



Saving Defense dollars: From BRAC to ORAC

Monday, October 14, 2013 5:52 p.m. CDT

By Kay Bailey Hutchison and Michael O'Hanlon

While the government shutdown continues because of the Democrats' and Republicans' profound disagreement, the real issue facing the nation is something that both parties agree on, in principle: the need to reduce the size of the federal deficit.

The Budget Control Act of 2011 and sequestration have made some steps in this direction, though aiming indiscriminately at certain parts of government far more than others. Half of all cuts, for example, come from the Defense Department.

There are a wide range of options for domestic spending reduction. But military spending cuts are more narrow and difficult. They can be done responsibly, however. Sequestration's reductions are severe, perhaps excessive (especially early on), with \$500 billion in 10-year cuts, on top of the \$500 billion already accepted back in 2011. That said, tens of billions can undoubtedly be saved through smart economies and business practices — without cutting muscle or breaking faith with the men and women in uniform.

The administration and Congress should pursue a two-pronged effort- revitalizing the Base Realignment and Closure ("BRAC") process while convening a similar, but new, Overhead Realignment and Closure Commission ("ORAC") to make the Defense Department a less wasteful organization.

We could begin with base closings. This process worked reasonably well for four rounds — as the Cold War ended and then into the 1990s.

We relied on an independent commission, using input from experts and local communities, to produce a list of proposed base closures that Congress then had to approve or disapprove as a whole. This addressed the fact that members of Congress and the Senate have inherent difficulties in voting to close bases in their districts and states.

The 2005 base closure round unfortunately squandered the political momentum of the first four rounds.

Originally expected to yield a net of \$35 billion in savings over 20 years, it is now expected to yield just \$10 billion — with most of those savings toward the end of the process. Initial implementation costs, projected at \$21 billion, wound up closer to \$35 billion. Some of these unfavorable revisions may have been because the fifth round of closures had fewer obvious targets; some of it, frankly, could have been due to questionable analyses of environmental remediation costs and other implementation expenses.

Given that history, Congress frowned on the Defense Department's recent requests for additional base closure rounds. Yet they are probably a good idea if, in fact, troop numbers decline. Another round, done right, could yield eventual savings of \$2 billion to \$3 billion a year, comparable to each of the first four rounds.

As we consider domestic base closures, however, assessing foreign base requirements is also essential. In places such as Germany and South Korea, for example, a large number of facilities remain, despite downsizing in recent decades. Add to this the roughly 25 percent of North Atlantic Treaty Organization military construction and operations that Washington pays for. This is hundreds of millions annually that must be studied for efficiency and true need.

Our second basic idea is this: There could be another commission, similar to the BRAC, that looks specifically for cost savings by reviewing overhead in the same way the BRAC looks at bases. Let's call it the Overhead Realignment and Closure Commission, or ORAC.

To understand the motivation for an ORAC, consider that a recent Defense Business Board study noted that roughly 340,000 military personnel perform non-military functions. Many could be carried out more inexpensively in other ways. With the post- September 11, 2001 exponential growth of both the Defense Department civilian workforce and the contractor workforce, there is surely much that can be done.

Consider these examples of what ORAC could examine before creating a package of reforms for Congress to vote up or down. The Government Accountability Office recently considered whether the Defense Department could use "strategic sourcing" more frequently to buy supplies in bulk and at a discount across the department. The GAO savings estimates ran into the billions per year.

GAO also analyzed possible advantages to having long-term contracts with private contractors for maintaining weapons and other hardware.

Many high-level military headquarters have expanded in recent decades. The military uses larger staffs than most organizations, and it could impose a uniform cut in Defense Department administrative costs — perhaps 20 percent to 30 percent. This is in line with what then-Defense Secretary Robert Gates instituted for civilian contractors when he was running the Pentagon early in the Obama administration, and what Defense Secretary Chuck Hagel now favors for high-ranking officer staff.

There are also more mundane efficiencies to be pursued. One suggestion: the Pentagon should revamp military perquisites — including business jets for senior officers. They often travel in their own dedicated planes. Yes, commanders in the field need mobility, but officers running most domestic commands do not.

A final example of possible savings, championed by Senator Tom Coburn (R-Okla.), is to close military grade schools in places where public schools — generally more cost-efficient — are available. Paying a fee to the local school district would provide cost savings, since close to 20,000 students could be involved nationwide. Millions of dollars in annual savings may eventually become possible.

Indeed, it has been wisely suggested that in times like these, "everything" needs to be on the table — how the Defense Department manages healthcare, retirement and personal benefits, as well as commissaries PX's and maintenance for maximum efficiency.

Realistically, given the time needed to phase in such changes, it will be an accomplishment to achieve close to \$100 billion in savings over 10 years. Much of that could be required simply to achieve the \$60 billion goal in efficiencies that the Pentagon has already counted on. So this is no prescription for an easy way to implement sequestration, which, as noted, probably goes too far.

But the best should not be the enemy of the good — and there is a great deal of money to be saved, and faith in U.S. government to be restored, by this kind of revised BRAC and ORAC process, with the high-level commissions giving reform ideas added visibility and importance. Perhaps that approach is something on which Congress and the president can agree in these otherwise politically contentious times.