

PREPARED STATEMENT
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Oversight and Reform of the Department of Defense 4th Estate

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Introduction

Chairman Thornberry, Ranking Member Smith, and distinguished members of the Committee, it is an honor to appear before you today to discuss oversight and reform of the Department of Defense 4th Estate and in particular Defense Agencies and Field Activities. Though I currently work at the Johns Hopkins University Applied Physics Lab, I am here today in a personal capacity. In 2013, I led a review on this topic for Secretary of Defense Chuck Hagel as part of the Strategic Choices and Management Review when I was working as the Director of Program Analysis and Chief of Staff in the Office of the Secretary of Defense Cost Assessment and Program Evaluation office. While I will readily admit that my experience is now slightly dated, the principles that were true then, as well as the years prior, are still relevant today. To that end, I will walk through 6 false assumptions that plagued the efforts that I was involved in and reviewed, in the hope that you might progress more quickly past them in this effort.

Assumption #1: Defense Agencies and Field Activities (DAFA) are homogenous back offices

Each of the current 27 agencies and activities was initially created to achieve greater effectiveness for missions spanning multiple military departments. These missions vary widely: from groceries to geospatial analysis, from cutting edge research to contract auditing, from

educating children to engineering, and so on. Though each organization does indeed have a “back office,” and a few do function as consolidated back offices like Washington Headquarters Service, the majority conduct a variety of valuable direct missions for the Department of Defense (DoD).

Assumption #2: The appropriated budget is their total budget

Using publically available unclassified data, the agencies and activities receive roughly 10% of the DoD budget (about \$65 billion). Some also receive revenue via Working Capital Funds from other DoD agencies, military departments, and individuals that pay them for services. Working Capital Funds allow consumers some choice as to where they buy services as well as flexibility and agility to respond to pressing needs. All told, they execute roughly 16% of the DoD budget, or over \$116 billion, but as I mentioned in Assumption #1 each in a different way.

Assumption #3: DAFAs can take cuts and still perform the same level of mission

In a bureaucracy, it is often harder to cut a mission than it is to cut funding, but of course they are related. It is appropriate to take hard looks at doing the same mission or even more for less, but if savings are an objective, then tough decisions may have to be made about actually doing less for less. For example, commissaries (DoD’s grocery stores) and DoD schools provide valued services to our military families that can be difficult to find in some overseas areas or remote parts of the U.S. That said, in the U.S., roughly 85% of commissaries are within a 15 minute drive of a grocery store or “big box” store with full grocery selections. Options for savings here might include a careful review of the business case for each domestic store or school.

Assumption #4: Peanut butter spread cuts are helpful

When faced with tough decisions, past reviews often defaulted to a peanut butter spread approach to efficiencies, such as multiple years of generic 10% cuts. A better approach is to focus on what the nation and DoD need from these organizations and enhance efforts that support that vision and take efficiencies in lower priority or obsolete missions.

Assumption #5: Reorganization is the answer

Is it wise for the same person to oversee an Intelligence agency, a grocery store, and the Missile Defense Agency? Maybe. Our study examined the implications of complete consolidation of all agencies under one leader versus grouping them by mission similar to the way they are today, and we found it helpful to consider both the personal expertise of the senior leader – could they be knowledgeable about all the missions in their portfolio – as well as the benefits and drawbacks of remaining aligned by related missions to each 4th Estate principal.

Assumption #6: It's all about metrics and reporting requirements

The agencies and activities have been required to provide a biannual report to Congress and in the past also produced metrics that were tracked by organizations like CAPE and the, at the time, Deputy Chief Management Officer. However, ultimately there is no substitute for strong leadership. In our experience, the vision and experience of a leader who understands the missions of the particular DAFA or DAFAs they oversee, and the need for greater efficiency can, together with oversight and support of Congress, drive the greatest reforms.

Potential next steps

Going forward, any reform efforts might consider these and other lessons learned. Though there are many DAFAs to focus on, considering them in 4 categories could help guide efforts:

- First, the largest agencies that have not recently been reviewed (Defense Logistics Agency and the Defense Information Systems Agency),
- Second, missions that might be partially accomplished outside the government (Defense Commissary Agency and DoD Education Activity at least domestically),
- Third, missions that are still split between the 4th Estate and the Services (Intelligence Agencies and satellite development organizations – in these cases in coordination with the Director of National Intelligence), and
- Fourth, those currently decentralized missions that may require increased leadership focus given advances in both threat and technological opportunities, such as artificial intelligence and hypersonics, which could be accomplished either within existing structures like the Defense Advanced Research Projects Agency and Missile Defense Agency or with a new office.

Conclusion

Ultimately, for any reform to be successful it must be true both to the taxpayer and to the talented men and women in uniform who put themselves in harm's way to defend our nation around the globe. Thank you again for the opportunity to testify before you today on this important topic and I look forward to your questions.