

# HOW CAN WE DEVELOP A SUSTAINABLE RESOURCE STRATEGY FOR DEFENSE?

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For several years, the defense budget has been under siege from government-wide budget gridlock and a legislative stalemate. The Department of Defense (DoD) has dutifully built its budgets and submitted them to Congress, but final appropriations have often differed substantially, making it hard for DoD to implement its own plans. Government shutdowns add to the confusion, and the short-term stopgap legislation of continuing resolutions prevents DoD from implementing any long-term solutions to budget challenges. The lack of full-year appropriations, the additional complications of spending caps from the Budget Control Act of 2011, and the arbitrary budget cuts from the process of sequestration only compound the impact of this uncertainty.

The alternative to arbitrary budget cuts is to reduce defense spending in a strategic manner, but that can be a complicated and lengthy process. Challenges in strategic choices are exacerbated by DoD's own internal cost growth problems, whether they are in weapon systems, military pay and benefits, health care, or operation and maintenance accounts, as well as the impact of unplanned operations such as support of possible strikes on Syria. DoD has, however, made three institutional choices that, like self-inflicted wounds, needlessly compound the problem.

## DEFENSE DEPENDS ON FISCALLY DISCIPLINED PROGRAMMING

First, for more than 50 years, DoD has operated under the gold standard for government budget processes, with the Planning, Programming, and Budgeting System. Since it was put in place by Secretary of Defense Robert McNamara in 1961, the PPBS, as it is called, has been one of the strengths of DoD. It builds an annual budget for DoD, which the president submits to Congress along with the rest of the federal government, but it provides far more than a one-year spending plan. Through a five-year plan called the Future Years Defense Program, or FYDP, the PPBS provides a detailed roadmap for everything that matters for defense, from the size and composition of the forces to their pay and benefits,



from the support and operations of current weapon systems to the basic research for new technology, and from the balance of capabilities across the military services to the need for eliminating redundancies.

In addition to the FYDP providing a roadmap, it is the mechanism within DoD by which civilian leadership, including the White House, sets priorities and makes the resource tradeoffs needed to protect those priorities. Through long-term planning, it is possible for leaders, from the president down, to develop a set of strategies and priorities for national security and

defense, then to ensure that the ways and means to implement those strategies will be developed, available, and sustained.

Recent years have seen a decline in both the quality and the relevance of the FYDP and in the process of the PPBS itself. One reason for that decline is that DoD is currently planning for three budget levels: one that complies with the final Budget Control Act levels (roughly \$475 billion per year for the defense base budget), one that complies with the initial Budget Control Act reductions (10 percent higher than the final BCA caps—an approach shared by

DoD, the White House, and both houses of Congress), and one that splits the difference (5 percent higher than the final BCA caps). Another reason for that decline rests in the changes to the PPBS process.

### DEFENSE HAS WEAKENED THE PPBS

In the mid-2000s, DoD tried to make changes to the PPBS. In addition to the phases of planning, programming, and budgeting, the defense secretary added a fourth phase, called execution. The idea was sound and worthy, to focus not only on plans to spend money but on tracking to see what DoD achieved as that money was spent. Even the name was changed from the PPBS to the PPBE system. From the start, though, it has proved difficult to track real results and tie them back to specific budget line items. In most ways, the system is still the PPBS, not the new PPBE.

A more challenging change was to combine two of the phases of the PPBS, with a combined program and budget review. For more than 40 years, the process had two sequential reviews, first of the full multiyear spending plan called the “program,” then of the details for the budget year about to go to Congress. In the wake of September 11, 2001, these two reviews were combined. In practice, while it has saved calendar time, this change has meant that neither review gets the full attention it needs. The result has been a weaker process, with less precision and fidelity, undermining the ability of civilian leadership to set priorities, tradeoffs, and strategic directions. A weaker PPBS produces a weaker FYDP, which in turn provides less protection from the vagaries of the more chaotic congressional appropriations process described above. Further weakening of this process has come from the wide use of supplemental appropriations that exist outside of this entire process.

### DEFENSE HAS BECOME ADDICTED TO SUPPLEMENTAL APPROPRIATIONS

Within weeks of the terrorist attacks on September 11, Congress appropriated an additional \$20 billion for defense spending. As operations built up, first in Afghanistan and then Iraq, supplemental appropriation levels for DoD grew to almost 10 times that level, reaching \$189 billion in FY 2008, nearly 40 percent the size of that year’s \$480 billion baseline defense budget. Even today, supplementals (now called Overseas Contingency Operations, or OCO, and totaling nearly \$90 billion per year) make up nearly 20 percent of total defense spending. Because the blueprint for this spending is not integrated with the FYDP, it is at best tied only loosely to long-term PPBS planning.

Such supplementals provide funds for critical operations in wartime, and they permit urgent and perhaps unforeseen needs to be met. Supplementals also, however, become a way to pay for needs that are not directly connected to the wars. In that way, they can circumvent the power of the FYDP and undermine the role of the PPBS to reflect the priorities, tradeoffs, and strategic directions of the president and his civilian leadership.

### WHAT CAN BE DONE?

Each of these three factors has undermined DoD’s own ability to handle the external pressures and uncertainty caused by the government’s budget crisis, but there is hope, because each can be addressed by DoD, regardless of the overall budget siege. DoD can take a more strategic approach to bringing its resources in line with reality through the following institutional choices.

**DOD NEEDS TO LOOK BEYOND  
THE CURRENT STRUGGLES OVER  
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CONTROL ACT AND BEGIN TO  
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AFGHANISTAN AND IRAQ.**

First, DoD needs to wean itself from its addiction to supplemental appropriations through a clear delineation of spending in the current supplementals that should be in the base budget. No one knows precisely how much OCO spending should be in the base budget, but DoD needs to begin now to apply the necessary priority tradeoffs to ensure costs not directly related to the war fit into the base. These changes will take perhaps two years to implement, and will no doubt be challenging, given the severe DoD fiscal constraints, but it must be done to ensure future fiscal health and stability.

Second, DoD needs to look beyond the current struggles over implementing the Budget Control Act, with its caps and sequesters, and begin to plan seriously for spending levels that reflect the end of the wars in Afghanistan and Iraq. Prudence and reality urge DoD to produce a FYDP that reflects the most likely spending level. The absence of any agreement in Congress means that this will probably be close to the Budget Control Act levels, including sequestration if needed, of approximately \$475 billion per year, with inflation added and with reasonable supplementals. No single military service has the incentive to offer a realistic long-term plan at lower levels unless all are required to do so, so the secretary of defense needs to issue a consistent and affordable set of priorities that are the same for all of DoD.

Third, it's too late to take these actions for this year or even the next. Instead, DoD needs to restore fiscally disciplined programming to the FYDP in time for the period of 2016 and beyond. That sounds a long way off, but the internal DoD guidance for the dollars and the strategy for the FY16-21 FYDP is due next spring. The planning and the priorities for that guidance will flow from the current Quadrennial Defense Review, or QDR. The time is now for that QDR to reflect the priorities, tradeoffs, and strategic directions needed to produce an executable, affordable defense program for the next decade. ►