

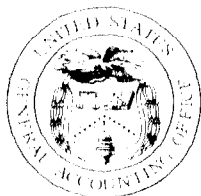
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Report to the Chairman, Subcommittee
on Investigations, Committee on Armed
Services, House of Representatives

February 1991

DEFENSE PLANNING AND BUDGETING

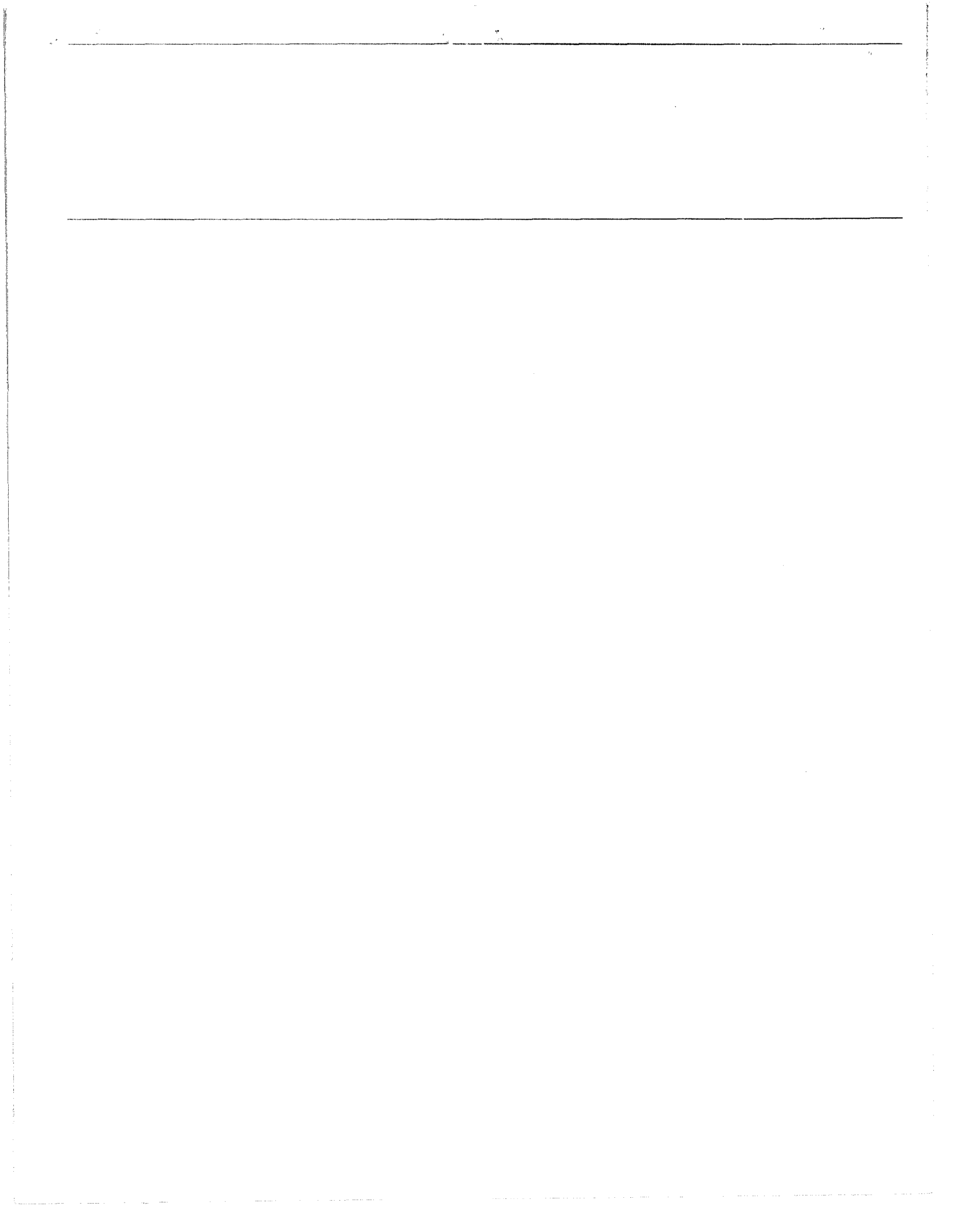
Effect of Rapid Changes in National Security Environment



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**National Security and
International Affairs Division**

B-230535

February 5, 1991

The Honorable Nicholas Mavroules
Chairman, Subcommittee on
Investigations
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

In response to your request, we reviewed the implementation of the provisions in the Goldwater-Nichols Department of Defense Reorganization Act of 1986 that relate to the Chairman of the Joint Chiefs of Staff's (JCS) role in national security planning, budgeting, and oversight of combatant commands. We reviewed these provisions to determine whether the act's goals have been achieved and whether additional legislation should be enacted to enhance the linkage between strategic planning and resource allocation.

Results in Brief

Fulfillment of the act's provisions to strengthen the relationship between strategic planning and resource allocation has been frustrated and complicated by large mismatches between planned and actual funding, efforts to reduce the growing federal budget deficit, and profound changes in the national security environment. For example, preparation of the defense programs and budgets for fiscal years 1992 through 1997 began in early 1990 based on fiscal guidance and threat assessments prepared in 1989. Accordingly, the Department of Defense's (DOD) program and budget decisions were made during a period of increasing uncertainty regarding the threat posed by the Warsaw Pact and the impact of deficit reduction efforts between 1992 and 1997.

At this time, we are not recommending legislation to enhance the relationship between strategic planning and resource allocation. However, it should be recognized that without a consensus between the legislative and executive branches on the nature of the changed threat to national security occasioned by the collapse of the Soviet Union's alliance system and on the appropriate response to a less threatening Soviet Union, achieving a closer relationship between strategic planning and budgeting may not be possible. The Budget Enforcement Act of 1990 (Title XIII of the Omnibus Budget Reconciliation Act of 1990, P.L. 101-508) "caps" defense spending for fiscal years 1991 through 1993. The incremental

costs of Operation Desert Shield—the military deployment to Saudi Arabia—are excluded from the cap.

Background

The President's Blue Ribbon Commission on Defense Management, commonly known as the "Packard Commission," recommended in 1986 that national security planning begin with a comprehensive statement of national security objectives and priorities from the President and be related to a strategic planning process that is fiscally constrained. The Chairman of the JCS was to be the President's and the Secretary of Defense's principal military adviser, integrating the views of combatant commanders and service chiefs into a military strategy that supported national security interests. Such a system, the Commission concluded, would significantly reduce program and budget instability, which was thought to be a major cause of cost growth in weapon system procurement.

Several provisions in the Goldwater-Nichols Act implement the Packard Commission's recommendations. These provisions require (1) the President to transmit to Congress, each year when he submits his budget, a comprehensive national security strategy report; (2) the Chairman to prepare strategic plans that conform to resource levels projected by the Secretary of Defense for the period covered by the plan; (3) the Chairman to advise the Secretary of Defense on the extent to which program recommendations and budget proposals of the military departments conform with strategic plans and priorities; (4) the Chairman to submit to the Secretary of Defense alternatives to military departments' program recommendations and budget proposals to achieve greater conformity with the priorities established in strategic plans; and (5) the Chairman to conduct net assessments to determine the capabilities of the armed forces of the United States and its allies as compared with those of potential adversaries.

The Chairman uses the Joint Strategic Planning System to carry out his responsibilities. Initially, the Joint Strategy Review evaluates any changes in the national security environment since the previous review. On the basis of this evaluation, the Chairman issues guidance for the development of the National Military Strategy Document, which presents recommended strategy, forces, options, assessments, and amount of risk for different military strategies. The President and the Secretary of Defense review the document and select a strategy for publication in the Defense Planning Guidance. The military departments

develop their programs and budgets using this guidance. After the guidance is published, force employment planning is started. The Chairman assists the President and the Secretary, using the Joint Strategic Capabilities Plan, in providing combatant commanders with the strategy, forces, and guidance to develop capabilities-based operational plans to accomplish their assigned military tasks. The Chairman's Program Assessment contains, in part, his views on the adequacy and capabilities of the total forces needed to attain national security objectives.

Our June 1990 report recommended that DOD update its directives, instructions, and guidance on the planning, programming, and budgeting process to reflect current practices.¹ DOD has agreed to make these changes.

Responsiveness of Strategic Planning to Changing National Security Environment

The Goldwater-Nichols Act established a strategic planning system that is most effective when the national security environment is stable and changes in budgeted and appropriated defense resources are incremental and predictable from year to year. Therefore, unprecedented political and economic changes in eastern Europe and the Soviet Union in 1989 and 1990, culminating in the virtual collapse of the Warsaw Pact as a military alliance cannot be easily assimilated into DOD's traditional planning, programming, and budgeting system. The Defense Planning Guidance for 1992 and the President's fiscal year 1991 budget proposals were issued in early 1990 shortly after the collapse of communist governments in East Germany and other Warsaw Pact member states, and consequently they were not significantly influenced by that upheaval. Because strategic planning takes place over a 2-year cycle, the next Defense Planning Guidance will not be issued until late 1991 or early 1992. In the meantime, two defense budget proposals (for fiscal years 1992 and 1993) may have been submitted to Congress by the President. The rapidly changing national security environment has caused DOD to make interim reevaluations of its budget submissions. For example, after the President submitted the fiscal year 1991 budget in January 1990, DOD reassessed several of its major aircraft and ship acquisition programs and substantially reduced and/or delayed planned acquisitions. Such reviews may, of course, reflect changes in strategic thinking, if not formal strategic planning.

¹Defense Reorganization: Roles of Joint Military Organizations in Resource Allocations (GAO/NSIAD-90-76, June 21, 1990).

In short, the current planning process was developed when the members of the North Atlantic Treaty Organization (NATO) and the Warsaw Pact formed a predictable, albeit confrontational international relationship. That sort of predictability ended with the collapse of the Soviet Union's alliance system. The traditional planning system may not be accommodating to the newly forming set of international relationships in the near or long term.

The House Armed Services Committee noted in its August 3, 1990, report on the fiscal year 1991 defense authorization bill that DOD had not developed a "coherent" long-range strategic plan that related military strategy to the diminishing resources to be allocated to defense in the coming years. To rectify this situation, the Committee's authorization bill called for the Chairman of the JCS to prepare reports for fiscal years 1992, 1993, and 1994 containing three alternative strategic military plans covering the next 10 years. The plans were to assume three different political conditions: (1) increasing tension with the Soviet Union or regional powers, (2) a continuation of the present trend of diminishing tension with the Soviet Union, and (3) the virtual absence of a military threat posed by the Soviet Union or regional powers. The plans were to assume budget authority projections of \$280 billion for the first political condition, \$250 billion for the second, and \$200 billion for the third (all in fiscal year 1989 dollars).

The National Defense Authorization Act for Fiscal Year 1991 did not include the above-mentioned provisions relating to the three different political conditions and their associated budgets. However, the act does require planning for alternative budget levels. Specifically, it requires the Secretary of Defense to submit reports to Congress in fiscal years 1992, 1993, and 1994 in which national strategic planning is fiscally constrained in accordance with projected resource levels for those years. Each report must include an assessment of the impacts on strategic planning if the projected resource level for the fiscal year covered by the report is increased or decreased by \$50 billion.

How Goldwater-Nichols Was Implemented

National Security Strategy Report

Under the Goldwater-Nichols Act, the President's annual National Security Strategy Report is required to discuss (1) national security interests, goals, and objectives; (2) foreign policy, worldwide commitments, and defense capability necessary to deter aggression; (3) short-term and long-term uses of political, economic, and military power; and (4) the U.S. capability to carry out the national security strategy.

The latest National Security Strategy Report was published in March 1990. The report differs significantly from the one published in 1988, which stated that the growth of Soviet military power and its expansionist aspirations had not slackened. The current report states that the Soviet Union has repudiated its doctrines of class warfare and military superiority and has criticized major tenets of its postwar policy. The U.S. goal, according to the report, is to move beyond containment and integrate the Soviet Union into the international system as a constructive partner.

In support of the fiscal year 1991 defense budget request, the Secretary of Defense in early 1990 acknowledged that potentially profound changes have occurred in eastern Europe and the Soviet Union. However, he did not believe that those changes had altered Soviet military capability or the threat to NATO so as to justify changing U.S. military strategy. In early 1990 the services were preparing their programs and budgets for fiscal years 1992 through 1997 in support of a military strategy that assumed a relatively unchanged Soviet military capability and an easy reversibility of current Soviet policies and intentions.

Joint Staff officials told us the recommended military strategy was based on the strategic objectives and projected threat at the time of their submission in July 1989. As objectives and threat perceptions change, these officials said, adjustments will be made to the strategy as part of the strategic planning system in follow-on documents. For example, we were told the military strategy had been modified for use in the Chairman's September 1990 Program Assessment and should be reflected in the preparation of the budgets for fiscal years 1992 and 1993, to be submitted in January 1991.

Conformity of Strategic Planning With Projected Resource Levels

The Goldwater-Nichols Act states that the Chairman is responsible for preparing strategic plans that conform to resource levels projected by the Secretary of Defense to be available for the period of time for which the plans are to be effective. The Packard Commission observed that, in the past, significant program instability had been caused by a lack of guidance on fiscal limits.

Joint Staff officials stated that the strategic planning process is fiscally constrained in three ways. First, the limits of what can be accomplished are set. For instance, current fiscal constraints will not support a force structure sufficient to fight several major conflicts simultaneously, so the strategy now reflects priorities of effort. Second, the process identifies a force structure and alternatives for the Secretary to consider that are within the fiscal guidance provided. Finally, the war plans of the combatant commanders are tied to the force structure and approved programs of the military services.

We found that funding assumptions used in the strategic planning process—the basis for the Chairman's military strategy—have been optimistic when compared to actual appropriations. For example, the Chairman's first fiscally constrained strategy, produced in 1987 for the 1990 to 1994 period, assumed the defense budget would grow by 3-percent annually—about \$600 billion more than is currently expected. The July 1989 strategy for the 1992 to 1997 period assumed a 2-percent annual growth in the budget—about \$300 billion more than is currently expected.

DOD's funding requests since fiscal year 1985 have been optimistic when compared to actual congressional appropriations. Table 1 summarizes the differences between original budget requests and actual funding provided by congressional appropriations and shows changes in real growth in budget authority after allowing for inflation.²

²The basic forms of budget authority are appropriations, authority to borrow, and contract authority.

Table 1: Difference Between DOD Budget Requests and Congressional Appropriations

Dollars in billions

	Fiscal year						
	1985	1986	1987	1988	1989	1990	1991
Initial request	\$305.7	\$314.4	\$312.3	\$303.8	\$323.8	\$306.4	\$321.6
Appropriation	285.3	289.6	282.4	287.3	291.3	294.2	288.9
Difference	\$20.4	\$24.8	\$29.9	\$16.5	\$32.5	\$12.2	\$32.7
Percentage of real growth over previous year	6.5	-4.4	-3.8	-2.1	-1.3	-2.7	-4.6

Joint Staff officials noted that the Chairman's strategic planning system and DOD's planning, programming, and budgeting system were interactive, allowing for continuous assessments and adjustments to changes in the national security environment or fiscal climate. Notwithstanding such adjustments, the President's fiscal year 1991 defense budget submission contained unspecified and undetermined future cuts totaling about \$138 billion for 1991 to 1994.³

Advice on Military Departments' Conformity With Priorities

The Goldwater-Nichols Act states that the Chairman is responsible for advising the Secretary of Defense on the extent to which military departments' program recommendations and budget proposals conform with priorities in strategic plans.

Joint Staff officials told us that the strategic planning system provides specific opportunities for the Chairman to advise the Secretary. They said that, for example, the Joint Program Assessment Memorandum, now called the "Chairman's Program Assessment," informs the Secretary on the extent to which the total forces contained in the military departments' programs reflect the Defense Planning Guidance and the priorities of combatant commanders. Joint staff officials also told us that the Chairman provides advice to the Secretary through net assessments, issue papers, and topical analyses. We have not been provided access to the Chairman's Assessment Memorandum and therefore have not confirmed its content.

³DOD's Budget Status: Fiscal Years 1990-94 Budget Reduction Decisions Still Pending (GAO/NSIAD-90-125BR, Feb. 1990).

Advice on Armed Forces Manpower Programs

The Goldwater-Nichols Act provides for the Chairman to advise the Secretary on the extent to which major manpower programs and policies of the services conform with strategic plans.

Joint Staff officials told us that manpower advice provided in the Chairman's Program Assessment concerns quality of life issues such as pay raises, housing, medical care, and other general military requirements identified by combatant commanders or service chiefs. They also told us that, while the Chairman comments on the total number of people needed to fill force structure positions in the armed forces, he does not comment on specific issues such as the number of people the Army should have in a division. The Joint Staff officials also told us that the Chairman advises the Secretary on the contributions that leadership, morale, and training make to war-fighting capability as part of the strategic planning assessment process. As stated earlier, we have not been provided access to the Chairman's assessment and have not verified its content.

Submit Alternative Program Recommendations and Budget Proposals

To achieve greater conformity with priorities established in strategic plans, the Goldwater-Nichols Act provides for the Chairman to submit to the Secretary alternatives to the services' program recommendations and budget proposals.

According to Joint Staff officials, alternative program recommendations and budgets are submitted at the discretion of the Chairman. Joint Staff officials noted that the Chairman comments on all the program and budget issues raised by other DOD components and may sponsor an issue for consideration by the Secretary. During the programming and budgeting process, each military department submits its program objectives and proposed budgets for review and comment. Any DOD component may submit alternatives that if approved by the Secretary, would result in changes to program objectives or budgets. We were told that these changes only affected a relatively small portion of military departments' program and budget proposals.

The Chairman has not submitted to the Secretary a different military department program or budget. According to Joint Staff officials it is "inconceivable" that the Chairman would completely disagree with a military department after working with it to develop its programs and budget.

Assess Military Requirements

The Packard Commission noted that defining a weapon's military requirements involves making trade-offs between cost and performance and recommended that "affordability" and "make-or-buy" decisions be made at a high level within DOD.⁴ Affordability has to do with a defense system's potential cost in relation to its capability, and make-or-buy decisions have to do with the development of new systems or the adaptation of existing ones. In response to this recommendation, the Goldwater-Nichols Act requires the Chairman to assess military requirements for defense acquisition programs. Military requirements are assessed by the Joint Requirements Oversight Council, which is headed by the Vice Chairman as the Chairman's representative.

The Council, which is composed of the three military service Vice Chiefs and the Marine Corps Assistant Commandant, reviews and validates military requirements and weapon system programs proposed by the services to meet military needs. Military requirements are approved based on military judgment of the need and funding commitment by the service. The Council does not actually determine affordability (contrary to the intent of the Packard Commission) or program objectives, according to a Joint Staff official; these are functions of DOD's planning, programming, and budgeting system.

Conduct Net Assessment of Military Capability

The Goldwater-Nichols Act requires the Chairman to perform net assessments to determine the capability of the armed forces and U.S. allies against potential adversaries.

The Packard Commission believed a net assessment of military capability projected into the future would help identify risk associated with alternative military strategies and force structures. It recommended that the Chairman prepare an independent military net assessment to evaluate the recommended national military strategy and propose strategic options.

According to a Joint Staff official, the Chairman conducts three types of net assessments. Initially, the Chairman evaluates the recommended national military strategy and force structure as well as options for consideration by the Secretary in developing the defense planning guidance. Later, after the services have developed their programs in response to

⁴The Commission specifically recommended that a "restructured" Joint Requirements Management Board now called the "Joint Requirements Oversight Council" make cost/benefit trade-offs before starting a weapon system's full-scale development.

the defense planning guidance, the Chairman evaluates the capability of services' programmed forces to support the national military strategy. Finally, the Chairman prepares the Joint Military Net Assessment, which evaluates the capability of the forces proposed in DOD's budget. Joint Staff officials noted that all three types of assessments evaluate military capability and use a common data base.

Our review of the Joint Military Net Assessments, beginning with the August 1987 assessment, showed that they were based on budgeted force levels that substantially exceeded the force levels actually funded. Accordingly, they did not provide an accurate reflection of relative capabilities. The latest net assessment, dated January 1990, did not anticipate the many changes that have occurred in the national security environment since the summer and fall of 1989, when the assessment was prepared.

Oversight of Combatant Command Activities

The Goldwater-Nichols Act states that the Secretary of Defense may assign the Chairman responsibility for overseeing the activities of the combatant commands, and he assigned the Chairman this responsibility in April 1987.⁵ We discussed the Chairman's oversight responsibilities in a previous report.⁶ At the time of our report, the following responsibilities had not been fully implemented: (1) developing joint doctrine; (2) evaluating preparedness; (3) reviewing missions, responsibility, and force structure; (4) evaluating and integrating priority requirements; and (5) preparing and reviewing contingency plans.

According to JCS officials, the Chairman (1) is developing and approving a series of joint doctrine publications; (2) is developing a policy memorandum for assessing combatant commanders' preparedness that is intended to be issued in 1991; (3) has been involved in developing, revising, and reviewing contingency plans; and (4) has reviewed combatant commands' missions in 1987 and 1989 and analyzed their integrated priority lists. Combatant commands' reviews addressed issues such as changes in the geographical areas of responsibility and the establishment of new combatant commands.

⁵By DOD Directive 5100.1.

⁶Defense Reorganization: Progress and Concerns at JCS and Combatant Commands (GAO/NSIAD-89-83, Mar. 1989).

Speak for Combatant Commanders

The Goldwater-Nichols Act states that the Chairman is the spokesperson for combatant commanders, especially on operational requirements of their commands. The act also provides that the President may direct that all communications with combatant commanders be transmitted through the Chairman. According to JCS officials, the President directed in 1987 that all such communications be made in accordance with this provision of the act. Also, the Chairman, as part of his oversight responsibilities, is kept informed of combatant commanders' requirements. As an adviser to the President's National Security Council and as a member of the Secretary's Executive Committee and DOD's Defense Planning and Resource Board, the Chairman is in a position to be an advocate for combatant commanders' requirements. According to the Chairman, the President's directive has increased his and combatant commanders' ability to influence the allocation of DOD resources to meet specific war-fighting needs.

Prior Recommendation to Strengthen Implementation

The Chairman's role in the resource allocation process is not reflected in DOD guidance on the planning, programming, and budgeting system. In our June 1990 report on the roles of joint military organizations in resource allocation, we recommended that DOD update its guidance to reflect current practices. Specifically, we said that the Secretary needed to update DOD Directive 7045.14 and Instruction 7045.7 on the planning, programming, and budgeting system and that the Chairman should then update his guidance to correspond with the Secretary's guidance and current practices. DOD concurred with our recommendations and notified us that it expected to complete the process by October 1990. Within 180 days of the approval of the DOD's guidance, the Chairman plans to issue applicable Joint Staff directives.

Scope and Methodology

We discussed the act's implementation with officials within the Office of the Joint Chiefs of Staff and the Office of the Secretary of Defense. We reviewed official statements before congressional committees, a report by the Chairman on the implementation of resource allocation provisions in the act, and documents on administrative processes. We also reviewed portions of the latest defense guidance and the Chairman's Joint Military Net Assessment and the unclassified versions of National Security Strategy Reports.

The Joint Staff did not provide us with documents from the Joint Strategic Planning System, which implements selected provisions dealing with strategic plans and the oversight of combatant commands.

According to Joint Staff officials, DOD considers these documents internal, executive branch deliberations, which have not been released to us in the past as a matter of policy. We disagree with this policy. As a result of DOD's position, we could not determine the extent to which changes in procedures and processes had improved strategic plans, advice on programs and budgets, or the oversight of combatant commands. However, in response to our request, the Joint Staff did provide us with information from the documents that allowed us to better understand their planning process, assessment methodologies, and oversight function.

We did not obtain written agency comments on this report. However, DOD officials reviewed a draft of this report, and their oral comments have been incorporated in the report where appropriate.

In commenting on the draft, DOD officials expressed their interest in trying to reach an agreement on the access to certain documents. To prevent the access-to-documents issue from further delaying our response to your request, we are reporting at this time on the information available. Should additional information relevant to this report subsequently become available, we will notify you of its nature and significance.

We conducted our work between January and November 1990 in accordance with generally accepted government auditing standards.

As requested, we plan no further distribution of this report until 30 days after its issue date, unless you publicly announce its contents earlier. At that time, we will send copies to the Secretaries of Defense, the Navy, the Army, and the Air Force; Chairmen of the House Committees on Armed Services and on Government Operations, the Senate Committees on Armed Services and on Governmental Affairs, and House and Senate Committees on Appropriations; Congressman Andy Ireland; the Chairman of the Joint Chiefs of Staff; the Director of the Office of Management and Budget; and interested congressional committees. Copies will be made available to others upon request.

This report was prepared under the direction of Paul F. Math, Director, Research, Development, Acquisition, and Procurement Issues, who may be reached on (202) 275-8400 if you or your staff have any questions. Other major contributors are listed in appendix I.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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