



REPORT TO CONGRESS

FY2021 DEFENSE WIDE REVIEW

JANUARY 2020



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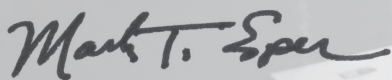
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As we implement the National Defense Strategy (NDS) and prepare the Department of Defense for this era of great power competition, we must ensure we maximize the value of our resources and make the most of every taxpayer dollar. As part of our effort to do so, we are implementing aggressive reforms to free up time, money, and manpower to put back into our highest priorities.

The week after I was confirmed, we launched the Defense-Wide Review to begin reforming the Fourth Estate, which is composed of the parts of the DoD that are outside of the military departments and not typically the focus of our annual program/budget review process. Assuming flat budgets in the coming years, we rigorously reviewed these accounts to identify maximum savings to more effectively resource higher NDS priorities.

We are proud to report that in just four months of work, we harvested over \$5 billion (5.7% of the Defense-Wide overall budget) in FY 2021 savings, which we then realigned into lethality and readiness initiatives. We have identified opportunities for more, which will require a full bottom-up review of select agencies this year.

This report summarizes our process, actions, results, and proposals. We value the leadership of Congress in these reforms, and we need your full support to ensure these efforts continue into the future.



Dr. Mark T. Esper
Secretary of Defense

INTRODUCTION

The 2018 National Defense Strategy (NDS) provides a clear roadmap for the Department of Defense (DoD) to focus on increasing lethality, strengthening relationships with allies and partners, and reforming how the DoD does business. The budget increases requested by President Trump for Fiscal Years (FY) 2017 to 2020 received bipartisan support in Congress and have gone a long way to increase the Department's lethality, readiness, and adaptability. However, with the expected flattening of defense spending, reforming how the DoD does business and ensuring that taxpayer resources entrusted to the DoD are wisely spent is more important than ever.

This report provides an overview of the recently completed Defense-Wide Review (DWR), a major DoD initiative personally led by the Secretary of Defense, to improve alignment of time, money, and people to NDS priorities. In total, the Secretary of Defense, and/or the Deputy Secretary of Defense, hosted 21 review sessions examining \$99 billion of appropriated resources across roughly 50 Defense-Wide (DW) organizations and activities. Similar to the "Night Court" review process Secretary Esper led during his time as Secretary of the Army, the DWR was a comprehensive examination of DoD organizations outside of the military departments. However, unlike the Army Night Court, the DWR was not a full bottom-up review, as there was insufficient time for a more exhaustive examination to inform the FY 2021 President's Budget. As such, we will review these agencies more fully in 2020.

These reforms required tough decisions. The impacted programs were not wasteful nor mismanaged, they were simply not NDS priorities, some with outdated missions or practices. The question was not "Is this a good program?," but rather "Is a dollar spent on this program or organization more important to our military capability than spending that same dollar on an NDS priority?"

This report summarizes for Congress, and the public, the DWR process, results, actions, and proposals.

DEFENSE-WIDE REVIEW INCLUDED:

- Office of the Secretary of Defense (OSD)
- The Joint Staff (TJS)
- Defense Agencies and DoD Field Activities
- DoD Inspector General (IG)
- U.S. Special Operations Command (SOCOM)
- Miscellaneous programs and activities

BUT DID NOT INCLUDE:

- Department of the Army
- Department of the Navy
- Department of the Air Force
- Other Unified Combatant Commands
- U.S. Court of Appeals for the Armed Forces

"My mission is to put our country on the very best footing to thrive, excel, compete, and to win."

President Donald J. Trump

DEFENSE-WIDE REVIEW RESULTS

The FY 2021-2025 DWR successfully generated over \$5 billion in FY 2021 savings (5.7% of the Defense-Wide overall budget) for re-investment in lethality and readiness, and identified more than \$2 billion in activities and functions to transfer to the military departments.

While budget line-item details from DWR savings will be included in the FY 2021 President's Budget, this report aggregates

DW organizations and activities into five functional categories: Family & Benefits; Warfighting & Support; RDT&E; Policy & Oversight; and Working Capital Funds (WCF). Figure 1 (on next page) indicates how DW organizations and activities align to these categories. Per the Senate Report accompanying the DoD Appropriations Bill for 2020

REFORM HIGHLIGHTS

- Right-sizes 50 Medical Treatment Facilities by implementing NDAA 2017 sec. 703 to better support Armed Forces medical readiness.
- Reduces the Cooperative Threat Reduction program by eliminating efforts for low-to-near zero probability threats.
- Reprioritizes lower return on investment missile defense research to develop and test a layered homeland defense missile defense.
- Transfers all remaining supply, storage, and distribution missions to DLA completing BRAC 2005 and achieving savings through increased economies of scale.

DEFENSE WIDE REVIEW

and following the FY 2021 budget release, the Department will provide spend plans for all program truncations or eliminations resulting from the DWR.

PERSONNEL & BENEFITS	Defense Health Program (DHP), DoD Education Activity (DoDEA), Defense Commissary Agency (DeCA), Defense Human Resources Activity (DHRA), Civil Military Programs (CMP), Defense POW/MIA Accounting Agency (DPAA), Office of Economic Adjustment (OEA)
WARFIGHTING & SUPPORT	USSOCOM, Defense Threat Reduction Agency (DTRA), Chem-Bio Defense Program (CBDP), Defense Security Cooperation Agency (DSCA), Counter-Narcotics (CN), Combatant Commander Exercise Engagement and Training Transformation (CE2T2), Classified (Intel Agencies)
DW RDT&E	Missile Defense Agency (MDA), OSD RDT&E, Defense Advanced Research Projects Agency (DARPA), Space Development Agency (SDA), Operational Test & Evaluation (OT&E), Defense Technical Information Center (DTIC), Test Resource Management Center (TRMC)
POLICY & OVERSIGHT	OSD Operations & Maintenance (O&M), Defense Contract Management Agency (DCMA), TJS O&M / NDU, Defense Contract Audit Agency (DCAA), Defense Acquisition University (DAU) / Defense Acquisition Workforce Development Fund (DAWDF), Washington Headquarters Service (WHS), OIG, Defense Media Activity (DMA), Defense Legal Services Agency (DLSA), U.S. Court of Appeals for the Armed Forces (USCAAF)*, Defense Technology Security Administration (DTSA)
WORKING CAPITAL FUNDS	Defense Finance and Accounting Services (DFAS), Defense Information Systems Agency (DISA), Defense Logistics Agency (DLA), and Pentagon Force Protection Agency (PFPA)

Figure 1. DW Organizations and Activities by Functional Category

* As noted on Page 2, the DWR did not consider the USCAAF.

SAVINGS AND TRANSFERS

The DWR identified significant savings in each of the functional categories. The largest savings occurred within the “Warfighting & Support” category due primarily to reductions of legacy missions that do not advance the NDS. The Review also identified savings within the Working Capital Funds (WCF) as well as through transfers of DW activities and functions to the military departments and other agencies, for increased effective and efficient management. Figure 2 (below) provides details on the savings and transfers for each functional category.

FUNCTIONAL CATEGORY	FY21 BASELINE	FY21 SAVINGS	% CHANGE	FY21 WCF SAVINGS	FY21 TRANSFERS
Personnel & Benefits	\$42.3	-\$1.2	-2.8%		-\$1.9
Warfighting & Support	\$28.5	-\$2.7	-9.5%		-\$0.0
DW RDT&E	\$16.5	-\$0.8	-4.8%		\$0.0
Policy & Oversight	\$7.5	-\$0.8	-10.7%		-\$0.1
Working Capital Funds	\$4.3	-\$0.2	-4.7%	-\$0.2	-\$0.0
Total DW	\$99.1	-\$5.7	-5.8%	-\$0.2	-\$2.1

Figure 2. Savings and Transfers by Functional Category (\$B Disc.)

AREAS OF INVESTMENT

The purpose of generating these DWR savings was to reinvest in NDS priorities. Every dollar spent on overhead, redundant efforts, and lower priority programs is a dollar not spent on lethality and readiness. Without the DWR savings, the full extent of these investments would not have been possible or would have had to been made by realigning resources from existing warfighting capability in the military departments. Key investments made possible by the DWR include:

- **NUCLEAR MODERNIZATION:** Maintaining a strong nuclear deterrent is the highest modernization priority in the NDS. All three legs of the nuclear triad (land, air, and sea) are being modernized simultaneously and DWR savings enabled increased investment in this modernization effort.
- **SPACE:** The FY 2020 NDAA created the sixth Armed Service, the U.S. Space Force (USSF), to transform our ability to fight and win future conflicts. The DWR enabled DoD to fund the establishment of the USSF from within available resources. In addition, the DWR enabled substantial new investments in space capabilities, including resilience of the use of space and enhancements in our ability to control space.
- **MISSILE DEFENSE:** The 2019 Missile Defense Review reiterated U.S. commitment to robust defenses against rogue regime missile threats. DWR savings enable increased missile defense capacity and capability, and allows MDA to pursue a multi-layered approach to homeland missile defense. This approach includes development and deployment of a Next Generation Interceptor (NGI) for Ground-Based Interceptors (GBI) and development and demonstration of lower altitude interceptors that can provide additional defense against threat missiles.
- **HYPERSONIC WEAPONS:** The FY 2020 budget established a significant program of investment in hypersonic weapons. The DWR enabled a major increase in this investment to accelerate development and fielding of hypersonic weapons over the Future Years Defense Program (FYDP).
- **ARTIFICIAL INTELLIGENCE (AI):** AI is a key technology for the future and the United States has been trailing our adversaries in investment. The DWR significantly accelerated investment in AI to increase the scope and capability of AI applications fielded across the full range of DoD missions. This investment will support and speed development of applications for maneuver, intelligent business automation and logistics, warfighter health analysis, and intelligence data processing.
- **5TH GENERATION (5G) COMMUNICATIONS TECHNOLOGIES:** The DWR enabled DoD to resource key investments in secure and resilient 5G technologies and networks and speed their adoption by providing at-scale test facilities for rapid and extensive experimentation and application prototyping. These investments will allow our forces to leverage the dynamic spectrum without impediment across the battlefield as well as establish the foundation for Next Generation technologies through collaboration with industry, academia, and international spectrum access and communications standards organizations.
- **RESPONSE FORCE READINESS:** The new Immediate Response Force (IRF) and Contingency Response Force (CRF) enable the U.S. to rapidly confront incidents and threats to its interests across the globe with mission-ready units from all of the services. DWR savings resource substantial investments to IRF and CRF readiness allowing DoD to fully exercise these capabilities and further advance Dynamic Force Employment.

"We will continue to build a more lethal force by increasing readiness and modernizing for the future. The goal is to deter war, and this can only be done with a strong, modern, and ready military that has overmatch in all domains. Our adversaries must see diplomacy as their best option because war with the United States will force them to bear enormous costs."

Dr. Mark T. Esper
Secretary of Defense

Further details on these investments and related items will be provided in the FY 2021 President's Budget.

CONGRESSIONAL ACTION NEEDED

We value Congress' leadership on reform over recent years. The DWR and the Department's long-term focus also seeks reform efforts and to produce additional savings in support of future budget cycles. However, to fully implement some of these reforms, we require Congressional support and action, and, in certain cases, tough decisions.

Below are some of the key themes of the Legislative Proposals related to DWR reforms for Congress to consider for the FY 2021 NDAA. The FY 2021 President's Budget, scheduled to be released 10 February 2020, will provide more details. We look forward to working with Congress and our oversight committees to achieve these reforms.

Key themes include:

- Removing constraints to allow agencies to operate more like private sector businesses, responsibly investing taxpayer resources and achieving funding stability;
- Eliminating legacy applications or modernizing technology applications;
- Transferring select functions and programs to the military departments;
- Eliminating outdated Congressional reporting requirements, ineffective boards/commissions, and earmarked programs; and
- Providing flexibility to capture lost buying power and updating appropriations structures to meet rapid development, sustainment, and development cycles.

"We cannot have an agile, efficient, and lethal 21st century military if it is weighed down by 20th century business systems and practices. That is why it is so important that we keep Fourth Estate reforms on track."

Rep. Mac Thornberry (R-TX)
Ranking Member of the
House Armed Services Committee

NEXT STEPS

The FY 2021 DWR is just the beginning. On 6 January 2020, the Secretary of Defense directed an aggressive and wide-ranging reform agenda for 2020 that includes strengthening DoD oversight of the DW organizations and replicating resource reviews elsewhere in the Department. The Combatant Commands (CCMDs) and military departments are performing line-by-line reviews of their budgets in preparation for the FY 2022 President's Budget.

"The Department of Defense is one of the most complex enterprises in the world. We must continually improve our business practices in order to reduce costs and maintain our competitive edge. Each of us owes it to American taxpayers to be as responsible in spending their money as they were in earning it."

David L. Norquist
Deputy Secretary of Defense

NEW DEFENSE-WIDE GOVERNANCE MODEL

Following the success of the DWR, it is imperative to institutionalize rigorous management and oversight of the DW organizations and accounts to ensure lasting fiscal discipline. To this end, the Secretary of Defense established a new governance model over most DW agencies and activities that will be led by the CMO. He further directed some immediate actions to begin implementation of this reform priority, to include assigning the DoD Chief Management Officer (CMO) responsibility to: 1) review current year budget execution and develop a consolidated annual program and budget for DW organization and accounts; 2) conduct bottom-up reviews of Defense Agencies and

Field Activities (DAFAs); and 3) reform business operations and evaluate DAFA performance against measureable business goals.

The CMO's immediate focus, in coordination with Director, Cost Assessment and Program Evaluation (CAPE) and the Under Secretary of Defense (Comptroller), will be to develop a consolidated FY 2022-2026 program and budget for the DW organizations and accounts, which will identify time, money, and people for reallocation to NDS priorities. Additionally, the CMO, in partnership with the DoD Chief Information Officer (DoD CIO), will rationalize Information Technology (IT) systems to improve efficiency and accountability.

COMBATANT COMMAND REVIEWS

The Secretary of Defense also directed a full review of the remaining CCMDs to inform the FY 2022 President's Budget. The Chairman of the Joint Chiefs of Staff (CJCS) and the Under Secretary of Defense for Policy (USD(P)), in coordination with USD(C) and DCAPE, are leading these reviews. Specifically, the intent is to calibrate strategic priorities, harvest opportunities to reduce costs, and realign forces in support of the NDS. This effort will allow the Department to shift greater emphasis to the highest-priority region – Indo-Pacific – and simultaneously enhance readiness and reduce stress on our people and our platforms. Critically, this effort, leveraging reform implementation plans designed by CCMDs, will ultimately result in a more comprehensive and resource-informed approach to managing the Department's operations.

"Within the Department, we are implementing aggressive reforms to free up time, money, and manpower to put back into our highest priorities. ... By decreasing overhead, divesting legacy activities, and reducing lower priority programs, we are able to invest more in the warfighting requirements of each Service."

Dr. Mark T. Esper
Secretary of Defense
Reagan National Defense Forum

MILITARY DEPARTMENT REVIEWS

Lastly, the Secretary of Defense directed the Secretaries of the military departments and the Service Chiefs to establish and execute aggressive reform plans—including detailed budget reviews—to free up resources in support of NDS priorities by using the same detailed methodology implemented during the DWR. Military department and Service leaders are dedicating necessary time and attention to prioritizing resources within their prescribed fiscal guidance, making tough choices, and relentlessly seeking more cost-effective ways of doing business for the FY 2022 President's Budget.

CONCLUSION

In an era of flattening budgets, it is more important than ever that we find creative ways to fund NDS-driven activities. The FY 2021-2025 DWR showed that this is possible by cancelling or reducing programs that were a lower priority, not delivering a high return on investment, and/or were inconsistent with the NDS.

We value Congress' direction with recent reform initiatives, and we now ask for its full support of these reforms. We look forward to working with Congress to ensure that necessary adjustments are made in the FY 2021 DoD Appropriation Act and the FY 2021 National Defense Authorization Act so that we may complete actions, realize savings, and continue investing in the NDS priorities.

However, our reform work is far from finished. While the DWR was a comprehensive effort designed to inform the FY 2021 President's Budget, we know that a complete bottom-up review of select agencies will identify further reforms and savings. As such, DoD will continue this review effort to support the development of the FY 2022 President's Budget.

