

# An Open Letter:



DEFENSE REFORM CONSENSUS

Dear Secretary Carter, Chairman McCain, Ranking Member Reed, Chairman Thornberry, Ranking Member Smith, Chairman Cochran, Ranking Member Durbin, Chairman Frelinghuysen, and Ranking Member Visclosky:

IN 2013, A BIPARTISAN GROUP OF DEFENSE EXPERTS CAME TOGETHER to warn Pentagon and Congressional leaders of the growing imbalances within the defense budget that threaten the health and viability of America's military power. Nearly two years later, the same strong bipartisan consensus exists. Today, the urgency for change is even greater.

The Administration, with support from key members of Congress, has made some incremental and modest changes that begin to bend the cost curves in personnel, compensation, and infrastructure. In some cases, however, easy choices were made to avoid harder ones and difficult tradeoffs have been deferred. With rising threats around the globe and a military force diminishing in size, readiness, technological supremacy and some key capabilities, now is the time to make the major changes necessary to renew America's military strength. Too much of the defense budget is currently consumed by institutional inefficiencies, some of which are mandated by law. This is leaving a smaller share of the budget to pay for the manning, training, and equipping of our armed forces that make the US military without peer. Now is the time to begin the hard but necessary work to close excess bases, right-size the civilian workforce, and give future service members more value in a modern pay and benefits package. Given the election season, these questions will surely be deferred until 2017 or later if another year is lost. Meanwhile, our combat power will continue to suffer, morale will fall further, and America's competitors will continue to become more capable of contesting US interests around the world.

As the US military shrinks, it must reduce its inventory of physical infrastructure. Smaller budgets can no longer support paying for the operation of unnecessary facilities. Previous base closure rounds have produced significant savings for the American taxpayer. The Pentagon's first four BRAC rounds are producing an annual recurring savings of around \$8 billion, and even the latest round in 2005—which closed far fewer bases than preceding rounds—is producing nearly \$4 billion in annual savings. Ten years after the last effort, Congress has yet to support another domestic base closure round—even though previous rounds were all approved under both Republican and Democratic administrations. The Defense Department's inventory of buildings remains at about 2.2 billion square feet with roughly 86 percent located in the United States. Estimates remain constant that the Pentagon retains over 20 percent excess capacity here in the US. Meanwhile, the military services have arguably drawn down too far in overseas basing. Members of Congress in both parties should partner with the Pentagon to identify the true scale of excess capacity and better match the Department's vast network of facilities to its smaller, more forward-engaged force.

The size and structure of the federal defense civilian workforce is another area in need of urgent examination and restructuring that policymakers in both branches have been reluctant to tackle. From 2001 to 2014, the active duty military shrank by nearly 3 percent. Yet over the same timeframe the number of civilian defense employees grew by 10 percent to 756,000. This workforce rose another 3 percent in just the past year. While these professionals support essential missions of the Defense Department, their growth since 2001 has created a workforce that is now out of proportion to need. At the same time, the Department of Defense has grown a civilian contractor workforce of nearly the same size, an estimated 700,000.

While DoD has made selective reductions in parts of the civilian workforce, it is unclear if these have been appropriately matched to the changing needs of a downsizing military and shifting strategy. This is a critical unanswered question for policymakers since defense civilians are directly employed by the government, consuming \$76 billion of the defense budget in 2014. The Government Accountability Office, for instance, has consistently criticized the Pentagon for failing to collect the necessary data to optimize its workforce—including assessing the most efficient balance between contractors, civilians, and military personnel. Collecting this information is essential in order to bring the defense civilian and contractor workforces into balance with the size of our uniformed military. But the Department should not stop there. In order to right-size the defense workforce, DoD should undertake a systematic effort to de-layer headquarters organizations across the Department, reducing needless bureaucracy and optimizing spans of control to enable better performance at lower cost.

Finally, it is time for a comprehensive modernization of the military compensation system. The nation's approach to military compensation and benefits has changed little since the 1970s, even as the demographics of our force have shifted to a greater proportion of married, college-educated service members with dependents and even as new approaches in areas like health care have created the possibility of delivering better outcomes at lower cost. As the Military Compensation and Retirement Modernization Commission recently reaffirmed, America's highly mobile youth have different expectations about compensation and attach different value to its various forms than did earlier generations. Better maximizing the value of compensation to beneficiaries was the philosophy of the commission and should remain the driving force behind reform. But cost should also be a consideration given that from fiscal year 1998 to FY 2014, the cost per active duty service member grew 76 percent, adjusting for inflation. In recent years, Pentagon leaders have proposed many incremental changes to military compensation to reduce the rate of growth, but Congress has yet to act in a holistic manner. Congress should, at a minimum, commit to bringing the commission's thoughtful recommendations to a vote in both chambers this year. It should also examine and implement the best proposals for reforming the DoD health care system to deliver better outcomes for service members, retirees, and their families at less cost to the American taxpayer.

Reforms in these three areas will not be easy, painless, or popular. But they are essential to maintaining a strong national defense over the long term. These responsible initiatives should be undertaken by Pentagon and Congressional leaders regardless of the level of defense spending. While these reforms are necessary, they are not in and of themselves sufficient to meet the fiscal and strategic challenges the military currently faces. Those of us who have joined together in support of these efforts may differ on many issues, but we are unified in our agreement on the need to pursue long-overdue defense and institutional reforms. Excess facilities, an oversized civilian workforce, and outdated military compensation and benefits models all jeopardize the combat power these investments are intended to support. Failure to pursue these changes could come at great cost, increasing the chance that our service men and women will be unprepared for future challenges. It is past time for bold action.

*The views expressed in this letter are those of the participating individuals alone and do not necessarily reflect the views of their respective organizations.*

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