February 11, 2015

STATEMENT BEFORE THE HOUSE ARMED SERVICES COMMITTEE
"JOINT THINK TANK STRATEGIC CHOICES EXERCISE"

By Todd Harrison
Senior Fellow, Defense Budget Studies
Center for Strategic and Budgetary Assessments

Chairman Thornberry, Ranking Member Smith, and Members of the Committee, I want to begin by thanking you for the opportunity to testify today. Approximately one year ago CSBA convened a group of scholars from four think tanks, represented here today on this panel, and asked them to develop alternative approaches to rebalance DoD's budget and capabilities in light of projected security challenges and fiscal constraints. The purpose of this exercise was to foster a greater appreciation for the difficult strategic choices imposed by the Budget Control Act of 2011.

The ground rules of the exercise were that each team could vary its defense strategy as it saw fit, using the 2012 Defense Strategic Guidance as a starting point. The teams used their own expertise to assess of the future security environment and associated risks, and they were free to modify and reprioritize roles and missions for the military accordingly. Based on these assessments of future threats, the teams were asked to prioritize the capabilities and capacity required in the military for the next ten years and beyond.

The teams then used an online tool created by CSBA to implement their strategy and capability choices. CSBA's Strategic Choices Tool allows users to quickly add and cut items from the current program of record using more than 800 pre-costed options. The tool allows them see the resulting budget and force structure impacts in real time. The tool does not assess risk or make judgments as to the sufficiency or wisdom of one's choices—such subjective assessments are better left to the experts.

Each of the teams was asked to rebalance the DoD budget over ten years, spanning FY 2015 to FY 2024, under two sets of budget constraints. The first set of constraints used the BCA budget caps currently in effect, and the second set used a slightly higher level of funding roughly consistent with the President's FY15 request. All adds and cuts were made relative to the PB14 baseline. This meant that if something was already funded in PB14, it could be cut. If something was not included in the PB14 baseline, then it could not be cut but it could be added.

Allowing teams to vary their strategies and using two sets of budget constraints for each team allowed us to discern which choices were budget-driven and which were strategy-driven. For example, each of the teams made different choices with respect to Marine Corps force structure, which suggests that these choices were dependent on the teams' strategies. In other instances, such as the decision to retire active component A-10s, all of the teams made the same choice, which suggests this decision may be independent of strategy—at least within the range of strategies pursued by these four teams.

We also looked for instances when individual teams made different choices under the two levels of budget constraints. For example, all of the teams made cuts to readiness funding under the full BCA budget constraints, but when the budget constraints were loosened they changed their readiness cuts. This suggests that cuts to readiness funding were budget-driven. Conversely, we found that each team made roughly the same cuts to personnel levels—particularly civilian and support contractors—in the two budget scenarios, which suggests that these personnel cuts were not budget-driven.

Much has changed in the security environment since this exercise was conducted a year ago, but the long-term fiscal constraints of the BCA remain the same. While budget constraints can force budget-driven decisions, we have found over the course of conducting dozens of strategic choices exercises like this one that budget constraints can also help force more explicit prioritization of capabilities. Despite the budget constraints imposed, all of the teams chose to make substantial investments in new capabilities—even though these investments required them to make larger offsetting cuts in other areas. For example, all of the teams increased spending on space, cyber, and communications capabilities. This suggests that the teams felt DoD's existing plans do not adequately address the challenges the military is likely to face in this area.

What our exercise helps illuminate—and what my colleagues will speak to in their testimony—are the core capabilities the military must protect, and, in some cases, increase investments in regardless of the budgetary constraints imposed. To quote the late RAND strategist Bernard Brodie, writing in a similar period of budget reductions and strategic change following the end of the Korean War, "We do not have and probably never will have enough money to buy all the things we could effectively use for our defense. The choices we have to make would be difficult and painful even if our military budget were twice what it is today. The fact that we are dealing with a lesser sum only makes the choices harder and more painful."