SHRINKING BUREAUCRACY, OVERHEAD, AND INFRASTRUCTURE

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Executive Summary

Sequestration is here, and with it, roughly $500 billion in cuts to the US Department of Defense (DoD) over the next nine years. These cuts come on top of nearly $1 trillion in defense budget reductions since fiscal year 2010 and have provoked harsh criticism from many of America’s senior military and political leaders. As Pentagon leaders begin to execute the cuts mandated under sequestration, they face a fundamental choice: they can continue business as usual and attempt to explain away growing problems, or they can address structural drivers of military spending.

Up until this point, defense cuts under the Obama administration have primarily been targeted at military modernization, end strength, and readiness. As a result, DoD has been drawing down people and programs, scaling back war plans, absorbing ever more efficiencies, canceling weapons systems, and reducing readiness for the past four years. The fruits of these efforts are all too apparent: a growing readiness crisis grips the services while needed next-generation programs increasingly never make it into the field in anticipated numbers, if at all.

These trends are no longer sustainable. Sequestration signifies the end of business as usual for the Pentagon. Growing crises in readiness, modernization, and capacity are now being exposed for all to see. The only realistic alternative is to address structural drivers of spending. Foremost among these are the civilian and military bureaucracies, which include 761,000 federal employees, large numbers of uniformed military personnel performing commercial activities, and overhead spending so large that the Defense Business Board projects that it would rank 49th if compared to other countries’ GDP.

The Pentagon must also make hard political choices in the areas of personnel compensation and size and excess infrastructure. Despite political sensitivities surrounding these areas, the Pentagon no longer has a choice. DoD must learn from both successful and less successful reform attempts of the past to chart a path forward that will provide better military value, balance pain and gain, and help put military spending on a sustainable trajectory.

None of this will be easy. Pentagon leaders will be forced to take a hard look at spending priorities, and no one will be completely happy with the results. But the alternatives are either kicking the can further down the road and ignoring long-term problems or fundamentally altering America’s role in the world. America’s ability to lead depends upon a portfolio of military capabilities and minimum level of capacity that requires sustained investment. Without enough cutting-edge technologies or highly ready forces, the Pentagon will simply be unable to carry out many missions that the American public has come to expect.

Although defense officials did not choose sequestration, they can use this latest budget cut as an opportunity for change. Smart, targeted cuts can produce savings while attempting to protect tip-of-the-spear capabilities from further harm. The road to reform is clear. The question is whether America’s senior civilian and military leadership will have the courage to tackle these major enterprises.
Shrinking Bureaucracy, Overhead, and Infrastructure: Why This Defense Drawdown Must Be Different for the Pentagon

The sequester is set to take effect because politicians could not make a deal identifying alternative reductions elsewhere in the federal budget. This process will slash roughly $500 billion over the next nine years from the US Department of Defense (DoD) budget—on top of nearly $1 trillion in defense cuts since fiscal year 2010. This process continues the defense drawdown underway following America’s operations in the Middle East post-9/11. The difference between this drawdown and any other in recent history is that it is happening while tens of thousands of US forces are still in harm’s way in Afghanistan.

Although the scale of this defense drawdown seems similar to previous contractions, today’s defense budget looks little like those of years past. Cuts modeled on historic methods will not work. The Pentagon can no longer be content to raid modernization and readiness—its two favorite sources for savings—because these accounts, already stretched to the breaking point, will simply end up creating bigger bills that must be paid later.

Rather, the latest round of budget cuts provides an opportunity to tackle overdue and necessary changes and reforms. The sequester, combined with the numerous defense cuts of the past four years, must force a reckoning within DoD. Soon, the Pentagon will be left to either make the wrong cuts all over again and as a result undermine the president’s already weakened strategy, or tackle structural and long-term causes of budgetary growth and inefficiency.

President Barack Obama has been reducing military capability, capacity, and budgets since entering office over four years ago. In 2010 and 2011, his Pentagon leaders directed cuts of over $400 billion in plans and programs with an emphasis on weapons systems—big and small. In 2012, the White House directed another $78 billion to be cut from the Pentagon’s request in the name of loosely identified efficiencies. The current fiscal year 2013 budget reflects the first round of the military’s share of $487 billion in cuts as part of the August 2011 Budget Control Act with Congress. Together, these efforts are approaching $1 trillion in cuts before sequestration fully becomes reality.

The result is that DoD has been drawing down, scaling back war plans, absorbing ever more efficiencies, canceling weapons systems, and reducing readiness for the past four years. These trends are not likely to fade any time soon.

But Pentagon officials cannot keep raiding the shrinking pots of modernization and readiness. Not only does this cause long-term harm to the force, but the savings are also questionable and probably not even sufficient to make a long-term budgetary impact. Defense leaders must tackle problems years in the making that are often structural and do not have a quick fix. The ingredients for success will similarly require sustained leadership and follow-through. But the effort, if done right, will produce a smarter, right-sized force that has fewer layers of overhead and infrastructure. If budget trends reverse, new money can then be reinvested into deferred modernization and efforts to restore readiness.

Where to Focus Pentagon Reforms

Although the current defense drawdown is already underway, up to this point it has been implemented through the path of least resistance and with little strategic forethought. Thus far, defense cuts have primarily targeted needed next-generation updates to equipment, contract services, military end strength, and readiness. Some of the changes were
worthy and necessary, but the bulk of these categories represent the key components of a healthy force that keeps America safe and protects vital national interests.

Essential core capabilities have borne a disproportionate share of budget reductions, but many areas in need of reform have remained unchecked and experienced generous growth within the defense budget. Three of the most notable areas include:

- Bureaucratic overhead in both the uniformed military services and the federal civilian workforce;
- Excess physical infrastructure; and
- Deferred and in-kind compensation for military and civilian personnel.

If Pentagon leaders do not take necessary action to curb cost growth quickly within these categories, the operating force will see an acceleration of the defense budget hollowing out from within, resulting in constantly reduced buying power. This will exacerbate negative trends in efforts to modernize after years of war, innovate for the future, and reclaim healthy readiness levels across the force.

Policymakers no longer have a choice. The kinds of solutions that DoD has favored over the past four years, even if continued, simply will not yield enough savings under the sequester or comparable levels of cuts. Unless America is to fundamentally change its leadership role in the world, the only way forward is for the Pentagon to undergo comprehensive and structural reform to make its finances more sustainable, no matter its top-line budget amount.

This will not be easy. Killing weapons systems makes for flashy headlines and allows leaders to claim large savings relatively quickly—all under the banners of “efficiency” and “acquisition reform.” But terminating needed programs often ignores the fact they will be replaced with something else or that unique production lines closing will hurt competition and increase costs.

Often, when key acquisition programs are terminated, the requirements they were designed to meet do not disappear, although they may be ignored. For instance, when former secretary of defense Robert Gates terminated the development of the Marine Corps’ Expeditionary Fighting Vehicle, it did not signify the end of the Marine requirement for conducting amphibious landings against contested beachheads. Rather, the costs of modernizing the Marines’ amphibious capabilities were shifted to some point in the near future. As modernization is pushed farther away, other bills continue to pile up, and the costs of maintaining aging fleets across the services are straining operations and readiness.

Even if Washington curtailed most major weapons spending, the savings would—apart from creating massive practical problems—fail to pay the bills. As the Brookings Institution’s Michael O’Hanlon has chronicled, further cuts to modernization programs can save roughly $200 billion—only two-fifths of the cuts mandated under sequestration. And that is if the Pentagon scales back programs such as ship purchases (including, but not limited to, the Littoral Combat Ship), the F-35, the V-22 Osprey, the next generation ballistic missile submarine, and short-range missile defense programs.

Of course, these shortsighted cuts would ignore the consequences of regularly delayed modernization, including costs associated with shutting down production lines, early termination of contracts, and unemployment benefits for newly out-of-work laborers. The FY 2013 federal budget proposed canceling or changing production schedules for almost 20 major programs, claiming that it would save $75 billion over the next five years.

Lost is the fact that the Pentagon had already spent substantial sums of money in efforts to prepare these programs for production. In fact, according to Todd Harrison of the Center for Strategic and Budgetary Assessments, over the past 10 years, the Pentagon has spent about $46 billion on development programs that were terminated early and never entered production. Often, the Pentagon must pay early termination fees to get out of contracts, and as
Harrison has argued, much of the savings projected from contract termination is simply an estimate—meaning canceling weapons systems can yield far less savings than expected.4

Quite simply, there is a right way and a wrong to downsize the Pentagon. Fortunately, most involved parties understand this reality. The chorus is growing in Washington and both political parties for Pentagon cuts to concentrate on bureaucratic overhead, excess infrastructure, and runaway compensation—instead of military capabilities.

The question, then, is not what to do but why it has not been done already. Going forward, how can the Pentagon implement these fundamental changes in a way that will set the defense budget on a more sound footing for the future?

More than anything, what Washington requires today is political courage. Pentagon leaders, advocacy groups, and elected politicians must have the resolve to tell various constituent groups that the status quo is unacceptable and unsustainable. Leaders must make the case that tough, structural reform is the smartest path forward. The secretary of defense and each of the services’ uniformed and civilian leaders will have to sustain interest in overseeing these changes along with providing creative incentives for the bureaucracy to follow through.

Smartly Shrinking the Civilian and Military Bureaucracies

When America went to war following September 11, 2001, the size of the armed forces immediately increased. Along with this growth in force structure came a corresponding expansion of the bureaucratic and support networks that underpin the military’s efforts. Unfortunately, much of the growth that accompanied these increases continued unchecked for much of the following decade. As the Pentagon’s “tail” increased relative to its “tooth,” funds needed for long-term military priorities were often diverted to pay to maintain outdated or no-longer-needed staffs, headquarters, task forces, agencies, and infrastructure.

One way to track Pentagon bureaucracy is to look at the mix of uniformed, civilian, and contract personnel serving in commercial (nongovernmental) and governmental “overhead” positions who do not serve in a combat role. The Defense Business Board (DBB) has argued that if DoD’s overhead were compared to other countries’ total GDP, it would come in 49th.5 It is clear just how massive DoD overhead has become, including:

- The secretary of defense’s staff, including contractors: 4,700.6
- Combatant Command staffs: 98,000, of which 10,800 were contractors.7
- Joint Staff and defense agencies: 81,750.8
- DoD’s total federal employees: over 761,000.9
- Military personnel performing commercial activities: 340,000.10

Pentagon officials cannot keep raiding the shrinking pots of modernization and readiness.

This expanding footprint was part of the reason former defense secretary Robert Gates tried to proactively identify self-imposed cuts to forestall the growing bill of the bureaucracy and create artificial budget headroom for a few years. Beginning in 2009, he began a systematic effort to reduce weapons and some select overhead spending, partly to reinvest those savings into war-related priorities. The Gates weapons “kills” and “efficiencies” savings, as they became known, attempted to redirect roughly $400 billion in planned Pentagon spending elsewhere. Although he had hoped these efforts would halt Washington’s fervor for greater defense cuts in the name of debt reduction, they were not enough.
The problem was what constituted an actual wasteful program or efficiency was often in the eye of the beholder. This not only complicated the effort, but it also watered down the total bankable savings. Too often, rather than trimming overhead or duplicative staffing, the Gates Pentagon frequently targeted high-profile weapons systems instead. In the fiscal year 2010 budget request, the president requested the cancellation or delay of nearly 50 major equipment programs, including the F-22 fifth-generation fighter, the VH-71 helicopter, the Air Force’s combat search and rescue helicopter, and the ground combat vehicle portion of the Army’s Future Combat Systems. Gates weapons kills removed more than $300 billion from planned Pentagon spending.\textsuperscript{11}

Leaders must make the case that tough, structural reform is the smartest path forward.

Gates also began a smaller effort to rein in Pentagon overhead. In 2011, he directed the department to identify savings of over $100 billion over five years through reductions largely targeted at service overhead. These included reducing Army civilian and military manning on bases, reducing the Navy’s ashore presence and manpower, and consolidating Air Force staffs.\textsuperscript{12}

These cuts were incorporated into the administration’s fiscal year 2012 budget request, which also cut an additional $78 billion over the next five years through reductions largely aimed at the bureaucracy. These reductions included closing the Joint Forces Command (JFCOM), freezing the number of senior civilians and flag and general officer positions, closing the Business Transformation Agency, eliminating hundreds of internally generated reports, and consolidating service information technology infrastructures.\textsuperscript{13}

As with the weapons cuts, however, savings from these efficiencies initiatives were often clearer on paper than in execution. For instance, following the closure of Joint Forces Command, many of JFCOM’s responsibilities and personnel simply shifted to the Joint Staff.\textsuperscript{14} According to the Pentagon’s 2012 Manpower Report, the Joint Staff is expected to more than triple from 1,286 in fiscal year 2010 to 4,244 in fiscal year 2012—largely as a result of absorbing JFCOM missions.\textsuperscript{15} This is the kind of shell game DoD can no longer afford.

The Government Accountability Office (GAO) reviewed the DoD 2012 efficiencies proposal and found that the plan would save less than $3 billion over the Future Years Defense Program—less than 2 percent of the projected savings.\textsuperscript{16} GAO found that the Pentagon did not fully identify all areas for potential savings, projecting instead that DoD still has significant room to identify consolidation and centralization opportunities.\textsuperscript{17}

For fiscal year 2013, the Pentagon again touted the potential for large efficiency-like savings, notably from areas such as headquarters consolidation and centralization of services. In February 2012, Pentagon Comptroller Robert Hale initiated a department-wide campaign for “More Disciplined Use of Resources.” The review targeted an additional $60 billion in savings over the FY 2013–17 defense budget. To achieve the goal, the department conducted a review of bureaucratic structures, business practices, modernization programs, civilian and military personnel levels, and associated overhead costs.\textsuperscript{18} Over one-third of projected savings under the campaign would come from the Army, while the Navy and Air Force would each be responsible for roughly 16 percent.\textsuperscript{19}

Unfortunately, GAO found that this $60 billion in savings was vaguely defined and failed to adequately describe what portion of savings would come from headquarters efficiency initiatives, among other issues.\textsuperscript{20} Although it remains to be seen if the efficiency savings in these years fully materializes—even though the budget goals are hard targets and will need to be paid for from somewhere—the Pentagon’s track record does not allow for much optimism. Nor is it realistic for policymakers to
claim in future budget requests that new efficiency initiatives may realistically generate any more savings until the claims of hundreds of billions in savings over the past several years are tracked and scrutinized.

If DoD is to get serious about reform, it cannot keep proposing squishy efficiencies that produce savings that are hard to quantify and cause staff to simply turn to slashing billets and contracts in an effort to meet budget goals. Pentagon leaders must do their due diligence in gathering facts; formulate a comprehensive, multiyear implementation plan; and deliver savings on schedule.

If the case for reform is clear, the way forward is not. Despite several efforts, the Pentagon has yet to deliver on a holistic and transformational reform program that addresses true overhead growth, starting with the civilian workforce. The imperative for reform that works has never been greater. According to CBO calculations, the rising costs of civilian pay account for two-thirds of projected growth in operations and maintenance appropriations spending from fiscal year 2013 to fiscal year 2021.  

In light of these challenges, one way to begin is by examining how the Pentagon downsized in the years after the Cold War. Then planners can better understand how best to oversee this workforce contraction—and what pitfalls to avoid—as the Pentagon enters a prolonged downturn.

**DoD Civilian Downsizing after the Cold War.**

Between 1982 and 1987, the DoD civilian workforce grew from 1,027,000 to 1,133,000. The 10 percent growth was mostly due to the expansion of military forces and the increased training requirements a larger force demands. Yet the growth in the civilian workforce dramatically outmatched that of the uniformed military forces. Over this period, while active duty personnel grew by 3 percent, the civilian workforce grew by 10 percent.

As Cold War tensions began to ebb around 1987, the civilian workforce began to shrink. From 1987 to 1992, DoD civilian employment dropped by 11 percent, while active duty personnel—which had seen considerably less growth over the 1980s than the civilian workforce—shrank by 17 percent. Over this period, civilian workers more closely tied to military capabilities tended to be the hardest hit. The three largest reductions were seen in base operating support, strategic and tactical supporting forces, and training and education, with reductions of roughly 27, 14, and 13 percent, respectively. On the other hand, groups less directly tied to the warfighter or operating force capabilities—such as central support, headquarters, and communications—either stayed mostly flat or increased in size.

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The Pentagon cannot afford to have costly supervisory positions grow at the expense of less-skilled workers.

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The civilian defense reductions were implemented through several measures, including mass layoffs, buyouts, and a hiring freeze. The layoffs disproportionately affected lower-skill workers. Of the workers laid off between 1990 and 1992, 60 percent held blue-collar jobs, even though those positions accounted for just 30 percent of the civilian workforce. Much of this was due to the fact that a smaller force structure decreased workloads, affecting depot maintenance, supply activities, and upkeep of bases. Layoffs also disproportionately affected more junior workers. Between 1990 and 1991, 50 percent of workers let go had 5 years or fewer of experience, and 20 percent had 6 to 10 years of experience.

Even more so than layoffs, DoD rapidly decreased its civilian footprint in the early post-Cold War years through a hiring freeze from 1990 to 1992 that banned all replacements except for essential workers in categories like medical, safety, and security branches. From 1990 to 1992, DoD reduced civilian employment by 111,000—roughly a 3 to 4 percent decrease per year. As with layoffs, the hiring freeze most harmed lower-skilled workers.
Turnover rates are important to understanding the effects of the hiring freeze, since job categories with a higher turnover rate would (in theory) experience higher vacancy rates. Note the turnover rates for DoD civilian workers between 1987 and 1991:

- Blue collar: 8 percent
- White collar: 10 percent
- Professional: 8 percent
- Administrative: 9 percent
- Technical: 9 percent
- Clerical: 13 percent
- Other: 14 percent

Another way to look at the effects of the hiring freeze is to examine replacement rates for vacant positions. Now, consider the replacement rates for civilian DoD positions in 1990:

- Blue collar: 57 percent
- White collar: 78 percent
- Professional: 86 percent
- Administrative: 60 percent
- Technical: 61 percent
- Clerical: 66 percent
- Other: 104 percent

Taken collectively, these two sets of numbers tell a powerful story. Despite fewer turnovers in blue-collar positions relative to white-collar positions during the DoD civilian hiring freeze, white-collar vacancies were replaced with new hires at a much higher rate. In other words, individuals who left blue-collar jobs were often not replaced. On the other hand, when individuals left white-collar positions, new hires were brought on as replacements with frequency. The freeze therefore, eliminated low-skilled positions at a much higher rate than high-skilled positions.

This led to one unintended consequence of the hiring freeze: while the smaller civilian force was cheaper in 1992 than it was in 1987, the average salary of DoD workers actually increased as a result of the hiring freeze due to a “top heavy” workforce. Congressional Budget Office (CBO) models predicted that the shrinking force should have seen salaries increase an average of 1.8 percent. Instead, they grew by 11 percent. This was largely due to the growing share of workers in higher-paid jobs, the fact that the partial hiring freeze increased average salary, and a substantial increase in supervisory-grade workers. In fact, while nonsupervisory grades shrank substantially from 1989 through 1991, with GS-1 to GS-3 levels seeing a reduction of nearly 27 percent, GS-13 to GS-15 workers actually increased by more than 5 percent. In fact, supervisory grades increased from 40 percent of the total white-collar workforce in 1987 to 48 percent of the workforce in 1992.

Although the DoD civilian workforce shrank by 38 percent over the previous decade, this downsizing was not oriented toward shaping the makeup of force. This resulted in significant imbalances in terms of shape, skills, and retirement eligibility. Part of the problem was that DoD had incomplete data and failed to produce a strategy for avoiding skill imbalances and other negative effects of downsizing. Cuts were simply intended to manage the larger military downsizing and were not viewed as an opportunity to shape the civilian workforce itself.

Furthermore, DoD’s heavy reliance on hiring freezes to reduce the workforce was problematic. Attrition is often less painful than layoffs, but it can be ill-suited to allow for more strategic workforce decisions. Employees who leave or retire may fill useful roles, while duplicative positions may remain filled indefinitely.

If defense officials are now serious about fundamental and comprehensive reform to best invest declining resources, leaders simply must do better than the last drawdown. Cuts cannot be applied arbitrarily according to attrition, and the Pentagon cannot afford to have costly supervisory positions grow at the expense of less-skilled workers. With the lessons of the post–Cold War era in mind, what must the Pentagon do today?

**Thinking Smarter about the Services’ “Tooth to Tail” Ratio.** Part of smartly reducing the overall...
DoD workforce is examining the “tooth-to-tail” ratio within the active duty ranks. This ratio looks at the mix of combat and combat-support troops to general and administrative active duty forces. Combat and combat-support troops perform roles such as armor, infantry, reconnaissance, combat aviation, artillery, engineers, and signals. Other active duty roles that are considered general or administrative include human resources, procurement or acquisition, and accounting.39

The military’s decreasing tooth-to-tail ratio is a cause for concern. In 2010, there were 1.4 million total active duty troops in the US military, yet only 340,000 were deployed at any given time—roughly one-quarter of the force. This is not to say a large chunk of the remaining force did not contribute significantly to overseas operations. Considerable populations within certain military career fields have also been fighting two wars, directly and indirectly, over 250 days per year for several years in a row without ever officially being deployed. This is because they were classified in a “temporary duty yonder” status and therefore uncounted in the DBB figures. But this group must be taken into consideration when discussing the tooth-to-tail-ratio.

At the same time, one-quarter of active military personnel served in commercial, or not inherently governmental activity, jobs.40 The DBB found that the military is performing too many “non-military functions” at a cost of over $50 billion annually.41

In a 2010 McKinsey & Company report, the United States consistently ranked among the lowest in terms of large overhead and spending inefficiencies relative to the defense organizations of industrialized peers. At a tooth-to-tail ratio of close to 25:75, the United States ranks well behind the industrialized nations’ average of 37:63.42 The DBB found that “substantial budget cuts (5 to 15 percent) can be achieved without affecting future mission readiness if there is an intense focus on reducing ‘overhead and infrastructure’ spending.”43

Some of this increased growth is understandable. As deployments increased in the years following September 11, the military similarly expanded to logistically equip, train, and provide for the growing force. But the imbalanced growth this past decade largely mirrored that of the Reagan buildup: the active duty military grew by roughly 3 percent in the past decade, yet the civilian workforce grew by 17 percent.44

A contributing problem is that one of the most expensive Pentagon habits over the past decade has been creating temporary billets and headquarters that never truly dissolve once a mission is complete. Today, many headquarters and task forces created after 2001 are rank-heavy, with the most expensive personnel filling positions. These temporary assignments take service members away from other responsibilities, and all too often, the groups never stand down or disassemble to return those personnel or billets to their appropriate home service.

Chief among these culprits are defense agencies, field activities, and combatant commands. Together, defense agencies and field activities spend over 20 percent of DoD’s entire budget on things like business transformation, Pentagon force protection, human resources, TRICARE management, and contract management.45

As America’s involvement in Iraq and Afghanistan concludes, it stands to reason that the excess infrastructure and bureaucracy created to meet urgent operational needs stemming from these campaigns would wind down as well. Between 2002 and 2012, the number of general and flag officers increased by just under 9 percent, while uniformed personnel increased by less than 2 percent. Not only did general and flag officers grow faster than uniformed personnel as a whole, but DoD employed fewer personnel per general or flag officer than it did in peacetime.46

In light of these negative trends, the DBB published a report in 2010 arguing that the tooth-to-tail ratio could be made more efficient and overhead decreased if nonmilitary functions were transferred to civilian government employees or completely eliminated. Although this is a necessary step, it is important to remember that as the Pentagon shifts uniformed forces out of commercial activity jobs, more civilians may be required to fill in the gaps. In
other cases, the jobs should be outsourced or elimi-
nated entirely.

Rightsizing the large military bureaucracy cannot be done without forethought and planning, but DoD currently lacks many of the tools to effectively do so. The defense drawdown of the 1990s demonstrates that substantial savings can be found by targeting overhead. However, that same drawdown also demonstrates that the Pentagon must better plan before it implements widespread reductions. In this sense, it is impossible to decouple the military tooth-to-tail problem without simultaneously addressing the size and composition of the large DoD civilian workforce. The two workforces are often intrinsically linked and therefore need to be considered in unison when implementing defense drawdowns.

The Civilian Workforce and the Need for More Complete Data. The Department of Defense employs approximately 761,000 federal civilians. These personnel encompass everything from the individuals who operate laundry machines at bases to Senior Executive Service employees who preside over the inner workings of DoD.

The civilian workforce today is chiefly comprised of white-collar workers, who account for 81 percent of the workforce. The majority of these workers are professional and administrative staff, 72 percent of the white-collar workforce. The next largest categories of white-collar workers are technology specialists and clerical workers, making up 18 and 6 percent of the workforce, respectively. Blue-collar workers account for the remaining 19 percent of the DoD civilian workforce.

From 2002 to 2012, even during the federal salary freeze slated to end on March 27, 2013, expanding direct and indirect compensation has increased the cost of the civilian workforce. Over this period, direct compensation for the DoD civilian workforce has risen by $12.49 billion in real terms—a 21 percent increase. Similarly, benefits for DoD civilians have increased by $4.56 billion in real terms—nearly 76 percent. At the same time, DoD is confronting the effects of a rapidly aging workforce. By 2015, 30 percent of its civilian workforce and 60 percent of senior leaders will be eligible to retire.

Problematically, given budget cuts and an aging staff, DoD has a limited ability to internally assess its internal supply and demand of labor, making efficient planning and downsizing difficult. While it has assessed existing and future skills and competencies for 21 of its 22 mission-critical occupations, it has conducted competency gap assessments for only eight of these occupations. This means that DoD knows what general skills are necessary for different professions but cannot match the supply of the workforce to the demand for individuals with particular skills. Even worse, DoD has neither the tools nor data to conduct such across-the-board gap analyses.

One of the results of this incomplete data is that DoD does not currently employ the right mix of military, civilian, and contractor workforces, despite guidance that requires that missions be accomplished with the least costly mix of these three groups. In March 2012, the Pentagon issued the 2010–2018 Strategic Workforce Plan. This plan once again failed to assess the appropriate mix of military, contractor, and civilian personnel to achieve the best result for lowest cost possible.

The three-million-large DoD workforce cannot be rightsized without first identifying the appropriate mix of military forces relative to contractors and DoD civilians. This includes the contractors hired to perform services in lieu of service members and civilians; a category for which DoD has even less information available. The Pentagon is still three years away from having a database that lists contracted services and currently does not know how many contractors perform work for the Department of Defense.

Therefore, the first step to making the civilian workforce more efficient is to effectively match the supply and demand of labor to plan workforce requirements. Unfortunately, DoD lacks a department-wide process to do that for its civilian workforce because of the difficulty of translating demand into estimates of the workforce required to carry out...
requirements. DoD gauges supply of available labor via the Defense Civilian Personnel Data System, which compiles data on an individual's occupation, career history, wage grade, location, and years of service. Although the system is close to a complete resource on the subject, it is not uniform across the department and provides limited information on an individual's skill sets.

Determining the demand side of DoD labor is much more complex than the supply side, however imperfect. No DoD-wide source for analysis of workforce demand exists. The best sources of demand analysis are manpower estimate reports (MER) and most effective organization (MEO) reports. MERs are compiled by program managers to detail personnel needs over the lifespan of a program. These demands are broken down and used to create estimates of military, civilian, and contractor requirements. But the problem is that all these data are generalized and not broken down into specific categories like grade, occupation, or skill-level requirements, making it difficult to use to create a DoD-wide framework.

MEOs are part of the A-76 cost composition—Office of Management and Budget guidelines that federal offices must follow when they competitively source a function currently provided by civil service or military employees. These guidelines require performance work statements specifying needed positions without prescribing whether they should be filled by military, civilian, or contract employees. Performance work statements are used with MEOs to determine the best function to carry out the tasks, but do not include the entire civilian workforce. Rather, they examine only the workforce needed to perform the tasks that are to be competitively sourced.

Steps to Shrink the Bureaucracy More Intelligently.
The first step to rein in expanding military and civilian bureaucracy within DoD is for the secretary of defense to demand the collection of requirements data. Today, DoD needs more information to properly assess workforce requirements, which are critical before deciding where to downsize. A good place to start would be with expanding the information collected in performance work statements and MEO reports. The MEO model should apply to programs that are not competitively sourced. The under secretary of defense for personnel and readiness should provide guidance for developing clearly defined future strategic workforce plans. To support this goal, the Pentagon must first complete competency gap analyses for DoD's 22 designated mission-critical occupations, as well as a timeline for the MEO report's delivery.

Once DoD has better information on hand, leaders can begin to target the elimination of excess positions. In theory, judging from historical averages, if they wish to attain gradual 3 to 5 percent reductions per year, layoffs will be unnecessary. This is because DoD's annual turnover rate (resignations, retirements, and voluntary separation) averages over 10 percent.

Relying on attrition alone would lead to inefficient cuts untethered to any larger strategic workforce plans. Reductions would simply reflect the occupations of individuals who chose to leave the force earlier than others, significantly undermining DoD's ability to use workforce reductions to guide broader reform. In the 1990s, of 76,000 jobs eliminated because of base closures and management reforms, CBO estimated that 17,800 would result in layoffs. This leads to the general rule of thumb that for every four positions cut, DoD needs to implement at least one layoff. If DoD wishes to rely less heavily on attrition to more strategically apply cuts, given the experience of the 1990s, it probably needs to increase this ratio. Even moderate reductions promise real savings: CBO estimates that a 50,000-employee decrease from current civilian workforce levels could save roughly $5 billion per year by 2021.

Once DoD figures out which positions can be eliminated, cuts to excess military overhead offer the potential for significant cost savings. The Domenici-Rivlin Debt Reduction Task Force argued that 100,000 uniformed positions currently used to support infrastructure could be eliminated. The Stimson Center found that these reductions, coupled
with streamlining redundancy and duplication, could save an estimated $125 billion over 10 years.72

Additionally, the Defense Business Board identified 340,000 service members performing commercial duties and recommended a 10 percent reduction, which could save as much as $5.4 billion annually.73 According to the Stimson Center, if DoD trims its staff to focus on inherently military functions, it could save up to $50 billion over 10 years.74 Additionally, DBB suggests returning the DoD civilian workforce to its FY 2003 level of 650,000.75 This kind of reduction, along with decreased reliance on contractors, could save an estimated $310 billion over 10 years.76

As the US military shrinks in size, capacity, and capability, it must also reduce its inventory of physical assets.

Slashing positions, however, is not enough. The per-person cost of the federal defense workforce needs to be examined, as well. One easy step, according to James Sherk of the Heritage Foundation, is to remove the near-automaticity of pay increases for DoD civilian employees.77 Currently, employees on the federal government's General Schedule (GS) start at the first step of their assigned job grade and then must score at least three out of five points on performance evaluations to receive “within grade” or “step” increases that allow them to advance to step 10 of their grade. This system simply assumes that employees will do their job well and makes it difficult for managers to justify low performance grades. Consequently, managers rarely award ratings below three stars.78

Because it is difficult for employees to earn a less than satisfactory score, they often have little incentive to meet anything higher than the bare minimum of expectations. The federal pay system ought to introduce more rigorous performance evaluations in the place of quasi-automatic increases in pay.

Since the failure of the National Security Personnel System (NSPS) during the Bush administration, performance-based personnel management systems have become more controversial across government. Although the NSPS—the Bush administration's attempt to bring a performance-based personnel system to the federal government—failed, DoD can learn a number of important lessons from its downfall to promote a competitive and efficient workforce.

For one, DoD should make an effort to acquire union support early in the reform process. An adversarial relationship with organized labor led to distrust and conflict during the implementation stage of NSPS—crippling the program before it even got off the ground.79 Although management and labor will not realistically agree all the time, DoD needs to have at least a functioning relationship—if not buy-in—from the unions to be successful.

Furthermore, DoD leaders should work to place performance reviews more directly in the hands of true supervisors. Many employees became frustrated when positive worker reviews with first-level supervisors were later overturned by pay pool managers.80 Similarly, the NSPS share-awarding payout system proved to be controversial, so DoD should carefully consider other, more transparent ways to reward the most outstanding work.

A good stepping-stone following the failure of NSPS and the return of the GS system could be expanding the Acquisition Workforce Personnel Demonstration Project. Although conclusive results are still pending from this relatively new program, the demonstration project seeks to introduce a less threatening (and more successful version) of a performance-based personnel management program. Congress should consider this pilot program's effectiveness and feedback when DoD begins bureaucratic personnel reductions.

Sherk also recommends freezing, eliminating, or cutting back on the generosity of the defined-benefit pension system for federal employees. Additionally as Sherk suggests, DoD could consider raising the retirement age past 56, collapsing sick leave and time off into one pool of paid leave, and implementing...
performance pay programs. These changes in benefits could be offset by increasing government contributions to 401(k) plans to bring them more in line with the private sector. These reforms would be aimed at addressing two factors within the current system: pay is not accurately correlated with performance, and benefits are more generous than in the civilian sector.

These proposals are in no way intended to be exhaustive. Rather, they are meant to serve as commonsense solutions for policymakers to launch a broader conversation about how DoD can begin to reduce the size of its military and civilian overhead. Unfortunately, although trimming excess overhead is a necessary start to restructuring the Pentagon’s budget, it is not sufficient alone. Other priorities must be addressed for the Department of Defense to adjust for a new era.

**Strengthening the All-Volunteer Force**

Many reports in Washington examine the rising, and ultimately unsustainable, costs of military personnel absent change. While the cost of military personnel as a percentage of the defense budget has remained relatively flat in recent years, the cost of military pay, allowances, and health care has risen over 90 percent and the size of the active duty force has grown by only less than 3 percent since 2001. This is due in large part to congressionally mandated annual pay raises half a percent higher than inflation; three rounds of pay table reform designed to improve retention of experienced personnel; and substantial increases in basic housing allowance, health care, and retirement benefits.

Examining the top line of the military personnel account alone, however, does not account for the full cost of military compensation—most of which is made up of deferred and in-kind benefits, not base pay. Many of those funds come out of other accounts, such as operations and maintenance, thus obscuring the total costs for policymakers. Congress cannot easily determine the true cost of military personnel on a per capita basis, given the myriad DoD funding streams and accounts for this spending. In 2004, GAO estimated the average cost of annual compensation to active-duty enlisted and officer personnel at about $112,000. That number has only grown since.

Although the cost of the all-volunteer force is currently on an unsustainable trajectory that threatens its health and long-term viability, few members of Congress or defense officials want to tackle the issue comprehensively. One reason is that, too often, the starting premise is that military pay and benefits are too expensive and therefore must be cut. But real reform should not consist of “all pain, no gain.” Rather, a holistic overhaul would make the system more sustainable while providing increased value, and in some cases benefits, to service members. Larger reform would address the archaic system’s many shortcomings in a way that invests in forms of compensation that military personnel and their families value most, as the Center for Strategic and Budgetary Assessment’s Todd Harrison has explored.

The shortfall of the current system was highlighted in a recent *Esquire* article that profiled the SEAL Team Six shooter who killed Osama bin Laden. The unidentified man who pulled the trigger on the world’s most-wanted terrorist is now struggling to transition to civilian life after 16 years in the Navy. He is four years shy of an antiquated 20-year vesting point that does not adequately reflect the modern economy in which individuals often transition in and out of jobs every two to three years. This case highlights the desire on the part of policymakers to give those who serve less than a full career in the military some type of portable retirement benefit for their sacrifice. This is a worthy consideration given that roughly 80 percent of those in uniform serve less than 20 years.

But Congress and the Pentagon cannot simply expand benefits like this without changing the entire system for future enlistees. That should be bipartisan incentive for Congress to attempt to tackle this overdue change to a compensation system over 40 years old. If Congress and the Pentagon do not act, they may find they no longer have a choice in the
near future. The bipartisan blue-ribbon Quadrennial Defense Review (QDR) Independent Panel “stress-tested” the all-volunteer force in 2010, finding that,

Although the pay and benefits afforded to U.S. military personnel can never adequately compensate for their sacrifice and the burdens placed upon their families, the recent and dramatic growth in the cost of the All-Volunteer Force cannot be sustained for the long term. A failure to address the increasing costs of the All-Volunteer Force will likely result in a reduction in the force structure, a reduction in benefits, or a compromised All-Volunteer Force.87

The panel recommended a dual-track compensation system for future enlistees to preserve and enhance the all-volunteer force, including

• Creating greater differentiation in assignments and compensation between one or two terms of service and a career.

• Changing the composition of military compensation, emphasizing cash instead of deferred or in-kind benefits to enhance recruiting for those serving less than a full career.

• Employing greater use of bonuses and credential pay to attract, retain, and reward critical specialties and outstanding performance.

• Instituting a continuum-of-service model that allows service members to move fluidly between the active and reserve components and among the military, private sector, civil service, and other employment.

• Modifying the military’s personnel management system to include changes to the up-or-out career progression (to extend period of active service and reduce retirement costs, for instance), lengthening career opportunities to 40 years, instituting 360-degree officer evaluations, and broadening educational experiences.

• Updating TRICARE for Life to identify solutions that make it more affordable over the long term, including phasing in higher contributions while ensuring these remain below market rates and adjusting contributions on the basis of ability to pay.

Although various proposals have been debated in recent years to change some benefits for military personnel, no complete examination of the cost, health, and viability of the all-volunteer force like that proposed by the QDR panel has occurred.

This year, DoD did suggest establishing a commission on military retirement modernization. Although Congress ultimately agreed to the creation of the Military Compensation and Retirement Modernization Commission, the final law was watered down, and the effort will likely not yield substantial change anytime soon. Congress ultimately weakened the commission by not forcing a vote upon receiving the group’s recommendations. If granted floor time, Congress would allow for “expedited and protected consideration” of the legislation, without amendment. Those are important qualifications for moving the bill forward.

However, as has too often been the case with recent reports by presidential commissions—most notably the Simpson-Bowles debt reduction commission—if Congress is not required to vote on something controversial, then it probably will not. Politicians must be forced to vote on the recommendations of a higher-stature military compensation commission, similar to how the base closure process moves to the floor in both chambers of Congress.

Another reason the proposed retirement panel and efforts like it have failed in recent years is because they typically single out one type of military benefit for cuts. That is just one more reason why the examination of compensation must be holistic and comprehensive.
With this in mind, the QDR Independent Panel recommended a new National Commission on Military Personnel “of the quality and stature of the 1970 Gates Commission,” which formulated policies to end the draft.88 The panel notes that the “purpose of this commission would be to develop political momentum and a roadmap for implementation of the changes proposed here, including recommendations to modernize the military personnel system, including compensation reform; adjust military career progression to allow for longer and more flexible military careers; rebalance the missions of active, guard and reserve, and mobilization forces; reduce overhead and staff duplication; and reform active, reserve, and retired military health care and retirement benefits to put their financing on a sustainable basis consistent with other national priorities.”89

If properly structured, this is the most appropriate proposal and should move through Congress as opposed to the commission currently planned. It must be established with the codification in law up front that its recommendations will receive an up-or-down floor vote within a certain period of time following the issuance of the final report.

Until Congress approves this type of serious work on the future of the all-volunteer force, DoD should still move forward with smarter and smaller efforts to attempt change from the bottom up. Defense officials should undertake piecemeal proposals to make military benefits like health care, education, retirement, and housing more efficient and effective. But the work must be realistic and in manageable pieces, with the long-term goal of stabilizing costs in military health care and other areas.

In a series of papers soon to be released, AEI will be taking a deeper look at how military health care and retirement benefits can be reformed now in small ways. Just a few of these proposals, both new and old, include offering incentives for medical care at military treatment facilities to promote cost savings, creating a defined-benefit retirement plan with vesting at 10 years of service, and establishing a modified thrift-savings plan for service members based on a continuum-of-service model.

Eliminating Excess Infrastructure While Realizing Savings

According to the military services, a significant portion of their budgets are consumed by infrastructure costs. The following figures consider infrastructure to be buildings and permanent installations, including the costs necessary to operate them. The day-to-day operations of 74 Army bases worldwide and depot maintenance accounts for just over 11 percent of the Army’s base budget.90 Base and depot operations and maintenance comprise around 8 percent of the Navy’s budget.91 Finally, the Air Force spends a little under 6 percent of its budget on base support and depot maintenance.92

As the US military shrinks in size, capacity, and capability, it must also reduce its inventory of physical assets. In preparation for the 2005 Base Realignment and Closure Commission (BRAC) round, the Pentagon found that the entire department possessed 24 percent aggregate excess capacity. The most recent base closure round, however, reduced capacity by only 3.4 percent.93 End-strength reductions in all of the military services since 2005 have only increased the gap between infrastructure and force size. For instance, the fiscal year 2013 budget places the Army on a path to shrink nearly 14 percent from its peak size of 566,000 in 2011, while the Marine Corps is set to decline by almost 12 percent by 2017 from peak levels.94 The other services have already been cutting their active duty end strength. The Navy has reduced its active duty ranks by nearly 11 percent since 2005. Although the 2005 BRAC round did not make any major adjustments to the Air Force, the service has since reduced force structure by more than 500 aircraft and cut end strength by 8 percent.95

Furthermore, some services, in particular the US Army, have already been undertaking their own version of base realignments and closures overseas. The Army alone has closed 100 installations in Europe since 2003 and plans on returning an additional 47 installations to host nations by 2015.96 The Army’s consolidation of German bases at Wiesbaden and
Kaiserslautern, for example, is expected to produce a net recurring savings of $112 million per year, meaning that one-time investment costs will be returned by 2016.97

Meanwhile, the Navy has also been consolidating and decreasing its European bases over the last eight years. The Navy’s European headquarters was relocated from London to Naples in 2005, while the service subsequently closed Naval Air Station Keflavik (Iceland) and Naval Support Activities Gaeta and La Maddalena (Italy). Currently, the Navy is assessing capacity of remaining bases at Naval Station Rota (Spain), Naval Air Station Sigonella (Italy), and Naval Support Activities in Naples (Italy) and Souda Bay (Greece). Its leaders also plan to review the US Marine Corps installation in Norway.98 Finally, since 1990, the Air Force has reduced aircraft and forces stationed in Europe by 75 percent.99 All of these reductions are important because many members of Congress want divest excess overseas capacity before shrinking domestic bases, yet they are unaware of the significant initiatives underway over the past decade.

Still, more cuts are coming, even without a formal base closure round. Before he left office, Secretary of Defense Leon Panetta directed the Pentagon to explore additional opportunities for consolidation in Europe. Already, DoD is planning to continue reducing the US presence in Europe by approximately 15 percent over the coming decade.100 As DoD continues shrinking its presence in Europe, it will increasingly rely on a rotational presence instead of permanently garrisoned forces.101

Even with DoDs consolidated presence overseas, the Army, for instance—without even taking sequestration into account—does not currently have enough funding to provide for its domestic infrastructure.102 Despite this mismatch between infrastructure and resourcing, the controversial BRAC experience of 2005 means that many lawmakers remain hesitant to commit to another round despite the Pentagon’s insistence that it must shrink to avoid a hollow force. Consequently, if the Pentagon is to move ahead for necessary consolidation in the future, it must first contemplate what went wrong in 2005 and how the department can improve for the next time.

DoD Should Emulate Legacy BRAC Rounds While Avoiding the Pitfalls of 2005. Former secretary of defense Donald Rumsfeld argued that the return of roughly 70,000 US forces from overseas bases was “inextricably linked” to scheduled BRAC rounds.103 As Rumsfeld said, “new force structures must be accompanied by a new base structure. . . . BRAC 2005 should be the means by which we reconfigure our current infrastructure into one in which operational capacity maximizes both warfighting capability and efficiency.”104

If the legacy BRAC rounds (as the 1988, 1990, 1991, 1993, and 1995 rounds are called) were relatively successful, what was the disconnect in 2005, and why is Congress so skeptical about a future round today? How can the Pentagon address the concerns of Congress? Procedurally, the 2005 BRAC process was no different than the legacy rounds.

1. Unlike previous BRAC rounds, which were conducted during periods of force reductions, the 2005 BRAC was conducted during a prolonged war that demanded increased end strength.

2. The 2005 BRAC was conducted under the auspices of broad and sometimes ill-defined “realignment,” “transformation,” and “joint activity” initiatives. As part of this process, many troops were transferred from overseas to bases in the continental US. Increased infrastructure was needed
in select locations to accommodate this incoming force structure.

3. Although in past rounds, DoD acceded to the individual services’ recommendations, the Office of the Secretary of Defense (OSD) exercised a much greater degree of control.

The OSD’s focus on joint activity and emphasis on following a business-style process reengineering created overly optimistic assumptions of savings. The BRAC goals in 2005 were more ambitious than the four previous rounds combined, but recommendations were dominated by relatively minor closures and realignments confined mostly to the reserve components. In fact, most savings were derived from only 10 percent of the 222 recommendations.

Many savings were characterized as reductions through poorly defined “transformation” initiatives. This unspecific and incalculable metric resulted in part in unusually long periods before savings were realized because of upfront construction and other one-time costs. These initial costs proved to be far greater than the Pentagon expected and, as a result, decreased DoD’s net annual recurring savings by 9.5 percent relative to 2005 estimates. Nonetheless, the first four BRAC rounds are producing an annual recurring savings of around $8 billion, and BRAC 2005 is producing an additional annual recurring savings of $4 billion.

Still, the BRAC 2005 Commission’s estimate of $36 billion in savings over a 20-year period was undermined from the beginning and proved far more difficult to realize than the targeted reductions of the legacy rounds. One of the major problems stemmed from the environmental remediation plans that DoD is responsible for implementing following the conveyance of federal land to other entities. Astonishingly, the 2005 base closure process did not include these costs in its initial estimates. When they were added later, they greatly decreased the potential future savings of the endeavor.

In any BRAC round, the magnitude of costs and time involved in cleaning up environmental damage exponentially delays potential savings. This must be remembered in future rounds. For example, in 2005, 10 percent of property from the legacy rounds had yet to be cleaned. The Congressional Research Service estimated that it would cost an additional $3.6 billion to fully complete the work. Part of the problem is that DoD is legally required to clean land only to the point needed for industrial use. If a developer wishes to acquire the land for residential use, DoD must conduct further cleanup, again delaying savings and possibly imposing further unanticipated costs.

Fortunately, this may be less of a problem for future BRAC rounds. As Acting Deputy Under Secretary of Defense for Installations and Environment John Conger noted in his March 14 testimony before the House Armed Services Committee, DoD has been increasingly pursuing cleanup programs at all of its active sites over the past two decades—so much so that the burdens imposed by BRAC-mandated cleanup are declining across the board.

Unsurprisingly, the 2005 BRACs’ projected savings by way of “transformational” business process reengineering efforts also failed to live up to expected levels. In DoD’s initial savings estimate, about 47 percent of the projected annual net recurring savings came from eliminating jobs held by military personnel. Yet, instead of reducing end strength and truly eliminating these positions, these jobs were simply reassigned to other areas. In comparison, approximately 107,000 defense civilian jobs were eliminated in prior BRAC rounds over a 12-year period. This consolidation created $18 billion in net savings by 2001.

The legacy BRAC rounds succeeded in yielding significant DoD savings, and in many cases through the only temporary disruption of local economies. The GAO found that by January 2005, most communities surrounding closed bases had recovered or were continuing to recover from previous rounds. In fact, almost 72 percent of local DoD civilian jobs that were lost on bases were replaced.

The realignment focused 2005 BRAC consisted of a smaller percentage of base closures. Of the nearly...
1,000 facilities affected, only 22 major military installations were slated for closure, while 33 others were selected for realignment. These changes resulted in nearly 120,000 job losses but led to almost 100,000 jobs created elsewhere in the economy.

The two largest facilities affected by job losses were Fort Monmouth in New Jersey and Walter Reed Army Medical Center in Washington, DC. Around 5,200 jobs in Fort Monmouth were transferred, and a total of 9,700 jobs were directly or indirectly lost. Walter Reed Army Medical Center cut 9,500 jobs, but with transfers to area hospitals the total loss was netted to 3,000.

The Prospects for BRAC Today. Although the Pentagon has numerous successful legacy base closure rounds under its belt that have saved significant sums of money, Congress is understandably hesitant about a new round after the mishandled one in 2005. Memories of 2005 were front and center when both chambers of Congress emphatically rejected the president’s 2012 proposal for two additional BRAC rounds. The House Armed Services Committee inserted a provision into the 2013 authorization bill that would prohibit the use of any appropriations authorized under the bill to be used to propose, plan for, or execute an additional BRAC round. Likewise, the Senate Armed Services Committee’s markup of its authorization bill noted that the 2005 BRAC eliminated only a small parentage of excess infrastructure and that senior Army officials expressed little interest in another BRAC round.

DoD’s budget proposal to begin a base closure round as part of the president’s 2013 budget request also came across as unserious to an already-skeptical Congress, making it even easier to reject. The Department of Defense budget did not request any money to begin implementation of either of the two base closure rounds recommended in the budget.

Additionally, President Obama walked away from his own budget request during the height of the presidential campaign in southern Virginia, saying, “You know, I don’t think now is the time for BRAC, we just went through some base closings and the strategy that we have does not call for that.” Defense leaders must request the appropriate money and authority in the 2014 budget for a legitimate base closure round if they are to be taken seriously by and ultimately receive approval from Congress.

DoD must also educate Capitol Hill regarding the fact that some services, most notably the US Air Force, need to sensibly downsize excess inventory that is consuming dollars that could be diverted to other national security priorities. Some estimates note the Air Force is currently 20 to 25 percent over capacity. In fact, these estimates might be too low. In 2004, in preparation for the upcoming base closure round, the Air Force found it was 24 percent over capacity. Since then, the service has divested 500 aircraft and cut end strength by almost 8 percent.

The cost of this excess force structure in a service that spends almost $8 billion on base support and depot maintenance annually is significant.

Air Force General Mike Hostage recently proposed a novel concept to break the deadlock and get a new round of infrastructure consolidation underway. He suggested that Pentagon alter the way it approaches base closures to emphasize the likelihood of the facility’s successfully converting to civilian use, rather than attempting to eliminate bases with the lowest military utility. This proposal would focus on closing bases with the greatest ability to successfully transition into commercial use. It would also more closely align the bureaucratic process with communities most interested and inclined to seek a conversion of federal property for private uses. State and local community buy-in is extremely important to the long-term prospects for successful conversion of military bases for private use.

While both chambers in Congress rejected a new base closure round in the 2013 defense bills, legacy rounds were efficient at reducing excess infrastructure and generating substantial annual savings over the long term. Fortunately, signs indicate that a new BRAC round would have more in common with successful past versions than the bungled process in 2005. Secretary of Defense Chuck Hagel drew a sharp contrast between the 2005 round and a
potential new one, writing, “It is my understanding that the 2005 BRAC round was an anomaly . . . . It focused on transformation, jointness and relocating forces from overseas. A future BRAC round is more likely to be like the rounds in 1993 and 1995 where excess capacity was reduced.”

To move forward with legitimate and necessary downsizing, Congress must work with the military services to set up a successful base closure and consolidation round from inception. They should consider creative solutions, including selecting bases that have community support for closure and where the government has emphasized the likelihood of the facility successfully converting to civilian use. Last, the president’s budget request for FY 2014 should also ask for the funds and authority to begin the next base closure round.

An Opportunity for Overdue Reform

Further defense cuts appear inevitable, and Pentagon leaders are right to be concerned about their impact on readiness, families, and the military’s modernization efforts. However, not all cuts are created equal. For the past several years, Pentagon efforts to meet reduced budget targets have targeted the wrong priorities and may wind up saving much less money than anticipated as a result. Meanwhile, the primary drivers of DoD spending, including excess bureaucratic overhead, unused infrastructure, and unbridled personnel costs, have been left largely unaddressed and allowed to grow essentially unchecked as other resources tighten.

Now that the sequester is here, simple Pentagon solutions, such as “doing more with less,” are wholly inadequate to address budget challenges. It is time for political courage and leadership to tackle the institutional and structural changes needed within the Department of Defense. Congress should be a willing partner with the military in this effort. By repeatedly refusing to allow the service chiefs to move forward with uncomfortable budget proposals, the military is having to rob Peter to pay Paul and starve some accounts while funding unnecessary items.

The approach in Washington should be one of unity. Regardless of the Pentagon top line, the case for structural reform is a national security imperative.
Notes


3. Ibid., iv–v.


6. Ibid., 20.

7. Ibid., 30.


13. Ibid., 5–4, 5–5.


17. Ibid.


19. Ibid., 1.


24. Ibid., 6.
25. Ibid., 7.
26. Ibid., 7.
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30. Ibid., 40.
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32. Ibid., 41.
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37. Ibid., 4.
38. Ibid., 5.
41. Ibid., 24–25.
44. United States Department of Defense, National Defense Budget Estimates for FY 2013 (Green Book), 262–63. AEI calculations of percent change using 2012 civilian DoD personnel of 760,000 compared to the 2002 level of 650,000.
47. Office of Personnel Management (as of December 2012).
49. See data under White-Collar Occupational Categories at www.fedscope.opm.gov/
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56. Ibid., introduction.
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125. Ibid., 11.
About the Author

Mackenzie Eaglen is a resident fellow in the Marilyn Ware Center for Security Studies at AEI. She has worked on defense issues in the US Congress, both House and Senate, and at the Pentagon in the Office of the Secretary of Defense and on the Joint Staff. She specializes in defense strategy, budget, military readiness, and the defense industrial base. In 2010, Eaglen served as a staff member of the congressionally mandated Quadrennial Defense Review Independent Panel, a bipartisan, blue-ribbon commission established to assess the Pentagon’s major defense strategy. A prolific writer on defense related issues, she has also testified before Congress.