

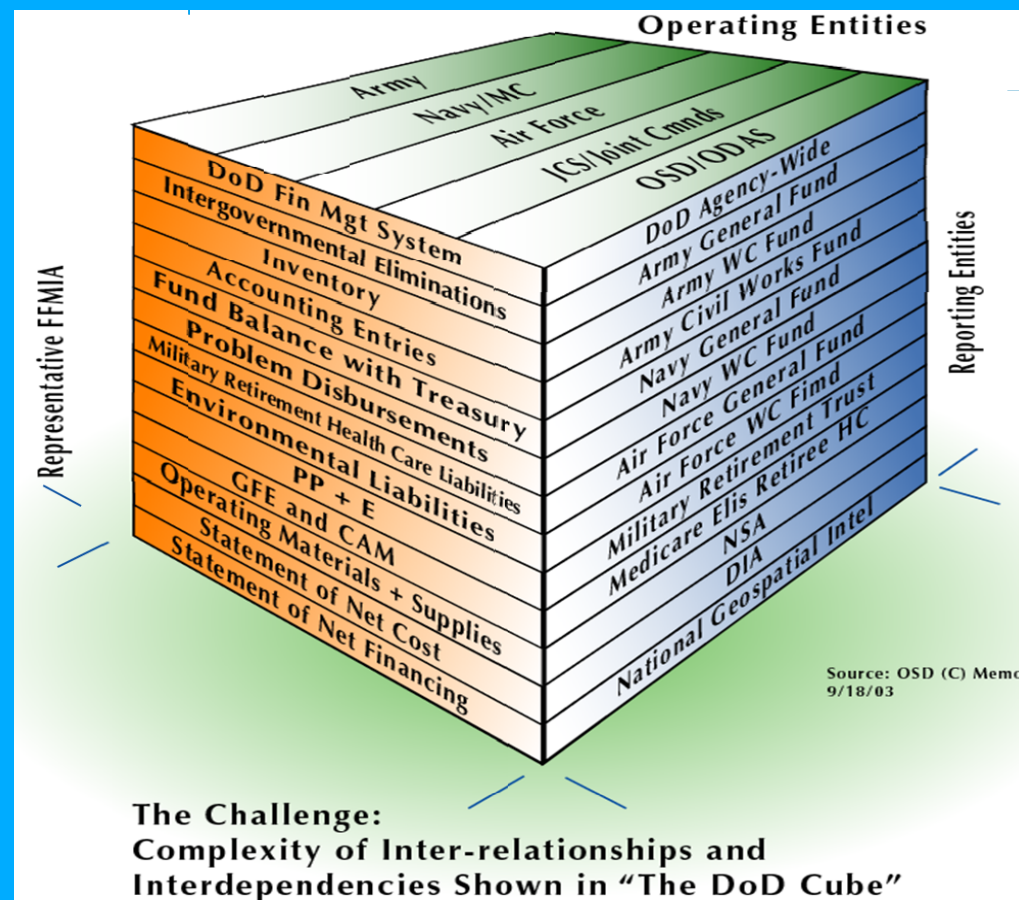
# Managing Military Money

—An Industry Perspective

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Executive Director, Grant Thornton LLP  
Global Public Sector

Defense Finance &  
Cost Management Conference  
14-15 October 2009

# It's Incredibly Complicated



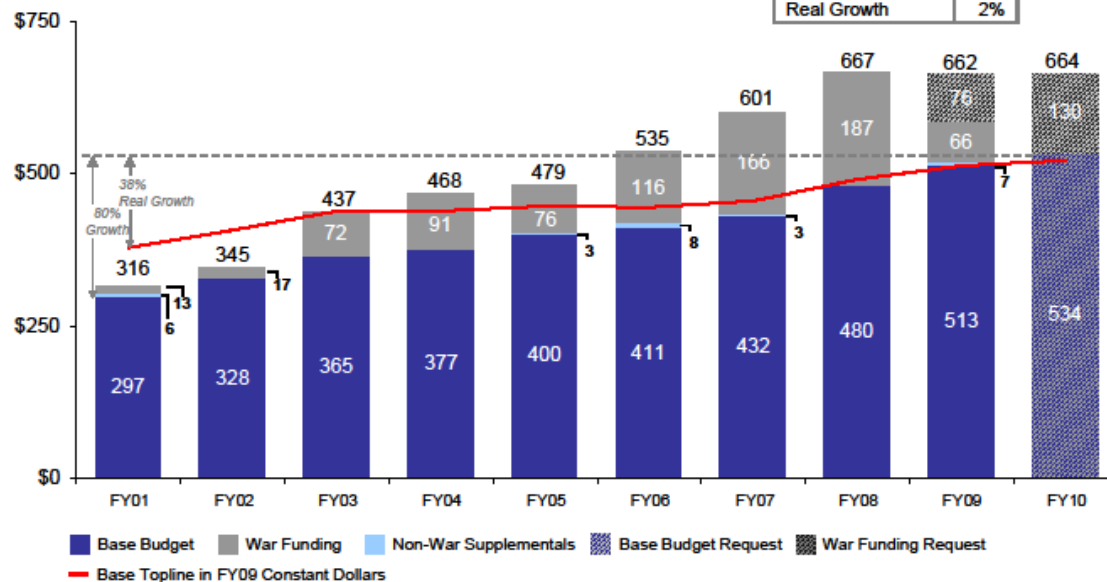
# Management by Top Line

## Department of Defense Topline

FY 2001 – FY 2010

(Dollars in Billions)

FY 2009 – FY 2010 Base Growth	
Nominal Growth	4%
Real Growth	2%



Note: FY 2009 Non-War Supplemental is appropriated through American Recovery and Reinvestment Act of 2009

Source: Defense Appropriation Acts FY 2001 – FY 2009, National Defense Budget Estimates for FY 2009, OMB Historical Tables FY 2009

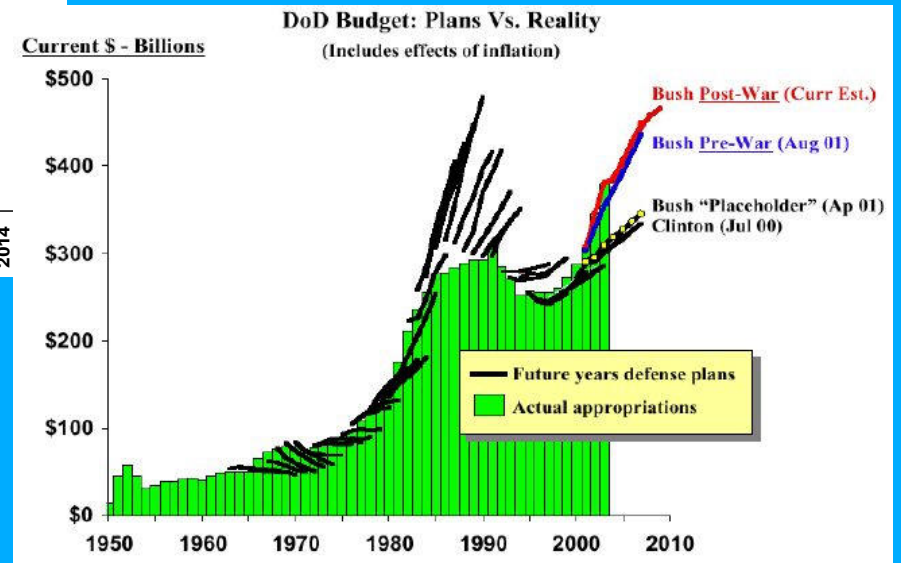
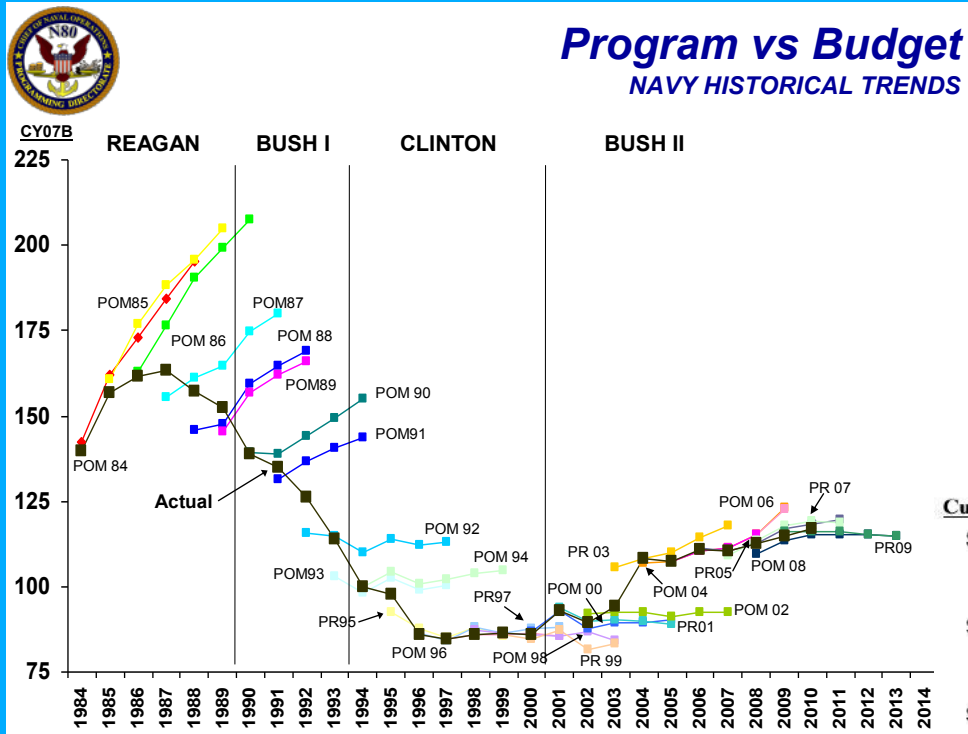
May 7, 2009

Numbers may not add due to rounding

B02-09-101v1.8

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# The More Money Rule



# Management by Appropriation

## Summary By Appropriation Title

(Dollars in Billions)

Appropriation Title	FY 2009	FY 2010	Δ FY 2009 – FY 2010
Military Personnel	124.9	136.0	+8.9%
Operation & Maintenance	179.1	185.7	+3.7%
Procurement	101.7	107.4	+5.6%
RDT&E	79.5	78.6	-1.1%
Military Construction	21.9	21.0	-4.1%
Family Housing	3.2	2.0	-38.0%
Other	3.2	3.1	-1.1%
Total	513.3	533.8	+4.0%

# Management by Service

## Summary By Component

(Dollars in Billions)

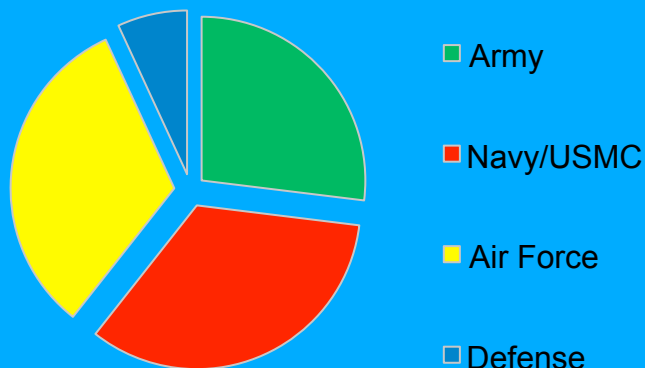
Component	FY 2009	FY 2010	Δ FY 2009 – FY 2010
Army	139.2	142.1	+2.1%
Navy	147.4	156.4	+6.1%
Air Force	141.2	144.5	+2.3%
Defense-wide	85.5	90.8	+6.1%
Total	513.3	533.8	+4.0%

# The 1/3 – 1/3- 1/3 Rule

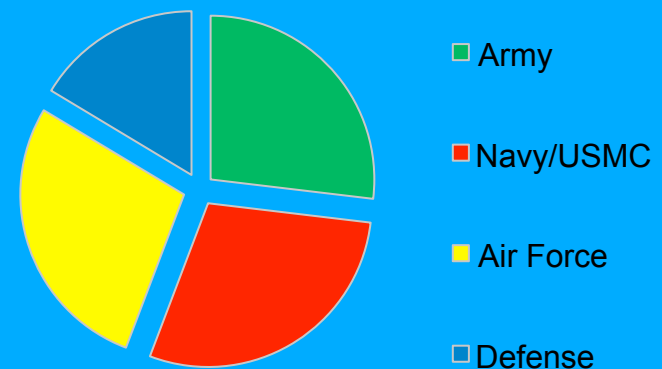
And the Lord spake, saying, "First shalt thou take out the Holy Pin, then shalt thou count to three, no more, no less. Three shall be the number thou shalt count, and the number of the counting shall be three. Four shalt thou not count, neither count thou two, excepting that thou then proceed to three. Five is right out. Once the number three, being the third number, be reached, then lobbest thou thy Holy Hand Grenade of Antioch towards thy foe, who being naughty in my sight, shall snuff it." Amen

*Monty Python and the Holy Grail*

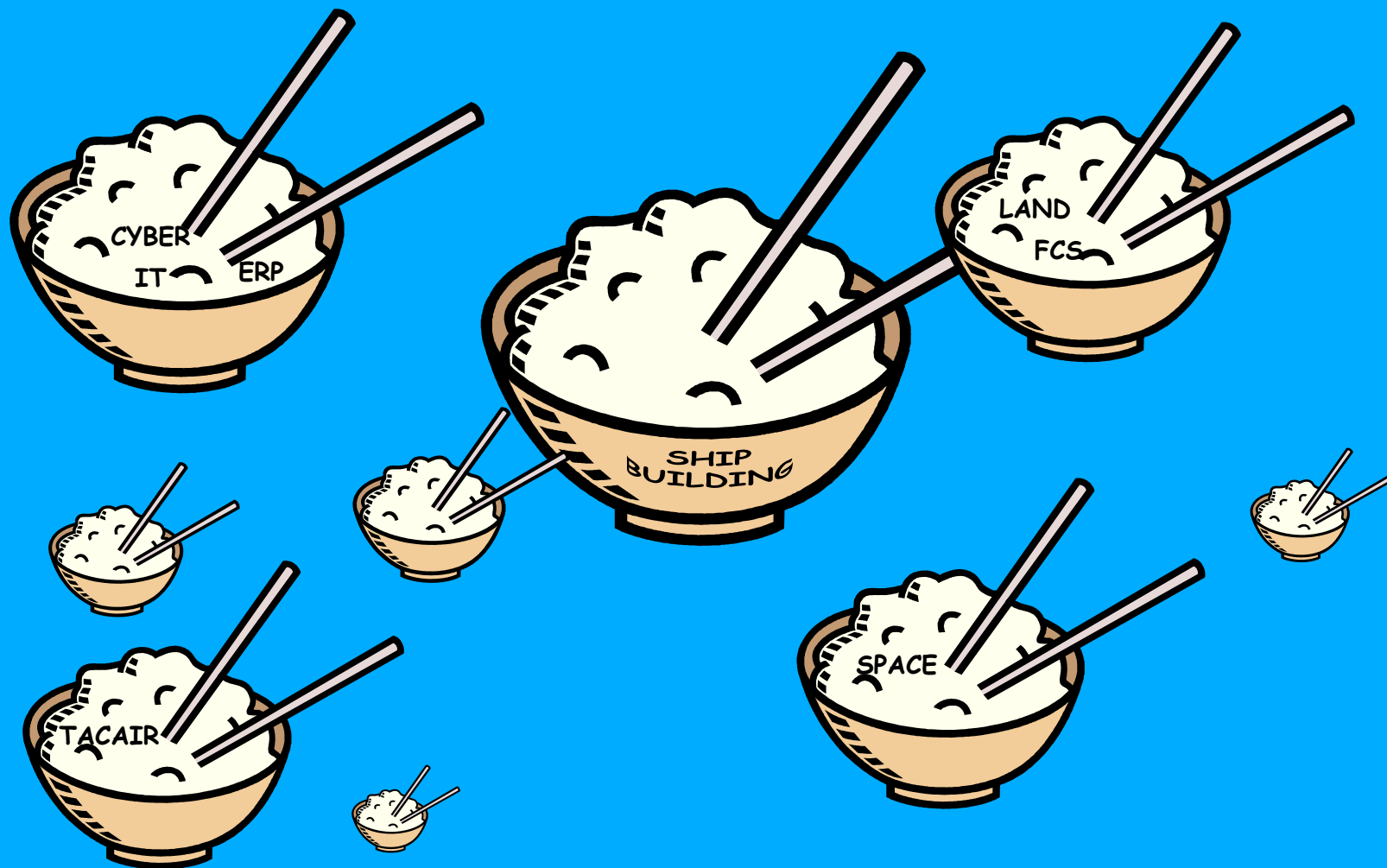
## 1989 Budget



## 2009 Budget

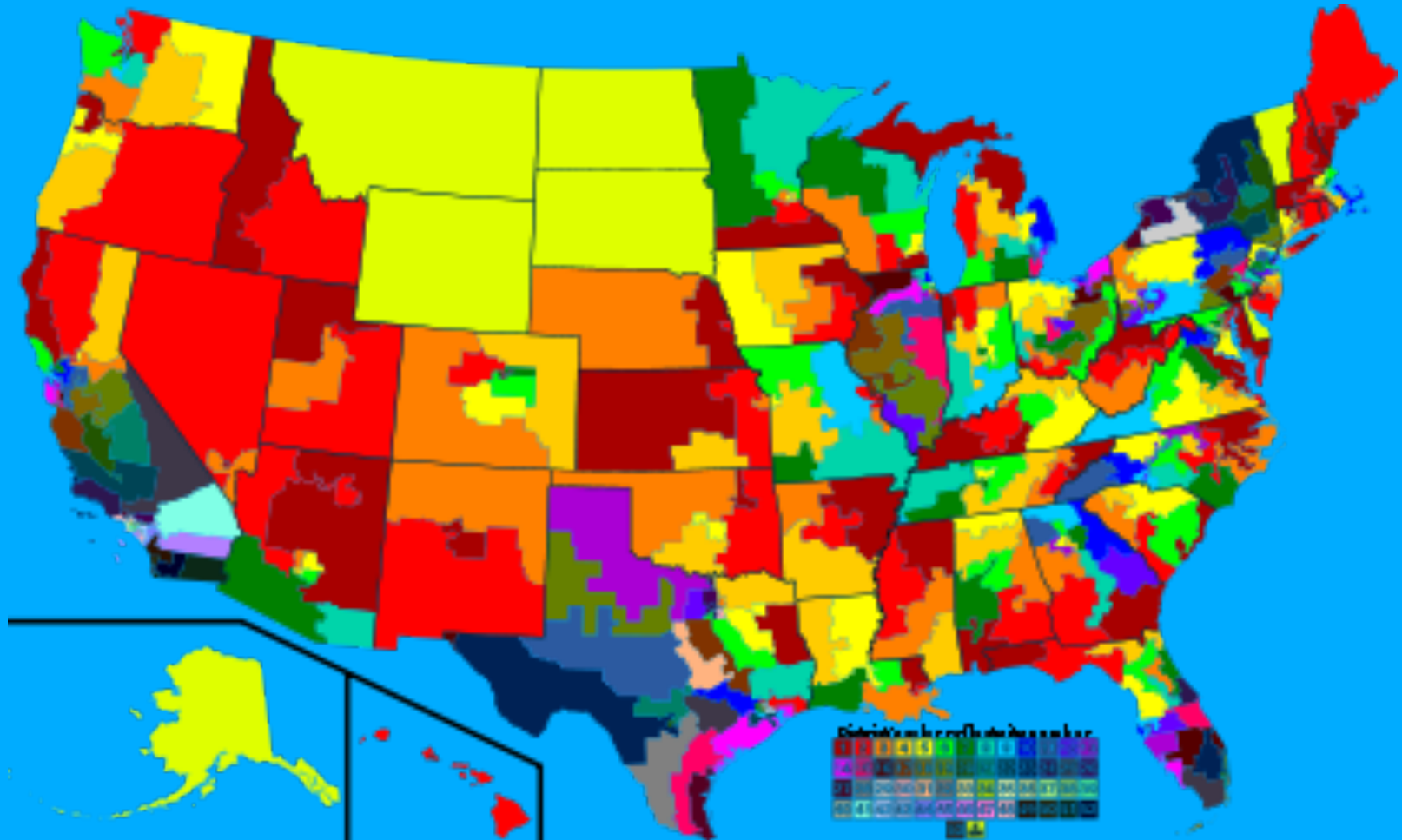


# Management by Rice Bowl





# Management by District



# PPBE is KING!

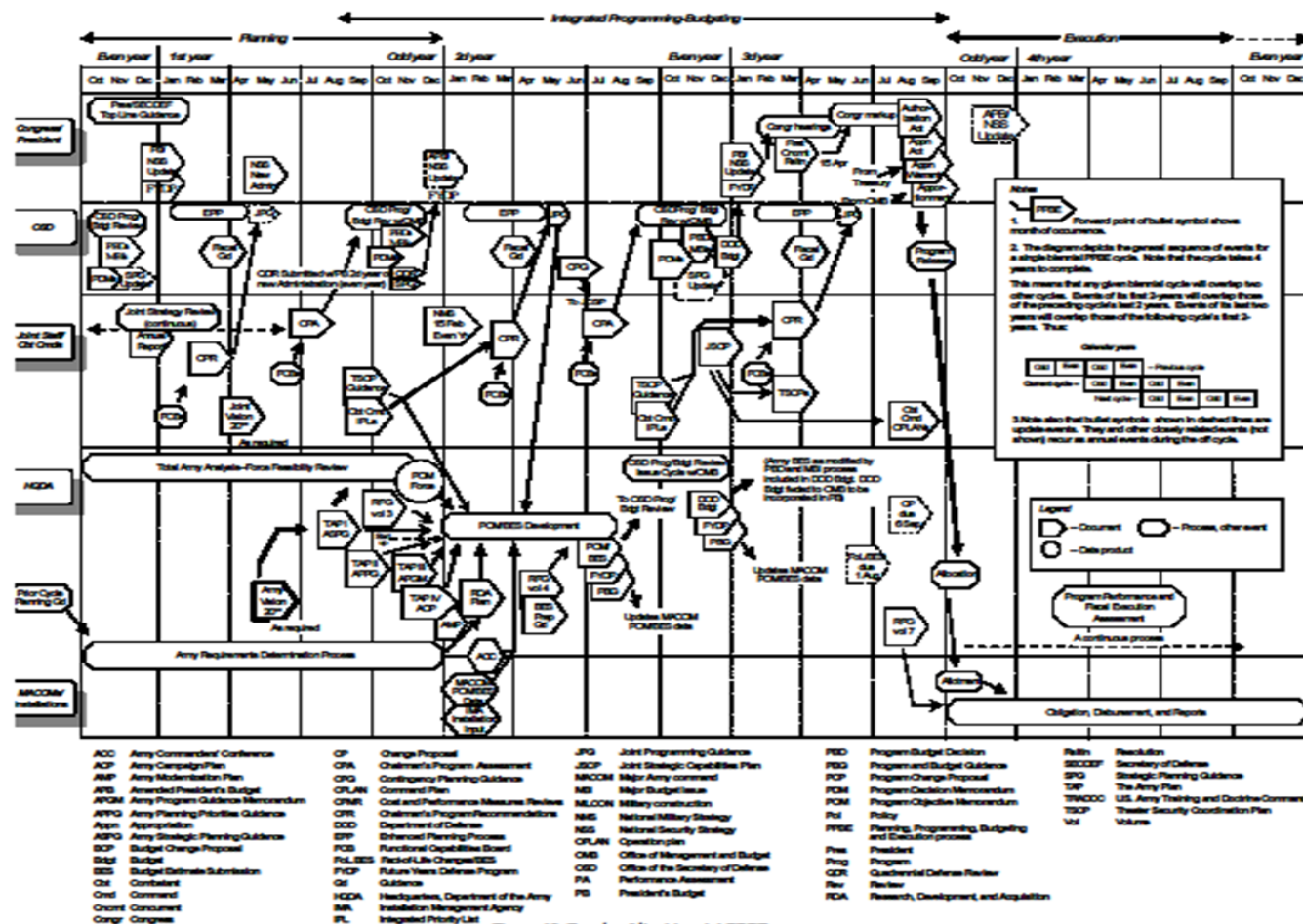
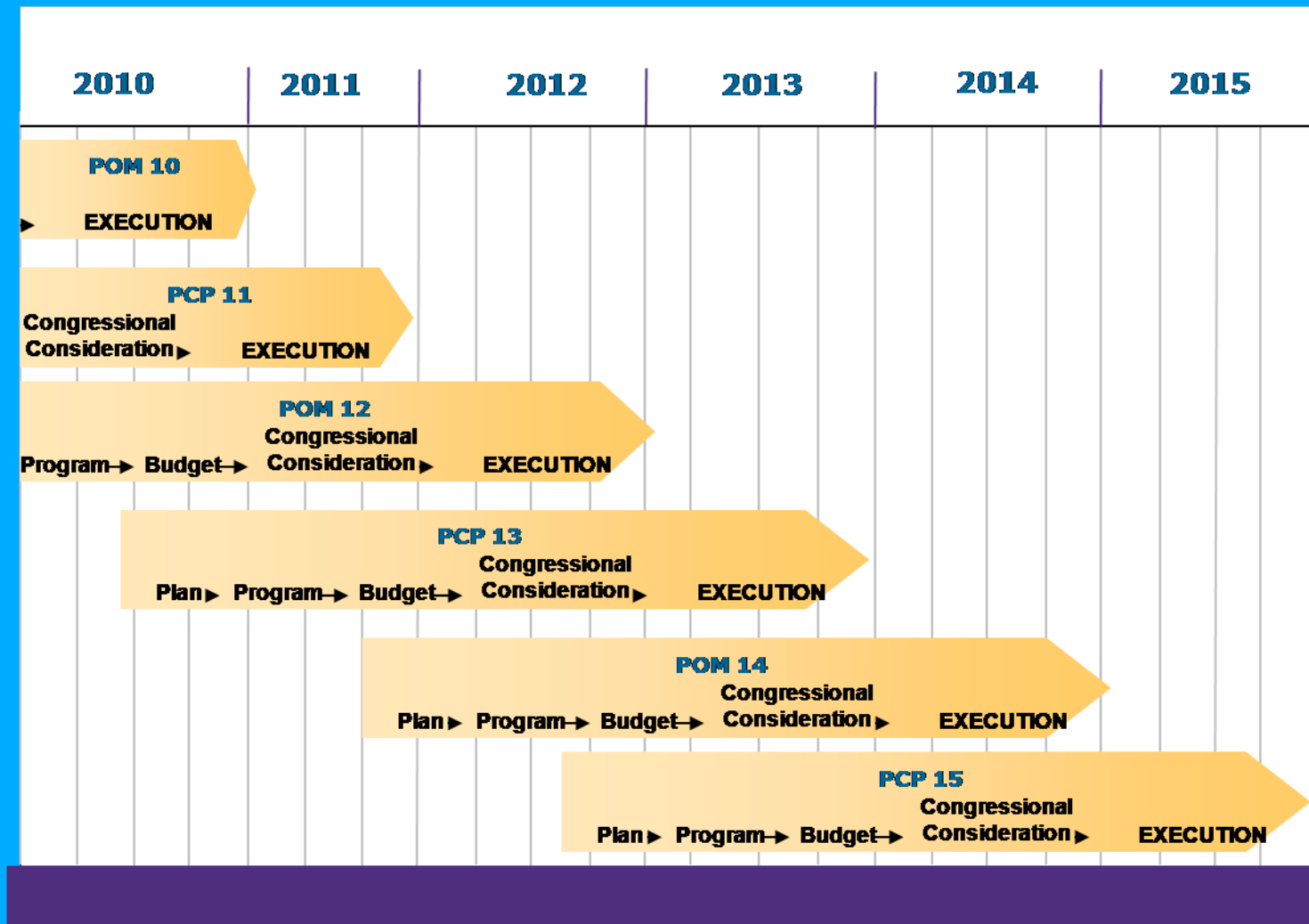


Figure 18. Events of the biennial PPBE process

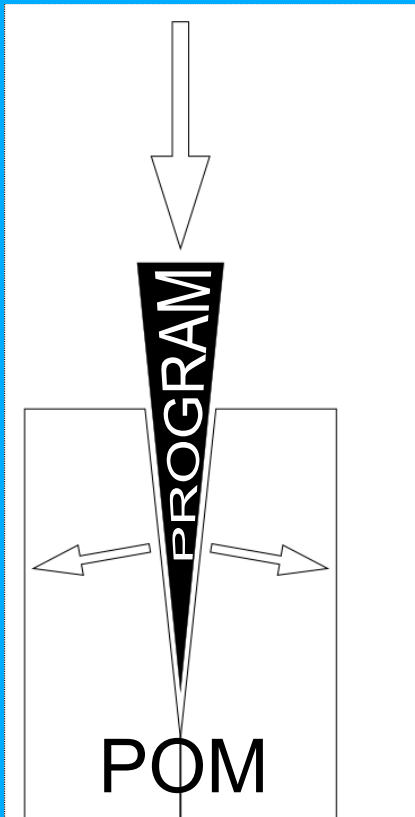
# What Time Is It?



# The Battle of the Budget



# What Do We Use?



## Efficiencies in FY 2010 Budget

### Insourcing

- Reduce reliance on contractor support services
  - 13,800 more Government employees in FY 2010
- Projected savings of \$0.9 billion

### Contracting Changes

- Reduce reliance on Time and Material (T&M) contracts
- Projected savings of \$0.3 billion

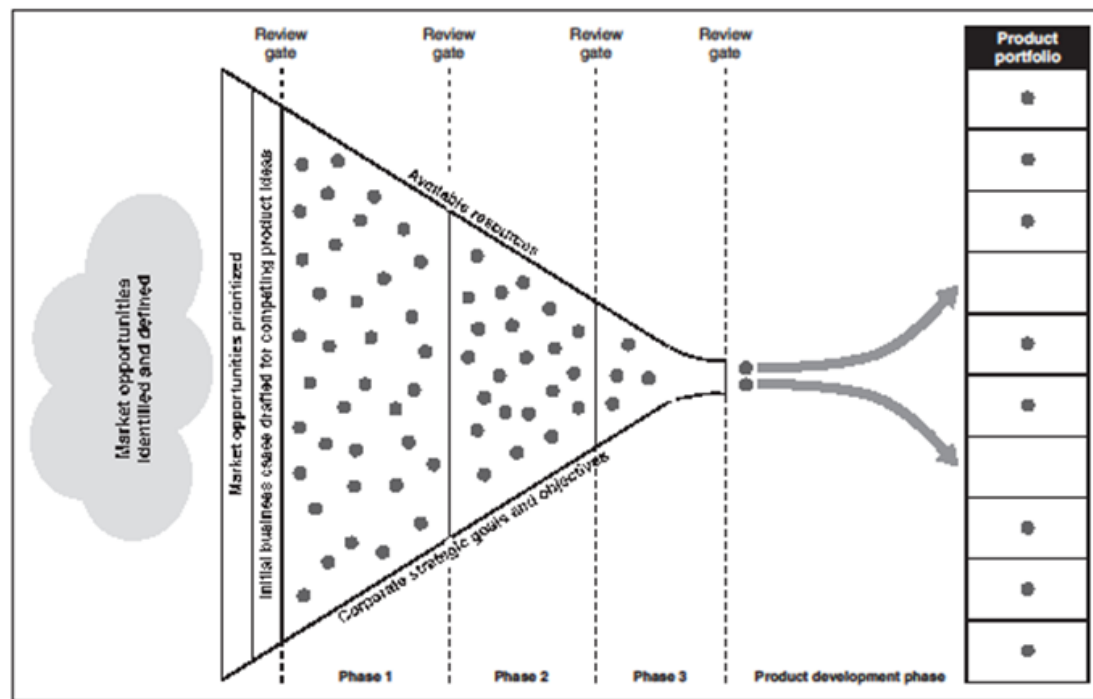
### Recruiting and Retention

- Reduce funding based on recent success
- Projected savings of \$0.8 billion

# What Do We Use?

## PORTFOLIOS

Figure 2: Portfolio Management Approach to Product Investments



Source: GAO analysis and presentation of commercial best practices.

DoDD 7045.20, September 25, 2008

ENCLOSURE 2

CAPABILITY PORTFOLIOS AND DSD DESIGNATED LEADS

Table 1. Tier One JCAs and Capability Portfolios, Civilian and Military Leads for Capability Portfolios, SWaF Leads, Joint Staff Capability Portfolio Support, Functional Capability Boards

CAPABILITY PORTFOLIO AND TIER 1 JCA	CPM CIVILIAN LEAD	CPM MILITARY LEAD	SWaF LEAD*	CPM JS OPR*	FUNCTIONAL CAPABILITY BOARDS*
COMMAND AND CONTROL	ASD(NII)	USJFCOM	USJFCOM	J-3	USJFCOM
BATTLESPACE AWARENESS	USD(I)	USSTRATCOM	USSTRATCOM	J-2	J-2
NET CENTRIC	ASD(NII)	USSTRATCOM	USSTRATCOM	J-6	J-6
LOGISTICS	USD(AT&L)	USTRANSCOM	USTRANSCOM	J-4	J-4
The below boxes reference capability portfolios in interim phase through the Fiscal Year 2010 Program Objective Memorandum.					
BUILDING PARTNERSHIPS	USD(P)	Director, J-5	USJFCOM	N/A	J-5
PROTECTION	USD(AT&L)	Director, J-8	USSTRATCOM	N/A	J-8
FORCE SUPPORT	USD(P&R)	Director, J-8	USJFCOM	N/A	J-8
FORCE APPLICATION	USD(AT&L) USD(P)	JROC	USJFCOM USSOCOM USSTRATCOM	J-8	J-8
CORPORATE MANAGEMENT AND SUPPORT	DCMO	DJS	N/A	N/A	N/A
<p>* As designated by the Chairman of the Joint Chiefs of Staff</p> <p><b>Legend:</b></p> <p>ASD(NII) Assistant Secretary of Defense (Networks Information and Integration)</p> <p>USD(AT&amp;L) Under Secretary of Defense (Acquisition, Technology, and Logistics)</p> <p>USD(I) Under Secretary of Defense (Intelligence)</p> <p>USD(P) Under Secretary of Defense (Policy)</p> <p>USD(P&amp;R) Under Secretary of Defense (Personnel and Readiness)</p> <p>DCMO Deputy Chief Management Officer</p> <p>DJS Director, Joint Staff</p> <p>JROC Joint Requirements Oversight Council</p> <p>J-2 Joint Staff Intelligence Directorate</p> <p>J-3 Joint Staff Operations Directorate</p> <p>J-4 Joint Staff Logistics Directorate</p> <p>J-5 Joint Staff Strategic Plans and Policy Directorate</p> <p>J-6 Joint Staff Command, Control, Communications, and Computer Systems Directorate</p> <p>J-8 Joint Staff Force Structure Resources and Assessment Directorate</p> <p>OPR Office of Primary Responsibility</p> <p>USJFCOM United States Joint Forces Command</p> <p>USSOCOM United States Special Operations Command</p> <p>USSTRATCOM United States Strategic Command</p>					

## Factors for Success

- Governance structure with committed leadership
- Clearly defined roles and responsibilities
- Empowered Portfolio Managers
- Accountability at all levels

The Department of Defense shall use capability portfolio management to advise the Deputy Secretary of Defense and the Heads of the DoD Components on how to optimize capability investments across the defense enterprise (both materiel and non-materiel) and minimize risk in meeting the Department's capability needs in support of strategy.

DoD Directive NUMBER 7045.20, September 25, 2008

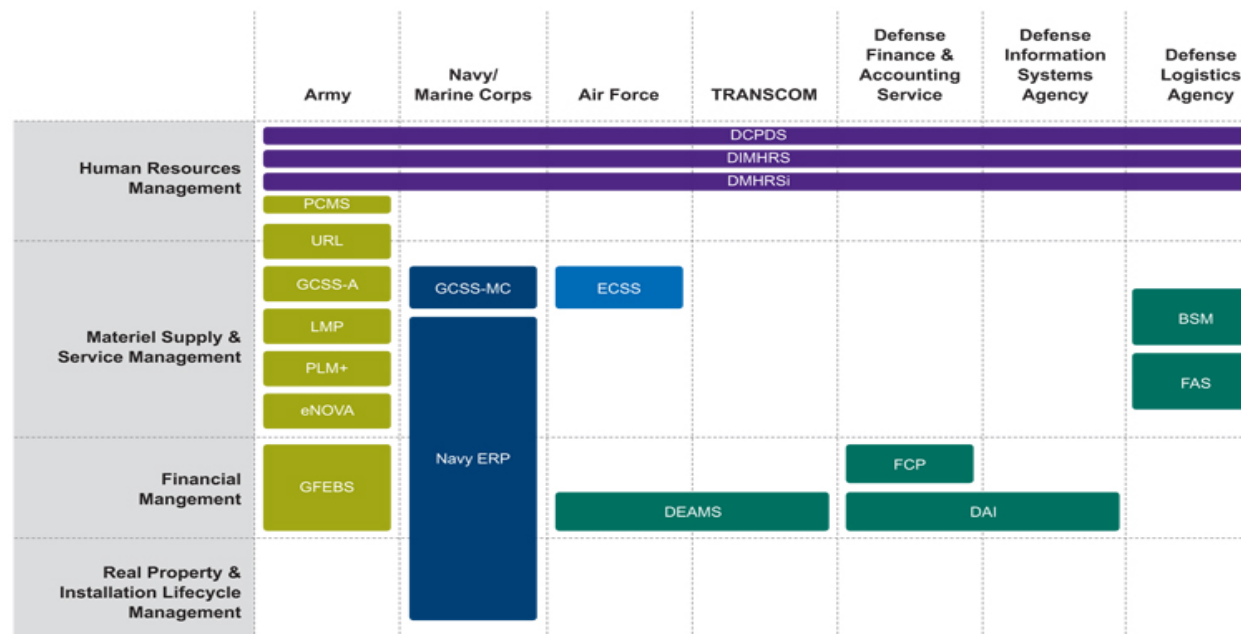


# What Do We Use?

## ERP's

### Factors for Success

**Figure 10:**  
Defense community ERP systems initiatives, early 2009



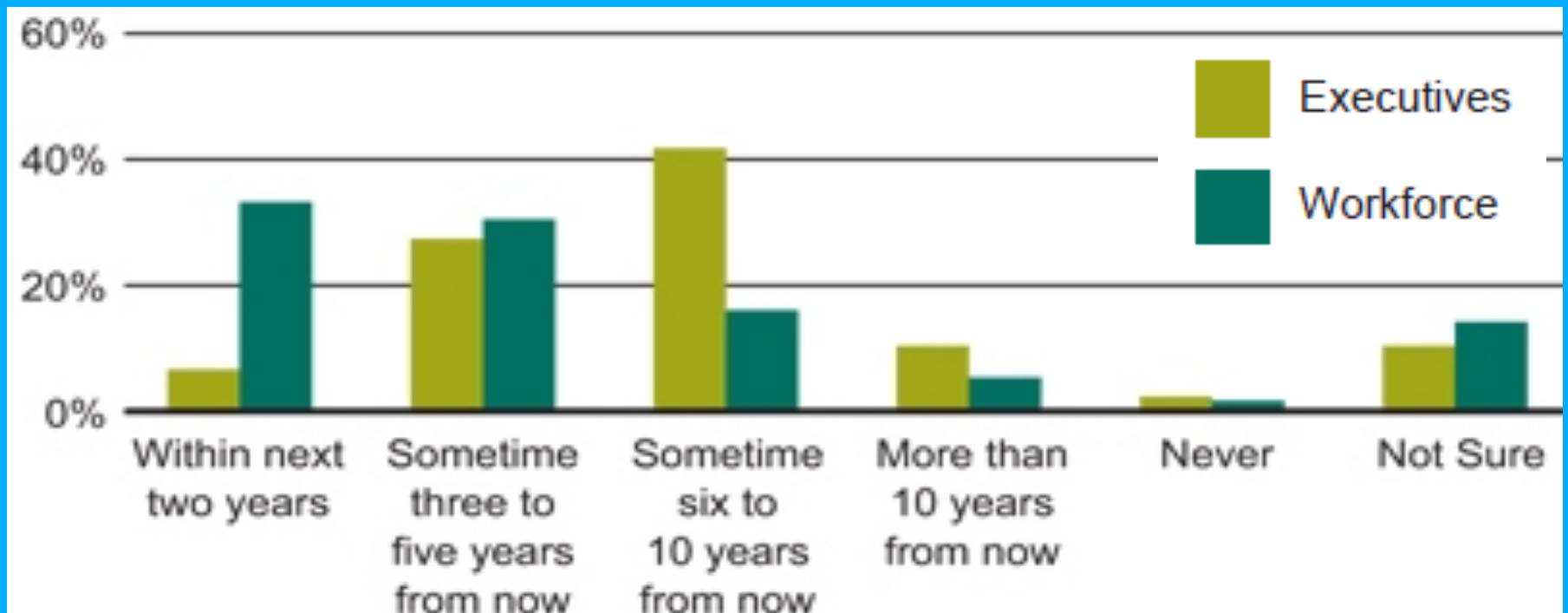
Sources: Office of the Deputy Under Secretary of the Army for Business Transformation (DUSA[BT]), [www.army.mil/armyBTKC/focus/sa/erp\\_ent\\_pdod.htm](http://www.army.mil/armyBTKC/focus/sa/erp_ent_pdod.htm); DoD Business Transformation Agency, <http://www.bta.mil/dai>.

- Commitment from leadership
- Focus on Business Processes first
- Resource commitment
- Clear accountability
- Focus on ROI



# ROI

When my entity's ERP will be fully implemented



What Do We Use?

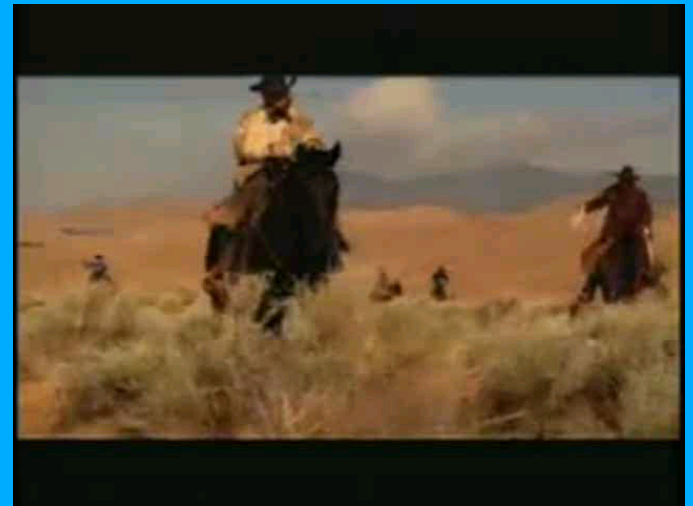
## Boards



DBSMC

SLRG

DSLCL



JROC

DAB

PBSRG

DAWG

# What Do We Use?

## Salami Slices



Procurement accounts, in the near term, could become bill-payers. While no major programs are expected to be eliminated wholesale, there will be all-around trimming in procurement, research, development and engineering programs. This tactic, known informally as "salami-slicing," is frequently how the Defense Department gets around making tough choices. They cut a little piece off everything, and by doing so, they push every program's schedule to the right. By all estimates, it is not a good technique for solving budget problems.

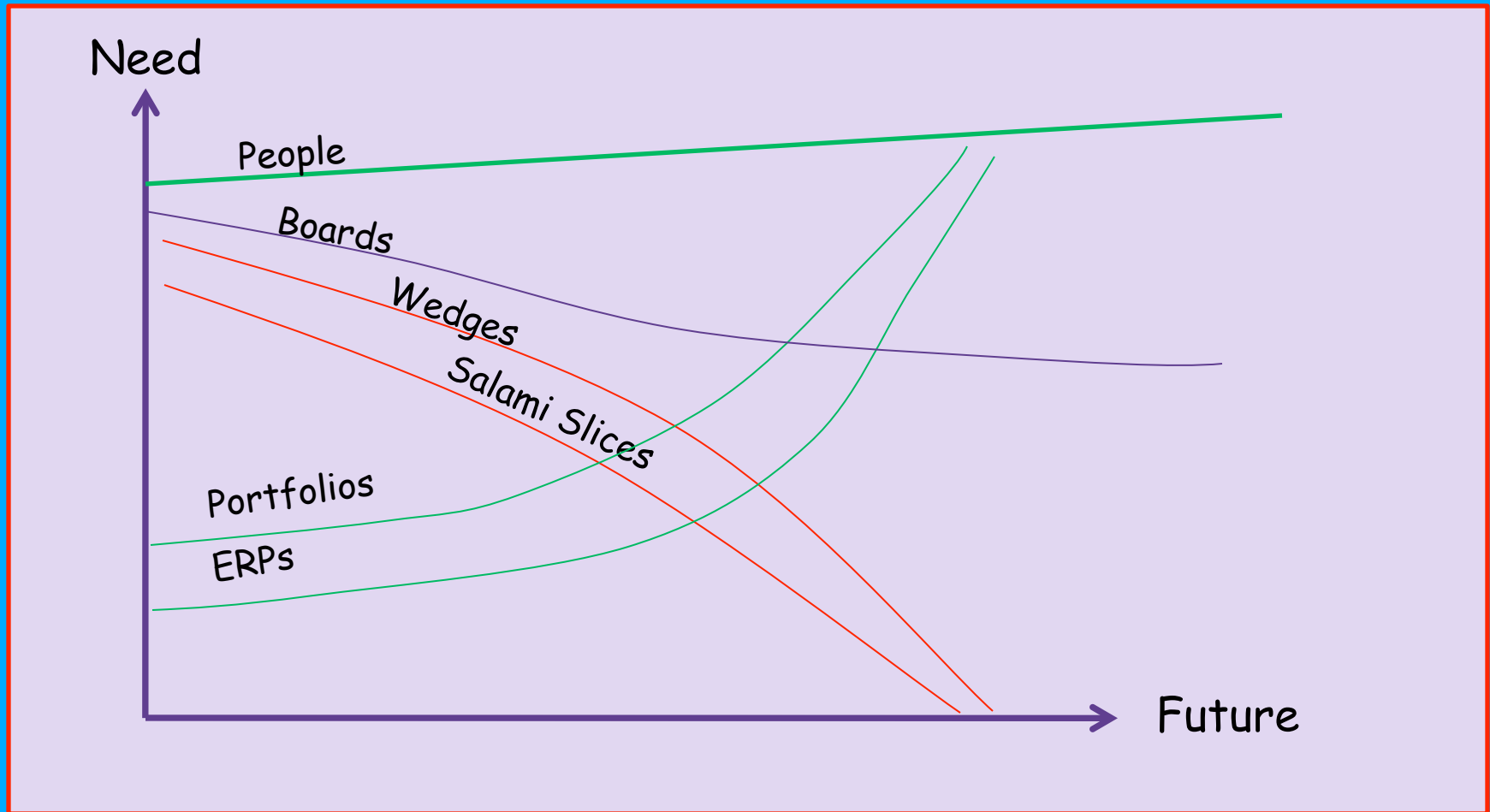
-National Defense Magazine, Jan 2006

# What Do We Use?

## People



# Preferred Trends



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