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**U.S. SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS**

**SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY**

HEARING: "Tools to Prevent Defense Department Cost Overruns"

WASHINGTON – Today, Sen. Tom Carper (D-Del.), Chairman of the Senate Subcommittee on Federal Financial Management, convened the hearing, "Tools to Prevent Defense Department Cost Overruns." The hearing examined the efficiency of the Department of Defense's (DOD) system for developing the nation's largest and most costly weapons. Today, the Government Accountability Office (GAO) announced that DOD's major weapon systems have experienced more than \$400 billion in cost growth, including \$70 billion in new cost overruns. The hearing included testimony on the analysis of the reasons for these cost overruns and recommendations on corrective measures.

For more information on the hearing or to watch a webcast of the hearing, please click [HERE](#).

A copy of Sen. Carper's remarks, as prepared for delivery, follows:

"Today's hearing will focus on how the Department of Defense can more efficiently develop our nation's largest and most costly weapons. This hearing comes amidst joint efforts by U.S. and NATO forces to avert a humanitarian catastrophe in Libya. The major weapon systems of the U.S. military and of our NATO allies have helped to level the playing field against a regime that has chosen to launch airstrikes against protestors and deploy tanks to attack its own population. As we applaud the effort to stop this aggression, though, we need to keep in mind that the cost of our involvement in three simultaneous wars contributes to already unsustainable spending levels.

"In addition to our costly national security challenges, our nation still faces equally costly

economic challenges that have led to record budget deficits in recent years. Our national debt now stands at more than \$14 trillion, well over double what it was just ten years ago. While most Americans want us to reduce the deficit, determining the best path forward will not be easy. Many believe that those of us here in Washington aren't capable of doing the hard work we were hired to do – that is to effectively manage the tax dollars they entrust us with. They look at the spending decisions we've made in recent years and question whether the culture here is broken. They question whether we're capable of making the kind of tough decisions they and their families make with their own budgets. I don't blame them for being skeptical.

"We need to establish a different kind of culture in Washington when it comes to spending. We need to establish a culture of thrift to replace what some would call a culture of spendthrift. We need to look in every nook and cranny of federal spending – domestic, defense and entitlements, along with tax expenditures – and ask this question, "Is it possible to get better results for less money?" The hard truth is that many programs' funding levels will need to be reduced. Even some of the most popular programs out there will likely be asked to do more with less or at least do more with the same level of funding.

"Most of us, however, understand that we can't simply cut our way out of debt, tax our way out of debt or save our way out of debt. We need to grow our way out of debt. If we are to spur the level of growth needed to repair our nation's fiscal health, then we must invest in the kinds of research and development that will enable us to out innovate the rest of the world once again. Given the limited resources available for this kind of investment, we can ill afford to waste taxpayer money on inefficient federal programs that don't help us achieve our goals as a country.

"Today, we will look at inefficient spending in the Department of Defense, specifically its acquisition system for major weapon programs. Three years ago, GAO testified before this subcommittee that cost growth in major weapon systems had increased significantly over the past decade – from \$44 billion in fiscal year 2000 to \$202 billion in fiscal year 2005 to \$295 billion in fiscal year 2007. And GAO announced today that this cost growth has now risen to \$402 billion through fiscal year 2010, which includes \$70 billion in new weapon system cost overruns in just two years.

"These cost overruns not only waste taxpayer money, they also prohibit us from investing in the highest needs of our military. Last year, Secretary Gates said that every dollar wasted on weapon system cost overruns "is a dollar not available to take care of our military, reset the force, win the wars we are in and improve capabilities in areas where we are underinvested and potentially vulnerable." If we are going to have any hope of strengthening our military and achieving a balanced budget down the line, we've got to reverse the trend of growing weapon system costs. As with many of our federal programs, we must get better results for less money in this area, too.

"Today's hearing will look at some of the root causes of the mounting cost overruns we've seen in recent years. For the next hour or two, we'll examine the effectiveness of the tools

available to DOD and Congress to guard against even greater cost escalation. One of Congress and DOD's tools for managing cost overruns is the Nunn-McCurdy law, which serves as a tripwire to alert Congress and DOD to weapon systems with costs that are spiraling out of control. This tool is simple: if a program's cost grows by 15 percent, Congress must be notified. If its cost increases by 25 percent or more, the program is terminated unless the Secretary of Defense certifies that it meets key requirements.

"We have asked GAO to look at trends in past Nunn-McCurdy breaches that might be able to help us determine the effectiveness of this tool. Once again, their findings reveal a serious problem. According to GAO, since 1997 one in three major weapon systems have experienced cost overruns big enough to trigger Nunn-McCurdy breaches. 36 programs' cost grew by more than 25 percent, subjecting them to the possibility of termination, yet only one program has ever actually been terminated. GAO also identified Nunn-McCurdy trends in the military services that indicate mismanagement. For example, the Air Force has had nearly as many Nunn-McCurdy breaches – 29 – as they did major weapon systems in development between 1997 and 2009 – 36. And the contractors that build and develop these systems are not without fault either. From 1997 to 2009, 16 companies had more than one of their weapon systems trigger a Nunn-McCurdy breach. Moreover, two major contractors accounted for more than 50 percent of the weapon systems that breached Nunn-McCurdy over this 12 year period.

"These trends in Nunn-McCurdy breaches tell us that too many of our weapon systems have costs that are spiraling out of control. This underscores a key fiscal reality that our nation must face. We simply cannot balance our budget when we must consistently pay hundreds of billions of dollars more than expected for our major weapon systems. Our witnesses here today will help us to identify the causes of these cost overruns, the tools available to control them now and the tools we will need to prevent them in the future."

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