



Resourcing a Full Spectrum Army

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Thinking

Smarter

About

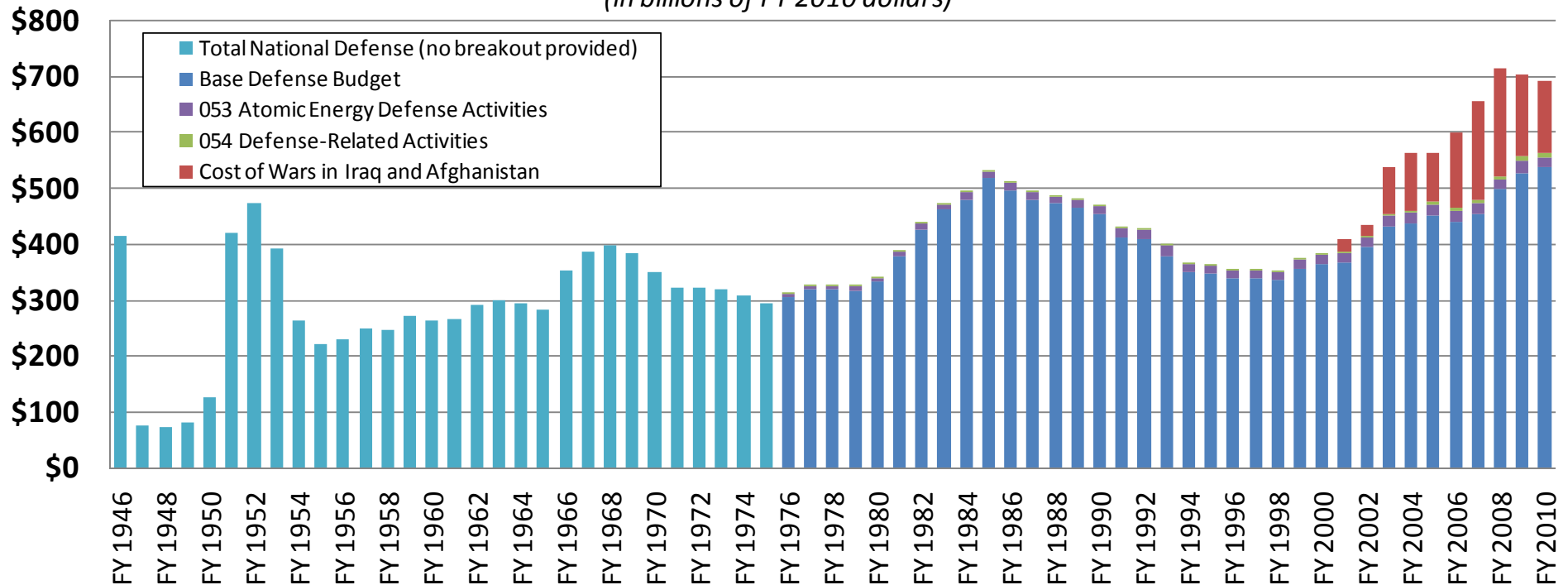
Defense

Historical Perspective

- Defense spending already near record levels

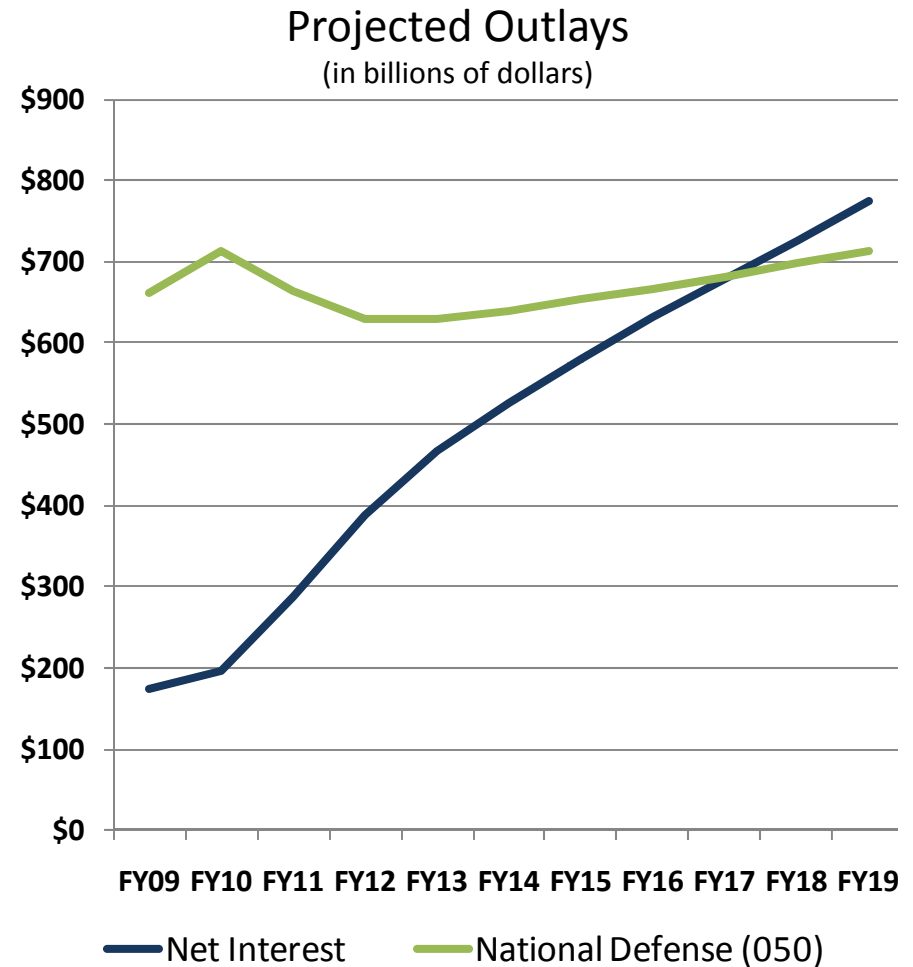
Growth in National Defense Spending

(in billions of FY 2010 dollars)



Outlook for Federal Budget

- Record deficits
- Declining war spending
- Little to no growth in base defense budget
- Interest payments alone will exceed national defense spending in FY18



Source: OMB, Mid-Session Review, Aug. 25, 2009



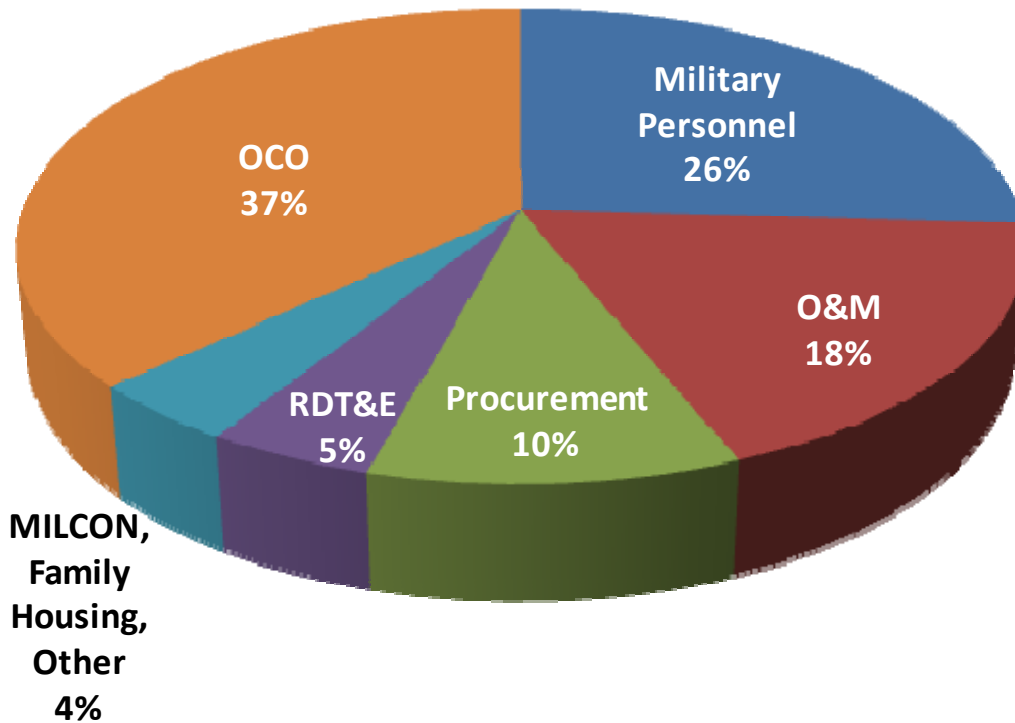
Challenge for the Army

- The Army must simultaneously:
 - Continue to fight two wars
 - Reset the force
 - Prepare for future adversaries

...and do all of this in an era of unprecedented economic and budgetary uncertainty

Trends Within the Army Budget

Army FY 2010 Budget Request



	FY10 Request (in billions)	% Real Change from FY09
Military Personnel	\$ 58.26	+ 11%
O&M	\$ 40.57	+ 2%
Procurement	\$ 23.22	- 6%
RDT&E	\$ 10.44	- 14%
MILCON, Family Housing, Other	\$ 9.62	- 19%
OCO	\$ 83.10	- 9%



Personnel Costs

- Size of force
 - Added 65,000 since FY07
 - Temporary increase of 22,000 more by FY11
- Military compensation
 - Military pay raises have exceeded private sector, making military career more attractive
 - Non-cash and deferred compensation has grown to 52% of total compensation, due to:
 - Added benefits, like TRICARE for Life
 - Increased usage of healthcare system, rising costs of healthcare

Acquisition Costs

- 1/3 of Army Procurement from war funding
- Ratio of Procurement to R&D is out of balance
- Modernization efforts (FCS, JTRS, WIN-T, etc.) must be reassessed in light of:
 - Affordability
 - Full spectrum conflict



Making a Dime Out of Ten Pennies

- Risk: Spend a penny here, a penny there, and not have a dime to show for it
- Opportunity: Create an integrated and synchronized investment strategy
 - Avoid pursuing solutions that are at odds with one another
 - Divest of “wasting assets”
 - Invest in transformative capabilities that are affordable
 - Maintain options as a hedge against uncertainty