

---

---

### Cost Performance Observations

1. The estimated cost of DOD's 2011 portfolio stands at about \$1.58 trillion and has grown by over \$74 billion or 5 percent in the past year.<sup>a</sup>
2. About \$30 billion of this growth can be attributed to quantity changes within major defense acquisition programs; the other \$45 billion is due to research and development cost growth and production inefficiencies.<sup>b</sup>
3. Many of the programs in the portfolio with the greatest growth in estimated research and development costs in the last year are already in production and either experienced growth because of lingering development issues or added funding for upgrades or modernization efforts.
4. The cost of the portfolio is driven by the 10 highest-cost programs, which account for 55 percent of its total cost.
5. The Joint Strike Fighter accounts for 21 percent of the total cost of the portfolio and 52 percent, or about \$39 billion, of the cost growth in the past year.
6. Ninety-one percent of the funding needed to complete the programs in the portfolio is for procurement, with most of that for a few large programs.
7. Over 60 percent of programs have lost buying power in the last year—as measured by an increase in program acquisition unit cost—depriving DOD of funding that could have been used for additional quantities or other priorities.
8. About 40 percent of the programs have experienced cost increases in the past year that exceed cost growth targets discussed by DOD, the Office of Management and Budget (OMB), and GAO; and over 50 percent exceeded the targets for growth in the past 5 years and since the first full estimate.
9. Looking forward, the number of programs in DOD's 2012 portfolio is projected to be the smallest since 2004 as more programs continue to leave the portfolio than enter it—a positive sign that DOD is adjusting its number of programs to meet resources.

<sup>a</sup>All dollar figures are in fiscal year 2012 constant dollars, unless otherwise noted.

<sup>b</sup>Discussion of growth in the 2011 portfolio does not include BMDS as DOD does not consider adjustments to this system to represent cost growth because the program has been allowed to add 2 years of new funding with each biennial budget. See GAO, *Missile Defense: Actions Needed to Improve Transparency and Accountability*, [GAO-11-372](#) (Washington, D.C.: Mar. 24, 2011) for an assessment of the Missile Defense Agency's (MDA) cost, schedule, testing, and performance progress in developing BMDS.

Additional details about each observation follow.

- **The total cost of DOD's 2011 portfolio of major defense acquisition programs has grown by over \$74 billion, or 5 percent, in the last year.** The over \$74.4 billion in cost growth over the past year consists of a rise in development costs of \$13.7 billion, or 4 percent, and an increase in procurement costs of \$60.6 billion, or 5 percent. When