

How Sequestration Might Impact the Air Force

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It is strategic planning season for many of GovWin's Federal Industry Analysis subscribers, and so we are getting a lot of questions about where we see the market going in the near term, given so much uncertainty and unresolved issues. Much of this focuses on specific technology segments – IT services, hardware, software, cybersecurity, cloud, etc., but there is even more interest in the potential impacts of budget sequestration if it occurs in January.

[Last week](#), I looked at the potential impact of sequestration on the Navy. This week, it's the Air Force's turn.

The Air Force Budget Environment and Sequestration

The Air Force, like DISA at DoD, the Army and the Navy, funds much of its IT programs through its Research, Development, Test, and Evaluation (RDT&E) budget and its Air Force Working Capital Fund (AFWCF). Between the two, the RDT&E funds are the primary area of risk with regard to sequestration.

For FY 2013 Air Force requested \$25.4 billion for its RDT&E activities, funding primarily, but not exclusively, C4 systems, weapons platforms, and advanced weapons technology (e.g., space, lasers, etc.) The current sequestration plan cuts \$6.7B (26%) from the Air Force RDT&E budget, if that FY 2013 budget were to be passed later this year. But under the current continuing resolution (CR) that runs until mid-March 2013, Air Force RDT&E funding is assumed to be set at the FY 2012 level, which was \$26.7B, including Overseas Contingency Operations (OCO). So the FY 2013 RDT&E request represented a *decrease* in funding of \$1.3 billion.

The AFWCF is essentially 100% exempt from sequestration, so programs funded through AFWCF may avoid direct sequestration-related cuts. That will depend somewhat on how much discretion, if any, the Air Force has in implementing reductions and if they are able to shuffle funding on priorities.

One noteworthy point here is that the delta between FY 2012 and FY 2013 RT&E budgets shows that the Air Force was already planning to reduce its RDT&E spending before sequestration was on the near-term horizon. FY 2013 budget plans were being drawn up during the same 2011 timeframe when the Budget Control Act (BCA) that brought us the sequestration plan was passed. The DoD was already wrestling with ways to trim the recent levels of budget growth to reach more sustainable levels in a budget-constricted environment.

What is Vulnerable to Sequestration at the Air Force

So what Air Force programs are most vulnerable to cuts under sequestration? Below is a table that lists the top ten highest RDT&E-funded programs/offices at the Air Force, based on FY 2012 funding levels. (Under the current CR, any sequestration cuts which occur will be based on the higher funding level of the FY 2012 actual budget.) These ten programs total \$859.2 million in spending – the largest amount for top ten RDT&E programs among the four DoD branches.

Ten Highest RDT&E-funded Programs/Offices at the Air Force

Program/Office Name	FY 2012 Funding*
Global Positioning System III - Operational Control Segment	\$362.8M
Logistics Information Technology (LOGIT)	\$139.8M
AF Integrated Personnel and Pay System (AF-IPPS)	\$91.6M
Information Systems Security Program	\$91.6M
Distributed Common Ground/Surface Systems	\$85.7M
Tactical Data Networks Enterprise	\$47M
Information Operations Technology Integration & Tool Development	\$23.9M
Wideband Global SATCOM RDT&E (Space)	\$12.6M
Global Command and Control System	\$3.8M
Global Combat Support System	\$449K

*FY 2012 level funding is assumed at this time because of CR.

These programs range from combat support systems to back-office enterprise applications and systems. The challenging question is . . .

which of these can the Air Force afford to cut?

Implications

If sequestration occurs in its current form then the Air Force will need to weigh cutting RDT&E funded C4 and weapons platform advancements versus network and enterprise system programs. It is yet unclear how much real latitude Air Force officials will have, if any, to move dollars around in order to support critical priorities and needs or if across-the-board percentage cuts will be enforced. Although Air Force's planned FY 2013 RDT&E funding was decreasing before sequestration that does not mean sequestration would not be highly disruptive to affected programs.

Air Force RDT&E is 40% larger than DISA's at DoD, 50% larger than the Navy's, and 3 times that of the Army. Does this make Air Force RDT&E more vulnerable under sequestration and/or future budget revisions? Since more than a quarter of their RDT&E budget is on the sequestration chopping block – compared to about 10-11% for DISA, Army and Navy – the answer seems clear.