



**Statement before the U.S. House of Representatives
Committee on Armed Services**

***“THE FY16 BUDGET REQUEST: A VIEW
FROM OUTSIDE EXPERTS: ALTERNATIVE
BUDGETS AND STRATEGIC CHOICES”***

A Statement by:

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Introduction

Chairman Thornberry, Ranking Member Smith, and distinguished members of this committee thank you for the invitation to appear before you this afternoon. I would like to note that, as a bipartisan think tank, CSIS as an institution does not take specific policy positions. The views in my statement and in my comments this afternoon are entirely my own.

The Strategic and Budgetary Environment

The United States finds itself in a challenging global security environment, facing diverse and complex threats across a range of domains and regions. The strategy and budget exercise that we are referencing here today took place almost exactly a year ago, and already the world looks significantly different than it did then. Russia's annexation of Crimea and continued aggression in Ukraine, the rise of the Islamic State in Iraq and Syria, and the continued expansion of global extremism, ranging from Boko Haram to homegrown terrorism, are straining our ability to react to global events.

In revisiting the work of the four think tanks last winter, it is clear that this changing security environment already stresses many of the choices made in this exercise. It reinforces what my former colleague David Berteau said about this exercise when we first publicly discussed it on the other side of the Capitol last February, that we found ourselves forced into unacceptable choices with unacceptable risks.

This speaks directly to the challenge of sequestration-level budgets. U.S. security goals have not been reduced since the 2012 Defense Strategic Guidance (DSG) and the President's 2013 budget request were developed, and yet, \$120 billion has been cut from that budget over the three years since, in addition to the \$487 billion cut from the initial Budget Control Act caps implemented in 2012. This questions whether, even today, the 2012 DSG and 2014 Quadrennial Defense Review strategy is adequately resourced. In continuing to ask the military to do more with less, we have seen a shrinking of the breathing space between demand and capacity, which limits the Pentagon's ability to react and adapt to new challenges.

Hard Choices are Already Being Made

While I will address the hard choices the CSIS team made in this exercise under sequester-level funding, it is first important to recognize the hard choices already in evidence. We are already seeing the outcomes of choices made by and forced upon the Department of Defense over the past three years. The four chiefs testified on the ongoing impacts of these cuts two weeks ago in front of the Senate Armed Services Committee. They testified on the impacts they are already experiencing in training, manning, equipping and maintaining the force.

To date, the decisions already taken have simply bought time. With the force as currently constituted, continued sequester-level funding would change the impacts the force is

currently experiencing from holding patterns to entrenched problems. It will mean that the services will no longer just be adding to maintenance backlogs, but will have to accept that platforms will be more worn and less available as the new status quo. Sequester funding levels would likely exacerbate growing inequalities within the force, perpetuating “winners and losers” for the best training and equipment. Readiness will remain underfunded, opening up the potential that in a future conflict, units may be less prepared for the fight at hand. The bow wave of programs that have been trimmed and shifted right over the past few years will turn to even smaller buys and program cancellations of the next generation of platforms and capabilities.

The U.S. military will remain the preeminent military in the world. It will still be a military that in its totality is capable of projecting power, responding to crises, protecting U.S. interests, and defending the homeland. However, sequestration-level budgets have one clear cost, no matter what hard choices you make, no matter what strategy you pursue, and that cost is flexibility. So far during these budget cuts, we have asked the military to do more with less, and they have risen to the challenge. But this is not sustainable over the long term. Continued budget cuts will force the country to decide what we are no longer going to do. It must also be noted that the new National Security Strategy does not provide a framework for addressing these hard choices.

The Approach of the CSIS Team to Sequester-level Budgets

In the study we conducted with my colleagues here at the table, the CSIS team worked to tailor our cuts to the strategic priorities we identified. But I want to be clear, that many of the cuts we made were primarily a function of the budget levels required by the exercise, dictated by sequestration, and represented the least bad options available.

One thing to keep in mind is that the exercise we undertook limited our ability pursue management, acquisition, and compensation reforms. These are critical, because every dollar saved is one that can be turned into more capability. I applaud this committee for making acquisition reform a priority. But this exercise oversimplified the reality, because its design assumed that all savings from DoD initiatives and efficiencies are in fact realized, and DoD’s estimated costs will not increase. As we know, these assumptions are much more tenuous in reality. So, any savings *not* achieved through program cuts, retirements, efficiencies, or other savings mechanisms therefore add to the amounts taken out of training hours, maintenance requirements or capabilities developed and fielded. In April 2014, Dr. Clark Murdock and I released a report on this subject called *Building the 2021 Affordable Military*, which enumerated the challenges posed by internal cost growth in a drawdown environment.

In the alternative budget analysis conducted last year, the CSIS team assumed the continuation of the 2012 Defense Strategic Guidance as a framework strategy, an approach validated in its realism by the Department’s subsequent release of the 2014 Quadrennial Defense Review, which essentially echoed the 2012 guidance. We included a central focus on homeland defense, which included a greater role for the Guard and Reserve, a strong Asia-Pacific focus, centered on engagement, presence and reassurance, as well as illustrative reliance on partners and allies and retaining counterterrorism capabilities. We believe that a smaller, ready force is preferable to one with more force

structure or more new programs but is less prepared to enter the fight in the near term. Being prepared to fight the conflicts we face today is as necessary as being prepared to fight the wars of the future.

In the Asia-Pacific, we focused on increased presence and engagement—needed priorities to deter conflict, reassure allies, and build capability with partners. This presence included increased deployed capability, including expanded intelligence, surveillance and reconnaissance capability, undersea assets and significant investment in U.S. access through refueling, logistics, communications, basing and forward stationing agreements with partner and allies. In addition, we focused foreign military sales in the region on complementary and under-represented capabilities to increase total partner and allied capability and capacity.

There was no way to implement this strategy without risk, and the place the Defense Strategic Guidance says to take risk first is in ground forces. These were hard cuts to make, but given our guiding principles, we chose to assume that mobilization would be used in the event of a major land war, and thus significantly cut the size of the active Army. To hedge we made some decisions impacting the active/reserve mix, moving most of the units we took out of the active force into the guard and reserves to buttress four primary mission sets: homeland defense, humanitarian assistance and disaster recovery, as a mobilization base for a major contingency operation, and as a rotation base for forward presence and engagement. We sought to hedge for the reversibility of these cuts with distinct plans for retaining more senior non-commissioned officers and junior field grade officers in order to facilitate reconstitution of a larger ground force, and better coordination between active and reserve forces to improve mobilization and effectiveness operating together.

We focused the Marine Corps more on expeditionary and amphibious capabilities, as they took cuts as well. We took the Navy down to an eight carrier force, with the caveat of forward stationing one in the Pacific, to closely equate the amount of coverage we currently get from a ten or eleven carrier force. We then invested in smaller unconventional capabilities, including cheaper forward presence (like afloat forward staging bases), and special operations forces and their infrastructure.

We invested in protected space assets, including SATCOM, where we saw growing near term risk. We increased combat air patrols of current generation unmanned systems for better ISR coverage and availability. We also invested in cyber offense and cyber forensics as important parts of this new domain, although not in cyber defense. We believe that this is more of a national imperative, requiring private sector and non-defense public sector initiative, and more spending in DoD is only marginally valuable without commitment in those other sectors.

The takeaway for us was that, without question, sequestration forces you into choices you would not otherwise make and that those choices will force you to stop doing things you would otherwise do. Any strategy under these budget constraints that does not make hard choices about what to stop doing will simply be stretched too thin to be considered viable.

The FY 2016 budget and Today's Challenges

As I wrote in a recent CSIS piece, the FY 2016 budget request offers the beginning of a rebalance to the future. The budget constraints of the past three years have forced the Pentagon to push research and development, programs, construction, and maintenance bills into the future to accommodate near-term imperatives, disapproved efficiency proposals, and the lagging nature of other savings initiatives (including endstrength cuts). This year's budget appears to focus on two things: 1) recovering from three years of doing more while getting less; and, 2) rebalancing between the imperatives of responding to high daily demands and preparing the force for the future.

The President's FY16 budget submission focuses on investment in a new generation of systems, as well as the next generation of technologies. Pursuing a technology offset strategy that focuses investments in potentially high payoff science and technology and platforms identified as critical to the next generation of warfare is crucial. But, technology at the high end, while necessary, is insufficient.

These high-end technologies are critical for deterring and countering the least likely, but most dangerous threats. However, their value may be limited beyond these scenarios, with unclear advantage for use in counterterrorism or even grey area and hybrid warfare threats that characterize a number of current security challenges. U.S. dominance at the high end of conflict has driven adversaries to compete and challenge the U.S. at the margins and below the high-end.

U.S. political and military structures are designed to deter and counter use of force by nation states. Increasingly, the challenges are posed by non- or sub-state actors, or are ambiguous in nature, designed specifically to mask responsibility or avoid eliciting an unacceptable response. Given the specific desire to avoid war with the U.S., the actions by these states are intended to prevent the use of these high-end platforms by avoiding escalation. The adversaries at whom these high-end capabilities are targeted are engaged in operations short of warfare.

We are seeing these patterns emerge in both Europe and the Asia-Pacific. Russia is using psychological, financial, cyber, and political subversion in concert with irregular and covert warfare tactics to create facts on the ground without crossing any "red lines" that would evoke a military response from the U.S. and its allies. China is employing coercive tactics, including paramilitary, economic, and cyber activities, to shift the status quo in its favor, including contesting foreign activities within its exclusive economic zone, expanding its air defense identification zone, and occupying disputed areas.

While these provocations may not constitute an existential threat to the United States, they do undermine U.S. credibility in protecting international order, and are the kind of actions that could escalate to war, whether due to miscalculation of U.S. red lines or escalatory reactions by partner and allied states that draw in the U.S. Credibility, deterrence and low-intensity conflict are increasingly linked and pose new challenges to U.S. strategy and priorities. The reality is that today's security challenges require capabilities for the full spectrum of operations.

Conclusion

Mr. Chairman, Mr. Smith, Members of the Committee, the FY 2016 budget process will be a critical one for national security. We are reaching a turning point where the temporary impacts of sequester-level budgets are going to more permanently shape the force we have going forward. The way the budget debate has played out since the BCA has incentivized keeping force structure, building an acquisition bow wave, and deferring decisions.

If sequester-level budgets are to be the future, then the Department of Defense, with the help of this committee, needs to make decisions about what it is going to stop doing. That is the only way to shape a future force that is still ready for the challenges that continue to emerge. Hopefully, today's testimonies will help the committee better understand what a force looks like under these budget constraints and inform the budget tradeoffs that will be debated over the coming months.