



# Defense: FY2010 Authorization and Appropriations

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## Summary

On February 26, 2009, the Administration released the broad outlines of its federal budget request for FY2010, listing for each Cabinet department and for several independent agencies the total discretionary budget authority President Obama would request, but providing no additional details. Full details of the request were made public May 7, 2009.

For the Department of Defense (DOD) in FY2010, the Administration requested a total of \$663.7 billion in discretionary budget authority. This includes \$533.7 billion in discretionary budget authority for the so-called “base budget”—all DOD activities other than combat operations in Iraq and Afghanistan and associated activities—and \$130.0 billion for what are termed “overseas contingency operations,” including those in Iraq and Afghanistan.

The Administration also requested \$75.9 billion in supplemental DOD appropriations for FY2009 to cover war costs. Combined with the \$65.9 billion “bridge fund” for FY2009 emergency war funding included in the Supplemental Appropriations Act for FY2008 (P.L. 110-252), this would bring the total appropriated for FY2009 war costs to \$141.8 billion.

On April 6, 2009, before full details of the FY2010 budget request were made public, Defense Secretary Robert Gates announced recommendations he had made to President Obama concerning FY2010 funding for several major weapons programs and other DOD activities. Gates said the recommendations were intended to change both how DOD prioritizes its missions and how it manages weapons procurement.

In particular, Gates said, DOD is organized to focus primarily on preparing for conventional warfare. He intends to place a higher priority on preparing for irregular combat, such as the operations currently underway in Iraq and Afghanistan. He said that the conventional warfare capability of U.S. forces is superior to that of potential adversaries by a big enough margin that DOD can set less technologically ambitious goals for the next-generation of conventional weaponry—tanks, warships, fighter planes and the like.

Among Gates’s recommendations were proposals to close down production of the F-22 fighter and C-17 cargo plane, as DOD had planned. Some have argued for continuing production of these aircraft.

This version of this report reflects details of Secretary Gates’s April 6 recommendations, but not full details of the May 7 budget release. A future update will fully reflect the detailed May 7 budget request.

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## Most Recent Developments

On May 7, 2009, the Obama Administration released the details of its FY2010 budget request for DOD and other federal agencies. The Administration had released the broad outlines of its federal budget request for FY2010, listing for each Cabinet department and for several independent agencies the total discretionary budget authority President Obama would request, but providing no additional details.

For the Department of Defense (DOD) in FY2010, the Administration requested a total of \$663.7 billion in discretionary budget authority. This includes \$533.7 billion in discretionary budget authority for the so-called “base budget”—all DOD activities other than combat operations in Iraq and Afghanistan and associated activities—and \$130.0 billion for what are termed “overseas contingency operations,” including operations in Iraq and Afghanistan.

The Administration also requested \$75.9 billion in supplemental DOD appropriations for FY2009 to cover war costs. Combined with the \$65.9 billion “bridge fund” for FY2009 emergency war funding included in the Supplemental Appropriations Act for FY2008 (P.L. 110-252), this would bring the total appropriated for FY2009 war costs to \$141.8 billion. (See **Table 1.**)

**Table 1. FY2008-10 DOD Appropriations**

(amounts in billions of dollars)

	FY2008 Enacted	FY2009 Enacted	FY2009 Requested	FY2010 Requested
DOD Base Budget	484.5	513.0 <sup>a</sup>	--	533.7
“Economic Stimulus” package	n/a	7.5	--	n/a
War Costs/Overseas Contingency Operations	182.7	65.9	75.9	130.0
Total	667.2	586.4	662.2	663.7

**Source:** CRS calculation based on data in summary chart of the conference report on H.R. 2638, the Consolidated Security, Disaster Assistance and Continuing Appropriations Act of 2009 (P.L. 110-329), House debate, *Congressional Record*, part 1 (September 24, 2008), pp. H9333-H9337.

**Notes:**

- a. In addition to funds provided by the FY2009 DOD Appropriations Act (P.L. 110-329, Division C) and the FY2009 Military Construction Appropriations Act (P.L. 110-329, Division E), this total includes \$10.4 billion for accrual payments to support medical care for military retirees under the so-called Tricare-for-Life program, which is funded pursuant to a permanent appropriation.

## Overview of the Administration’s FY2010 Request

The President’s FY2010 request of \$533.7 billion for the DOD base budget is \$20.4 billion higher than the total of \$513.3 billion the Obama Administration cites as the total appropriated for the DOD base budget in the regular FY2009 appropriations process.<sup>1</sup> In an April 6 press conference,

<sup>1</sup> Office of Management and Budget, *A New Era of Responsibility: Renewing America’s Promise*, Feb. 26, 2009, Table (continued...)

Defense Secretary Robert M. Gates said this nominal increase of 4 percent would amount to an increase in real purchasing power of 2 percent, taking into account the cost of inflation.<sup>2</sup> (See **Table 2**)

**Table 2. DOD Base Budget Request  
Discretionary Budget Authority, FY2009-2010**  
(amounts in billions of dollars)

	<b>FY2009 Enacted (Excluding War Funds)</b>	<b>FY2010 Requested (Excluding War Funds)</b>	<b>Percentage Change</b>
Military Personnel	124.9	136.0	+8.9%
Operations and Maintenance	179.1	185.7	+3.7%
Procurement	101.7	107.4	+5.6%
Research and Development	79.5	78.6	-1.1%
Military Construction	21.9	21.0	-4.1%
Family Housing	3.2	2.0	-38.0%
Other	3.2	3.1	-1.1%
<b>Total</b>	<b>513.5</b>	<b>533.8</b>	<b>+4.0%</b>

**Source:** Department of Defense, Fiscal Year 2010 Budget Request, Budget Briefing, p. 16, [http://www.defenselink.mil/comptroller/defbudget/fy2010/fy2010\\_BudgetBriefing.pdf](http://www.defenselink.mil/comptroller/defbudget/fy2010/fy2010_BudgetBriefing.pdf)

The American Recovery and Reinvestment Act of 2009 (ARRA, H.R. 1, P.L. 111-5), also known as the “economic stimulus” package, provided an additional \$7.4 billion in DOD appropriations for FY2009, bringing the FY2009 discretionary appropriations for the Pentagon to a total of \$520.7 billion. Compared with this amount, the FY2010 request would amount to an increase of \$13.0 billion, a nominal increase of 2.5 percent (not adjusted for inflation).

Comparison of the FY2010 DOD base budget request with the corresponding appropriation for FY2009 is complicated by the fact that the Administration is funding in the FY2010 base budget several activities that were covered by war cost supplemental appropriations bills in FY2009 and prior years. In an April 7 conference call with Internet defense reporters, Sec. Gates said the total amount of funding shifted into the base budget was about \$13 billion, which included ongoing cost of expanding the Army and Marine Corps, increased funding for medical research and quality-of-life improvements for military personnel.<sup>3</sup>

(...continued)

S-7, “Funding Levels for Appropriated (“Discretionary”) Programs by Agency,” p. 130. Based on data published by the House Appropriations Committee summarizing amounts appropriated for FY2009 (Congressional Record, September 24, 2008, Part I, pp.H291-94) the total discretionary appropriation for DOD in FY2009 was \$512.7 billion. The Obama Administration’s February 26 FY2010 budget document, which provided only gross funding totals for Cabinet agencies, did not contain sufficient information to account for the fact that the Administration’s total for the FY2009 DOD base budget is higher by some \$600 million.

<sup>2</sup> Defense Secretary Robert M. Gates, Budget Briefing, April 6, 2009 <http://www.defenselink.mil/speeches/speech.aspx?speechid=1341>.

<sup>3</sup> Department of Defense Conference Call with Secretary of Defense Robert M. Gates and Gen. James Cartwright with Internet Security Writers, April 7, 2009, <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4398>.

Setting aside those funds allocated to costs that were not included in the FY2009 DOD base budget (for the sake of an apples-to-apples comparison), President Obama's FY2010 request for the DOD base budget includes about \$520.7 billion, which is roughly \$7.4 billion more than was appropriated for DOD in the regular appropriations process. If, moreover, the \$7.4 billion provided to DOD in FY2009 by the economic stimulus package is added to the regular FY2009 appropriations, the FY2009 appropriation and the FY2010 request are roughly the same.

Comparison of President Obama's FY2010 DOD base budget request with the FY2010 budget projected by the Bush Administration is uncertain because the budget outline made public on February 26 listed only an aggregate total for the DOD base budget, without specifying whether or not that sum included each of several elements of DOD funding that might or might not reasonably be included and which could affect the total by several billions of dollars. In his April 7 conference call with reporters, Secretary Gates said that the comparable Bush Administration projection of the FY2010 DOD base was \$524 billion. By that standard, President Obama's FY2010 request is nearly \$10 billion higher. However, since the Obama request includes about \$13 billion for programs that the Bush Administration did not fund in the DOD base budget, the Obama request is about \$3 billion lower than the Bush projection, on an apples-to-apples basis.

In the fall of 2008, DOD reportedly drew up a projected FY2010 base budget request that was \$57 billion higher than the request the Bush administration had projected in February 2008.<sup>4</sup> But that larger request, details of which were not published, was not subjected to the regular budget review process within the executive branch.

## **War Costs**

The Administration is requesting an additional \$79.2 billion in new supplemental FY2009 DOD appropriations to cover war costs, partly offset by \$3.4 billion worth of rescissions. Combined with the \$65.9 billion "bridge fund" for FY2009 emergency war funding included in the Supplemental Appropriations Act for FY2008 (P.L. 110-252), this would bring the total appropriated for FY2009 war costs to \$141.8 billion. This is significantly less than amounts provided in recent years, including \$170 billion in FY2007 and \$187 billion in FY2008. The decline is mainly due to a reduction in requested funding for weapons procurement.

For FY2010, the Administration's appropriations request for what are termed "overseas contingency operations," including operations in Iraq and Afghanistan, would decline further to \$130.0 billion.

### **FY2009 War Cost Supplemental Appropriations**

For congressional action on the Administration's FY2009 supplemental appropriations request for war costs, see CRS Report R40531, *FY2009 Spring Supplemental Appropriations for Overseas Contingency Operations*, coordinated by Stephen Daggett and Susan B. Epstein. Congressional action on authorization of the FY2009 supplemental funds and on both authorization and appropriation of the FY2010 war cost request is covered in this report.

<sup>4</sup> Tony Capaccio, "Pentagon Seeks \$57 Billion More in 2010, says Jonas," *Bloomberg.com*, October 2, 2008.

## **FY2010 Congressional Budget Resolution**

The conference report on the annual congressional budget resolution (S.Con.Res. 13) includes a recommended ceiling on FY2010 budget authority and outlays for the “national defense” function of the federal budget that matches President Obama’s request. The budget resolution’s ceilings on budget authority and outlays for national defense and other broad categories (or functions) of federal expenditure are not binding on the Appropriations committees, nor do they formally constrain the authorizing committees in any way.

However, the budget resolution’s ceilings on the so-called “050 function”—the budget accounts funding the military activities of DOD and the defense-related activities of the Department of Energy and other agencies—have in the past indicated the general level of support in the House and Senate for the President’s overall defense budget proposal.

The House version of the budget resolution (H.Con.Res. 85 ), adopted April 2, set the FY2010 budget authority ceiling for the 050 “national defense” function at \$562.0 billion and provided a separate allowance of \$130.0 billion—the amount requested for war costs—under function 970 (“overseas deployments and other activities”). Those two ceilings add up to \$692.0 billion. The Senate version of the budget resolution (S.Con.Res. 13 ), also adopted April 2, set the budget authority ceiling for the 050 national defense function at \$691.7 billion and did not set a separate ceiling for overseas deployments. In the reports accompanying their respective resolutions, the House and Senate Budget committees each indicated that the ceilings recommended were intended to accommodate President Obama’s FY2010 DOD budget request.

The conference report on the final version of the budget resolution (H.Rept. 111-89) follows House version’s pattern of setting separate ceilings for a national defense base budget and for overseas deployments. The House adopted the joint resolution April 29 by a vote of 233-193. The Senate adopted it the same day by a vote of 53-43.

## **Comparison and Context<sup>5</sup>**

In recent years, some senior military officers<sup>6</sup>, as well as research groups and advocacy organizations, have argued that defense spending needs to be substantially higher in the next few years to avoid drastic cuts in major weapons programs or in the size of the force. Many have called for a baseline defense budget, not including war-related costs, pegged to about 4% of Gross Domestic Product (GDP)—an amount that would be anywhere from \$62 to \$169 billion per year higher over the next few years than the Administration plan.

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<sup>5</sup> Prepared by Stephen Daggett, Specialist in U.S. Defense Policy and Budget.

<sup>6</sup> During a Pentagon press briefing on November 17, 2008, Joint Chiefs of Staff Chairman Admiral Michael Mullen said he thought that spending 4 percent of GDP on defense was, “about right.” See DOD News Transcript, “Department of Defense News Briefing with Admiral Michael Mullen at the Pentagon, Arlington, VA,” November 17, 2008, <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4318>.

**Table 3. Actual and Projected DOD Base Budgets Compared with 4 percent of Gross Domestic Product (GDP)**

(amounts in billions of dollars)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
actual/projected DOD base budget	513.3	533.7	541.8	550.7	561.1	574.5
Gross Domestic Product	14,291	14,902	15,728	16,731	17,739	18,588
DOD base budget as percentage of GDP	3.59%	3.58%	3.44%	3.29%	3.16%	3.09%
4% of GDP	571.6	596.1	629.1	669.2	709.6	743.5
amount by which 4% of GDP exceeds actual/projected DOD base budget	58.3	62.4	87.3	118.5	148.5	169.0

**Source:** Actual/projected DOD base budget figures from Office of Management and Budget, *A New Era of Responsibility: Renewing America’s Promise*, February 26, 2009, Table S-7. “Funding Levels for Appropriated (‘Discretionary’) Programs by Agency,” p. 130; Gross Domestic Product estimates from *Ibid.*, Table S-8, “Comparison of Economic Assumptions,” p. 132.

Sen. James M. Inhofe and Rep. Trent Franks—members, respectively, of the Senate and House Armed Services committees—summarized the case for such an increase in identical joint resolutions (S.J.Res. 10 and H.J.Res. 3) introduced on Feb. 12, 2009 which call for a base defense budget equal to at least 4 percent of GDP. The fundamental case for meeting the 4 percent target is that, since the end of the Cold War, DOD’s budget and force structure have declined significantly while the tempo of operations has increased—to include sustained combat operations—and the geographic scope of operations has broadened.<sup>7</sup>

These arguments for a substantial increase in the defense budget, however, come at a time when, by historical standards, military spending seems very robust. Between FY1998, when the post-Cold War decline in defense spending hit bottom, and FY2009, the baseline Department of Defense budget, not including war costs, increased by almost 40% above inflation (see **Table 3**). Adjusting for inflation, the FY2009 baseline DOD budget was more than \$100 billion, or about 20%, greater than the average during the Cold War (measured from the end of the Korean War in FY1954 through FY1990). Funding for weapons acquisition (procurement plus R&D) in FY2009 was more than \$45 billion—or about one-third—higher than the annual Cold War average.

<sup>7</sup> Senator Inhofe elaborated on this argument in a Senate floor speech on February 12, 2009. See *Congressional Record*, February 12, 2009, pp. S-2246-48.

**Table 4. DOD Discretionary Budget Authority, FY1998-FY2009**  
(amounts in billions of current year and constant FY2009 dollars)

	Current Year Dollars			Constant FY2009 Dollars		
	Total DOD	Base DOD	Supplemental	Total DOD	Base DOD	Supplemental
FY1998	260	257	3	359	355	4
FY1999	275	266	9	370	358	12
FY2000	287	279	9	377	366	11
FY2001	316	297	19	403	379	24
FY2002	345	328	17	428	407	21
FY2003	437	365	72	526	439	87
FY2004	468	377	91	544	438	106
FY2005	479	400	79	535	447	88
FY2006	535	411	124	579	445	134
FY2007	601	432	169	633	455	178
FY2008	667	480	187	683	491	191
FY2009	662	510	152	662	510	152

**Source:** FY2001-FY2009 current year dollar figures from Department of Defense, *Fiscal Year 2009 Supplemental Request: Summary Justification*, April 2009, Figure 1, p. 1. FY1998-FY2000 total DOD from Office of Management, Budget Public Budget Database, supplemental amounts by CRS. Deflators from Department of Defense, *National Defense Budget Estimates Fiscal Year 2009*, March 2008; Data thru FY2007 are actual amounts. Figures for FY2009 include requested additional FY2009 supplemental appropriations and rescissions.

The apparent disconnect between the size of the budget and the appeals for more money appears even more striking when amounts that have been appropriated for war costs are added to the equation. On top of a baseline DOD budget that grew from \$255 billion in FY1998, in FY2009 prices not adjusted for inflation, to \$528 billion in FY2009, supplemental appropriations for war-related costs climbed from \$19.4 billion in FY2001, as an initial response to the 9/11 attacks, to \$63 billion in FY2003, the year of the Iraq invasion, to an estimated \$189 billion in FY2008. While large portions of the supplementals have been consumed by war-related operating costs, substantial amounts have also been devoted to buying new equipment, particularly for the Army and the Marine Corps. Although the bulk of this acquisition has been for force protection, communications, and transportation, the effect has been to modernize much of the basic equipment stock of both services, in effect augmenting their baseline budgets. The fact that so large a level of spending appears to the military services to be so inadequate has several explanations—and the policy implications are, accordingly, matters of varying interpretation.

Following are some of the contributing factors.<sup>8</sup>

<sup>8</sup> These issues were discussed in testimony before the House Budget Committee by Stephen A. Daggett, CRS Specialist in U.S. Defense Policy and Budget, on February 4, 2009. See prepared testimony on the House Budget Committee website at [http://budget.house.gov/hearings/2009/02.04.2009\\_Daggett\\_Testimony.pdf](http://budget.house.gov/hearings/2009/02.04.2009_Daggett_Testimony.pdf) with supporting charts at [http://budget.house.gov/hearings/2009/02.04.2009\\_Daggett\\_charts.pdf](http://budget.house.gov/hearings/2009/02.04.2009_Daggett_charts.pdf). Daggett's analysis was summarized in the April 2009 edition of *Air Force* magazine, "The Cost of the Force," *Air Force*, April 2009, pp. 37-39, <http://www.airforce-magazine.com/MagazineArchive/Documents/2009/April%202009/0409cost.pdf>.

- Future baseline budgets are widely expected to decline: The Administration plan to cut the deficit in half by the end of President Obama's first term includes limits on defense as well as non-defense spending. White House budget projections accommodate an increase of about 5% above inflation in the FY2009 DOD budget, but project a cumulative decline of about 3% between FY2009 and FY2012. Many unofficial projections of the deficit situation are less sanguine than the Administration's, so many analysts expect, at best, a flat baseline defense budget for the foreseeable future. Increased costs in part of the budget, therefore, will necessarily come at the expense of resources available in other areas.
- Supplemental appropriations are expected to decline: Although plans to withdraw from Iraq are uncertain, the military services expect that supplemental appropriations will come down within a few years. Costs for training and equipment maintenance that have been covered in supplementals will, then, migrate back into the baseline budget at the expense of other programs, and money to further upgrade ground forces will have to be found elsewhere.
- Costs of military personnel have grown dramatically in recent years: Since the end of the 1990s, Congress has approved substantial increases in military pay and benefits, including pay increases of ½ percent above civilian pay indices in seven of the past eight years, three rounds of "pay table reform" that gave larger raises to personnel in the middle grades, increased housing allowances to eliminate on base and off-base disparities, DOD-provided health insurance for Medicare-eligible military retirees (known as "TRICARE" for Life), concurrent receipt of military retired pay and veterans disability benefits that had earlier been offset, elimination of a reduction in retiree survivor benefits that had occurred at age 62, and large increases in enlistment and reenlistment bonuses and special pays. Although bonuses and some other payments may decline in the future, most of the past increases in pay and benefits have been built into the basic cost of personnel. CRS calculates that uniformed personnel now cost 40% more, per capita, after adjusting for inflation, than in FY1999.
- Operating costs continue to grow above base inflation: Historically, military operation and maintenance budgets, which pay for everything from personnel training, to weapons repairs, to facility operations, to health care, have increased relative to the size of the force by about 2.7% per year above inflation. These increases are not as large as in some areas of the civilian economy, such as health care, but they do not reflect gains in productivity that are common in other sectors of the economy. Continued growth in operating costs, which is now widely seen as a fact of life in defense planning, erodes the availability of resources for weapons modernization and other priorities.
- Increasing generational cost growth in major weapons programs: It is generally expected that new generations of weapons will be more expensive than the systems they replace as weapons technology advances. The rate of generational cost growth, however, is becoming a matter of increasing concern within the Defense Department. New stealthy aircraft, multi-mission ships, advanced space systems, and networked missiles, guns, and vehicles appear to be getting more expensive than their predecessors at a greater rate than in the past. Unless budgets increase more rapidly than costs, trade-offs between the costs of new weapons and the size of the force may be required.

- **Poor cost estimates:** The difficulties engendered by accelerating intergenerational weapons cost growth are exacerbated by poor cost estimation. The Government Accountability Office has documented frequent, substantial increases in costs of major defense systems compared to original development estimates. A side-effect of inaccurate cost projections is an increased instability in the overall defense budget, which entails inefficient production rates for major weapons programs and increased costs due to changing production plans.<sup>9</sup>
- **New requirements based on the lessons of Iraq and Afghanistan:** The wars in Iraq and Afghanistan have led to very large increases in equipment requirements for ground forces, particularly for force protection, communications, and transportation. National Guard combat units that earlier were equipped with older systems cascaded from active units are now seen as part of the rotation base that require equally modern equipment. Full sets of current equipment are expected to be available not only for next-to-deploy units, but also for units as they begin to reset from overseas rotations. A key lesson of the war is that what used to be called “minor procurement” for ground forces was substantially undercapitalized.
- **A broader range of national security challenges:** A common presumption before 9/11 was that forces trained and equipped for traditional conflicts between national armies would be able to cope with what were seen as less demanding other challenges such as stability operations. Now Secretary Gates and other prominent defense leaders maintain that forces must be designed not only for traditional conflicts, but for insurgencies and other irregular wars, support of allies, threats of catastrophic attacks by non-state actors with weapons of mass destruction, and entirely new kinds of disruptive attacks on specific U.S. and allied vulnerabilities. The effect has been to broaden requirements without, necessarily, an attendant offsetting reduction in older force goals. When these factors are taken as a whole, it is not so surprising that military planners discover some shortfalls.

But, for Congress, it may not be so obvious that the principle answer to all these problems is simply to provide more money for defense. More money is one alternative. Other alternatives may include backing away from plans to add 92,000 active duty troops to the Army and Marine Corps; shifting resources among the military services to reflect new challenges rather than allocating them roughly the same proportions every year; reviewing requirements for expensive new technologies in view of the presence or absence of technologically peer or near peer competitors; and shifting resources from military responses to global threats toward non-military means of prevention.

## **War Funding in FY2009 and FY2010<sup>10</sup>**

The cost of wars in Iraq and Afghanistan have been funded for the most part by emergency supplemental appropriations. By contrast, most of the funding for the Vietnam war after the first

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<sup>9</sup> For GAO’s more recent annual overview of defense acquisition cost growth, see U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-09-326SP, March 30, 2009.

<sup>10</sup> Prepared by Amy Belasco, Specialist in U.S. Defense Policy and Budget.

few years was provided in regular appropriations.<sup>11</sup> Since 2004, war funding has been requested in two parts: an emergency “bridge” fund to cover the first part of the year that has been included as emergency appropriations in the Department of Defense’s (DOD’s) regular appropriations and a supplemental that has been submitted later in the fiscal year.

In a new twist, the FY2008 Supplemental Appropriations Act (P.L. 110-252) enacted last summer provided both the second part of war funding for FY2008 and the first tranche of war funding for FY2009. That brought funding to \$187.1 billion for all of FY2008 and \$66 billion for FY2009 with the second tranche presented in the FY2009 Supplemental submitted on April 9, 2009.<sup>12</sup>

Many in Congress have questioned whether, after seven years, war appropriations are appropriately viewed as “unanticipated” emergencies which, heretofore, have been exempted from caps on total discretionary spending in annual congressional budget resolutions, a treatment of costs which many believe has obscured the full cost of wars in Iraq and Afghanistan to the public. In its request for an additional \$75.5 billion in war funding for the rest of FY2009, the Office of Management and Budget (OMB) announced that the Administration expects this to be the last war-related supplemental, with future funding, including the full amount for FY2010 (based on current plans), to be submitted with the regular budget and no longer considered emergency funding.<sup>13</sup>

The Administration also did not designate its FY2009 Supplemental Request as emergency funding. However, the FY2010 congressional budget resolution (S.Con.Res. 13) exempted from the cap on discretionary spending up to \$90.745 billion for “overseas contingency operations.” Since FY2008, Congress has required the Administration to submit a full year’s war request, though the Bush Administration failed to submit one for FY2009 (Sec. 1007, P.L. 109-364).

## **FY2009 Supplemental and Total Request for FY2010**

In its FY2010 budget blueprint, “A New Era of Responsibility<sup>14</sup>,” the Administration has proposed a total for war costs of \$141.4 billion for FY2009 and \$130 billion for FY2010 to carry out its plans to decrease troop levels in Iraq and increase troops in Afghanistan. For Iraq, the Administration plans to gradually reduce troops in FY2009 and reach a total between 35,000 and 50,000 by August 31, 2010 as well as meet the requirement in the U.S.-Iraq Status of Forces agreement that all U.S. troops would be out of Iraq by December 31, 2011 (the end of the first

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<sup>11</sup> CRS Report RS22455, *Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills*, by Stephen Daggett, pp. 5-6. For a discussion of how war funding may affect the federal budget, see CRS Report RL31176, *Financing Issues and Economic Effects of American Wars*, by Marc Labonte and Mindy R. Levit. Obama, “Letter to Speaker of the House, Nancy Pelosi,” 4-9-09; <http://www.cq.com/flatfiles/editorialFiles/temporaryItems/2009/obama-supp.pdf>. White House, Press Release, FY2009 Supplemental, 4-9-09;

[http://www.whitehouse.gov/omb/press\\_releases/SummaryoftheFiscalYear2009SupplementalAppropriationsRequest/](http://www.whitehouse.gov/omb/press_releases/SummaryoftheFiscalYear2009SupplementalAppropriationsRequest/).

<sup>12</sup> CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, by Amy Belasco.

<sup>13</sup> The White House, “Text of Letter from the President to the Speaker of the House,” press release, April 9, 2009, [http://www.whitehouse.gov/the\\_press\\_office/Text-of-Letter-from-the-President-to-the-Speaker-of-the-House-of-Representatives/](http://www.whitehouse.gov/the_press_office/Text-of-Letter-from-the-President-to-the-Speaker-of-the-House-of-Representatives/) and Office of Management and Budget, “Summary of the Fiscal Year 2009 Supplemental Appropriations Request,” press release, April 9, 2009, [http://www.whitehouse.gov/omb/press\\_releases/SummaryoftheFiscalYear2009SupplementalAppropriationsRequest/](http://www.whitehouse.gov/omb/press_releases/SummaryoftheFiscalYear2009SupplementalAppropriationsRequest/).

<sup>14</sup> Office of Management and Budget, *A New Era of Responsibility: Renewing America’s Promise*, Feb. 26, 2009.

quarter of FY2012). At the same time, troop levels in Afghanistan are to increase by about 25,000 over the course of FY2009, with decisions about an additional 9,000 troops to be decided sometime after December 2009.<sup>15</sup>

## **Pending FY2009 Supplemental**

The enacted FY2009 bridge fund and the pending FY2009 Supplemental together would bring the fiscal year total for war funding to \$141.4 billion, which is 23% lower than war funding appropriated in FY2008. On an apples-to-apples basis, this 23% reduction may overstate the difference between FY2009 and FY2008 funding. For example, it does not take into account that DOD considers \$12.2 billion in last year's supplemental funding unrelated to war needs, including paying for items such as higher fuel costs in DOD's baseline budget and additional childcare centers (which few would dispute) to unrequested C-17 transport aircraft and Predator Hellfire missiles (which may be more ambiguous). In addition, Congress provided \$16.8 billion to purchase the entire requirement (as defined at the time) for new Mine Resistant Ambush Protected (MRAP) vehicles deemed to be more effective in protecting military personnel against Improvised Explosive Devices (IEDs).

If FY2008 war funding is adjusted for non-war related and one-time funding, the "baseline" for war funding would be \$158.0 billion. The \$141.4 billion total in FY2009 would then be about 11% lower than the previous year. If DOD's request also were decreased to reflect the lower overall troop levels, the FY2009 request could be an additional 11% less than the previous year, which is the case for the request.

Although the Administration's FY2009 request is at about the expected overall level, it achieves that decrease by cutting procurement rather than overall operational and support funding. This may raise issues as Congress considers the FY2009 Supplemental Appropriations Bill, which was marked up by the House Appropriations Committee on May 7, 2009.<sup>16</sup>

In the transmission letter, the Administration urged Congress to move "expeditiously" as it has in the past.<sup>17</sup> The military has said that it needs the supplemental passed by Memorial Day.<sup>18</sup> It is not clear whether this takes into account DOD's ability to shift funds among accounts to finance war costs.

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<sup>15</sup> White House, "Remarks by the President on a New Strategy for Afghanistan and Pakistan," March 27, 2009; [http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-the-President-on-a-New-Strategy-for-Afghanistan-and-Pakistan/](http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-a-New-Strategy-for-Afghanistan-and-Pakistan/); White House, "Responsibly Ending the War in Iraq," Remarks by President Barack Obama at Camp Lejeune, North Carolina, February 27, 2009; [http://www.whitehouse.gov/the\\_press\\_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/](http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/); Department of Defense, Transcript, Secretary Robert Gates Interview with Fox News," March 29, 2009; <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4390>; DOD, Transcript, "Commander, U.S. Forces Afghanistan and NATO's International Security Assistance Force, Gen. David McKiernan," February 18, 2009. <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4354>

<sup>16</sup> For details on this legislation, see CRS Report R40531, *FY2009 Spring Supplemental Appropriations for Overseas Contingency Operations*, coordinated by Stephen Daggett and Susan B. Epstein

<sup>17</sup> President Obama, "Letter to Speaker of the House, Nancy Pelosi," 4-9-09 <http://www.cq.com/flatfiles/editorialFiles/temporaryItems/2009/obama-supp.pdf>.

<sup>18</sup> *Congress Daily*, 4-9-09; "White House requests \$83.4 billion in supplemental spending."

## Potential Issues in FY2009 Supplemental and FY2010 War Request

Various issues may arise in the debate on the FY2009 Supplemental, ranging from proposals to add more procurement funding to transferring a new fund for Pakistan Counterinsurgency Capability Fund from DOD to the State Department. If Congress repeats previous actions on supplementals, it may stay within Administration's proposed total but change the mix of funding.

Some Members may propose additional funding for procurement. The request includes \$28.6 billion for FY2009, about \$20 billion less than last year (excluding the one-time MRAP funding). If Congress remains within the overall total requested, that increase in procurement would need to be offset by reducing funding for Operation and Maintenance (O&M) where \$89.4 billion has been requested, \$2 billion more than last year. (see **Table 5**).<sup>19</sup> Some may question whether adopting that overall O&M funding is consistent with the projected decline in troop levels.

**Table 5** shows DOD Supplemental Appropriations for FY2006 through FY2009.

**Table 5. Department of Defense War Funding: FY2006-FY2009 Supplemental**  
(amounts in billions of dollars)

By Title	Enacted			FY2009 Total		
	FY2006	FY2007	FY2008	FY2009 Enacted Bridge	FY2009 Supp Request	FY2009 Total with Request
<b>REGULAR ACCOUNTS</b>						
Military Personnel	16.5	18.9	19.1	1.2	16.7	17.9
Operation and Maintenance	60.9	80.0	84.0	52.2	31.3	84.5
Procurement	22.9	45.4	61.6	6.1	21.9	28.1
Research, Development, Test & Evaluation	0.8	1.5	1.6	0.4	0.8	1.2
Military Construction	0.2	4.8	4.2	0	2.3	2.3
Revolving and Management Funds	3.0	1.1	2.7	0	0.8	0.8
Proposed Cancellation of FY2009 Baseline Funds	0	0	0	0	-3.4	0
<b>DOD TOTAL REGULAR ACC'TS</b>	<b>104.3</b>	<b>151.7</b>	<b>173.3</b>	<b>60.9</b>	<b>70.4</b>	<b>134.7</b>
<b>SPECIAL ACCOUNTS</b>						
Iraq Freedom Fund (includes classified)	4.7	.4	3.8	0	.4	.4
Afghan Security Forces Fund	1.9	7.4	2.8	2.0	3.6	5.6
Iraq Security Forces Fund	3.0	5.5	3.0	1.0	0	1.0

<sup>19</sup> See Table 3 in DOD, *Overseas Contingency Operations Request, FY2009 Supplemental: Summary Justification Material*, April 2009;

[http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009\\_Supplemental\\_Request/pdfs/FY\\_2009\\_Supplemental\\_Request\\_04-08-09.pdf](http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf).

By Title	Enacted			FY2009 Total		
Joint Improvised explosive Devices (IED) Defeat Fund/b/	2.0	4.4	4.3	2.0	1.5	3.5
<b>DOD TOTAL SPECIAL ACC'TS</b>	<b>11.5</b>	<b>17.7</b>	<b>13.8</b>	<b>5.0</b>	<b>5.5</b>	<b>10.5</b>
<b>TOTAL REGULAR &amp; SPECIAL ACC'TS</b>	<b>115.8</b>	<b>169.4</b>	<b>187.1</b>	<b>65.9</b>	<b>75.9</b>	<b>141.8</b>

**Source:** Office of the Secretary of defense, Fiscal Year (FY) 2009 Supplemental, exhibits for FY2009, April 2009.  
[http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009\\_Supplemental\\_request/pdfs/FY\\_2009\\_Supplemental\\_Request.pdf](http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_request/pdfs/FY_2009_Supplemental_Request.pdf); congressional appropriations acts.

**Note:** Figures above reflect amounts appropriated in DOD's regular, bridge, and supplemental appropriation acts and are not adjusted for funding not war-related (e.g., BRAC, childcare centers, fuel for baseline programs). Totals may not add due to rounding. Operation and Maintenance includes Defense Health, Drug Interdiction, and DOD Inspector General. DOD financing adjustments include proposals to cancel funding in DOD's FY2009 baseline appropriation and apply those funds to other areas. See also, in Table 6 following, caps and transfer accounts for selected activities that are funded in one or more of the appropriations accounts listed in Table 5.

**Table 6** shows funding caps and transfer accounts for selected programs that are funded in one or more of the appropriations accounts listed in **Table 5**.

**Table 6. Funding Caps and Transfer Accounts for Selected Programs: FY2006-2009**  
 (\$ in billions)

	FY2006	FY2007	FY2008	FY2009 Enacted Bridge	FY2009 Supp Request	FY2009 Total (incl. request)
Coalition Support Fund	1.4	1.1	1.4	.3	1.1	1.4
Cmdrs.' Emergency Response Fund (CERP)	.9	1.0	1.7	1.0	.5	1.4
Mine-Resistant Ambush-Protected (MRAP) fund	0	0	16.8	1.7	2.7	4.4
Special Transfer Authority Cap	4.5	6.5	6.5	2.5	4.0	6.5
Non-DOD Classified	6.1	6.1	6.1	2.9	3.1	6.0

**Source:** Congressional appropriations acts for FY2006-FY2009 and Administration FY2009 request, President Obama, "Letter to Speaker of the House, Nancy Pelosi," April 9, 2009  
<http://www.cq.com/flatfiles/editorialFiles/temporaryItems/2009/obama-supp.pdf>.

**Note:** Programs listed above are funded in the appropriations accounts listed in Table 5.

To fund the war in FY2010, the Administration requested \$130 billion or 8% below the proposed FY2009 level. Secretary of Defense Robert Gates stated that this war funding request did not include about \$13 billion for activities that are expected to persist beyond the Afghanistan and Iraq wars but which had been included in earlier war-funding bills. According to Secretary Gates, the funding shifted to the base budget would include funding for increased strength levels in the Army and Marine Corps, additional funding for helicopter support, more funds for Intelligence,

Surveillance and Reconnaissance, Special Operations forces, airlift, and funds to train and equip other countries.<sup>20</sup>

If Gates had not transferred the \$13 billion worth of programs from supplemental funding into the base budget, on an apples-to-apples basis the FY2010 request would be equivalent to \$13 billion higher or a total of \$143 billion, which would be above the FY2009 total. This may raise questions about whether the proposed level adequately reflects troop levels in 2010 based on the Administration's plans to decrease troop levels in Iraq and assuming that the President approves a DOD request for an additional 9,000 troops above earlier increases. This question could also be tied to a debate about the Administration's plans to increase troop levels and raise the U.S. involvement in Afghanistan.

## Defense Priorities: Budget and Strategy

Secretary Gates stated that the budget decisions that he announced on April 6, 2009, were intended to “reshape the priorities of America’s defense establishment.”<sup>21</sup> Those decisions focused almost exclusively on “means”, rather than on desired “ends” based on policy decisions, or “ways” designed to utilize given means to achieve desired ends. That emphasis on resources, together with the relatively broad scope of the announced programmatic decisions, raises key questions about the relative weight of strategy and budget in driving defense priorities.

### Background: Strategic Direction

Secretary Gates stressed that the April 6 announcement reflected a line of strategic thinking dating back 18 months, and captured in the June 2008 *National Defense Strategy*, other Department of Defense official documents, and speeches and statements.<sup>22</sup> This continuum of strategic thought appears to be based on several major premises:

- The “wars we’re in”—Iraq and Afghanistan—are broadly indicative of the kinds of challenges that the United States is most likely to face in the future. Those challenges include preparing for “hybrid warfare,” in which both state and non-state actors blend cutting-edge technologies (usually associated with state-based militaries) with irregular approaches and/or non-conventional approaches usually associated with guerrilla groups. Recent examples of hybrid warfare cited by

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<sup>20</sup> DOD, Transcript, “Remarks by Secretary Gates at the Army War College,” April 16, 2009; <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4404>.

<sup>21</sup> Secretary of Defense Robert M. Gates, Defense Budget Recommendation Statement, April 6, 2009, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1341>.

<sup>22</sup> See for example Department of Defense Conference Call with Secretary of Defense Robert Gates and Gen. James Cartwright with Internet Security Writers, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4398>. Key sources include Department of Defense, *National Defense Strategy*, June 2008; Department of Defense Directive 3000.07, “Irregular Warfare (IW)”, December 1, 2008; Secretary of Defense Robert M. Gates, speech at Kansas State University, “Landon Lecture”, November 26, 2007, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1199>; Secretary of Defense Robert M. Gates, remarks to U.S. Global Leadership Campaign, July 15, 2008, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1262>; Robert M. Gates, “A Balanced Strategy: Reprogramming the Pentagon for a New Age,” *Foreign Affairs*, January 2009, pp. 28-40.

- DOD officials include Hezbollah's operations against Israel in 2006 and the use of sophisticated Explosively-Formed Penetrators by insurgents in Iraq.<sup>23</sup>
- DOD should enhance and better institutionalize the capabilities required to meet these sorts of challenges by adjusting investments and by rebalancing the force accordingly.<sup>24</sup>
  - While conventional challenges persist, the nation's current and projected advantages allow room for assuming greater risk in that area. On April 6, Secretary Gates echoed the 2008 *National Defense Strategy*: "Although U.S. predominance in conventional warfare is not unchallenged, it is sustainable for the medium term given current trends."<sup>25</sup>
  - DOD is operating in a resource-constrained environment, in which "running up the score" in one area—maintaining unnecessary redundancy—requires a decision not to do something else.
  - Partnerships—with other U.S. Government agencies and with international friends and allies—will play an increasingly important role in the preparation for, and execution of, future operations.

## Strategic Processes

The decisions Secretary Gates announced April 6, timed to inform the FY 2010 budget request, were somewhat off cycle with Congressionally-mandated defense strategic review processes. This lack of synchronization raises some questions about the extent to which the decisions were strategically informed.

In theory, national security strategy issued by the White House sets the parameters for the national defense strategy issued by DOD as part of the Quadrennial Defense Review (QDR) process, and defense strategy in turn shapes budget choices. The *Goldwater-Nichols Act of 1986* established the permanent requirement for the President to submit a national security strategy report to Congress annually. That report is ordinarily due on the date the President submits the budget for the following fiscal year, but in the first year of a new Administration, it is due 150 days after the President takes office.<sup>26</sup> The due date this year would fall on June 19, 2009. In turn, legislation requires that DOD conduct a QDR during the first year of every Administration, with a requirement to submit a report based on that review to Congress in the year following the year in which the review is conducted, but not later than the President submits the budget for the next

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<sup>23</sup> See for example Media Roundtable with Secretary of Defense Robert M. Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4399>. On "hybrid warfare", see for example Frank Hoffman, *Conflict in the 21<sup>st</sup> Century: the Rise of Hybrid Wars*, Potomac Institute for Policy Studies, December 2007.

<sup>24</sup> For example, see Secretary of Defense Robert M. Gates, Defense Budget Recommendation Statement, April 6, 2009, <http://www.defenselink.mil/speeches/speech.aspx?speechid=134>: "We must rebalance this department's programs in order to institutionalize and enhance our capabilities to fight the wars we are in today and the scenarios we are most likely to face in the years ahead..."

<sup>25</sup> Secretary of Defense Robert M. Gates, Defense Budget Recommendation Statement, April 6, 2009, <http://www.defenselink.mil/speeches/speech.aspx?speechid=1341>; and DoD, *National Defense Strategy*, June 2008, p.21.

<sup>26</sup> See *Goldwater-Nichols Department of Defense Reorganization Act of 1986*, P.L. 99-433, §603.

fiscal year.<sup>27</sup> The due date for this QDR would fall in early February 2010. The QDR is intended to be a rigorous, inclusive review process that weighs assessments of the strategic environment, requirements, and gaps and overlaps in current capabilities. Further, by law, the QDR report must include “a comprehensive discussion of the national defense strategy of the United States.” That defense strategy, in turn, is required to be “consistent with the most recent national security strategy.”<sup>28</sup>

In practice, the Obama Administration appears to be broadly on track with the prescribed strategy cycle. However, that cycle may not be well-adapted for informing budget priorities in the first year of a new Administration. The most recent *National Security Strategy (NSS)* was issued by the Bush Administration in March 2006. Senior Administration officials have noted that the Obama Administration is unlikely to publish a new *NSS* in time to help shape the 2010 QDR (or in time for submission by the June deadline). However, officials have indicated that an ongoing national security review process—led by the National Security Council and intended to establish priorities and produce classified, internal guidance to departments and agencies—would likely set parameters for the QDR process.<sup>29</sup> DOD issued the most recent *National Defense Strategy* in June 2008, under the signature of Secretary Gates, as a stand-alone document, separately from a QDR process.<sup>30</sup> Secretary Gates has stressed repeatedly that the 2008 *NDS* will undergird the 2010 QDR process. On April 23, 2009, DOD announced the start of the 2010 QDR process.<sup>31</sup> Senior officials have indicated that the process is expected to conclude by the end of the summer, with the intent that its findings would be used to inform budget decision-making for FY2011.<sup>32</sup>

DOD officials have stated that, despite the absence of a concurrent QDR or NDS process, the budget decisions announced on April 6 were developed over the course of three months, in a rigorous, inclusive way that included “not only the chiefs and secretaries of the Services, but also the [Combatant] Commanders.”<sup>33</sup> DOD has reportedly continued the practice launched under the previous Administration, following the 2006 QDR, of holding frequent, inclusive sessions with senior DOD civilian and military leaders, chaired by the Deputy Secretary of Defense and the Vice Chairman of the Joint Chiefs of Staff, to consider strategic priorities, specific programs and initiatives, and Departmental processes.

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<sup>27</sup> The permanent requirement to conduct a QDR was introduced by the *National Defense Authorization Act* for FY2000, October 5, 1999, P.L. 106-65, which amended Title 10 of U.S. Code. See Title 10, U.S. Code, Subtitle A, Part I, Chapter 2, §118. Subsequent legislation amended parts of the mandate, see the *NDAA* for FY2002, December 28, 2001, P.L. 107-107, §921; and the *Bob Stump NDAA* for FY2003, December 2, 2002, P.L. 107-314, §922 and 923.

<sup>28</sup> See Title 10, U.S. Code, Subtitle A, Part I, Chapter 2, §118 (b) (1).

<sup>29</sup> See Christopher J. Castelli, “Senior Official: QDR Will Take Cues from NSC Review,” *Inside Defense*, April 23, 2009; and Christopher J. Castelli, “NSC Crafting Classified, National Security Planning Guidance,” *Inside Defense*, March 19, 2009.

<sup>30</sup> DOD had established a precedent for such separation by issuing the previous *NDS* in 2005, at the beginning of the QDR process that yielded the February 2006 *QDR Report*.

<sup>31</sup> Department of Defense News Release, “DoD Begins QDR, NPR Processes,” April 23, 2009, available at <http://www.defenselink.mil/releases/release.aspx?releaseid=12627>

<sup>32</sup> Christopher J. Castelli, “Gates Poised to Sign Key Guidance for QDR, NPR,” *Inside Defense*, April 23, 2009.

<sup>33</sup> See Department of Defense Conference Call with Secretary of Defense Robert Gates and Gen. James Cartwright with Internet Security Writers, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4398>; Media Roundtable with Secretary of Defense Robert M. Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4399>; and Secretary of Defense Robert M. Gates, Defense Budget Recommendation Statement, April 6, 2009, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1341>.

Senior DOD leaders have also stated that the scope of the April 6 decisions was not comprehensive, and that several categories of issues were deferred to the forthcoming QDR process. Secretary Gates indicated that he had deferred consideration of some specific issues—including amphibious capabilities, a follow-on bomber, and strategic (nuclear) requirements—for which sufficient “analysis and understanding” had not yet been available. Vice Chairman of the Joint Chiefs of Staff General James Cartwright added that some broader and more fundamental issues had also been deferred to the QDR—including “how to shift and manage risk,” including, for example, how to think about potential trade-offs between very different sets of capabilities.”<sup>34</sup>

## Issues for Congress

Secretary Gates’ April 2009 announcement of defense budget decisions raises a series of fundamental strategic and process questions, with implications for both policy and resourcing.

### Assessing Challenges and Requirements: Conventional, Irregular—or Hybrid?

In multiple fora, Secretary Gates has underscored the need to “display a mastery of irregular warfare comparable to that which we possess in conventional combat.”<sup>35</sup> Experts disagree about how to define those categories of warfare, but most experts use “conventional” or “traditional” to refer to warfare between state employing organized military forces; and “irregular” to refer to warfare among state and non-state actors, with an emphasis on “asymmetric” or non-conventional approaches.<sup>36</sup>

To date, most of the debates among defense experts, both practitioners and observers, have framed the fundamental question as a zero-sum balance between irregular and conventional capabilities.<sup>37</sup> The outcome of these debates could have significant implications for both policy direction, and for the execution of the military services’ fundamental responsibilities under Title X of U.S. Code to organize, man, train and equip the force. The conventional/irregular debates have unfolded most prominently in ground forces circles, in discussions of the lessons of the wars in Iraq and Afghanistan and their applicability to future contingencies. But air, naval, and space forces also play key roles in irregular warfare—a point Secretary Gates underscored on April 6 with his announcement of increased support for manned and unmanned intelligence, surveillance and reconnaissance (ISR) capabilities, and for Littoral Combat Ships (LCS). The future course of the conventional/irregular debates is likely to have a major impact on all the military services, in terms of both the balance within each service between irregular and conventional capabilities; and

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<sup>34</sup> See Media Roundtable with Secretary of Defense Robert M. Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4399>.

<sup>35</sup> Department of Defense, *National Defense Strategy*, June 2008. The Department of Defense Directive 3000.07, “Irregular Warfare (IW)”, December 1, 2008, stated that IW “is as strategically important as traditional warfare.”

<sup>36</sup> The Department of Defense Directive 3000.07, “Irregular Warfare (IW)”, December 1, 2008, defined IW as: “A violent struggle among state and non-state actors for legitimacy and influence over the relevant population(s). Irregular warfare favors indirect and asymmetric approaches, though it may employ the full range of military and other capacities, in order to erode an adversary’s power, influence, and will.”

<sup>37</sup> See, notably, Andrew J. Bacevich, “The Petraeus Doctrine,” *The Atlantic*, October 2008. Some civilian practitioners and observers have long expressed concerns about the term “irregular warfare”—in particular, a reluctance to use any term including the word “warfare” as an umbrella for a number of civilian activities. Some DoD senior officials have argued for tweaking the terminology in the interests of interagency cooperation. See for example Christopher J. Castelli, “Irregular Warfare Term Stirs Debate as DoD Prepares QDR,” *Inside Defense*, April 16, 2009.

possible trade-offs among the services, between ground-based “irregular” capabilities and “conventional” air and maritime capabilities.

The debates over strategic priorities and the allocation of investments among the range of potential challenges have addressed several distinct sets of questions:

- Which future scenarios are the “most likely” and which are the “most dangerous”? To date, there is greater agreement about the answers to those questions than about the policy approaches those answers imply. For example, in the field of homeland defense, many agree that the most likely threat to the homeland may be the limited use of biological agents, and that the most dangerous threat may be a nuclear strike on an American city. Yet some argue that resources should be directed primarily to the more likely threat, while others insist that the truly catastrophic nature of the most dangerous threat argues for making that the priority.
- What is the appropriate role for DOD in irregular warfare (IW), in the overlapping field of counterinsurgency (COIN), and in preventing or countering weak or failing states?<sup>38</sup> Some defense experts argue that a substantial or even the primary role in such contingencies rightfully belongs to civilian experts, rather than to those in uniform. One reason, they note, is that civilian agencies have far more appropriate expertise. Another reason, they add, is that by focusing on IW and COIN, the military risks the erosion of its dominance in conventional warfighting arenas—such as “long-range strike, global logistics, space-based capabilities and missile defense”—and, in general, its ability to respond to major conventional aggression.”<sup>39</sup> Other defense experts argue that while substantial civilian participation in irregular warfare contingencies might be preferred, U.S. government civilian agencies do not have the capacity to meet current requirements. Unless and until those agencies develop such capacity, they add, only military forces can provide the capabilities and capacity needed to meet the irregular challenges the nation faces.<sup>40</sup>
- How fungible are military capabilities along the spectrum of conventional-to-irregular conflict? For many analysts, the key issue is the extent to which COIN and irregular contingencies can be regarded as “lesser included” cases of major combat operations. Many proponents of focusing on conventional warfare argue that forces organized, trained and equipped to prosecute “higher-end” combat are capable of adapting to the requirements of IW, at not too high a cost.<sup>41</sup> Some proponents adjust—and strengthen—this argument by adding the provision that

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<sup>38</sup> Experts disagree about the conceptual relationship between IW and COIN. Most suggest that COIN and IW overlap but are not isomorphic; some suggest that one is a subset of the other.

<sup>39</sup> Michael J. Mazarr, “The Folly of ‘Asymmetric War’,” *The Washington Quarterly*, Summer 2008, pp. 33-53.

<sup>40</sup> See for example John A. Nagl and Brian M. Burton, “Dirty Windows and Burning Houses: Setting the Record Straight on Irregular Warfare,” *The Washington Quarterly*, April 2009, pp.91-101.

<sup>41</sup> See for example Gian P. Gentile, “Think Again: Counterinsurgency,” *Foreign Policy Online*, January 2009, available at [http://www.foreignpolicy.com/story/cms.php?story\\_id=4631](http://www.foreignpolicy.com/story/cms.php?story_id=4631). Gentile writes, “The Army must organize itself around the principle of fighting with the knowledge that if called on, it can easily shift to nation-building and counterinsurgency, as it has done in Iraq. But doing the opposite—building an Army that is great at building schools and negotiating with tribal sheikhs but is unprepared to fight at the higher end of the conflict spectrum—will only ensure that most of the blood and guts will be ours.”

forces oriented toward the “higher-end” should also have some measure of training and preparation for the “lower-end”, without impinging on the development of their higher-end capabilities, in order to further reduce the risk should they be required to shift to irregular missions. Proponents of a stronger emphasis on irregular warfare argue, in turn, that irregular contingencies require a qualitatively different mindset and array of capabilities—including addressing the “human, psychological, and political dimensions of war”—for which higher-end capabilities such as advanced technologies are no substitute. Some add that in the wars in Iraq and Afghanistan, U.S. military forces well-prepared for conventional contingencies largely faltered when confronted with irregular challenges.<sup>42</sup> The Army’s Future Combat System vehicle program illustrates a third perspective on fungibility—the attempt to stretch a “mid-range” capability to meet both conventional and irregular challenges. Critics of that approach suggested that it introduced the operational risk of a loss of sufficient capability at both far ends of the spectrum.

However, some analysts have sharply questioned the bifurcation of strategic challenges into “conventional” and “irregular” categories, arguing instead that the most likely future form of warfare is “hybrid”. Defense expert Frank Hoffman writes, “Hybrid threats incorporate a range of different modes of warfare including conventional capabilities, irregular tactics and formations, terrorist acts (including indiscriminate violence and coercion), and criminal disorder.”<sup>43</sup> The term “hybrid warfare” applies both to the use of irregular approaches by state actors, and the acquisition and use of sophisticated technologies by non-state actors—and proponents of the concept argue that both scenarios are increasingly likely. What could make hybrid warfare potentially hard to counter is its simultaneous employment of a mix of conventional and irregular approaches by the same group of actors—whether state or non-state actors—in a single battlespace.

The very qualities that make hybrid warfare hard to counter in practice may also make it hard to conceptualize in theory. In the rhetoric of some senior DOD officials, the term “hybrid” seems to be used interchangeably with “irregular”. In other cases, officials seem to characterize hybrid challenges as the arithmetic sum of conventional and irregular “parts.” In his January 2009 *Foreign Affairs* article, Secretary Gates indicated that the problem may be more complex. He wrote:

When thinking about the range of threats, it is common to divide the “high end” from the “low end,” the conventional from the irregular...In reality...the categories of warfare are blurring and no longer fit into neat, tidy boxes. One can expect to see more tools and tactics of destruction—from the sophisticated to the simple—being employed simultaneously in hybrid and more complex forms of warfare.<sup>44</sup>

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<sup>42</sup> See H.R. McMaster, “The Human Element: When Gadgets Become Strategy,” *World Affairs*, Winter 2009, pp. 31-43.

<sup>43</sup> See Frank G. Hoffman, “Hybrid Threats: Reconceptualizing the Evolving Character of Modern Conflict,” Strategic Forum, Institute for National Security Studies, National Defense University, No.240, April 2009.

<sup>44</sup> Robert M. Gates, “A Balanced Strategy: Reprogramming the Pentagon for a New Age,” *Foreign Affairs*, January 2009, pp. 28-40. Explaining his budget recommendations at the Air War College on April 15, Secretary Gates made a similar argument: “Another underlying theme in the budget recommendations is the need to think about future conflicts in a different way. To recognize that the black-and-white distinction between irregular war and conventional war is an outdated model. We must understand that we face a more complex future than that, a future where all conflict will (continued...)”

A rigorous future analysis might pursue this insight further, examining whether hybrid warfare includes qualitatively new dimensions—with possibly very significant implications for the way U.S. military forces organize, train and equip to meet such challenges.

## Institutionalizing New Capabilities

Secretary Gates has repeatedly stressed the need for DOD to institutionalize the capabilities developed to date, often on the fly, to meet the kinds of challenges exemplified by “the wars we’re in.” Many of the programmatic adjustments announced on April 6 were apparently designed to better “balance” the force. From a cost perspective, traditional “high-end” capabilities including sophisticated platforms are likely to cost significantly more than some “lower-end” capabilities.<sup>45</sup>

While program changes may be necessary for such rebalancing, they are unlikely to prove sufficient. As Secretary Gates has suggested repeatedly, the greater challenge may prove to be changing mindsets, approaches, and career path choices, for example through adjustments to organization, training, doctrine, and personnel policies.<sup>46</sup> A key issue, looking ahead, is what non-programmatic changes, including their long-term cost implications, might be required to complement programmatic changes in support of further “institutionalization.”

## Characterizing the Nature and Scope of Risk

The 2008 *National Defense Strategy* stated that DOD would continue to focus investments on building capabilities to meet irregular challenges, while “examining areas where we can assume greater risk.”<sup>47</sup> Many observers have suggested that Secretary Gates’ April 6 announcement signaled willingness to assume some additional risk in conventional warfighting arenas.

Most experts agree that risk assessment is critical to defining requirements and making budgetary decisions, but the debates about risk are sometimes imprecise because “risk” can mean a number of different things. For example, it can indicate: readiness to accept a lesser margin of superiority,

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(...continued)

range along a broad spectrum of operations and lethality. Where near-peers will use irregular or asymmetric tactics and non-state actors may have weapons of mass destruction or sophisticated missiles as well as AK-47s and RPGs. This kind of warfare will require capabilities with the maximum possible flexibility to deal with the widest possible range of conflict.” Secretary of Defense Robert M. Gates, Speech at the Air War College, Maxwell-Gunter Air Force Base, Montgomery, AL, April 15, 2009, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1344>. Secretary Gates made similar remarks on April 16 at the Army War College, and on April 17 at the Naval War College.

<sup>45</sup> In order to make the point that “rebalanced” budget priorities do not signal a decrease in DOD’s investment in traditional warfighting capabilities, Secretary Gates has stated a number of times that about half the DOD budget supports traditional warfighting, about 40% of the budget supports “dual-purpose capabilities that work in any scenario,” and about 10% supports capabilities for “irregular or hybrid” warfare. Secretary of Defense Robert Gates, Interview with Judy Woodruff, *The News Hour with Jim Lehrer*, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4397>.

<sup>46</sup> See for example Media Roundtable with Secretary of Defense Robert M. Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4399>; and Robert M. Gates, “A Balanced Strategy: Reprogramming the Pentagon for a New Age,” *Foreign Affairs*, January 2009; and remarks by Secretary Gates at the House Armed Services Committee hearing on the priorities of the Department of Defense in the new Administration, January 27, 2009.

<sup>47</sup> See Department of Defense, *National Defense Strategy*, June 2008, pp. 21-2.

because one is confident that the mission can still be achieved; readiness to accept a higher cost, in terms of blood and treasure, in the execution of a mission; readiness to accept a greater likelihood that a particular contingency will occur; and readiness to accept a greater degree of uncertainty in general.

To assess the magnitude and prudence of the risks inherent in the April 6 decisions, Congress may wish to consider:

- How confident are U.S. defense and intelligence agencies in their assessments of how long it might take potential competitors to develop specific conventional military capabilities?
- To what extent do DOD's risk assessments incorporate assumptions about the intent of potential adversaries regarding the use of such capabilities?
- If production of a highly sophisticated system is ended or slowed, how quickly could the defense industrial base reconstitute the capacity—both the physical infrastructure and the dedicated, skilled and trained workforce—to restart production, should the need arise?

For example, Secretary Gates announced the decision to focus on the F-35 Joint Strike Fighter as the U.S. fifth-generation fighter while ending production of the F-22 at 187 aircraft. He addressed one key assumption—the projected timelines of potential peer competitors for developing fifth-generation fighters—by noting that Russia would likely achieve initial operating capability by about 2016, and China by about 2020.<sup>48</sup> Unstated were any assumptions made about broader Russian or Chinese intent regarding the utilization of such a capability, or whether any such assumptions had any bearing on DOD decision-making. Also unstated was any characterization of the kinds of risks DOD believes it is assuming—less superiority, a smaller margin of error, greater likely costs in terms of lives— through greater reliance on the F-35, rather than the more capable F-22.

### **Clarifying the Concept of Deterrence for the 21<sup>st</sup> Century**

In the 21<sup>st</sup> century, a broad consensus has emerged among practitioners and observers about the need to prepare to deter a wider variety of adversaries than before. The consensus generally accepts that deterrence still relies on demonstrated U.S. military capabilities, and adversaries' belief in our willingness to use them. It also recognizes that some categories of adversaries, such as terrorists, may not be readily amenable to deterrence.<sup>49</sup>

To assess the full significance of Secretary Gates' budget recommendations, it may help to consider:

- What kinds of military capabilities would be of most use in deterring non-traditional adversaries?

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<sup>48</sup> Media Roundtable with Secretary of Defense Robert M. Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff, April 7, 2009, available at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4399>.

<sup>49</sup> The 2008 *NDS* highlights cases in which “the value is not in the destruction of a target but the attack and the very means of attack, as in terrorism.” Department of Defense, *National Defense Strategy*, June 2009, p.12.

- What demonstrations would be necessary to ensure that, from the perspective of non-traditional adversaries, such U.S. capabilities pose credible deterrent threats?
- What decision-making calculus—perhaps including risks, costs, and benefits—are various categories of non-traditional potential adversaries likely to use? How do they think?

A more coherent concept of 21<sup>st</sup> century deterrence could allow Congress to better evaluate the extent, if any, to which the April 6 decisions might restrict the U.S. government's flexibility in deterring non-traditional potential adversaries.

### **Evaluating the Impact of Growing “Partnership” on DOD Requirements**

The “continuum” of strategic thinking that Secretary Gates referred to, in announcing defense budget decisions on April 6, has included a strong emphasis both on “whole-of-government” approaches that mobilize all relevant U.S. agencies for national security activities, and on international partnerships. A key issue is the extent to which assumptions about growth in interagency and/or international partner capacity have shaped DOD's own requirements, or should shape them in the future.

Secretary Gates has repeatedly called for strengthening the civilian capacity and capabilities of the U.S. government, and also for closer integration of civilian and military efforts. What is less clear is whether DOD's own “slice of the pie,” in terms of resources and requirements, ought to shrink, as civilian capabilities grow. The *NDS* does suggest that, in some instances, enhanced civilian capabilities might lead to a reduction in DOD's requirements. For example, “having permanent civilian capabilities available and using them early could also make it less likely that military forces will need to be deployed in the first place.”<sup>50</sup> At the same time, Secretary Gates has consistently argued that even with a growth in civilian capacity, the U.S. military will still “need to institutionalize and retain these non-traditional capabilities.”<sup>51</sup>

In the international arena, Secretary Gates has argued that fostering the capacity and capabilities of international partners is critically important—that such efforts are “arguably as important if not more so than the fighting the United States does itself.”<sup>52</sup> What is less clear is whether concerted investment in building international partner capacity is simply intended to make combined efforts more effective, or whether it might also lead to a reduction in U.S. requirements.

### **Conducting a Comprehensive Strategic Review**

In April, DOD launched the formal Quadrennial Defense Review (QDR) process, and senior DOD officials have indicated that the QDR will be based broadly on the 2008 *National Defense Strategy*. The early issuance of the *NDS*, and the April 6 defense budget announcement, raise key

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<sup>50</sup> Department of Defense, *National Defense Strategy*, June 2008, p.17. See also Secretary of Defense Robert M. Gates, remarks to U.S. Global Leadership Campaign, July 15, 2008, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1262>.

<sup>51</sup> Secretary of Defense Robert M. Gates, speech at Kansas State University, “Landon Lecture”, November 26, 2007, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1199>.

<sup>52</sup> Robert M. Gates, “A Balanced Strategy: Reprogramming the Pentagon for a New Age,” *Foreign Affairs*, January 2009, pp. 28-40.

questions about what the real scope of the pending QDR will be, including the extent to which major strategic priorities and approaches will be revisited and rigorously assessed.

On the model of the 2001 and 2006 QDRs, the pending review may also address DOD's Force Planning Construct (FPC), the short-hand description of what missions the total force must be prepared to carry out simultaneously, which DOD uses to shape the force. The 2001 QDR introduced the familiar "1-4-2-1" shorthand: the force must be able to defend the homeland (1); deter aggression forward, in four regions of the world (4); swiftly defeat aggression in two overlapping major conflicts (2); and win one of them decisively (1).<sup>53</sup> The 2006 QDR introduced a "refined FPC", which framed both "surge" and "steady state" requirements in three areas—homeland defense; IW/ war on terror; and conventional operations, together with various forms of deterrence.<sup>54</sup> One issue is the extent to which the April 6 programmatic decisions may shape a new FPC by placing constraints on what the total force might be expected to execute simultaneously.

## **April 6 Recommendations**

On April 6, 2009, roughly a month before the details of the FY2010 budget are expected to be released, Secretary Gates announced several key recommendations he would propose to President Obama for inclusion in that request. Gates said this "unorthodox" procedure was warranted by the scope and significance of the decisions and by his desire to publicize them as elements of his effort to change DOD's strategic direction.

### **Quality of Life Issues**

To improve the quality of life for military personnel and their families, Gates announced four recommendations which, in sum, required \$13 billion in the FY2010 base budget for activities that previously had been funded in supplemental appropriations bills.

### **End-Strength Increase<sup>55</sup>**

Secretary Gates recommended that the FY2010 budget complete the ongoing expansion of the Army and Marine Corps, halt further personnel reductions in the Air Force and Navy (possibly at end-strength levels of 330,000 and 329,000 respectively), and fund these end strength levels at a cost of \$11 billion.

Until recently, the Army had a permanent active component end strength of 482,400 while the active component Marine Corps had a permanent end strength of 175,000. As recently as the 2006 Quadrennial Defense Review (QDR), DOD maintained that these strengths were adequate. However, the reality of fighting a multi-front war for more than five years with an all volunteer force eventually compelled the administration to reexamine its end strength position. Having resisted previous congressional calls to permanently increase the end strength for the Army and

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<sup>53</sup> Department of Defense, *Quadrennial Defense Review Report*, September 2001, pp. 17-21.

<sup>54</sup> See Department of Defense, *Quadrennial Defense Review Report*, February 2006, pp. 35-39. Some observers charged that the "refined FPC" added nuance at the expense of crisp clarity.

<sup>55</sup> Prepared by Charles A. Henning, Specialist in Military Manpower Policy

the Marine Corps, on January 19, 2007 DOD announced that it would seek approval to increase the permanent end strength of both services.

As reflected in both the FY2008 President's budget request and the FY2008 National Defense Authorization Act (NDAA), the Army's revised authorization cap is 547,400 by 2012, an increase of 65,000 over the previous baseline of 482,400. The Marine Corps' revised authorization cap is 202,000 by 2011, an increase of 27,000 over the previous baseline of 175,000.

In reality, both services should easily achieve their authorization levels by the end of FY2009, three years earlier than required for the Army and two years earlier than required for the Marine Corps. Through intense recruiting and retention efforts, the Army ended FY2008 at a strength of 543,645 while the Marine Corps ended the year at a strength of 198,505.

The Air Force has been drawing down personnel for the past several years to fund equipment modernization programs. At the end of FY2004, the Air Force had a personnel strength of 376,600 with a plan to reduce by 60,000 personnel and achieve an end strength of 316,600 by the end of FY2009. However, on June 8, 2008, the Secretary of Defense announced the end of the Air Force drawdown. While the FY2009 NDAA authorized and funding the Air Force at 317,050, DOD is committed to stabilizing the Service at a strength of approximately 330,000. This represents only a slight increase from the Air Force's strength on September 30, 2008 of 327,379.

The Navy, on the other hand, has been downsizing by 8,000 to 10,000 personnel a year for the past 6 to 7 years, attempting to reach a goal of 329,000, the number required to sustain 313 ships and approximately 3,800 aircraft. The Navy ended FY2008 with a personnel strength of 332,228 and projected a FY2009 end strength of 326,323.

## **Health Care and Family Support<sup>56</sup>**

Secretary Gates stated his intention to provide increased funding for troops and their families by requesting increases of:

- \$400 million above the FY2009 level for medical research and development;
- \$300 million above the FY2009 level for programs addressing the wounded, ill and injured, traumatic brain injury, and psychological health; and
- \$200 million above the FY2009 level for improvements in child care, spousal support, lodging, and education.

Existing programs that previously had been funded through supplementals would be funded in the base defense budget in FY2010. Secretary Gates stated that the department would spend over \$47 billion on healthcare in FY2010.

In his April 6 statement, Secretary Gates did not mention any proposals to include cost saving proposals in the FY10 budget submission. The earlier pre-decisional budget document released by the White House on March 6, 2009 did not reference any such proposal either. However, in an April 7 press conference, Secretary Gates stated that the Defense Health Program request would be fully funded in the FY2010 budget request, unlike previous years in which legislative

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<sup>56</sup> Prepared by Don J. Jansen, Analyst in Military Health Care Policy.

proposals for cost savings had been included in the budget as offsets to budgetary needs. Secretary Gates further stated his intention to work with Congress to enact legislation to better control health care spending.

In its FY2007, FY2008, and FY2009 budget submissions, the DOD proposed increases in Tricare enrollment fees, deductibles, and pharmacy co-payments for retired beneficiaries not yet eligible for Medicare. These actions were justified by DOD as necessary to constrain the growth of health care spending as an increasing proportion of the overall defense budget in the next decade. Congress has passed legislation each year to prohibit the proposed fee increases.<sup>57</sup>

### ***Study Groups Recommend Various Benefit Reforms***

Congress sought advice on how to constrain military health care cost growth in crafting the FY 2007 National Defense Authorization Act. The FY2007 national defense authorization<sup>58</sup> required the establishment of a DOD Task Force on the Future of Military Health Care, composed of military and civilian officials with experience in health-care budget issues, to examine and report on efforts to improve and sustain defense health care over the long term including the “beneficiary and Government cost sharing structure required to sustain military health benefits.” Another provision of the same act (section 713) required the Government Accountability Office (GAO) in cooperation with the Congressional Budget Office (CBO) to prepare an audit of the costs of health care to both DOD and beneficiaries between 1995 and 2005.

The Task Force on the Future of Military Health Care submitted its final report in December 2007.<sup>59</sup> It found that existing cost-sharing provisions jeopardize long-term taxpayer support and recommended phased-in changes in enrollment fees and deductibles that would restore cost-sharing relationships that existed when Tricare was created. For instance, this would mean that average enrollment fees for the average under-65 retiree family would gradually rise from \$460 per year to \$1,100 per year.

In July, 2008, the Presidentially directed Tenth Quadrennial Review of Military Compensation (QRMC) issued its report on deferred and noncash compensation for members of the uniformed services. The QRMC recommended that Tricare Prime<sup>60</sup> premiums for single retirees under age 65 be set at 40% of Medicare Part B premiums (which vary by the enrollee’s adjusted gross income). Tricare Standard/Extra<sup>61</sup> premiums for single retirees would be set at 15% of Part B premiums. Family rates would be set at twice the single rate regardless of family size. Tricare deductibles would be linked to Medicare rates with copayments waived for preventative care and prescription drug payments limited to no more than two thirds of the average copayment faced by civilians at retail pharmacies. In addition, the QRMC recommended that health care for retirees under age 65 be financed through accrual accounting in order to illuminate how current manning decisions will affect future costs.

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<sup>57</sup> For additional information, see CRS Report RS 22402, *Increases in Tricare Costs: Background and Options for Congress*, by Don J. Jansen.

<sup>58</sup> Section 711 of P.L. 109-364.

<sup>59</sup> Task Force on the Future of Military Health Care Final Report, December 2007 (available at [http://www.dodfuturehealthcare.net/images/103-06-2-Home-Task\\_Force\\_FINAL\\_REPORT\\_122007.pdf](http://www.dodfuturehealthcare.net/images/103-06-2-Home-Task_Force_FINAL_REPORT_122007.pdf)).

<sup>60</sup> Tricare Prime is DOD’s HMO-like health plan option.

<sup>61</sup> Tricare Standard and Tricare Extra are DOD’s fee-for-service and preferred provider type health plan options.

In January, 2009, DOD's Military Health System Senior Oversight Committee (SOC) issued a report responding to the recommendations of the Task Force on the Future of Military Health Care. The SOC response rejected some of the Task Force's specific cost-sharing recommendations, but did state that "DOD will continue to ask for congressional authority to charge fees and copays in an effort to maintain both a generous health care benefit and a fair and reasonable cost-sharing arrangement between beneficiaries and DOD."<sup>62</sup> If the Obama Administration decides to pursue this option, details might be included in the official budget submission expected in May or in the DOD's national defense authorization legislative package.

## **Preparing for "The Wars We're In"**

Asserting that DOD is culturally conditioned to focus on preparation for conventional combat against forces similar to our own, Secretary Gates said a second set of his recommendations were intended to institutionalize within the defense establishment capabilities that are vital to waging irregular warfare, as U.S. forces currently are doing in Iraq and Afghanistan.

## **Intelligence, Reconnaissance, and Surveillance (ISR)<sup>63</sup>**

Secretary Gates, himself a former Director of Central Intelligence, has indicated his intention to increase intelligence, surveillance, and reconnaissance (ISR) support to the warfighter by some \$2 billion within the base budget. This initiative reflects the expanding use of ISR systems, especially unmanned aerial vehicles (UAVs), in Iraq and Afghanistan to locate targets that can be attacked with minimal damage to innocent civilians or property. DOD notes that "the number of deployed UAS [unmanned aerial systems] has increased from approximately 167 aircraft in 2002 to over 6,000 in 2008, while defense investment in UAS capabilities has dramatically grown from \$284 million in Fiscal Year 2000 to \$2.5 billion in Fiscal Year 2008."<sup>64</sup>

Gates recommended funding to field and sustain 50 continuous orbits of *Predator*-class and the more capable *Reaper*-class UAVs, along with manned ISR platforms, such as the turbo-prop aircraft used by Army brigade-level commanders in Iraq (as part of Task Force Odin), to provide situational awareness—locating adversaries and even IEDs. The Gates initiative is designed to include the acquisition of key tactical ISR systems in the base budget rather than in supplementals. Reliance on supplemental funding is seen as resulting in insufficient ISR resources to meet ongoing operational demands in Iraq and Afghanistan and elsewhere.

Gates also announced plans for more extensive R&D on ISR systems, with emphasis on systems that provide links between warfighters and national systems. No details were provided.

The day after Gates set forth his ISR recommendations, the Director of National Intelligence (DNI), Dennis Blair, announced that his office and DOD have agreed on a plan to deploy new imagery satellites whose design will evolve from current satellites and increase the use of

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<sup>62</sup> Department of Defense Military Health System Senior Oversight Committee, "Response to the Recommendations of the Task Force on the Future of Military Health Care," January 2009, p. 103.

<sup>63</sup> Prepared by Richard A. Best Jr., Specialist in National Defense, Christopher Bolkcom, Specialist in Military Aviation, and Allan Hess, National Defense Fellow.

<sup>64</sup> Department of Defense, *Quadrennial Roles and Missions Review Report*, January 2009, p. 25.

commercially available imagery. Current satellites are approaching the end of their operational lifespan; a previous replacement approach (known as Future Imagery Architecture) was cancelled in 2005 as a result of technical difficulties and cost-overruns and thus new systems are required. Media reports indicate, however, that some Members favor an alternative approach to the one approved by the DNI, one based on new systems that the Administration currently judges to be technologically immature. Although Blair's announcement did not mention the cost of the satellite program (which will be funded in the classified National Intelligence Program (NIP)), some media accounts suggest that costs of the new systems will approach \$10 billion.<sup>65</sup>

### **Developing Partner Capacity (Section 1206)<sup>66</sup>**

In his April 6 statement, Secretary Gates said he was recommending an increase of \$500 million "to boost global capacity efforts....training and equipping foreign militaries to undertake counter terrorism and stability operations." Such an increase in funding for building global partnership capacity under "Section 1206" of the FY2006 National Defense Authorization Act (NDAA), P.L. 109-163, as amended, would require Congress to once again raise the authorized limit. The current authorized amount is \$350 million. Some expect that DOD may also propose extending Section 1206 authority to allow support of a wider array of partner nation security forces than currently is permitted.

Both the proposed increase in the Section 1206 authorized funding level and an expansion of the types of foreign security personnel eligible for Section 1206 assistance would be consistent with DOD's original proposal for building global partnership capacity legislation in 2005. At that time, DOD requested authority, beginning in FY2006, to spend up to \$750 million per fiscal year to assist foreign military and security forces, including armies, guard, border security, civil defense, infrastructure protection, and police forces.

From the start, Section 1206 authority has been highly controversial, with some policymakers judging that the Secretary of State should retain authority over foreign military and security force training. As a result of disagreements over bestowing a new, global "train and equip" authority on DOD, Congress substantially scaled back DOD's request in 2005 action. As originally enacted in P.L. 109-163, Section 1206 spending authority was limited to \$200 million per year and only foreign military forces were eligible for assistance. The new Section 1206 authority also contained several restrictions, making it subject to existing human rights and other restrictions elsewhere in law.

Congress has amended Section 1206 authority twice. In the FY2007 NDAA (P.L. 109-364), Congress raised the authorized spending limit to \$300 million. P.L. 109-364 also amended Section 1206 to require the concurrence of the Secretary of State for all expenditures.<sup>67</sup> In action on the FY2009 National Defense Authorization Act (P.L. 110-417), Congress extended Section 1206 authority through FY2011, raised the spending limit to \$350 million, and made those funds available across fiscal years, and included maritime security forces among those eligible to

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<sup>65</sup> Andy Pasztor and Siobhan Gorman, "Satellite Proposals Gain Traction After North Korea's Launch," *Wall Street Journal*, April 5, 2009.

<sup>66</sup> Prepared by Nina Serafino, Specialist in International Security Affairs.

<sup>67</sup>The original legislation called only for the Secretaries of Defense and State to jointly formulate any Section 1206 program and for the Secretary of Defense to coordinate program implementation with the Secretary of State. This provision remains in current law.

receive assistance. It rejected the Bush Administration's proposal to make Section 1206 authority permanent, to extend eligibility to broad array of foreign police and other security forces, and to increase the funding cap to \$750 million.<sup>68</sup>

### **Army Brigade Combat Teams<sup>69</sup>**

Secretary Gates proposed reducing from 48 to 45 the number of active duty Brigade Combat Teams the Army will create as it reorganizes its combat force from 10 divisions (each numbering between 10,000 and 18,000 soldiers) to a larger number of brigades, each comprising between 3,000 and 5,000 troops. Unlike older brigades, which typically have to borrow various specialists from other units in order to deploy overseas, the new Brigade Combat Teams are intended to be organizationally independent, including on their rosters all the personnel they would need for deployment. By reorganizing its force into a larger number of smaller units, the Army hoped to give soldiers more time at their home bases between deployments (called "dwell time"). Moreover, since the new units are self-sufficient, the Army also hoped to eliminate the use of Stop Loss orders, which require personnel to remain on active duty after the end of their enlistment when their particular skills are needed.

The Army began restructuring from a division-centric organization to brigade-centric units shortly after September 11, 2001. The original concept, as outlined in the FY2006 Quadrennial Defense Review (QDR) was to transform the active Army into 42 Brigade Combat Teams and 75 Modular Support Brigades. In 2007, when a decision was made to add 65,000 soldiers to the Army's force structure (increasing active duty end strength from 482,400 to 547,400), six Brigade Combat Teams and eight Modular Support Brigades were added to the planned brigade-centric reorganization. At that point, the plan was to create 48 Brigade Combat Teams and 83 Modular Support Brigades by 2013.

The Army currently has 43 Brigade Combat Teams, with the 44<sup>th</sup> scheduled for activation in August, 2009.

### **Special Operations Forces<sup>70</sup>**

Secretary Gates recommended increasing by 2,800 or 5 percent the number of personnel assigned to Special Operations Forces, which are units trained to perform small-scale, often clandestine military operations. How the proposed personnel increase will be spread among the Services and a target date for completing the expansion were not announced. Gates also recommended unspecified increases in the purchase of transport and aerial refueling aircraft that are adapted to special operations missions.<sup>71</sup>

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<sup>68</sup> For further information, see CRS Report RS22855, *Section 1206 of the National Defense Authorization Act for FY2006: A Fact Sheet on Department of Defense Authority to Train and Equip Foreign Military Forces*, by Nina M. Serafino.

<sup>69</sup> Prepared by Charles A. Henning, Specialist in Military Manpower Policy.

<sup>70</sup> Prepared by Charles A. Henning, Specialist in Military Manpower Policy.

<sup>71</sup> For additional information, see CRS Report RS21048, *U.S. Special Operations Forces (SOF): Background and Issues for Congress*, by Andrew Feickert

The FY2006 Quadrennial Defense Review (QDR) increased the number of active duty Special Forces Battalions by one-third and established a 2,600-strong Marine Corps Special Operations Command, a capability that did not previously exist in the Marine Corps. Today, there are approximately 55,000 special operations personnel in the four military services.

The qualification and training requirements for special operations personnel are lengthy and have a high failure rate. As a result, manning an enlarged force structure for special operations personnel takes more time than manning conventional combat units.

## **Helicopter Crew Training**

Secretary Gates recommended adding to the base budget \$500 million to increase the number of helicopters that could be deployed, with most of the funds intended to increase the number of Army helicopter pilots recruited and trained.

Gen. Martin Dempsey, USA, chief of the Army's Training and Doctrine Command (TRADOC) is reported to have said the additional funds would address the complaints of U.S. commanders in Afghanistan, who say they have the helicopters they need but not enough trained personnel to fly and maintain them. Currently, the Army trains about 1,200 helicopter pilots annually, but it needs nearly 1,500, Dempsey reportedly said, adding that an additional \$500 million would allow him to close the gap in two years.<sup>72</sup>

## **Shipbuilding<sup>73</sup>**

Navy shipbuilding plans have emerged in recent years as a matter of particular congressional concern. Secretary Gates linked various shipbuilding proposals to different aspects of his overall strategic vision, justifying some of them in terms of conventional force modernization requirements, others in terms of acquisition reform, and still others in terms of his effort to institutionalize within DOD thinking a higher priority for irregular warfare.

The ship-procurement rate for the last 17 years has been well below the average annual rate that would be needed over the long term to achieve and maintain the Navy's planned 313-ship fleet. Many observers believe the Navy's long-term shipbuilding plan is unaffordable. Certain Navy shipbuilding programs in recent years have experienced significant cost growth, construction delays, and construction deficiencies. Members of Congress who track Navy shipbuilding have expressed growing concern and frustration about the situation.

Secretary Gates' proposed actions concerning Navy ships did not go as far as some observers had expected or speculated in terms of proposed reductions or cutbacks. In particular, Secretary Gates did not propose a near-term and permanent reduction in the size of the Navy's aircraft carrier force from 11 ships to 10, and he did not propose the cancellation of second and third Zumwalt (DDG-1000) class destroyers. Some of Gates' proposed actions simply confirmed existing Navy plans for certain shipbuilding programs, or were consistent with recent press reports about emerging Navy plans for those programs.

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<sup>72</sup> Amy Butler, "Army Shifts Focus to Helo Pilot Training," *Aviation Week and Space Technology*, April 20, 2009.

<sup>73</sup> Prepared by Ronald O'Rourke, Specialist in Naval Affairs.

The following section discuss in more detail Secretary Gates' recommendations concerning various classes of vessels under development or under construction.

## **Aircraft Carriers**

Instead of proposing a near-term and permanent reduction in the size of the carrier force from 11 ships to 10, Gates proposed that the schedule for procuring new carriers be stretched out somewhat, to a rate of one carrier every five years. The previous schedule called for procuring one carrier approximately every 4.5 years (a combination of four- and five-year intervals). The stretching out of the carrier procurement schedule, Gates said, would place carrier procurement "on a more fiscally sustainable path." Gates stated that his proposed schedule would permit the Navy to maintain an 11-carrier force through about 2040, after which the force would decrease to 10 ships.<sup>74</sup>

In announcing the proposal to stretch out the carrier procurement schedule (and his proposals regarding the CG(X) cruiser, the 11<sup>th</sup> LPD-17 amphibious ship, and the Mobile Landing Platform ship), Gates stated, "The healthy margin of dominance at sea provided by America's existing battle fleet makes it possible and prudent to slow production of several major surface combatants and other maritime programs."

Although the Navy under Gates' proposed carrier-procurement schedule is generally to maintain an 11-carrier force through 2040, the force is projected to temporarily drop to ten ships for a 33-month period in 2012-2015. This temporary drop has been projected for years and is not a result of Gates' proposed carrier-procurement schedule. The drop will occur because the aircraft carrier Enterprise (CVN-65) is scheduled to retire in 2012 at age 51, and its replacement, the Gerald R. Ford (CVN-78), is not scheduled to enter service until 2015.

Current law (10 U.S.C. 5062(b)) requires the Navy to maintain a force of not less than 11 operational aircraft carriers, so the Navy needs a legislative waiver from Congress to permit the carrier force to drop temporarily to ten ships during the scheduled 33-month period in 2012-2015. The Navy asked for this waiver in FY2008 and FY2009; Congress did not grant it. The Navy plans to ask for it again in FY2010. The Navy argues that keeping the Enterprise in service for an additional three years would require more than \$2 billion in ship maintenance costs and ship operating and support costs and will result in only one additional six- or seven-month deployment by the ship. The Navy also argues that it will maximize the operational availability of its ten operational carriers during the 33-month period by rescheduling certain maintenance actions planned for those ships. Those who question whether the legislative waiver should be granted argue that potential delays in completing the construction of CVN-78 could extend the 33-month gap to perhaps 45 months, or longer, making it potentially more necessary and more cost effective to spend the money needed to keep Enterprise in operation to 2015. If Congress does not grant the legislative waiver, the Navy would need to begin scheduling the maintenance funding needed to keep the ship in operation. Some portion of that funding might be needed in FY2010.

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<sup>74</sup>Reducing the carrier force in the near term and permanently from 11 ships to 10 could have involved cancelling the mid-life nuclear refueling overhaul scheduled in FY2013 for the aircraft carrier Abraham Lincoln (CVN-72), and retiring the Lincoln in 2015, at about age 26, instead of keeping the ship in operation to about age 50.

Secretary Gates' proposal for shifting carrier procurement to one ship every five years will defer the procurement of the next aircraft carrier, CVN-79, by one year, from FY2012 to FY2013. Such a one-year deferral could increase the cost of both CVN-79 and Virginia-class submarines under construction at that shipyard. A one-year deferral in the procurement date of CVN-79 could also reduce the amount of advance procurement funding that is to be requested for the ship in FY2010.<sup>75</sup>

### **DDG-1000 and DDG-51 Destroyers**

Secretary Gates stated that the proposed FY2010 budget “will include funds to complete the buy of two navy destroyers in FY10. These plans depend on being able to work out contracts to allow the Navy to efficiently build all three DDG-1000 class ships at Bath Iron Works in Maine and to smoothly restart the DDG-51 Aegis Destroyer program at Northrop Grumman's Ingalls shipyard in Mississippi. Even if these arrangements work out, the DDG-1000 program would end with the third ship and the DDG-51 would continue to be built in both yards.” He added that “If our efforts with industry are unsuccessful, the department will likely build only a single prototype DDG-1000 at Bath and then review our options for restarting production of the DDG-51. If the department is left to pursue this alternative, it would unfortunately reduce our overall procurement of ships and cut workload in both shipyards.”

Gates' proposal regarding destroyer procurement was one of several program actions that he cited after saying, of DOD's acquisition and contracting processes: “The perennial procurement and contracting cycle—going back many decades—of adding layer upon layer of cost and complexity onto fewer and fewer platforms that take longer and longer to build must come to an end,” he told reporters April 6. “There is broad agreement on the need for acquisition and contracting reform in the Department of Defense. There have been enough studies. Enough hand-wringing. Enough rhetoric. Now is the time for action.”

Soon after Gates' news conference, it was reported that the Navy had reached an agreement with Bath Iron Works and Northrop to have Bath build all three DDG-1000s. Under the agreement, Northrop will build the first two DDG-51s to be procured under the DDG-51 restart, and Bath would build the third DDG-51.

The Navy's proposed FY2010 budget will request about \$1 billion in funding to complete the cost of the third DDG-1000, which was authorized but only partially funded in FY2009, and additional funding for the procurement of the first DDG-51. (This is what Gates meant when he stated that the proposed FY2010 budget “will include funds to complete the buy of two navy destroyers in FY10.”) The FY2011 budget is to include funding for the procurement of two more DDG-51s.

Secretary Gates' proposal on destroyers appears to endorse, to some degree at least, the proposal announced by the Navy in July 2008 to halt DDG-1000 procurement and restart DDG-51 procurement. This proposal was the subject of considerable debate in Congress last year, with supporters of the DDG-51 and DDG-1000 making arguments in favor of their own ships.

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<sup>75</sup> Aircraft carrier procurement is discussed further in CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

Gates' April 6 news conference left unclear the status of a January 2009 proposal made by the then-DOD acquisition executive, John Young, to begin procuring in FY2012 a ship called the Future Surface Combatant (FSC) that could be based on either the DDG-51 design or the DDG-1000 design. Gates stated that under his proposal, "the DDG-1000 program would end with the third ship," but depending on how the term "DDG-1000 program" is defined, that statement might or might not preclude an FSC based on the DDG-1000 design. The status of the FSC proposal following Gates' April 6 news conference is a potentially important issue for Congress to learn more about.<sup>76</sup>

## **CG(X) Cruiser**

Gates proposed a delay in the start of the CG(X) cruiser program "to revisit both the requirements and acquisition strategy" for the program. The Navy wants to procure CG(X)s to replace its 22 Ticonderoga-class Aegis cruisers, which are projected to reach their retirement age of 35 years between 2021 and 2029.

In announcing this proposal (and his proposals on the aircraft carrier procurement schedule and on delaying procurement of the 11<sup>th</sup> LPD-17 amphibious ship and the Mobile Landing Platform ship), Gates said, "The healthy margin of dominance at sea provided by America's existing battle fleet makes it possible and prudent to slow production of several major surface combatants and other maritime programs." Gates' proposed delay is broadly consistent with press reports since late-2008 that the Navy plans to defer the procurement of the first CG(X) from FY2011 to about FY2017.<sup>77</sup>

## **Littoral Combat Ship (LCS)**

Secretary Gates recommended continuation of the planned procurement of Littoral Combat Ships (LCSs) which he described as, "a key capability for presence, stability, and counterinsurgency operations in coastal regions." This was one of several recommendations he made after stating: "Our contemporary wartime needs must receive steady long-term funding and a bureaucratic constituency similar to conventional modernization programs. I intend to use the FY10 budget to begin this process."

Gates said the FY2010 budget would request funding for three more LCSs, and that a total of 55 LCSs are planned. Both elements of this statement are consistent with prior Navy planning and represent no change to the program: The LCS program was scheduled to increase from two ships in FY2009 to three ships in FY2010 as part of a plan to ramp up the annual LCS procurement rate to an eventual level of five or more ships per year, and the Navy has planned a total of 55 LCSs since 2006.

The LCS program was restructured in 2007 following revelations of significant cost growth and construction problems. The program continues to be a program of particular oversight focus for

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<sup>76</sup> Procurement of DDG-1000 and DDG-51 destroyers is discussed further in CRS Report RL32109, *Navy DDG-1000 and DDG-51 Destroyer Programs: Background, Oversight Issues, and Options for Congress*, by Ronald O'Rourke.

<sup>77</sup> The CG(X) program is discussed further in CRS Report RL34179, *Navy CG(X) Cruiser Program: Background, Oversight Issues, and Options for Congress*, by Ronald O'Rourke.

Congress. The Seapower and Expeditionary Forces subcommittee of the House Armed Services Committee, for example, held a hearing on March 10, 2009, to review the status of the program.<sup>78</sup>

## **LPD-17, Mobile Landing Platform (MLP), and Joint High Speed Vessel (JHSV)**

Laying the groundwork for a potentially dramatic change in DOD planning, Gates proposed deferring from FY2010 to FY2011 the procurement of two ships intended to support amphibious landings, saying he wanted to, “assess costs and analyze the amount of these capabilities the nation needs.”

Gates drew the point more sharply during a speech to the Naval War College on April 17, citing amphibious landings as one example of areas in which he wanted the QDR to be “realistic about the scenarios where direct U.S. military action would be needed.” As recently as 1991, he acknowledged, the threat of a large-scale amphibious assault by U.S. Marines on the coast of Kuwait played a useful role in tying down Iraqi forces while the actual U.S.-led attack came overland from Saudi Arabia. But Gates added: “We have to take a hard look at where it would be necessary or sensible to launch another major amphibious action again. In the 21<sup>st</sup> century, how much amphibious capability do we need?”<sup>79</sup>

Pending analysis of that issue by the QDR, Gates recommended deferring the planned funding in FY2010 of an 11<sup>th</sup> San Antonio (LPD-17) class amphibious ship and the first Mobile Landing Platform—a ship intended to function as a pier on which cargo ships could transfer their loads to amphibious landing craft.

Procurement of LPD-17s has been a topic of congressional interest in recent years. Gates’ proposal could increase the cost of the 11<sup>th</sup> LPD-17 and the MLP in then-year dollars, if not also in real (inflation-adjusted) dollars. The FY2010 budget will request roughly \$770 million in funding needed to complete the cost of the 10<sup>th</sup> LPD-17, which was authorized but only partially funded in FY2009.<sup>80</sup>

Secretary Gates did not recommend any change in planned procurement of Joint High Speed Vessels (JHSVs), high-speed sealift ships the production of which is just beginning. He announced that, “to improve our inter-theater lift capability,” pending delivery of the first JHSV, DOD would charter two existing ships of this kind, in addition to two it currently has under charter. The chartered ships of this type all have been foreign-built.

## **Aircraft<sup>81</sup>**

As with his shipbuilding recommendations, Secretary Gates cited different rationales for his various recommendations about aircraft programs, justifying some of them in terms of the need to

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<sup>78</sup> The LCS program is discussed further in CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Background, Oversight Issues, and Options for Congress*, by Ronald O'Rourke.

<sup>79</sup> DOD News transcript: “Remarks by Secretary of Defense Robert Gates at the Naval War College, Newport, Rhode Island,” April 17, 2009 accessed at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4405>.

<sup>80</sup> LPD-17 procurement is discussed further in CRS Report RL34476, *Navy LPD-17 Amphibious Ship Procurement: Background, Issues, and Options for Congress*, by Ronald O'Rourke.

<sup>81</sup> Prepared by Christopher Bolcom, Specialist in Military Aviation and Allan Hess, National Defense Fellow.

affordably modernize U.S. conventional forces and citing others as necessary steps toward acquisition reform.

### **Tactical Combat Aircraft (F-35, F-22, F/A-18)**

Secretary Gates basically reaffirmed the existing plan for fighter procurement, except for a slight reduction in the number of F/A-18-type planes for the Navy to be funded in FY2010. He thus rejected a vigorous campaign by proponents of the Air Force's F-22 to continue production of that aircraft which supporters maintain has a uniquely potent blend of speed and stealthiness. Instead, Gates and Joint Chiefs of Staff Vice Chairman Gen. James E. Cartwright, called for a force made up of the planned 187 F-22s, plus thousands of the cheaper and less stealthy F-35s, and several hundred missile-armed *Reaper* and *Predator* UAVs. The UAVs would replace many of the 250 older fighters, mostly F-16s, that Gates plans to retire.<sup>82</sup> This marks the first time that senior DOD officials have identified UAVs as major components of the U.S. combat force rather than as support equipment.

### ***F-35 Joint Strike Fighter***

Secretary Gates recommended buying 30 F-35s in FY2010, an increase from the 14 funded in FY2009, with an increase in funding from \$6.9 billion to \$11.2 billion. He called for buying 523 F-35s in FY2010-14 and a total of 2,443 of the aircraft over the program's life. This procurement profile matches the current F-35 program of record for FY09 and FY10, although \$11.2 billion is higher than the \$8.4 billion originally planned for FY2010. Purchasing 513 aircraft over the five year defense plan is a slight increase (28 aircraft) over the current program, but the projected total purchase of 2,443 remains the same as previously planned.<sup>83</sup>

The Government Accountability Office (GAO) reported in March that DOD sought to increase the 5-year purchase plan by 169, and criticized the \$33 billion effort as creating "very significant financial risk" in part due to a lack of flight testing prior to procuring large numbers of the aircraft.<sup>84</sup> Congress has waged an ongoing debate with DOD over funding a second engine type as an alternative power plant for the JSF, which Congress has supported.<sup>85</sup>

### **F-22 Raptor**

Secretary Gates recommended no further procurement of F-22s, thus ending the program at 187 planes—the 183 funded thus far plus four planes requested in the FY2009 supplemental appropriation.

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<sup>82</sup> DOD News Transcript, "Media Roundtable of Secretary of Defense Robert Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff and Selected Reporters, April 7, 2009, accessed at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4399>.

<sup>83</sup> For further analysis on the F-35, see CRS Report RL30563, *F-35 Lightning II Joint Strike Fighter (JSF) Program: Background, Status, and Issues*, by Christopher Bolkom.

<sup>84</sup> U.S. Government Accountability Office, *Joint Strike Fighter: Accelerating Procurement before Completing Development Increases the Government's Financial Risk*, GAO-09-303, March 12, 2009, <http://www.gao.gov/new.items/d09303.pdf>.

<sup>85</sup> See CRS Report RL33390, *Proposed Termination of Joint Strike Fighter (JSF) F136 Alternate Engine*, by Christopher Bolkom.

Ending production at 183 matches the program of record for the F-22 *Raptor*; the four additional aircraft requested are intended to replace combat aircraft losses. In follow-on comments, Gates stated that advice from Combatant Commanders and the Air Force indicated “no military requirement for F-22s beyond....187.” Air Force Chief of Staff, General Norton Schwartz, stated during his confirmation hearings in 2008, that his personal position was that the right number of F-22 aircraft was greater than 183 but less than the 381 that the Air Force had been arguing for. However, he has since avoided any public statements on the matter.<sup>86</sup> Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, said in December 2008 that the Air Force had discussed with him a plan to purchase 60 additional aircraft, but deferred further discussions to the new Presidential administration.<sup>87</sup>

On April 13, 2009 the Air Force’s civilian and military leadership, acknowledging the difficult budget environment and new risk assessments by DOD, formally endorsed Secretary Gates’ proposal to complete F-22 procurement at 187 aircraft.<sup>88</sup> Congress has generally supported the F-22 in the past. In FY2009, Congress added to the budget request \$523 million that could be used for advanced procurement of an additional lot of F-22s should the administration choose to do so.<sup>89</sup>

### **F/A-18s**

Secretary Gates recommended buying 31 F/A-18 *Super Hornets* for the Navy in FY2010, without specifying the mix of models. FY2009 Navy budget documents indicate a planned FY2010 request for 18 F/A-18E/F *Super Hornets* and 22 EA-18G *Growlers*—a version of the plane modified for electronic warfare-- in all, a total of 40 aircraft. If, as most observers believe, Secretary Gates includes EA-18Gs in his recommendation for a revised FY-10 purchase, then 31 aircraft represent a reduction of nine *Super Hornets* and *Growlers* from the previous DOD budget.<sup>90</sup>

Congress has generally funded the F/A-18 as requested, with some modification to the mix of “E,” “F,” and “G” models to be procured.

### **Air Mobility (KC-X, C-17)**

Secretary Gates recommended that the Air Force remain on its current schedule to develop a new aerial refueling tanker (KC-X) to replace the KC-135, which is the Air Force’s top acquisition priority. A contract to develop and build the KC-X was awarded to Northrop Grumman in February 2008, but after the GAO upheld a formal protest by competitor Boeing, Secretary Gates cancelled the competition and called for a “cooling off” period, deferring all program decisions to

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<sup>86</sup> U.S. Congress, Senate Committee on Armed Services, *Nomination Hearing*, US Air Force Chief of Staff, 110th Cong., 2nd sess., July 22, 2008.

<sup>87</sup> U.S. Department of Defense, “DOD News Briefing with Adm. Mullen From the Pentagon,” press release, December 10, 2008, <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4330>.

<sup>88</sup> Michael Donley and Norton Schwartz. “Moving Beyond the F-22.” *Washington Post*. April 13, 2009.

<sup>89</sup> For further analysis on the F-22, see CRS Report RL31673, *F-22A Raptor*, by Christopher Bolckcom and CRS Report RS22684, *Potential F-22 Raptor Export to Japan*, by Christopher Bolckcom and Emma Chanlett-Avery.

<sup>90</sup> For further analysis on these aircraft, see CRS Report RL30624, *Navy F/A-18E/F Super Hornet and EA-18G Growler Aircraft: Background and Issues for Congress*, by Christopher Bolckcom.

a new presidential administration.<sup>91</sup> Before Gates' April 6<sup>th</sup> announcement, it was unclear when the competition would restart, with some sources claiming it might be delayed up to five years.<sup>92</sup> While some in Congress support a "split" buy, i.e., having both companies build new tankers, Secretary Gates remains opposed, citing high costs and potential problems the Air Force might encounter by maintaining two separate training programs and logistics operations for the tanker fleet.<sup>93</sup>

Congress has expressed strong support for replacing the aging KC-135 fleet, but has disagreed with DOD on how this might best be accomplished. Over the past three legislative sessions, Congress urged DOD to increase the proposed rate of KC-X production and has created a *Tanker Replacement Transfer Fund* to give DOD flexibility in using procurement, O&M, and R&D funds to support KC-X acquisition.<sup>94</sup>

Secretary Gates recommended ending procurement of the C-17 Globemaster III long-range cargo jet after production of the 205 planes already in service or funded. Ending production at 205 aircraft matches the program of record for the C-17 *Globemaster III*. Potential questions may arise over what analysis was used for this conclusion. In 2008, the incoming commander of United States Transportation Command, General Duncan McNabb, stated that the strategic airlift requirement (33.95 million ton miles/day (MTM/D)) set by mobility studies in 2005 could be met with 205 C-17s, 52 modernized C-5Bs, and 59 C-5As.<sup>95</sup> The Mobility Capability Requirements Study (MCRS), a study due to be delivered to DOD in May 2009, was intended to analyze strategic airlift requirements based on several scenarios, and to inform airlift procurement decisions. With the C-17 program completed at 205, the results of this newest study may put more focus on the planned number of C-5 aircraft to be modernized.

FY2007 was the last year C-17s were procured in the annual budget, and congress funded the 12 aircraft requested. DOD has requested, and Congress has provided 25 C-17s in subsequent war-time supplemental appropriations.<sup>96</sup>

## Acquisition Reform (VH-71, CSAR-X)

Two high-profile helicopter programs would be terminated under Secretary Gates' recommendations who justified both proposals as part of his effort to reform DOD's acquisition process.

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<sup>91</sup> U.S. Department of Defense, "DOD Announces Termination of KC-X Tanker Solicitation," press release, September 10, 2008, <http://www.defenselink.mil/releases/release.aspx?releaseid=12195>.

<sup>92</sup> Josh Rogin, "Obama Seeks to Delay Tanker, Cancel Bomber," *CQ Today*, March 9, 2009.

<sup>93</sup> U.S. Department of Defense, "DOD News Briefing with Secretary Gates From the Pentagon," press release, March 18, 2009, <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4381>.

<sup>94</sup> For further analysis of this issue see CRS Report RL34398, *Air Force Air Refueling: The KC-X Aircraft Acquisition Program*, by Christopher Bolcom.

<sup>95</sup> "Modernized" C-5s are those modified under the Reliability Enhancement Re-engining Program (RERP). For a discussion of the RERP, see U.S. Congress, Senate Committee on Armed Services, *Advance Questions for General McNabb*, US Transportation Command, 110th Cong., 2nd sess., July 22, 2008.

<sup>96</sup> For further analysis of this program see CRS Report RS22763, *Military Airlift: C-17 Program Background*, by Christopher Bolcom and CRS Report RL34264, *Strategic Airlift Modernization: Analysis of C-5 Modernization and C-17 Acquisition Issues*, by Christopher Bolcom.

He recommended terminating the VH-71 helicopter, intended to transport the President and other senior officials, on the basis of its troubled acquisition history and large cost overruns. While post-9/11 security concerns gave the program a certain “urgency,” the long timelines for delivery of fully capable helicopters (slated for initial deployment in 2017) work against that argument.<sup>97</sup>

President Obama recently added to the discussion by declaring the VH-71 “...an example of the procurement process gone amuck” and stated that he was satisfied with the current helicopter fleet.<sup>98</sup> Gates also decided against purchasing the first lot of less capable “Increment 1” aircraft, stating they would only last five to ten years, although it is unclear why their useful life would be so much less than other models of helicopters.

Over the past three legislative sessions, Congress has expressed concern over noteworthy cost increases, schedule delays, and foreign influence on the program. Over this time period, Congress cut approximately \$300 million of the \$2 billion from the Navy’s R&D accounts for the VH-71.

Secretary Gates also recommended terminating the Air Force Combat Search and Rescue helicopter (CSAR-X) and called for reviewing the requirement the aircraft was designed to meet. His rationale for terminating the CSAR-X helicopter program jibes with a commonly held belief that the process by which DOD defines the requirements a new weapon is supposed to meet does not adequately force the military services to make hard decisions or trade off capabilities among themselves. The debate over whether search and rescue (SAR) missions require a specialized aircraft has been in progress for several years and was most recently raised by former Pentagon Acquisition Chief John Young.<sup>99</sup> In an interview in November 2008, Mr. Young stated that DOD “...[has] a lot of assets that can be used in rescue missions with planning, so I don’t necessarily just automatically rubber-stamp the CSAR-X requirement.” The Air Force countered that it has twice won approval for a dedicated CSAR aircraft from the Joint Requirements Oversight Council (JROC), the high-level DOD panel that approves the requirements a new weapons program is supposed to meet. The service argued that CSAR was a critical shortfall at the beginning of combat operations in Afghanistan in 2001, that specially-trained CSAR forces were used far more often than recognized, and that using non-specialized forces for CSAR missions would result in increased U.S. casualties. Further statements by Secretary Gates indicate that DOD might also consider making CSAR a joint capability, thereby changing the organization and acquisition process for any dedicated assets.

Over the past three legislative sessions, Congress cut \$309 million from the \$849 million requested in Air Force R&D for the CSAR-X. Congress also used \$185 million of these funds to support the HH-60 helicopter, which the Air Force currently uses for CSAR mission.

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<sup>97</sup>CRS Report RS22103, *VH-71 Presidential Helicopter Program*, by Christopher Bolckom.

<sup>98</sup> The White House, “Remarks by the President in question and answer session at the closing of the Fiscal Responsibility Summit,” press release, February 23, 2009, [http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-the-President-in-question-and-answer-session-at-the-closing-of-the-Fisc/](http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-in-question-and-answer-session-at-the-closing-of-the-Fisc/)

<sup>99</sup> All references in this paragraph come from an investigation by the reporting staff of *Aviation Week and Space Technology*, an aerospace trade journal. See Michael Fabey, “Young Opinion on CSAR Questioned,” *Aerospace Daily & Defense Report*, January 28-30, 2009.

## Missile Defense<sup>100</sup>

Secretary Gates recommended that DOD restructure the ballistic missile defense (BMD) program to focus more on rogue-state and theater ballistic missile threats and maintain and improve existing long-range BMD capabilities. Overall, the Missile Defense Agency (MDA) budget would be reduced by about \$1.4 billion.<sup>101</sup>

These recommendations seem to align with Gates' broader strategic thinking about the types of foreign threats the United States is most likely to face (e.g., "hybrid warfare", where U.S. troops could be threatened by state and non-state actors armed with short-range ballistic missiles). Additionally, Gates' stated objective is to adjust DOD investments and rebalance the overall force, especially in the resource constrained era he acknowledges. This seems to reflect his argument that the United States should focus more attention on shorter range BMD investments. Gates also wants to improve our existing U.S. long-range BMD system without necessarily acquiring more of that same capability pending DOD review of the need for additional interceptors and whether more future-oriented programs could better supplement the overall BMD capability.

## Theater Defenses (THAAD, SM-3, Aegis)

To accelerate deployment of defenses against theater ballistic missiles—those without intercontinental range—Secretary Gates recommended adding to the FY2010 budget \$700 million to field more SM-3 (Standard Missile 3) and THAAD (Terminal High Altitude Area Defense) BMD interceptors, and about \$200 million more to convert six additional Aegis ships to provide BMD capabilities. He added that this would basically fund the maximum production capacity of the production lines for the SM-3 and THAAD, which are coming out of the testing phase and moving into full-rate production.

## Ground-Based National Missile Defense

Secretary Gates recommended not increasing the current number of long-range ground-based interceptors deployed in Alaska, as had been planned. Currently, there are slightly more than two dozen of these interceptors deployed in Alaska and California in the event of missile attacks against the United States from North Korea or Iran. Gates said it was important "to robustly fund continued research and development to improve the capability we already have to defend against long-range missile threats."

In response to questions about plans to construct a third missile defense site in Europe, Joint Chiefs of Staff Vice Chairman Gen. James Cartwright, USMC, said there are "sufficient funds in '09 that can be carried forward to do all of the work that we need to do at a pace that we'll determine as we go through the program review, the quadrennial defense review, and negotiations with those countries."<sup>102</sup> Further details were not offered.<sup>103</sup>

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<sup>100</sup> Prepared by Stephen A. Hildreth, Specialist in Missile Defense.

<sup>101</sup> For additional analysis of the missile defense issue see CRS Report RS22120, *Ballistic Missile Defense: Historical Overview*, by Steven A. Hildreth and CRS Report RL33240, *Kinetic Energy Kill for Ballistic Missile Defense: A Status Overview*, by Steven A. Hildreth.

<sup>102</sup> DOD transcript, "News Briefing With Secretary of Defense Robert Gates, April 6, 2009, (continued...)

Gates also recommended cancelling the Multiple Kill Vehicle (MKV) program<sup>104</sup> because of its significant technical challenges and the fresh need to look at the requirements for that system. The MKV is seen by some as enhancing the capability of long-range interceptors for mid-course BMD in the future.

### **Boost-Phase Defenses (Airborne Laser and KEI)**

Secretary Gates recommended various program changes regarding boost-phase defense (i.e., efforts aimed at destroying attacking ballistic missiles shortly after they launch). He said the United States has good mid-course and terminal BMD capabilities, but that we need to first figure out what the United States requires concerning boost-phase BMD research and development before proceeding further. In this regard, Gates recommended cancelling the second ABL (Airborne Laser) prototype aircraft and shifting the focus of that program to further research and development. He said the ABL program is not ready for production, that it has “significant affordability and technology problems, and the program’s proposed operational role is highly questionable.” Also, in response to a question about whether there might be changes in the BMD acquisition process, Gen. Cartwright, said that “what will change is we’re going to start to shift and understand in that first phase what the leverage and potential opportunities are in the boost-phase, focus on the threats....and start to reassess what it is and what we can do in the boost-phase for long-range.”

The status of the KEI (Kinetic Energy Interceptor) was left somewhat unclear by Gates announcement.<sup>105</sup> The KEI program is designed to provide a boost-phase BMD capability. At the briefing with Secretary Gates, Gen. Cartwright only offered to place the KEI program in the context of reiterating the need to find the right balance between mid-course and terminal BMD systems and the need to review more precisely the requirements for boost-phase R&D in general.

### **Congressional Perspectives**

In response to Gates’ recommendations, several senators wrote to the Secretary expressing their approval of the increases to THAAD and SM-3, but voicing concern about the overall cut to MDA funding, stating that it could “undermine our emerging missile defense capabilities to protect the United States against a growing threat.”<sup>106</sup> At a media roundtable on April 7, 2009, Secretary Gates said “perhaps we can persuade them that all is not as bad as they seem to think” if he could show them the proposed changes to THAAD and SM-3, the sustained work on long-range systems for mid-course BMD, and the continued work on R&D for the boost-phase.

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(...continued)

<http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4396>

<sup>103</sup> For further analysis of this issue, see CRS Report RL 34051 *Long-Range Ballistic Missile Defense in Europe*, by Steven A. Hildreth and Carl Ek.

<sup>104</sup> The MKV program is an effort to equip a single interceptor missile to destroy several incoming warheads.

<sup>105</sup> Like ABL, the KEI is intended to destroy attacking missiles in the first few minutes after they are launched; but the KEI program would use a very fast missile to do the job, rather than a laser.

<sup>106</sup> The April 6 letter, signed by Senators Joseph Lieberman, John Kyl, Lisa Murkowski, Mark Begich, Jeff Sessions, and James Inhofe, can be viewed at <http://lieberman.senate.gov/newsroom/release.cfm?id=311225&&>.

Congress has long been strongly supportive of BMD programs directed at defending U.S. forces deployed overseas, such as THAAD and SM-3. Gates' recommendations in this year's budget seem to align with those interests, as well as some congressional interest in using those same terminal BMD systems to address existing current Iranian missile capabilities that could reach as far as NATO's southern flank. Some view such an approach as complementing the proposed European missile defense site, or even serving as an alternative.

Although Congress has provided most of the funds requested for boost-phase BMD programs in recent years, some criticism has been leveled by various congressional defense committees and in some bill language. The ABL program has been particularly controversial. Similarly, although Congress has continued to fund deployment of long-range interceptors in Alaska, many in Congress have registered on-going concerns over the capabilities of that system and raised questions over the adequacy of the testing program for it. Gates' proposal would halt the continued deployment of those long-range interceptors and seek instead to "robustly fund continued research and development to improve the capability we already have." Congress has also expressed some concern over the MDA acquisition process in recent years, but whether this issue is addressed in the FY2010 defense budget request remains unclear.

## **Ground Combat Systems (FCS and EFV)<sup>107</sup>**

On April 6, 2009, Secretary of Defense Gates announced that he intended to significantly restructure the Army's Future Combat Systems (FCS) program, the Army's plan to modernize its entire suite of combat equipment. DOD plans to accelerate the spin out of selected FCS technologies to all brigade combat teams (BCTs) but will recommend cancelling the manned ground vehicle (MGV) component of the program. The MGV was intended to field eight separate tracked combat vehicle variants built on a common chassis that would eventually replace combat vehicles such as the M-1 *Abrams* tank, the M-2 *Bradley* infantry fighting vehicle, and the M-109 *Paladin* self-propelled artillery system.<sup>108</sup>

Secretary Gates said he was concerned that there were significant unanswered questions in the FCS vehicle design strategy and that despite some adjustments to the MGVs, that they did not adequately reflect the lessons of counterinsurgency and close quarters combat in Iraq and Afghanistan. Secretary Gates was also critical that the FCS program did not include a role for Mine-Resistant, Ambush-Protected (MRAP) vehicles that have been used successfully in current conflicts. After re-evaluating requirements, technology, and approach, DOD will re-launch the Army's vehicle modernization program, including a competitive bidding process.<sup>109</sup>

There are a number of policy implications flowing from Secretary of Defense Gate's decision to restructure the FCS program. In essence, the Army was told to "go back to the drawing board" on this almost decade-old program once described as the "centerpiece" of Army modernization.

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<sup>107</sup> Prepared by Andrew Feickert, Specialist in Military Ground Forces.

<sup>108</sup> For further analysis of FCS see CRS Report RL32888, *The Army's Future Combat System (FCS): Background and Issues for Congress*, by Andrew Feickert

Because the Army has focused exclusively on FCS for well over a decade, there has probably been little thought given to alternatives to the eight MGVs that were to be developed under the FCS program. DOD officials expressed misgivings that the Army had neither taken into account “the lessons learned of the operational realities in Iraq and Afghanistan” in the design of FCS MGVs nor carefully considered whether “one class of vehicles could in fact cover the range of operations that we envision are going to be the reality of the future.”<sup>110</sup> Another point of contention is that the FCS program did not adequately address the role of MRAPs—a vehicle that the Army considers interim protection for soldiers in combat. MRAPs, while providing excellent protection to soldiers, are transport vehicles and are not fighting vehicles like the *Abrams*, *Bradleys*, *Strykers*, or the proposed FCS MGVs, so determining a more permanent role for these vehicles may prove challenging. Another implication will likely be developmental timelines. Should a decision eventually be made to develop and procure new non-MGV-based variants to replace the *Abrams*, *Bradley*, and *Paladins*, there will likely be questions raised about a decade long or greater development and procurement cycle, as was the case of the FCS program. There might also be resistance to an all-encompassing “systems of systems” FCS-like developmental effort for Army vehicle modernization, although commonality between platforms to reduce costs and improve maintainability and support could likely be viewed favorably.

Secretary Gates left unchanged the current plan to continue development and production of the Expeditionary Fighting Vehicle (EFV), an amphibious armored combat vehicle for the Marine Corps. But he said a decision on the future of that program, like the future of planned amphibious landing ships, would await the results of the QDR.<sup>111</sup>

## **Congressional Perspectives**

Congress has generally viewed the FCS program with a degree of skepticism due to its ambitious scope, significant price tag, and heavy reliance on theoretical and unproven technologies. In addition, the FCS program’s reliance on defense industry lead systems integrators (LSIs) to develop and manage much of the program has also come under significant congressional scrutiny.<sup>112</sup> Congress has been supportive of the Army’s recent decision to focus the FCS program on “spinning out” sensor and unmanned aerial and ground systems, and networking technology to its Infantry Brigade Combat Teams and might be expected to support DOD’s decision to accelerate these efforts. Congress has also been concerned about the development of the FCS Network, including complimentary programs to develop new software-programmable radios and satellites to accommodate the vast amounts of information needed by FCS-equipped units. In this regard, Congress has legislated a number of studies and testing requirements to insure that the FCS Network will be fully functional and not vulnerable to either attack or disruption. Secretary Gates did not mention restructuring the FCS Network, so it is possible that work on the network not related to FCS manned ground vehicles will continue with a commensurate level of congressional oversight.

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<sup>110</sup> U.S. Department of Defense News Transcript, Department of Defense Conference Call with Secretary of Defense Robert Gates and Gen. James Cartwright with Military Bloggers,” April 7, 2009.

<sup>111</sup> The Expeditionary Fighting Vehicle is discussed further in CRS Report RS22947, *The Marines’ Expeditionary Fighting Vehicle (EFV): Background and Issues for Congress*, by Andrew Feickert.

<sup>112</sup> For further analysis of the LSI issue see CRS Report RS22631, *Defense Acquisition: Use of Lead System Integrators (LSIs) - Background, Oversight Issues, and Options for Congress*, by Valerie Bailey Grasso

The decision to not fund the development of FCS MGVs could be a more contentious issue in Congress. One combat vehicle in the FCS MGV family—the Non-Line-of-Sight Cannon (NLOS-C)—is a congressionally-mandated program,<sup>113</sup> requiring the Army to produce a total of 18 NLOS-C Initial Production Platforms by the end of 2011. One possible point of contention could be the necessity to build all 18 of these NLOS-Cs if DOD does not intend to procure additional NLOS-Cs. Other potential issues include the possible resumption and continuation of the M-1 *Abrams* and M-2 *Bradley* lines if the Army does not identify successors during the re-evaluation of its vehicle modernization program. In regards to the Army's re-evaluation of its vehicle modernization program, Congress might be expected to play a significant role in this process, as it not only may provide them with an opportunity to shape Army capabilities and force structure, but could also ensure that the eventual acquisition of any new ground combat systems is in line with proposed acquisition reform measures.

## Acquisition Process<sup>114</sup>

Secretary Gates called for stopping programs that significantly exceed budget, ensuring that requirements are reasonable and technology adequately mature, and ensuring that programs begin with realistic cost estimates and receive a stable budget. He also called for an end to “requirements creep”—the practice of adding to a system, after development has been initiated, capabilities that were not initially planned for.

Addressing programs with significant cost growth, Secretary Gates called for a number of systems to be canceled, including the VH-71 presidential helicopter and the Air Force Combat Search and Rescue X (CSAR-X) program. Regarding requirements and technology maturity, he called for the cancellation of programs where he questioned the validity of their requirements and the maturity of the technology, such as the Future Combat System and missile defense's Multiple Kill Vehicle (MKV). This is consistent with prior statements, in which he argued that in recent years, weapon systems have added unnecessary requirements and proceeded with immature technology, resulting in higher costs, longer acquisition schedules, and fewer quantities.<sup>115</sup>

These issues have long been recognized as weaknesses in the current acquisition process and have been recurring themes at congressional hearings and in DOD reports. To date, the various acquisitions reform efforts that have been pursued over the last 30 years, some of which sought to address these same issues, have been unable to reign in cost growth and schedule extension.<sup>116</sup> In Fiscal Year 2009, both DOD and Congress are again focusing attention and resources on acquisition reform, particularly as it relates to the acquisition of major weapon and information technology (IT) systems. Current efforts appear to be focused on improving the current acquisition system, not creating a fundamentally new acquisition system.

Prior to Gates' press conference, DOD began taking steps toward reforming the acquisition process. In July 2008, John Young, then Under Secretary of Defense for Acquisition, Technology,

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<sup>113</sup> See Section 216 of the FY 2003 National Defense Authorization Act (P.L. 107-314) and Section 8121 of the FY 2003 Department of Defense Appropriations Act (P.L. 107-248).

<sup>114</sup> Prepared by Moshe Schwartz, Analyst in Defense Acquisition.

<sup>115</sup> Robert M. Gates, “A Balanced Strategy: Reprogramming The Pentagon For A New Age,” *Foreign Affairs*, January 2009

<sup>116</sup> See: CRS Written Statement submitted to the Senate Armed Services Committee, *Defense Acquisition Reform*, by: Moshe Schwartz, March 3, 2009.

and Logistics, in consultation with senior Army officials, cancelled the Armed Reconnaissance Helicopter (ARH) program because of cost growth and schedule slippage.<sup>117</sup> On December 8, 2008, DOD revised one of the regulations governing its acquisition process (DOD Instruction 5000.2), to require competitive prototyping of new systems and to place more emphasis on systems engineering and technical reviews in evaluating a program. In addition, on March 1, 2009, DOD revised another of its regulations—Instruction, *Joint Capabilities Integration and Development System* (CJCSI 3170.01G)—in order to streamline the process by which requirements are established and establish a new committee, the Joint Capability Board, to review and, if appropriate, endorse requirements before they are submitted to the Joint Requirement Oversight Council (JROC).

In Congress, Senators Carl Levin and John McCain, chairman and ranking minority member respectively of the Senate Armed Services Committee, sought to address these and other issues by introducing the Weapon Systems Acquisition Reform Act of 2009 (S. 454). Subsequently, Representatives Ellen O. Tauscher and John M. Spratt, Jr., members of the House Armed Services Committee, introduced the Weapon Systems Acquisition Reform Act of 2009 (H.R. 1830), which mirrors the original version of the Senate bill. Secretary Gates welcomed the Levin-McCain bill and promised to work with Congress to reform the acquisition system. S. 454 was placed on the Senate legislative calendar on April 2, 2009; H.R. 1830 was referred to the House Committee on Armed Services on March 31, 2009. Rep. Ike Skelton, chairman of the House Armed Services Committee introduced the Weapons Acquisition System Reform Through Enhancing Technical Knowledge and Oversight Act of 2009 (H.R. 2101), which was referred to the Armed Services Committee on April 27, 2009. In addition, The House committee also established a Defense Acquisition Reform Panel to focus on acquisition reform.

## **Acquisition Workforce<sup>118</sup>**

DOD has fielded, by all accounts, the most technologically advanced and superior military force in the world, supplied by a most sophisticated acquisition system. However, at the same time, DOD has experienced significant problems managing the costs, schedule, and performance of this acquisition system. These problems have occurred despite continued efforts to reform defense acquisition policies, personnel, and processes.

The package of decisions Secretary Gates announced April 6 marked a significant policy change and an apparent end to the former Bush Administration's reliance on private sector contractors to perform work previously performed by defense acquisition personnel. In his words, his recommendations mark, "a fundamental overhaul of our approach to procurement, acquisition, and contracting."<sup>119</sup> Together with announcements made by President Obama, it appears to signal

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<sup>117</sup> Department of Defense, "DoD Announces Non-Certification Of Armed Reconnaissance Helicopter Program," press release, October 16, 2008, <http://www.defenselink.mil/releases/release.aspx?releaseid=12288>. A review of the program was required by law because breached limits on cost increases and schedule slips mandated by the so-called Nunn-McCurdy Amendment, a provision of law enacted in 1982 and amended several times since. What was remarkable about Young's ARH decision is that most programs that breached the Nunn-McCurdy limits have been continued by DOD.

<sup>118</sup> Prepared by Valerie Bailey Grasso, Specialist in Defense Acquisition.

<sup>119</sup> U.S. Department of Defense. Defense Budget Recommendation Statement. Secretary of Defense Robert M. Gates, April 6, 2009.

the beginning of a new era of examination of DOD's use of private contractors and service contracts.<sup>120</sup>

Specifically, Gates recommended increasing the size of DOD's acquisition workforce by converting 11,000 contractors to full-time government employees and by hiring 9,000 additional government acquisition professionals by 2015, starting with 4,100 in FY2010. He also recommended reducing service contractors from our current 39 percent of the DOD workforce to the pre-2001 level of 26 percent and replacing them with full-time government employees. "Our goal is to hire as many as 13,000 new civil servants in FY2010 to replace contractors and up to 30,000 new civil servants in place of contractors over the next five years," he said.

Gates' decision to reduce the size of the contractor workforce appears to reverse a contracting boom that had escalated under the Bush Administration's Presidential Management Agenda's focus on "competitive sourcing."<sup>121</sup> These changes in policy and direction are potentially significant because the DOD acquisition workforce had been significantly downsized from 1996-1999 due to congressionally mandated reductions as well as recommendations from DOD experts.

From FY1996 through FY1999, Congress directed the Clinton Administration to reduce the size of the DOD acquisition workforce, which was defined as the employees who participated in the development and procurement of weapons, equipment, and provisions for the military services.<sup>122</sup> These congressional mandates reflected a view in the Congress that the workforce had not been downsized in proportion to the decline in the defense procurement budget.

In an April 7 media roundtable discussion, Secretary Gates contended that the number of DOD's private acquisition contractors had grown because the department's acquisition workforce had been "slashed in the nineties," that the Defense Contract Management Agency went from 27,000 professionals to about 9,000, and that the number of DOD employees involved in procurement went from 500,000 or 600,000 to less than half that number. However, he did not define which

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<sup>120</sup> The White House. Office of the Press Secretary. Memorandum For The Heads Of Executive Departments and Agencies on Government Contracting. March 4, 2009.

<sup>121</sup> Under this policy, many agencies were required to meet privatization goals regardless of the impact on costs or quality of services.

<sup>122</sup> In the FY1996 Defense Authorization Act (P.L. 104-106), Congress directed the Administration to reduce the workforce by 15,000 people by October 1, 1996, and by a total of 25 percent (compared to the 1995 figure) over a period of five years. The act also required the Secretary of Defense to report to Congress on ways to restructure functions among DOD's acquisition departments and agencies. In the FY1997 Defense Authorization Act (P.L. 104-201), Congress directed the Administration to reduce the workforce by an additional 15,000 people by October 1, 1997, and stipulated that this reduction was to be in the form of actual acquisition personnel, not just acquisition positions. In the FY1998 Defense Authorization Act (P.L. 105-85), Congress directed the Administration to reduce the workforce by an additional 25,000 people by September 30, 1998, but permitted the Secretary of Defense to waive a portion of this reduction if the Secretary certified to Congress. These concerns include the failure of DOD to develop effective acquisition strategies to field weapons systems and effectively provide oversight and accountability for service contracts and contractors, particularly with the broader policy questions raised in the awarding and managing of contracts for the reconstruction and follow-on work performed in Iraq. s by June 1, 1998 that such reductions would adversely impact military readiness and acquisition efficiency. The act also required DOD to submit a report to Congress by April 1, 1998 that provides a plan for future acquisition policy, including future opportunities to restructure and streamline DOD's acquisition organizations, workforce and infrastructure. In the FY1999 Defense Authorization Act (P.L. 105-261), Congress directed the Administration to reduce the workforce by 25,000 acquisition personnel by October 1, 1999, lowering it to 12,500 personnel if the Secretary of Defense certifies that such a reduction would cause an adverse effect on military readiness or management of the acquisition system.

functions were “inherently governmental”—and thus, by policy, should not be delegated to private contractors—except for “the oversight of the process.”<sup>123</sup>

Most experts agree that the size of the federal acquisition workforce, in general, and the DOD acquisition workforce, in particular, has remained relatively flat or has declined since 2001. Some policymakers have raised questions as to whether DOD has the right mix of acquisition workforce personnel trained and equipped to oversee large-scale contracts. Given concerns about the size of federal spending under the economic stimulus bill, some question whether the Obama Administration can bring in the appropriate quantity and quality of acquisition workforce personnel to support the significant amounts of contracting under the economic stimulus bill.

Further, while there is general agreement that the federal government needs to increase its in-house capability to oversee and manage contracts, it is not entirely clear what specific skills sets are needed to meet the challenge, and how many of those functions considered “inherently governmental” are being performed by private sector contractors. According to Shay Assad, DOD Senior Acquisition Executive and Director for Procurement and Acquisition Policy, DOD has conducted “extensive assessments of the federal workforce’s gaps and capabilities.”<sup>124</sup> DOD plans to hire about 800 pricing specialists and cost-estimators as part of the acquisition workforce; about 9,000 contract oversight personnel; and about 11,000 systems engineering personnel.<sup>125</sup>

## **Congressional Perspectives**

Congress has expressed increasing concerns with the management of the DOD acquisition system. Congressional interest in reducing the size and associated costs of the DOD acquisition workforce had been energized, over the past two decades, by a number of blue-ribbon commissions empanelled by the Secretaries of Defense. The May 1995 report of the DOD Commission on Roles and Missions, for example, noted that while private-sector defense contractors had undertaken large-scale reorganizations adjusting to a reduced level of defense spending, little corresponding reduction had been made in the number of DOD acquisition organizations or personnel.<sup>126</sup> In addition, in March 1998, the Undersecretary of Defense for Acquisition, Technology, and Logistics asked the Defense Science Board to examine DOD’s acquisition organizations and workforce, and develop a set of recommendations that would lead to “better, cheaper, and faster acquisitions.” The Board recommended that the size of the DOD acquisition workforce be substantially reduced.<sup>127</sup>

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<sup>123</sup> U.S. Department of Defense. Media Roundtable with Secretary of Defense Robert Gates and General James Cartwright, Vice Chairman, Joint Chiefs of Staff and Selected Reporters, April 7, 2009. The Office of Management and Budget defines an “inherently governmental function” as one, “so intimately related to the public interest as to mandate performance by Government employees.” OMB Policy Letter 92-1, Subject: “Inherently Governmental Functions,” September 23, 1992.

<sup>124</sup> Newel, Elizabeth. Pentagon Workforce Could Benefit from Wall Street Layoffs, *Government Executive.com*, April 8, 2009, <http://www.govexec.com/dailyfed/0409/040809e1.htm>.

<sup>125</sup> Mr. Assad’s remarks from a breakfast, “Acquisition and Reform in the Age of Stimulus and Bailout,” hosted by *Government Executive* at the National Press Club, April 8, 2009.

<sup>126</sup> U.S. Department of Defense. *Directions for Defense: Report of the Commission on Roles and Missions of the Armed Forces*, in accordance with Section 954(b) of the National Defense Authorization Act for Fiscal Year 1994. Washington, 1995, pp. 3-16 and 3-17.

<sup>127</sup> U.S. Department of Defense. Office of the Undersecretary of Defense for Acquisition and Technology. Report of the Defense Science Board, Acquisition Workforce Sub-Panel of the Defense Acquisition Reform Task Force on (continued...)

Congress subsequently expressed concern over the failure of DOD to develop effective acquisition strategies to field weapons systems and effectively provide oversight and accountability for service contracts and contractors, particularly with the broader policy questions raised in the awarding and managing of contracts for the reconstruction and follow-on work performed in Iraq.

Policymakers will examine Secretary Gates' announcement and may question how the Administration will balance potentially competing priorities:

- Given that DOD has an integrated acquisition workforce which includes both contractors and federal acquisition workforce personnel, DOD will need to quickly determine what functions are “inherently governmental” and should be performed only by federal acquisition workforce personnel, and what functions are appropriate for performance by contractor personnel.
- While the Obama Administration has a goal of increasing the size of the acquisition workforce, quantity is but one factor—quality is another important factor. The Obama Administration must ensure that tradeoffs of quality over quantity do not occur. The acquisition workforce must have sufficient education and training to meet the challenge and must take care to do it carefully and deliberately. New hires must be capable of developing the knowledge, skills, abilities, and ethical standards of the federal acquisition workforce, and must be willing and able to represent the interests of the federal government.
- Secretary Gates' did not address the role of the ongoing work of the House Armed Services Committee Panel on Defense Acquisition Reform, nor did he address the use of certain problematic contracting vehicles such as “cost-reimbursement” contracts. While having additional acquisition workforce personnel may improve contract performance, DOD has to closely examine the use of large, executable, contract vehicles and their role in improving contracting decisions, reducing costs, and addressing waste, fraud, abuse, and contract mismanagement.

## **Strategic and Nuclear Forces**<sup>128</sup>

Secretary Gates said on April 6 that requirements for long-range and nuclear strike forces would be examined in the light of the QDR, a concurrent Nuclear Posture Review (NPR), and the state of arms control negotiations with Russia occasioned by the expiration in December 2009 of the Strategic Arms Reduction Treaty (START) between the United States and the Soviet Union, signed in 1991.<sup>129</sup>

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Defense Reform , March 1998.

<sup>128</sup> Prepared by Amy F. Woolf, Specialist in Nuclear Weapons Policy.

<sup>129</sup> Issues raised by the post-START arms control talks are analyzed in CRS Report R40084, *Strategic Arms Control After START: Issues and Options*, by Amy F. Woolf. Broader issues involved in U.S. strategic force modernization are analyzed in CRS Report RL33640, *U.S. Strategic Nuclear Forces: Background, Developments, and Issues*, by Amy F. Woolf.

## Ballistic Missile Submarines

Secretary Gates recommended that the Navy begin in FY2010 developing replacements for the Navy's 14 Trident missile-launching submarines, which entered service between 1984 and 1997. The Navy initially planned to keep Trident submarines in service for 30 years, but has now extended that time period to 42 years. This extension reflects the judgment that ballistic missile submarines would have operated with less demanding missions than attack submarines, and could, therefore, be expected to have a much longer operating life than the expected 30 year life of attack submarines. Therefore, since 1998, the Navy has assumed that each Trident submarine would have an expected operating lifetime of at least 42 years—two 20-year operating cycles separated by a two-year refueling overhaul.<sup>130</sup>

The Navy has initiated studies into options for a replacement for the Trident—one would be a new, dedicated ballistic missile submarine and another would be a variant of the Virginia class attack submarine. According to Admiral Stephen Johnson, USN, the Navy would have to begin construction of a new class of missile submarines by 2019 so that they could begin to enter the fleet as the Tridents begin to retire. Congress approved the Navy's request for \$10 million in the FY2009 budget to begin conceptual design work on the replacement for the Trident submarine.

## Long-Range Bomber

Secretary Gates recommended the Air Force not “pursue a development program for a follow-on Air Force bomber until we have a better understanding of the need, the requirement and the technology.” This would put on hold the Air Force plan to develop a new strategic bomber for introduction into service in 2018.<sup>131</sup>

According to former Air Force Secretary Michael Wynne, the Air Force is seeking a new bomber with not only stealth characteristics and long range but also “persistence,” that is, “the ability to stay airborne and be on call for very long periods.”<sup>132</sup> The Air Force's effort to develop a new bomber was delayed by a dispute over whether the program should stand alone or be merged with DOD's effort to acquire a weapon system capable of Prompt Global Strike (PGS), that is, the ability to quickly attack a distant target. While a new bomber could perform some of the PGS missions, other systems, such as hypersonic aircraft and missiles also could be part of the a portfolio of systems intended to strike targets anywhere in the world. In May 2006, the Air Force decided to keep the bomber program separate from PGS reportedly because the PGS mission placed a premium on very high speed while some bomber missions require an airplane that can survive sophisticated anti-aircraft defenses and “loiter” near potential targets for some time.<sup>133</sup>

By May 2007, the Air Force had decided that the next-generation bomber would be manned and subsonic and would incorporate some stealth characteristics.<sup>134</sup> The service reportedly decided not

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<sup>130</sup> “SSBN Ohio-class FBM Submarines.” GlobalSecurity.org, <http://www.globalsecurity.org/wmd/systems/ssbn-726-recent.htm>.

<sup>131</sup> This program is further analyzed in CRS Report RL34406, *The Next Generation Bomber: Background, Oversight Issues, and Options for Congress*, by Anthony Murch.

<sup>132</sup> Rebecca Christie, “Air Force to Step Up New Bomber Search in Next Budget,” *Wall Street Journal*, June 29, 2006.

<sup>133</sup> Martin Matishak, “Long-Range, Prompt Global Strike Studies Will Remain Separate,” *InsideDefense.com*, June 16, 2006.

<sup>134</sup> Michael Sirak, “Air Force Identifies Manned, Subsonic Bomber as Most Promising 2018 Option,” *Defense Today*, (continued...)

to develop an aircraft capable of supersonic speed or unmanned operation in order to hold down the cost of the program and to ensure the versatility of the plane. In October 2008, Air Force Secretary Michael Donley said the new bomber would be capable of carrying nuclear weapons.<sup>135</sup> Secretary Gates's decision to review the premises of the program may call those earlier choices into question.

## **Other Recommendations**

Secretary Gates made two additional recommendations:

- He called for terminating the \$26 billion Transformational Satellite (TSAT) program, an effort to greatly expand DOD's high-speed connectivity with a network of communication satellites linked to users by laser communication. In its place, Gates recommended buying two additional copies of the Advanced Extremely High Frequency (AEHF) satellites that currently support DOD's high-speed communications network.
- He called for expanding the number of cyber experts DOD trains annually from 80 to 250 by FY2011.

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May 2, 2007.

<sup>135</sup> Carlo Munoz, "Donley: Next Generation Bomber Will Be Nuclear Capable by 2018," *Inside the Air Force*, October 31, 2008.

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