

RESTORING AMERICA'S FUTURE

**Reviving the Economy, Cutting
Spending and Debt, and Creating
a Simple, Pro-Growth Tax System**

The Debt Reduction Task Force

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BIPARTISAN POLICY CENTER

Freeze Defense Spending

Introduction

The United States today remains the world's foremost military power and will continue to be so in the foreseeable future. Over the past decade, U.S. defense spending has grown with few fiscal constraints, reaching roughly \$700 billion a year, a sum virtually equal to the defense spending of all other countries combined. Such growth is no longer possible, however, as the nation faces increasingly pressing problems of economic recovery alongside unprecedented debts and deficits. As Admiral Michael Mullen, chairman of the Joint Chiefs of Staff, has noted, today the U.S. debt is the "single-biggest threat to our national security."⁵⁸

The Defense Department and its secretary, Robert Gates, have begun to recognize the need for greater fiscal discipline. While Secretary Gates continues to seek real growth in the defense budget, he has begun a process of terminating some investment programs, closing the Joint Forces Command and two other agencies, reducing spending on support contracting, lowering the number of flag officers, freezing some civilian personnel levels, and reforming the acquisition process.

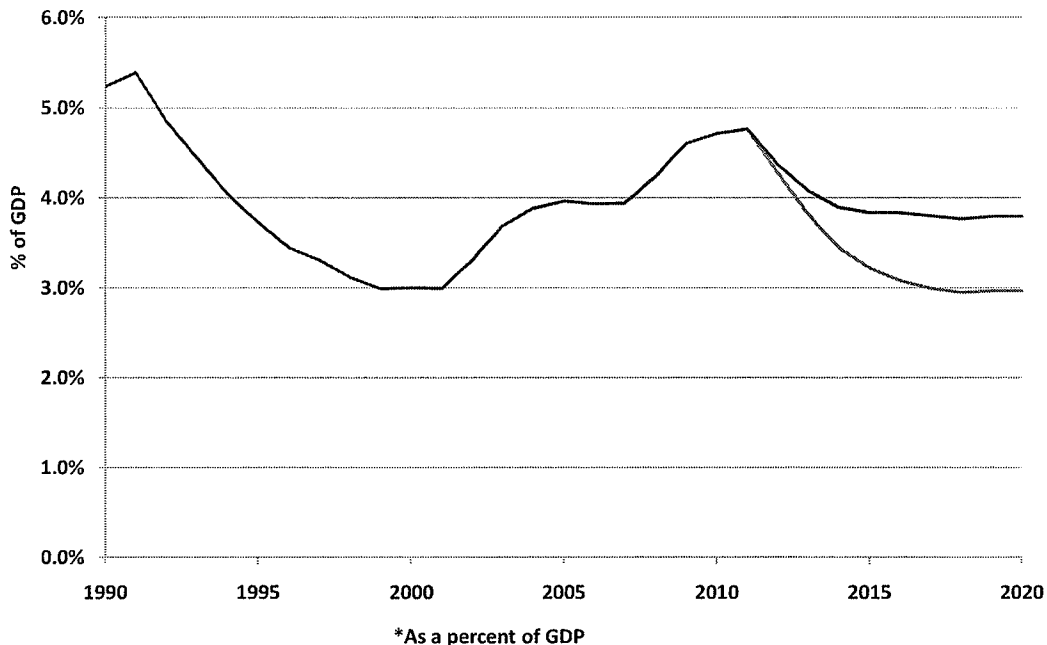
The Task Force welcomes all of these steps, but believes that discipline in defense spending will need to go further in order to help meet the broader goal of reducing the federal deficit and controlling the debt. Therefore, this plan recommends that defense resources be frozen at FY 2011 levels for the succeeding five years and then limited to growth at the rate of the economy thereafter.

Achieving this goal will require going well beyond the Gates efficiencies. The Task Force believes that the Pentagon is capable of setting the priorities needed to make these decisions while ensuring that the U.S. military remains a globally superior force well into the foreseeable future. Now is the optimal time to make these choices, as the deployments in Iraq and Afghanistan are beginning to end, therefore allowing the U.S. to make new decisions about the range of its global military missions and priorities. And, as with all countries, the U.S. has to meet both its military and economic security needs by making choices and living within fiscal constraints.

The attached options for defense planning and budgeting illustrate the choices that might be made and the priorities that could be set to meet this five-year cap. The potential package is designed to ensure that the U.S. continues to field a first class, globally unsurpassed force, while living within its financial means. Not everyone will agree with all of these illustrative options, but we believe they are worthy of consideration as steps that any defense planner will need to consider in order to maintain both optimal military capabilities and fiscal discipline.

⁵⁸ Adm. Michael Mullen, "JCS Speech at Detroit Economic Club Luncheon," [Remarks at the Detroit Marriot at the Renaissance Center, Detroit, August 26, 2010], <http://www.jcs.mil/speech.aspx?ID=1445>.

Defense Spending is Reduced to 2000 Levels* Baseline vs. Bipartisan Plan



Should these options be implemented, the remaining U.S. military forces would continue to be superior in technology, capability, and size to those of any other country, and continue to be capable of military operations on a global basis.⁵⁹ The United States still would be the only nation able to patrol the world's oceans, deploy hundreds of thousands of ground forces to any point on the globe, and dominate the global airspace with superior combat fighters, long-range bombers, and unmanned aircraft. Supporting this overwhelming force, the U.S. would retain the world's only global military transportation, communications, logistics, and intelligence capabilities.

At roughly 60,000, U.S. special operations forces alone would be larger than the militaries of more than half the world's countries. More broadly, the U.S.' entire post-reform active duty force of 1.21 million would be larger than the forces of any other country except for China and India.⁶⁰ Unsurpassed technological capabilities and budgets would enable this force. In FY 2009, U.S. military research and development spending alone exceeded China's entire defense budget, the

⁵⁹ China and India would have larger ground forces than the U.S., but significantly smaller air and naval forces and no global reach.

⁶⁰ For U.S. special operations force numbers, see page 3 of Special Operations Commander (SOCOM) ADM Eric Olson's testimony before the House Armed Services Committee from March 17, 2010. ADM Olson describes growing his force by 4.7 percent, or 2,700 troops, allowing for the computation that the FY 2011 force will top 60,000. For world troop numbers, see *The Military Balance 2010: The annual assessment of global military capabilities and defense economics*, The International Institute for Strategic Studies (London: Routledge, 2010).

world's second largest, by \$10.5 billion.⁶¹ And post-reform U.S. defense outlays, at \$628 billion in FY 2018, would exceed (in real terms) U.S. defense outlays at any point during the Cold War, be it the 1968 peak (5.5 percent higher) or the peacetime average (50 percent higher).

Setting mission priorities and accounting for the fiscally constrained environment must be a part of defense planning discipline. After the kind of force and budgetary restructuring that we discuss here, the Task Force believes that the U.S. would have a military tailored to meet the priority missions that it will be asked to perform after the conflicts in Iraq and Afghanistan conclude. The options described here are based on an evaluation of the strategic and military risks that the U.S. might face in the future. The illustrative package gives top priority to counter-terror and cyber-security operations, and assigns significant priority to deterrence and reassurance, sea patrol, humanitarian relief, and peacekeeping. Conversely, the options assign low priority in the future to counterinsurgency, stabilization, and governance. The plan also provides a sizable and important hedge for conventional combat and strengthens the military "tooth" (combat forces) relative to the support "tail." Setting these priorities allows for a reduction of 275,000 in the active duty force. Approximately 1.21 million troops would remain – a large, modern, and more deployable force than any other country in the world.

This force would be armed with technology surpassing that of any other country, at sea, in the air, in space, or on land. The tough choices to terminate or delay several investments would focus on programs that provide an excessive hedge for potential adversaries or are significantly underperforming relative to expectations. Investment priorities could include deferring or terminating such programs as the F-35 fighter jet, V-22 tilt-rotor aircraft, Virginia Class submarine, and ballistic missile defense, even while the U.S. retains substantial and superior capabilities in all of these areas. In addition, investment in non-major military procurement and research and development would decline in proportion to the changed end strength, but still leave in place significant budgets.

The options described below also begin to tackle two of the most difficult management and spending issues that the Pentagon faces: health care and military retirement (addressed under "Cut Spending in Other Programs"). Both benefits are very attractive to service-members, but their exponentially increasing costs are posing growing fiscal dilemmas to the Department, as Secretary Gates has repeatedly pointed out. Defense retirement and health care reforms have been discussed without action for years, but may be more feasible in the context of the broader health care and retirement reforms that the Task Force suggests. Hence, these options include reforming cost

⁶¹ U.S. Research and Development, Test, and Evaluations (RDT&E) outlays in FY 2009 totaled \$80.78 billion. After the U.S., China had the world's largest defense budget in 2009, totaling \$70.3 billion. The year 2009 is used as a reference point because data on world military spending for 2010 is not yet available. See "National Defense Budget Estimates for FY 2011 (Green Book)," Department of Defense: Table 6-11; *Military Balance 2010: The annual assessment of global military capabilities and defense economics*, The International Institute for Strategic Studies (London: Routledge, 2010): p. 398.

sharing for the Pentagon's health insurance system (TRICARE) and transitioning from the current military retirement system to one more similar to that in which federal civil servants participate.

The illustrative package also proposes management reform in the intelligence world that would maintain intelligence capabilities at a reduced cost by utilizing the newly-granted authority for the Director of National Intelligence (DNI) to eliminate duplication and increase efficiency.

Finally, the options accept the efficiency savings already announced by Secretary Gates. Rather than returning those savings to the services to increase funding for forces and investment as the Secretary proposes, this option would include them in the overall effort of deficit reduction.

Any attempt to discipline defense resources or lower the defense budget will be criticized by some as reducing America's defenses in a dangerous world. The Task Force believes that the options suggested here do no such thing. They are designed to tailor defense capabilities to acceptable levels of risk in the world after our missions in Iraq and Afghanistan conclude. The reforms would leave a globally superior military force in place, while reshaping that force consistent with our resources.

Mission priorities and the goal of efficient and effective management shape these options. The Pentagon has a history of managing such a reduction, most recently in the period from 1989 to 1998, when deficit reduction efforts and a major global transition (the end of the Cold War) coincided. Over those years, national defense spending fell 28 percent in constant dollars, the active duty force shrank by more than 700,000, the force structure was consolidated, the defense civilian workforce dropped by over 300,000, and procurement budgets fell in excess of 50 percent.⁶² Though some criticized the result, the force that emerged from successful Pentagon management remained globally superior: capable of two major deployments that targeted regime changes. The military's technology remained dominant and its global deployability was clear. The Task Force believes that the coming transition can be equally well-managed.

⁶² Office of Management and Budget Historical Table 3-1 (deflated per Table 10-1); "National Defense Budget Estimates for FY 2011 (Green Book)," Department of Defense: Tables 6-11 & 7-5.

Description of Recommendation: Freeze defense discretionary spending beginning in 2012 for five years and cap at GDP thereafter. The freeze level assumes that the number of troops deployed in Iraq and Afghanistan, or in other war-related activities, falls to 30,000 by 2013.⁶³ Within this capped level of spending, policymakers will have to set priorities. As one illustrative example, the defense department could live within the capped level of spending with the following set of policies:

- ✓ Reduce active duty end strength by 275,000, of which 92,000 would come from reversing the ground force buildup of the past 10 years, 80,000 would come from withdrawing additional U.S. forces in Western Europe and East Asia, and 100,000 would come from eliminating infrastructure positions held by uniformed personnel in the Department of Defense.
- ✓ Cancel or defer certain major hardware programs, and reduce funding for minor procurement and research and development.
- ✓ Maintain intelligence capabilities (funded in the defense budget) at a reduced cost by utilizing the newly-granted authority for the Director of National Intelligence (DNI) to eliminate duplication and increase efficiency.
- ✓ Impose greater cost sharing in military health care (TRICARE).
- ✓ Apply Secretary Gates' proposed efficiency savings to overall spending discipline rather than reprogramming to other spending.

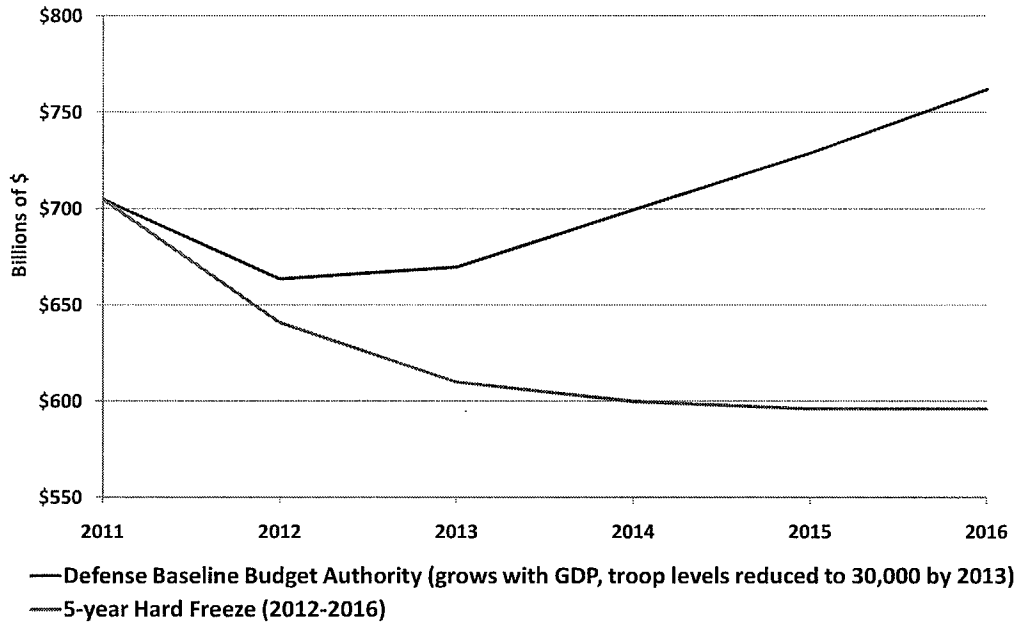
**Annual Appropriations Reduction (Budget Authority) in Billions of Dollars
and Percentage Reduction in each of the Freeze Years:***

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$23	\$60	\$99	\$133	\$166
3%	9%	14%	18%	22%

*Compared to a baseline that grows with GDP, and assumes that troops deployed for overseas combat operations are reduced to 30,000 by 2013.

⁶³ "The Budget and Economic Outlook: FY 2010-2020," Congressional Budget Office, January 2010: Table 1-5.

Defense Discretionary Budget Authority Baseline vs. Bipartisan Plan



Note: The (green) path of defense appropriations during the freeze years reflects CBO’s assumption that the number of troops deployed for overseas combat operations are reduced to 30,000 by 2013.⁶⁴

Cumulative Budget Savings (Outlays)* in Billions of Dollars from 2012 through:

<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2040</u>
\$1,114	\$2,201	\$3,541	\$7,229

*Compared to a baseline that grows with GDP, and assumes that troops deployed for certain overseas combat operations are reduced to 30,000 by 2013.

⁶⁴ Under this assumption, “future funding for operations in Iraq, Afghanistan, or elsewhere would total \$134 billion in 2011, \$70 billion in 2012, \$39 billion in 2013, \$29 billion in 2014, and then about \$25 billion from 2015 on – for a total of \$416 billion over the 2011-2020 period.” Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2010, p. 25.

Background:

Streamline Military End Strength

The Defense Department's recent strategic planning has expanded U.S. military missions without setting priorities or calculating the extent to which varying degrees of risk should be tolerated.⁶⁵ This widening mission scope has led to increases in active duty end strength and, because that end strength is the central driver of defense budget planning, it has also led to higher spending. Thus, limits on resources will need to focus, in part, on the size of the force. Planning and budgetary priority should be given to those missions that are urgent, probable, consequential, and achievable.

This option gives priority to forces that are needed to confront pressing asymmetric threats (especially the Al Qaeda network and cyber-security); to provide for U.S. security through deterrence, reassurance, sea lane patrols, and support to civil authorities; and to contribute to international peacekeeping and humanitarian relief operations. The illustrative proposal gives low priority to counterinsurgency and stabilization missions on the basis that the U.S. will choose them less often, and to governance missions because they are not an appropriate function for the military. The option additionally shrinks the U.S. posture for conventional combat operations based on the projection that the U.S. will face a low conventional threat in the visible future and on the assessment that the U.S. will retain adequate forces to deal with such contingencies even after the suggested reductions.

Today's active duty military force consists of 1.48 million service-members.⁶⁶ Of these, 92,000 are soldiers or Marines added during the combat operations in Iraq and Afghanistan and justified based on these wars.⁶⁷ Another 136,083 personnel are serving in a peacetime capacity at permanent overseas stations, principally in Western Europe and East Asia.⁶⁸ The United States' deployed forces and others engaged in inherently military tasks are supported by 500,000 service-members in infrastructure positions, including, for example, 85,000 troops in the health profession, 57,000 in personnel administration, and 43,000 in departmental management.⁶⁹

This option would reduce the active duty end strength by 275,000 to a total of 1.21 million, including a reduction of 100,000 infrastructure positions, bringing the U.S.' ratio between the military "tooth" and its "tail" closer to that of other major militaries.⁷⁰ Another 80,000 would be drawn down from U.S. forces in Western Europe and East Asia. This reduction would restructure

⁶⁵ Quadrennial Defense Review," Department of Defense, February 1, 2010: pp. 89-95.

⁶⁶ "National Defense Budget Estimates for FY 2011 (Green Book)," Department of Defense: Table 7-5.

⁶⁷ Bush, George W. "State of the Union Address," January 23, 2007. The troops included in this increase began entering the service in FY 2002 via temporary positions approved above the legislated end strength, but have since been authorized as part of the force.

⁶⁸ "Base Structure Report: FY 2009 Baseline," Department of Defense: p. 94.

⁶⁹ "Defense Manpower Requirements Report for FY 2010," Defense Department: Table 2-1.

⁷⁰ Gebicke, Scott and Samuel Magid. "Lessons from around the world: Benchmarking performance in defense," McKinsey & Company, Spring 2010: Exhibit 3.

U.S. overseas forces toward East Asia, taking the larger share of the reduction in Germany, Italy, and the U.K. (50,000, or 71 percent of the current deployment) and the smaller share in Japan and South Korea (30,000, or 50 percent of the current deployment). The military status of Western Europe makes a smaller presence possible, while current indigenous military capabilities in Asia are adequate for security needs. A rollback of the 92,000-person increase in ground forces that was justified based on wars in Iraq and Afghanistan, both of which are winding down, would bring the total reduction to 275,000.⁷¹ This drawdown could take place gradually and evenly over five years.

Prioritize Defense Investment

The following options for defense investments (weapons systems and research and development) recommend considering cancellation or deferral of certain major hardware programs, as well as reductions in the Defense Department's currently projected investment in minor procurement and research and development. The Department's resources instead would be focused on the same mission priorities cited above, emphasizing equipment needed to confront asymmetric threats, provide for U.S. security, and contribute to global public goods. Equipment used for counterinsurgency, stabilization, and governance, meanwhile, would be somewhat curtailed. The recommendations below also scrutinize programs for capabilities that might exceed the needs for a mission, that are unduly costly for the capacity they deliver, or that have manifestly failed to fulfill performance expectations.

Each of the illustrative divestments identified here can be seen as an overinvestment for the mission of major conventional war, and many of the funding reductions could be justified on multiple grounds. In virtually every category of military technology, U.S. capabilities far exceed those of any other country in the world, including China. Indeed, in most areas, the U.S. appears to be in a race only with itself. A slow-down in this pursuit is justified by current global security conditions, where the significant challenges are asymmetrical, rather than conventional.

Major hardware procurement savings could accrue from canceling the Medium Extended Air Defense System (MEADS; theater missile defense), an Army surveillance blimp (JLENS), the V-22 Osprey tilt-rotor aircraft, the Marine Corp's amphibious expeditionary fighting vehicle (EFV), and the F-35 fighter jet.⁷² Additional savings could include deferring Virginia-class attack submarines and halving funding for research on national missile defense.⁷³ Other alternatives

⁷¹ In addition, another 1,250 troops would return from permanent stations elsewhere in the world (32 percent of the deployment). End strength would be reduced further in proportion to possible terminations of JFCOM, proposed by Secretary Gates, and the Combined Joint Task Force – Horn of Africa.

For information on the Iraq withdrawal, see Article 24 of the U.S.-Iraq Status of Forces Agreement (November 17, 2008). For Afghanistan, see Presidential Address at the United States Military Academy (December, 1 2009).

⁷² For the purpose of this analysis, "major hardware" is defined as the equipment listed in the December 2009 Selected Acquisition Report that was delivered to Congress (pp. 21-23).

⁷³ All of the major hardware divestments listed here are for illustrative purposes only and do not constitute specific endorsements of programmatic cuts by the Task Force. They are provided based on the following justifications:

MEADS: MEADS is a multilateral program for theater missile defense funded with Germany and Italy. The project,

surely could complement this list or substitute for items on it, but these programs deserve special attention and amply demonstrate the feasibility of investment reductions.

Significant savings also could be obtained by lower funding for two other leading categories of defense investment: minor procurement and research and development. Sixty percent of the procurement budget is consumed by minor equipment and services that cover, among other items, the kit that individual troops use in the field. Some service contracting to support troops also is funded through these accounts. Because these goods and services are directly linked to forces and their operations, minor procurements fluctuate with the size of the force.

Research, Development, Test, and Evaluation (RDT&E) funding is the source of military technological innovation. Funds are allocated according to the level of effort that the Department wants to maintain. RDT&E budgets have increased significantly, from \$49.2 billion in FY 2001 to \$80.2 billion in FY 2010 (a 63 percent increase).⁷⁴

This option would reduce minor equipment/services procurement and RDT&E proportionally to the reduction in the size of the forces, or 18.5 percent. This level reflects the lower demand for minor equipment/services that results from reduced end strength. For RDT&E, a reduction would impose greater discipline in research investments, while continuing to budget significantly more resources than any other country's military RDT&E budget.⁷⁵

however, duplicates the Army's Patriot capabilities. All three partners may be unenthusiastic about continuing the program. *JLENS*: The JLENS Army blimp is intended to provide extended-range radar surveillance and tracking of low-altitude cruise missiles. There are other means of detecting such an attack, and few countries are capable of such a strike. Those that are (e.g., France, UK, Russia, and China) are unlikely to launch such an attack on the U.S. *V-22*: The V-22 Osprey is a tilt-rotor aircraft designed to take off and land vertically like a helicopter and fly forward like an airplane. The amphibious mission for which it was planned has not been conducted by the Marines in decades. For other lift missions, helicopters are increasingly a more cost-effective alternative. *EFV*: The Expeditionary Fighting Vehicle is designed to land Marines on shore in support of amphibious assaults, but this tactic is unlikely to be used. The vehicle has experienced numerous critical failures and been unable to meet reliability requirements. *F-35*: The F-35 next-generation fighter jet is intended to provide air superiority over an adversary's air forces and close air support to land forces. Current generation F-15s, F-16s, F-18s, and AV-8B's remain superior or competitive with any other fighter program in the world and capable of penetrating air defenses. F-35 costs have risen sharply, leading it to breach cost-control standards applying to Department of Defense (DOD) procurement. *VA-class submarine*: Virginia class is the next-generation attack submarine, designed to engage enemy submarines and ships, as well as attack targets on land with cruise missiles. There is relatively little naval threat to justify growth in the U.S. submarine fleet. The program could be slowed. *Ballistic Missile Defense (BMD)*: The BMD program is intended to provide global capability to intercept sub-orbital ballistic missiles, which may be nuclear-armed, at any stage of their trajectory, regardless of their range and size. The threat of a ballistic missile attack against U.S. territory has declined significantly since the program began. Iranian missiles lack the range to strike any major, permanent U.S. base, much less U.S. territory. North Korean missiles may have the range to reach U.S. territory, but their test program suggests that they lack the precision to do so. Continuing the program at roughly \$5 billion a year is an adequate hedge against surprise and uncertainty.

⁷⁴ "National Defense Budget Estimates for FY 2011 (Green Book)," Department of Defense: Table 6-11.

⁷⁵ The RDT&E funding discussed here excludes R&D on ballistic missile defense, which is discussed in the following paragraphs.

Maintain Intelligence Capabilities at a Reduced Cost

Based on recommendations from the “9/11 Commission,”⁷⁶ Congress passed and the President signed the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), which created a Director of National Intelligence (DNI) as head of the intelligence community. The Act granted the DNI new and important budgetary authorities over the National Intelligence Program, including the power to develop and determine the intelligence budget. While the DNI and Secretary Gates recently announced that the total U.S. intelligence budget amounts to approximately \$80 billion per year, the details of the intelligence budget are classified. Of course, this makes it difficult to judge how effectively the intelligence agencies are spending their appropriations from Congress.

While making specific recommendations with regard to the intelligence budget is difficult given the lack of available information, part of the rationale for establishing the DNI as a position was to eliminate wasteful duplication within the intelligence community. Fulfilling this objective would allow the United States to fully maintain its high-quality intelligence capabilities, while also streamlining programs to jettison any extraneous or duplicative activities.

This proposal would urge the DNI to fully utilize these authorities granted in IRTPA, with the expectation that savings would result. Specifically, the DNI could consider the following areas:

- 1) Consolidating operational infrastructures, such as computer systems and acquisitions;
- 2) Refining the “requirements and feedback systems” to tie intelligence more closely to user needs;
- 3) Improving the “wheat-to-chaff ratio” of intelligence from intercepted electronic communications; and
- 4) Placing a greater reliance on newer imagery technologies (such as commercial imagery) while phasing out older ones as they become obsolete.

The Task Force also notes that the 9/11 Commission called for strengthening the intelligence community’s oversight committees, in part, to improve scrutiny over intelligence appropriations. The Task Force recommends that Congress take further steps to improve its oversight functions and ensure that the intelligence community’s allocation of resources meets U.S. national security needs in an effective and efficient manner.

Reform Military Health Care

Secretary Gates has warned of the growing impact of defense health care costs on the wider defense budget. The Defense Department health care program has more than doubled over the

⁷⁶ Formally known as the Report of the National Commission on Terrorist Attacks Upon the United States.

past decade, from \$24 billion to \$51 billion,⁷⁷ and the Pentagon projects it to continue growing disproportionately, at an annual rate of 5 to 7 percent through 2015.⁷⁸ Active duty personnel and their dependents, a cadre that consumes less than half (42 percent) of the program's total cost, pay no premiums or co-pays.⁷⁹ The adjustment discussed below would not change that. Instead, it would focus exclusively on retirees and their dependents, for whom benefits have expanded without a significant change in cost sharing.

Retirees fall into two groups based on whether they are eligible for Medicare. When TRICARE was established in 1995, retirees who were not yet eligible for Medicare and their dependents were expected to pay approximately 27 percent of program costs. They have not seen any cost increase since then, however, allowing the combined effects of medical inflation and policy changes to reduce their cost sharing to approximately 11 percent.⁸⁰ Medicare-eligible retirees and their dependents, by contrast, currently do not share in their TRICARE costs.

Taken together, the Pentagon views rapid TRICARE cost increases as the result of inelastic cost sharing formulas, overconsumption of health care, significant expansions of the eligibility pool, and a decision on the part of pre-Medicare military retirees (now employed elsewhere) to favor cheaper TRICARE coverage over their employer-offered benefit.

Adjusting the cost sharing formulas would offset these cost drivers by reducing demand for non-urgent care and providing an incentive for pre-Medicare retirees to seek coverage through their current employer. There are also normative reasons for these changes. They would maintain equity among retirees – both among different cohorts of military retirees and between military retirees and the wider community of seniors that also faces higher costs. Since retiring from the military implies that an individual reached a senior rank, most of the affected beneficiaries will have higher-level retirement packages and can afford this increased cost share.

This illustrative recommendation takes two steps toward reining in those expenses by ensuring cost sharing for the administration of the health care (TRICARE) program.⁸¹ First, the proposal would restore the expectation from 1995 that retirees not yet eligible for Medicare and their dependents would provide 27 percent of the cost share through enrollment fees and co-pays, up from the 11 percent cost sharing that exists today. Second, this recommendation would introduce minimal cost sharing for Medicare-eligible retirees and their dependents who use TRICARE as a supplement, currently with no cost sharing.

⁷⁷ In constant 2010 dollars.

⁷⁸ "Department of Defense FY 2011 Budget Request: Overview," February 1, 2010: p. 3.

⁷⁹ "Health care for Military Retirees Task Group Report to the Secretary of Defense," Defense Business Board, December 2005: Slide 5.

⁸⁰ "Report of the Tenth Quadrennial Review of Military Compensation: Volume II," Department of Defense, July 2008: p. 46.

⁸¹ For a general overview of TRICARE cost sharing formulas, see "The Effects of Proposals to Increase Cost Sharing in TRICARE," Congressional Budget Office, June 2009: pp. 9-12.

Apply Secretary Gates' Efficiency Measures to Deficit Reduction

Secretary of Defense Robert Gates announced earlier this year that he plans to find more than \$100 billion in budget authority savings over the five years from FYs 2012-16. The Secretary hopes to reduce inefficiencies and waste within the U.S. military infrastructure and move those resources to defense investments and force structure.

Secretary Gates has not itemized individual savings from each of his proposed efficiencies and further announcements may yet be made. The most visible reduction has been the decision to close the Joint Forces Command (JFCOM), with roughly 2,800 military and civilian employees, 3,000 contractors, and \$240 million a year in operating costs. In addition to JFCOM, two Pentagon agencies will be terminated, and the number of employees in certain parts of the military bureaucracy will be frozen, including Secretary Gates' own office. More broadly, Secretary Gates proposed to cut funding for service contractors by 10 percent in each of the next three years, though this would not include contractors in war zones. He also proposed cutting the number of admirals and generals by at least 50 and the number of several senior civilian executive positions by at least 150.

Secretary Gates and Undersecretary Ashton Carter also have announced plans to streamline the acquisitions process by controlling cost growth, enhancing productivity, promoting real competition, improving procedure for buying services, and cutting red tape.

This recommendation would accept the Secretary's estimate of the savings, but apply them to overall spending discipline rather than reinvesting them.