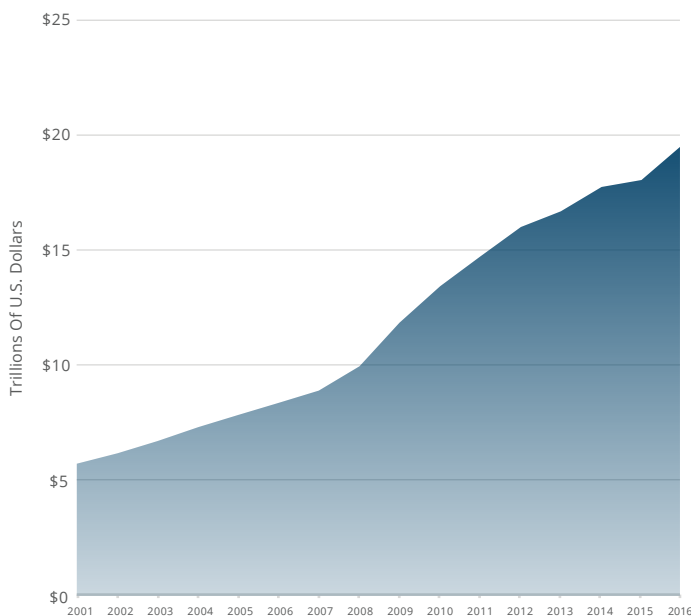


FY2018 NDAA Reform Recommendations

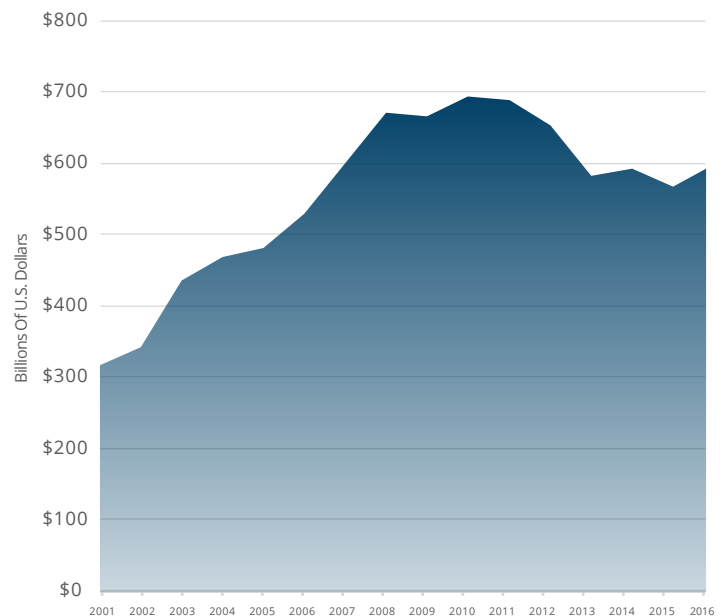


Providing for a strong national defense is the most important duty of our federal government. However, our rapidly-growing national debt is imperiling our long term security as a nation—and defense spending is one of the biggest structural drivers of our debt. Therefore, it is essential to our military's readiness that waste, duplication and inefficiencies are aggressively eliminated within the Department of Defense's (DOD) budget.

Gross Federal Debt 2001 - 2016



Department Of Defense Budget Authority 2001-2016



Source: Office Of Management & Budget

Congress has an opportunity with the Fiscal Year 2018 National Defense Authorization Act (FY2018 NDAA) to implement real reforms within the DOD that will save taxpayer dollars and make our military more effective and agile.

There is broad consensus on this. The President, leaders of the House and Senate Armed Services Committees, and past and current Defense Secretaries have all acknowledged that increasing efficiency, streamlining operations, and eliminating waste within the DOD are directly relevant to our national security and should be top priorities. There is little excuse for the FY2018 NDAA not to contain significant reforms to the DOD's operations.

Below are Concerned Veterans for America's (CVA) recommended reforms for FY2018 NDAA. These reforms will reduce waste, streamline DOD acquisition systems, provide more health care flexibility for military families, and potentially save tens of billions of dollars.

Mandate that the DOD become audit-ready, and set a firm deadline for completion of a full audit.

Current law mandates that the DOD be audit-ready no later than September 30th, 2017. However, just like in past years, the DOD will likely miss this deadline for 2017—and will not face any repercussions.

In order to accurately identify waste and inefficiency within the defense budget, it's essential for the DOD to become audit-ready and to then successfully complete an audit. This is something which Defense Secretary James Mattis has supported.¹

25 YEARS OVERDUE

Since 1990, the Department Of Defense is the only department in the federal government that has failed to comply with the 1990 Chief Financial Officers Act

"DOD remains one of the few federal entities that cannot demonstrate its ability to accurately account for and reliably report its spending or assets"

-Government Accountability Office



Since 1995, the Department Of Defense's financial management has been on the Government Accountability Office (GAO) "HIGH-RISK LIST"



Since 1996,

\$10

TRILLION
in defense spending has not been audited

Unfortunately, the DOD historically has shown an unwillingness to meet deadlines on audit-readiness. It's clear that incentives are necessary to push the DOD to complete an audit. There also must be accountability measures in place if the DOD fails to meet a deadline to become audit-ready or complete an audit.

The bipartisan Audit the Pentagon Act of 2015 strikes the right balance between incentivizing the DOD to complete an audit and establishing accountability mechanisms. The legislation would allow the DOD to re-program excess funds that are found through an audit if they complete one on time, and would penalize the DOD with more accounting restrictions if they fail to complete an audit.² This is preferable to other legislation which would arbitrarily cut the defense budget if the DOD fails to complete an audit.

The language from the Audit the Pentagon Act of 2015, with a firm completion deadline, should be included in the FY2018 NDAA.

Eliminate excess infrastructure through a Base Realignment and Closure (BRAC) process.

Last year, the DOD estimated that they will have 22 percent excess capacity at bases across the world by 2019.³ To maintain this excess capacity, the DOD must spend money that could be better directed towards important items like training, weapons, personnel—or not spent at all.

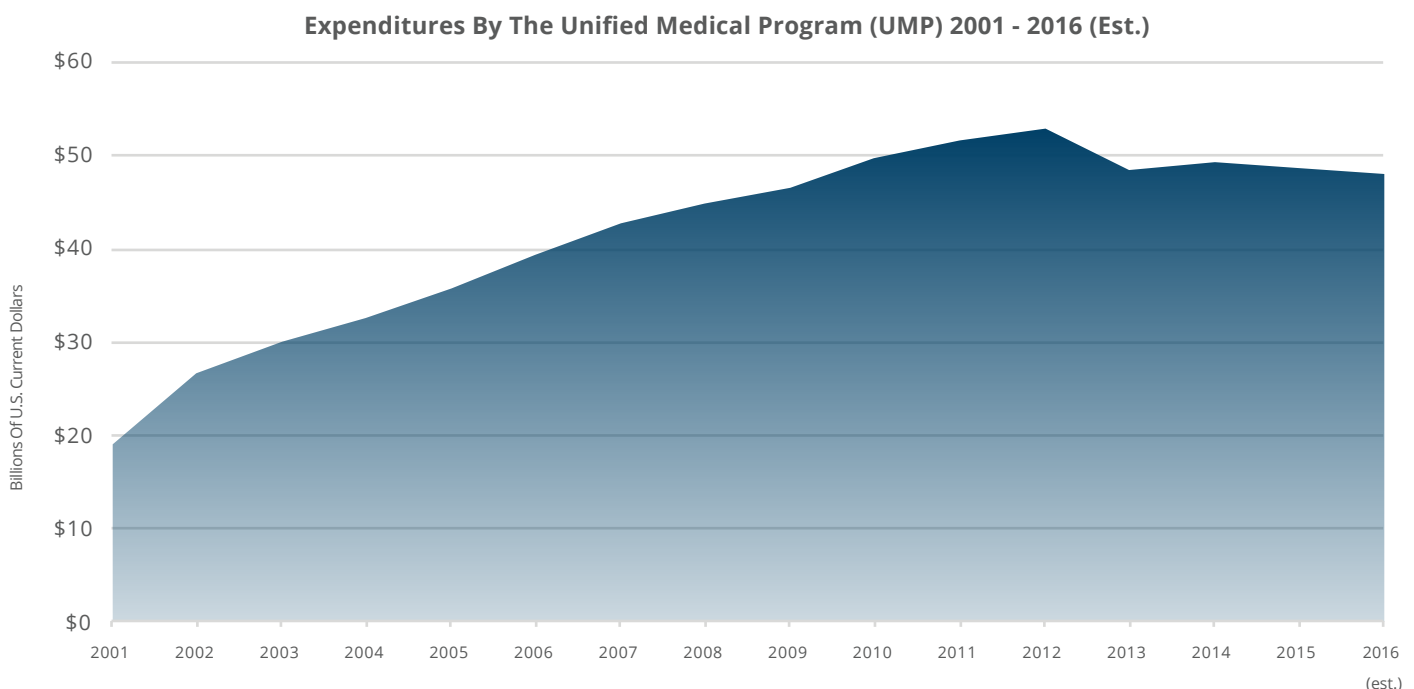
The last five rounds of BRAC since 1988 have allowed the DOD to reap nearly \$12 billion in savings every year. Even the much-criticized 2005 BRAC is now producing \$4 billion in savings a year, even though there were higher-than-expected upfront costs.⁴

The President's proposed FY2018 budget requests a BRAC in 2021, but ideally Congress would authorize one to occur a year earlier in 2020. Congress should take steps to ensure that the BRAC is conducted properly, is focused, and considers potential end-strength changes between now and 2020.

Reform the military health care system to offer military families more choices and control costs.

Since 2000, military health care costs have exploded, while the current TRICARE program has failed to provide military families with more choice and flexibility.⁵ Currently, there are still many reforms needed to improve the TRICARE program, which a 2015 congressionally-appointed review panel described as being in a 'death spiral' due to fewer providers accepting TRICARE.⁶

Health care has increased dramatically as a share of the defense budget over the past decade. The most recent Congressional Budget Office report on the costs of TRICARE show costs rising by 130 percent from 2000 to 2012—costing \$52 billion in 2012 alone.⁷ The current military health care system is failing both service members and taxpayers alike, and needs a complete overhaul.



Source: Department Of Defense Evaluation Of TRICARE Program Reports Fiscal Years 2001—2016

In 2015, the Military Compensation and Retirement Modernization Commission (MCRMC) set forth a good model of what this overhaul should look like. MCRMC proposed reforms that would offer military families more health care flexibility while at the same time savings billions of dollars every year.⁸ The proposal involved the creation of a health care system like the Federal Employee Health Benefit Plan (FEHBP), which would give military family members a stipend to purchase insurance from a menu of different options from which they can select a health care plan that best suits their needs.

This reform would end the current TRICARE system, which is increasingly constrained by limited access, to specialty care and smaller provider networks. If fully implemented, these health care reforms could save the DOD upwards of \$6 billion every year.⁹

Congress did mandate larger reforms to TRICARE as part of the FY2017 NDAA, and the Defense Health Agency plans to roll large-scale changes to TRICARE later in 2017. However, it is unclear at this time if those reforms will solve many of the structural problems with TRICARE and the current military healthcare system.

Accordingly, we recommend that Congress include the MCMRC health care benefit reforms in the FY2018 NDAA.

End the funding of non-defense research in the defense budget.

The DOD funds and conducts a multitude of research projects, many of which have no direct link to our national security. Because of the size of the DOD's research budget, lawmakers tend to add research projects that are not related to the defense budget.¹⁰ This includes funding for research on green energy, cancer, and even Alzheimer's Disease.¹¹ Additionally, DOD is often not equipped to provide proper oversight to these projects—opening the possibility of even more waste.

Ending these non-germane research projects in the defense budget could save hundreds of millions dollars within the defense budget.¹² Consequently, we recommend that Congress end the practice of funding non-defense research within the defense budget in FY2018.

End the Selective Service System.

The modern Selective Service System was created by Congress in 1948 with the main function of maintaining a database in case of a draft. However, the U.S. military has been an all-volunteer force since 1973 and the likelihood of a draft being reinstated is remote. Even if it were not remote, it is unclear at this point whether the Select Service System could effectively and rapidly set up a draft lottery.

Eliminating the Selective Service System would save approximately \$24 million a year and is another reason why CVA is advocating for its elimination.¹³

Continue to streamline the DOD's acquisition systems.

Recently, at a hearing in front of the House Armed Services Committee, long-time DOD procurement specialist Deidre Lee stated outright that the current acquisition systems within the DOD is worse today than it has been in the past.¹⁴ From trillion-dollar weapons programs like the F-35 down to the purchase of basic off-the-shelf commercial products like toilet paper, the DOD is often unable to acquire needed equipment and supplies in a rapid and cost-effective manner.

While it is difficult to determine an exact figure for how much money is wasted as result of the DOD's bureaucratic and complex acquisition system, it's estimated inefficiencies and bottlenecks in the system cost the DOD billions of dollars every year.¹⁵ Therefore, Congress must make it a top priority for the FY2018 NDAA to continue to find way to streamline and improve the DOD's acquisition systems.

CVA supports House Armed Services Chairman Thornberry's Defense Acquisition Streamlining and Transparency Act and hopes to see the language of this bill included in the final version of the FY2018 NDAA.

Taken together and implemented properly, these reforms would enhance our military readiness while saving the DOD tens of billions of dollars every year.

However, these recommendations are only a start. Getting the DOD to more effectively spend taxpayer dollars is going to be a long, multi-year process that will stretch over several NDAA's.

Yet, that should not be an excuse not to act now. With increasing pressure on the DOD budget from a variety of different sources, it is imperative that Congress craft a defense policy that puts an emphasis on efficiency, military readiness, and cost-effectiveness.

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