

The US Army War College Quarterly: Parameters

Volume 44
Number 1 *Parameters Spring 2014*

Article 11

Spring 3-1-2014

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Rick Morrison

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Recommended Citation

Rick Morrison, "Reserve Component Costs: A Relook," *Parameters* 44, no. 1 (2014), <https://press.armywarcollege.edu/parameters/vol44/iss1/11>

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RESERVE COMPONENTS: POINT-COUNTERPOINT

Reserve Component Costs: A Relook

Rick Morrison

ABSTRACT: The Army Force Generation (ARFORGEN) costing model suggests Active and Reserve forces cost about the same. Thus, many of the assumptions about the cost-effectiveness of Reserve Components may need a closer look.

Budget Cycles

As we close the book on one of America's longest military engagements, the battle for shrinking resources is growing more intense. But what risk can we realistically assume before we place US security interests in jeopardy? Many solutions call for the Army to move more of its capabilities to the Reserve Component. However, the cost savings may not be as great as we might think. This article explores some of those costs through the Army Force Generation (ARFORGEN) costing model.

Cost-Effective Reserve Components

The National Guard Bureau *2013 Posture Statement: Security America Can Afford* states "The National Guard is the DOD's most cost effective component." One of the reasons listed is that "For 11% of the Army Budget, the Army National Guard provides 32% of the Army's total personnel and 40% of its operating forces."¹ The *United States Army Reserve 2013 Posture Statement* makes a similar claim: "As the Army's only Federal Operational Reserve Force, the Army Reserve provides a cost-effective way to mitigate risk to national security. For only 6 percent of the Army budget, the Army Reserve provides almost 20 percent of the Total Force."²

Clearly, the percentage of total force provided by each reserve component is correct. However, statements about percent of the Army budget need to be qualified. They hold true when viewing the Army budget purely from an appropriations-sponsor perspective, but the Army pays for several National Guard and Army Reserve expenses through active Army appropriations. Here are a few examples:

- Other Procurement of Army (OPA) appropriation is used to purchase new equipment for all three components. The Army may buy 50 new trucks and allocate ten to the ARNG and ten to the USAR. The cost of new equipment is not included in reserve component appropriations.
- Operations and Maintenance, Army (OMA) appropriation pays the overhead costs of operating ten rotations per year at the National

1 GEN Craig R. McKinley, *2013 National Guard Bureau Posture Statement*, 4, http://www.nation-anguard.mil/features/ngps/2013_ngps.pdf.

2 LTG Jeffrey W. Talley and CSM James L. Lambert, *America's Army Reserve: a Life-Saving and Life-Sustaining Force for the Nation, 2013 Posture Statement*, June 6, 2013, ii. [http://www.usar.army.mil/resources/Media/ARPS_2013_6-6-13%20\(2\).pdf](http://www.usar.army.mil/resources/Media/ARPS_2013_6-6-13%20(2).pdf).

COL Rick Morrison is a career Army Officer currently serving as the Senior Reserve Research Advisor in the Strategic Studies Institute, U.S. Army War College. He has served in all three of the Army's components.

Training Center (NTC) and Joint Readiness Training Center (JRTC). The National Guard uses one rotation per year at each center and pays its own military personnel costs and a portion of the O&M expenses associated with training away from home station.

- OMA also pays to operate the initial military training sites in which the ARNG and USAR send tens of thousands of soldiers through each year (Basic Combat Training and Advanced Individual Training, etc.). The reserve components pay their own personnel costs via their National Guard Pay, Army (NGPA) and Reserve Pay, Army (RPA) appropriations for soldiers while they are on active duty, but the overhead costs of operating those training bases are under the OMA appropriation.

Put differently, the percentage of the total Army budget attributed to the ARNG and USAR would be higher if the portion of active appropriations in the base budget spent on the RCs were included in the calculations.

But How Cost-Effective?

From 2010 to 2012, I led a team of analysts on a project directed by HQDA. We were tasked by the Army G-8 Program, Analysis and Evaluation Division (PA&E) to determine the comparable costs of providing similar AC/RC units in a Force Generation Cycle. The purpose was to gain commonality of numbers, specifically the cost of active component and reserve component soldiers so we could meet three objectives: (1) Conduct a comprehensive analysis on the Business Case for Operationalizing the Reserve Component; (2) establish common Army costing baselines to compare Active and Reserve Component costs; and (3) gain leadership agreement (AC, ARNG, and USAR) so those leaders could accurately engage the Office of the Secretary of Defense and other agencies outside the department.³

My team, comprised of top analysts from all three components, designed a cost model that supported a range of utilization scenarios. We focused on three unique applications: (1) Allocated: A unit moves through the ARFORGEN cycle and deploys during the available year; (2) Apportioned: A unit moves through the ARFORGEN cycle and deploys on a noncombat contingency mission at some point in the available year; and (3) Apportioned: a unit moves through the ARFORGEN cycle but has no mission in the available year and does not deploy. HQDA asked us to provide cost comparisons on the Heavy Brigade Combat Team (BCT), Stryker BCT, Infantry BCT, and the Combat Aviation Brigade (CAB). We also included results for four types of smaller formations to gain an appreciation of how manpower, mission sets, and equipment impacted the results. We included the engineer battalion, civil affairs battalion, medium truck company, and military police company in our report. We chose units found in at least two of the three components with the same Standard Requirements Code (SRC). Figure 1 lists the SRCs and which components the unit types reside in.

³ COL Morrison earned recognition as the military runner -up for the 2010 Pace Award for his effort in leading this team to create the AC/RC ARFORGEN Costing Model. The Pace Award is named for former Secretary of the Army Frank Pace Jr., who served in the position between 1950 and 1953, during the Korean War. The award has been presented annually since 1962 to an Army officer under the grade of colonel and a civilian, GS-14 equivalent or below.

Unit Type	SRC	AC	ARNG	USAR
HBCT	87300G301	X	X	
IBCT	77300G301	X	X	
SBCT	47100F501	X	X	
CAB	01300G201	X	X	
Engineer BN	05435R001	X	X	X
Civil Affairs BN	41705A001	X		X
Medium Truck CO	55727F101	X	X	X
Military Polic CO	19667L001	X	X	X

Figure 1. The unit types, their respective Standard Requirements Code (SRC), and the components in which they reside.

The AC/RC ARFORGEN Costing Model produced results that provided the following observations. In general, reserve component ARFORGEN cycle costs are lower for Personnel and Operations & Support; however, equipment recapitalization cost is a significant offsetting factor for equipment-intensive units. The differential in cost is greatest in units with lower equipment operating costs.

Unit Type	ARNG	USAR
BOG/DWELL	1:4/1:5	1:4/1:5
HBCT	\$0.97/\$0.87	
IBCT	\$0.88/\$0.85	
SBCT	\$0.92/\$0.88	
CAB	\$1.02/\$0.94	
EN BN	\$0.92/\$0.91	\$0.86/\$0.85
CABN		\$0.77/\$0.71
TC CO	\$0.91/\$0.90	\$0.86/\$0.84
MP CO	\$0.87/\$0.84	\$0.86/\$0.83

Figure 2. Results from the AC/RC ARFORGEN Costing Model in this figure can be stated using this example for the HBCT: "For every \$1.00 the AC spends on an HBCT in a 1:2 ARFORGEN cycle, the ARNG will spend \$0.97 for an HBCT in a 1:4 ARFORGEN cycle or \$0.87 in a 1:5 ARFORGEN cycle."

Review Figure 2 to see how relative costs indicate there are some unit types that might be best suited for the Active Army, while others might be best suited for the ARNG or USAR, at least from a cost perspective. We used the allocated scenario (units in an ARFORGEN cycle that deploy or mobilize to a combat theater) to create this table. Costs for Active units were based on the unit going through a 1:2 ARFORGEN cycle (9 months boots-on-the-ground: 18 months in Reset and Train/Ready). Costs for ARNG and USAR units were based on both 1:4 and 1:5 ARFORGEN cycles (1-year boots-on-the-ground: 4 or 5 years in Reset and Train/Ready Phases).

As Figure 2 shows, for every dollar the Army spends on an Active Component unit, it will spend the amount indicated for an ARNG or

USAR unit of the same type. For example, for every dollar spent on an Active Heavy Brigade Combat Team in a 1:2 ARFORGEN cycle, the Army will spend \$.97 to send an ARNG Heavy Brigade Combat Team through the 1:4 cycle and \$.87 for the 1:5 cycle. These data show that to train, equip, and deploy an ARNG Heavy Brigade Combat Team in a 1:4 ARFORGEN cycle costs basically the same as an Active Heavy Brigade Combat Team. It also shows that a 1:5 cycle is the cheaper option for the ARNG relative to what the Army spends on the same type of Active Army Heavy Brigade Combat Team. At the other end of the cost spectrum, an Army Reserve civil affairs battalion only costs \$.77 and \$.71 on the dollar for a 1:4 and 1:5 ARFORGEN cycle, respectively. In both ARFORGEN cycles, it is much cheaper to have civil affairs units in the Army Reserve than in the Active force. Look closely at the Combat Aviation Brigade costs in Figure 2. It is actually more expensive for an ARNG Combat Aviation Brigade to go through the 1:4 ARFORGEN cycle than it is for its Active counterpart in a 1:2 cycle.

Compare this result to statements in the media claiming ARNG and USAR soldiers (personnel costs) are about one-third the cost of the active component when not mobilized. That is a valid statement. However, one has to be aware that simply comparing personnel costs between the components is only a small part of the issue. One has to consider OPTEMPO, equipment, and capital reinvestment costs to gain a true appreciation of the costs involved.

Addressing Risk?

Article 1, Section 8, Clause 12 of the Constitution provides the impetus for expanding and contracting the Active Army while maintaining a relatively constant militia.

The Congress shall have Power To . . . raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years...

Article I, Section 8, Clause 12

The language in the Constitution implies that the Army will grow in times of crisis and return to “normal” afterwards. But what should “normal” look like in 2015 or 2025?

The AC/RC ARFORGEN Costing Model does not address the risk involved if a unit is placed in the Reserve Component. It typically takes ARNG and USAR units longer to train for deployment than their Active counterparts. However, some smaller Army Reserve units only need the statutory minimum 48-unit training assemblies and 15 days of annual training to deploy at the T-2 standard. Those units should remain in the Reserve Component.

The basic premise for the Operational Reserve is to provide enough premobilization training to allow reserve component units that require additional training days to deploy in less time once they reach the mobilization station. If our national security goals can be met by risking a longer wait for reserve component formations to deploy, then the AC/RC ARFORGEN Costing Model can inform Army leaders as to which units might be better suited—from a budget perspective—for the ARNG or USAR and those that should reside in the active force.

Equipment-intensive units (Heavy Brigade Combat Teams, Stryker Brigade Combat Teams, Combat Aviation Brigades) should primarily reside in the active force since the same SCRs in the ARNG cost almost as much, if not more, to maintain across an ARFORGEN cycle and because these unit types require more intensive collective training to deploy.

If we accept the results of the AC/RC ARFORGEN Costing Model, one potential conclusion is that, since Heavy Brigade Combat Teams and Combat Aviation Brigades are expensive to maintain in the ARNG, they should be moved to the active force. In that way, we can significantly reduce one part of the risk equation. The ARNG might respond by arguing it has to keep its heavy forces for homeland defense, but would be willing to help reduce the active force by rebalancing the combat support and combat service support units into the reserve force.

The Army is trying to remain relevant to the new security environment, and each of the Army's three components is making its case. The basic question is how much risk are we willing to take? What happens when our active forces are insufficient and complementary reserve component forces cannot be deployed fast enough to fill the gap? This is a perennial question, one usually (and unfortunately) answered in hindsight. How small can our Total Army be and still protect our vital interests? What risks are we willing to accept by reducing any of our Army's components further than what the current drawdown plan calls for?

Insights from the AC/RC ARFORGEN Costing Model and can help the Army reduce its operating costs by rebalancing forces among components. Only after we assess these results will we be able to design an affordable, balanced, relevant total force that allows us to meet our national security objectives.

