



DOD (Glenn Fawcett)

The Cost of Culture Controlling DOD's Runaway O&M Spending

By JOEL J. LUKER

Since September 11, 2001, the Department of Defense (DOD) has been engaged continuously in combat. As operations subside and DOD attempts to recapitalize its forces, it faces a different yet extremely critical threat: unsustainable operations and maintenance (O&M) cost growth. O&M costs are skyrocketing, reducing funding available for recapitalization. With major budget cuts looming, DOD *must* address the root causes of the rising costs.

Several recent studies have attempted to pinpoint the root cause of the huge O&M cost growth. Many have discussed growing healthcare costs and others have dwelled on the increased use of contracted support.¹ These are only symptoms of the problem, not the root causes. *The O&M cost growth is, at its core, due to an underlying culture that does not incentivize development of cost-effective solutions.* DOD must counter this growth by instituting incentives and rewards that encourage unit-level commanders to

accomplish their assigned missions under budget. Effective incentives vary depending on whether DOD is operating at steady-state, in a war, or absorbing a postconflict drawdown. Potential solutions for each case are presented herein.

Background

O&M Defined. Six primary accounts comprise the DOD budget: O&M, military personnel (MILPERS), procurement, research and development (R&D), military construction (MILCON), and family housing. The current analysis focuses on O&M trends. O&M funds pay for DOD's "day-to-day" operating expenses including:

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Training, supply, and equipment maintenance of military units as well as the administrative and facilities infrastructure of military bases; salaries and benefits for most DOD civilian employees; depot maintenance activities; fuel purchases; flying hours; base operations; consumable supplies; health care for Active-duty Service personnel and other eligible beneficiaries; Reserve Component operations; and DOD-wide support operations including several combat support agencies, four intelligence agencies, and other agencies that provide common information services, contract administration, contract audit, logistics, and administrative support to the military departments.²

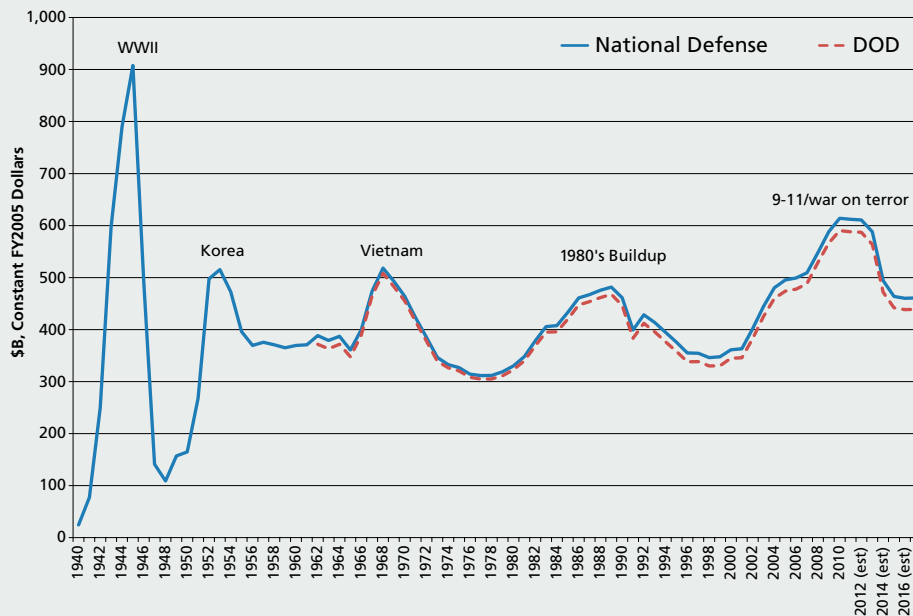
In addition to the regular (“base”) budget, Congress can approve supplemental appropriations. Unless otherwise specified, the budget data presented herein include the total funding provided to DOD—both the base budget and supplemental funds—and will be in fiscal year (FY) 2005 dollars. Also, for visual “smoothness” of the graphs, the partial-year “TQ” budget data from 1976 (when the start of the FY shifted from July to October) are not included.³

O&M Trends

The DOD budget has nearly doubled since 9/11 (figure 1), with O&M costs skyrocketing (figure 2). Although figure 2 also shows increases in MILPERS, procurement, and R&D spending, O&M costs grew faster, thus increasing the O&M share of the DOD budget (figure 3). This relative growth in O&M spending is squeezing out funds available for recapitalization (procurement and R&D), a process sometimes referred to as a “weakening of the defense dollar.”⁴ Because of O&M growth, each taxpayer dollar no longer buys the same amount of new defense capabilities.

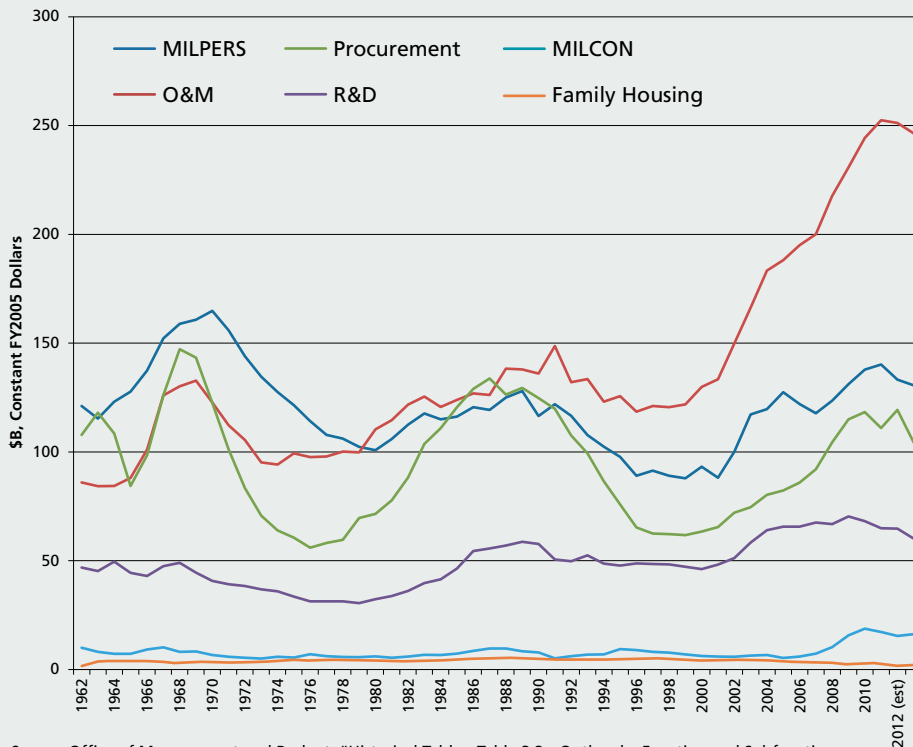
Two top-level metrics exist to track and assess O&M trends. The first is a simple analysis of the O&M history from figure 3. Aside from the 1980s Reagan-era buildup (which injected huge sums into procurement, thus reducing the percentage going towards O&M), O&M has steadily consumed an increasing share of DOD’s budget (figure 4). The two trend lines in figure 4 are exactly parallel, indicating that the rate of increase (as a percentage of the DOD budget) has been nearly constant at approximately 0.63 percent per year. While 0.63 percent may not sound extravagant, over time the

Figure 1. National Defense Budget History



Source: Office of Management and Budget, “Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2017,” available at <www.whitehouse.gov/omb/budget/Historicals>. Table 10.1 provides scale factors to convert the raw budget numbers into fiscal year 2005 constant dollars. See “Historical Tables, Table 10.1—Gross Domestic Product and Deflators Used in the Historical Tables: 1940–2017.”

Figure 2. DOD Budget History by Major Appropriation Category

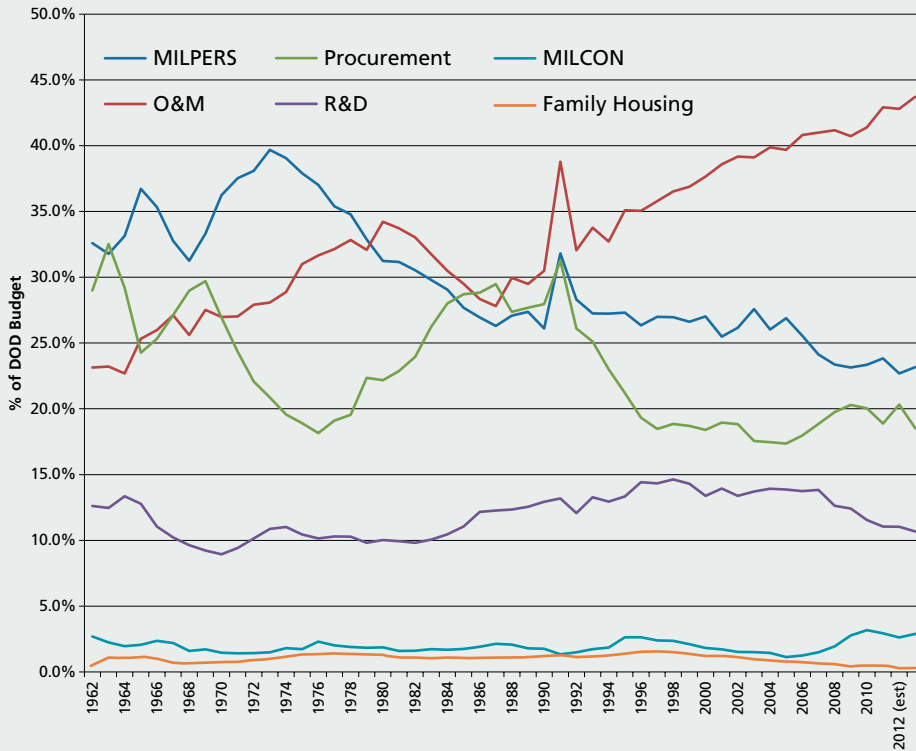


Source: Office of Management and Budget, “Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2017,” available at <www.whitehouse.gov/omb/budget/Historicals>.

continual growth has accumulated to the point where it has become significant and has led to the weakening of the defense dollar mentioned above.

The Congressional Budget Office (CBO) prefers to assess O&M spending in terms of operating cost per Active-duty soldier (figure 5).⁵ Despite the Reagan

Figure 3. DOD Budget History by Major Appropriation Category (Percentage)



Source: Office of Management and Budget (OMB), "Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2017," available at <www.whitehouse.gov/omb/budget/Historicals>. Calculated by author using data provided in OMB historical tables.

buildup and post-Cold War "peace dividend," the growth in the O&M cost per soldier was relatively constant from 1980 to 2001, at approximately \$2,300 per year.⁶ The CBO's major concern is that after 9/11, the cost per soldier departed significantly from the historical trend. It is now considerably more expensive to support each soldier in the field.

In addition to the general growth in O&M spending, after each previous major buildup O&M funds never returned to their pre-surge levels (see figure 6). Prior to Vietnam, O&M funding averaged approximately \$84 billion; during the postwar drawdown, it plateaued to around \$100 billion (a 19 percent increase). After the 1990s peace dividend drawdown, steady-state O&M funding grew another 20 percent to \$120 billion. Thus, the postdrawdown O&M budget tends to plateau approximately 20 percent above its prebuildup value. If history is any indicator, one could expect that future budget cuts would not return O&M spending to its pre-9/11 state.

The continual growth of O&M costs, particularly the post-9/11 explosion, has raised serious concerns. Because O&M

spending comprises the largest share of the U.S. defense budget, any deep cuts *must* include significant reductions in O&M. These reductions cannot be a "one time good deal"; DOD must also make core procedural and/or cultural changes to arrest the relative O&M cost growth (figure 4) that is weakening the defense dollar. There are several underlying causes driving these increases, depending on whether one examines steady-state growth, the wartime cost explosion, or postconflict drawdowns.

Use It or Lose It: Steady-state O&M Growth

Upon entering the main gate of nearly any operational Air Force base, one of the first sights greeting a visitor will be a board showing progress on the flying hour program—specifically, the hours remaining to burn off before the end of the year. The goal is to use them all. The fact that these boards are so universally accepted highlights a significant problem driving O&M cost growth: the "use it or lose it" culture. Although this example is from the Air Force, that mentality is universal throughout DOD.⁷

The use-it-or-lose-it theory advocates that a commander must spend his entire allocated budget each year or suffer probable budget cuts the following year. If a unit does not spend all its funds, it obviously did not need them all. In addition, commanders who acquire external funds to bolster their budget are often praised; increasing one's operating budget is viewed as a good thing.⁸ With this mindset (barring any major directed cuts), *the O&M budget has nowhere to go but up.*

Others examining O&M growth trends have proposed alternative rationales for the shift of funds from investment to operations. Possible reasons include increased costs for operating new weapons systems, operating old weapons systems, civilian personnel compensation, health care, installation security, and changes to acquisition approaches.⁹ Because O&M encompasses so many functions, these analysts deem it nearly impossible to determine the cause of the overall growth and therefore refrain from recommending corrective actions.¹⁰ They ignore a key commonality among all these issues: an underlying culture that does not incentivize a commander to execute his mission under budget and return the unspent funds.

To halt the continual rise of O&M spending, DOD must institute incentives and rewards that encourage unit-level commanders to accomplish their assigned missions under budget. As with any cultural change, this will be difficult to implement effectively. It will require buy-in across all Services, from both commanders and the thousands of financial managers ingrained with the use-it-or-lose-it mentality. Accordingly, unit-level programs are likely to prove the most effective. Senior leaders should establish tailored savings goals for subordinate units as well as determine incentives for achieving those goals. Lower level commanders must retain the flexibility to determine how best to achieve the prescribed goals.

An incentive program modeled on a cost-plus-incentive fee (CPIF) type of contract might prove effective. In CPIF contracts, a contractor receives (as additional profit) a share of any savings that occur if he completes the contract under budget. A similar incentive for a commander would be to restrict initially any "quality of life" (QOL) funds, and then release them if the unit attains predetermined performance milestones under budget. The QOL funds released to the unit would be proportional to the amount saved. The intent

is *not* to reduce the QOL funds available to the troops; rather, it is to reduce mission operating costs by linking a desired reward to stated efficiency goals.

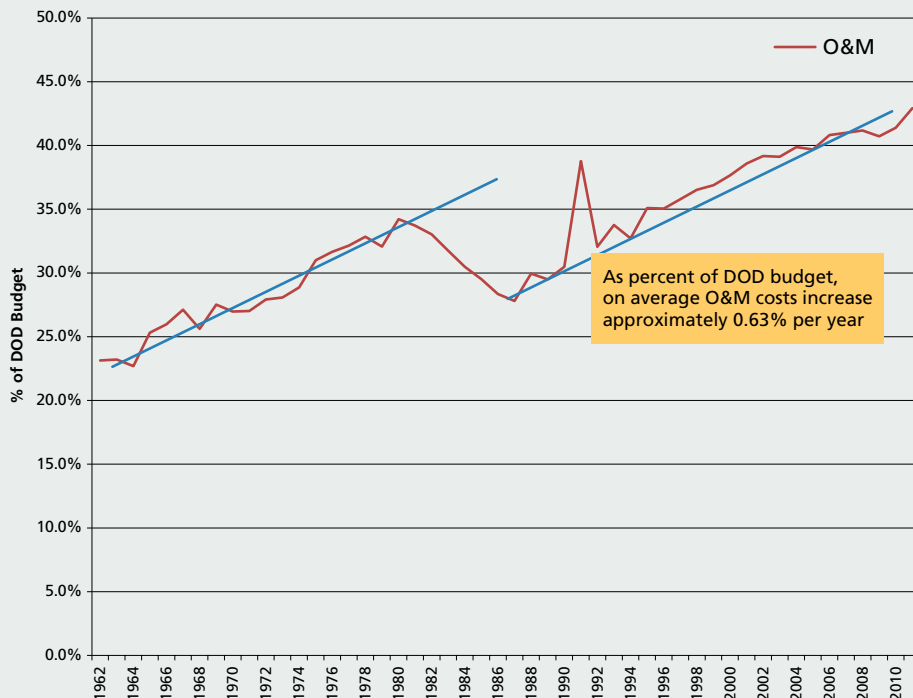
Also, this recommendation drives a requirement to possibly modify funding availability at the strategic level. Because a unit would not receive its QOL funds until *after* it met a given milestone, there would be a lag between when it accomplished the work and when it received the reward. Across the FY break, this implies QOL funds from one year paying for milestones achieved the previous fiscal year. Especially when operating on a continuing resolution, the QOL funds may not be available for several months into the new fiscal year. Resolving implementation details would require careful consideration of how to deal with such situations.

Ultimately, whatever system is chosen, DOD must find a way to incentivize both the commander and his personnel to execute the mission cost effectively. Note that being cost effective is not the same as being efficient with taxpayer dollars. Most commanders are currently good at getting the most out of the dollars they are given (they are efficient), but they are not incentivized to execute the mission with fewer dollars (cost effectiveness). With incentives in place to emphasize cost effectiveness, over time a culture would emerge that promoted the creativity to design alternate ways to achieve the same ends with fewer means—a culture that bred true strategic thinkers. That would have the positive secondary impact of creating wartime planners who considered operational effectiveness while controlling O&M costs—something not found in today’s wartime operations.

Wartime Worries

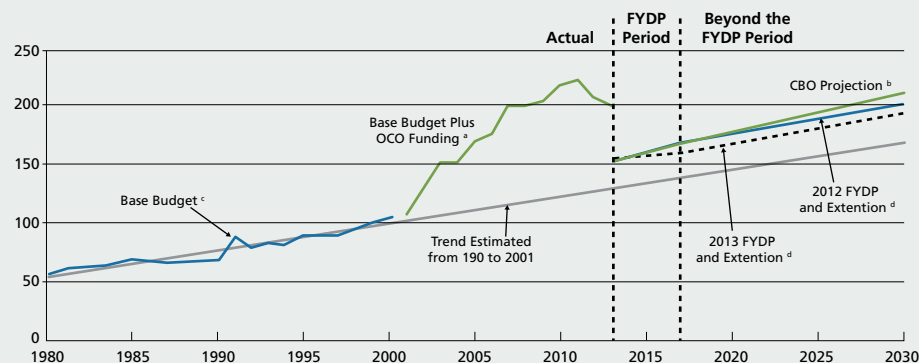
Assessments in the literature primarily focus on two major areas as potential root causes of exploding wartime O&M costs: increases in healthcare spending and the use of contractors to accomplish tasks previously conducted by military personnel.¹¹ While both of these issues *have* resulted in substantial cost increases, they are insufficient to explain the majority of the growth. Analysts tend to rationalize the remaining growth simply as costs associated with post-9/11 operations.¹² In addition, although these discussions reveal that DOD has a problem, they do not delve into the root cause(s) driving the growth, let alone provide recom-

Figure 4. DOD O&M Budget Trends



Source: Office of Management and Budget (OMB), “Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2017,” available at <www.whitehouse.gov/omb/budget/Historicals>. Calculated by author using data provided in OMB historical tables.

Figure 5. O&M Costs Per Active-duty Servicemember (Thousands of FY13 Dollars)



Source: U.S. House of Representatives Committee on the Budget, *Long-Term Implications of the 2013 Future Years Defense Program* (Washington, DC: Congressional Budget Office, 2012), 19.

Note: FYDP = Future Years Defense Program; FYDP period = 2013 to 2017, the years for which DOD plans are fully specified.

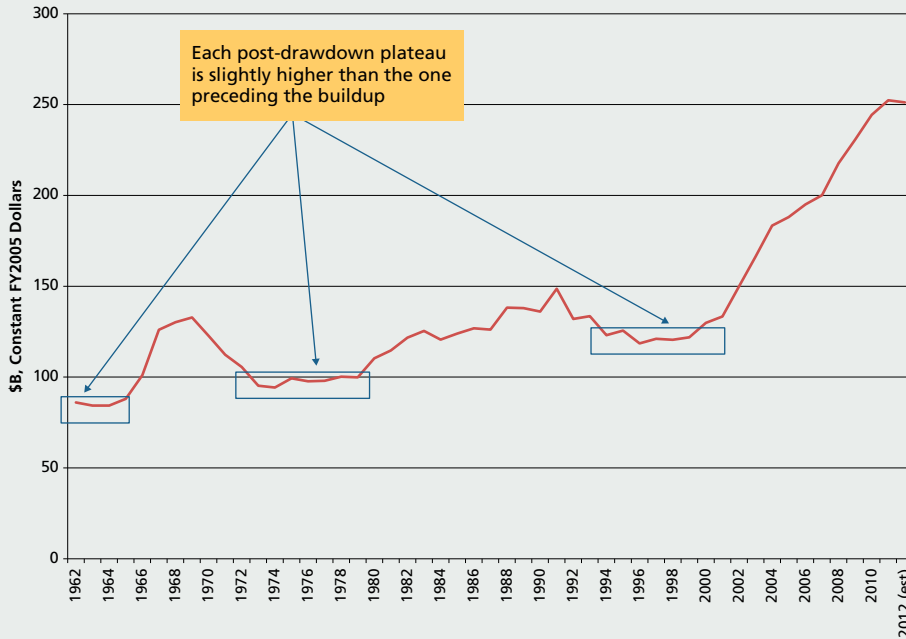
Key: a. For 2002 to 2013, supplemental and emergency funding for overseas contingency operations, such as those in Afghanistan and Iraq, and for other purposes is shown separately from the base-budget data. b. CBO projection of the base budget incorporates costs that are consistent with DOD recent experience. c. Base-budget data include supplemental and emergency funding before 2002. d. For the extension of the FYDP (2018 to 2030), CBO projects the costs of DOD plans using the department’s estimates of costs to the extent they are available and costs that are consistent with CBO’s projections of price and compensation trends in the overall economy where the department’s estimates are not available.

mendations for how to fix the problem(s).¹³ They miss the opportunity to address the true problem: an insatiable wartime appetite for resources that remains unchecked by the civilian leadership.

Chasing the Symptoms, Not Treating the Disease

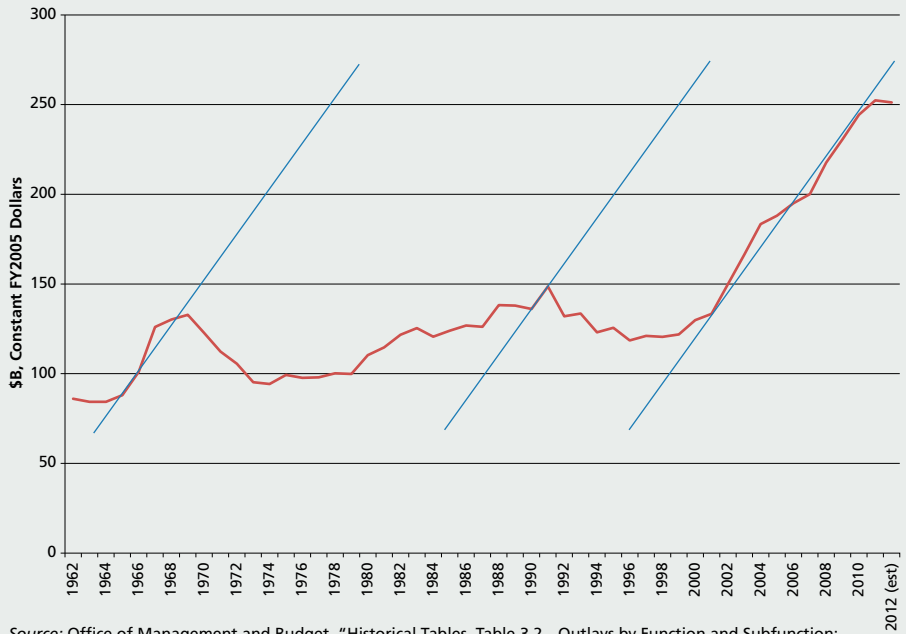
DOD healthcare costs have more than doubled since 9/11, and budget analysts are rightly concerned about how to curb the

Figure 6. DOD O&M Budget Postdrawdown Growth



Source: Office of Management and Budget, "Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2017," available at <www.whitehouse.gov/omb/budget/Historicals>.

Figure 7. Wartime O&M Cost Growth



Source: Office of Management and Budget, "Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2017," available at <www.whitehouse.gov/omb/budget/Historicals>.

increases. However, one must also put these trends into context and compare them with overall O&M cost growth. Since 9/11, health-care costs have increased approximately \$28 billion in FY13 dollars (\$23.5 billion in FY05 dollars).¹⁴ This is about 20 percent of the overall O&M cost growth. This is significant,

but it is not nearly enough to explain the entire problem.

Similarly, the costs associated with contracted support, although they are increasing substantially, do not explain the entire O&M growth phenomenon either. Since 9/11, the military has relied on increased

contractor support to meet wartime demands without significantly expanding Active-duty end strength.¹⁵ Between 2000 and 2005, support contract costs grew by \$37.5 billion (73 percent), or approximately 31 percent of overall O&M cost growth—a larger share than health care, but still not sufficient to explain the problem in its entirety.¹⁶ One cannot simply sum the 20 percent increase attributed to health care and the 31 percent increase due to support contract and say that, between them, they account for 51 percent of the overall O&M cost growth; approximately 14 percent of the contract support cost growth was for healthcare purposes, meaning the two areas overlap and the sum will be less than 51 percent.¹⁷ In addition, one would expect the infusion of contractors to be a step-factor expense that jumped once and then leveled off over time, but that was not the case.

The question, then, is after personnel arrived in the theater and the mission had somewhat stabilized, why did costs continue to grow? One might attribute this to continued growth in the number of deployed personnel: additional troops should have meant associated O&M costs. Although the number of troops in Iraq and Afghanistan *did* grow over time, O&M cost growth outstripped the increases in deployed personnel. For instance, between 2005 and 2008, the number of military personnel in Iraq and Afghanistan increased 15 percent, but the corresponding O&M costs increased 48 percent.¹⁸ Something else was the culprit.

An Insatiable Appetite

To understand what is truly causing DOD's huge O&M costs, one must first realize that *the current O&M growth rate is not significantly different than that seen during previous large-scale combat operations*. Figure 7 compares the wartime O&M growth rates for the first Gulf War, Vietnam War, and current operations. The trend lines in figure 7 are simply an extension of the increase seen for the Gulf War copied and pasted over the Vietnam and post-9/11 timeframes. Comparing the three major conflicts, one can see that in Vietnam, the first year matched the Gulf War rate (approximately \$12.6 billion per year) and then increased for 1 year, and finally leveled off significantly in 1967 (more on that later). The post-9/11 operations *on average, over time* had the same slope as the Gulf War buildup. The difference was that the Gulf War lasted less than 1 year while the post-9/11

growth remained unchecked for 10 years. This unrestricted wartime growth in O&M costs is the crux of the current dilemma.

The near-constant post-9/11 O&M growth rate equates to increasing the wartime effort by the same amount each year of operations. In essence, DOD throws \$12.6 billion at the problem the first year; if the problem persists, DOD obviously did not apply enough effort, so it requests that same \$12.6 billion, *plus an additional* \$12.6 billion the next year. Still not done in the third year of conflict, DOD requests more—and so on until, after more than a decade of war, O&M costs have increased \$119 billion, or 89 percent. The prevailing military doctrine (“Powell Doctrine”) reinforces this tendency to continually ask for more. The Powell Doctrine states that if the United States is going to use military force, it should do so overwhelmingly and crush the enemy.¹⁹ The inverted implication is that, if we have not yet crushed the enemy, we have not yet applied enough military force. Like *Oliver Twist*, the military has a predisposition to continually ask for more as long as combat operations persist.

For example, consider the Army’s desire for full-motion video support (from the Air Force) in Iraq and Afghanistan. The Air Force supplied 10 Predator Combat Air Patrols (CAPs) in 2007 but the Army wanted more.²⁰ A goal was agreed on to obtain 21 CAPs by 2010, which the Air Force reached in 2008.²¹ The Army wanted more. DOD allocated an additional \$2 billion to boost the number to 50 CAPs by 2011.²² The Army wanted more. The current goal is 65 CAPs by 2013 and about 125 by the end of the decade.²³ Throughout these increases, the Air Force—not the Army—paid the bill in both dollars and manpower. As a result, there was no incentive for the Army to curb its ever-increasing requests for additional support. The intent is not to berate the Army. This example is simply well documented and highlights a key structural problem with cost control in joint operations.

Specifically, the supported-supporting construct within joint operations does not contain natural incentives to curb the appetite of a supported Service. The supported Service can continually ask for more, and the supporting Service pays the bill. In fact, some may argue that the Pentagon culture actually incentivizes the supported Service to ask for more. If the Services view the DOD budget as a zero-sum game, uncontrolled resource requests essentially allow the sup-

ported Service to hijack part of the supporting Service’s budget. This is doubly beneficial for the supported Service in that it obtains more funding *at the expense of the other Service*, de facto doubling its budgetary status gain relative to the other Service.

While some might argue that these wartime expenditures were justified to reduce casualties, the fact is that “nearly half of the growth in defense spending over the past decade is unrelated to the wars in Afghanistan and Iraq.”²⁴ The military’s first impulse is to get what it can while the checkbook is open, which is the result of the culture, established during peacetime, that, first, does not value

civilian leadership exacerbates this problem: who are *they* to contradict the advice of the Nation’s most experienced military personnel?²⁶ One of the fundamental principles underpinning America’s concept of civilian control over its military—that civilian leaders determine how much blood and treasure the Nation will expend to achieve its objectives—has broken down.

Post-9/11, the one civilian leader with significant defense experience who pushed back on the military plans—Donald Rumsfeld—was vilified by both the military and media as a micromanager.²⁷ They ignored the fact that *Rumsfeld’s establishment of limits*

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executing the mission under cost and, second, rewards those who can bring in external funds to bolster their unit’s budget. Thus, the (primary) root cause of the wartime cost growth is simply an insatiable DOD appetite that remains unchecked by system-intrinsic incentives and the military culture. It therefore falls on the civilian leadership (including but not limited to the President, Secretary of Defense, and Congress) to repulse the onslaught of defense funding requests, but their ability to do that during wartime is politically tenuous.

The failure in Vietnam effectively neutered the civilian leadership’s ability to reject military wartime resource requests. As mentioned briefly above, one can see in figure 7 that the Vietnam O&M expenditure rate tapered off significantly in 1967. One might believe this indicates that the “*Oliver Twist*” theory presented herein is flawed and that the 1967 leveling off occurred naturally. But in 1967, General William Westmoreland *had* asked for more but President Lyndon Johnson denied his request.²⁵ The most significant outcome of this denial was that when the United States lost Vietnam, the civilian leadership suffered a reduction in political control over the military. No wartime President (or Congress) wants to appear as withholding resources requested by the military, thereby taking unnecessary casualties and risking another defeat, especially in a limited war where the country is not fully mobilized and has apparent Reserve forces to spare. The lack of military credentials within the current

on the allocated resources was part of his job. Rumsfeld’s failure was not a result of limiting the resources allocated to the Iraq War; rather, it was not pushing the military for a workable strategy to secure the peace within the existing resource constraints (developing alternate solutions that adjusted the ends or ways to fit the means available) and not challenging the assumptions on which U.S. Central Command based its “Phase 4” planning.²⁸ Yet the resultant struggles in Iraq reinforced the military’s “we told you we needed more” attitude. With the country wary of finding itself in another Vietnam, military leaders recognized the leverage they possessed and pushed for additional resources. President George W. Bush eventually approved a 2007 “surge” in Iraq. By leaking its Afghanistan surge request the following year, the military effectively forced President Barack Obama (who had promised to scale down the two wars) to concede to its demands as well.²⁹ In short, U.S. civilian leaders’ inability to suppress their military’s insatiable wartime appetite was the principal driver behind the post-9/11 escalation in O&M costs.

The Foundation of Any Diet: Changing One’s Eating Habits

Based on the above discussion, constraining DOD O&M expenditures during long-duration conflicts may appear to require a restoration of the civilian leadership’s political ability to say “no” to military resource requests. However, that would require the President and Congress to receive advice from

a source that can effectively challenge a combatant command's war plans, and doing so is more difficult than it sounds. As a result, the solution is, once again, to change the underlying DOD culture to promote development of cost-effective solutions.

The President already has an independent advisor to review combatant command plans: U.S. law tasks the Chairman of the Joint Chiefs of Staff (CJCS) to review contingency plans.³⁰ However, based on the results since 9/11, this arrangement is obviously not effective at controlling the costs of conflict. The same chains that shackle combatant command staffs also bind the CJCS offices: they have all matured in the same culture that promotes the use of "overwhelming force" and does not incentivize or reward cost-effectiveness. As a result, Joint Staff members tend to view the problem through the same lens and gravitate toward the same solutions as the combatant command staffs. This similarity in viewpoints also ties into the second major problem, which is that any effective critique of the war plans must include "not just an evaluation of the means actually employed, but of *all possible means* . . . one can, after all, not condemn a method without being able to suggest a better alternative."³¹ Today's war plans are so complex that maintaining the ability to suggest effective alternate solutions across all combatant commands simultaneously would require a monstrous, untenable Joint Staff.

A new, independent body might appear to be an alternate solution. Naval War College professor John Garofano previously identified a similar problem with the President obtaining genuinely independent advice regarding *when* to go to war.³² One might propose expanding his "President's Advisory Board on the Use of Force" concept to examine *how* the military plans to go to war, not just *when* it should go. Although this idea would mitigate the cultural bias inherent in the CJCS staff, it would suffer from the same problems regarding the size of the staff required to submit feasible alternative solutions.

In addition, from an efficiency standpoint, a review by either the CJCS or an independent panel is "non-value-added work," or overhead in Lean Six-Sigma parlance. Such a review adds extra steps to the war plan production process without adding significant value to the final plan. Without the ability to propose effective alternate solutions, an oversight body's only real purpose and ability

is to say "no—this is wrong, go fix this," so over time the process will, on average, become slower. This is obviously not desirable, particularly for contingency planning. In addition, from a process efficiency point of view, the goal should not be to make such a review effective, but to eliminate the need for it altogether. The solution is to make the initial war plans cost effective from the start.

Therefore, to constrain wartime O&M cost growth, the solution is similar to that required to fix the steady-state growth problem: DOD must change its underlying culture. The department must train its combatant command staffs to consider cost effectiveness as a metric when assessing proposed courses of action. It must develop an incentive system that encourages staffs to produce resource-constrained plans from the outset. Developing this culture during normal steady-state operations will be vital to establishing the foundation upon which to build during wartime contingencies. The resulting minimization of wartime cost growth should produce a side benefit as well: it would minimize the impacts of any post-conflict drawdown.

The Battle after the War: Postconflict Drawdown

As discussed previously (figure 6), during a postbuildup drawdown, the O&M budget has a tendency to stabilize approximately 20 percent above its value preceding the surge. Because all three Services possess aging weapons systems that require recapitalization, it becomes imperative to restore the balance between the operations and investment accounts.³³ O&M currently consumes 43 percent of DOD's budget (see figure 3). Based on DOD's projected postdrawdown budget (figure 1), "resetting" O&M to a 30 percent share (the level seen during the 1980s, the last period of major recapitalization) provides a target O&M budget of approximately \$130 billion, its pre-9/11 value.³⁴ Therefore, to support its recapitalization plans, DOD must break its habit of stabilizing O&M costs at a higher plateau after each drawdown.

From a purely budgetary perspective, the solution is simple: cut O&M deeper than desired. This, however, is easier said than done. We already see DOD leaders pushing back against potential cuts, attempting to anchor the debate at the "new normal."³⁵ Despite the fact that the DOD budget has nearly doubled in the past 10 years, they claim

anything more than a 10–15 percent cut will make the force "hollow." Determining where to make O&M cuts is also difficult because the O&M budget finances such a wide variety of items. It is nearly impossible to determine where to apply massive cuts using a "bottom up" approach.³⁶ Therefore, DOD must implement cuts using a top-down methodology and align them with its planned strategic posture.

While a detailed suggestion of which programs should face reductions is well beyond the scope of this analysis, logically the Army O&M account should absorb the brunt of the cuts. Between 2001 and 2011, the Army O&M budget grew 251 percent, the Navy and Marine Corps 58 percent, and the Air Force 56 percent.³⁷ In addition, the "pivot to the Pacific" strategy is highly weighted toward capabilities provided by the Navy and Air Force. With a goal of returning O&M spending to the pre-9/11 levels, the Army's account therefore becomes the obvious primary target.

With a requirement to recapitalize its forces after 10 years of continuous combat, and do it during a period of massive budget reductions, DOD must take action now to halt its runaway O&M spending. In the short term, the current drawdown must reduce expenditures back to their pre-9/11 levels. Longer term, DOD must instill a culture that values, incentivizes, and rewards its personnel for achieving the desired mission results, but under budget. Such a culture would arrest the slow but steady growth of O&M as a percentage of DOD's budget that has led to a "weakening of the defense dollar." This culture will also foster the creativity required to execute long-duration wartime operations in a cost-effective manner. The civilian leadership's ability to say no to the military is limited politically during wartime, and the military must stop taking advantage of that fact. The Nation simply cannot afford its military's insatiable appetite for "more." Instilling a culture during peacetime that values cost-effective solutions will provide the foundation on which to curb this appetite. Finally, as DOD continues the drawdown in the Middle East, it must "reset" O&M spending to pre-9/11 levels in order to reclaim funds needed for recapitalization and modernization. Because of the large O&M cost growth since 9/11, this means cuts must be deeper than currently planned. The resulting changes require DOD to restructure the way it normally does business, making today the

perfect time to begin establishing a culture that values and promotes cost-effectiveness within the department. DOD literally cannot afford to do otherwise. **JFQ**

NOTES

¹ For health costs as a primary driver, see U.S. House of Representatives Committee on the Budget, *Long-Term Implications of the 2013 Future Years Defense Program* (Washington, DC: Congressional Budget Office, 2012), 20–23; Anthony H. Cordesman and Robert Hammond, *The Coming Challenges in Defense Planning, Programming and Budgeting* (Washington, DC: Center for Strategic and International Studies [CSIS], 2010), 32. For increased use and cost of contractor support, see Committee on the Budget, 18; Government Accountability Office (GAO), *Defense Budget: Trends in Operation and Maintenance Costs and Support Services Contracting* (Washington, DC: GAO, 2007).

² GAO, 6.

³ Cost figures are in fiscal year (FY) 2005 dollars for comparison to the Office of Management and Budget (OMB) historical tables, available at <www.whitehouse.gov/omb/budget/Historicals>. The author converted data to FY05 dollars using the “Total Defense” deflators found in OMB, “Historical Tables, table 10.1—Gross Domestic Product and Deflators Used in the Historical Tables: 1940–2017,” available at <www.whitehouse.gov/omb/budget/Historicals>.

⁴ Clark A. Murdock, Ryan A. Crotty, and Kelley Saylor, *Planning for a Deep Defense Drawdown—Part 1* (Washington, DC: CSIS, 2012), 1; “The Cost of the Force,” *Air Force Magazine*, April 2009, 39; Todd Harrison, *Analysis of the FY 2010 Defense Budget Request* (Washington, DC: Center for Strategic and Budgetary Assessments, 2009), 11.

⁵ Committee on the Budget, 18–19.

⁶ Ibid.

⁷ Per discussions with Navy, Marine, and Army counterparts.

⁸ From the author’s last performance report: “secured \$4.3M” and “garnered \$800M” [of external funds]. An award narrative similarly highlighted the fact that he was able to nearly double the Squadron’s operating budget by foraging for funding from outside sources. The fact that these sorts of statements appear on performance reports and award write-ups indicates they are viewed positively by the organization.

⁹ GAO, 11; “The Cost of the Force,” 39.

¹⁰ For example, “Why this is the case—and what to do about [it]—is a matter that is far beyond the scope of this brief survey.” “The Cost of the Force,” 39. Also “GAO is not making any recommendations,” in preamble to *Defense Budget: Trends in Operation and Maintenance Costs and Support Services Contracting*.

¹¹ For health costs as a primary driver, see Committee on the Budget, 20–23; Cordesman and Hammond, 32. For increased use and cost of contractor support, see Committee on the Budget, 18; GAO.

¹² See, for example, *Defense Budget: Trends in Operation and Maintenance Costs and Support Services Contracting*, 3; Committee on the Budget, 18; Cordesman and Hammond, 36; Harrison, 9.

¹³ For example, “Why this is the case—and what to do about [it]—is a matter that is far beyond the scope of this brief survey.” “The Cost of the Force,” 39; “GAO is not making any recommendations,” in preamble to GAO, *Defense Budget: Trends in Operation and Maintenance Costs and Support Services Contracting*.

¹⁴ Committee on the Budget, 21. The author converted data from the reference from FY13 to FY05 constant dollars using the FY13 scale factor of 1.1936 from OMB.

¹⁵ GAO, 15

¹⁶ Ibid., 16. Costs in table 1 of that document were provided in FY07 dollars as \$40.6 billion. These costs equated to \$37.5 billion in FY05 dollars using a scale factor of 1.0826 from OMB.

¹⁷ For a breakout of the contract support cost growth, see table 1 in GAO, 16.

¹⁸ Amy Belasco, *Troop Levels in the Afghan and Iraq Wars, FY2001–FY2012: Cost and Other Potential Issues*, R40682 (Washington, DC: Congressional Research Service, 2009), 54.

¹⁹ Karen DeYoung, *Soldier: The Life of Colin Powell* (New York: Knopf, 2006), 210; Colin Powell and Joseph E. Persico, *My American Journey* (New York: Random House, 1995), 148–149.

²⁰ Grace V. Jean, “Air Force Responding to Insatiable Demand for Surveillance Drones,” *National Defense*, July 2009, available at <www.nationaldefensemagazine.org/archive/2009/July/Pages/AirForceRespondingtoInsatiableDemandforSurveillanceDrones.aspx?PF=1>.

²¹ U.S. Air Force, “Predator Caps Double in One Year,” May 6, 2008, available at <www.af.mil/news/story.asp?id=123097490>.

²² Jean; John A. Tirpak, “The RPA Boom,” *Air Force Magazine*, August 2010, available at <www.airforce-magazine.com/MagazineArchive/Pages/2010/August/percent202010/0810RPA.aspx>.

²³ For 65 Combat Air Patrols (CAPs) by 2013, see “The RPA Boom,” 38. For 125 by the end of the decade, “The RPA Boom,” 36, states that the Air Force fleet will be up to 509 Predator/Reaper aircraft by the end of the decade, and four aircraft are required for a single CAP, 38.

²⁴ Murdock, Crotty, and Saylor, 8.

²⁵ Stephen B. Young, “President Lyndon B. Johnson’s Vietnam War Disengagement Strategy,” *Vietnam*, February 1998, published online June 12, 2006, available at <www.historynet.com/president-lyndon-b-johnsons-vietnam-war-disengagement-strategy.htm>.

²⁶ See discussion on “McMasterism,” in Mackubin T. Owens, *What Military Officers Need to Know About Civil-Military Relations* (Newport, RI: Naval War College, 2011), 10.

²⁷ Michael R. Gordon and Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon, 2006), chapters 2–3; Bob Woodward, *Plan of Attack* (New York: Simon and Schuster, 2004), 6.

²⁸ John Garofano, “Effective Advice in Decisions for War: Beyond Objective Control,” *Orbis* 52, no. 2 (2008), 252.

²⁹ Stephen J. Wayne, “Presidential Character and Judgement: Obama’s Afghanistan and Health Care Decisions,” *Presidential Studies Quarterly* 41, no. 2 (June 2011), 297.

³⁰ Goldwater-Nichols Department of Defense Reorganization Act of 1986, 99–433, 10 U.S.C. § 153. See Title 10, Subtitle A, Part I, Chapter 5, § 153, paragraph (a)(3)(A).

³¹ Carl von Clausewitz, *On War*, ed. and trans. Michael Howard and Peter Paret (Princeton, NJ: Princeton University Press, 1976), 161.

³² Garofano, 249.

³³ See, for example, Robert P. Lennox, *US Army Modernization Plan* (Washington, DC: Headquarters Department of the Army, 2012). Also see the recent series of op-ed articles from Secretary of the Air Force Michael Donley, “Air Force Secretary Op-eds,” *AOL Defense*, January 8–11, 2013, available at <<http://defense.aol.com/tag/Air+Force+Secretary+op-eds/>>.

³⁴ From figure 1, the postdrawdown DOD budget is projected to be approximately \$439 billion; 30 percent of that value is roughly \$130 billion (in FY05 dollars).

³⁵ Donley.

³⁶ “The Cost of the Force,” 39.

³⁷ The author calculated the cost growth using data from the Department of Defense Comptroller Web site, as well as conversion factors from OMB to convert the data to FY05 dollars. The table below presents the data (the deflation factors used are located under the respective 2001 or 2011 “FY05” column header). The FY01 data were from Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, “Operation and Maintenance Programs (O-1), Department of Defense Budget for Fiscal Year 2001,” Washington, DC, 2000, 1. The FY11 data were in “Operation and Maintenance Overview: Fiscal Year 2013 Budget Estimates,” Washington, DC, 2012. The OMB historical tables provided the conversion factors. See OMB. The point is also valid using data from 2001 to 2005. During that period, the Army’s O&M costs grew 137 percent, the Navy’s 30 percent, and the Air Force’s 29 percent. See GAO, 3.

	2001		2011		Growth			
	Real	FY05	Real	FY05	Real	%	FY05	%
		0.8394		1.153	\$	%	\$	%
Army	\$23.8	\$28.4	\$114.9	\$99.7	\$91.1	382%	\$71.3	251%
Navy	\$27.1	\$32.3	\$58.8	\$51.0	\$31.7	117%	\$18.7	58%
Air Force	\$27.7	\$33.0	\$59.2	\$51.3	\$31.5	114%	\$18.3	56%