Fiscal Year 2017
Budget Request

February 9, 2016

Office of the Under Secretary of Defense (Comptroller)/CFO
The FY 2017 Budget: Key Points

• Adheres to the Bipartisan Budget Act of 2015 (Dollars in Billions)
  – Base budget request $523.9
  – Overseas Contingency Operations (OCO) budget request $58.8
  – Total budget request $582.7

• Funds a joint force with the capacity and capability to:
  – Defend the homeland
  – Respond to five challenges
    o Russia
    o China
    o North Korea
    o Iran
    o Global counter-terrorism
  – Respond to aggression from two different adversaries with overlapping timelines

• DoD requires funding above the BCA levels after FY 2017 to properly support this strategy
DoD Funding from 9/11 Through FY 2017 Request
(Discretionary Budget Authority)

DoD Topline, FY 2001 – FY 2017
(Current Dollars in Billions)

Numbers may not add due to rounding

Base Budget  OCO/Other Budget
DoD Topline Under the Budget Agreement

(Discretionary Budget Authority)

Numbers may not add due to rounding

DoD Topline, FY 2015 – FY 2017

(Current Dollars in Billions)

- FY15: Base Budget 497, OCO/Other Budget 63, Total 560
- FY16: Base Budget 522, OCO/Other Budget 59, Total 580
- FY17: Base Budget 524, OCO/Other Budget 59, Total 583

Pre-BBA Caps
The Defense Budget picture one year ago…

(Dollars in Billions)
...and the Defense Budget picture today

(Dollars in Billions)
Secretary Carter’s Priorities for This Budget

• Given the current level of budget resources ($800B in Budget Control Act cuts), we can’t reduce all risk. Instead, the Department must:
  – Prioritize conventional deterrence against our most advanced adversaries
  – Focus more on the shape than the size of the force
    o Seek the best balance between force structure (size), modernization (capability) and readiness
    o Emphasize lethality and capability of the force rather than size
    o Emphasize posture rather than presence
  – Emphasize innovation
    o Attracting, retaining, and managing talent (Force of the Future)
    o Update war plans and operational concepts
    o Pursue “offset” technologies
    o Institutional efficiency and reform

“Today’s security environment is dramatically different … and it requires new ways of thinking and new ways of acting”  
Secretary Carter, February 2, 2016
How we hit the lower FY 2017 topline

(Dollars in Billions)

Comparison to FY 2016 PB Plan for FY 2017
Cuts to hit the lower FY 2017 Topline

• We will procure fewer weapons systems than planned:
  – 9 AH-64 Apache helicopters (Army)
  – 24 UH-60 Blackhawk helicopters (Army)
  – 5 F-35A Joint Strike Fighters
  – 2 V-22 aircraft (Navy)
  – 3 C-130J aircraft (Air Force)
  – 4 LCAC Service Life Extension Programs (Navy)
  – 77 Joint Light Tactical Vehicles (Marine Corps)

• Aircraft procurement accounts reduced $4.4 billion
• Shipbuilding reduced $1.75 billion
• Other procurement accounts reduced $2.6 billion
• Reduce plans for new military construction projects by $1.1 billion
FY 2017 Budget Supports

• Planned force structure levels

• Service readiness recovery plans

• A safe, secure and reliable nuclear force at New START levels

• Force of the Future initiatives

• Modernization:
  – DDG modernization and SSN upgrades
  – Surface ship advanced munitions and sensor technologies
  – Investment in space capabilities
  – Hypersonic research and development
  – Cyber tools for Combatant Commanders
  – Army aviation modernization plan
  – Marine Corps vehicle modernization plan

• Key reform proposals (e.g., TRICARE)
FY 2017 Force Structure

• Force structure assessed sufficient to execute the strategy

• Major elements include:
  – 14 SSBNs, 450 ICBMs
  – 96 Operational Bombers (154 total)
  – 287-ship Navy with 11 Carriers in FY 2017
    • (Building to a 308-ship Navy)
  – 54+1 Tactical fighter squadrons
  – 990k Army Total End Strength (460k Active)
    • (30 Active BCTs in FY 2017)
  – 221k Marine Corps Total End Strength (182k Active)
### End Strengths in FY 2017 Budget and FYDP

| Maintain strength ramps for Army and Marine Corps active and reserves forces | End Strength |
|---|---|---|
| **FY 2017** | **End of FYDP** |
| Active Army includes support for 30 Brigade Combat Teams (BCTs) | 460,000 | 450,000 |
| Army Reserve | 195,000 | 195,000 |
| Army National Guard includes support for 26 BCTs | 335,000 | 335,000 |
| **Total Army End Strength** | 990,000 | 980,000 |
| Active Marine Corps supports rotation demands of 7.6 Infantry Battalions and enablers | 182,000 | 182,000 |
| Marine Corps Reserve | 38,500 | 38,500 |
| **Total Marine Corps End Strength** | 220,500 | 220,500 |

| Retain Navy force structure | End Strength |
|---|---|---|
| **FY 2017** | **End of FYDP** |
| Active Navy | 322,900 | 323,100 |
| Navy Reserve | 58,000 | 58,900 |
| **Total Navy End Strength** | 380,900 | 382,000 |
| - 308 ships Navy with 11 Carriers by FY 2021 |
| - 14 SSBNs |

| Maintain active Air Force to address high optempo and shortfalls in active fighter maintainers | End Strength |
|---|---|---|
| **FY 2017** | **End of FYDP** |
| Active Air Force | 317,000 | 317,000 |
| Air Force Reserve | 69,000 | 68,500 |
| Air National Guard | 105,700 | 105,200 |
| **Total Air Force End Strength** | 491,700 | 490,700 |
| - 96 operational bombers |
| - 55 combat coded fighter squadrons |

| Total Active Forces End Strength | 1,281,900 | 1,272,100 |
| Total Reserve Forces End Strength | 801,200 | 801,100 |
Major Investments in the FY 2017 Budget

<table>
<thead>
<tr>
<th>(Quantities/Dollars in Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aircraft</strong></td>
</tr>
<tr>
<td>F-35 Joint Strike Fighter (USAF, USMC, USN)</td>
</tr>
<tr>
<td>F/A-18 (Navy)</td>
</tr>
<tr>
<td>KC-46 Tanker Replacement (Air Force)</td>
</tr>
<tr>
<td>AH-64E Apache helicopters (Army)</td>
</tr>
<tr>
<td>MQ-9 Reaper</td>
</tr>
<tr>
<td><strong>Shipbuilding</strong></td>
</tr>
<tr>
<td>Virginia Class submarines (Navy)</td>
</tr>
<tr>
<td>DDG-51 AEGIS Destroyers (Navy)</td>
</tr>
<tr>
<td>Littoral Combat ships (Navy)</td>
</tr>
<tr>
<td><strong>Space</strong></td>
</tr>
<tr>
<td>Evolved Expendable Launch Vehicle (Air Force)</td>
</tr>
<tr>
<td>Global Positioning System (Air Force)</td>
</tr>
</tbody>
</table>

Requires Funding in 5-Year Plan + FY 2017 OCO

*Includes Base + OCO Procurement and RDT&E Funding*
PB 2017 Focus on Technology Innovation

- Funds science and technology to further innovation (FY 2017, $12.5 billion; FYDP, $65.0 billion)

- Creates new connections with commercial sector
  - Establishing experimental defense innovation units
  - IN-Q-TEL

- Funds innovative “offset technologies” to bolster conventional deterrence (FYDP, $18B). Examples:
  - Assured positioning, navigation and timing
  - Large displacement unmanned undersea vehicles
  - High speed strike weapons
  - Arsenal plane
  - Hypersonics
  - Low-cost unmanned systems
  - High-Velocity Projectiles from “powder guns”

DoD needs to accelerate delivering new capabilities
Joint Force Readiness

- PB17 funds Service efforts to enhance readiness

- Focus is on recovering full spectrum readiness to meet current demands and to ensure our Joint Force is ready for future contingencies

- Resources are not the dominant factor in readiness recovery; OPTEMPO, training, maintenance throughput, and other factors may delay readiness recovery

- Joint Force dependent on OCO funding for current operational demands and future reset requirements

PB17 allows Services to continue readiness recovery – but gains are fragile and dependent on continued adequate and predictable resources
Service Readiness

• Army:
  – PB 2017 supports high-end collective training exercises and home station training, resulting in 19 combat training center rotations in 2017
  – Training plan allows Army to ramp to full-spectrum training proficiency and leader development by 2021

• Navy:
  – Level-loaded ship maintenance requirements to ensure consistent and sustainable maritime presence
  – PB 2017 supports deployed readiness while investing in aircraft maintenance to bridge the gap between legacy and next-generation platforms

• Marine Corps:
  – PB 2017 sustains Marine Corps crisis response operational concept and capabilities, and supports readiness and maintenance issues of non-deployed forces

• Air Force:
  – PB 2017 supports balance between flying hours and weapon system sustainment to continue full-spectrum readiness gains, but relief from high operational tempo and time is needed to regain combat readiness
  – Increases training exercises and range training to achieve readiness goals

• SOCOM:
  – PB 2017 maintains funding for deployments and has sufficient surge capacity to support Operational Plans and contingencies
  – USSOCOM will achieve full spectrum readiness in 2020
Preserving the Health of the All Volunteer Force

• PB 2017 maintains the Health of Force through a competitive compensation package that reflects the unique demands and sacrifices of our Service Members

• Increases planned basic pay: 1.6% CY 2017 increase (largest in 4 years)

• Seeks modest modifications to the Blended Retirement System
  – Increase Force shaping ability
    o Greater flexibility in “continuation pay”
    o Start matching contributions later to incentivize retention
  – Ensure nearly equivalent lifetime retirement benefit
    o Increase defined contribution matching rate
    o Continue defined contributions matching until end of service

• Modernizes and Improves Military Healthcare System
  – Increase value (e.g., simplicity/choice/access)
  – Increase military healthcare provider readiness
  – Balanced approach to fiscal sustainability
Enhancing Our Status as a World Class Employer

• Implement Secretary’s Force-of-the-Future initiatives:
  – 12 weeks maternity leave
  – 14 days paternity leave for service members
  – Extend child development center hours
  – Install Mother’s rooms
  – Fertility services for active duty Service members
  – Increase permeability among Components
  – Expand in-service civil schooling opportunities (establish enlisted pilot program)
  – Increase student training and academic recruitment (STAR) program
  – Expand opportunities to attract and retain mission critical occupations
  – Expand industrial and interagency partnerships

“Excellence is not a birthright. It has to be earned again and again by investing in what matters most – our people.”

Secretary Carter, Jan 28, 2016
Key Reform Proposals included in the FY 2017 Budget Request

• Continues to support some FY 2016 proposals:
  – Army aviation restructure plan
  – Navy Cruiser/LSD phased modernization program
  – Base Realignment and Closure in 2019

• Modifies some FY 2016 proposals:
  – Air Force A-10 divestiture/restructure
    • Keeps A-10s in force until replaced with F-35s
  – TRICARE reform proposal
  – Commissary savings
    • Only from business process reforms, not from reduction of benefits

Need Congressional Support
PB 2017 Continues to Support Broad Institutional Reform Agenda

• Continue to reduce management headquarters staffs and overhead

• Continue Acquisition Reform: Sustain Better Buying Power 3.0

• Review our contracts to ensure requirements still valid

• Sustain financial auditability improvements

• Sustain sexual assault prevention and response programs

• Review Goldwater-Nichols legislation and DoD organization

• Increase security of personal information used in security investigations
FY 2017 Overseas Contingency Operations (OCO)

(Dollars in Billions)

- **Operation FREEDOM’S SENTINEL** (Afghanistan) and Theater Posture $41.7
  - Continues responsible transition of in-country presence
  - Includes training and equipping of Afghan security forces ($3.4 billion)
  - Includes other theater-wide support requirements and costs
  - Includes Coalition Support ($1.4B)

- **Operation INHERENT RESOLVE** (Iraq and Syria) $7.5
  - Supports slightly increased activities
  - Includes training and equipping of Iraqi security forces and vetted moderate Syrian opposition ($0.9 billion)

- **European Reassurance Initiative** $3.4
- **Counterterrorism Partnerships Fund** $1.0
- **Increases counterterrorism activities in Africa** $0.2
- **Base-to-OCO requirements** $5.0
  - Consistent with enacted BBA OCO level of $58.8B
  - Supports other readiness and readiness support requirements
  - Includes preferred munitions

**OCO funding crucial to trans-regional counterterrorism efforts**
Summary

• FY 2017 funding is constrained by the Budget Agreement but reshapes the Department in order to:
  – Address current and future operational challenges
  – Retains major elements of our planned force structure
  – Invests in the future
    • Emphasizes lethality and capability over size
    • Pursues Innovative “offset” capabilities … and processes
    • Enables Joint Force to operate across all domains including cyber
  – Maintains our commitment to our people and families
    • World-class employer that can continue to attract and retain the best talent
    • Expands opportunities to serve

• Increased, predictable funding needed to sustain this investment in the future and maintain U.S. superiority

• Full support from Congress is key to:
  – Providing the most capable, modern force
  – Eliminating excess infrastructure
  – Supporting necessary force structure adjustments
  – Removing the BCA sequester caps after FY 2017

“This budget marks a major inflection point for the Department of Defense”
Secretary Carter, Feb 2, 2016
For More Information

• Visit the website for the Office of the Under Secretary of Defense (Comptroller) at
  – www.budget.mil
  – Download the department’s of Defense FY 2017 Budget Request

FISCAL YEAR 2017
BUDGET REQUEST

February 9, 2016

OFFICE OF THE UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CFO
Back Up
# FY 2017 President’s Budget
## By Appropriation Title

(Discretionary Budget Authority, Dollars in Billions)

<table>
<thead>
<tr>
<th>By Appropriation Title</th>
<th>FY 2016 Enacted</th>
<th></th>
<th>FY 2017 Request</th>
<th></th>
<th>Total Funding FY17 +/- FY16</th>
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<td>Base</td>
<td>OCO</td>
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<td>Base</td>
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<td><strong>TOTAL</strong></td>
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<td>58.6</td>
<td>580.3</td>
<td>523.9</td>
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<td>Military Construction Bill</td>
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<td>8.2</td>
<td>7.4</td>
<td>0.2</td>
</tr>
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*Numbers may not add due to rounding*
## FY 2017 President’s Budget
### By Military Department

(Discretionary Budget Authority, Dollars in Billions)

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<tr>
<th>By Military Department</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
<th>Total Funding FY17 +/- FY16</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Base</td>
<td>OCO</td>
<td>Total</td>
</tr>
<tr>
<td>Army</td>
<td>123.3</td>
<td>23.7</td>
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<tr>
<td>Navy</td>
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<td>Air Force</td>
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<td>Defense Wide</td>
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<td>9.4</td>
<td>102.8</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>521.7</td>
<td>58.6</td>
<td>580.3</td>
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*Numbers may not add due to rounding*
FY 2017 Base Funding

**By Appropriation Title**
- RDT&E, $71.4
- Procurement, $102.5
- Military Personnel, $135.2
- O&M, $205.8
- Military Construction and Family Housing, $7.4

FY 2017 Request: $523.9 billion

**By Military Department**
- Defense Wide $94.5
- Air Force $151.1
- Navy $155.4
- Army $122.9
FY 2017 OCO Funding

By Appropriation Title
- RDT&E, $0.3
- Military Construction and Family Housing, $0.2
- Military Personnel, $3.5
- Procurement, $9.5
- O&M, $45.0

By Military Department
- Defense Wide, $8.5
- Air Force, $15.8
- Navy, $9.5
- Army, $25.0

FY 2017 Request: $58.8 billion
FY 2017 Total Base and OCO Funding

**By Appropriation Title**
- RDT&E, $71.7
- Procurement, $112.0
- Military Personnel, $138.5
- O&M, $250.9
- Military Construction and Family Housing, $7.6

**By Military Department**
- Defense Wide, $102.9
- Air Force, $166.9
- Army, $148.0
- Navy, $164.8

FY 2017 Request: $582.7 billion