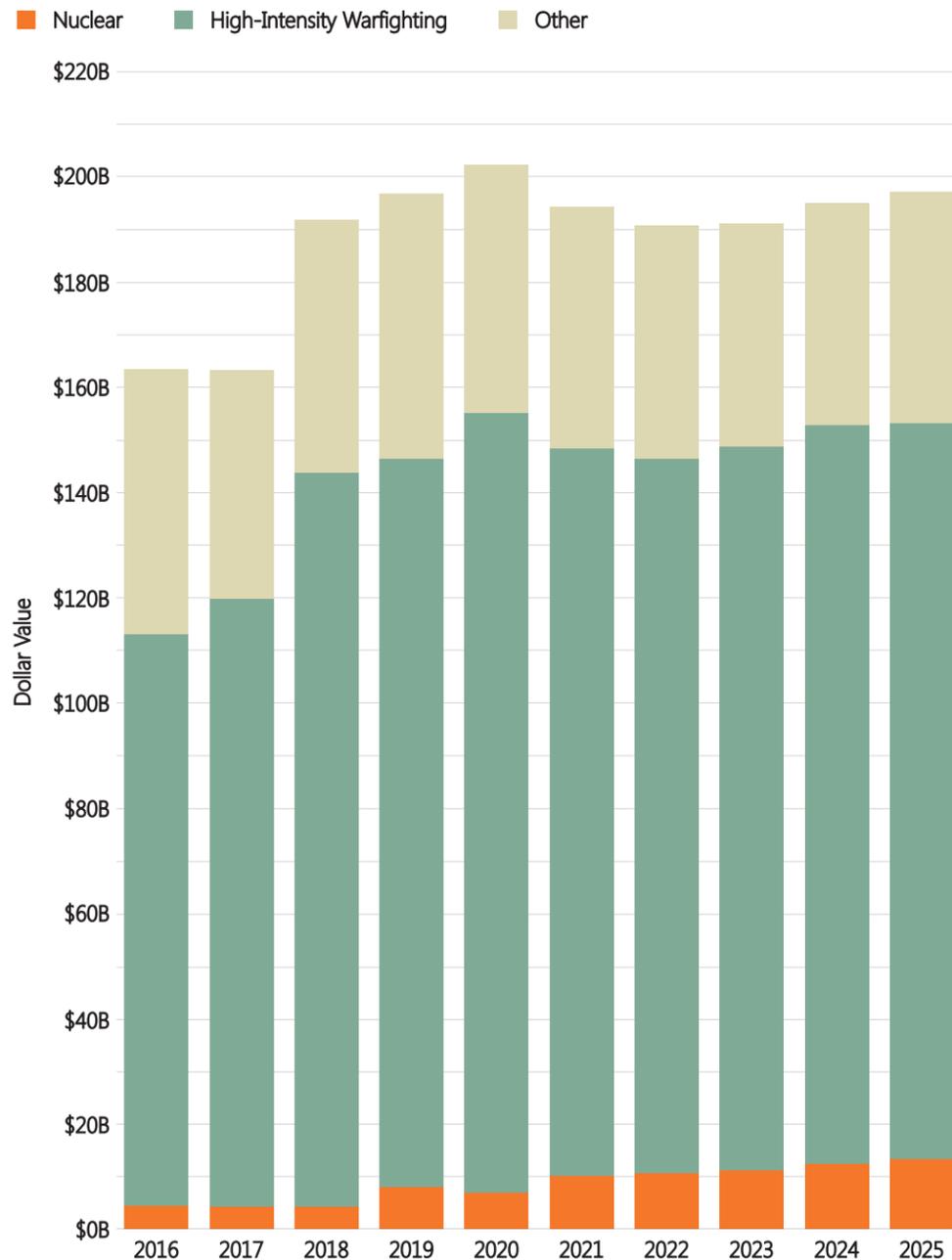


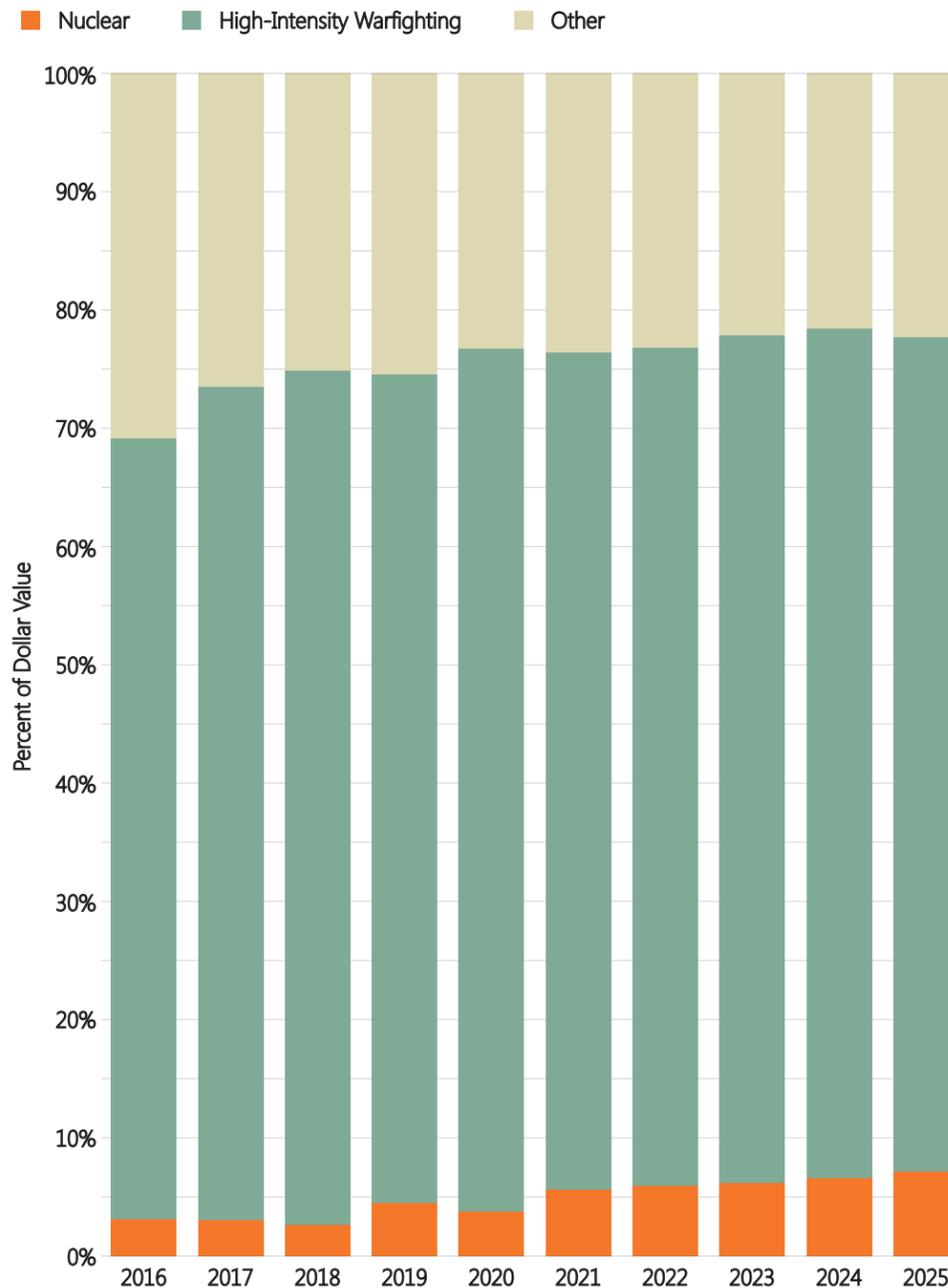
DOD'S DIMINISHING TRADESPACE

The Biden administration confronts diminishing tradespace for DoD's high-intensity warfighting modernization priorities. Since FY16, DoD has shifted significant resources to force modernization, but the big plus up has already happened. Topline budgets¹ are projected to stagnate and O&M and Personnel costs continue to rise, putting increasing pressure on DoD's investment budget.² At the same time, investment in nuclear modernization will consume more and more of DoD's investment budget. As a result, DoD will face tradeoffs among its high-intensity warfighting modernization priorities, creating hard choices on where to accept risk in conventional deterrence and how to manage those risks over time.

DOD INVESTMENT BUDGET, FY16-25



DOD INVESTMENT BUDGET BY PERCENTAGE, FY16-25



OTHER INVESTMENTS

Easy cuts to non-priorities within the investment budget are likely exhausted. Funding for other investments fell from 30% of the investment budget in FY16 to 22% in FY20, indicating that DoD made tradeoffs within its investment profile. However, this share is projected to fall by just 1% more over the Future Years Defense Program (FYDP). Moreover, these other investments include priorities outside of high-intensity warfighting modernization such as basic research, training technology and infrastructure, medical research, countering weapons of mass destruction (CWMD), small arms ammunition, and business process improvements.

HIGH-INTENSITY WARFIGHTING PRIORITIES

Funding for high-intensity warfighting will be squeezed over the FYDP, forcing DoD to make hard tradeoffs. Investment in high-intensity warfighting modernization is projected to decline in both absolute and relative terms; from \$148B and 73% of the investment budget in FY20 to just \$140B and 70% in FY25.

NUCLEAR FORCES

The full bill for recapitalizing the triad and NC3 is coming due. Nuclear modernization is consuming an increasingly larger share of the investment budget. In FY16, investment in nuclear modernization was just \$4.4B, but it grew to over \$10B in FY21 and is projected to continue increasing to \$13.3B by FY25. Moreover, this trend will likely accelerate in the years beyond the current FYDP.

¹Budget numbers are enacted for FY16-20, requested for FY21, and planned for FY22-25. FY21-25 numbers are drawn from the FY21 Presidential Budget Request. The DoD modernization priorities are those articulated in the 2018 National Defense Strategy.

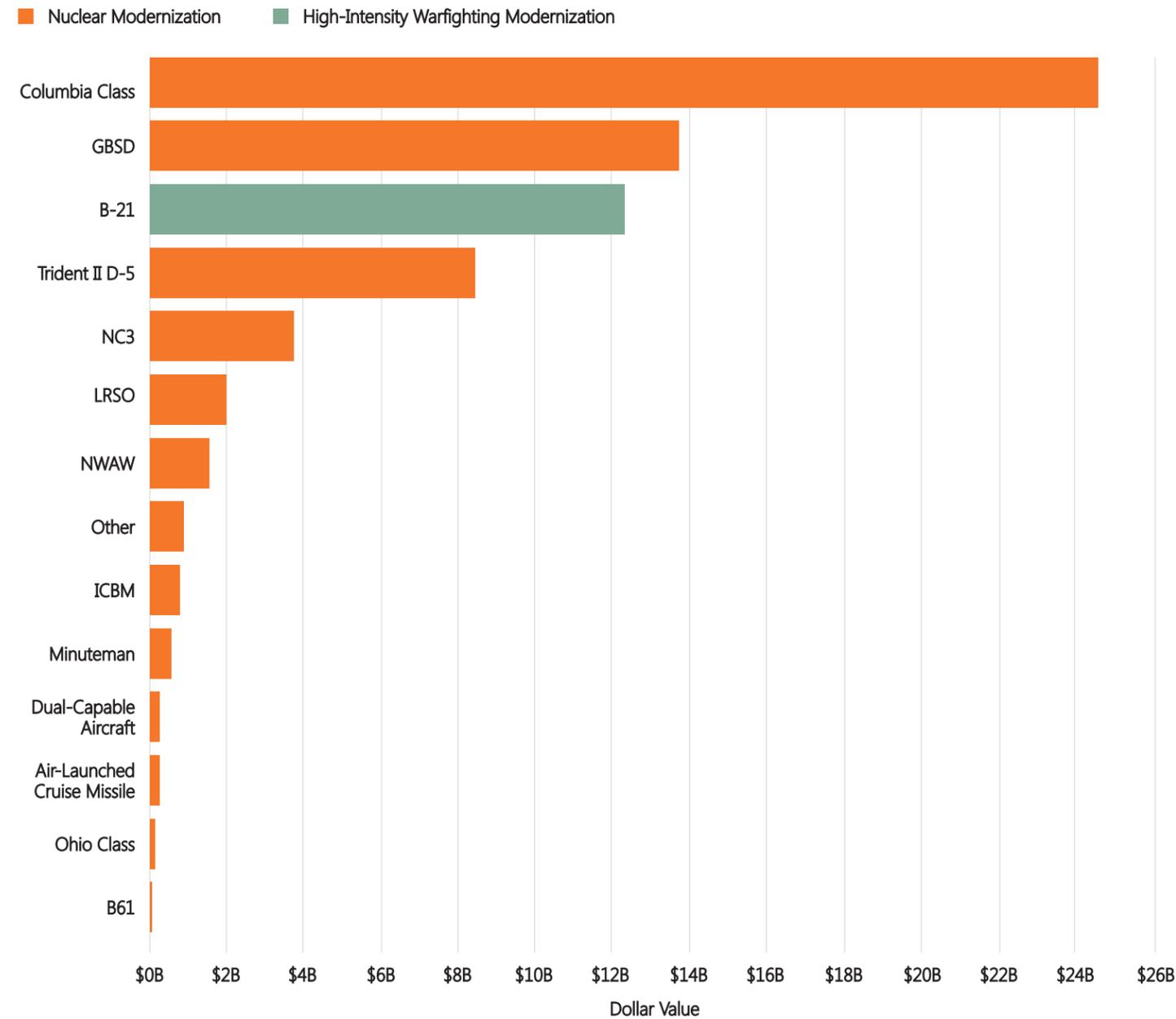
²The DoD investment budget consists of the Research, Development, Testing, and Evaluation (RDT&E) and Procurement budget accounts.

DoD needs decision science applied to strategic and operational outcomes to effectively allocate resources across competing priorities.

NUCLEAR FORCES MODERNIZATION

There are few costs to avoid in the nuclear modernization portfolio unless DoD reduces investment in recapitalizing one of the legs of the triad. The cost of developing and procuring the Columbia Class SSBN and the Ground-Based Strategic Deterrent (GBSD) dwarf the rest of the nuclear modernization portfolio, accounting for over 68% of all investment in nuclear modernization over the FYDP.

DOD INVESTMENTS IN NUCLEAR FORCES MODERNIZATION, FY21-25

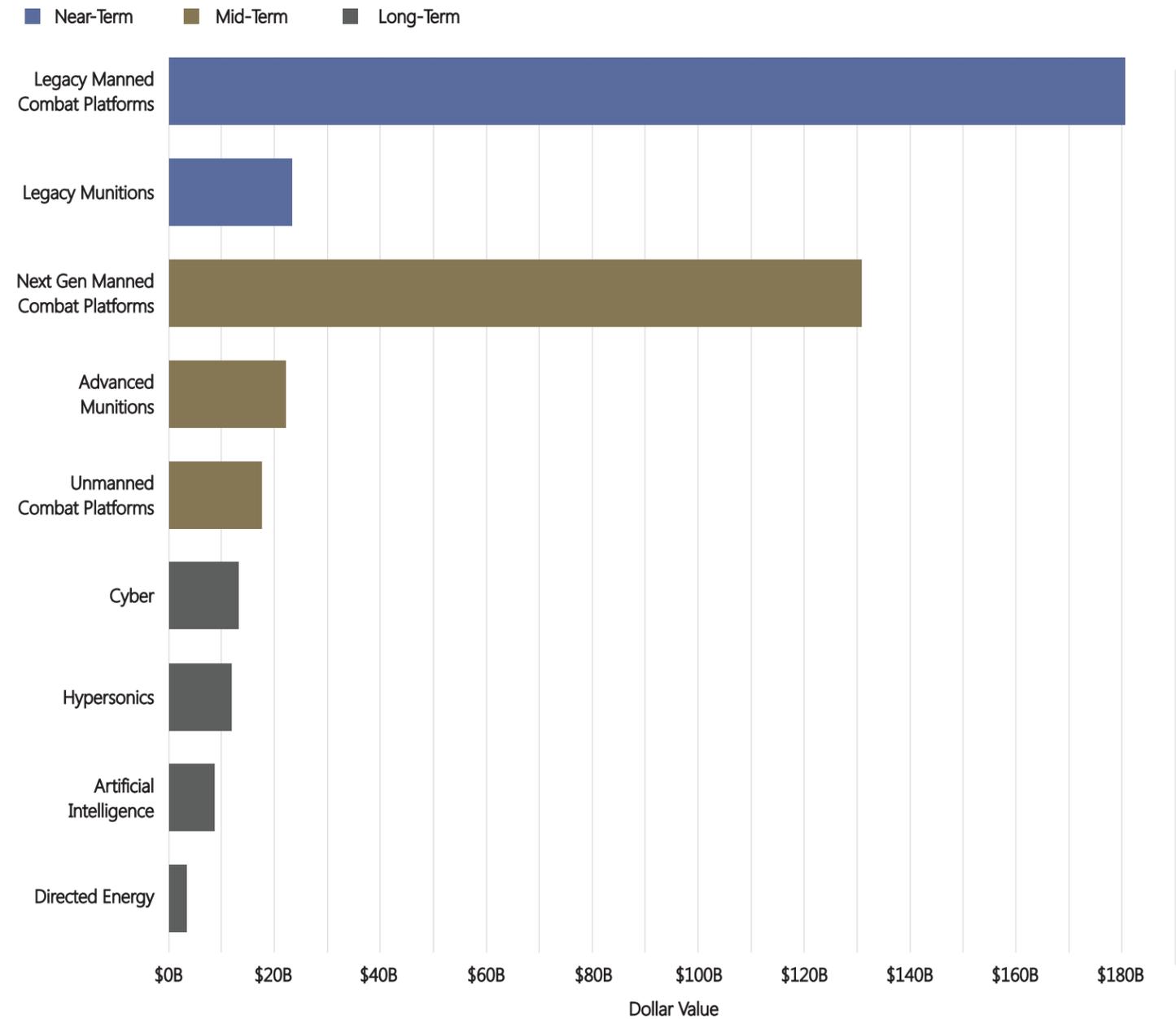


This analysis categorized B-21 as an investment in high-intensity warfighting modernization rather than in nuclear modernization, but included here because of its dual conventional and nuclear role.

TRADEOFFS IN TIME

DoD not only faces difficult tradeoffs between modernization priorities, but also about where to take risk across time. DoD has to balance between the competing priorities of upgrading legacy systems for the near-term, developing and procuring the next generation of systems for the mid-term, and investing in emerging technologies that could drive game-changing capabilities in the long-term.

DOD INVESTMENTS IN SELECT MODERNIZATION PRIORITIES, FY21-25



This analysis categorized Virginia Class SSN and DDG-51 FLT III as investments in Legacy Manned Combat Platforms.