

## What Every Candidate Should Know About Defense

Maintaining the security of the United States and her citizens is the President's most important responsibility. America's current military advantage against any potential military foe is hard won—if we are to continue to have the finest equipped and best trained military force, the President must ensure that:

- > threats are well-understood and clearly communicated to Congress and the American people;
- > defense spending is adequate to meet our current and future national security needs, and is consistent from year to year so that programs can be managed efficiently; and
- > the Pentagon's acquisition system encourages efficiency and innovation.

### **Growing Threats Require Greater Defense Spending: 'Four Percent'**

Five years ago, the President and Congress sought to address America's unsustainable debt by setting arbitrary 10-year limits on discretionary spending, including both domestic and defense accounts. While the more draconian effects of the Budget Control Act of 2011 (BCA) have been avoided by successive bipartisan agreements, military budgets still are inadequate for the challenges our nation faces. The next Commander in Chief must recognize that the world has become considerably more dangerous since the BCA was passed. Today the Pentagon faces widespread global terrorism, Russian aggression on NATO's doorstep, provocation by Iran and North Korea, and an increasingly capable and assertive China. Our most capable potential adversaries have made huge strides in their offensive and defensive capabilities, from submarines to cyberspace.

Under these circumstances, future defense budgets must be based on realistic judgments about threats and the military capabilities and capacity needed to meet them, not on arbitrary spending reduction targets.

Cuts to defense, or other discretionary accounts—which together represent only 40 percent of federal spending cannot resolve the fundamental imbalance between revenue and spending so long as the entitlements actually driving our budget deficit remain untouched.

History shows that American military strength has a vital role in keeping the world prosperous and stable. The next President must seriously consider where U.S. power and presence are necessary; encourage military leaders to propose the capabilities they require; and then lead Congress and the American people to make needed investments. Our armed forces must be large and capable enough to meet multiple threats in multiple environments and they must have the most modern weapons and technology we can provide.

From 1980 through 2014, defense spending averaged 4.4% of U.S. gross domestic product (GDP). Last year, it was 3.2%, and according to DOD budget projections, spending on defense will amount to only 2.6% of GDP in 2020. Analysts generally agree that a defense budget at or near 4% of GDP is an appropriate level of investment in our military capability—the next President must set a goal of 'Four Percent' or risk having forces that are under-equipped, lacking vital technology, and stretched dangerously thin.

## **Defense Budgets Must Be Stable**

Stable funding of defense programs is just as important as their funding level. For several years, the Department of Defense has had to adapt its defense programs to arbitrary limits (budget caps, called 'sequestration'); delayed appropriations and continuing resolutions; and the Overseas Contingency Operations (OCO) funding category. In this uncertain and unpredictable context, procurement and modernization programs have been started, stopped, delayed and restructured too frequently, wasting funds and slowing an already cumbersome acquisition process. It is vitally important that the next President work with Congress to make defense budgeting more rational. Consistent and timely action on authorization and appropriations bills, and the hundreds of line item decisions that they make, allow the executive branch and industry to prudently plan in order to maximize economic performance, foster stable employment, and equip a modern force.

## **Defense Spending Must Be Balanced**

Military power is a combination of size, capability, and presence; a large enough force, either in (or able to get quickly to) the right places, and armed with the best possible weapons and equipment. As the new President seeks larger and more stable defense budgets, those funds also must be allocated appropriately between current readiness—primarily in the Operations and Maintenance (O&M) and Personnel accounts—and investment for the future force, primarily in the Procurement and Research and Development (R&D) accounts.

There are many trades to be made in this calculation. For example, technology—though expensive—saves lives and reduces the size of the force required. Similarly, the force must be large enough; regardless of how well-equipped they are, our troops cannot be in two places at once. There is growing concern among defense analysts that, even if defense budgets increase to the 'Four Percent' level, growth in personnel and dependent costs could erode the Pentagon's ability to invest in future systems and better capabilities.

While providing for the readiness and care of troops today, defense leaders—starting in the White House—must look to the medium and long-term needs of the force. Since 1980, procurement of weapons and equipment has ranged from 14 to 29% of total defense spending; research and development funding has ranged from eight to 13%. The next President must establish a goal of 35% as the combined proportion of defense spending devoted to the investment accounts.

## **Defense Acquisition Must Promote a Healthy, Efficient and Innovative Industrial Base**

Some military procurement experts estimate that nearly thirty cents of every contract dollar goes toward compliance with government regulations. Consistent, streamlined acquisition regulations will give the U.S. aerospace and defense industry more flexibility and incentives to innovate and compete, which will preserve its dynamic role in the American economy. There have been meaningful improvements in the Pentagon's acquisition practices and processes in recent years, but the system is still too slow, inconsistent, and risk-averse. To maximize efficiency and innovation, DOD acquisition must:

- > ensure that research and development leads to meaningful procurement programs;
- > protect all companies' intellectual property (IP);
- > reduce and streamline the auditing process; and
- > adopt consistent contracting rules across all Services and programs.