Strategic Choices Exercise
Exercise Objectives

- Develop alternative strategies to rebalance DoD’s major capabilities in light of projected security challenges and potential defense budget cuts

- “Stress test” the strategies over the next two FYDPs (FY2014-2018 and FY2019-2023) at two different levels of budget reductions

- Explore major tradeoffs and their impact over time

Note: Exercise results represent the opinions of each team, not specific organizations

Exercise focused on rebalancing DoD’s capabilities, not specific programs or program costs
For this exercise we assumed:

• The 2012 Defense Strategic Guidance was a starting point only:
  – Each team based their rebalancing choices on their strategy

• The BCA is revised:
  – DoD is given virtually complete flexibility to target budget cuts
  – Budget cuts run from FY2014 to FY2023 (even though BCA caps end in FY2021)
  – DoD must meet budget targets for each FYDP, not year by year

• DoD’s proposed compensation reforms and efficiency initiatives are in effect
• Each team individually developed a rebalancing strategy

• Each team then used CSBA’s rebalancing tool to make investment and divestment decisions for the first FYDP (FY2014-18) and then second FYDP (FY2019-23) that supported their strategy under two fiscal scenarios:

Scenario #A – Rebalance capabilities for each FYDP assuming full BCA-level cuts

Scenario #B – “Buy back” capabilities for each FYDP assuming half BCA-level cuts

<table>
<thead>
<tr>
<th></th>
<th>Scenario A</th>
<th>Scenario B</th>
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<tbody>
<tr>
<td>FY14-18</td>
<td>-$260 B</td>
<td>-$56 B</td>
</tr>
<tr>
<td>FY19-23</td>
<td>-$261 B</td>
<td>-$191 B</td>
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<td>Total</td>
<td>-$522 B</td>
<td>-$247 B</td>
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Two Budget Scenarios

Scenario A: BCA Cuts

Scenario B: Half BCA Cuts

Baseline: No Additional Cuts

(In FY14 Dollars)
Scenario A: Budget Control Act Cuts

Move 1 (FY14-18): $-260B

Move 2 (FY19-23): $-261B
Scenario B: 50% of Budget Control Act Cuts

Move 1 (FY14-18): -$56B
Move 2 (FY19-23): -$191B

(In FY14 Dollars)
Teams used CSBA-developed rebalancing tool

Database includes more than 650 pre-costed budget options

Options are organized by major capability areas instead of by organizations

Intent was to look across major capability portfolios (air, sea, land, missile defense, strategic deterrence, etc.) instead of Service stovepipes
Team Rebalancing Strategies and Choices