

**Acquisition with Shrinking
Resources**
“Giving *More* & Growing *Less*?”

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Committee on Armed Services**

Summary of National Defense Fiscal Scenarios

Analysis over 10-year period FY 2012 – FY 2021

(Totals in Billions of Dollars)

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

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

** - HASC estimate

Budget Control Act - Title I

- Defines “Security Category” for first time
- Sets caps for discretionary spending for FY12 and FY13.

- \$684B for FY12

- \$686 B for FY13

(\$B)	H.R. 1	FY12 House APPN	Spread
Defense	513.0	530.0	504.4
MILCON/VA	73.3	72.5	72.1
Homeland Security	41.7	40.9	41.0
NNSA	10.6	10.6	10.4
Foreign Ops	50.2	41.6	49.4
Total Security	688.8	695.6	684.0

- National Defense

- \$596B request for FY13

- Likely to remain at FY11 levels: \$553B

Budget Control Act – Sequestration

- The Budget Control Act established a Joint Select Committee for Deficit Reduction.
 - \$1.2 trillion mandate
 - Deadlines
- Should the Joint Select Committee fail, or the House or Senate fail to adopt the Select Committee's recommendations, sequestration takes effect.
 - Amount of sequestration may vary
- New caps immediately take effect for national defense ONLY in FY13.
 - \$546B for FY13
 - Baseline for further cuts
- Full sequestration is an effective cut of 18% - 24%
 - President has the authority to hold military pay and benefits exempt.
- Overseas Contingency Operations accounts are not required to be sequestered.

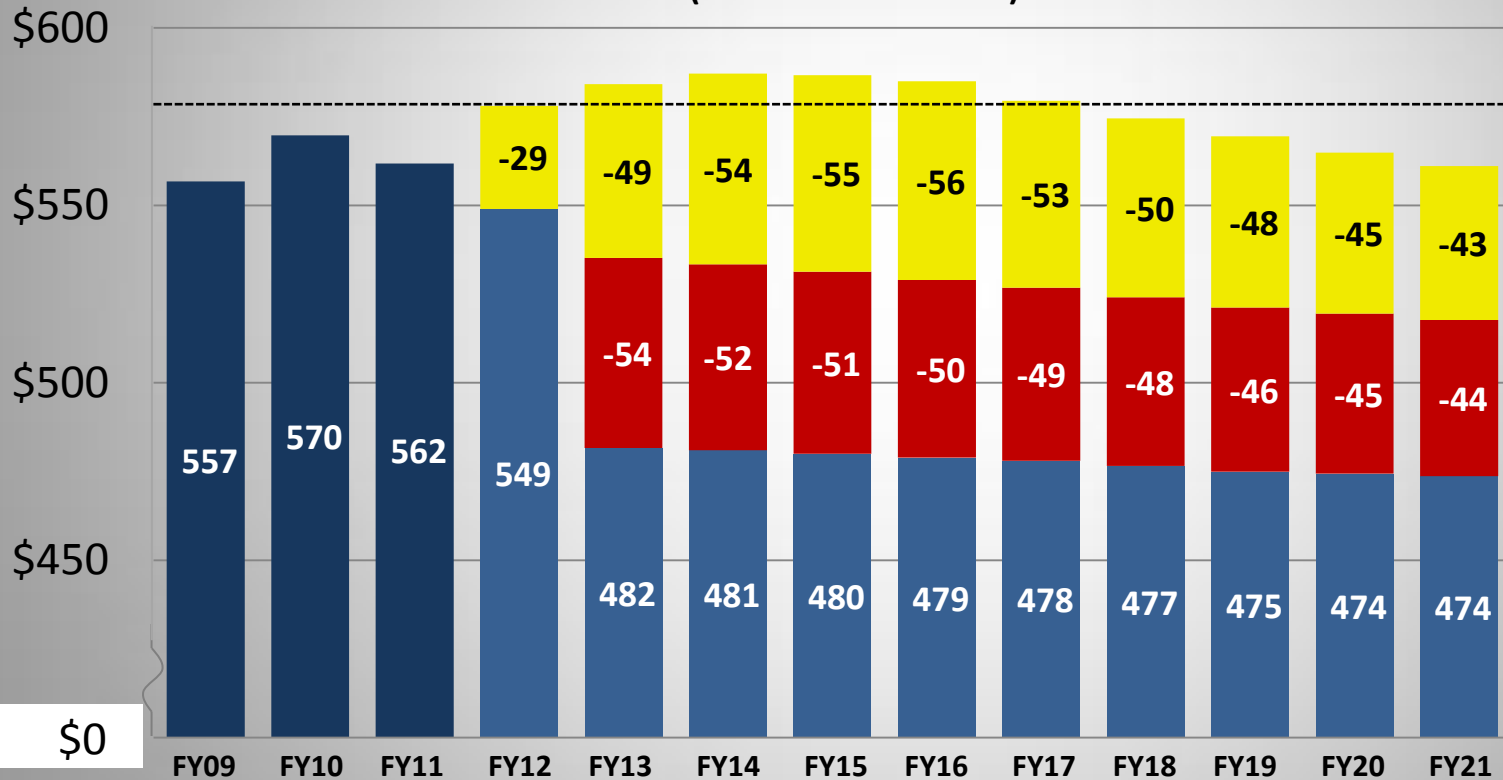
National Defense Base Budget Topline

January 2012 – Implementation of Budget Control Act (BCA) Sequestration

FY 2009 – FY 2021

Constant FY 2012 Dollars

Base Budget (In Billions of Dollars)



Original Budget Request included minimal real growth

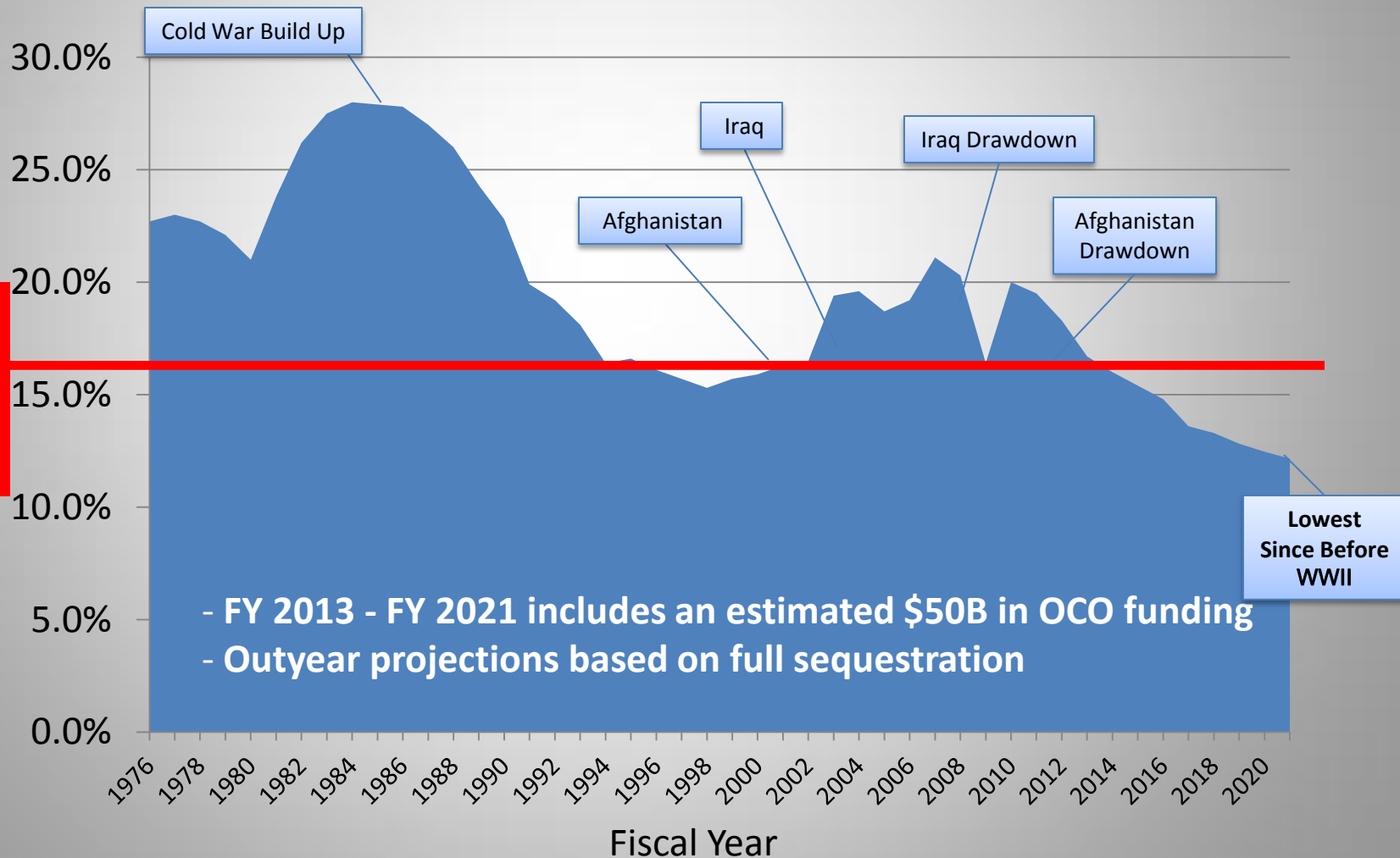
FY12 Budget Request Level

BCA baseline: Reduces spending to pre-surge levels

Full sequestration: Reduces spending to pre-9/11 levels

- Base Budget
- Base Budget Projection
- BCA Base of Sequestration
- Amount After Sequestration

Defense Department Funding as a Percentage of Total Budget Authority FY1976 – FY2021



Bush 41 / Clinton-Era Defense Levels

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

Cuts to Military End Strength

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

- Savings as a result of reductions to end strength is minimal in the near term, increases in out-years
- CBO - returning to pre 9/11 levels yields only \$4.1B in FY 2013
 - Only \$2.6B is in military personnel accounts
- Procurement and research and development accounts likely be reduced disproportionately

Aging Platforms – No Relief in Operations & Maintenance

	Average Age (years)
Amphibious Assault Vehicle	35
Light Attack Vehicle	20
Navy Ships	19
Army CH-47 Helicopters	16
Strategic Bombers	34
Tanker Aircraft	47
Airlift Aircraft	19

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

-The QDR in Perspective: Meeting America’s National Security Needs in the 21st Century. Final Report of the Quadrennial Defense Review Independent Panel. Stephen J. Hadley and William J. Perry, Co-Chairs. Washington, DC, 2010

Declining Force Structure

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

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

Broad Impacts

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

Consequences for Acquisition

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

A Few Myths

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

Thank you!

Questions?

Yearly Breakdown of Scenarios

Budget Function 050

National Defense Budget Function (\$B)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Total FY12-21
February 2010 - FY 2011 Administration Projection (FY 2011 Budget Submission)	* 552	574	591	607	624	643	659	677	696	715	735	756	6,703
February 2011 - FY 2012 Administration Projection (FY 2012 Budget Submission)	* 552	* 553	578	596	612	625	638	649	661	673	685	698	6,414
** Budget Control Act Specifies new Security category to include DHS, IA, and VA	* 552	* 553	553	553	563	574	585	597	611	624	638	652	5,949
If Joint Select Committee stalemates, additional decrease FY13-21			549	491	501	511	521	535	548	561	575	589	5,385

* - FY10 and FY11 appropriation figures entered for reference only

** - HASC estimate