



US DEFENSE PLANNING

CREATING REALITY-BASED STRATEGY, PLANNING, PROGRAMMING, AND BUDGETING

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There is no doubt that the US is capable of conceptual thinking about national security. What is far less clear is that the US is capable of efficiently translating such concepts into practice: The need to effectively manage defense programs and budgets, and deal with immediate and near term needs. The US often seems to lose sight of the fact that concepts are not a strategy – which must be defined in terms of specific milestones for action, credible forces and resources, and meaningful tests of its effectiveness.

This is not a casual need. Ever since the end of the Cold War, the Department has struggled to create a stable mix of force plans, procurement plans, manpower plans, and readiness plans it can actually afford. The resulting failures did not matter much, as long as it could draw on the surplus assets freed up by the collapse of the Soviet Union and Warsaw Pact. But this surplus is now long gone. It has been consumed in two long wars, and by a series of failures to control costs.

Report after report by the GAO has documented the procurement side of these failures, and they are only part of the story. The steady escalation of personnel costs presents growing failures, as does maintaining readiness. At the same time, the US faces major new pressures on all federal spending because of massive increases in the deficit and in entitlements costs, and because its aging population has not saved for retirement.

US national security planning must continue to examine new ideas and concepts, but it needs to put far more emphasis on effective near and mid term planning and decision making. Speculating about what may be necessary more than a decade in the future has its place, as do efforts to set a broad policy context for national security. It is time, however, to focus on the period that current decision makers can actually affect, and the forces and defense posture that they can actually shape.

To date, the Department has failed to deal with these issues at any meaningful level. Its planning tools are decoupled from its budgeting and program efforts, and its efforts at reform consist largely of cuts in force or equipment strength, and procurement cancellations, reductions, and deferrals. Even if one ignores the problems caused by rising entitlements and deficits, **Figure One** shows that the Department faces growing pressures on its baseline budget at a time it cannot effectively control either its manpower or its procurement expenditures, and is still groping to find a way to budget for America's ongoing wars.

- The FY 2011 Greenbook projects only marginal real growth in the DOD's BA over the FYDP
- The DOD projects an average annual real decline in its BA of -2.5% for the FY 2011-2015
- However, this is predicated on the assumption that DOD funding has a huge, one-time decrease in funding in FY 2012 following a massive reduction in activities in Iraq and Afghanistan

- Excepting for this anomaly year, the FY 2011-2015 trend is an average annual real growth of 0.5%

These issues will be examined in far more detail in a four part series on defense planning, programming, and budgeting that follows this analysis. It is unclear, however, that any major progress is possible without fundamental reforms in the way the Department links strategy to plans and resources, and in the grossly inefficient and often dysfunctional way it currently executes both its strategy and QDR development and its overall planning, programming, and budgeting efforts.

Figure One: The End of the Free Lunch: Dealing with the Rising Internal Pressures on the Defense Budget

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
DOD BA	407.3	442.1	437.8	471.0	483.9	536.5	602.2	673.5	664.5	663.9
Real Growth	3.4%	8.6%	22.4%	4.2%	-1.3%	7.3%	9.3%	8.6%	-2.6%	-2.2%

	2009	2010	2011	2012	2013	2014	2015
DOD BA	689.8	674.6	552.8	558.8	562.7	566.3	571.5
Real Growth		-2.2%	-18.1%	1.1%	0.7%	0.6%	0.9%
Additional OCO Requests	NA	33.6	159.3	49	48	47	46.1
Total DOD BA (Incl. OCO)	689.8	708.2	712.1	607.9	610.8	613.3	617.6
Real Growth		2.7%	0.6%	-14.6%	0.5%	0.4%	0.7%

The Critical Gap between the Line Item Budget and the QDR

Both the US national strategy and the Quadrennial Defense Review (QDR) are examples of useful conceptual thinking, but neither provides a real strategy. They may outline broad policies but they rarely set clearly defined goals, focus on specific actions and milestones, discuss resources, or provide clear measures of effectiveness.

This year's QDR is more specific than previous versions but is still largely decoupled for planning, programming, and budgeting; and outlines few decisions about key near term issues in defense budgets and planning. While it does make a few specific program recommendations, the closest it comes to a tangible projection of future US forces is the following set of broad force goals shown in **Figure Two**.

These "plans" dodge around the critical manpower issues in the Army and its total lack of any coherent modernization and procurement plan. They show a range of uncertainty for the US Navy which sharply understate the past history of its chronic failure to plan and management in aircraft procurement and ship building programs. It ignores similar problems in the Marine manpower and procurement efforts. And, it creates a meaningless, hollow set of goals for an Air Force which consistently has to cut back on its operational aircraft strength as existing aircraft age, and procurements escalate in cost to the point where the Air Force must steadily cut its planned procurement numbers.

The QDR, however, at least has some specific content. The strategies advanced by the Chairman of the Joint Chiefs and the services are conceptual to the point of being

vacuous. They are not tied to any specific force and procurement plans, resources, or time scales.

Figure Two: The Net Specifics in the FY2010 QDR

DoD says it has determined that U.S. forces, for the duration of the FY 2011–15 Future Years Defense Program (FYDP), will conform to the general parameters outlined below. Where ranges of force elements are provided, these reflect variations in force levels that are planned across the FYDP.

Department of the Army:

- 4 Corps headquarters
- 18 Division headquarters
- 73 total brigade combat teams (BCTs) (45 Active Component [AC] and 28 Reserve Component [RC]), consisting of:
 - 40 infantry brigade combat teams (IBCTs)
 - 8 Stryker brigade combat teams (SBCTs)
 - 25 heavy brigade combat teams (HBCTs)
- 21 combat aviation brigades (CABs) (13 AC and 8 RC)
- 15 Patriot battalions; 7 Terminal High Altitude Area Defense (THAAD) batteries

Department of the Navy:

- 10 – 11 aircraft carriers and 10 carrier air wings
- 84 – 88 large surface combatants, including 21 – 32 ballistic missile defense-capable combatants and Aegis Ashore
- 14 – 28 small surface combatants (+14 mine countermeasure ships)
- 29 – 31 amphibious warfare ships
- 53 – 55 attack submarines and 4 guided missile submarines
- 126 – 171 land-based intelligence, surveillance, reconnaissance (ISR) and electronic warfare (EW) aircraft (manned and unmanned)
- 3 maritime prepositioning squadrons
- 30 – 33 combat logistics force ships (+1 Mobile Landing Platform (MLP))
- 17 – 25 command and support vessels (including Joint High Speed Vessels, 3 T-AKE)
- Class dry cargo/ammunition ships, 1 mobile landing platform)
- 51 roll-on/roll-off strategic sealift vessels

- 3 Marine expeditionary forces
- 4 Marine divisions (3 AC and 1 RC)
- 11 infantry regiments
- 4 artillery regiments
- 4 Marine aircraft wings (6 fixed-wing groups, 7 rotary-wing groups, 4 control groups, 4 support groups)
- 4 Marine logistics groups (9 combat logistics regiments)
- 7 Marine expeditionary unit command elements

Department of the Air Force:

- 8 ISR wing-equivalents (with up to 380 primary mission aircraft)
- 30 – 32 airlift and aerial refueling wing-equivalents (with 33 primary mission aircraft per wing-equivalent)
- 10 – 11 theater strike wing-equivalents (with 72 primary mission aircraft per wing-equivalent)
- 5 long-range strike (bomber) wings (with up to 96 primary mission aircraft)
- 6 air superiority wing-equivalents (with 72 primary mission aircraft per wing-equivalent)
- 3 command and control wings and 5 fully operational air and space operations centers (with a total of 27 primary mission aircraft)

- 10 space and cyberspace wings

Special Operations Forces:

- Approximately 660 special operations teams (includes Army Special Forces Operational Detachment-Alpha[ODA] teams, Navy Sea, Air, and Land [SEAL] platoons, Marine special operations teams, Air Force special tactics teams, and operational aviation detachments [OADs])
- 3 Ranger battalions
- 165 tilt-rotor/fixed-wing mobility and fire support primary mission aircraft
- The above parameters rightly reflect the heavy demands being placed on portions of the force by today's wars. As these demands evolve, so too may the appropriate size and mix of forces.

This list does provide a vague tie between the conceptual goals set forth in the QDR and the realities necessary to implement them, but it does nothing to show how forces will develop over time. The QDR does not have a clear manpower plan, does not address readiness, and does not address costs. It covers a wide range of possible shipbuilding and aircraft plans, with very different possible force levels, and does not address the Army's troubled equipment plans. The supporting text does not address the critical problems in procurement and force costs that have led to a steady downsizing of many key elements of US combat capability in recent years.

This leaves a critical gap between the conceptual thinking about an unpredictable future in the QDR and National Strategy and the Department's annual line item budget submission – a document that looks only a year into the future and then in terms of “input” costs that cannot be related to a given mission, warfighting capability, or key aspect of US strategy. The limited future year expenditure data in the Greenbook also are all line item -- or “input” -- spending data that cannot be related to any aspect of US strategy and plans.

A Largely Pointless FYDP and Program Budget Effort

What is lacking is the kind of transparency and reporting that portrays the projected details of the defense budget, and the execution of the future year program, in ways that show how they are intended to shape US capabilities to perform given roles and missions, and how effective given efforts are likely to be in supporting these goals over time.

The “snapshots” of projected spending data in the annual budget submission provide no basis for understanding what programs really are and what missions or strategic goals they are supposed to support. Organizing the data into “input” categories like *Military Personnel; Operations and Maintenance (O&M); Procurement; Research, Development, Test, and Evaluation (RDT&E), Military Construction, Family Housing, Revolving and Management Funds; Defense Wide Contingency; Offsetting Receipts; Trust Funds; and Interfund Transactions Allowance* reveals nothing about the purpose of such expenditures or their impact. The same is true of budget data that provide the same line items, or input data by service or service element. It has been more than half a century since such data remotely related to a given mission and a key aspect of US strategy.

As for the Future Year Defense Program or FYDP, most details in the program budget are classified, but this scarcely matters. The program categories in this so-called program budget do not relate to any meaningful category of mission or strategic focus. The categories that are supposed to be the core of the defense planning, programming, and budgeting system (PPBS) and the FYDP is no better.

The categories now used in the program budget date back to a system rushed into place in the early 1960s. An FAS summary of their content shows just how little relevance most have to any aspect of strategy or mission capability.¹

Program 1 - Strategic Purpose Forces: Offices of Primary Responsibility (OPR) Under Secretary of Defense for Policy (USDP), Under-Secretary of Defense for Research & Engineering (USDR&E), Director of Program Analysis and Evaluation (DPAE). Strategic forces are those organizations and associated weapons systems whose force missions encompass intercontinental or transoceanic inter-theater responsibilities. Program 1 is further divided into strategic offensive and strategic defensive forces, including operational management headquarters, logistics, and support organizations identifiable and associated with these major subdivisions.

Program 2 - General Purpose Forces: Offices of Primary Responsibility (OPR): USDR&E; USD(P) General purpose forces are those organizations and associated weapons systems whose force mission responsibilities are, at a given point in time, limited to one theater of operation. Program 2 consists of force-oriented program elements, including the command organizations associated with these forces, the logistic organizations organic to these forces, and the related support units that are deployed or deployable as constituent parts of military forces and field organizations. Also included are other programs, such as the Joint Tactical Communications Program (TRI-TAC), JCS-directed and coordinated exercises, Coast Guard ship support program, war reserve materiel ammunition and equipment, and stockfunded war reserve materiel.

Program 3 - Intelligence and Communications: Offices of Primary Responsibility (OPR): USDR&E; USD(P). Consists of intelligence, security, and communications program elements, including resources related primarily to centrally-directed DoD support mission functions, such as mapping, charting, and geodesy activities, weather service, oceanography, special activities, nuclear weapons operations, space boosters, satellite control and aerial targets. Intelligence and communications functions that are specifically identifiable to a mission in the other major programs shall be included within the appropriate program.

Program 4 - Airlift and Sealift Forces: Offices of Primary Responsibility (OPR): USDR&E; DPAE. Consists of program elements for airlift, sealift, traffic management, and water terminal activities, both industrially-funded and non-industrially-funded, including command, logistics, and support units organic to these organizations.

Program 5 - Guard and Reserve Forces: Offices of Primary Responsibility (OPR): Assistant Secretary of Defense (Reserve Affairs (ASD(RA)), DPAE. The majority of Program 5 resources consist of Guard and Reserve training units in support of strategic offensive and defensive forces and general purpose forces. In addition, there are units in support of intelligence and communication; airlift and sealift; research and development; central supply and maintenance; training, medical, general personnel activities; administration; and support of other nations.

Program 6 - Research and Development: Office of Primary Responsibility (OPR) USDR&E. Consists of all research and development programs and activities that have not yet been approved

¹ FAS, *Program and Budget Structure*, <http://www.fas.org/spp/military/program/budget.htm>,

for operational use, and includes basic and applied research tasks and projects of potential military application in the physical, mathematical, environmental, engineering, biomedical, and behavioral sciences. It also includes development, test and evaluation of new weapons systems equipment and related programs.

Program 7 - Central Supply and Maintenance: Office of Primary Responsibility (OPR) Assistant Secretary of Defense for Military Installations and Logistics ASD (MI&L). Consists of resources related to supply, maintenance, and service activities, both industrially funded and non-industrially-funded, and other activities, such as first and second destination transportation, overseas port units, industrial preparedness, commissaries, and logistics and maintenance support. These functions, which are usually centrally managed, provide benefits and support necessary for the fulfillment of DoD programs.

Program 8 - Training, Medical and Other General Personnel Activities: Office of Primary Responsibility (OPR) Assistant Secretary of Defense for Health Affairs ASD (HA) and ASD (MI&L). Consists of resources relate to training and education, personnel procurement services, health care, permanent change of station travel, transients, family housing, and other support activities associated with personnel. Excluded from this program is training specifically related to and identified with another major program. Housing subsistence, health care, recreation, and similar costs and resources that are organic to a program element, such as base operations in other major programs, are also excluded from this program. Program 8 functions and activities, which are mainly centrally managed, provide benefits and support necessary for the fulfillment of DoD programs.

Program 9 - Administration and Associated Activities: Office of Primary Responsibility (OPR) Assistant Secretary of Defense (Comptroller) ASD (C). Consists of resources for the administrative support of departmental and major administrative headquarters, field command, and administration and associated activities not accounted for elsewhere. Included are activities such as construction planning and design, public affairs, contingencies, claims, and criminal investigations.

Program 10 - Support of Other Nations: Office of Primary Responsibility (OPR) Assistant Secretary of Defense for International Security Affairs ASD (ISA). Consists of resources in support of international activities, including support to the Military Assistance Program (MAP), foreign military sales, and the North Atlantic Treaty Organization Infrastructure.

Program 11 - Special Operations Forces: Office of Primary Responsibility (OPR) Assistant Secretary of Defense for Low Intensity Conflict ASD (LIC). Consists of resources in support of special operations forces, particularly the Special Operations Command, a unified command.

Only two of these categories have even the slightest relevance to US strategic goals: “Strategic forces” and “General Purpose Forces,” and this relevance is more illusory than real. “Strategic forces” that lump together defensive and offensive and nuclear and non-nuclear elements no longer have a clear meaning in the post-Cold War era. Even the creators of the “General Purpose Forces” category came to recognize that it was so vague that it really meant “No Purpose Forces.” As for the other nine categories, they are simply another way of describing input data. The end result is that what should be a Planning, Programming, and Budgeting System is now little more than a pointless statistical morass.

The Need for New Kinds of Planning, Programming, and Budgeting

The QDR focuses on a period so far in the future as to be largely meaningless in terms of the plans and decisions that can actually be implemented; is largely decoupled from reality, resources and budgets; and fails to address most aspects of force plans, procurement plans, manpower, and specific mission capabilities. If the QDR does not fix these shortcomings, there will continue to be an unmet need for tools that focus on the near and mid-term future that the Department can actually plan for, and for tools that show how well it plans and executes in terms that give strategy a tangible meaning.

The Department needs to do a far better job of showing how its strategy, force plans, and spending plans create the tangible military capabilities we need. It should provide far more transparency and accountability in the process as part of its efforts to correct its problems in shaping and executing key tasks like the creation of effective and affordable procurement programs. It is not enough to meet budget targets by continuing to cancel programs, cut back forces and production levels, and then wait for the next problem in cost escalation to impact.

The Need for Reality-Based Strategy

As recent news reports have made brutally clear, last year's defense cuts have only been the prelude to this year's problems. Even if one looks only at procurement, the Department is now seeking to cut spending by roughly \$100 billion over the next five years. The F-35's cost escalation, the problems in the ship building program, and Army's decade-long confusion over how to shape its procurement program are just a few of the symptoms that nothing has changed.

Admittedly, improved planning, budgeting, and reporting cannot compensate for the Department's inability or unwillingness to bring key procurement programs under tight control, to rethink its personnel costs (particularly entitlements and the relative role of contractors), or to manage the impact of fighting two wars on readiness, retention, and the eventual need for reset. It is clear, however, that there is a yawning gap between the budget process and any meaningful definition of plans and strategy. There is a need to go beyond concepts; to define strategies in real-world, practical terms; and make the Department far more accountable in the progress.

There are four practical ways to address the problem:

- First, build on the Department's present crude performance budgeting system and make it effective.

- Second, scrap the present, largely meaningless program budget and replace it with programs based on the unified and specified commands – which reflect the real-world program structure of our strategic comments and military activity – adding breakouts on the Afghan-Pakistan conflict and end of the Iraq conflict as integral parts of the command involved.
- Third, go back to the time when the Secretary of Defense and Chairman of the Joint Chiefs issue annual posture statements that provided the equivalent of near-term net assessments; defined strategy in terms of specific force, procurement, personnel, and readiness plans; and provided at least a crude program expenditure forecast in program terms.
- Fourth, revitalize PA&E and Comptroller to provide the kind of rigorous planning, programming, and budgeting analysis that took place in the 1960s.

I. Performance Budgeting

The Department's current performance budgeting system has many of the right *conceptual* goals, but its current level of execution is only a crude promise of what might happen in the future. It is one of a long series of attempts to shift away from traditional line item budgeting to a more functional approach to tying money to policy and performance that began with the creation of the program budget and Systems Analysis office in the early 1960s (now PA&E).

The Purpose of Performance Budgeting

What is critical is that “performance budgeting” is intended to focus on funding and achieving tangible, short and medium term objectives – which means progress is more measurable in discrete, finite increments. The strategic goals are broad enough to allow the performance measures to be grouped in ways that track with the Department’s line item budget and major programs, and the format focuses on key objectives, rather than trying to deal with the entire budget. It also deals with the critical reality that the Department needs to provide clearly defined mid and long-term goals that are tied to tangible missions and strategic objectives, and that are matched to tangible accountability for the current year and coming year.

OSD Comptroller describes the role of “performance budgeting” as follows:

The Department’s Performance Budget framework is focused on implementing all the statutory provisions of the Government Performance and Results Act of 1993 and the President’s performance vision. Sections 200-230 of OMB Circular A-11 characterize a performance budget as a hierarchy of goals, structured like an agency’s strategic plan. At the top of the pyramid is the agency’s mission statement followed by overarching strategic goals, or statements of aim or

purpose, as outlined in the agency's strategic plan. For each strategic goal, there are a limited number of high priority strategic objectives that add greater specificity to the overarching strategic goal in terms of the outcomes to be achieved. For each strategic objective, there are a limited number of performance targets (measures and milestones) that are used to indicate progress toward accomplishing the strategic objective.

The Department's performance budget hierarchy is depicted in **Figure Three**. This hierarchy indicates that every level of the DoD is accountable for measuring performance and delivering results at multiple tiers of the organization that support the Department's strategic goals and objectives. Performance accountability cascades to the appropriate management level (DoD Enterprise to DoD Component to program level) with personnel accountability at all management echelons. DoD investments in systems and other initiatives are aggregated to support strategic objectives at the enterprise or highest DoD echelon level. DoD strategic objectives and performance targets are recommended by Principal Staff Assistants (PSAs) within the Office of the Secretary of Defense, in coordination with the Joint Staff, as most relevant for DoD-wide or enterprise-level strategic focus. This list does not represent a comprehensive and exhaustive list of all DoD performance targets.

The list does not include classified performance targets or address performance improvements associated with the National Intelligence Program (NIP), since responsibility for the NIP falls under the purview of the Director for National Intelligence (DNI).

DoD strategic objectives and performance targets (measures and milestones) are subject to annual refinement based on changes in missions and priorities. Such changes reflect the evolutionary nature of DoD's performance budget and the Department's continuing efforts to link budgetary resources and investments to identifiable and measurable strategic outcomes.

...Performance-based management and budgeting begins with an overarching strategic plan. The Quadrennial Defense Review (QDR) constitutes the DoD's strategic plan. Subsection 118 of Chapter 2, United States Code requires that the Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, conduct a comprehensive examination of the United States defense strategy and establish a defense program for the next 20 years. This review examines national defense strategy, force structure, force modernization plans, infrastructure, budget plans, and other elements of the defense program and policies of the United States, consistent with the most recent National Security Strategy and National Military Strategy. The review calls for a budget plan that would be required to provide sufficient resources to execute successfully the full range of missions called for in the national defense strategy at a low-to- moderate level of risk.

Figure Three: The Performance Budget Strategic Hierarchy

The DoD Strategic Hierarchy



FY2009-FY2011 Strategic Goals

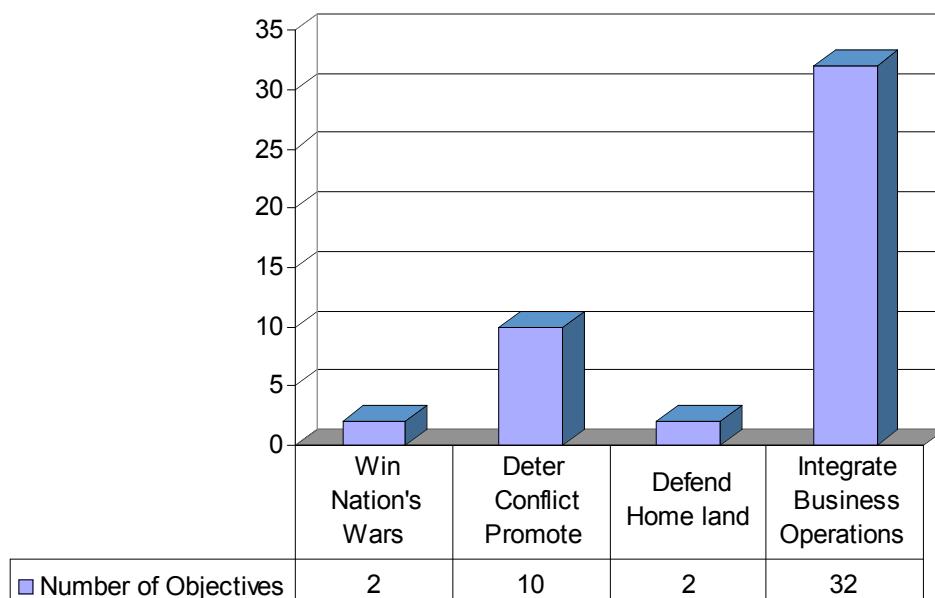


UNITED STATES DEPARTMENT OF DEFENSE FISCAL YEAR 2011 BUDGET,
OVERVIEW OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CFO,
February 2010, pp 7-4 to 7.5

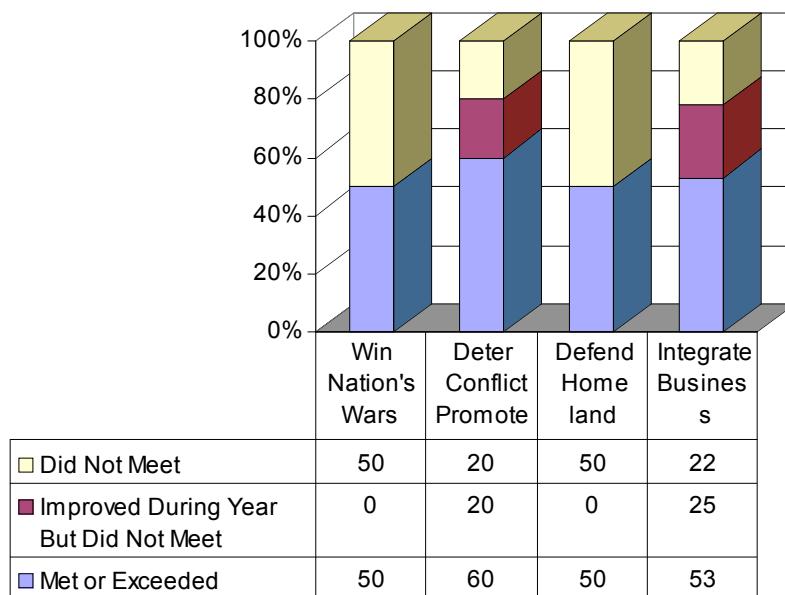
There are, however, major problems with each of the four “Strategic Goals” outlined in the FY 2011 Defense Budget Request, which are: Win Our Nation’s Wars; Deter Conflict and Promote Security; Defend the Homeland; and Integrate Business Operations. Each of these strategic goals are examined below.

The current execution of performance budgeting faced major problems largely because it is an exercise rushed into place by a Comptroller staff that clearly lacked adequate support from the rest of DoD, and focused its own work on “Integrate Business Operations” rather than on all of the key strategic objectives. **Figure Four** highlights these problems involved in terms of coverage and performance, but it only tells part of the story.

- First, there seems to be an artificial sensitivity to security – or perhaps a “cover your ass” fear of becoming too accountable. There may be areas where security is critical, but there really are very few that involve major objectives with major assets. The Department is almost certainly going to accomplish more if it makes public accountability as strong and relevant as possible.
- Second, it is not helpful to list the number of new objectives, but fail to describe them, and this does nothing to ensure accountability or make the case for funding key objectives. The document goes from a description of performance in FY2009 to simply listing the number of objectives by strategic goal for FY2010 and FY2011. It should follow the budget model. There should be a full break out of what the goals are for the actual, the current and the coming year.
- Third, it is not possible to quantify every objective precisely, or cost each objective. It should be possible in many cases, however, to tie money to specific metrics for success. How do you have “performance budgets” if you don’t show the budget?

Figure Four: FY2009 Performance Result by DoD Strategic Goal

Source: OUS Comptroller, *DUS Department of Defense, Fiscal Year 2011 Budget Request, Overview*, February 2010, p. 7-10



Win Our Nation's Wars

The FY2009 data for “Win Our Nation’s Wars” not only report on only two objectives -- or “performance targets” – and then report a somewhat disturbing 50% failure rate without describing what the failure was. Focusing on ongoing wars and major military operations is a key step forward in relating resources to meeting strategic objectives and “performance targets,” but these two targets cover two very different wars at two very different states of development.

The Iraq War objective focuses solely on training efforts in Iraq measured in terms of throughput since the war began (This is not an *annual* objective since it represents the cumulative results of all efforts since 2003). The Afghan War objective lists total assigned Afghan security forces (Again, not an *annual* objective.)

Neither “performance target” for FY2009 has anything to do with actual strength or the war fighting quality of the forces involved, and neither is tied to any aspect of the budget. Neither objective addresses US forces – in terms of levels or any aspect of its effectiveness in terms of equipment, supply, training, etc.

The budget document talks about expanding the number of “performance targets” or objectives from two in FY2009 to six for both wars in FY2010 and FY2011. The listing of the objectives in the table on DoD Enterprise Level Performance Goals/Targets by Strategic Objective shown in pages 7-19 to 7-20 repeat the mistake of focusing solely on total assigned Afghan and Iraq strength, without actually setting a goal for FY2011.

The new performance target for this strategic goal involves a vague “buzzword” category calling for Combatant Commanders to be “ready to execute 100% of current operations.” The sheer meaninglessness of this goal is illustrated by the fact the rating for FY2009 is 100%, but the President had to make massive increases in US troop strength in Afghanistan precisely because the commander was not ready to execute anything like 100% of the operations required. (See p. 7-19)

The same is true of the table on DoD High Priority Performance Goals shown in page 7-39, and not a single goal goes beyond the manning levels of contract supervisors, contract actions, and central control of disbursements – activities which scarcely represent high priority aspects of winning the wars.

Unless major changes are made in the content of each objective as described in the budget document, the result will not make a serious improvement in the reporting, nor will it improve the links between strategy and budget planning or improve accountability.

These changes should involve the following improvements:

- Each war should be treated differently. One is in a critical build up phase in which the US must demonstrate the viability of a new strategy. The other is in a responsible withdrawal, transfer, and strategic partnership phase.

- Apply the “Law of Twelves” to each war. Set out enough clear goals and “performance targets” for the coming fiscal year – showing the baseline and increment as appropriate – for each war to define meaningful goals for each conflict. Yes, “twelve” is really only an arbitrary number. The key is to list enough goals to really show the complexity of the war, to portray a meaningful mix of successes and problems, and build understanding of the overall links between the annual budget request and its impact on the war. *In practice, this is far more likely to take at least 12 objectives for each war than six for both.*
- Work with the combatant commander to set goals/“performance targets” that are resource related as well as set a meaningful end state: E.G. establish 3 Advisory Assistance Brigades in Iraq with manning levels ‘x’. Deploy ‘y’ new smaller MRAPs to Afghanistan. Raise the number of ANP advisors and mentors from ‘z’ (33%) to ‘w’ (100%).
- Choose objectives/“performance targets” that have a clear meaning to the Congress, the Media, and to the American people. Set out objectives that they can see tie the budget request to key war fighting needs.
- Do not be afraid of not meeting or partially meeting goals/“performance targets.” Accountability has been one of the real strengths of Secretary Gates and Admiral Mullen’s approach to defense planning and budgeting. The Department is also far more credible if it honestly reports and explains problems than tries to spin them. It will get more support and resources Department-wide from credibility than dodging problems in its reporting only to have them become the focus of Congressional and media attention.

Deter Conflict and Promote Security

The data for “Deter Conflict and Promote Security” provide somewhat more detail – but there is no correlation between the reported percentages of success and failure and the goals listed in the budget summary, and only five performance targets are listed for a total of 10 objectives.

The Army is the only service that provides any performance targets, perhaps because that either the Navy, Air Force, and Marine Corps are so perfect that no “performance targets” are necessary, or they are so useless that we can eliminate them entirely. (In fairness, the text does mention Marine Corps manning and lists the Navy SEALs, but these mentions are not tied to the performance objectives or targets.) Some performance targets are totally meaningless: E.G. “increase the number of approved technology transfers to 120,704.”

The document does state that the number of “performance targets” will increase from 10 in FY2009 to 12 in FY2011, but does not list all of the targets for FY2009. As before, no meaningful data are provided on the 20% of the goals whose targets were partially met, or the 20% for which it was not met at all.

The listing of the objectives in the table on DoD Enterprise Level Performance Goals/Targets by Strategic Objective shown in pages 7-20 to 7-21 do provide some useful measures of performance and do cover the Army, Navy, and Marine Corps in more detail – although there is no mention of the Air Force. Moreover, there are no qualitative details that explain how the performance ratings are to be tied to some concrete measures of performance, and neither Navy nor Air Force force goals are addressed.

Again, there is a tendency to use buzzword phrases without clear meaning: E.G. “modular design,” and “100% of unit initiatives.” The only criteria for military space (p. 7-22) are that there are no “operational availability gaps” in mission areas, and the historical section indicates that this is defined in ways where a “gap” cannot occur with some catastrophic failure. The ratings for intelligence operations (p. 7-23) reflect a major gap in which rated performance sharply exceeded the goal, and consumer satisfaction equal 98.8% in FY2010 – a percentage better suited to an Iranian election than a real world operational performance.

The table on DoD High Priority Performance Goals does not address this Strategic Goal in any way. (p. 7-39)

The end result is that the analysis does not cover a single major procurement aside from MPF ships. There is no link between “performance targets” and the expenditures involved. If anything, the effort is even less relevant than the problems in the program budget described later in this memo.

Part of the problem may be a search for simplicity and an effort to limit the number of goals and “performance targets.” Again, however, the issue should not be to simplify for the sake of simplification. It should be to set forward enough key objectives and “performance targets” to show how resources are to be used and to define what constitutes success. It is to try to link strategy and planning to budgeting in ways that provide real accountability, as well as to show how and wherefore resources are being allocated. It is also clear that one Strategic Goal – Integrate Business Operations – is address in such depth. It is the other three that are not.

The following changes seem necessary:

- Like many strategic goals, the goal of “Deter Conflict and Promote Security” is so broad that it is difficult to relate key activities within the Department to it. Like “general purpose forces,” it is risks becoming a catchall category that has little or no practical meaning. The alternative is to use this to list the key objectives and “performance targets” for each service and for each major unified and specified command.
- A command-by-command breakout – focused on the ten combatant commands -- would allow the listing of objectives and performance targets that tied the budget to the key goals of each major command and provide the focus on jointness and cooperation with our allies that are key thrusts in the QDR.
- A service-by-service breakout would allow the listing of objectives and performance targets that tied the budget to the force and manning goals for each service, as well as to their broad readiness goals and to major procurements.
- Defense Agencies and field activities could be separately included if they have a major contribution. It would probably work better, however, if most or all reported individually, and if any key developments by such line activities were included in the “Integrate Business Activities” strategic goal.

- Complexity can be dealt with by applying the “Law of Twelves” to the Department’s highest priorities, and then providing a breakout in similar depth for each command and military service. The key would again be to list enough goals to really show the complexity of the war, to portray a meaningful mix of successes and problems, and to build understanding of the overall links between the annual budget request and its impact on the war.
- Choose objectives/“performance targets” that have a clear meaning to the Congress, the Media, and to the American people. Set out objectives that they can see tie the budget request to key war fighting needs.

Defend the Homeland

The data for “Defend the Homeland” provide virtually no detail. The FY2009 data therefor only report on only two objectives – and only list one “performance target.” They report a 50% failure rate without describing what the failure was. Moreover, the number of objectives is supposed to increase to 3 in FY2010, and then drop back to 2 in FY2011.

The listing of the objectives in the table on DoD Enterprise Level Performance Goals/Targets by Strategic Objective shown in pages 7-23 to 7-24 do provide some useful data on National Guard Weapons of Mass Destruction Team strength and CBRN Enhanced Response Force Packages, as well as progress in equipping zonal diagnostic labs for biological agent detection and response. They also warn of slow progress in destroying category 1 treaty-declared chemical weapons. These, however, represent a tiny fraction of total activity and expenditure in this area.

The table on DoD High Priority Performance Goals does not address this Strategic Goal in any way. (p. 7-39)

The end result is that this aspect of performance budgeting is essentially meaningless, although it is becoming a key aspect of DoD spending. As **Figure Five** shows, the OMB budget analysis shows the following overall mix of DoD and non-DoD spending in these areas for FY2010-FY2015:

Figure Five: US Domestic Spending on Homeland Defense: FY2010-FY2015

Budget Function	2010 Enacted	Baseline				
		2011	2012	2013	2014	2015
National Defense	23,990	24,190	24,533	24,979	25,443	25,911
International Affairs	1,767	1,868	1,898	1,930	1,963	1,997
General Science Space and Technology	1,547	1,564	1,589	1,620	1,644	1,674
Energy	122	123	126	129	132	136
Natural Resources and the Environment	306	310	316	326	330	339
Agriculture	567	578	591	608	622	636
Commerce and Housing Credit	196	198	201	205	210	214
Transportation	11,200	11,342	11,601	11,931	12,272	12,621
Community and Regional Development	3,948	3,993	4,058	4,129	4,201	4,272
Education, Training, Employment and Social Services	174	178	184	199	197	202
Health	4,204	7,325	7,454	7,597	7,739	7,884
Medicare	27	28	29	31	32	34
Income Security	14	14	15	15	15	15
Social Security	209	225	234	236	238	244
Veterans Benefits and Services	428	416	426	435	448	458
Administration of Justice	20,119	20,718	21,602	22,315	23,057	23,827
General Government	1,552	1,553	1,582	1,609	1,632	1,659
Total, Homeland Security Budget Authority	70,270	74,623	76,439	78,284	80,175	82,123
Less National Defense, DOD	-19,045	-19,254	-19,485	-19,914	-20,155	-20,496
Non-Defense, Discretionary Homeland Security BA	51,225	55,369	56,954	58,470	60,020	61,627
Less Fee-Funded Homeland Security Programs	-5,528	-5,562	-5,625	-5,722	-5,820	-5,922
Less Mandatory Homeland Security Programs	-2,590	-2,646	-2,931	-3,024	-3,124	-3,223
Net Non-Defense, Discretionary Homeland Security BA	43,107	47,151	48,398	49,724	51,076	52,482
Obligations Limitations						
Department of Transportation Obligations Limitation	105	106	107	109	111	114

Source: White House, *The Budget for Fiscal Year 2011*, “Special Topics,” p. 386

Once again, significant changes seem necessary:

- Each major category of activity should be listed in terms of performance targets. Once again, these should cover the actual, current, and planned fiscal years.. .

Apply the “Law of Twelves”. Again, set out enough clear goals and “performance targets” for the coming fiscal year – showing the baseline and increment as appropriate – for each war to define meaningful goals for each conflict.

Integrate Business Operations

The data for “Integrate Business Operations” reflect the fact that the authors of this budget document were in OUSD Comptroller and knew their key objectives. There are 35 objectives for FY209 and they rise to 45 in FY2010 and FY2011. They also represent the only Strategic Goal where performance results are not rounded in ways that make the rating system seem to be little more than a guesstimate.

There are familiar problems. The “Key Performance Outcome Summary” (p. 7-11) only describes five of the 35 current objectives/performance targets. There is no link between objectives/performance targets and budgets, and it is unclear where the performance failures occurred, how serious they were, and when and if they will be corrected.

It is also striking that none of the reporting on actual performance for this strategic goal actually involves integrating business operations. Every listed objective/performance target is actually a goal related to either general improvements in readiness, living

conditions, and deployments. This is not too surprising. The title for this strategic goal does not track well with many items in the breakout of major strategic objectives shown in Figure 7-7. (pp. 7-9 to 7-10).

In fact, this strategic goal really seems to be a catch-all for “Improve DoD Operations and Management and the Conditions of Military Service.” This is certainly what is described in the text that covers the goals for FY2010 and FY2011. It should be noted, however, that while the objectives/performance targets all seem valuable, they are virtually the only areas covered. *The discussion of FY2011 for this one strategic goal takes up the entire text. (pp. 7-13 to 7-16). There is not a single word dealing with any of the previous three strategic goals.*

The situation is better in terms of the tables breaking out the strategic objectives/performance targets for FY2011, but only marginally-- few have any relation to “Integrate Business Operations.” There also is an immense level of detail compared to the other Strategic Goals:

- The coverage of “Integrate Business Operations.” in the section on DoD Enterprise Level Performance Goals/Targets by Strategic Objective takes up 14 pages (7-24 to 7-37.) This compares with 3 pages for “Win Our Nation’s War, 3 pages for “Deter Conflict and Promote Security,” and one page for “Defend the Homeland.”
- The coverage of “Integrate Business Operations.” relating to high priority performance goals takes nearly two pages vs. one third of a page for “Win Our Nation’s War” and exactly zero goals or mentions for “Deter Conflict and Promote Security” and “Defend the Homeland.”

II. Base The Program Budget/FYDP on The Unified and Specific Commands

In looking at the level of effort involved, it might well be time to ask whether parallel improvements are needed in the Department’s program budget and Future Year Defense Plans. The suggested changes in performance budgeting could easily be extended to cover the entire Future Year Defense Plan for key categories like service force plans, major procurements, and total manpower.

More generally, it makes no sense to have a program budget or FYDP that does not attempt to project the cost and consequences of “Win Our Nation’s Wars” for at least the FDYP period when so much of the manpower, training, O&M, mobility, and procurement budget are linked to these costs. Yes, there will be major real-world changes in the actual nature of such spending and it will involve a rolling plan that will change annually. The alternative, however, has been no plan, supplements, serious perturbation in funding streams, and a lack of continuity of effort.

It also now seems time to address what both Alan Enthoven and Wayne Smith acknowledged was a critical failure in the program budget—and its linkage to strategy, plans, and missions—back in Vietnam days. “General Purpose Forces” have long been

“no purpose forces” from a PPB viewpoint. They cannot be related to given mission areas, and are a nightmare of line items whose value in planning and analysis ranges from useless to suspect. Moreover, as both the budget and QDR make clear, “strategic” has changed radically in meaning since the Cold War and a shift away from a strategic nuclear arms race.

One solution is to restructure the program budget so that General Purpose Forces and Strategic Forces were replaced by a cost break out by each of the 10 combatant commands shown in **Figure Six** below. These commands cover the mix of regional and worldwide missions and have the following roles:²

- U.S. European Command (USEUCOM) is responsible for activities in Europe, Greenland, and Russia.
- U.S. Central Command (USCENTCOM) is responsible for the Middle East, Egypt, and several of the former Soviet republics. This Command is primarily responsible for conducting Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom.
- U.S. Pacific Command (USPACOM) is responsible for China, South and Southeast Asia, Australia, and the Pacific Ocean.
- U.S. Southern Command (USSOUTHCOM) is responsible for Central and South America and the Caribbean.
- U.S. Northern Command (USNORTHCOM) is responsible for North America, including Canada and Mexico.
- U.S. Africa Command (USAFRICOM) is responsible for the entire continent of Africa (except for Egypt).
- U.S. Strategic Command (USSTRATCOM) provides global deterrence capabilities, direction of Global Information Grid operations, and synchronizes Department efforts to combat weapons of mass destruction worldwide.
- U.S. Special Operations Command (USSOCOM) leads, plans, synchronizes, and as directed, executes global operations against terrorist networks.
- U.S. Transportation Command (USTRANSCOM) moves military equipment, supplies, and personnel around the world in support of operations.
- U.S. Joint Forces Command (USJFCOM) leads joint innovation and experimentation, integrates joint force capabilities, trains joint forces, leads development of joint force readiness standards, and provides trained and ready joint forces to other combatant commanders.

This list comes close to the mission related categories as we now have, and so breakouts will not constantly shift according to strategic terms and rhetoric. They provide the closest enduring match between budgets, force capabilities, and the key elements of

² UNITED STATES DEPARTMENT OF DEFENSE FISCAL YEAR 2011 BUDGET,
OVERVIEW OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CFO,
February 2010, pp 7-4 to 7.5.

strategy now available; and they would emphasize jointness and integration.

Assembling and organizing the data in this way would also present relatively limited problems. As OSD Comptroller notes, "The Military Departments supply the necessary capabilities to these Commands. As such, the operating costs of these commands (except the USSOCOM) are subsumed within each Military Department's budget. The USSOCOM is the only Combatant Command that has budget authority that resides outside of the control of the Military Departments and is reflected in the Department's Defense-wide accounts."

The key areas of line item budgets could still be covered in the submission to Congress. The problem raised by the fact the Commands do not deal with procurement per se could be handled in the FYDP and program budget by integrating procurement with RDT&E along functional lines – which would present a far clearer picture of force development and emerging capabilities than the separation of procurement and RDT&E into a forest of line items whose interrelations are extremely difficult to trace.

Figure Six

Source: UNITED STATES DEPARTMENT OF DEFENSE FISCAL YEAR 2011 BUDGET, OVERVIEW OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CFO, February 2010, p. 7.4

The QDR and the Strategy Resource Mismatch

There are other reasons to focus on tying both strategy and the PPB process to the united and specified commands. This year's QDR does better job of tying long-term trends and concepts to actual resources and near term needs and actions than any of its predecessors. It also reflects a continuing realism in making hard trade-offs which was sadly lacking before Secretary Gates became Secretary of Defense.

As noted earlier, however, this still leaves important gaps. Far too many concepts are defined as "strategies" without any indication that there are plans to actually implement them. The QDR calls for a level of flexibility in executing hybrid operations that may

well be impractical and unaffordable, but there is no way to know because these concepts are not defined. As **Figure Seven** shows, there also is no direct overlap between the six key missions set forth in the QDR (pp. vi-x and p. 2) and the Strategic Goals in the budget – although there is no apparent conflict between the various sets of objectives:

Figure Seven: QDR Missions vs. Budget Strategic Goals

Budget Strategic Goals:

- **Win Our Nation's Wars**
- **Deter Conflict and Promote Security**
- **Defend the Homeland**
- **Integrate Business Operations**

QDR Missions:

- **Defend the United States and support civil authorities at home:**
 - Improve the responsiveness and flexibility of consequence management response forces;
 - Enhance capabilities for domain awareness;
 - Accelerate the development of standoff radiological/nuclear detection capabilities; and
 - Enhance domestic capabilities to counter improvised explosive devices (IEDs).
- **Succeed in counterinsurgency, stability, and counterterrorism operations:**
 - Increase the availability of rotary-wing assets;
 - Expand manned and unmanned aircraft systems (UASs) for intelligence, surveillance, and reconnaissance (ISR);
 - Increase key enabling assets for special operations forces (SOF);
 - Increase counterinsurgency, stability operations, and counterterrorism competency and capacity in general purpose forces;
 - Increase regional expertise for Afghanistan and Pakistan; and
 - Strengthen key supporting capabilities for strategic communication.
- **Build the security capacity of partner states:**
 - Strengthen and institutionalize general purpose force capabilities for security force assistance;
 - Enhance linguistic, regional, and cultural ability;
 - Strengthen and expand capabilities for training partner aviation forces;
 - Strengthen capacities for ministerial-level training; and
 - Create mechanisms to expedite acquisition and transfer of critical capabilities to partner forces.
- **Deter and defeat aggression in anti-access environments:**
 - Expand future long-range strike capabilities;
 - Exploit advantages in subsurface operations;
 - Increase the resiliency of U.S. forward posture and base infrastructure;
 - Assure access to space and the use of space assets;
 - Enhance the robustness of key ISR capabilities;
 - Defeat enemy sensors and engagement systems; and
 - Enhance the presence and responsiveness of U.S. forces abroad.
- **Prevent proliferation and counter weapons of mass destruction:**
 - Establish a Joint Task Force Elimination Headquarters to plan, train, and execute WMD-

- elimination operations;
 - Research countermeasures and defense to nontraditional agents;
 - Enhance nuclear forensics;
 - Secure vulnerable nuclear materials;
 - Expand the biological threat reduction program; and
 - Develop new verification technologies.
- **Operate effectively in cyberspace:**
 - Develop a more comprehensive approach to DoD operations in cyberspace;
 - Develop greater cyber expertise and awareness;
 - Centralize command of cyber operations; and
 - Enhance partnerships with other agencies and governments.

Past QDRs have focused too much on the timeframe beyond the point at which it is possible to predict the future with enough accuracy to shape force plans and estimate program needs. At the same time, budgets have been an exercise in fiscal accountability and line item management without tying the FYDP to the QDR in sufficient depth.

The key issue now is how best to build upon the progress made in this QDR, and to find the best way of keeping QDRs both focused on long-term needs and on key near-term decision-making priorities like the tangible need for major near term shifts in key programs, and furthermore to maintain the tie between the QDR, the budget, and the FYDP.

The 2010 QDR indicates that one key is to make it clear when a tangible plan or resource commitment actually exists and to include it in the QDR. This has already been done to some extent, but more detail would help a great deal to make it clear when the QDR is presenting ideas and when it actually recommends tangible actions. This would also allow Performance Budgeting to both better support the QDR in years when it is issued, and to follow up in future years to flag significant changes.

III. Return to Meaningful Sec Def and CJCS Annual Posture Statements

There are other areas in which it would be useful to see the QDR both become more specific and examine key aspects of the FDYP:

- Go back to presenting detailed annual plans and budget justifications of the kind presented in the older Secretary of Defense and CJCS “posture statements.” Provide the detail necessary to show trends in major equipment levels and not just show unit numbers or use generic terms like “wings.” Present the projected force levels at least to the end of the FDYP to give a picture of how the QDR relates to near/mid term planning goals. (pp. xvi and xvii touch on this but do not provide the necessary level of detail.)
- Providing similar data on military personnel, career civilians, and contractors. Show the trend for at least the period in the FYDP.

- Show the FYDP budget totals in both the QDR and the annual budget document. Discuss the “outyears” in broad terms. Add a major new discussion in the QDR on projected future defense resources, examining the trends in the economy, federal spending, and spending by other powers.
- Provide a longer-term forecast for key procurements. Discuss key QDR goals and concepts in far more specific terms as they affect the area of defense planning and budgeting with the longest lead times.
- Add a spending and resource section to the Defense Risk Management Framework.
- Tie QDR policy statements to specific shifts in strategy, force levels, contingency capabilities, etc. for the major commands. Move away from a “one size fits the globe” approach to a more focused effort to project the key policies and strategies needed for key commands.

The most important of these steps would be going back to the kind of detailed annual posture statements that the Secretary, Chairman of the Joint Chiefs, and service chiefs issued through the 1980s – potentially supplementing these with the Chairman’s net assessment. These annual statements addressed the current and near term strategy the US was pursuing in tangible terms. They linked strategy to concrete force plans, manpower plans, readiness plans, and procurement plans, and budget breakouts. They could also be used to flag key changes between QDRs and tighten the ability to link performance budgeting to meeting the goals set in the QDR.

IV. Revitalize PA&E and Comptroller

Finally, no amount of reorganization in the way the US plans, programs, and budgets can work unless the Department has strong elements that constantly challenge the status quo, force every element to control cost and stay within resource constraints, and give the Secretary the analytic resources and tools to control the strategy and PPB process. Such efforts need a strong counterpoint from the Chairman and JCS, as well as the unified and specified commands. The goal, however, should be both civil-military transparency and a constantly challenging dialectic, not seeking coordination, deferring hard decisions, and achieving pointless consensus through empty conceptual documents.

Putting planning and budgeting back on an annual cycle; forcing links between strategy and the PPB process; shifting to programs and budgets tied to the unified and specified commands can all help. But, they are not a substitute for hard-nosed, demanding leadership; forcing issues to the surface; and forcing responsibility and decision-making. The Department needs a leading edge, and controversy that serves a purpose. Today, it wanders into conceptual clouds, allows consensus until things go drastically wrong, and then attempts to manage by damage control. Giving the Secretary back the “edge” that Systems Analysis and Comptroller had before Congress and politics weakened it to its

present form can be a key tool in bringing strategy, planning, programming, and budgeting back to reality.