

STRATEGIC AGILITY ASSESSMENT OF PRESIDENT'S FY2015 DEFENSE BUDGET

MARCH 2014

In its September 2013 report, *Strategic Agility*, the 17-member Defense Advisory Committee of former high-ranking military officers, former national security policymakers, and distinguished academics endorsed 27 specific defense policy recommendations that would protect American national security while saving nearly \$50 billion in FY2015 relative to the President's FY2014 budget request.

The Bipartisan Budget Act (BBA) was passed after *Strategic Agility's* release, and relieved the anticipated deep cuts in FY14 and FY15. However, it did not end the need for some reductions in defense spending, leaving a \$30 billion drop from the President's proposed FY14 budget. More importantly, the BBA did not change the outyear levels—in FY16 the defense budget will be the same as the one *Strategic Agility* considered.

Strategic Agility's recommendations remain valid and important considerations for ensuring a healthy defense posture under this reduced funding.

This assessment looks at how the President's FY2015 budget request stacks up against those recommendations. This assessment is complicated by the proposed budget's treatment of outyears. Instead of meeting the statutorily required levels in FY16 and beyond, the proposed budget assumes these levels will be increased, just as the President and Congress have done in the last few years, creating the damaging delays in rationalizing US defense planning.

Overall, the President's proposal goes a long way to incorporating *Strategic Agility's* recommendations. However, by enacting all of the proposed recommendations, the Administration and the Congress could reduce the amount of uncertainty that has had a debilitating impact on strategic planning while, at the same time, preserving a strong national defense.



INCORPORATION OF RECOMMENDATIONS SUMMARY

Management Reforms

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Force Structure

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Modernization

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For the original report see *Strategic Agility: Strong National Defense for Today's Global and Fiscal Realities*, released in September 2013. Available at stimson.org.

MANAGEMENT REFORMS

1. Reduce Headquarters

Cut 20% of personnel from DoD headquarters, including the Joint Chiefs of Staff, the Service Secretariats and Chiefs, and the Combatant Commands and Service components.

Comments on President's Budget

Extends the initiative announced last year to cut 20% from the Office of the Secretary of Defense and Joint Staff to services and combatant commands. However, some cuts are solely to budgets, not people, undermining both the purpose and savings of the recommendation. Some components, like the Air Force, are reducing HQ personnel as well.

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2. Reduce Defense Agencies

Reduce funding for agencies that have had skyrocketing budgets, such as the Defense Contract Audit Agency, Defense Contract Management Agency, and Defense Logistics Agency.

Comments on President's Budget

Includes a \$1 billion reduction to defense agency operations funding including those agencies specifically cited, meeting the recommendation. HQ reductions will presumably reduce personnel as well, though those reductions are not explicitly identified.

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3. Cut Back Central Training

Replace some use of large training centers with "just-in-time" training that sends trainers to military units instead of bringing entire units to central training facilities.

Comments on President's Budget

No proposals included in the budget.

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4. Extricate Uniform Personnel from Non-Military Tasks

Eliminate 10% of the 300,000 military personnel performing commercial tasks that can be done less expensively by non-military personnel.

Comments on President's Budget

The endstrength reductions will indirectly force such choices, but the budget includes no specific initiatives.

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5. Reduce Civilian Employees

Roll back some of the 17% growth in the DoD civilian workforce since 2001 by cutting 58,000 civilian positions, on top of reductions to headquarters personnel.

Comments on President's Budget

Proposes reducing civilian employees by 40,000 by FY19, including 10,000 in FY15.

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6. Reduce Contractors

Roll back some of the growth in the contractor workforce supporting the Defense Department, cutting 20% of the over 700,000 contractors currently working for DoD.

Comments on President's Budget

Explicitly calls for reducing contractors, though with little documentation.

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7. Reform Military Retirement

Modernize the military's pension-based retirement plan by incorporating a variation of the Defense Business Board's defined-contribution plan, grandfathering current military personnel.

Comments on President's Budget

Separate from the budget, DoD submitted a proposal for retirement reform to the National Military Compensation and Retirement Reform Commission.

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8. Reform Health Benefits

Increase means-tested beneficiary cost sharing requirements for TRICARE for Life and TRICARE. Increase cost-sharing for pharmaceuticals for dependents and retirees.

Comments on President's Budget

Proposes TRICARE-For-Life and Pharmacy cost-sharing. It does not include a specific TRICARE Prime cost-sharing but consolidates plans, creating savings.

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9. Stop Funding Commissaries and Post Exchanges in the US

Eliminate \$1 billion in subsidies for military-operated retail and grocery stores in the US, which are redundant with commercial options.

Comments on President's Budget

Includes this exact proposal of \$1 billion in savings, rolling back the federal subsidy to most commissaries, leaving support only for overseas and remote facilities.

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10. Consolidate Infrastructure

Cut long-term infrastructure costs and reduce excess real estate inventory through a new round of Base Realignment and Closures.

Comments on President's Budget

Proposes a new round of BRAC starting in FY17.

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FORCE STRUCTURE

11. Reduce Army Force Structure

Reduce active-duty Army personnel to 450,000, commensurate with reduced need for ground forces following the end of major operations in Iraq and Afghanistan.

Comments on President's Budget

Proposes a target of 440-450,000 for Army endstrength, as recommended, though the budget does not achieve these levels until 2017.

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12. Reduce Marine Corps End-strength

Reduce active-duty Marine Corps end-strength to 160,000, maintaining rotational and expeditionary presence while acknowledging reduced need.

Comments on President's Budget

Maintains current plans for a USMC end-strength of 182,000. Even if the Bipartisan Budget Act levels are met in FY16, the Marines would be cut only to 175,000, well above the recommended 160,000 for ground forces.

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13. Shift Active Air Force Fighters to the Reserve Component

Transfer remaining operational F-16 squadrons to the reserve component.

Comments on President's Budget

Cuts the entire A-10 fleet. Though this serves to reduce the Air Force fighter inventory, it avoids the specific F-16s referenced by *Strategic Agility* nor maintains them in the reserve component.

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14. Do Not Retire Navy Cruisers

Delay the retirement of seven Ticonderoga-class cruisers, which the Navy has proposed.

Comments on President's Budget

Does not retire cruisers, but places 11 in a warm status laid up for modernization. Though service-life will be extended, the ships will not be available in the immediate future.

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15. Maintain the Current Number of Aircraft Carriers

Retire the USS George Washington and its carrier air wing to keep active carriers at 10.

Comments on President's Budget

Assumes the USS George Washington is not refueled and therefore retired, though if greater funding were provided, this decision would be reversed. Retires an air wing, as recommended (if BCA levels hold.)

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16. Increase Resources for Offensive and Defensive Cyberwarfare

Increase resources for cyber capabilities by 25%, including spending on information technology and global communications personnel.

Comments on President's Budget

Increases resources for cyber, but only by 8%, not the 25% called for by *Strategic Agility*.

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17. Maintain Ready Special Operations Forces

Maintain the current funding levels for Special Operations Forces.

Comments on President's Budget

Continues growing Special Operations Forces but not to levels originally planned.

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18. Maintain the Strategic Depth the Guard and Reserve Provide

Reduce funding of Guard and Reserves but more modestly than that of the active force so that they can resume their traditional roles in domestic emergencies and as the nation's strategic reserve for foreign wars.

Comments on President's Budget

Reduces Guard and Reserves, especially in the Army. However, the proposed reduction is greater than *Strategic Agility* proposed.

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19. Reduce Existing Nuclear Forces

Retire one ICBM wing and reduce the non-strategic nuclear weapons inventory.

Comments on President's Budget

No proposals included in the budget.

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MODERNIZATION

20. Cancel the Ground Combat Vehicle & Joint Light Tactical Vehicle

Cancel existing vehicle programs to allow technology to develop and achieve a greater capability in the future.

Comments on President's Budget

Cancels the Ground Combat Vehicle, but moves JLTV forward to procurement with 70% greater funding than last year.

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21. Slow F-35 Purchases

Trim Navy and Marine Corps purchases to two and three respectively and Air Force purchases to nine aircraft in fiscal years 2014 and 2015.

Comments on President's Budget

Matches the recommendation for the Navy, slows the Air Force's to 26 from 30 in FY15, but leaves the Marine version the same.

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22. Continue to develop and acquire the Long-Range Strike Bomber

Maintain the existing program for the Long-Range Strike Bomber.

Comments on President's Budget

Essentially maintains funding for the program at the levels considered in the FY14 budget request.

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23. Delay and Reduce Purchases of the Next-Generation Ballistic Missile Submarine

Reduce the plan from 12 to 10 of the new submarines and delay the entrance of the new submarines.

Comments on President's Budget

Maintains the currently planned buy as scheduled.

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24. Freeze the Current Ground-Based Mid-Course Defense (GMD) Program and Reprogram Funds toward Further Technology Development

Freeze funding for the GMD and reprogram funds toward further research and development of a more effective continental United States defense system.

Comments on President's Budget

GMD in FY15 receives less than requested last year, and purchases no new interceptors, but continues the program by beginning to develop a new exo-atmospheric kill vehicle.

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25. Buy one Additional AEGIS Destroyer a Year

Increase the planned purchases of AEGIS ballistic missile defense-equipped DDG-51 destroyers to an additional one each year.

Comments on President's Budget

Maintains the planned purchase of two destroyers a year, not three a year as *Strategic Agility* recommended. Further, under FY16 spending limits, the budget does not create enough room to purchase even two a year.

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26. Shift Resources from Post-Prototype Development to Earlier Research

Cut post-prototype development funding by 10% and reinvest it in basic and applied research.

Comments on President's Budget

Cuts post-prototype development funding by 19%, nearly doubling the recommendation. However, the savings are not reinvested in basic and applied research, which takes a 5% cut.

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27. Cut Minor Procurement

Cut spending on programs costing less than \$85 million a year by an amount proportionate to the reductions in manpower.

Comments on President's Budget

Though the Air Force and defense-wide programs increased their spending on minor procurement, the other components cut even more than recommended. In all, the budget cuts \$1.5 billion — 50% more than *Strategic Agility* called for.

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