Testimony of Ryan Alexander
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House Oversight and Government Reform Committee
hearing on
"Government Spending: How Can We Best Address the Billions of Dollars Wasted Every Year"

February 5, 2013

Good afternoon, Chairman Issa, Ranking Member Cummings, members of the committee. Thank you for inviting me here to testify at this hearing about government spending, waste, and what can be done about it. I am Ryan Alexander, president of Taxpayers for Common Sense, a national non-partisan budget watchdog.

I sat before you almost exactly two years ago testifying on the Government Accountability Office's (GAO) high risk and duplicative programs reports talking about ways to save tax dollars, enhance revenue, and reduce our deficit and debt. Sadly, there hasn't been a lot of progress, but this Committee's ability to highlight these issues is one of the best ways to bring about change. The transportation bill came and went and did little to deal with the problems funding our roads and rails. Congress slightly altered the byzantine tax code in the fiscal cliff deal at the end of last year, including resurrecting the mostly expired tax extenders package of breaks.

But, I do want to recognize one positive change since I last testified: Congress let the duplicative and wasteful ethanol subsidy – VEETC – end in 2011.

Beyond today, I want to assure each and every one of you that Taxpayers for Common Sense is ready, willing, and able to work with you to eliminate waste and inefficiency and give taxpayers a government that works.

Defense

Considering Pentagon spending takes up more than half of the discretionary budget, it seems appropriate to begin there. The Department of Defense (DOD) is the world's largest bureaucracy, employs more people than the world's largest corporation, and is centered at the world's largest office building - the Pentagon. So it should be no surprise DOD is extremely vulnerable to waste and duplication. This is particularly true for the process of purchasing more than $400 billion of goods and services it buys every year. DOD released last November the 2.0

version of its “Better Buying Power” contracting reforms, which took on many valuable targets such as lack of competition, requirements creep, and weak enforcement of cost constraints. However, the 2.0 reforms turned away from the emphasis on fixed-price contracts that the previous reforms adopted in reaction to contract cost overruns. The Pentagon is the federal government’s largest buyer, and most of its largest contractors are reliant on the government for the vast majority of their business. Yes, contracts are not one-size-fits-all, but is anyone really worried that billions of taxpayer dollars aren’t sufficient incentive for a company to control costs? A much tougher line must be taken in order to rein in the department’s chronic spending problems.

The same holds true for DOD’s glacial progress toward auditability. Though two lawmakers introduced bills in an attempt to impart real consequences for failing to reach the fiscal accountability standards required by law, the only news produced by DOD on the matter was the cancellation of the Expeditionary Combat Support System (ECSS), a modified off-the-shelf computer program that was supposed to consolidate the Air Force’s accounting and logistics systems in order to meet the 2017 audit requirements. Instead, after seven years and more than $1 billion, the Air Force pulled the plug because it was going to cost another $1 billion to get a product that delivered only a quarter of what it was supposed to do originally. The ECSS had a laudable goal - DOD still runs on too many redundant, out-of-date accounting systems that only obscure how taxpayers’ dollars are spent – but terrible execution.

Any budget watcher knows the defense budget has more than doubled since the Sept. 11, 2001 attacks. Aside from rampant waste, fraud, and abuse in our overseas military operations, a result of this spending explosion was the migration of functions from other parts of government into DOD. At the policy level, this “mission creep” means important functions such as diplomacy and foreign aid are increasingly being carried out by the military. Duplication – or worse competition – between defense and state departments in stabilization, reconstruction, and humanitarian assistance, flagged in the last GAO report, continues to be a problem. A major contributor is the lack of transparency in DOD foreign assistance accounts. Unfortunately, a recent bill that enjoyed wide bipartisan support (the Foreign Aid Transparency and Accountability Act) was recently obstructed in the Senate by one lawmaker. Passage of this bill by the current Congress would make major strides toward rectifying this problem.
DOD also has numerous programs and accounts that are almost wholly duplicative of activities in other agencies.

Ironically, several of DOD’s attempts to rein in costs and reduce duplication have been stymied by Congress. Exhibit A is TRICARE, DOD’s health care system. The cost of TRICARE has more than doubled in the last decade and in FY12 will exceed more than $50 billion. Because premiums haven’t increased since the program’s inception almost two decades ago, many working age military retirees who are fully employed and have employer-provided health insurance available still opt for TRICARE, which amounts to a government subsidy for employers. There are ways to modernize the program while keeping faith with the promise of health care coverage for the men and women and their families who have served this country so well. Unfortunately, Congress has prevented attempts to halt the soaring spending trajectory. The FY13 Defense Authorization bill did include what conferees called a "modest" increase in pharmacy co-pays capped by cost-of-living allowances (COLAs), as well as incentives for some members to buy drugs through mail order. But these are only small initial steps toward reform. The subsidies still induce too many people to rely on TRICARE when other options are open to them.

There is also the issue of unneeded weapons, some of which would be retired, but for intervention by Congress, including C-17 and C-130J cargo planes stationed at Air National Guard bases across the country and the M-1 Abrams tank. The National Nuclear Security Administration (NNSA) has been on the GAO's High Risk list for years, yet change never seems anywhere in sight. The Department of Energy (DOE) is the largest federal contracting client outside of the Defense Department: Nearly 90 percent of its $26 billion annual budget goes to contractors. NNSA accounts for nearly 40 percent of DOE's budget, and the laboratories and production plants that comprise the national nuclear weapons "complex" are actually operated and managed by private corporations. The arrangements these corporations work under, known as "Government-Owned, Contractor Operated" contracts or "GOCOs," have done nothing to lessen NNSA's persistent problems of inflated overhead costs, security breaches, and construction cost overruns, and in some cases actually increased them.

On the positive side, we are gratified that lawmakers appear ready to uphold the funding freeze on the Chemistry and Metallurgy Research Replacement project (CMRR), a plutonium processing facility at Los Alamos National Laboratory in New Mexico that has racked up substantial cost and schedule overruns while failing to justify its size and expense. Another project that should meet a similar fate is the Mixed-Oxide Fuel Program (MOX). Based at the Savannah River Site in South Carolina, MOX has been troubled since its inception in the early 2000's. Yet despite a continuously ballooning price tag, incessant construction delays, and a total absence of demand for its future product, MOX's every failure has been rewarded with increased funding.

Along with the Project on Government Oversight, Taxpayers for Common Sense has outlined nearly $800 billion in Pentagon savings in our report, Spending Even Less, Spending Even Smarter. I would like to submit that for the record.

General Government

As detailed with DOD and DOE, acquisition is a major challenge for federal agencies. In the last decade there has been a litany of high profile acquisition failures, including: Future Combat System, SBInet, US-VISIT, Deepwater, and others. A common thread of these acquisitions was the use of LSIs or Lead System Integrators, where the government doesn't know exactly how to meet their needs and relies on the contractor for that instead. When shutting down Deepwater last year (though not the recapitalization), Admiral Korn who is in charge of Coast Guard acquisition observed, "In the end, the general consensus is that we ceded too much responsibility to the contractor, including some functions that should have been reserved for government employees." While we admire his candor, the sad truth is that has often been the case, whether through spiral contracting or LSIs or other acquisition model euphemisms. The only people who are going to look out for the government- and by extension the taxpayer- interests are going to be government employees. As then-Senator Truman observed while leading his famous committee that rooted out waste in WWII contracting, “I have never yet found a contractor who, if not watched, would not leave the government holding the bag. We are doing him a favor if we do not watch him.”[i]

Natural Resource Management

Natural resources derived from federal lands and waters can and do provide great benefit to the entire country. Public lands are taxpayer assets and should be managed in a way that preserves their value, ensures a fair return from private interests using them for profit, and avoids future taxpayer liabilities. To this end, federal lands and waters must be mined, drilled, or otherwise developed in a manner that protects taxpayers’ interest. Appropriate fees, rents, and royalties must be applied and collected and long-term liabilities such as potential clean-up or mitigation costs must be shouldered by the industries.

<u>Oil and Gas Royalty Relief</u>
As we all know oil companies continue their decade long trend of raking in billions in profits. Even at the height of the recession, profits for the top five oil and gas companies continued to soar. And while the profits flowed in, the federal government continued to provide generous subsidies, many of which have been on the books for nearly a century, to the oil and gas industry. One of the largest giveaways to the oil and gas industry is the mismanagement and under collection of royalties which has been highlighted by the GAO in several reports and recently added to their high risk list in 2011.

It is the federal government’s responsibility to protect taxpayers’ resources and ensure they are adequately compensated for their sale. Unfortunately mismanagement and cozy relationships led to the oil and gas industry shortchanging taxpayers for decades by either underpaying or even not paying royalties at all. I know you’ve been a leader on this issue, Mr. Chairman, but in the Gulf of Mexico, the federal government provided royalty “relief” to oil and gas companies for offshore drilling in the mid 1990s. The 1995 Deep Water Royalty Relief Act (DWRRA) awarded royalty “relief” for leases sold from 1996-2000. At the time the law was passed, oil and gas prices were only $18/barrel and royalty “relief” might have seemed like a small incentive for drilling, but DWRRA has since become one of the biggest subsidies the oil and gas industries receive— the total cost to taxpayers could total up to $53 billion in the next 25 years.

<u>Fair Market Value for Renewable Development on Federal Lands</u>
Although wind and solar development do not extract finite resources from federal lands, this commercial development does take benefit from public resources, and taxpayers should be appropriately compensated. The Department of Interior (DOI) has received hundreds of applications to construct wind and solar projects on federal land. In the Energy Policy Act of 2005, Congress set a goal of developing 10,000 megawatts of non-hydropower renewable energy on public lands by 2015. Securing a fair return for taxpayers from this new commercial

development is vitally important, especially in these times of fiscal constraints. Revenues should be collected accurately and diligently from resource development on public lands – including renewable resources.

Fair Market Value for Coal Leases

Recent attention has been drawn to coal companies underpaying royalties because coal's value is much lower domestically than at its final export destination. An analysis by Reuters found in some cases companies were receiving ten times more for coal sold to China than they would receive for the same coal in the United States, but they were paying royalties on the domestic price, not what they got overseas. With numbers like this, coal exports are sure to increase in the next decade. Congress should work with the Department of Interior to ensure coal companies pay a fair royalty based on the actual price they receive for their coal. Previous court rulings have upheld this interpretation. While private interests that develop on public lands may expect to profit, they should not do so at the expense of the public. Coal extraction from taxpayer lands should benefit the public – either in the form of increased domestic energy production or increased public revenues.

1872 Mining Law Reform

For nearly two decades, TCS has advocated for reform of the General Mining Law of 1872 for one simple reason: this anachronistic law is a clear taxpayer giveaway.

In 1872, the goal was to entice individuals to settle the west. Unfortunately, what was an enticement 140 years ago is now a massive subsidy that has allowed companies to remove billions of dollars of gold, uranium, silver, and copper from public lands each year without a dime going to taxpayers.

Unlike other extractive industries, companies that mine for these precious metals do not have to pay a fee when operating on federal land, essentially allowing these valuable minerals to be given away for free. Hardrock mining must pay a royalty on taxpayer lands just as they do when extracting resources from any other landowner in the world.

In addition to allowing royalty-free extraction, the law also allows the "patenting" or sale of federal lands at 19th century prices. While a temporary moratorium on patenting has been in place since 1994, under the law, federal lands are sold for no more than $5 an acre - considerably below today's market value. This should be permanently fixed.

Finally, in part because of inadequate bonding requirements, the General Mining Law of 1872 has allowed for the abandonment of contaminated lands. Any meaningful reform effort will address the three primary ongoing injuries to taxpayers under the 1872 law: the giveaway of federal lands; the extraction of federal mineral assets without taxpayer compensation; and the creation of taxpayer liability by allowing the abandonment of contaminated mine lands.

The United States' commitment to participate in the extractive industries' transparency initiative (EITI) also highlights the need to reform the governance of hard rock mining reform on public lands. Currently, the government does not track the volume of hard rock minerals from public lands because we collect no royalty. If we proceed with the EITI process, we must ensure that we track and make public the volume and value of hard rock minerals rather than memorializing this absence of transparency in the name of meeting international standards.

Energy

Department of Energy Loan Guarantees

Initially intended to fund the construction of nuclear reactors, the Title XVII Loan Guarantee program grew to include coal, biofuels, transmission, energy efficiency and renewable projects to ensure its passage through Congress in 2005. After getting beefed up in several appropriations bills and finally the 2009 stimulus, it now provides loan guarantees for "emerging" energy technologies, and for a short time, commercially deployed renewable technologies (expired September 30, 2011).

The program carries extremely high taxpayer risk, potentially jeopardizing billions of taxpayer dollars if energy project loans default. Over the course of the program's six year life, the few taxpayer protections originally provided have not increased but been slowly eaten away. In October 2007, DOE issued a final rule detailing the processes and parameters of the program. Originally DOE proposed guarantees covering 90 percent of the value of the loan but at the behest of industry and lawmaker pressure DOE increased the coverage to 100 percent of the value of the loan.

Then in August 2009, DOE proposed changing the final rule to help industry again. The terms for taxpayers' recoupment of assets in the event of project default were altered to benefit industry. The rule change stripped taxpayers their right of first lien and allowed other lesser creditors to recoup repayment of their debt before or on equal footing with the federal government, even when DOE is the majority debt holder of the project. This change was squarely against the original law, which required taxpayers' right of first lien.

Through most of its life the program has stayed below the radar. But the high profile default on Solyndra's $535 million loan guarantee brought the program and its potential losses under increased scrutiny, and we hope this Congress can stop the entire flawed program from issuing any more loan guarantees. Two loan guarantees sit in waiting that carry a much heftier price tag than Solyndra. One is a $2 billion loan guarantee for the near bankrupt United States Enrichment Corporation, and the other is $8.3 billion for Southern Company and its partners for a nuclear reactor project in Georgia. Southern Company has had a conditional commitment for more than 2 years, and the lack of transparency surrounding the application and its terms suggests to us that taxpayers are being short-changed in this never-ending negotiation. DOE continues to offer extensions to Southern Co., rather than pulling the plug on this bad deal. Considering the overarching Title 17 program falls dramatically short of protecting taxpayers, entering into the $8 billion deal is just plain fiscally reckless.

Renewable Fuel Standard (RFS) and Other Subsidies for Corn Ethanol

As if a lucrative tax credit wasn't enough, the government mandated the purchase of corn ethanol in 2007. Under the Renewable Fuel Standard (RFS) passed in the 2007 energy bill, the U.S. is required to blend 36 billion gallons of biofuels with gasoline by 2022, up to 15 billion gallons of which can come from conventional corn ethanol. The ethanol industry has already received federal subsidies of one form or another over thirty years, including the Volumetric Ethanol Excise Tax Credit (VEETC) and a tariff on ethanol imports into the U.S. While VEETC and the ethanol tariff ended in 2011, the industry still benefits from a myriad of other subsidies, grants, loan guarantees, and other supports in the federal tax code and farm bill. Just a few examples of duplicative supports for corn ethanol include the Alternative Fuel Vehicle Refueling Property Credit and Rural Energy for America Program which both cover the cost of corn ethanol infrastructure projects, like installing blender pumps. Subsidies for corn ethanol must stop. And since the Renewable Fuel Standard has failed to meet its objectives and has caused major unintended consequences, it must be reformed.

Energy Liabilities

Federal programs also protect energy producers against paying the full costs of their own actions leaving the liability to taxpayers.

The oil and gas industry passes liabilities to taxpayers through the Oil Pollution Act of 1990, which ironically reacted to the Exxon Valdez spill by placing a $75 million cap on private damages that can be collected from energy producers that cause oil spills. To date, large oil companies that cause spills have ended up paying much more than the nominal cap for the largest and most public spills, but the existence of the statutory cap gives oil companies significant leverage when negotiating how much they will pay. The oil liability cap is a type of free insurance for oil companies funded by taxpayers. The fund also currently exempts synthetic crudes like tar sands from the eight cents per barrel tax despite paying for their costly clean-ups.

For the nuclear industry, the Price-Anderson Act makes the federal government responsible in the case of a nuclear accident that does more than $2 billion in damage at any nuclear reactor. Damages from any serious nuclear accident are likely to be well above $2 billion—some estimates for the costs of the nuclear tragedy in Fukushima, Japan, already top $200 billion. While it is hard to know the exact value of Price-Anderson to the nuclear industry, it clearly could be worth billions of dollars.

Agriculture

Outdated, ineffective, and duplicative agricultural policies waste billions of dollars each year to the detriment of taxpayers, consumers, and agriculture as a sector by making it less competitive, resilient, and accountable for its impacts. Perhaps no subsidy is more absurd than direct payments—which send more than $5 billion a year to owners of farm land simply because that land used to produce subsidized crops. While the House and Senate Agriculture Committees have finally acknowledged the need to end this egregious entitlement, they propose squandering most of the savings creating other unnecessary subsidies, namely expanded crop insurance and duplicative “shallow loss” programs that are designed to crowd out private sector risk management options and shift even more risk onto taxpayers.

The highly subsidized crop insurance program, which cost taxpayers a record $14 billion in FY12, should be reined in, not expanded. And unnecessary and risky shallow loss programs should be rejected. Billions more in savings can be achieved and future liabilities limited by eliminating other outdated subsidies like government-set counter-cyclical payments, permanent and ad hoc disaster assistance, and other special-interest carve-outs. A more cost-effective, accountable, transparent, and responsive agricultural safety net should be implemented to better align our nation’s policies with today’s modern agricultural practices and ensure subsidies are not unnecessarily shifting routine business risks onto taxpayers.

Transportation

In just five years, Congress has transferred more than $50 billion from the Treasury to backfill the nation’s Highway Trust Fund. The federal gasoline tax – used to pay for our roads, bridges, and transit systems – falls far short of raising adequate revenue to meet the nation’s transportation demands. One of the primary reasons for this is that the gasoline user fee has remained static for two decades decreasing its purchasing power. There is little public support, however, for an increase in the gas tax, in part because of the perception that the program lacks direction and accountability. Congress attempted to resolve some of these issues in the most recent transportation bill – MAP-21 – by consolidating programs and including performance measurement to increase efficiency. We still believe, however, that too much funding is directed to new construction instead of repair.

The Essential Air Service (EAS) program is a relic of the 1970s and airline deregulation. EAS provides subsidies to air carriers to maintain scheduled flights between rural communities and regional hub airports. These trips cost taxpayers as much as $1,000 per flight, and often the small planes that service the routes run empty or nearly empty. In addition, there are many instances where the subsidized airport is close enough to a hub airport that driving is not unreasonable. Finally, TCS has uncovered numerous examples of communities that could maintain transportation links to nearby hubs with intercity-bus service that could be run with little or no subsidy at all. I would like to submit for the record the report we conducted with the American Bus Association, Reason Foundation, and Natural Resources Defense Council on the issue. The simple fact is that this policy relic needs to be reformed, and in most if not all cases could be eliminated in all states but Alaska, saving taxpayers more than $1 billion over the next decade. Though Congress made changes to the program in last year’s Federal Aviation Administration reauthorization bill, this program still costs taxpayers nearly $200 million. A further restructuring of the program could eliminate most of this spending with minimal impact on small communities.

Medicare/Medicaid

Tens of billions of dollars are lost to waste and fraud in Medicare and Medicaid. Last Congress, along with 35 of their colleagues, Sens. Carper (D-DE) and Coburn (R-OK) introduced the Medicare and Medicaid Fighting Fraud and Abuse to Save Taxpayers Dollars Act (FAST Act). Rep. Roskam (R-IL) introduced a companion in the House.

TCS and other organizations endorsed this because the FAST Act includes stronger penalties for Medicare fraud and attempts to curb improper payments. It also includes provisions to tackle the issue of theft of physician identities to exploit for fraud; help states identify and prevent Medicaid overpayments; improve the sharing of fraud data across agencies and programs; and deploy cutting-edge technology to better identify and prevent fraud.

Clearly more needs to be done, but this represents a good start.

Tax Expenditures and Loopholes

More than $1 trillion in federal revenue is forgone each year due to tax expenditures – which are analogous to spending channeled through the tax system. The nearly 200 tax expenditures are similar to spending programs and can be the same magnitude or larger than related federal spending for some mission areas, except without the oversight. In their last report on the issue GAO stated that tax expenditures:

- can contribute to mission fragmentation and program overlap, creating the potential for duplication;
- may be ineffective at achieving their social or economic purposes;
- are effectively funded before discretionary spending is considered;
- may or may not be subject to congressional reauthorization.

Virtually every major recent analysis of the nation's tax system has recommended eliminating virtually all income tax expenditures and using the revenue to lower tax rates and reduce deficits. Simpson-Bowles called for the elimination of more than 75 special subsidies for different industries in order to "create an even playing field for all businesses instead of artificially picking winners and losers." Ways and Means Committee Chairman Camp and Budget Committee Chairman Ryan have made similar suggestions. In its previous report, GAO says, "reductions in revenue losses from eliminating ineffective or redundant tax expenditures could be substantial ... GAO believes that tax expenditure performance is an area that would benefit from enhanced congressional scrutiny as Congress considers ways to address the nation's long-term fiscal imbalance."

We believe this is a unique opportunity for this committee to make a tremendous contribution to deficit reduction efforts by taking on the long-standing problem of tax expenditures. We hope for a tax reform process that will result in a simpler, fairer tax code by eliminating the maze of breaks and loopholes currently in the code. Rather than nibbling around the edges like the approach the Senate Finance Committee took to the so-called tax extenders package last fall, eliminate them all with a goal of simplicity and reduced rates and force advocates to justify their inclusion by quantifying the public return on investment for each expenditure with hard facts. We recommend, at a minimum, a review of all tax expenditures, and preferably, the elimination of many individual and corporate tax expenditures coupled with an effort to lower overall tax rates and broaden the tax base. We would go so far that just like zero based budgeting, we should have a zero based approach to tax expenditures.

In particular, we have advocated for elimination of tax expenditures and other tax loopholes that are not only redundant, but that also benefit some of the most profitable companies in the world for making investments they would make anyway. For example, the GAO has recommended that Congress “modify the Research Tax Credit to reduce windfalls to taxpayers for research spending they would have done anyway.” There are other policies where it isn’t clear if they actually stimulate activity, or subsidize actions that would have otherwise occurred, like in the case of the New Markets tax credit, and tax exempt status of government bonds.

Other tax expenditures Congress should look at closely include:

- **Deduction of State and Local General Sales Taxes**, which will cost roughly $23.4 billion over the next ten years. This was recently reinstated after being eliminated in the 1986 tax reform. The principal beneficiaries are the residents of states that don’t pay state income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

- **Last-in, first-out (LIFO) accounting** enables companies to move the most expensive inventory off of their balance sheets, and thereby reduce their taxable income, even though the actual movement of inventory occurs on a first-in, first-out (FIFO) basis in many industries. LIFO is already prohibited by International Financial Reporting Standards. The repeal of LIFO, if applied to all industries, would save $66.9 billion over the next ten years. Oil and gas companies account for roughly half of the cost of LIFO.

- **Mortgage Interest Deduction** could be modified to only apply to one home mortgage totaling $500,000 and be converted to a tax credit, which would achieve the purported goals of making homeownership more affordable while benefitting far more homeowners. This policy change would still save $645 billion over ten years.

- **Ending tax deferral on foreign earnings**, which simply encourages corporations and individuals to use tax avoidance as a business strategy. This policy change could save $600 billion over ten years.

U.S. Army Corps of Engineers

The Corps of Engineers Civil Works program suffers from a lack of prioritization for its funding. Up until the earmark moratorium the prioritization and guidance came from the project-by-project funding in the annual appropriations. Earmarks of course were a political prioritization process rather than a merit-based one. Taxpayers for Common Sense strongly supports the earmark moratorium and urges Congress to substitute merit or competitive or formula processes for allocating federal funds that have transparent and accountable metrics and criteria. This will reduce the justification and perceived need for earmarks to prevent future backsliding.

The Corps of Engineers in particular needs a prioritization system with explicit criteria from Congress. The Sandy supplemental and regular Energy and Water appropriations have pots of funding without enough direction. Congress needs to increase the strings and direction without resorting to earmarks.

In FY10 (the last year for earmarks) the Corps civil works budget included 1,738 different projects worth roughly $4.6 billion. That represented a slight increase from the President's budget request of $4.5 billion, but a major growth in earmarks. Congress stuffed in 629 earmarked projects worth more than $500 million, by cutting and shaving budgeted projects, while increasing the total tab by $100 million. The problem with this is that they diluted priorities and spread the money further and thinner which increases project cost and delays completion.

Fast forward to the earmark moratorium. Congress can't add 629 earmarks. So in the FY12 spending bills they created 26 different "slush-y" funds worth $500 million in various areas of the Corps' budget. The Corps would decide what projects to fund, but some of these funds were micro-targeted to ensure certain types of projects would fare well. Congress provided some squishy criteria, but it was little more than pabulum. When all was said and done, 168 new projects received funding. We think for many of the projects, the fix was in. We know that some lawmakers were lobbying the Corps for their pet projects (we have a Freedom of Information Act request in to find out just how many). In fact, the Corps released their weak document describing how they selected projects days after they released the list of projects. Nothing like working the equation backwards.

For FY13, the House took a different approach. In fact, they chewed out the Corps for their "completely unacceptable" documentation of the process, demanding "considerable improvement in the quality and detail of information… regarding the allocation of …funds." In their FY13 bill, the House directs the Corps to develop a ratings system with full explanations that would evaluate all projects that have received funding during the last three years. The Corps has discretion over what to fund, but if they select a "loser" over a "winner," it will be obvious. They also whittled down the number of the general funding categories to five worth $324 million. Unfortunately the Senate followed the FY12 model. Obviously we don't know which way it will go since we are still under a Continuing Resolution, but this is an area that needs resolution.

There are many wasteful Corps of Engineers projects and policies that I would happy to detail for you in writing. We always like to point out that Corps' motto should be: we may take twice as long, but we cost twice as much.

FEMA and Disasters

Recent concerns of Superstorm Sandy related emergency spending brought into bright relief the issues around the nation's approach to disasters. The desire to provide robust funding after a major event is understandable, but the ad hoc, scattershot approach creates an opportunity for waste, fraud, and abuse. Worse, in too many cases the money doesn't actually alleviate the risk of future disaster spending, but actually puts people and infrastructure back in harm's way. We have seen an increase in the number and cost of major disaster declarations in recent decades. This is both due to an increase of major weather events, but also because our nation's programs are more generous responding to disasters than pre-sponding to them. In addition, the generous federal funding and political attractiveness of a major disaster declaration encourages governors to ask for them and the federal government to comply.

The Stafford Act, which guides much of the nation's disaster programs, needs to be reformed to provide incentives for communities and states to plan for the inevitable disasters and to adopt building codes and programs that lessen their impact. Right now, disaster assistance is provided with a 75 percent federal cost-share. We would propose that in order to get the maximum level of assistance, states should be required to plan and mitigate before the disasters or at a minimum make those commitments as a condition of assistance.

Through both the National Flood Insurance Program (NFIP) and the U.S. Army Corps of Engineers flood and storm damage reduction programs we encourage development in an unsustainable manner. The policy orientation of NFIP (no mandatory purchase requirement in areas with less than one percent chance of flooding in a given year) encourages low and medium level flood protection from the Corps of Engineers. This induces more and more intense development in areas which exposes people, property, and infrastructure to greater losses when large events occur. Some reforms were included in the Flood Insurance Reform Act last summer, but more should be done to charge more actuarially sound rates so people are both aware of the risks and not dependent on taxpayers to bear the brunt of those risks.

Furthermore, research indicates that every dollar spent on mitigation saves four or more dollars in recovery. We should be helping people, communities, and states prepare for disaster and respond to disaster in a way that protects taxpayers, but also reduces future risks and costs.

Conclusion

I appreciate the opportunity to testify before you. We have detailed more than $1.2 trillion in deficit reduction in our Sliding Past Sequestration report that I would like to submit for the record. Today I just wanted to highlight several areas that I would encourage the committee to explore as we work together to ensure that our precious tax dollars are being spent wisely and effectively. Thank you.

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[i] Wilson, Theodore. "The Truman Committee: 1941." Congress Investigates: A Documented History 1792-1974, pp 3115-3135.

SPENDING EVEN LESS, SPENDING EVEN SMARTER

Recommendations for National Security Savings, FY 2013 to FY 2022

Deficit Reduction: $688 Billion

May 8, 2012

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Americans are tightening their belts, and it's time for the U.S. government to do the same. In light of the Budget Control Act of 2011 and the subsequent failure of the "Super Committee," Congress is still desperately seeking ways to reduce spending. To this end, the Project On Government Oversight and Taxpayers for Common Sense have closely examined the proposed national security budget[1] and found plenty of wasteful spending. Adjusted for inflation, U.S. national security spending is higher than at any point during the Cold War and accounts for more than half of all discretionary spending.[2] However, the U.S. faces no existential threats as it did then, and U.S. defense needs are changing as the military draws down its presence in Iraq and Afghanistan.

Still, military spending at the Department of Defense (DoD) has increased by an astounding 95 percent from FY 2001 to the FY 2013 estimate, adjusted for inflation.[3] Nuclear weapons spending at the Department of Energy (DOE) is projected to grow by billions of dollars over the next decade.[4] And the federal government's reliance on contractors, most of whom work on national security-related work and cost on average nearly twice as much as the federal workers who do the same job, is also driving budgets through the roof.[5] It's clear that any serious proposal to shrink the U.S. deficit must include cuts to the national security budget.

The following list updates our recommendations from 2011[6] and details nearly $700 billion in savings over the next ten years, including cuts to wasteful weapons systems as well as limits on out-of-control contract spending. We found programs for which there are cheaper yet equally effective alternatives, and programs that can be cancelled or delayed without putting America's security at risk.

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[1] For the purposes of our analysis, the national security budget includes items from the Department of Defense and from the Department of Energy's semiautonomous National Nuclear Security Administration. Our calculation of service contractors includes budget items from other defense-related departments and agencies, including the Department of Homeland Security, State Department, U.S. Agency for International Development, Millennium Challenge Corporation, Central Intelligence Agency, Intelligence Community Staff, National Counterintelligence Center, and Defense Nuclear Facilities Safety Board.

[2] White House, Office of Management and Budget "Table 5.5—Budget Authority by Agency: 1976-2017" and "Table 9.4—National Defense Outlays for Major Public Direct Physical Capitol Investment: 1940-2013," *Historical Tables*. http://www.whitehouse.gov/omb/budget/Historicals (Downloaded May 7, 2012)

[3] White House, Office of Management and Budget "Table 5.2—Budget Authority by Agency: 1976-2017," *Historical Tables*. http://www.whitehouse.gov/omb/budget/Historicals (Downloaded May 7, 2012)

[4] Department of Energy, National Nuclear Security Administration, Office of Chief Financial Officer, *FY 2013 Congressional Budget Request: Office of the Administrator, Weapons Activities, Defense Nuclear Nonproliferation, Naval Reactors*, Vol. 1 (DOE/CF-0071), February 2012. http://www.cfo.doe.gov/budget/13budget/content/volume1.pdf (Downloaded May 7, 2012) (Hereinafter *Congressional Budget Request: Office of the Administrator, Weapons Activities*)

[5] Project On Government Oversight, *Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors*, September 13, 2011. http://www.pogo.org/pogo-files/reports/contract-oversight/bad-business/co-gp-20110913.html (Downloaded May 7, 2012) (Hereinafter *Bad Business*)

[6] Project On Government Oversight and Taxpayers for Common Sense, *Spending Less, Spending Smarter: Recommendations for National Security Savings FY 2012 to FY 2021*, October 19, 2011. http://www.pogo.org/pogo-files/reports/national-security/spending-less-spending-smarter-ns-wds-20110721.html (Downloaded May 7, 2012) (Hereinafter *Spending Less, Spending Smarter*)

The Project On Government Oversight is a nonpartisan independent watchdog that champions good government reforms. POGO's investigations into corruption, misconduct, and conflicts of interest achieve a more effective, accountable, open, and ethical federal government. Taxpayers for Common Sense is a nonpartisan budget watchdog serving as an independent voice for American taxpayers. Its mission is to achieve a government that spends taxpayer dollars responsibly and operates within its means. TCS works with individuals, policymakers, and the media to increase transparency, expose and eliminate wasteful and corrupt subsidies, earmarks, and corporate welfare, and hold decision makers accountable.

Wasteful Spending in the Department of Defense Budget

Cancel the Lockheed Martin variant of the Littoral Combat Ship (LCS)
Minimum Savings: $187.2 million

The Navy plans to procure 55 littoral combat ships (LCS) over the life of the program to engage in mine sweeping, counter submarine warfare, and as a surface combatant.[7] There are two variants of the LCS: one built by a team led by General Dynamics (GD) and Austal USA, which costs $345.8 million per ship; and the other built by a team led by Lockheed Martin, which costs $12 million more per ship, coming in at $357.5 million each.[8] However, according to the DoD's testing office's FY 2011 Annual Report, both variants are "not expected to be survivable in a hostile combat environment."[9] In addition, a POGO investigation found that the Lockheed Martin variant has been beset by cracks, corrosion, and equipment failures.[10]

The Armed Forces Journal has noted that, "With dozens of different systems on each design, sailors qualified to serve on one LCS or the other are no more qualified to serve on the other LCS class than an amphibious sailor."[11] This will ultimately increase personnel costs and decrease military readiness. If the 31 LCS scheduled to be purchased from FY 2013 to

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[7] Congressional Research Service, Ronald O'Rourke, *Navy Littoral Combat Ship (LCS) Program: Background, Issues, and Options for Congress*, April 6, 2012, p. 1. http://www.fas.org/sgp/crs/weapons/RL33741.pdf (Downloaded May 7, 2012)

[8] The contract with General Dynamics specifies that $691,599,014 was added for the construction of two ships, $345.8 million per ship, and the contract with Lockheed Martin specifies that $715,000,351 was added for the construction of two ships, $357.5 million per ship. The Naval Sea Systems Command, "Navy Funds FY 12 Littoral Combat Ships," *Military.com*, March 19, 2012. http://www.military.com/news/article/navy-news/navy-funds-fy12-littoral-combat-ships.html (Downloaded May 7, 2012)

[9] Director, Operational Test and Evaluation, *FY 2011 Annual Report*, Department of Defense, p. 141. https://www.documentcloud.org/documents/283910-2011-dote-annual-report.html#document/p159/a44056 (Downloaded May 3, 2012)

[10] Letter from Project On Government Oversight to Chairmen and Ranking Members of the Senate and House Armed Services Committees about the Littoral Combat Ship, April 23, 2012. http://www.pogo.org/pogo-files/letters/national-security/ns-lcs-20120423-littoral-combat-ship-cracks.html (Downloaded May 7, 2012)

[11] Christopher Cavas, "Past Imperfect: Like First Carriers, Littoral Combat Ship Enters Age of Experimentation," *Armed Forces Journal*, April 29, 2011. http://www.armedforcesjournal.com/2011/04/5848053/ (Downloaded May 7, 2012)

FY 2022[12] were bought from GD/Austal, taxpayers could save $187.2 million in procurement costs,[13] and untold more in operating and support costs.

Eliminate unrequested funding for the M1 tank
Savings: $230 million

In 2011, in an effort to keep the Abrams M1A2 SEP (System Enhancement Package) tank line "hot," the House appropriated $272 million beyond the DoD's request for these new tanks.[14] Now, for the FY 2013 budget, Congress is yet again forcing the Army to procure more tanks than the Army says it needs.[15] The tanks, 33 in total,[16] will cost taxpayers approximately $230 million.[17] The Army already has more than 500 of the tanks[18] and has not indicated a need for increased production. This pork should be cut from the budget.

Freeze development of unproven Ground-based Midcourse Defense system
Savings: $6 billion

The Ground-based Midcourse Defense (GMD) system consists of 30 interceptors designed to destroy ballistic missiles in midflight.[19] This Missile Defense Agency program has been plagued by cost increases, test failures, and delays, according to a recent Government Accountability Office (GAO) report.[20] And as the Congressional Budget Office (CBO) noted, critics argue that

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[12] Congressional Research Service, Ronald O'Rourke, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, April 24, 2012, p. 7. http://www.fas.org/sgp/crs/weapons/RL32665.pdf (Downloaded May 7, 2012)

[13] Assuming the GD/Austal variants remain $11.7 million cheaper than the Lockheed variants and that 16 Lockheed variants would be replaced by GD/Austal variants, the Navy would pay $187.2 million less than if it procured 16 LCS from Lockheed and 15 LCS from GD/Austal.

[14] Committee on Appropriations, "Report on Department of Defense Appropriations Bill, 2012," July 11, 2011, p. 4. https://www.documentcloud.org/documents/215103-2012-defense-approps-full-committee-report.html#document/p14/a26428 (Downloaded May 7, 2012)

[15] Kate Brannen, "U.S. Army to Congress: No New Tanks, Please," *DefenseNews.com*, March 7, 2012. http://www.defensenews.com/article/20120307/DEFREG02/303070011/U-S-Army-Congress-No-New-Tanks-Please (Downloaded May 7, 2012). The Army did request $74.4 million, but that was for "system technical support." Department of Defense, *Program Acquisition Costs by Weapon System*, February 2012, p. 4. https://www.documentcloud.org/documents/291938-fy13-program-acq-costs-by-weapon-system.html#document/p4/a44597 (Downloaded May 7, 2012)

[16] Robert P. Casey Jr., "Casey Pushes for Continued Production of Tank that Maintains national Security and Supports Over 40 PA Businesses." http://www.casey.senate.gov/newsroom/press/release/?id=b2c1d56e-9938-4353-80d2-babcd7a8c44f (Downloaded May 7, 2012)

[17] The $230 million cost is arrived at by multiplying the 33 upgraded tanks by the cost of each in last year's budget—$6.925 million. Department of the Army, *Fiscal Year (FY) 2013 President's Budget Submission*, February 2012, p. 115. http://www.saffm.hq.af.mil/shared/media/document/AFD-120207-047.pdf (Downloaded May 7, 2012) (Hereinafter *Fiscal Year (FY) 2013 President's Budget Submission*)

[18] GlobalSecurity.org, "M1 Abrams Main Battle Tank." http://www.globalsecurity.org/military/systems/ground/m1-specs.htm (Downloaded May 7, 2012)

[19] Department of Defense, Missile Defense Agency, "Elements: Ground-based Midcourse Defense (GMD)," http://www.mda.mil/system/gmd.html (Downloaded May 7, 2012)

[20] Government Accountability Office, *Missile Defense: Opportunity Exists to Strengthen Acquisitions by Reducing Concurrency*, April 2012. http://gao.gov/assets/600/590277.pdf (Downloaded May 7, 2012)

"testing of the system to date has been insufficient to verify that it will function as intended."[21] CBO suggested eliminating phases of the GMD program that would expand missile interceptors in Alaska and establish new ones in Europe until current systems are proven.[22] This would still permit development of interceptors to provide defense for the U.S. against missiles from such countries as Iran and North Korea, the current concern of the GMD program. Freezing funding would save more than $4.5 billion that the Missile Defense Agency estimates will be spent on GMD from FY 2013 to FY 2017.[23]

The Precision Tracking Space System (PTSS) is a related missile defense project that has drawn scrutiny from Congress because of its possible similarity to other, less expensive missile defense systems.[24] The DoD should freeze the $1.5 billion it plans to spend on PTSS from FY 2013 to FY 2017[25] while analysis of alternative programs is conducted.

Cancel future satellites of the Space-Based Infrared System
Savings: $6 billion

Military space programs have a record of cost and schedule overruns.[26] The $18 billion Space-Based Infrared System (SBIRS), intended to provide initial warning of a ballistic missile attack,[27] is a classic example, according to a 2012 GAO report that called it "one of the most troubled" military space programs.[28] The system finally launched the first of six planned satellites in 2011, after nearly a decade of delays and a cost increase of 231 percent.[29] The DoD is locked into procuring four of these satellites, and the two remaining satellites[30] are estimated

[21] Congressional Budget Office, *Options for Deploying Missile Defenses in Europe*, February 2009, p. ix. http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/100xx/doc10013/02-27-missiledefense.pdf (Downloaded May 7, 2012)

[22] Congressional Budget Office, *Budget Options Volume 2,* August 2009, p. 20. http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/102xx/doc10294/08-06-budgetoptions.pdf (Downloaded May 7, 2012)

[23] Department of Defense, Missile Defense Agency, *Missile Defense Agency (MDA) Fiscal Year 2013 Budget Outline*, p. 6. http://www.mda.mil/global/documents/pdf/budgetfy13.pdf (Downloaded May 7, 2012) (Hereinafter *Missile Defense Agency FY 2013 Budget Outline*)

[24] U.S. Congress, "FY13 National Defense Authorization Bill" (H.R. 4310), Introduced March 29, 2012, by Representative Howard P. McKeon, pp. 11-12. http://armedservices.house.gov/index.cfm/files/serve?File_id=584b7120-a5d9-472c-8eaa-5d8a3fcd59d2 (Downloaded May 3, 2012)

[25] *Missile Defense Agency FY 2013 Budget Outline*, p. 6.

[26] Taxpayers for Common Sense, *Loss in Space: Space Security Spending 2009*, March 29, 2009. http://www.taxpayer.net/user_uploads/file/NationalSecurity/2009/Space/TCSLoss_in_Space.pdf (Downloaded May 7, 2012)

[27] U.S. Air Force, Air Force Space Command, "Space Based Infrared Systems," April 27, 2011. http://www.afspc.af.mil/library/factsheets/factsheet.asp?id=3675 (Downloaded May 7, 2012)

[28] Testimony of Christina T. Chaplain, Director of Acquisition and Sourcing Management, Government Accountability Office, before the Subcommittee on Strategic Forces, Committee on Armed Services, U.S. Senate on "DOD Faces Challenges in Fully Realizing Benefits of Satellite Acquisition Improvements," March 21, 2012, p. 2. http://www.gao.gov/assets/590/589487.pdf (Downloaded May 7, 2012) (Hereinafter Testimony of Christina T. Chaplain)

[29] Testimony of Christina T. Chaplain, pp. 2-3

[30] Government Accountability Office, *Defense Acquisitions: Assessments of Selected Weapons Programs,* March 2012, pp. 125-126. http://www.gao.gov/assets/590/589695.pdf (Downloaded May 7, 2012)

to cost $3 billion each.[31] There is little justification for procuring two more mega satellites when the DoD has alternatives to explore.[32]

Defer development of Next-Generation Bomber
Savings: $6.3 billion

The DoD plans to build between 80 and 100 "next-generation" Long-Range Strike Bombers to augment the Air Force's fleet of B-52, B-1B, and B-2 planes,[33] which drop both nuclear and conventional bombs.[34] The program is projected to cost $6.3 billion[35] between FY 2013 and FY 2017 alone, and will likely cost billions more over the life of the program. The Administration initially cancelled the program in FY 2010 as there was "no urgent need" for a new bomber because "current aircraft will be able to meet the threats expected in the foreseeable future."[36] The B-1B and B-2 are undergoing upgrades,[37] and the Air Force expects the B-52 will be operational until at least 2045.[38] Deferring development of costly and unnecessary next-generation systems saves money and is low-risk because of robust U.S. nuclear- and conventional-bomb delivery capabilities that will be available for decades.

Replace the V-22 Osprey with MH-60 and CH-53 helicopters
Savings: $17.1 billion

The V-22 Osprey is a tilt-rotor aircraft that can take off and land like a helicopter, but can fly like a plane. Unfortunately, its cost has more than doubled since initial estimates[39] and, according to the GAO, it had a full mission capability (FMC) rate of just 6 percent while operating in Iraq

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[31] Testimony of Christina T. Chaplain, p. 2

[32] We do not have a cost estimate for smaller satellites, but we encourage the Department of Defense to price an alternative to costly mega satellites. Sustainable Defense Task Force, *Debt, Deficits, & Defense: A Way Forward,* June 11, 2010, p. 16. http://www.comw.org/pda/fulltext/1006SDTFreport.pdf (Downloaded May 7, 2012) (Hereinafter *Debt, Deficits, & Defense: A Way Forward*)

[33] Senate Subcommittee of the Committee on Appropriations, *Department of Defense Appropriations for Fiscal Year 2012,* March 30, 2011, p. 28. http://www.gpo.gov/fdsys/pkg/CHRG-112shrg99104431/pdf/CHRG-112shrg99104431.pdf (Downloaded May 7, 2012)

[34] Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2010 Terminations, Reductions, and Savings,* 2009, p. 44. http://www.gpo.gov/fdsys/pkg/BUDGET-2010-TRS/pdf/BUDGET-2010-TRS.pdf (Downloaded May 7, 2012) (Hereinafter *FY 2010 Budget, Terminations, Reductions, and Savings*)

[35] The cost for FY 2013 is $291 million, FY 2014 is $550 million, FY 2015 is $1,045 million, FY 2016 is $1,727 million, and FY 2017 is $2,707 million. Department of Defense, *Fiscal Year 2013 President's Budget Submission: Research, Development, Test & Evaluation, Air Force,* Vol. 2, February 2012, p. 193. http://www.saffm.hq.af.mil/shared/media/document/AFD-120207-047.pdf (Downloaded May 7, 2012)

[36] *FY 2010 Budget, Terminations, Reductions, and Savings,* p. 44.

[37] Airman Charles Rivezzo, "B-1B Lancer upgrade will triple payload," U.S. Air Force Website, April 11, 2011. http://www.af.mil/news/story.asp?id=123250639; United States Air Force, "Air Force not being stealthy about upgrading B-2 fleet," U.S. Air Force Website, January 2, 2007. http://www.af.mil/news/story.asp?id=123036531 (Downloaded May 7, 2012)

[38] Tinker Air Force Base, "B-52 Stratofortress." http://www.tinker-af.org/b52.htm (Downloaded May 7, 2012)

[39] Department of Defense, *Selected Acquisition Report (SAR): V-22,* December 31, 2011, p. 42. http://www.dod.gov/pubs/foi/logistics_material_readiness/acq_bud_fin/SARs/DEC%202011%20SAR/V-22%20-%20SAR%20-%2031%20DEC%202011.pdf (Downloaded May 7, 2012) (Hereinafter *Selected Acquisition Report (SAR): V-22*)

between October 2007 and June 2008.[40] The V-22 is simply neither cost- nor operationally effective. The Sustainable Defense Task Force (SDTF) has noted that the overpriced, underperforming V-22 Osprey can be replaced by helicopters.[41] Specifically, the SDTF recommends a high/low lift combination of MH-60 and CH-53 helicopters. Based on the latest DoD figures for the procurement and operating costs of these aircraft,[42] replacing the 170 Ospreys scheduled to be built between FY 2013 and FY 2019 with MH-60 and CH-53 helicopters would save more than $17.1 billion from FY 2013 to FY 2022.[43]

Cut four submarines from next-generation fleet
Savings: $18 billion

The Navy plans to replace its fleet of 14 Ohio-class nuclear-powered ballistic missile submarines (SSBNs) with 12 new submarines, called the SSBN(X) fleet.[44] The SSBN(X) program is estimated to cost a staggering $347 billion over the life of the submarines.[45] The CBO estimates that the first SSBN(X) sub will cost about $13.3 billion,[46] and that each subsequent sub will cost $7.2 billion.[47] The SSBN(X) fleet can be reduced to eight while still maintaining a robust deterrent. Under the New START agreement, the U.S. can deploy a little over 1,000 warheads on submarines,[48] and each of the eight SSBN(X) subs would carry 16 missiles for a total of 1,024

[40] Testimony of Michael J. Sullivan, Director of Acquisition and Sourcing Management, Government Accountability Office, before the Committee on Oversight and Government Reform, U.S. House of Representatives on "V-22 Osprey Aircraft: Assessment Needed to Address Operational and Cost Concerns to Define Future Investments," June 23, 2009, p. 7. http://www.gao.gov/new.items/d09692t.pdf (Downloaded May 7, 2012)
[41] *Debt, Deficits, & Defense: A Way Forward*, p. 23.
[42] *Selected Acquisition Report (SAR): V-22*; Department of Defense, *Selected Acquisition Report (SAR): MH-60S*, December 31, 2011.
http://www.dod.gov/pubs/foi/logistics_material_readiness/acq_bud_fin/SARs/DEC%202011%20SAR/MH-60S%20-%20SAR%20-%2031%20DEC%202011.pdf (Downloaded May 7, 2012); Department of Defense, *Selected Acquisition Report (SAR): CH-53K*, December 31, 2011.
http://www.dod.gov/pubs/foi/logistics_material_readiness/acq_bud_fin/SARs/DEC%202011%20SAR/CH-53K%20-%20SAR%20-%2031%20DEC%202011.pdf (Downloaded May 7, 2012)
[43] This calculation is based on replacing V-22s with 27 CH-53s already set to be procured from FY 2016 to FY 2019, and the remaining V-22s with MH-60s. The calculation also accounts for savings resulting from the lower operating costs of these helicopters compared to the Osprey. All calculations utilize acquisition unit cost and operation and support cost estimates from the latest Selected Acquisition Report for each aircraft.
[44] Congressional Research Service, Ronald O'Rourke, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, April 5, 2012, p. 1.
http://www.fas.org/sgp/crs/weapons/R41129.pdf (Downloaded May 7, 2012)
[45] Christopher J. Castelli, "DOD: New Nuclear Subs Will Cost $347 Billion To Acquire, Operate," *InsideDefense.com*, February 17, 2011.
http://defensenewsstand.com/NewsStand-General/The-INSIDER-Free-Article/dod-new-nuclear-subs-will-cost-347-billion-to-acquire-operate/menu-id-720.html (Downloaded May 7, 2012)
[46] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2012 Shipbuilding Plan,* June 2011, p. 16. http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/122xx/doc12237/06-23-navyshipbuilding.pdf (Downloaded May 7, 2012) (Hereinafter *An Analysis of the Navy's Fiscal Year 2012 Shipbuilding Plan*)
[47] *An Analysis of the Navy's Fiscal Year 2012 Shipbuilding Plan*, p. 15.
[48] "Treaty Between the United States of America and the Russian Federation on Measures for the Further Reduction and Limitation of Strategic Offensive Arms," April 8, 2010, *Treaties and Other International Acts Series*, no. 111-5. 2010. http://www.state.gov/documents/organization/140035.pdf (Downloaded May 7, 2012) (Hereinafter "Treaty Between the United States of America and the Russian Federation")

warheads.[49] Eliminating four submarines from the fleet would save at least $18 billion in operations, maintenance, research, and procurement costs over ten years, and up to $122 billion over the 50-year lifecycle of the ballistic missile submarine program.[50]

Cut aircraft carriers from 11 to 10 and Navy wings from 10 to 9
Savings: $18.4 billion

The Navy currently has as many aircraft carriers as the rest of the world combined.[51] According to the CBO, the Navy could utilize 10 carriers instead of 11 because: “Recent experience suggests that the Navy mobilizes 5 to 7 carriers to fight a major war, and the 10 carriers remaining in the fleet under this option would still provide a force of at least 5 or 6 carriers within 90 days to fight such a war.”[52]

The CBO estimates that about $7 billion can be saved by retiring the USS *George Washington* in 2016, prior to it going through the costly refueling and complex overhaul process, and accordingly reducing Navy force size by 5,600 sailors.[53] According to the CBO, this option also eliminates the administrative structure of the air wing associated with the carrier, but keeps the planes and redeploys the other ships in the carrier strike group to support other missions. For even further savings beyond the $7 billion, these ships and planes could be retired out of service.

The USS *Nimitz*, the oldest of the Nimitz class carriers, was commissioned in 1975[54] and has a 50-year service life.[55] It can thus remain operational into the mid 2020’s when the Navy expects delivery of CVN-80, the third Ford-class aircraft carrier.[56] However, the USS *John F. Kennedy* (CVN-79), the second of the Ford-class aircraft carriers, is scheduled to be procured prior to this.[57] Decommissioning the *Nimitz* early simply to make room for USS *John F. Kennedy* or having both carriers in the fleet simultaneously offers little additional security at considerable cost. If the Navy foregoes procurement of USS *John F. Kennedy*, taxpayers will save $11.4 billion in procurement costs alone.[58] Altogether, taxpayers can save at least $18.4 billion while still maintaining a formidable 10-carrier fleet.

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[49] Arms Control Association, “Nuclear Weapons Budget Fact Sheet,” April 9, 2012, p. 2. http://www.armscontrol.org/files/Nuke-Budget-Fact-Sheets-DOD-04-10-2012.pdf (Downloaded May 7, 2012) (Hereinafter “Nuclear Weapons Budget Fact Sheet”)
[50] “Nuclear Weapons Budget Fact Sheet,” p. 2
[51] Globalfirepower.com, “Total Aircraft Carrier Strength by Country,” http://www.globalfirepower.com/navy-aircraft-carriers.asp (Downloaded May 7, 2012)
[52] Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, http://www.cbo.gov/publication/22043 (Downloaded May 7, 2012) (Hereinafter *Reducing the Deficit: Spending and Revenue Options*)
[53] *Reducing the Deficit: Spending and Revenue Options*
[54] Naval Vessel Register. “USS Nimitz,” http://www.nvr.navy.mil/nvrships/details/CVN68.htm (Downloaded May 7, 2012)
[55] Navy.mil, “The US Navy-Fact File: Aircraft Carriers-CVN,” http://www.navy.mil/navydata/fact_display.asp?cid=4200&tid=200&ct=4 (Downloaded May 7, 2012)
[56] Congressional Research Service, Ronald O’Rourke, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, April 4, 2012, p. 5. http://www.fas.org/sgp/crs/weapons/RS20643.pdf (Downloaded May 7, 2012) (Hereinafter *Navy Ford (CVN-78) Class Aircraft Carrier Program*)
[57] *Navy Ford (CVN-78) Class Aircraft Carrier Program*, p. 4.
[58] *Navy Ford (CVN-78) Class Aircraft Carrier Program*, p. 4.

Withdraw 40,000 troops from Europe
Savings: $32 billion

There are currently more than 80,000 U.S. troops stationed in Europe.[59] Decreasing this U.S. subsidy of Europe's national security will save taxpayers billions through reduced personnel and operations & maintenance (O&M) costs, such as military housing and transport.[60] The U.S. has built a unique capacity to deploy rapidly from offshore bases as needed, an approach that has both financial and strategic advantages. Additionally, taxpayer enthusiasm for subsidizing European countries' defense is eroding. In fact, 47% of Americans support pulling *all* U.S. troops out of Europe.[61] Removing just half of our troops in Europe—40,000 troops—and reducing force structure accordingly would save at least $32 billion over the next ten years, based on the DoD's average cost per soldier.[62]

Replace the B and C models of the F-35 with the F/A-18E/F
Savings: $61.7 billion

The B and C models of the F-35—the military's newest fighter plane—are the most expensive variants of the most expensive DoD procurement ever. Both of these variants have been plagued by cost overruns and schedule delays,[63] and are now estimated to cost just under $200 million each.[64] The F/A-18E/F Super Hornet has many capabilities that rival the F-35[65] and costs far less, with a price of around $65 million each.[66] Additionally, each of the B and C models of the

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[59] Department of Defense, *Active Duty Military Personnel Strengths by Regional Area and by Country (309A)*, December 31, 2011, p. 1. http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst1112.pdf (Downloaded May 7, 2012)
[60] *Debt, Deficits, & Defense: A Way Forward*, pp. 16-18.
[61] Rasmussen Reports, "47% Support Pulling U.S. Troops Out of Europe." http://www.rasmussenreports.com/public_content/politics/general_politics/january_2012/47_support_pulling_u_s_troops_out_of_europe (Downloaded May 7, 2012)
[62] The DoD's average cost per active-duty personnel per year is approximately $80,000. Multiplied by 40,000, this equals $3.2 billion per year in savings. $3.2 billion per year for ten years equals $32 billion. This savings is based solely on the direct costs of troops and does not include indirect savings that would be realized (e.g. European base closures, equipment transport, military construction in Europe). Average cost per active-duty personnel was obtained by dividing total direct active-duty personnel costs in FY 2012 ($130 billion) by the total number of active duty troops at the beginning of FY 2012 (1,626,513). Department of Defense, *Military Personnel Programs (M-1): Department of Defense Budget Fiscal Year 2013*, February 2012, p. 16. http://comptroller.defense.gov/defbudget/fy2013/fy2013_m1.pdf (Downloaded May 7, 2012); Department of Defense, *Active Duty Military Personnel Strengths by Regional Area and by Country (309A)*, September 30, 2011, p. 4. http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst1109.pdf (Downloaded May 7, 2012)
[63] Department of Defense, *Selected Acquisition Report (SAR): F-35*, December 31, 2011. http://www.defense-aerospace.com/dae/articles/communiques/F-35Dec11FinalSAR-3-29-2012.pdf (Downloaded May 7, 2012) (Hereinafter *Selected Acquisition Report (SAR): F-35*)
[64] *Fiscal Year (FY) 2013 President's Budget Submission*, pp. 129, 143.
[65] The F/A-18E/F Super Hornets do, however, lack the F-35's stealth and the F-35B's short takeoff and vertical landing capabilities. Defensetech.org, "The Super Hornet as a Stealth Killer?" http://defensetech.org/2011/12/30/the-super-hornet-as-a-stealth-killer/ (Downloaded May 7, 2012); Eric Palmer blog, "Define 'theoretical.'" http://elpdefensenews.blogspot.com/2012/04/define-theoretical.html (Downloaded May 7, 2012)
[66] *Fiscal Year (FY) 2013 President's Budget Submission*, pp. 115.

F-35 costs more than $11 million (in 2012 dollars) per year to fly,[67] while each Super Hornet costs $5.7 million (in 2012 dollars) per year to fly.[68]

From FY 2013 to FY 2022, a total of 328 B and C models are scheduled to be procured.[69] Replacing these with F/A-18E/F's would save $54 billion in procurement costs, and the lower flight-hour costs of the F/A-18E/F would save another $7.7 billion.[70]

Reform TRICARE
Savings: $76.5 billion

The cost of TRICARE, DoD's health care system, has more than doubled in the last decade and in FY 2012 will exceed more than $50 billion.[71] Many military retirees who are fully employed and have health insurance available still opt for TRICARE,[72] which amounts to a government subsidy for employers. Congress has prevented attempts to halt this spending trajectory in the past,[73] but last year lawmakers voted to allow TRICARE fees to rise[74] for the first time since the system's creation nearly 20 years ago.[75]

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[67] The B and C models cost $38,400 and $36,300 per hour to fly, respectively. Colin Clark, "F-35 Total Costs Soaring to $1.5 Trillion; Lockheed Defends Program," *AOLDefense.com*, March 30, 2012. http://defense.aol.com/2012/03/30/f-35-total-costs-soar-to-1-5-trillion-lockheed-defends-program (Downloaded May 7, 2012) According to the F-35 Selected Acquisition Report as of December 31, 2011, each of the B and C models are expected to fly 302 and 316 hours per year, respectively. Multiplying these hours per year by cost per hour shows that each of the B model will cost $11.6 million per year to fly, and each of the C model will cost nearly $11.5 million. *Selected Acquisition Report (SAR): F-35*, p. 84.

[68] This figure comes from taking the $4.3 million (in 2000 dollars) operating cost figure from the Super Hornet Selected Acquisition Report and calculating the value of this amount in 2012 using the inflation calculator at the Bureau of Labor Statistics. Department of Defense, *Selected Acquisition Report (SAR): F/A-18E/F*, December 31, 2011, p. 32. http://www.dod.gov/pubs/foi/logistics_material_readiness/acq_bud_fin/SARs/DEC%202010%20SAR/FA-18E%20F%20-%20SAR%20-%2025%20DEC%202010.pdf (Downloaded May 7, 2012). Each Super Hornet costs $4.3 million per year to fly in 2000 dollars. 2012 cost obtained by calculating for inflation. Bureau of Labor Statistics, "Inflation Calculator," http://www.bls.gov/data/inflation_calculator.htm (Downloaded May 7, 2012)

[69] *Selected Acquisition Report (SAR): F-35*, p. 36.

[70] *Selected Acquisition Report (SAR): F-35*.

[71] Department of Defense, *Overview—FY 2013 Defense Budget*, February 2012, pp. 5-2. http://comptroller.defense.gov/defbudget/fy2013/FY2013_Budget_Request_Overview_Book.pdf (Downloaded May 7, 2012) (Hereinafter *Overview—FY 2013 Defense Budget*)

[72] *Debt, Deficits, & Defense: A Way Forward*, p. 26.

[73] Rick Maze, "Congress plans to block Tricare fee increases," *ArmyTimes.com*, October 7, 2009. http://www.armytimes.com/news/2009/10/military_tricarefees_blocked_100709w (Downloaded May 7, 2012)

[74] U.S. Congress, "National Defense Authorization Act for Fiscal Year 2012" (H.R. 1540), Introduced April 14, 2011, by Representative Howard P. McKeon, p. 172. http://www.gpo.gov/fdsys/pkg/BILLS-112hr1540enr/pdf/BILLS-112hr1540enr.pdf (Downloaded May 7, 2012)

[75] Tom Philpott, "TRICARE fee increases OK'd," *DailyPress.com*, June 27, 2011. (Subscription required) http://articles.dailypress.com/2011-06-27/news/dp-nws-milupdate-0627-20110627_1_fees-for-working-age-retirees-fee-increases-tricare-prime-enrollment-fees (Downloaded May 3, 2011)

The resulting changes incorporated some recommendations of the Quadrennial Review of Military Compensation[76] as we called for.[77] This year, the DoD is seeking additional reforms including modest increases in co-pays and enrollment fees,[78] as well as pharmacy co-pay changes to encourage use of mail-order and military pharmacies, which will save $16.5 billion over the next ten years.[79] These small reforms of taking military retirees off TRICARE when they have health insurance available through their employer will save taxpayers $76.5 billion. The DoD also proposed to tie future increases to an index that tracks medical inflation, which would save up to an additional $6 billion per year,[80] or $60 billion over the next ten years.

Wasteful Spending on Nuclear Weapons Programs

Make NATO members share the burden of B61 nuclear bomb in Europe
Savings: $2.1 billion

As part of NATO's defense, the United States deploys an estimated 150 to 200 B61 non-strategic nuclear bombs at six bases in five European countries: Belgium, Germany, Italy, Turkey, and the Netherlands.[81] However, since NATO's inception, the United States has borne the lion's share of military costs. U.S. taxpayers will be expected to reach into their pockets to entirely cover the $2.1-billion cost of modernizing these B61s through a life extension program (LEP).[82] Furthermore, established security vulnerabilities at European bases raise concerns about the level of risk the United States must assume to secure these weapons.[83] If U.S. and European leaders want to continue maintaining these weapons in Europe, then European NATO members must step up and share the burden by paying to modernize them.

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[76] Department of Defense, *Report of the Tenth Quadrennial Review of Military Compensation: Volume II Deferred and Noncash Compensation*, July 2008, p. 56. http://www.defense.gov/news/QRMCreport.pdf (Downloaded May 3, 2012)

[77] *Spending Less, Spending Smarter*

[78] *Overview—FY 2013 Defense Budget*, pp. 5-4.

[79] $10.6 billion from increasing the pharmacy benefit co-payments, $5.9 billion from increasing premiums for TRICARE life enrollment. White House, Office of Management and Budget, *Fiscal Year 2013 Budget of the U.S. Government*, February 13, 2012, p. 233. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf (Downloaded May 7, 2012)

[80] Center for American Progress, Lawrence J. Korb, Alex Rothman and Max Hoffman, *Reforming Military Compensation: Addressing Runaway Personnel Costs Is a National Imperative*, May 7, 2012, p. 23. http://www.americanprogress.org/issues/2012/05/military_compensation.html (Downloaded May 8, 2012)

[81] Robert S. Norris and Hans M. Kristensen, "U.S. tactical nuclear weapons in Europe, 2011," *Bulletin of the Atomic Scientists*, Vol. 67, No.1, January/February 2011, pp. 64-73. http://bos.sagepub.com/content/67/1/64.full.pdf+html (Downloaded May 7, 2012)

[82] Letter from Danielle Brian, Executive Director of Project On Government Oversight, to the Honorable Leon E. Panetta, Secretary, Department of Defense, about European NATO members bearing increased share of costs of B61s in Europe, February 1, 2012. http://www.pogo.org/pogo-files/letters/nuclear-security-safety/nss-dod-20110201-pogo-panetta-taxpayers-shouldnt-bear-cost-of-b61-bombs-europe.html (Downloaded May 7, 2012)

[83] Major General Polly A. Peyer, Air Force, *Air Force Blue Ribbon Review of Nuclear Weapons Policies and Procedures*, February 8, 2008, pp. 51-52. http://www.fas.org/nuke/guide/usa/doctrine/usaf/BRR-2008.pdf (Downloaded May 7, 2012)

Cancel the CMRR-Nuclear Facility at Los Alamos National Laboratory
Savings: $3.7 billion to $5.9 billion

After over a decade of planning, the Chemistry and Metallurgy Research Replacement-Nuclear Facility (CMRR-NF) is estimated to cost a staggering $3.7 billion to $5.9 billion,[84] at least ten times more than its initial cost estimate of $375 million.[85] The proposed New Mexico facility would increase the United States' production of plutonium pits, a primary component of nuclear weapons. However, as POGO has argued,[86] a growing body of scientific evidence and expert testimony shows that increased plutonium pit production is not necessary to national security and is actually counter to a U.S. agreement to reduce deployed nuclear weapons until at least 2021.[87] In early 2012, the Administration made a move in the right direction and proposed putting CMRR-NF on hold for at least five years.[88] According to the Office of Management and Budget, the National Nuclear Security Administration (NNSA) has found "existing infrastructure in the nuclear complex" that "has the inherent capacity to provide adequate support"[89] to nuclear weapons and science missions—without CMRR-NF. The House Appropriations Committee rightly zeroed out funding for CMRR-NF in April 2012, but the House Armed Services Committee's chairman's mark of the National Defense Authorization Act for FY 2013, made public on May 6, included funding for it. In light of NNSA's own conclusion, it makes no sense to resurrect this costly facility-without-a-cause.

Halt construction of the MOX Fuel Fabrication Facility at the Savannah River Site
Savings: $4.9 billion

The Mixed Oxide (MOX) Fuel Fabrication Facility in South Carolina has gradually grown more expensive and less justifiable since its inception. The cost to construct the DOE facility has more than tripled since 2004 from an estimated $1.6 billion to the FY 2013 budget estimate of $4.9 billion.[90] The DOE estimates that the cost of the facility will only increase as the project experiences high personnel turnover and great difficulty finding experienced engineering and technical staff.[91] The DOE has justified the MOX facility as a way to turn weapons-grade

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[84] Department of Energy, National Nuclear Security Administration, *FY 2012 Stockpile Stewardship and Management Plan: Report to Congress*, April 15, 2011, p. 65. http://www.fas.org/programs/ssp/nukes/nuclearweapons/SSMP-FY2012.pdf (Downloaded May 7, 2012)
[85] Los Alamos Study Group, *LANL Master Project List*, February 9, 2001, p. 1. http://lasg.org/CMRR/Litigation/LANL_Master_Project_List-FY2001.pdf (Downloaded May 7, 2012)
[86] Project On Government Oversight, *U.S. Nuclear Weapons Complex: Energy Department Plans to Waste Billions of Dollars on Unneeded Los Alamos Lab Facility*, January 18, 2012. http://www.pogo.org/pogo-files/reports/nuclear-security-safety/energy-department-plans-to-waste-billions/nss-nwc-20120118-us-nuclear-weapons-complex.html (Downloaded May 7, 2012)
[87] "Treaty Between the United States of America and the Russian Federation"
[88] Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2013 Cuts, Consolidations, and Savings*, p. 18. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/ccs.pdf (Downloaded May 7, 2012) (Hereinafter *Fiscal Year 2013 Cuts, Consolidations, and Savings*)
[89] *Fiscal Year 2013 Cuts, Consolidations, and Savings*, p. 18.
[90] Letter from Project On Government Oversight et al. to the Honorable Rodney P. Frelinghuysen, Chairman, and the Honorable Peter J. Visclosky, Ranking Member, of the Appropriations Subcommittee on Energy and Water Development, about cutting MOX program, March 19, 2012. http://www.pogo.org/pogo-files/letters/nuclear-security-safety/nss-np-20120319-congress-mox-plutonium-fuel.html (Downloaded May 7, 2012)
[91] *Congressional Budget Request: Office of the Administrator, Weapons Activities*, p. 451

plutonium into mixed oxide fuel that can be used in nuclear power plants; however, it has struggled to find customers for MOX fuel among nuclear reactor operators.[92] As the House Appropriations Committee noted in 2011, the Japanese disaster at the Fukushima Daiichi reactors raises questions about the safety of MOX fuel in certain reactor designs and has made potential buyers of the fuel concerned.[93] Unless construction of this project is stopped, taxpayers will end up spending billions of dollars on a useless facility.

Cancel the Uranium Processing Facility at the Y-12 National Security Complex
Savings: $6.5 billion

While estimates from the DOE put the cost of the proposed Uranium Processing Facility (UPF) in Tennessee at $6.5 billion—up from $3.5 billion in 2011[94]—an independent review by the Army Corps of Engineers found that the facility could cost as much as $7.5 billion.[95] Furthermore, despite a recent Y-12 Performance Evaluation Report (PER) that found "an unacceptable level of cost and schedule risk"[96] associated with UPF, the Administration is pushing for accelerated funding for this new facility,[97] which would replace enriched uranium operations at Y-12's existing Building 9212. Y-12 officials reported in 2007 that it could upgrade "mission critical" facilities, such as Building 9212, to accommodate modern needs for $121 million.[98] And the Y-12 PER found that, as Building 9212 moved forward with upgrades, all recent improvements to the facility "were completed satisfactorily and ahead of schedule."[99] Given the option of upgrading an existing facility at a fraction of the cost of new construction, moving forward with UPF is completely unjustified.

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[92] Rob Pavey, "Buyers sought for MOX product," *The Augusta Chronicle*, August 11, 2010. http://chronicle.augusta.com/news/government/2010-08-11/buyers-sought-mox-product (Downloaded May 7, 2012)
[93] 112th Congress, House of Representatives, Energy and Water Development Appropriations Bill Report, 2012, June 24, 2011, p. 138. http://www.gpo.gov/fdsys/pkg/CRPT-112hrpt118/pdf/CRPT-112hrpt118.pdf (Downloaded May 7, 2012)
[94] *Congressional Budget Request: Office of the Administrator, Weapons Activities*, p. 244.
[95] Frank Munger, "Report: UPF could cost up to $7.5 billion," *Knoxville News Sentinel*, July 7, 2011. http://blogs.knoxnews.com/munger/2011/07/report-upf-could-cost-up-to-75.html (Downloaded May 7, 2012)
[96] National Nuclear Security Administration, *Performance Evaluation Report for Babcock and Wilcox Y-12 Technical Services, LLC, Contract Number DE-AC05-00OR22800*, Evaluation Period: October 1, 2010 through September 30, 2011, p. 30. http://www.nukewatch.org/importantdocs/resources/BW_Y-12_PER.pdf (Downloaded May 7, 2012) (Hereinafter *Performance Evaluation Report for Babcock and Wilcox Y-12 Technical Services*)
[97] *Congressional Budget Request: Office of the Administrator, Weapons Activities*, p. 243
[98] Y-12 National Security Complex, *Y-12 Ten-Year Plan*, March 2007, p. 61 http://nnsa.energy.gov/sites/default/files/nnsa/foiareadingroom/RR00389.pdf (Downloaded May 7, 2012)
[99] *Performance Evaluation Report for Babcock and Wilcox Y-12 Technical Services*, p. 33.

Downblend more highly enriched uranium and sell it as low enriched uranium
Revenue: $23 billion

The United States possesses an estimated 400 metric tons of highly enriched uranium (HEU), a fissile material used in nuclear weapons.[100] In 2010, POGO found that up to 300 metric tons of U.S. HEU was in excess of security needs and could be downblended into low enriched uranium (LEU)—which is unusable in nuclear weapons and therefore less of a terrorist target—and sold to nuclear power facilities.[101] While there is an initial cost associated with increased downblending, it is a small investment compared to the amount the U.S. currently spends keeping this excess material secure. With just a shoebox-full of HEU, a terrorist could create a blast as powerful as that created by the bomb dropped on Hiroshima. The U.S. currently downblends only 2 to 3 metric tons of HEU per year, but downblending more into LEU would reduce security risks, cut government spending, create jobs, and raise up to $23 billion in revenue for the Treasury.[102]

Service Contracts

Reduce spending on non-DoD national security federal service contracts by 15 percent
Savings: $33 billion

In FY 2011, non-DoD national security federal service contracts cost taxpayers more than $22 billion.[103] Last year, the White House proposed a government-wide 15 percent reduction in management service contracts.[104] We agreed with that proposal because POGO's *Bad Business* report found that the average annual contractor billable rate was nearly twice as much as the average annual full compensation for federal employees performing comparable services.[105]

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[100] Project On Government Oversight, *U.S. Nuclear Weapons Complex: How the Country Can Profit and Become More Secure by Getting Rid of Its Surplus Weapons-Grade Uranium*, September 14, 2010, p. 3. http://www.pogo.org/pogo-files/reports/nuclear-security-safety/downblending-heu/nss-nwc-20100914.html (Downloaded May 7, 2012) (Hereinafter *How the Country Can Profit and Become More Secure*)
[101] *How the Country Can Profit and Become More Secure*, p. 3.
[102] *How the Country Can Profit and Become More Secure*, p. 3.
[103] The non-DoD national security agencies we are examining are the Department of Homeland Security, State Department, U.S. Agency for International Development, Millennium Challenge Corporation, Central Intelligence Agency, Intelligence Community Staff, National Counterintelligence Center, and the Defense Nuclear Facilities Safety Board. There are, however, service contractors doing national security-related work in other agencies (e.g. nuclear scientists working with nuclear weapons for the Department of Energy), but because national security is not the primary mission of these agencies we did not include them in our estimates. Thus, the savings from reducing spending on non-DoD national security federal service contractors presented here are conservative estimates. USAspending.gov, "Prime Award Spending Data," http://1.usa.gov/KK1V1c (Downloaded May 7, 2012)
[104] Memorandum from Danny Werfel, Controller, and Daniel I. Gordon, Administrator for Federal Procurement Policy, to Chief Financial Officers, Chief Acquisitions Officers, and Senior Procurement Executives, regarding reduced contract spending for management support services, November 7, 2011, p. 1. http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/reduced-contract-spending-for-management-support-services.pdf (Downloaded May 7, 2012)
[105] *Bad Business*, pp. 1-44.

Additionally, egregious waste, fraud, and abuse has been found in State Department[106] and Homeland Security service contracts.[107] Mandating a 15 percent reduction in non-DoD national security agency spending on all service contracts would help ensure these agencies take steps toward eliminating waste and finding more effective fiscal efficiencies. This reduction would still leave service contract spending at these agencies at a higher level than it was in 2007. This 15 percent reduction would save taxpayers $33 billion over the next ten years.[108]

Reduce spending on DoD service contracts by 15 percent
Savings: $372 billion

Reducing reliance on service contractors in the DoD was a priority championed by former Secretary of Defense Robert Gates.[109] The annual cost of DoD service contracts has nearly tripled since 2000,[110] and there is evidence that many service contractors are performing inherently governmental functions.[111]

In its latest budget, the DoD Comptroller's office claims a number of savings related to service contracts.[112] Specifically, they claim that strategic sourcing, better buying practices, and streamlining installation support will result in a total savings of $12.8 billion in FY 2013. But this is tiny compared to what the DoD spends yearly: According to the Comptroller, the DoD spent $248 billion on service contracts in FY 2010—more than it spent on all uniformed and civilian military personnel combined.[113]

Last year's defense budget temporarily froze Pentagon spending on contract services for FY 2012 and FY 2013, and was a step in the right direction—but more needs to be done. Reducing DoD spending on service contracts by 15 percent over the next ten years would still

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[106] The Department of State and the Broadcasting Board of Governors Office of Inspector General, *The Bureau of Diplomatic Security Kabul Embassy Security Force: Performance Evaluation*, September 2011. http://oig.state.gov/documents/organization/150316.pdf (Downloaded May 7, 2012)

[107] Robert O'Harrow Jr., "Homeland Security contracts under fire," *The Washington Post*, October 13, 2011. http://www.washingtonpost.com/business/economy/congress-probes-alleged-kickback-scheme-on-dhs-contracts-with-alaskas-eyaktek/2011/10/13/gIQAmKeUiL_story.html (Downloaded May 7, 2012)

[108] $3.3 billion per year times ten years. Based on the exponential rise in service contracting costs over the last decade, this is a very conservative estimate of the cost savings. It effectively assumes that service contracting costs would otherwise stay at FY 2011 levels. However, in the last decade, non-DoD national security service contract costs have risen almost every year.

[109] Jim Garamone, "Gates Puts Meat on Bones of Department Efficiencies Initiative," *Defense.gov*, August 9, 2010. http://www.defense.gov/news/newsarticle.aspx?id=60348 (Downloaded May 7, 2012)

[110] All DoD service contractor calculations based on data from Department of Defense, American Society of Military Comptrollers, "Service Support Contractors: One of the FY 2012 Budget Efficiencies," October 2011 http://www.asmconline.org/wp-content/uploads/2011/10/ASMCBreakfastServiceSupportContractors.pptx (Downloaded May 7, 2012) (Hereinafter "Service Support Contractors: One of the FY 2012 Budget Efficiencies,")

[111] Department of Defense, *Report to the Congressional Defense Committees on the Department of Defense's FY 2010 In-sourcing Actions*, September 2011, p. 5. http://www.pogo.org/resources/contract-oversight/co-gp-20110913.html (Downloaded May 7, 2012)

[112] Department of Defense, *Fiscal Year 2013 Budget Request*, February 2012, p. 6. http://comptroller.defense.gov/defbudget/fy2013/FY2013_Budget_Request.pdf (Downloaded May 7, 2012)

[113] "Service Support Contractors: One of the FY 2012 Budget Efficiencies," slide number 6.

leave contract spending at approximately the level it was in 2007,[114] when the U.S. was fighting in Iraq and Afghanistan. Even with this reduction, service contract spending would still be roughly on par with what the DoD spends on all uniformed and civilian personnel combined.[115] This 15 percent cut over the next ten years would save, at a minimum, $37.2 billion per year and result in a total savings of approximately $372 billion.[116]

Conclusion

As Congress searches for ways to cut spending, it only makes sense that it seeks savings in unproven, unnecessary, and wasteful national security programs. The savings and revenue identified by the Project On Government Oversight and Taxpayers for Common Sense for FY 2013 to FY 2022 include:

- $187.2 million by canceling the Lockheed Martin variant of the Littoral Combat Ship;
- $230 million by eliminating unrequested funding for the M1 tank;
- $6 billion by freezing development of unproven Ground-based Midcourse Defense system;
- $6 billion by canceling future satellites of the Space-Based Infrared System;
- $6.3 billion by deferring the next-generation bomber;
- $17.1 billion by replacing the V-22 Osprey with less expensive, more reliable alternative helicopters;
- $18 billion by cutting four submarines from the next-generation fleet;
- $18.4 billion by cutting aircraft carriers from 11 to 10 and Navy wings from 10 to 9;
- $32 billion by withdrawing 40,000 troops from Europe;
- $61.7 billion by replacing two of the three F-35 variants with the F/A-18 E/Fs, which are less expensive and have comparable capabilities;
- $76.5 billion through reforms to the DoD's TRICARE health care system;
- $2.1 billion by making NATO members share the burden of the B61 nuclear bombs in Europe;
- $3.7 to $5.9 billion by eliminating the Chemistry and Metallurgy Research Replacement-Nuclear Facility at Los Alamos National Laboratory;
- $4.9 billion by halting the construction of the MOX Fuel Fabrication Facility;
- $6.5 billion by canceling the Uranium Processing Facility at the Y-12 National Security Complex;
- $23 billion by downblending more highly enriched uranium and selling it as low enriched uranium;
- $33 billion by reducing spending on non-Department of Defense (DoD) national security federal service contracts by 15 percent; and
- $372 billion by reducing DoD service contracts by 15 percent.

Deficit Reduction: $688 billion

[114] "Service Support Contractors: One of the FY 2012 Budget Efficiencies," slide number 6.
[115] "Service Support Contractors: One of the FY 2012 Budget Efficiencies," slide number 6.
[116] $37.2 billion per year times ten years. Based on the exponential rise in service contracting costs over the last decade, this is a very conservative estimate of the cost savings.

Ryan Alexander, President
Taxpayers for Common Sense

Ryan Alexander joined Taxpayers for Common Sense as president in 2006, after serving on the board for more than seven years. She testifies regularly in Congress on a wide range of topics relating to federal spending, subsidies, and fiscal policy, and her comments have been featured in The New York Times, The Washington Post, The Los Angeles Times, The Wall Street Journal, and on CNN, Fox News, CBS News, ABC News, and NPR, among other outlets.

Over the past two decades, Ryan has served as a litigating attorney, funder, small business owner, and nonprofit executive. Ryan co-founded Appalachian Mountain Advocates, which she continues to chair, and sits on the boards of directors of the Fund for Constitutional Government, Project on Government Oversight, and R Street Institute.

Ryan received a B.A. with honors from Wesleyan University in Middletown, Connecticut, a law degree from the University of Wisconsin at Madison, and was awarded a National Association for Public Interest Law Equal Justice Fellowship.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Ryan Alexander

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am testifying as president of Taxpayers for Common Sense, a non-partisan budget watchdog.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature: A. Ryan Alexander

Date: 2/1/2013