



Center for Strategic and Budgetary Assessments

**ANALYSIS**

## **Open Letter to Congress: Defense Reform Consensus**

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Related Experts: Todd Harrison, Andrew F. Krepinevich, Jim Thomas, Eric Edelman, Mark Gunzinger

**Dear Secretary Hagel, Chairman Levin, Ranking Member Inhofe, Chairman McKeon, Ranking Member Smith, Chairman Durbin, Ranking Member Cochran, Chairman Young, and Ranking Member Visclosky:**

A striking bipartisan consensus exists today across the think tank community on the need for Pentagon and Congressional leaders to address the growing imbalances within the defense budget that threaten the health and long-term viability of America's volunteer military.

It is our shared belief that the Department of Defense urgently needs to close excess bases and facilities, reexamine the size and structure of the DoD civilian workforce, and reform military compensation. While we do not all agree on the best approach to reform in each case, we agree that if these issues are not addressed, they will gradually consume the defense budget from within. This will leave a smaller share of the budget to pay for the manning, training and equipping of our armed forces that make the U.S. military second to none.

There is no shortage of useful ideas on how to begin addressing these pressing matters. The challenge has been getting Congress and the administration to admit change is required and take action. For example, many in Congress are understandably fearful of repeating the mistakes of the most recent round of base closures in 2005. This round of closures was an anomaly in many respects because it occurred during a period of growth in defense spending and emphasized moving and consolidating facilities instead of outright closures. Consequently, DoD's inventory of buildings only fell from 2.4 billion square feet to 2.3 billion — roughly 85 percent of which is within the United States. This did not yield the kind of historical savings previous rounds of base closures have brought the taxpayer. Yet by DoD's own estimates, it currently pays to maintain some 20 percent excess capacity in its infrastructure—resources that could be better used to sustain our military muscle. To its credit, the administration has asked Congress to initiate another round of closures to reduce this excess capacity. Members of Congress on both sides of the aisle should partner with the Pentagon to identify the true scale of excess capacity and then work expeditiously to better match the Department's vast network of facilities to its shrinking force.

The size and structure of the civilian workforce is another area in need of careful examination and restructuring that Pentagon leadership has been reluctant to address. From 2001 to 2012, the active duty military grew by just 3.4 percent. Yet over the same timeframe the number of civilian defense employees grew by 17 percent, an increase five times greater than the armed forces. While this large workforce supports essential missions of the Department and warfighter, its growth over the past decade has, by and large, been unchecked and imbalanced. In the last four years alone, DoD civilians have grown by ten percent, but it is unclear if that growth was appropriately matched to the changing needs of a downsizing military and shifting strategy. This is a critical unanswered question for policymakers since DoD civilians are directly employed by the government, consuming \$74 billion of the annual defense budget. Under sequestration, DoD must reduce its civilian payroll expenses in 2013 using furloughs, but furloughs are merely a temporary means of reducing costs. When the new fiscal year begins on October 1, DoD will still have more civilian employees than it can afford and quite possibly more than it needs. It is past time for the Pentagon to rightsize this workforce and make permanent reductions in a thoughtful and targeted manner.

Finally, we all agree on the need for a comprehensive evaluation and modernization of the military compensation system. This system has remained essentially unchanged for forty years, yet America's highly-mobile youth expect and value various forms of compensation differently today. Better meeting the needs of a 21st century workforce should be the driving force behind reform. But cost should be a consideration, as should the outdated forms of payment for the 80 percent of service members who serve less than a full 20-year career. From FY 2001 to FY 2012, the compensation cost per active duty service member grew 56 percent, adjusting for inflation, or a rate of 4.1 percent annually. DoD has proposed many incremental changes to the compensation system over the past five years to reduce this rate of growth, but each time Congress has largely rejected DoD's proposals. Yet if Congress fails to curb the growth in military compensation costs, they will continue to grow as the defense budget shrinks, crowding out funds needed for training, readiness and for the replacement of worn out equipment. Congress took a modest step forward on this issue in 2012 by establishing a bipartisan commission to examine the military compensation system but stopped short of requiring itself to act on the commission's recommendations. To make meaningful progress on this issue, leaders of both parties should, at a minimum, commit to bringing the recommendations of this commission to a vote in both chambers.

None of these reforms will be easy, painless, or popular. But they are absolutely essential to maintaining a strong national defense over the long term. These smart and responsible initiatives should be undertaken by Pentagon and Congressional leaders regardless of the level of defense spending. While these reforms are necessary, they are not of themselves sufficient to meet the fiscal and strategic challenges the military currently faces. Those of us who have joined together in support of these efforts find ourselves with differing views on many other issues, including the proper level of defense spending and how that money can best be allocated. But we are all in strong agreement on the need to pursue these key reforms for a transforming military. To paraphrase President Eisenhower, every unnecessary base that remains open, every excess civilian employee that remains on the payroll, and every mis-targeted dollar of military compensation signifies, in the final sense, a theft from both the training and equipping of our young men and women in uniform and, ultimately, the security of our citizens. It is time for Congress and the Obama administration to act.

Signed:

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