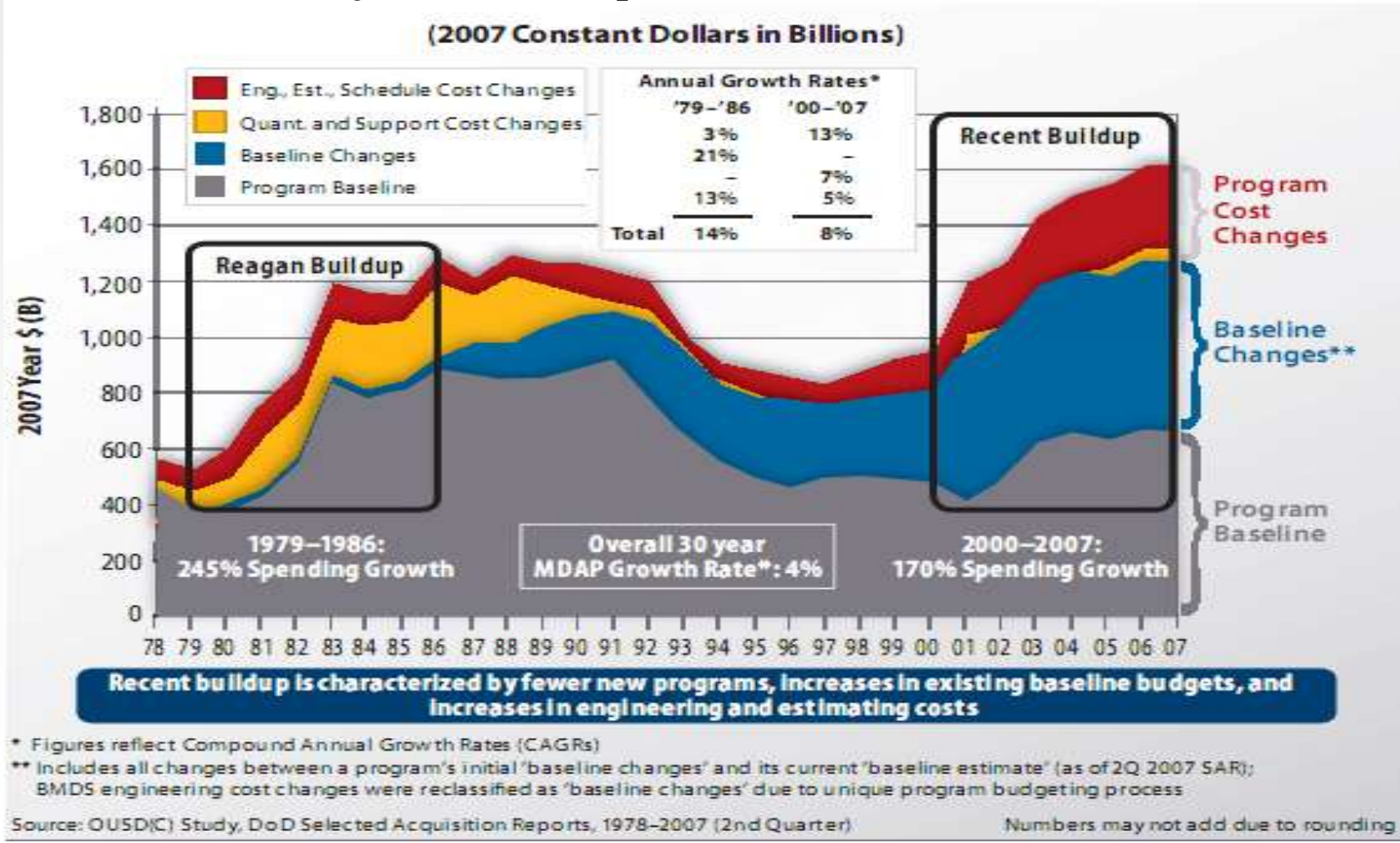
# Delays Become the Rule and Not the Exception



Source: GAO, *Defense Acquisitions, Assessments of Selected Weapons Systems*, GAO-09-326SP, March 2009, p. 11.

# Less Weapons for More Money

## Major Defense Acquisition Portfolio: 1978-2007



# Major Weapons Program Cost Escalation

- **Ten of DOD's largest acquisition programs, commanding about half the overall acquisition dollars in the portfolio, have experienced 32 percent cost growth from initial estimates, and have seen quantities reduced by almost a third.**
- **Programs experience 22 months of delay on average. Only 28 of all assessed programs are expected to reach IOC according to schedule.**
- **Only one in five development programs entering system development since 2006 had fully mature critical technologies. The other four programs reported testing critical technologies in relevant environment.**
- **Out of 52 assessed programs, 22 reported at least one change in a key performance parameter since development start. These programs experienced an average cost growth three times greater than those with no requirement changes and double the delays in reaching IOC.**

# Major Weapons Program Cost Escalation

- From FY2001 to FY2008, the DoD has doubled its planned investments from \$750 billion to \$1.6 trillion.
- In a review of 96 major weapons programs, GAO found that their cost has grown by 25% since the first estimate. The cost of the 96 programs in FY2008 portfolio was \$296 billion more than had been projected initially.
- DOD's annual investment in RDT&E and procurement of major weapon systems is at its highest level in two decades. For the 2008 program portfolio, Research and Development costs are 42 percent higher than initial estimates.
- For the period 2000-2006 defense spending accounts grew at an annual average of a 5.4 percent. In 2008, DoD projected that for the 2008-2012 period the growth rate will be **-8.5%!**
- The same programs have also experienced an increase in the time needed to deliver initial capabilities. The average schedule delay has risen from 16 months in FY 2000 to 17 and 22 months in FY 2005 and FY 2008, respectively.



# Major Weapons Program Cost Escalation

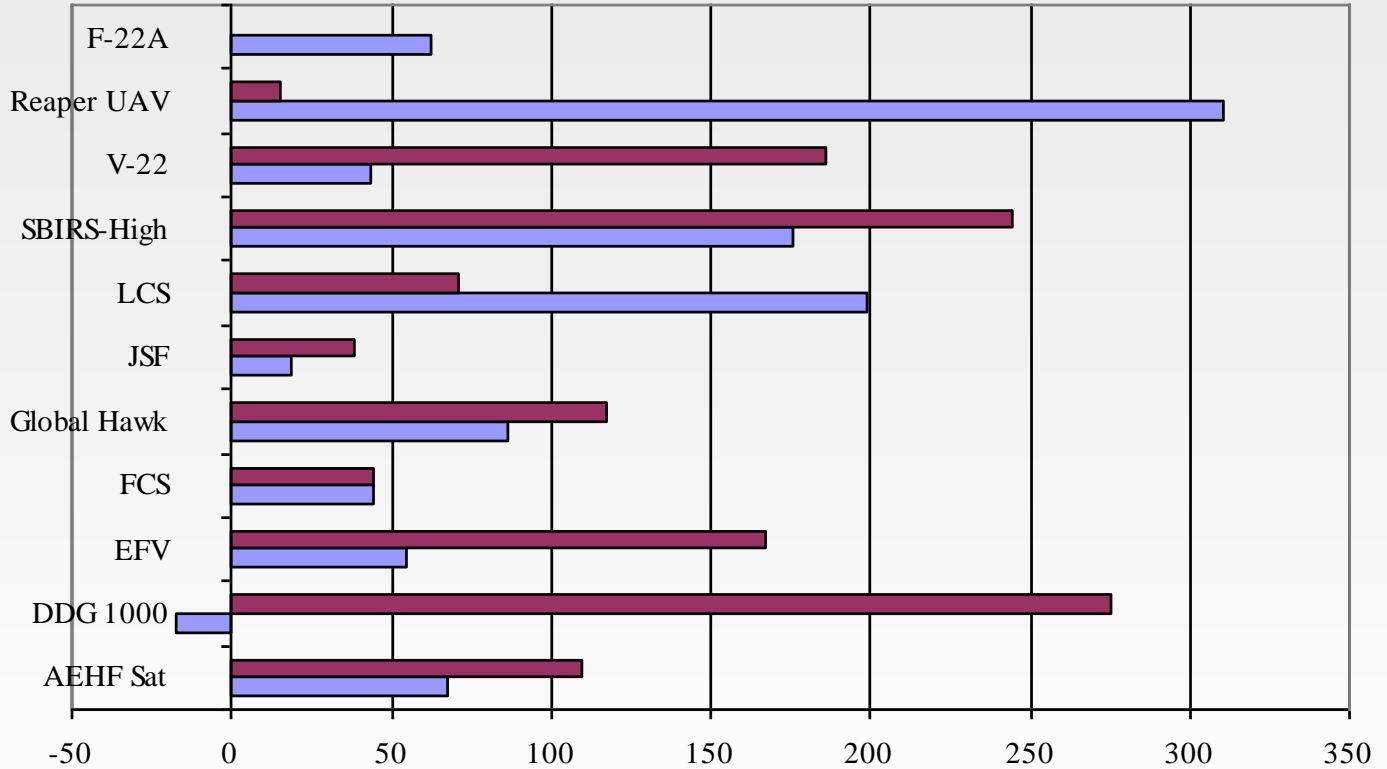
## Changes in Cost and Quantities for Ten of the Highest Cost Acquisition Programs

Program	Total Cost (FY09 \$Millions)		Total quantity		Acquisition unit cost
	First full estimate	Current estimate	First full estimate	Current estimate	Percentage change
Joint Strike Fighter	206,410	244,772	2,866	2,456	38
Future Combat Systems	89,776	129,731	15	15	45
Virginia Class Submarine	58,378	81,556	30	30	40
F-22A Raptor	88,134	73,723	648	184	195
C-17 Globemaster III	51,733	73,571	210	190	57
V-22 Joint Vertical Lift Aircraft	38,726	55,544	913	458	186
F/A-18E/F Super Hornet	78,925	51,787	1,000	493	33
Trident II Missile	49,939	49,614	845	561	50
CVN 21 Nuclear Aircraft Carrier	34,360	29,914	3	3	-13
P-8 Poseidon Multi- mission Maritime Aircraft	29,974	29,622	115	113	1

Source: GAO, *Defense Acquisitions – Measuring the Value of DOD’s Weapon Programs Requires Starting with Realistic Baselines*, GAO-09-543T, 1 April 2009, p. 7.

## Cost Escalation As of March 2009

(Percent Change in Constant FY2009 Dollars)

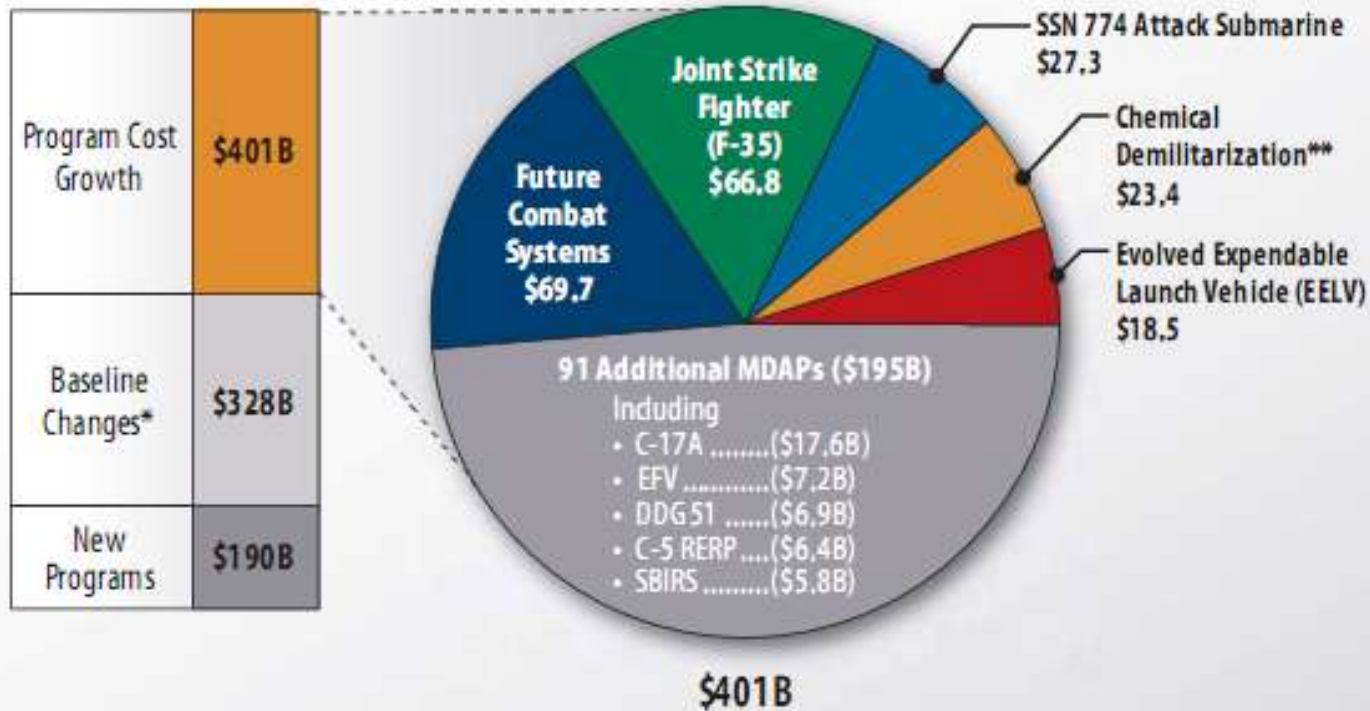


	AEHF Sat	DDG 1000	EFV	FCS	Global Hawk	JSF	LCS	-SBIRS High	V-22	Reaper UAV	F-22A
■ Unit Cost	109.3	275.6	167.5	44.5	117.3	38.4	70.8	244.7	185.9	14.9	n/a
■ Program Cost	67.5	17.8-	54.8	44.5	86.2	18.6	198.9	175.8	43.4	310.8	62.7

Source: GAO, *Defense Acquisitions, Assessments of Selected Weapons Systems*, GAO-09-326SP, March 2009.

# Program Cost Growth Accounts for Half of the Procurement Budget

Major Defense Acquisition Program Portfolio Cost Growth by Program (US\$B)



**Cost growth is only five programs accounted for \$206B or 51% of the total**

\* Includes all changes between a program's initial 'baseline changes' and its current 'baseline estimate' (as of 2Q 2007 SAR); BMD5 engineering cost changes were reclassified as 'baseline changes' due to unique program budgeting process

\*\* Combines 3 Chemical Demilitarization programs into 1 to match earlier SARs

Source: DoD Selected Acquisition Reports, 1978-2007 (2nd Quarter)

Numbers may not add due to rounding

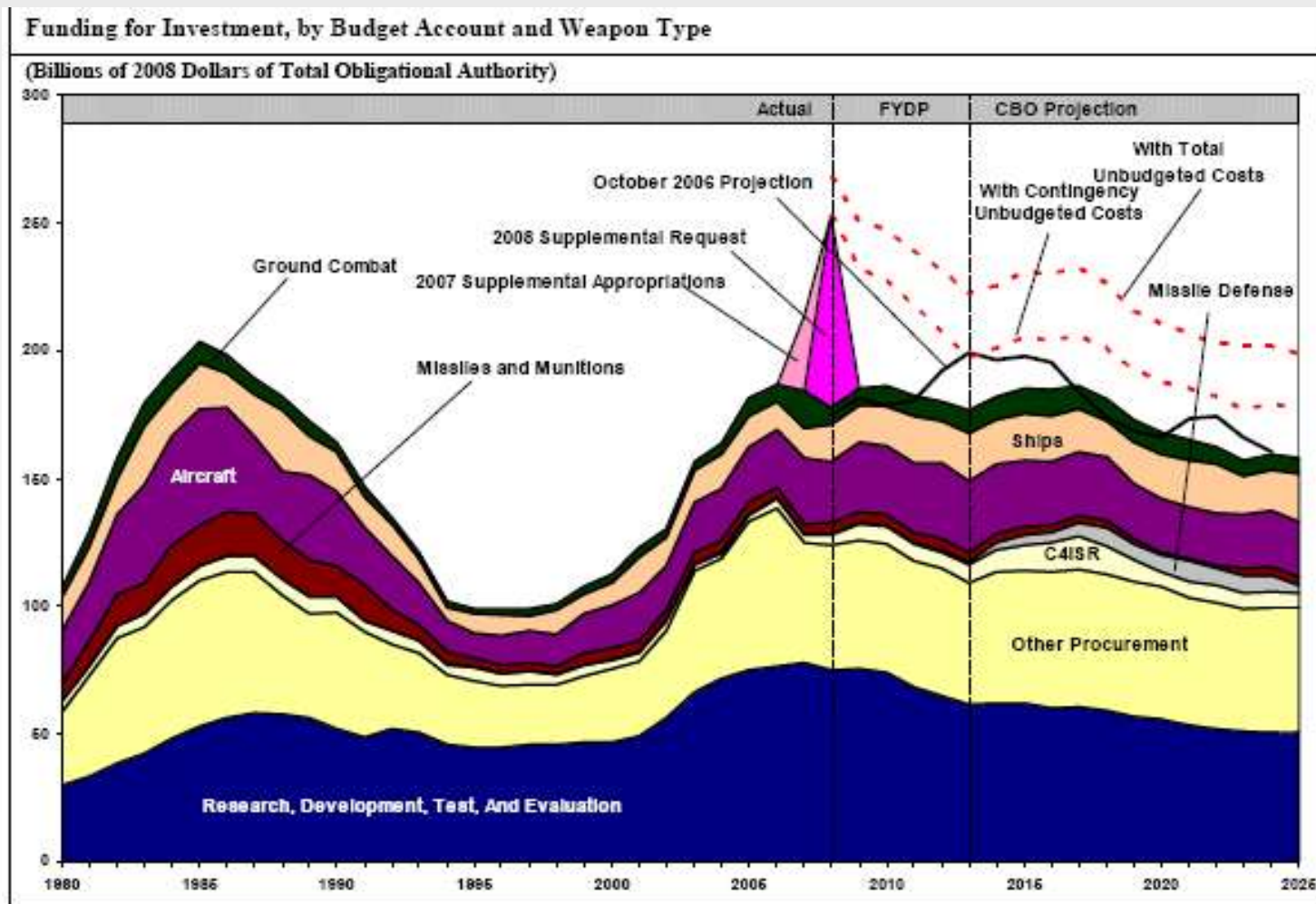
Source: Defense Business Board, *Focusing a Transition*, DBB Report FY09-4, January 2009, p. 34.

# Examples of Key Program Management Failures

Program	Initial Investment (\$US billions)	Initial Quantity	Latest Investment (\$US billions)	Latest Quantity	% Unit Cost Change	% Quantity Change
Joint Strike Fighter	206	2,866	244	2,456	38.4	-14.3
Future Combat System	89.8	15	129.7	15	44.5	0
F-22A Raptor modernization	3.6	n/a	5.9	n/a	n/a	n/a
Space-Based Infrared System High	4.4	5	12.2	4	244.7	-20
Expeditionary Fighting Vehicle	8.8	1,025	13.7	593	167.5	-42.1

Source: GAO, *Defense Acquisitions, Assessments of Selected Weapons Systems*, GAO-09-326SP, March 2009.

# Real World Future Investment Costs Are Much Higher Than DoD Budgets and Plans for



Source: CBO, *Long Term Implications of Defense Spending*, March 2008, p 10.

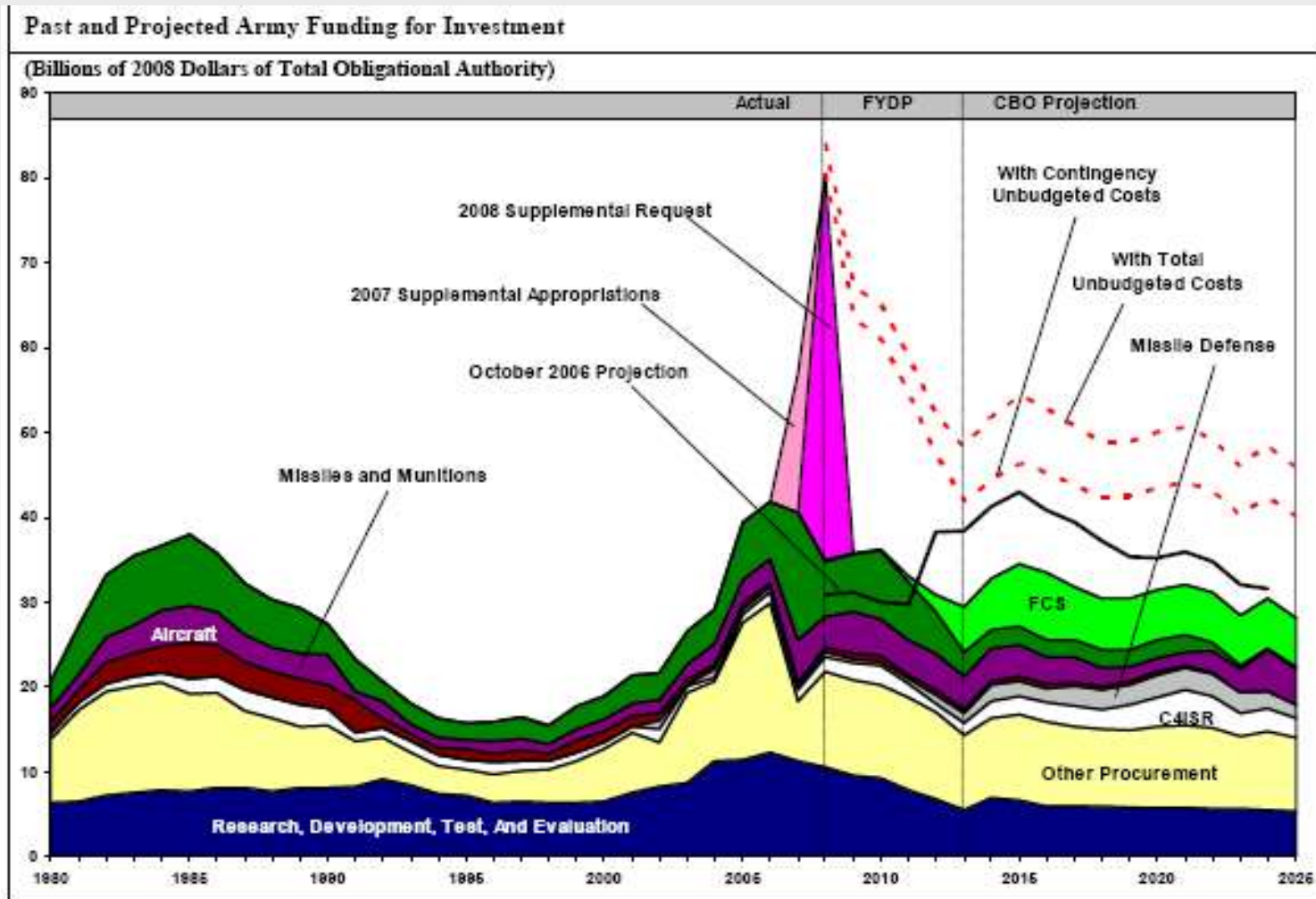
# Investment Costs: How the CBO Made Its FY2009-Based Estimates

- **The 2008 FYDP anticipated that investment funding would be \$177 billion by 2013 – about the same as the Administration’s request in 2008 excluding emergency supplemental funding. On the basis of that plan, CBO projects that if weapons costs do not grow as they have historically, investment funding will reach about \$185 billion by 2015, and then decline. Over the 2014-2025 period, that funding would average about \$172 billion a year.**
- **If the costs of weapons grow in the future as they have over the past 30 years, funding for planned purchases in 2013 (excluding unbudgeted costs for contingencies) could equal \$201 billion, or about 14 percent more than without unbudgeted costs. In that case, funding during the 2014-2023 period could average almost \$195 billion a year. Including both growth in the costs of weapon systems and potential unbudgeted costs for contingency operations, investment funding would average \$215 billion annually over the 2014-2025 period, CBO projects.**
- **The decrease in the 2008 projection over the latter years of the FYDP period, relative to CBO’s October 2006 projection, stems from several changes DoD has made to its plans, including a delay in the start of production of the Army’s Future Combat Systems program, cancellation of the Air Force’s E-10 surveillance aircraft, delays in the KC-X tanker program, and reductions in the annual purchases of F-35 Joint Strike Fighters.**

Source: CBO, *Long Term Implications of Defense Spending*, March 2008, p 10.



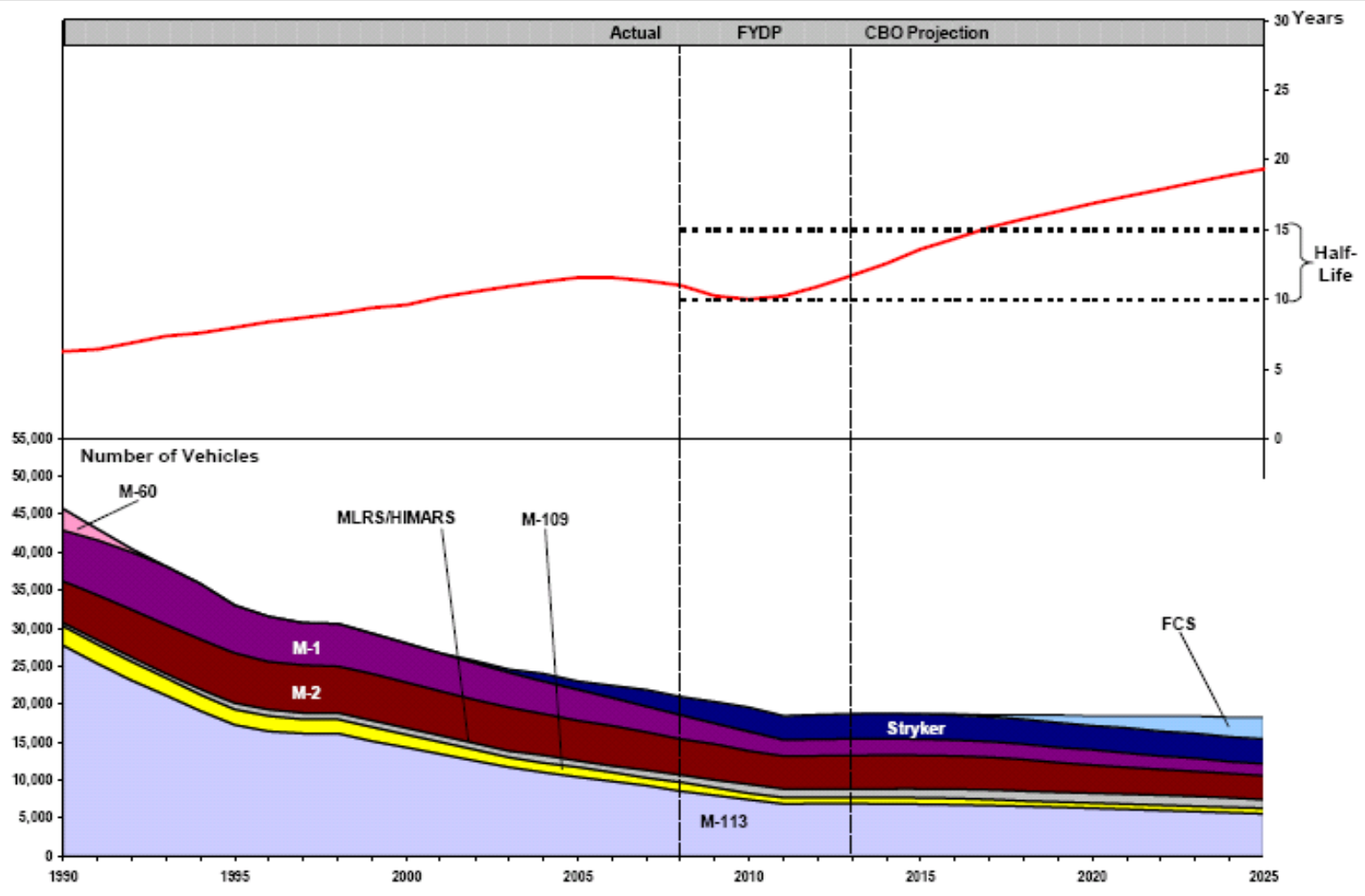
# The Army Investment Crisis



Source: CBO, *Long Term Implications of Defense Spending*, March 2008, Figure 3-3.

# Aging the Army Vehicle Fleet and Failing to Deliver the FCS

Age and Inventory of Army Ground Combat Vehicles



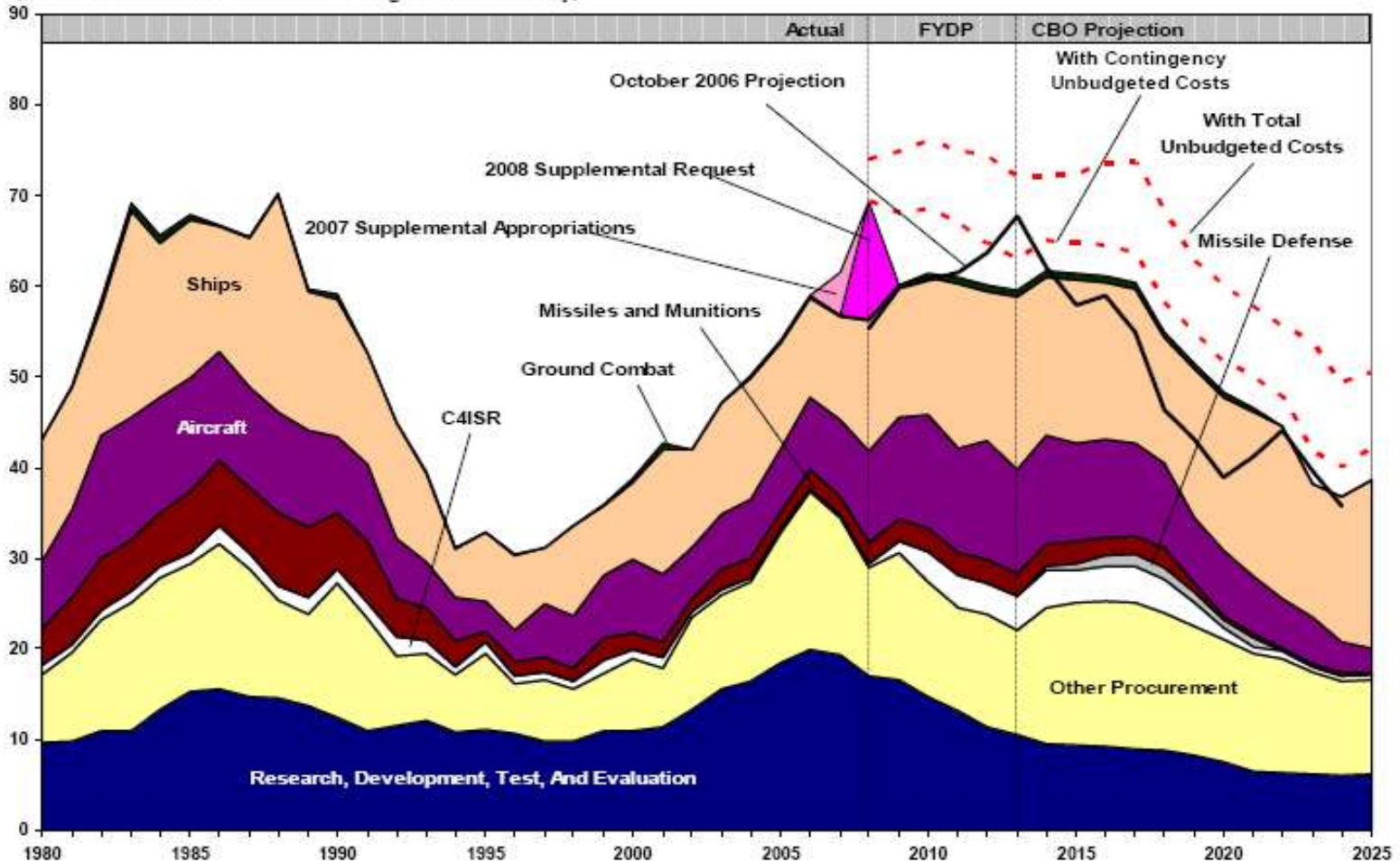
Source: CBO, *Long Term Implications of Defense Spending*, March 2008, Figure 3-5.



# The Navy-Marine Corps Investment Crisis

Past and Projected Navy and Marine Corps Funding for Investment

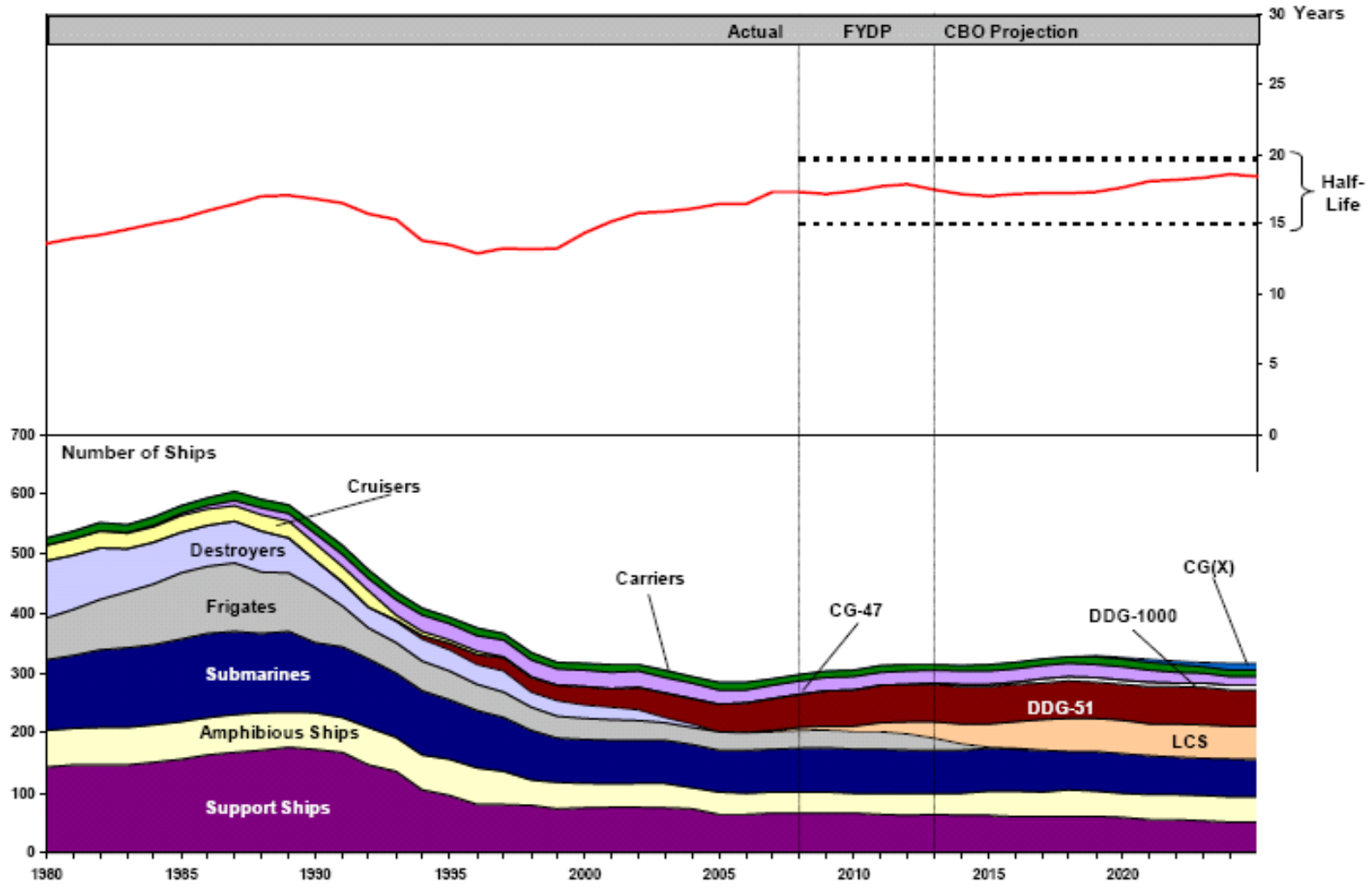
(Billions of 2008 Dollars of Total Obligational Authority)



Source: CBO, *Long Term Implications of Defense Spending*, March 2008, Figure 3-9.

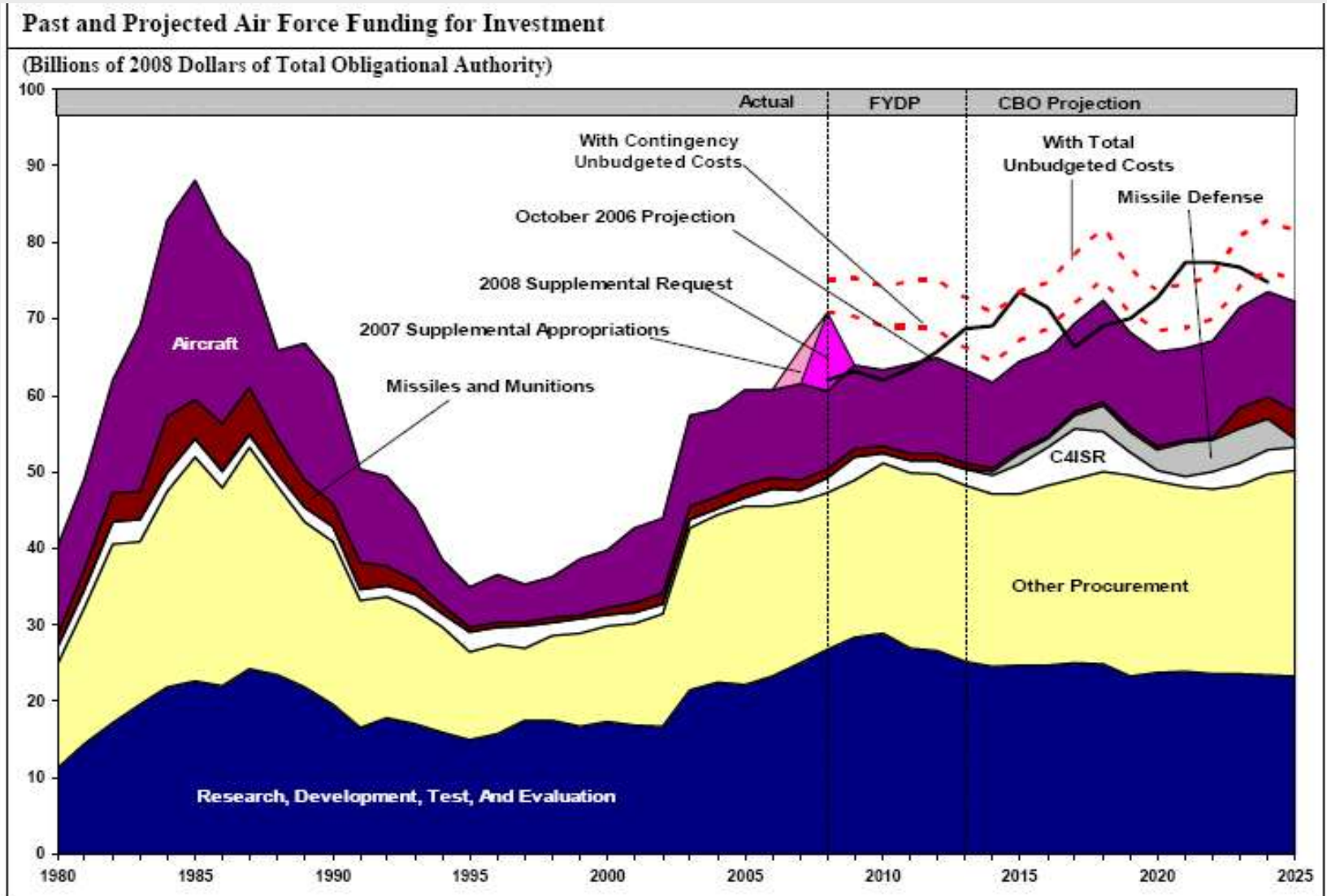
# Creating an Unaffordable Fleet

Age and Inventory of Battle Force Ships



Source: CBO, *Long Term Implications of Defense Spending*, March 23 2008, Figure 3-11.

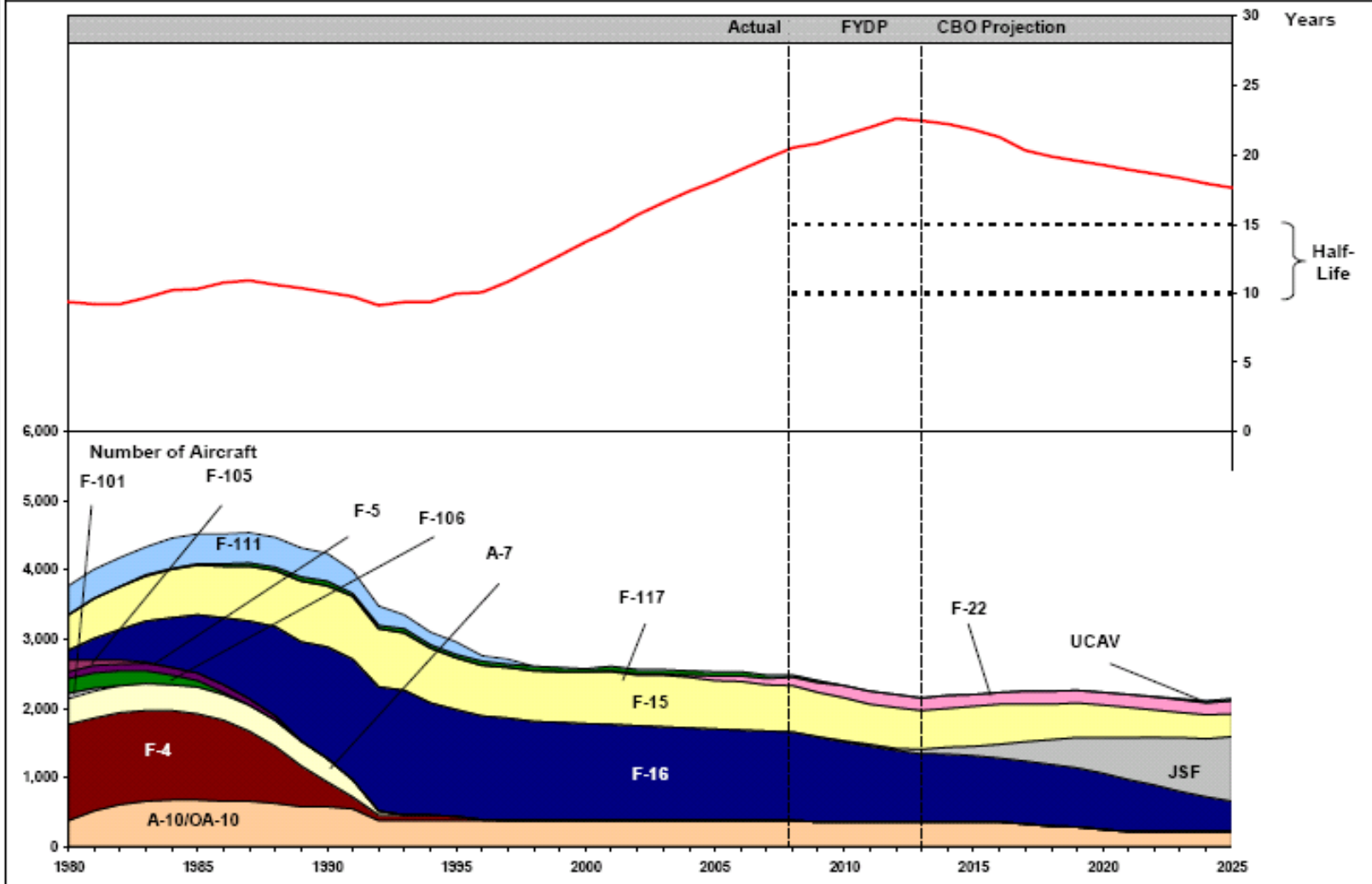
# The Air Force Investment Crisis



Source: CBO, *Long Term Implications of Defense Spending*, March 23 2008, Figure 3-19.

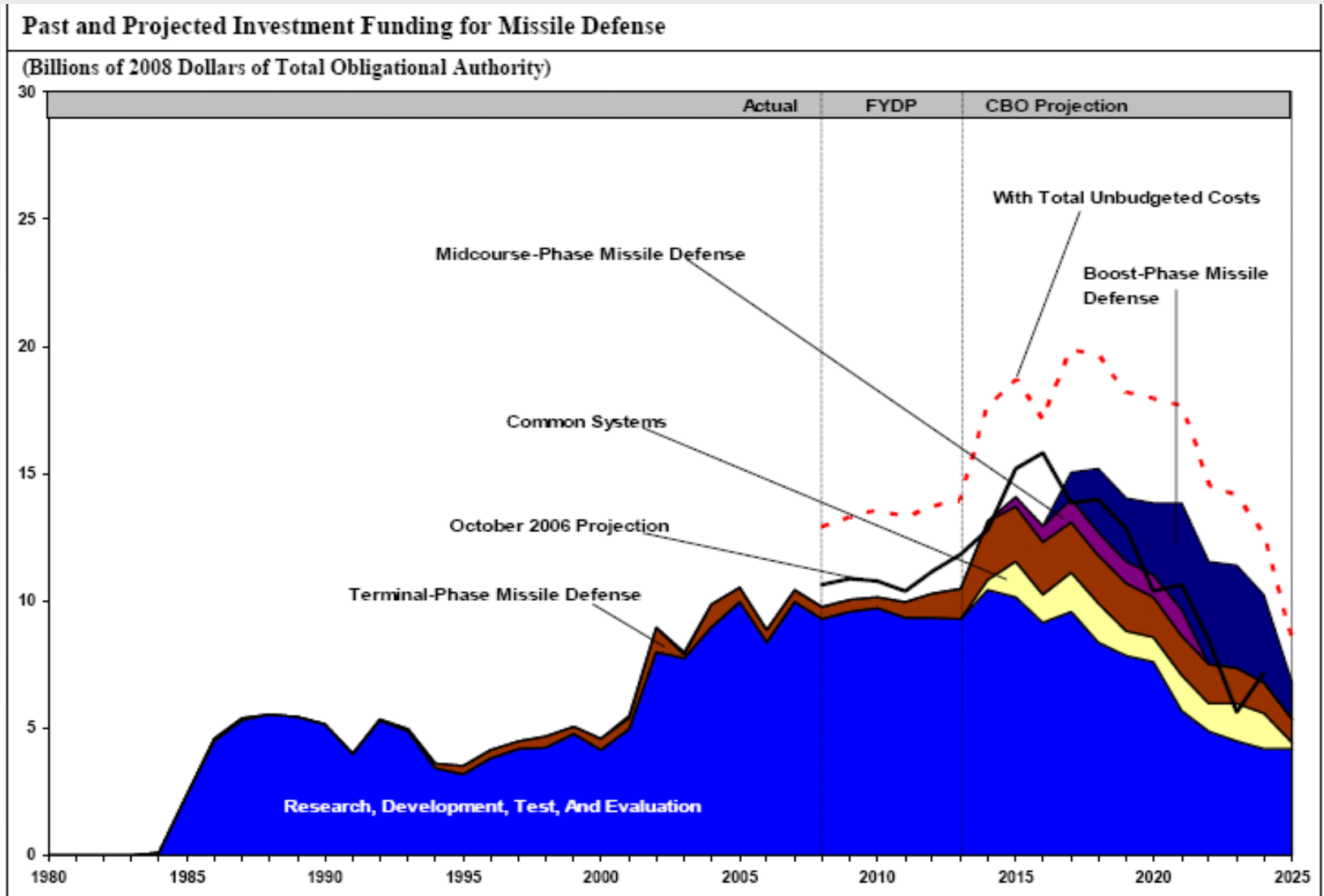
# The Need to Reshape the Air Force Fighter Fleet

Age and Inventory of Air Force Fighter and Attack Aircraft



Source: CBO, *Long Term Implications of Defense Spending*, March 23 2008, Figure 3-21.

# Is Missile Defense Affordable?



Source: CBO, *Long Term Implications of Defense Spending*, March 23 2008, Figure 3-30.

# The Need for Success and Cost Containment in Major Weapons Programs

- **Weapon systems comprise one of the largest discretionary items in the federal budget, and will face pressure from rising mandatory spending obligations.**
- **Weapon systems face competing demands from other DoD priorities, i.e. operations in Afghanistan and Iraq.**
- **Weapons programs now take far longer to develop and deploy and cost far more to buy, than is acceptable:**
  - **Future Combat Systems costs have escalated 45% to \$130 billion since the program started. DoD requested to restructure the program and cancel its vehicle component.**
  - **F-22A Raptor program unit costs have escalated 177% while the quantity to be procured has decreased by 71%. DoD requested to phase out production at 183 aircraft, against the Air Force's requirement of 381.**
  - **The cost of the SBIRS-High program has escalated 176% in eleven years.**
  - **Services, contractors, and DoD are trapped in a mutually destructive "liar's contest" to out promise competing programs, branches, and services.**