

Defense Dollars Saved Through Reforms Can Boost the Military's Lethality and Capacity

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Summary

Defense spending should be tied to a national defense strategy that is designed to protect the nation's security interests. Economic security is also national security, and out-of-control federal spending has helped contribute to the current inflation and the ever-expanding national debt threatening the nation. To this end, Congress should look carefully at potential defense savings and efficiencies as it seeks to decrease the amount spent on non-defense spending and inefficiencies. To the extent that they are able, the Department of Defense and Congress should identify efficiencies within the defense budget and ensure that taxpayers' dollars are being allocated responsibly and to the right priorities.

Key Takeaways

Congress should prioritize the funding of direct military capability to make the American people safer and to ensure their tax dollars are not being squandered.

The annual NDAA should undergo a careful review to find defense savings and efficiencies.

The DOD and congressional oversight should find efficiencies within the defense budget to ensure that taxpayers' dollars are being allocated responsibly.

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Congress faces a dilemma in 2023 to properly resource defense programs for fiscal year (FY) 2024 and beyond to counter China and other high-priority threats to U.S. interests while reducing annual deficit spending in the wake of decades of reckless federal expenditures over the past three decades. Every dollar

that can be saved in the existing defense budget is one that can be applied to increasing the lethality and effectiveness of the Armed Forces and achieving related government priorities.

Towards that goal, The Heritage Foundation and Mackenzie Eaglen of the American Enterprise Institute recently convened a group of experts for multi-day discussions and examination of the defense budget to identify efficiencies and methods to save money to build the most capable and lethal force possible at the best possible price for the American taxpayer. Attendees included former senior defense officials, current and past congressional staff, senior researchers from think tanks, and experts from private industry. The results of these seminars revealed that there are indeed efficiencies and savings to be found in the defense budget.

Some of the areas identified need more analysis and study to determine a precise amount of monetary savings. Congress can use those suggestions to gather more detail and require reports. Other areas are more specific.

The group arrived at several general findings. The first is that not all dollars in the current defense budget are targeted toward building direct or even indirect military capability. Second, policymakers should recognize that the Department of Defense (DOD) is a warfighting organization, not a laboratory for social experimentation or an easy means to push through funding for other non-defense purposes. Third, given the urgent nature of the threat against critical U.S. national interests, Congress should prioritize the funding of direct military capability to make the American people safer and to ensure their tax dollars are not being squandered.

A few broad takeaways emerged from the discussion:

Serious defense reform is often the patient work of many years. While it would be nice if there were an “easy button” or a line item to rescind for “fraud, waste, and abuse” in the defense budget, that is not the current state. Defense inefficiency is often marbled within the budget across programs, accounts, services, and agencies.

To effect meaningful change within entrenched defense priorities, coalitions must be built and sustained. To be effective, these coalitions must span political parties, branches of government, and outside advocacy groups to raise awareness, pressure lawmakers, and show the bipartisan necessity of needed updates to a bureaucracy, many areas of which have largely operated on autopilot for the past four decades.

There is often an up-front cost to change before any meaningful savings can be reaped years later. Not only does modernization require funds to begin, but many good ideas have a time-phased approach to their implementation. Even terminating a weapons program today often results in termination costs that likely exceed the one-year cost of the contract. However, undertaking reforms now means money saved over the long term.

The more money there is to be saved for other purposes in the defense budget, the harder that change will be to achieve politically. Some of the major but unpopular ideas the group reviewed were civil service reform, base closure, medical care reform, elimination of select organizations, and financial and accounting systems modernization. These efforts are often stalled due to parochial interests, unionized

workforces, and increasingly a defense budget compensation program that often favors retirees over currently serving military members.

Not undertaking hard but overdue reforms in the military bureaucracy harms the troops. Avoiding these tough choices does nothing for servicemembers needing quality military housing, defense health care, and modern equipment—not to mention the overall lethality and readiness of the force.

The group identified both broad policy changes and specific line items where savings can be found. The savings in specific line items can be easily quantified, whereas the savings resulting from policy changes are less immediately apparent but do result in cost efficiencies and a more effective national security apparatus over the long term.

The following are the major proposals for saving and reinvesting money in the DOD to add to the Armed Forces' ability to counter both China and other challenges to U.S. national interests.

Research, Development, Test, and Evaluation (RDT&E)

Delivering Capability. Every RDT&E program should be constantly evaluated to ensure that it is progressing toward necessary fielded capability. Often RDT&E programs spend years, even decades, in the research and development phases without ever delivering any warfighting capability. Certainly, some technologies that initially appeared promising do not pan out, but the DOD should be required to conduct more frequent reviews of program progress. Any program that has been in RDT&E longer than three years should be carefully considered for elimination if it has not transitioned to an acquisition program. This timeline would give the DOD a way to increase transition rates from research to development while still allowing for longer research periods in certain cases.

Over the decades, procurement spending as a percentage of the overall defense budget has decreased as a percentage of overall spending.REF RDT&E programs should be matched to strategic intent and preferably tied directly to intended procurement programs, and many research programs currently being conducted by the DOD would be more appropriately performed by other government agencies.

Congressionally Directed Medical Research. The majority of medical RDT&E funds provided to the DOD are not directly germane to its mission (for example, medical research that is important but not particular to warfighting). The proposed FY 2024 budget contains \$145 billion in RDT&E.REF Congressionally directed medical research is very popular among Members and is often used to encourage them to vote for larger spending measures, and they will be difficult to remove unless there is a real budget crisis. But if a national debt of \$31 trillion does not qualify as a budget crisis, it is difficult to understand what would. Some of this funding goes to research for medical conditions or diseases that are relevant to the DOD—post-traumatic stress or improved orthotics, for example—but that is not always the case.

Recommendation: Verify that RDT&E programs are intended and projected to provide capability. Remove non-defense RDT&E from the defense budget.

Potential Savings: \$931.8 million in medical RDT&EREF and potentially billions in other non-defense RDT&E.

Minerva Research Initiative. The DOD currently funds the Minerva Research Initiative, which, according to budget materials, “supports social science research aimed at improving our basic understanding of security, broadly defined. From political instability caused by climate migration to nation state cyber hacking, the Minerva program’s goal is to improve the Department’s basic understanding of the social, cultural, behavioral, and political forces that shape regions of the world of strategic importance to the United States.”REF This program is better suited to departments other than the DOD, which should be focused on warfighting capabilities.

Recommendation: Eliminate funding to the Minerva Research Initiative.

Potential Savings: \$17 million.REF

Procurement

The decrease in procurement spending as a percentage over the years surely contributes to the corresponding increase in operations and maintenance (O&M) spending, as services spend more and more to keep antique systems running instead of purchasing new systems and weapons to replace them. This failure to procure new systems leads to “death spiral” in O&M that gets more and more difficult to escape. Civilian companies such as Delta Airlines or Maersk do not keep planes or ships as long as the DOD must, largely because the maintenance makes less sense economically over time. Delta has been criticized for using planes from the 1980s and having an average aircraft age of 14.6 years, even while the Air Force makes do with far more aged aircraft.REF The average age of U.S. Air Force aircraft is 32 years.REF Updating systems and weapons saves money over the long term.

Munitions. Block buys of munitions using multi-year procurement authorities save money over time, as they allow defense contractors to increase economic efficiencies and make better investments for increased production capacity. The Biden Administration’s proposed FY 2024 budget would spend 12 percent more on munitions than it did in FY 2023, as the DOD aims to max out production lines for top-priority missiles and accelerate the munitions industrial base, including the Joint Air-to-Surface Standoff Missile Extended Range (JASSM-ER), the Long-Range Anti-Ship Missile (LRASM), the RIM-174 Standard Missile (SM-6), and the AIM-120 Advanced Medium-Range Air-to-Air Missile (AAMRAM).REF For example, the proposed budget would increase LRASM funding to \$1.065 billion, up from \$550 million in FY 2023.REF

Recommendation: Use multi-year procurement authorities to block buy munitions in order to increase defense contractor economic efficiency and reduce costs over time.

Potential Savings: 5 percent–15 percent savings as compared to annual contracting.REF

Aircraft Retirement and Procurement. The Air Force’s proposed FY 2024 budget includes the retirement of 310 aircraft (a marked increase from the 150 retirements it requested last year), including 57 F-15 C/D

fighters and 42 A-10s. The Air Force argues that these retirements free up money for modernization programs, and the proposed FY 2024 budget calls for buying a total of 72 fighters: 48 F-35As and 24 F-15EXs.REF

The single most important lesson for airpower emanating from the war in Ukraine is that fourth- and four-plus-generation fighters have no place on a modern, high-threat battlefield. Using that argument, the Air Force has been trying to retire its A-10s for years while ignoring that same argument in order to acquire the F-15EX. Buying new fourth-generation fighters that cost more to acquire and operate than the fifth-generation F-35 makes no sense. However, keeping the current fleet of sustainable fourth-generation platforms will allow pilots to grow fighter experience levels until those squadrons can transition to fifth-generation platforms.

The service-life extension programREF for F-15 C/D aircraft is rapidly exceeding its designed flying hour extensions,REF and that fleet is no longer sustainable. However, the majority of the A-10 fleet has been re-winged,REF and that weapons system has years of remaining life. A critical task for Congress is to ensure that the money saved from retiring legacy fighters is not shifted elsewhere but used to increase the acquisition rate of new fighter platforms.

Recommendation: Allow the Air Force to incrementally retire the F-15 C/D fleet but block the retirement of the A-10 until each squadron transitions to the fifth-generation F-35. The fifth-generation F-35A remains the most dominant multi-role fighter aircraft in the worldREF and—according to cost estimates by the Swiss governmentREF—costs less to acquire, operate, and maintain than the F-15EX.

Potential Savings: Estimated \$500 million annual savings.REF

A-10 Reserve Training Unit (RTU). The Air Force could cut one of its two A-10 Thunderbolt II RTUs because of the small number of operational units in the Combat Air Force.

Recommendation: Eliminate one reserve A-10 unit.

Potential Savings: The A-10 reserve unit would lose those aircraft, but because it is a reserve unit, savings would be limited to O&M (flying hours) for those 28 jets, which equates to \$7.3 million per year.

CH-47 Chinook Cargo Helicopter. When the Army reviewed all of its modernization programs over the past three years, it determined that it did not have a pressing need for the Block II CH-47F program. Yet Congress, based on industry pressure, has restored the program every year. If budgets were limitless, the CH-47 Block II program would not be a waste, as it provides a good product, but it should be cut in order to fund higher priority programs.

Recommendation: Terminate the CH-47 program.

Potential Savings: Estimated \$221 million–225 million annual savings.REF

Mobile User Objective System (MUOS). A program that could be considered for elimination entirely is the Space Force's MUOS narrowband satellite system. MUOS provides a satellite phone capability so that mobile users (mainly ground forces) can connect for voice and low data rate transmissions. MUOS describes itself as providing "3G" service, but even that is being generous. There is a half-second latency each way in the communications on MUOS because it requires all signals to go up to the satellite 22,000 miles above the earth and back down twice—two round trips in each direction. That is not ideal at all for users in combat, according to a report from almost a decade ago.REF

In other words, the United States is buying outdated technology. The alternative is to use commercial satellite phone services, which the military already does. Iridium is the closest alternative to MUOS, and the Marine Corps created something called Netted Iridium back in the 2000s that uses this commercial capability to provide more secure and resilient communications. Iridium is not the only satellite phone provider, so the DOD could easily make this a competitive procurement for narrowband satellite communication services. Commercial systems already provide more resilient architectures, better jam resistance in many cases (see SpaceX's response to Russian jamming in Ukraine), and a much lower cost while still being secure due to end-to-end encryption.

Recommendation: Eliminate the MUOS satellite system and replace it with commercial alternatives.

Potential Savings: The procurement of two additional satellites and their associated ground infrastructure are estimated to cost \$4.8 billion in total.REF

Advanced Reconnaissance Vehicle (ARV). The Marine Corps' ARV program should probably be canceled. Commandant General David Berger has expressed reservations about whether it is truly needed, as he has focused Marine Corps planning and procurement on Force Design 2030, which is centered around the Pacific theater, where the ARV would be less useful than other capabilities (e.g., anti-ship fires and multi-domain reconnaissance). General Berger says the Marine Corps is "laser focused on the Pacific" and needs to plan procurement accordingly.REF

Recommendation: Terminate the ARV program.

Potential Savings: \$6.8 billion over the lifetime of the program.

The 50/50 Depot Rule. By law, 50 percent of depot-level maintenance must be performed at government-owned facilities.REF If a higher percentage of the production of ammunition were done by the private sector, it would naturally lead to lower costs within the free market, as opposed to the heavier costs inherent to running a government-owned production facility. The RAND Corporation has estimated that private competition could save between 30 percent and 60 percent of current funds.REF

However, it is difficult to re-start a production line when a war breaks out, and it can be difficult to drastically increase production at active lines as well, an issue the military currently faces as substantial amounts of ammunition have been given to Ukraine since the Russian invasion in 2022. In the United States, it typically takes 13–18 months from the time a munition order is placed for it to be manufactured,

and replenishing stockpiles of more advanced weaponry such as missiles can take even longer.REF The United States has the ability to pay for increased capacity in the contracting process, and sending early signals to industry speeds up the process.

During peacetime or a low-intensity conflict, there is little to no economic incentive for private industry to keep production facilities operating when the government is buying less ammunition. Private production facilities therefore close and are difficult to reopen and resume operations in the event of a conflict. The counter to this argument lies in new ways of contracting: The government can contract to procure surge quantities of ammunition without owning the production facilities.

Recommendation: Change the 50/50 depot rule to a 60/40 rule, reducing the government component to 40 percent as a first, achievable step toward possible future privatization.

Potential Savings: The Congressional Budget Office has estimated that opening depot work to private-sector bidders has saved at least 20 percent of costs.REF This report estimated that relaxing to a 40/60 split (allowing up to 60 percent of depot-level maintenance to be done by the private sector) would have saved \$4.1 billion across 2010–2019. Savings would not occur immediately, as it would take depots time to prepare for additional competition and to adjust to changes in the workload.

Create a Naval Act of 2023. To reduce shipbuilding costs, a new Naval Act developed by Congress should authorize appropriate funds for a large block buy of 45 warships. Importantly, ships purchased in this block buy would be of approved designs in production today at numbers already stipulated in the current, already approved Future Years Defense Program through 2027. It would also encourage investment by shipbuilders to grow workforce and infrastructure given assured demand and appropriations for future ships, helping American shipyards maximize economic efficiencies over decades.REF

Recommendation: Block buy 45 ships.

Potential Savings: Building off past block purchases and a Navy estimate, block buys could save taxpayers from 5 percent to 15 percent, which could save approximately \$15 billion over conventional appropriations from 2023 to 2027 by assuring greater predictability in naval shipbuilding.REF

Congressional Committee Oversight. Congressional committees tasked with conducting defense oversight are not able to hire a large enough staff for the monumental task they have been given. The Senate Armed Services Committee (SASC) and House Armed Service Committee (HASC) employ just a couple dozen staffers each to conduct oversight of the budget of the DOD, which has a budget larger than most countries' entire gross domestic product. SASC's hiring budget is smaller than that of the Senate Foreign Relations Committee, for example, despite the latter having authority over a far smaller percentage of the federal budget. As an example, the appropriations subcommittees that conduct oversight on defense appropriations have between five and eight professional staff members each. Additional committee staff would provide the authorizing and appropriating committees with the ability to conduct more effective and comprehensive oversight.

Recommendation: Congress should increase the hiring budgets for congressional defense oversight committees.

Potential Savings: Increased congressional oversight capacity.

Appropriations Additions. Appropriations additions to the defense budget that are not authorized need to be especially scrutinized. For FY 2023, Congress directed the Pentagon to spend \$12.2 billion on almost 1,000 different “program increases” in research.REF Very few of these program increases were on the Pentagon’s unfunded priorities list, but they often escape scrutiny, as they average only \$12 million a program.REF These research funding additions are not considered earmarks because they are technically put out for competition as contract awards, but many defense contracting experts say they essentially function as earmarks, as many are written in such a way that only one company can do the work; the legal requirement for contract competition is satisfied if the DOD holds a competition for the contract, even if only one company bids on the contract.REF The highest level of scrutiny should be given to appropriations additions that are not found on a DOD unfunded requirement list. Expenditures added by the Appropriations Committee after the lengthy National Defense Authorization Act (NDAA) process are normally not subject to the same level of scrutiny as expenditures that have been authorized. A pursuit of efficiencies in the defense budget should create a de facto suspicion of these additions, and lawmakers should consider carefully whether these expenditures meet some military need or simply provide funding to some interest group.

For example, some state universities host centers of excellence (military organizations that are meant to do research or training) with no clear military goal that have never been requested by the DOD. Instead, Members of Congress use the appropriations process to get these centers attached to universities in their home states, using DOD funding more for political than defense ends. This is not always the case: Members focused on national security have added funding in appropriations tied to national defense strategy, and on occasion appropriators do this when there is new information available or a change in circumstances from when the budget request was submitted/authorized.

Recommendation: Scrutinize additions made to the defense budget by the appropriations committees after the passage of the NDAA to ensure that they are in line with national defense strategy and not political in nature. Additions to the defense budget not otherwise justified should be required to be explained in committee proceedings.

Potential Savings: The amount of savings could be determined by an in-depth analysis of final defense appropriations compared to service unfunded priorities lists, authorization committee markups, and analysis of the nature of the addition. Certain categories of defense appropriations have historically been identified with more unjustified additions than others. For example, the RDT&E appropriation often received unwarranted additions.

Contracting Reform

Requirements. There are potential areas for savings in contracting reform. Section 1244 of the FY 2023 NDAA removed munitions contracting requirements to allow for a faster response in Ukraine. Current contracting requirements are burdensome and have grown over time. The Advisory Panel on Streamlining and Codifying Acquisition Regulations (also known as the Section 809 Panel) performed some work in this area, but more is needed. Reducing contracting requirements would increase speed and save billions.REF

One problem is that any time a contractor does something unethical or costly to the DOD, instead of punishing one bad actor, Congress or the DOD creates new regulations meant to prevent that same thing from happening again, even though 99.9 percent of other contractors did not engage in similarly bad behavior, and even though the bad actor may have been flaunting some already existing regulation. Offending firms should be more firmly held to existing standards and subjected to congressional scrutiny when found in violation. That is, any large defense contractor engaging in unethical practices should be publicly shamed both to encourage it to reform and to deter other contractors from engaging in similar behavior.

The contracting workforce should have training modules teaching them to do line-item analysis of programs and components to find costly markups. The DOD spends a massive amount on information technology and uses a substantial number of different business systems. Using simplified designs, build-to-print manufacturing, and modularization can allow for more new entrants to the defense market and more competition. The Joint Light Tactical Vehicle program model, which includes all these features, is a good example of how to introduce more competition.REF

Recommendation: Reduce contracting red tape and resist the temptation to introduce any new regulations for contracting.

Potential Savings: According to a Government Accountability Office (GAO) report, millions of dollars can be saved annually in the DOD and billions of dollars annually in other government agencies such as the Department of Energy.REF

Federal Acquisition Regulation (FAR) Part 12. FAR 12 pertains to commercial item procurement. According to the Defense Acquisition University, it leads to a reduction in administrative costs and lead time due to commercial market pricing data being readily available. Moreover, capabilities can be delivered quickly because of “streamlined procedures for commercial technologies, and procurement lead time is reduced because of streamlined commercial procedures and terms and conditions.”REF

The Section 809 Panel found that government-specific contracting clauses for commercial item procurement contracts grew from 57 in 1995 to 165 in 2018.REF According to the panel, “Of these 122 clauses, only six are genuinely applicable under the extant statutory framework because Congress used the mechanism it established in FASA, citing 41 U.S.C. § 1906, and specifically made the underlying statutes applicable to commercial buying. The other 116 clauses are applicable because the FAR Council or Defense Acquisition Regulations Council determined that it was in the best interests of the government

to do so, or because no determination was made, but the clause was made applicable nonetheless.”REF
As the panel describes, “Although these government-unique clauses and requirements serve a worthwhile purpose, and can often be justified in a vacuum, the aggregate effect creates unnecessary cost, complexity, and risk on commercial contractors that discourages their participation in the DOD supply chain and undermines the central tenet of commercial buying.”REF

Recommendation: Eliminate a substantial number of government-specific contracting clauses from FAR 12.

Potential Savings: Reduction in regulations would lead to reductions in costs for contractors and a resulting increase in cost efficiency.

Moratorium on Public-Private Competition. Since 2012, Congress, under pressure from federal employee unions, has prohibited competition between public and private organizations to provide the most cost-effective services (e.g., base maintenance) for the U.S. government. This moratorium even extends to public–public competition, which leads to situations, for instance, where the municipality in which a base is located may not offer its services to the base. DOD-specific competition remains prohibited per Section 325 of the 2010 NDAA.REF

Recommendation. Congress should lift the moratorium on public–private competition by renewing OMB Circular A-76 competitions (the Office of Management and Budget policy for managing public–private competition).

Potential Savings: According to a report from the Office of Management and Budget, A-76 competition savings consistently generated savings between 10 percent and 40 percent during the early years of the Bush Administration.REF According to a report from the Congressional Research Service, the savings from re-implementing A-76 are estimated to be between 20 percent and 30 percent.REF

Base Realignment and Closure (BRAC)

BRAC Successes. According to 2017 testimony by the then-Acting Assistant Secretary of Defense for Energy, Installations, and Environment, the five rounds of BRAC are collectively saving the Department \$12 billion annually.... The savings generated from BRAC result from avoiding the cost of retaining and operating unneeded infrastructure. DOD no longer has to fund the recurring operation and maintenance (O&M) nor the civilian and military personnel costs for those installations it closes or for the portion of those realigned bases that it does not retain. Savings from base realignments and closures are retained by the military services and are used to support higher priority programs that enhance modernization, readiness, and quality of life for the armed forces.REF

Annual savings from the first four BRAC rounds have been estimated at \$7 billion, while the 2005 BRAC round has been estimated to be producing \$5 billion in annual savings (hence the \$12 billion total figure above).REF

BRAC Failures. However, there were some failures in how previous BRAC rounds have been implemented. The 2005 BRAC round failed to reduce end strength and eliminate positions, which had been thought to be nearly 47 percent of the savings in the Pentagon's initial estimate.REF Instead, reassignment occurred, which resulted in the DOD shifting positions rather than getting rid of them.REF

Ensuring success in future BRAC rounds starts with the Pentagon asking Congress for both the authority and the appropriations to begin another round of base closures. The DOD should explain to Congress that maintaining excess capacity siphons money away from other priorities. To minimize the effect on communities around current domestic military bases, Congress should work with the services to select bases for closure "that have community support for closure and where the government has emphasized the likelihood of the facility successfully converting to civilian use."REF

The Heritage Foundation has written extensively on ways to better ensure success for a future BRAC round.REF

Recommendation: Implement a new BRAC round.

Potential Savings: Annual savings in the billions of dollars. The 2019 BRAC report identified \$12 billion in annual savings from the five previous BRAC rounds.REF

Civil Service Reform

Existing Authorities. A 2016 GAO report concluded that many civil-service-reform-related authorities already exist but that agencies are reluctant to use them.REF Specifically, out of 105 hiring authorities available in 2014, agencies relied on only 20 authorities to make 91 percent of the 196,226 new appointments made that year.REF Federal hiring officials "said they do not know if agencies rely on a small number of authorities because agencies are unfamiliar with their authorities, or if they found other authorities to be less effective."REF

Recommendation: Encourage agencies to use authorities from previous reforms to hire or fire federal employees instead of relying on a small, select number of authorities.

Potential Savings: Increased ability of the DOD to hire competent employees and fire incompetent or unnecessary employees, increasing cost efficiency at all levels.

Ability to Fire Federal Employees. Making all federal employees at-will employees was the aim of H.R. 8550, the Public Service Reform Act,REF introduced in the 117th Congress. The bill would have also abolished the Merit Systems Protection Board's whistleblower protections. Currently, civilians who are referred for firing can appeal their cases to the Merit Systems Protection Board, which slows down the elimination process. According to the bill's sponsor, Representative Chip Roy (R-TX), the bill would claw back the inordinate protections some federal employees grossly abuse while helping legitimate whistleblowers and victims of discrimination get the justice they deserve. This would empower federal agencies to swiftly address misconduct and remove underperforming employees, creating a workforce that once again serves the American people.REF

To increase the speed at which personnel can be fired, Congress should allow the Secretary of Defense to consider the final appeal for a civilian to be fired, as is the case for defense intelligence employees under Title 10, Section 1609, of the U.S. Code.REF

Recommendation: All federal employees should be at-will employees. Abolish the Merit Systems Protection Board and allow the Secretary of Defense to have authority for final appeal for the firing of civilians.

Potential Savings: Improved ability of the DOD to hire competent employees and fire incompetent or unnecessary employees, increasing cost efficiency at all levels.

Probationary Period. The two-year probationary period for new DOD employees will expire this year thanks to a sunset provision in Section 1106 of the FY 2022 NDAA.REF This provision was first put in place in the FY 2016 NDAA and has been extended multiple times since then.REF

Recommendation: If unable to make all federal employees at-will employees, Congress should renew the two-year probationary period for new DOD employees.

Potential Savings: Increased ability of the DOD to fire new employees who are not performing to standard, increasing cost efficiency at all levels.

Active-Duty Commercial Positions. The DOD currently employs approximately 340,000 active-duty military personnel to perform support functions in commercial positions. The required training and rotations of military personnel are shorter than the time that a civilian usually spends on a job, making military personnel more expensive.

Recommendation: Replace select active-duty personnel in commercial positions with civilian employees. This replacement would also result in a higher number of military personnel available for combat positions.

Potential Savings: Replacing some military personnel with civilians would reduce discretionary budget authority by a total of \$19.6 billion during the FY 2023–FY 2032 period.REF

Military Health Care Reform

Military health care costs more than \$50 billion per year.REF The two principal areas where budget efficiencies may be found are military treatment facilities (MTFs) and TRICARE. With the well-being of servicemembers and their families in mind, any changes made to military health care should make the system more efficient and expand servicemembers' access to the free market while maintaining the quality of available health care.

MTFs. The cost of providing direct inpatient care at the DOD's domestic hospitals would be 34 percent lower if the workload were instead performed in private-sector facilities. According to one report, of the 41 domestic military hospitals (at the time of the study), only five produced inpatient workloads at a lower cost than in the private sector.REF Actual direct care costs and the discrepancy between them and

the value of direct care workload would have been even larger had the full cost of military manpower, facility construction, and program overhead been taken into account.

Overall, the cost of providing direct care outpatient workload at the selected domestic DOD hospitals and clinics with over \$50 million in costs would have been 35 percent lower had the workload been performed in private-sector facilities. If only the cost to the DOD is considered, it would have been 43 percent lower.REF Actual direct care costs and the discrepancy between them and the value of direct care workload would have been even larger had the full cost of military manpower been taken into account.

One major cause of these high costs is the low volume of procedures performed at MTFs. In addition to raising costs, this also means that military doctors are not able to maintain proficiency in complex procedures. By private standards, some of the care delivered in MTFs would be considered malpractice (e.g., physicians engaging in procedures that they are not proficient in). This also harms readiness, because military providers do not have the volume of the types of procedures required to maintain clinical proficiency for the wartime mission.

Recommendation: Phase out inefficient MTFs.

Potential Savings: Direct care outpatient workload at the 41 domestic DOD hospitals and clinics with over \$50 million in costs would have been 35 percent lower had the workload been performed in private-sector facilities.

Medical Force. At almost 200,000 military members, the medical force is far larger than its operational requirement. This wastes resources (military medical providers are very expensive), drives inefficient care delivery decisions (e.g., over-reliance on MTFs), and creates force stress (e.g., 25 percent of military colonels/Navy captains are medical officers, many of whom are not meeting any military essential requirements). Very few, however, are trauma surgeons or other specialties required in wartime. Many specialize in health care that servicemembers could obtain more efficiently from civilian providers, such as obstetrics. Past congressionally directed studies have found that 20 percent–30 percent of the active-duty medical force could be cut without harming readiness requirements.REF

Recommendation: Reduce active-duty medical force by 20 percent–30 percent while improving access to quality private networks.

Potential Savings: Based on FY 2023 funding levels, a 20 percent–30 percent reduction in the active-duty medical force could result in savings between \$1.8 billion to \$2.7 billion.REF

TRICARE. TRICARE services are contracted in a very inefficient manner. Medical services are paid to providers on a fee-for-service model using non-risk-bearing contracts that are awarded every five years providing monopoly rights to half the country. This is completely out of step with civilian health care, which is managed with risk-bearing (fixed price) family-level contracts that are recompeted every year with multiple potential winners in each market (competition). In fact, the TRICARE contracts emerged during Hillary Clinton's health care task force in the early 1990s and are a perfect example of the flaws of

that vision. The system's only cost control is provider reimbursement rates. TRICARE tends to be the lowest payer (often tied with Medicaid) in markets and, because it pays such low rates, few providers are willing to participate in the network. DOD beneficiaries have small, low-quality networks that are much worse than those of federal employees and civilian workers.REF

Recommendation: Increase civilian options for TRICARE beneficiaries.

Potential Savings: TRICARE reform could produce \$3 billion per year in savings without changing benefits.REF

Defense Management Reform

Under Secretaries of Defense (USD) and Deputy Assistant Secretaries of Defense (DASD). USD and DASD positions should not be created unless others are eliminated on a one-for-one basis. At the very least, all old positions should be reevaluated when a new position is added.

Recommendation: Implement a one-for-one rule for creation of new USD or DASD positions.

Potential Savings: Prevents creation of new, possibly extraneous positions without first considering the elimination of existing ones, thereby reducing bureaucratic bloat.

USD for Personnel and Readiness (P&R). Most of the blame for the Pentagon's outmoded human resources system—and the difficulties in understanding how ready military units are for the missions they are called upon to undertake—lies with the Office of the Under Secretary of Defense for Personnel and Readiness.REF As an example, even though military recruiting is facing its worst crisis since the start of the all-volunteer force in 1973, the Office of the USD for Personnel and Readiness has been conspicuously absent from advancing any proposals to fix the situation and withholds congressionally given authorities from other offices in the DOD. These authorities should be devolved as intended.

Recommendation: Significantly reduce the size of the USD for Personnel and Readiness and devolve its responsibilities to the military services and other DOD entities.

Potential Savings: Reduced personnel costs and increased efficiency.

Other DOD Programs for Savings

Professional Military Education (PME). PME schools are expensive to run, and military personnel can occasionally receive the same education from private universities. PME schools cannot—and should not—be eliminated entirely, but their overall numbers could be reduced and the manner in which they deliver training and education modified. The use of online learning in the civilian sector was already increasing before COVID-19, but the pandemic greatly increased its use. From 2011 to 2021, the number of online learners increased from 300,000 to 220 million.REF Between 2012 and 2019, the number of hybrid and distance-only students at traditional universities increased by 36 percent, while COVID-19 rapidly accelerated that growth by an additional 92 percent. The military has not experienced the same amount of growth, and this is an unrealized opportunity. Reducing the number of PMEs and the number of officers

and non-commissioned officers spending time in such schools would reduce the number of personnel the DOD would need to hire to operate these schools and reduce the number of military personnel attending them, requiring them to either transfer to new schools or to travel on temporary duty. However, the education being paid for must fit within the officer's career path and provide a benefit to the DOD. There is no critical need, for example, to send medical officers to a war college to study the history of grand strategy and warfare. There should be a demonstrable mission purpose behind the education being funded.

Recommendation: Reduce the overall number of PME schools. Officers should be able to attend only PME schools tied to their career paths. Congress should ask the GAO for a report on the total number of PME schools and enrollment and the feasibility of proposals to reduce the overall number.

Potential Savings: Reducing the number of schools would save money in terms of personnel and facility costs.

Unused Funds. Congress should allow the DOD to roll over a portion of its unused funding to the next fiscal year. On October 1 of every fiscal year, any operations and maintenance funding that remains unused vanishes, which creates the fear among DOD agencies of less funding the following year. This, in turn, creates a "use it or lose it" mentality, leading to unnecessary purchases to use up the funds. DOD agencies spend up to 31 percent of their annual funds in the fourth quarter (Q4). September spending is twice as high as the other months of the year.REF As Mercatus Center economists Jason Fichtner and Robert Greene determined, this acceleration of federal spending decreases the quality of spending, as poor choices are made in the interest of quickly using funds.REF So long as the entities do not benefit from saving funds, there is no incentive for them to spend more efficiently. A pilot program enabling specific DOD agencies to roll over 5 percent of their operating budgets could demonstrate a solution for the entire department. This program could also help the DOD cope with the constant continuing resolutions that erode spending authorities.

Recommendation: Congress should ask the GAO for a study on how Q4 money is spent at the DOD and examine the savings potential for a pilot program to roll over unused funds.

Potential Savings: Rolling over unused funds would encourage the DOD to be more efficient on its own, as it would no longer feel pressure toward the end of the fiscal year to spend any remaining funds.REF

Commissary Test Program. The Defense Commissary Agency (DeCA) requires about \$1.2 billion annually of appropriated funds,REF a cost that could potentially be offset if a private option proved it could provide the same savings to servicemembers without requiring federal subsidies.

The argument in favor of commissaries claims that they provide consistent savings to servicemembers over private-sector supermarket options. However, a June 2022 GAO report determined that DeCA used unreliable and inconsistent methodologies to calculate the annual savings realized by commissary shoppers, resulting in inflated savings.REF

Recommendation: Perform an empirical test to determine whether a private-sector operated commissary would provide better value and service than DeCA. This test would be best run on a base such as Fort Bragg (to be renamed Fort Liberty on June 2, 2023), where there are two commissaries, and servicemembers would be able to choose between the two. The DOD should consider switching to a privately operated commissary only if the private-sector option proves it can provide the same savings at a lower cost to the government.

Potential Savings: Over \$1 billion annually.REF

Intelligence Budget. Despite being classified, the intelligence budget also deserves scrutiny from within Congress. The odds of it being free from inefficiency are zero, although it is naturally difficult for observers from outside Congress to subject it to scrutiny.

Recommendation: Subject intelligence budget details to more congressional scrutiny. Remove intelligence funding unrelated to defense missions from the defense budget.

Potential Savings: Potentially substantial savings at a level unavailable to the public.

Basic Allowance for Housing (BAH) Reform. BAH is intended as an allowance to cover the cost of housing, not as a main source of income. Married military couples who reside together should be allotted only a single allowance for housing.

Recommendation: Reform BAH to restore its status as a housing allowance and not as extra compensation.

Potential Savings: \$14.7 billion over FY 2023–FY 2032.REF

Recommendations of the Independent Review Commission. In March 2021 the Secretary of Defense stood up an independent commission to examine the issue of sexual assault in the military, and the group subsequently recommended 82 separate actions. Sexual assault in the military is a serious problem and the issue should not be taken lightly. One sexual assault in the Armed Forces is too many. Many of the commission's recommendations were well-founded. Others, however, represented redundancy to other DOD programs or created massive new bureaucracies.

For example:

“Establish a dedicated research center for the primary prevention of interpersonal and self-directed violence.” Sexual assault is not an issue for just the military, and the military should not be responsible for conducting independent research on the subject.

“Elevate and standardize the gender advisor workforce.” A gender advisor workforce is not the purview of this commission.

“Develop training to build the capacity of Sexual Assault Response Coordinator (SARCs) and Sexual Assault Prevention and Response Victim Advocates (SARC VA) to provide culturally competent care to

Service members from communities of color, LGBTQ+ Service members, religious minorities, and men [sic].”

Regrettably, the Secretary of Defense opted to categorically implement every single recommendation of the commission. The consequence will be a vast expansion of the system of reporting and prevention, which already exceeds any similar system operated in any other element of American society.

Recommendation: Reduce funding to implement the recommendations of the commission to those programs deemed essential to the effort.

Potential Savings: The FY 2023 budget request included \$479 million to implement the recommendations of the commission,REF and the effort could potentially cost \$4.6 billion between FY 2022 and FY 2027.REF

DOD Audit. The DOD audit process is costing nearly a billion dollars per year. Yet the realized benefits do not justify this huge expenditure. When asked why passing the audit is important, many now can only point to the need to pass it in order to placate Congress. Officials in the DOD are afraid to even raise the issue with Congress for fear of being accused of waffling on the issue. Yet many of the functions being described as positive outcomes from the audit should already be performed as routine property accountability functions by commanders, audit agencies, GAO, and inspectors general. At the moment there is no incentive for a service to pass the audit other than positive mention in the press.

Despite costing billions of dollars, the DOD audit has not been discussed in Congress for two years. While the audit has caused the DOD to do a better job of predictive financial work—exemplified by the “Advana” analytics platform, which pulls data from the DOD’s different business systems and puts it in one dashboard—these improvements do not justify the huge cost.

The services are now being audited so frequently that they do not even have time to implement fixes before another audit starts. Lawmakers should engage with the Pentagon and, together with the Federal Accounting Standards Advisory Board, implement commonsense changes to the audit.

Recommendation: Modify the audit to focus on each service on a rotating basis and end the audit as an annual function. Remove non-value-added areas such as balance sheet valuation and accounting for the existence and completeness of major military equipment (an area in which no problems have been found).REF

Potential Savings: \$300 million to \$400 million per year.

Diversity, Equity, and Inclusion (DEI) and Climate Change

DEI. The FY 2024 President’s budget request includes \$114.7 million for dedicated diversity and inclusion activities. Later this year, the DOD will release its DEIA 2023-2027 Strategic Plan, which promises to provide “actions and priorities to advance DEIA.”REF The precepts of DEI fundamentally distract from developing a well-trained, merit-based military, and some manifestations of DEI run counter

to the foundational principles that define the United States, especially equality of opportunity rather than equality of outcome. The military has earned the reputation as the nation's most successful meritocracy, with rank and benefits bestowed on those who distinguish themselves by extraordinary performance—no matter their race, gender, ethnicity, or any other personal characteristic.

A 2022 survey by the Ronald Reagan Presidential Foundation and Institute found that only 48 percent of respondents had “a great deal of confidence in the military,” a huge decrease from the 70 percent in 2017. One-third of respondents said their confidence had decreased because of military leadership becoming “overly politicized,” and 30 percent said it was because of “woke practices undermining military effectiveness.”REF A 2022 poll by The Heritage Foundation similarly found that politicized actions taken by the DOD—such as the focus on climate change as a national security threat and including critical race theory books in reading lists for servicemembers—had significantly decreased the public's trust in the military.REF

Top military officials insist that DEI policies at the DOD have nothing to do with the military's current recruiting problems,REF but it is hard to imagine that pushing overtly left-wing policies on the troops has not dampened the enthusiasm of prospective recruits. The DOD's embrace of these divisive policies is out of step with the American public. If Americans perceive that the military is being used for political purposes or social experiments, their trust in the military as an institution will continue to decrease.REF

Recommendation: Eliminate DEI funding from the defense budget.

Potential Savings: \$114.7 million.REF

Climate Change. The current Pentagon leadership has stated that climate change will touch every aspect of the department's planning.REF While energy and electricity are paramount to every aspect of military operations, the reliability of energy sources is more important than their carbon emissions. In many of the environments where the Pentagon operates, such as Alaska, having energy is a matter of life and death. Congress should prioritize mission needs when evaluating incoming energy proposals from the Administration.

The FY 2024 budget request calls for \$5.1 billion of investments that the DOD claims will “mitigate climate risk.” Some of these investments might be sound, such as investments in engine efficiency. Other parts of it, including the “acceleration of hybrid tactical vehicles,” are based more on green political policies than on military readiness.REF Lawmakers should carefully scrutinize these sections and eliminate non-defense climate spending.

Recommendation: Eliminate climate-change-reduction policies from the defense budget.

Potential Savings: Up to \$5.1 billion.REF

Conclusion

Defense spending should be tied first and foremost to national defense strategy to meet the security needs of the American people. However, government spending as a whole has been out of control for a long time, and spending over the past several years, especially, has massively contributed to inflation and the ever-expanding national debt. To this end, Congress should conduct hearings and look carefully at potential defense savings and efficiencies as part of the process for this year's NDAA as it seeks to increase the funding of warfighting capabilities and decrease the amount spent on non-defense spending and inefficiencies. To the extent possible, the DOD and the people tasked with conducting oversight of the DOD in Congress should find efficiencies within the defense budget and ensure that taxpayers' dollars are being allocated responsibly and to the right priorities.

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