The Potential Impact of Sequestration on RDT&E Spending in the U.S. Army

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The U.S. Army potentially faces sequestration related cuts to its FY 2013 RDT&E budget of $954M. In this blog we take a look at home these cuts may affect RDT&E spending on Army C2 programs, weapons platforms, and more traditional IT projects. Last week in this space, I posted a blog on the potential impact of sequestration on IT programs at DISA. This week I'd like to turn to the potential impact on IT programs at the U.S. Army. In the name of consistency, I'll follow the same format used in the previous blog and present data and information from the same sources, these being the FY 2013 Army Working Capital Fund and FY 2013 DoD Research, Development, Test, and Evaluation (RDT&E) Budget Request. Again, my purpose in clarifying where sequestration cuts may be felt the deepest is to relieve some of the anxiety surrounding sequestration and clarify what the issues are that leaders at the Army may be struggling with when it comes to deciding where the sequestration axe should fall.

Sequestration and the Army's Working Capital and RDT&E Funding Sources

Those familiar with the Army Working Capital Fund (AWCF) may wonder why I chose to take a look at it, given the fact that it contains very little of the Army's IT spending. The reasons are straightforward. First, FIA's September 2012 analysis of the Obama Administration's detailed budget account report on the impact of sequestration revealed that $178M of the AWCF was potentially vulnerable to sequestration cuts. Second, after having examined the Defense-Wide Working Capital Fund and finding just how important that fund is to DISA, I wanted to see if the AWCF was equally important to IT spending in the Army. The good news is that the AWCF is not as important to Army IT spending as the DWWCF is to DISA. In fact, the only IT program of note to be found in the AWCF is the Logistics Modernization Program (LMP). So, while the potential impact of sequestration on the LMP might be important to L-3 Services, the company currently supporting the program under contract W91QUZ-09-D-0039, the impact on the wider IT contracting community is negligible.

This brings me to the Army's portion of the RDT&E budget, the sequestration of which has far wider repercussions. Sequestration cuts $954M, or 10.7%, from the total FY 2013 Army RDT&E budget request of $8.9B. The $8.9B is the figure if an FY 2013 budget is passed. The "if an FY 2013 budget is passed" part of the statement above is important here because if an FY 2013 budget is not passed then sequestration cuts would be based on funding at the FY 2012 level, as required by the Continuing Resolution in place until March 2013.

In the Army's case, FY 2012 RDT&E funding was $8.7B, including OCO funding. Based on the FY 2013 request, the Army expected its RDT&E funding to increase by $200M. This means that it is actually more favorable for the Army if sequestration cuts would be based on the FY 2013 requested RDT&E funding level of $8.9B, rather than on the FY 2012 RDT&E funding level of $8.7B. Given the fact that Congress is highly unlikely to pass an FY 2013 budget before 2 January 2013, the Army has $200M less in RDT&E funding headroom to bear the brunt of sequestration cuts. In short, sequestration cuts to the Army's RDT&E funding would hurt more based on FY 2012 funding than they would have if an FY 2013 budget was in place.

What is Vulnerable to Sequestration at the Army?

Army RDT&E money funds research and development related primarily, but not exclusively, to command and control systems and weapons platforms. The table below lists the top 10 (by funding) RDT&E funded programs/offices at the Army, based on FY 2012 funding levels. These programs represent a total of $2.7B in Army RDT&E spending in FY 2012. Based on what readers know of strategic priorities at the Army, which of these programs do you think the Army could afford to cut if sequestration became a reality?

Program/Office Name	FY 2012 Funding*
Manned Ground Vehicle	$449M
Patriot/MEADS Combined Aggregate Program (CAP)	$390M
Aerostat Joint Project Office	$327M
Army Test Ranges and Facilities	$312M
FCS Systems of Systems Eng & Program Mgmt	$299M
Army Integrated Air and Missile Defense (AIAMD)	$270M
High Performance Computing Modernization Program	$228M
Warfighter Information Network-Tactical	$186M
Global Combat Support System (GCSS)	$160M
Combat Vehicle & Automotive Advanced Technology	$146M

For my part, I'd like to draw attention to three programs on this list and offer comments on where these systems fit into the Army's IT ecosystem.

- **High Performance Computing Modernization** – Slated to receive $228M (the FY 2012 number based on the CR) in RDT&E funding, the HPCM program would likely play a critical role in enabling the Army's use of big data tools. Because traditional computing platforms cannot handle the volume, variety, and velocity of data to be processed, the Army and other DoD services will likely to turn to high performance computing for solutions. If this program is not funded it could hamstring efforts the Army's efforts to use the big data analysis tools that it requires.
- **Warfighter Information Network-Tactical (WIN-T)** – The WIN-T network is central to the Army's efforts to drive capabilities to the tactical edge. These are capabilities that the warfighter counts on so cutting funding to this program could have life and death consequences.
- **Global Combat Support System (GCSS)** – The GCSS is an enterprise level ERP system that provides a comprehensive COTS-based logistics solution to combatant commanders. So long as American lives are at stake in far-flung theaters of operation, the GCSS will be a required system, but this might not be enough to save it from cuts given the bad taste that years of DoD ERP cost overruns have left in the mouth of Congress.

There are of course other more traditionally oriented IT programs in the RDT&E budget that could experience cuts related to sequestration. These programs include Army Tactical C2 Hardware & Software ($94M in funding at FY 2012 levels) and Distributed Common Ground/Surface Systems (DCGS-A) ($32M in funding at FY 2012 levels). However, it is difficult to see much money, in percentage terms, being cut from these program budgets.

Sequestration in Perspective

When it comes to sequestration at the Army, it is my opinion that the potential impact is likely to be focused in the C2 and weapons platform space. In general, the more traditionally oriented IT programs are less visible, at least as far as the size of funded accounts is concerned. This said the CR unfortunately puts the Army in a weaker position to withstand cuts to its RDT&E funding, if they materialize.