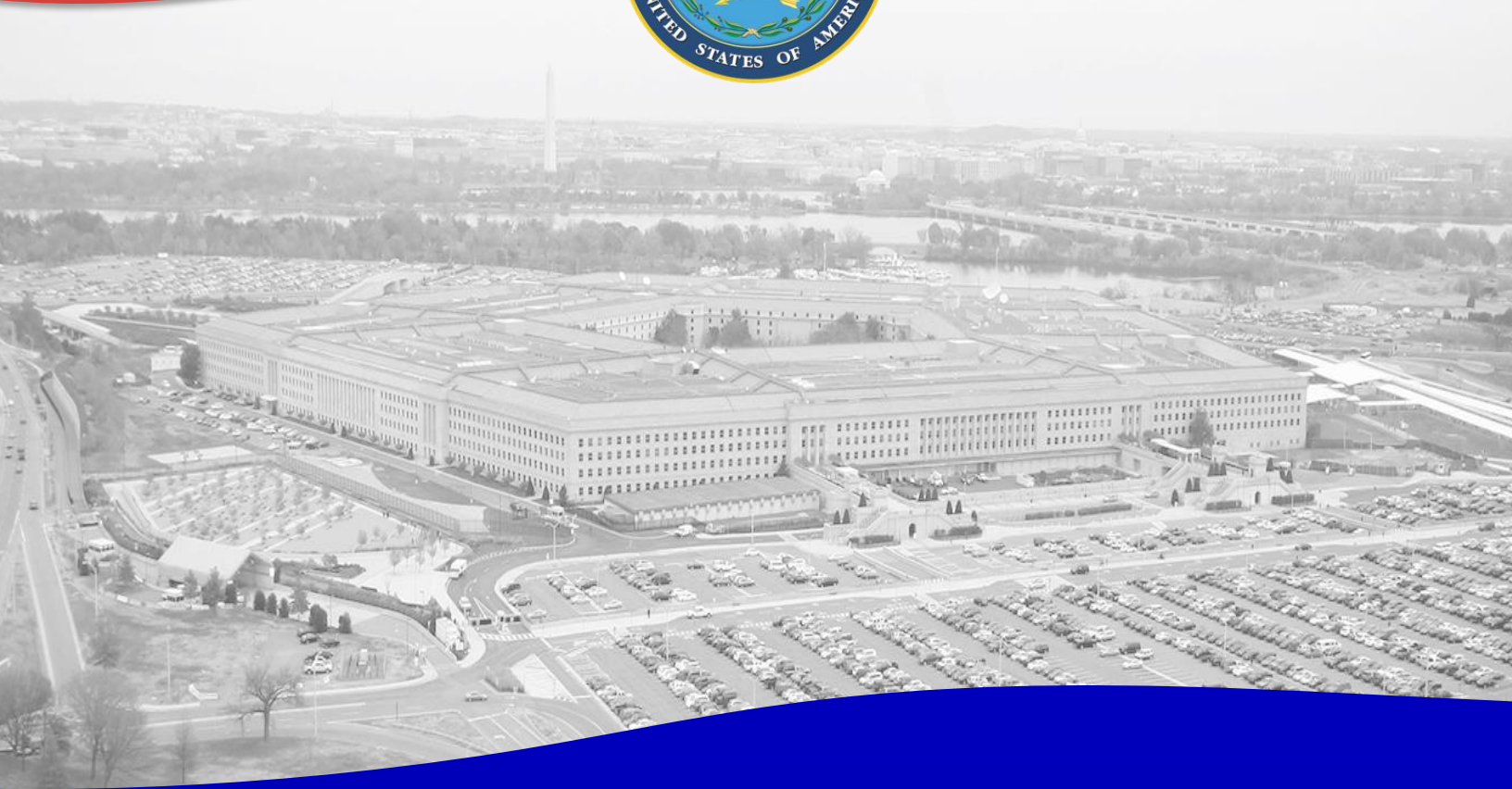


**OFFICE OF THE UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)  
CHIEF FINANCIAL OFFICER  
MAY 2017**



# **DEFENSE BUDGET OVERVIEW**

**UNITED STATES DEPARTMENT OF DEFENSE  
FISCAL YEAR 2018 BUDGET REQUEST**



## Preface

The Overview Book has been published as part of the President's Annual Defense Budget for the past few years. From FY 1969 to FY 2005, OSD published the "Annual Defense Report" (ADR) to meet 10 USC Section 113 requirements. Subsequently, the Overview began to fill this role.

The Overview is one part of an extensive set of materials that constitute the presentation and justification of the President's Budget for FY 2018. This document and all other publications for this and previous DoD budgets are available from the public web site of the Under Secretary of Defense (Comptroller): <http://comptroller.defense.gov>.

The Press Release and Budget Briefing, often referred to as the "Budget Rollout," and the Program Acquisition Costs by Weapons System book, which includes summary details on major DoD acquisition programs (i.e., aircraft, ground forces programs, shipbuilding, space systems, etc.) are especially relevant.

The website for Performance Improvement tables and charts is <http://dcmo.defense.gov/Publications/AnnualPerformancePlanandPerformanceReport.aspx>.

Other background information can be accessed at [www.defense.gov](http://www.defense.gov).

The estimated cost of this report or study for the Department of Defense is approximately \$24,000 in Fiscal Years 2017 - 2018. This includes \$6,770 in expenses and \$17,000 in DoD labor.

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## 1. FY 2018 BUDGET SUMMARY – REBUILDING THE U.S. ARMED FORCES

The Department of Defense (DoD) Fiscal Year (FY) 2018 budget request is the first full budget request from the new administration. The FY 2018 budget request is the second step in a three step process for rebuilding the U.S. Armed Forces. Years of budget cuts and budget uncertainty have led to a depleted military and it will take a number of years to undo the damage.

The first step in rebuilding the military was the FY 2017 Request for Additional Appropriations (RAA), which requested an additional \$30 billion for the Department of Defense (DoD) to address immediate warfighting readiness shortfalls and to help fund the acceleration of the fight against the Islamic State of Iraq and Syria (ISIS). The Consolidated Appropriations Act, 2017 (Public Law 115-31) included funding for roughly \$21 billion of the \$30 billion requested in the RAA, giving the DoD the ability to begin improving warfighting readiness in FY 2017.

The second step is this request—the FY 2018 budget request—which is \$52 billion or 9.8 percent above the current cap imposed by the Budget Control Act of 2011 (BCA)(Public Law 112-25). As outlined below, the additional funding in FY 2018 will be applied to continuing to rebuild warfighting readiness and to restoring program balance by fixing holes created by previous budget cuts. Warfighting readiness remains the top priority in FY 2018. Following in the steps of the FY 2017 RAA, the FY 2018 request prioritizes readiness by directing funding to specific items including end strength, training, maintenance, and munitions. Readiness degraded over time, and it will take years of higher funding delivered on time to properly restore readiness. Examples of readiness enhancements in this request include:

- Sustaining increased manning levels for the Army and Marine Corps as directed by the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328);
- Additional funding for operating forces, logistics, maintenance, training, and spares;
- Additional shipyard capacity and aviation depot maintenance for the Navy, as well as increased funding for spares, training targets, and ranges;
- Increased unit and flight training for the Army;
- Increased sustainment and related accounts to accelerate Air Force readiness recovery; and
- Targeted new end strength increases for the Air Force and Navy specifically to address readiness challenges.

Similarly, many of the force structure holes will take years to fill, but the FY 2018 budget request puts the Department on the right path. Some of the holes that are filled in FY 2018 include:

- Additional F/A-18E/F Super Hornets to help address the Navy’s strike fighter shortfall;
- Increased end strength to address Air Force pilot and maintainer shortfalls;

Key Themes
<ul style="list-style-type: none"><li>• Improving Warfighting Readiness</li><li>• Filling Holes in Capacity and Lethality While Preparing for Future Growth</li><li>• Reforming How the Department Does Business</li><li>• Keeping Faith with Service Members and Families</li><li>• Support Overseas Contingency Operations</li></ul>

## Overview – FY 2018 Defense Budget

- Restored funding to maintain the Air Force's A-10 Thunderbolt II fleet across the Future Years Defense Program (FYDP);
- Increased funding for the Army's war reserve ammunition;
- Buying eight combat ships in FY 2018;
- Increased funding to help the Marine Corps restore key munitions inventories; and
- Increased facilities sustainment, restoration, and modernization across DoD.

The third step in rebuilding the U.S. Armed Forces will be the budget in FY 2019 and beyond. The FY 2019 budget will be the first budget to be informed by the new National Defense Strategy that the Department is currently developing. This strategy will inform the nature and size of the future force and therefore the investments necessary to achieve that force. With the strategy in hand, the Department will be able to determine the specific budget necessary to continue rebuilding capacity and lethality across the Joint Force.

Properly rebuilding the Armed Forces will require increased levels of funding for the Department and regular, on-time funding bills. Increased funding will require a revision to the defense caps imposed by the BCA. Current law includes caps on defense spending through FY 2021. To rebuild quickly and efficiently, all four years of remaining defense caps should be amended. This would allow the Department to create a fiscally responsible plan for rebuilding. On-time funding bills are also crucial, as repeated Continuing Resolutions (CRs) force the Department to make inefficient financial choices such as delaying contracts or postponing training.

The FY 2018 Overseas Contingency Operations (OCO) budget is \$64.6 billion. This request supports continued operations against ISIS in the Middle East, a sustained presence in Afghanistan, increased funding for the European Reassurance Initiative (ERI), and support to partner nations in counterterrorism efforts around the globe.

**Figure 1-1. Department of Defense Budget**

<i>\$ in billions</i>	FY 2016	FY 2017 <sup>1</sup> Request	FY 2018 Request	FY17 – FY18 Change
Base	521.3	521.8	574.5	+52.8
OCO	58.9	65.0	64.6	-0.4
Total	580.3	586.7	639.1	+52.4

*Discretionary budget authority.*

*Numbers may not add due to rounding.*

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

The overall themes of the FY 2018 budget request are explained in the following chapters:

- Improving Warfighting Readiness (Chapter 2)
- Increasing Capacity and Lethality While Preparing for Future Growth (Chapter 3)
- Reforming How the Department Does Business (Chapter 4)
- Keeping Faith with Service Members and Families (Chapter 5)

In addition, Chapter 6 summarizes the FY 2018 request to support Overseas Contingency Operations, Chapter 7 provides views of each of the Department's Military Services, and Chapter 8 provides performance improvement information.



### IMPROVING WARFIGHTING READINESS

The 30-Day Readiness Review, completed as a part of the development of the FY 2017 RAA, identified and analyzed cross-cutting readiness issues impacting the Joint Force. There are a number of significant challenges to recovering readiness including budget uncertainty, persistent operational tempo, and the time required to rebuild readiness properly. As a part of this review, the Joint Force identified and analyzed efforts which could be included in the FY 2018 budget request in order to counter national security threats, fulfill steady-state demand, and implement readiness recovery plans.

Each service has unique readiness challenges and therefore each has different readiness priorities. The United States Air Force will optimize funding of its Flying Hour Program (FHP) and invest in training ranges (e.g., increased capacity and modernization). To restore capability and capacity, the United States Army will develop a larger, more capable and lethal force to defeat emerging near-peer adversaries. Increased Combat Training Center (CTC) rotations and home station training will help the Army develop crucial anti-access and area-denial (A2AD) capabilities for full-spectrum warfare. The United States Marine Corps will fund Integrated Combined Arms Exercises for all elements of the Marine Air Ground Task Forces (MAGTF) to recover full-spectrum readiness and maintain its role as the Nation's crisis response force. The United States Navy will continue implementation of its Optimized Fleet Response Plan (OFRP), balance critical maintenance, and train while maximizing employability of its forces.

### INCREASING CAPACITY AND LETHALITY WHILE PREPARING FOR FUTURE GROWTH

The FY 2018 budget request addresses resource gaps in the capabilities, readiness, and capacity needed to project power globally in contested environments, while emphasizing preparedness for future high-end security challenges. The budget request invests in advanced capabilities to reassert our technological edge over potential future adversaries, while shifting emphasis toward a more surge-capable posture for warfighting.

The Department recognizes that while additional capacity in the force is needed – and will be a major focus of investment in FY 2019 and beyond – the Joint Force must develop and field the necessary deterrent capabilities to be survivable, resilient, and relevant to key operational challenges across the conflict spectrum to be able to achieve warfighting objectives. The FY 2018 budget request seeks to fill the holes – achieve program balance – before beginning to grow capacity in future years.

### REFORMING HOW THE DEPARTMENT DOES BUSINESS

The Department has a range of in-flight reform efforts, some proposed by the Department, some enacted by Congress. However, there remain many parts of how the Department operates that deserve additional attention and reform efforts going forward.

The FY 2018 budget request includes some notable reform efforts, and even more significant reform will follow in future years. In FY 2018, the Department will be implementing the split of the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L) as well as a range of acquisition reform initiatives directed by the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-387). The Department is also seeking authority for a Base Realignment and Closure (BRAC) round in FY 2021.

In FY 2018, the Department will undergo its first full-scope financial audit and in parallel the Department will grow its real cost accounting ability.



### KEEPING FAITH WITH SERVICE MEMBERS AND FAMILIES

The Military — Active, Reserve, and National Guard — and Civilian personnel are the foundation of the Department of Defense and constitute its premier asset. As such, they must have the full support of the Nation and the Department to ensure they successfully accomplish the arduous mission of defending the United States of America.

Comprising roughly one-third of the DoD budget, military pay and benefits are, and will likely always be, the single largest expense category for the Department. Total compensation funding, including civilian personnel, consumes nearly half of the budget. People are the Department's most valuable asset, but DoD must continually balance these requirements with other investments that are critical to achieving the Department's strategic goals. The Department cannot allow its personnel requirements to crowd out investments in the readiness and modernization portions of the budget, which are essential to providing the needed training and equipment for its warriors to be prepared for combat. Balancing resources is particularly important as the Department reshapes the force needed to remain effective in an uncertain future. Providing a robust pay and benefits package is essential and must be sustained to ensure the best warfighters are available to execute the Nation's defense strategy. Nevertheless, although compensation is a vital component of readiness and military quality-of-life, it must remain in balance with the readiness, capacity, and capabilities needed by the Joint Force.

### SUPPORT OVERSEAS CONTINGENCY OPERATIONS

The FY 2018 President's Budget requests \$64.6 billion for Overseas Contingency Operations (OCO) spending. This request focuses on Operation FREEDOM'S SENTINEL (OFS) in Afghanistan, Operation INHERENT RESOLVE (OIR) in Iraq and Syria, increasing efforts to support European allies and deter aggression, and global counterterrorism operations.

### DEFENSE TOPLINE

The historical funding picture is summarized in Figure 1-2:

**Figure 1-2. Department of Defense Topline Since September 11th Attacks**

(\$ in billions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Base	287.4	328.2	364.9	376.5	400.1	410.6	431.5	479.0	513.2
OCO	22.9	16.9	72.5	90.8	75.6	115.8	166.3	186.9	145.7
Other*	5.8	--	--	0.3	3.2	8.2	3.1	--	7.4
<b>Total</b>	<b>316.2</b>	<b>345.1</b>	<b>437.5</b>	<b>467.6</b>	<b>478.9</b>	<b>534.5</b>	<b>600.9</b>	<b>665.9</b>	<b>666.3</b>

(\$ in billions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Base	527.9	528.2	530.4	495.5	496.3	497.3	521.3	521.8	574.5
OCO	162.4	158.8	115.1	82.0	84.9	63.0	58.9	65.0	64.6
Other*	0.7	--	--	0.1	0.2	0.1	--	--	--
<b>Total</b>	<b>691.0</b>	<b>687.0</b>	<b>645.5</b>	<b>577.6</b>	<b>581.4</b>	<b>560.4</b>	<b>580.3</b>	<b>586.7</b>	<b>639.1</b>

\*Other non-war supplemental funding.

Numbers may not add due to rounding.

## 2. IMPROVING WARFIGHTING READINESS

### INTRODUCTION

The Department of Defense (DoD) Fiscal Year (FY) 2018 budget request outlines the priority structure, and multi-dimensional investments of the Joint Force. This budget request, as directed by the National Security Presidential Memorandum “Rebuilding the U.S. Armed Forces” issued on January 27, 2017, aims to identify and improve shortfalls in readiness, specifically in training, equipment, maintenance, munitions, modernization, and infrastructure.

Major Themes
<ul style="list-style-type: none"><li>• Rebuilding Service Readiness</li><li>• Generating Joint Capabilities</li></ul>

Historically, the defense program balanced persistent operational demand against future full-spectrum warfare readiness. However, the Joint Force has been limited by funding restrictions, as established by the Budget Control Act (BCA) of 2011 (P.L. 112-25). Building on the efforts started by the FY 2017 Request for Additional Appropriations, the FY 2018 budget request aims to continue rebuilding warfighting readiness.

The 30-Day Readiness Review, completed as a part of the development of the FY 2017 RAA, identified and analyzed cross-cutting readiness issues impacting the Joint Force. There are a number of significant challenges to recovering readiness including budget uncertainty, high operational tempo, and the time required to rebuild readiness properly. As a part of this review, the Joint Force identified and analyzed efforts which could be included in the FY 2018 budget request in order to counter national security threats, fulfill steady-state demand, and implement readiness recovery plans.

Each service has unique readiness challenges and therefore each has different readiness priorities. The United States Air Force will optimize funding of its Flying Hour Program (FHP) and invest in training ranges (e.g., increased capacity and modernization). To restore capability and capacity the United States Army will develop a larger, more capable and lethal force to defeat emerging near-peer adversaries. Increased Combat Training Center (CTC) rotations and home station training will help the Army develop crucial anti-access and area-denial (A2AD) capabilities for full-spectrum warfare. The United States Marine Corps will fund Integrated Combined Arms Exercises for all elements of the Marine Air Ground Task Forces (MAGTF) to recover full-spectrum readiness and maintain its role as the nation’s crisis response force. The United States Navy will continue implementation of its Optimized Fleet Response Plan (OFRP), balance critical maintenance, and train while maximizing employability of its forces.

Each Military Service has a distinctive readiness recovery plan. The FY 2018 budget request will advance each plan as follows:

- The Air Force will rebuild home station high-end training with a reduced Deploy-to-Dwell ratio.
- The Army will restore a larger, more capable and lethal modernized force to defeat emerging regional and global peer adversaries. Decisive Action (DA) CTC rotations, supported with home station training, remain the primary mechanism to build full-spectrum readiness.
- The Marine Corps will emphasize near-term readiness for deployed and next-to-deploy forces while maintaining critical modernization programs.
- The Navy will reduce the long-term maintenance backlog, using the OFRP model to ensure maximum efficiency and effectiveness in the maintenance and employment of the Fleet.

### REBUILDING SERVICE READINESS

The Military Services man, train, and equip units to meet operational requirements. Below, each Military Service outlines its force generation models (e.g., distinctive demand signal, end strength, and capabilities), resourcing strategies, full-spectrum readiness recovery plans, investments, and capabilities. Readiness insights of functional Combatant Commands (CCMDs), United States Special Operations Command (USSOCOM), and United States Transportation Command (USTRANSCOM) are provided.

#### Army

The Army remains globally engaged with over 180,000 trained and ready Soldiers committed to combatant command (CCMD) deterrence and counterterrorism requirements.

In FY 2017 the Army will meet 48 percent of CCMD demand and expects to meet 70 percent of emergent force demand. This level of demand includes major Regular Army combat formations assigned or allocated to CCMDs, and Soldiers prepared to deploy in support of CCMD requirements.

Simultaneously, rival nations have aggressively updated their armed forces, increasing their ability to pose a significant threat to the Joint Force and its contingency missions. As a result, the Army faces challenges in restoring ready and lethal formations to meet major war plan requirements.

#### *Rebuilding Army Readiness*

Despite increasing demand for forces, the Army seeks to build readiness and refocus on threats posed by peer competitors while addressing budgetary pressure. As current readiness is strengthened, future risk is incurred due to deferred investments in equipment, modernization, infrastructure and installations, and the Organic Industrial Base (OIB).

#### *Readiness Management in FY 2018*

The Army's readiness recovery goal includes sourcing current operations with ready forces while ensuring sufficient forces are ready to achieve CCMD contingency requirements in accordance with the National Military Strategy. Achieving the goal is heavily influenced by four factors: (1) demand for Army forces, (2) end strength levels and force reorganization efforts, (3) time required to regain Decisive Action against near-peer adversary proficiency, and (4) fiscal uncertainty and budgetary constraints.

#### *Training*

In FY 2018, the Army will implement training policies which will enable it to rebuild and achieve higher readiness levels, by refilling unit end-strength requirements and building new force structure. These policies will apply to home station training (e.g., individual and small unit tasks) and to Combat Training Centers (CTCs) (e.g., combined arms team tasks).

The current strategic environment requires the Army to shift its focus to joint operations against a broad range of threats. To counter these threats the Army will use as its benchmark its most demanding challenge, Decisive Action in support of Unified Land Operations (DA/ULO). The Army will recreate a DA/ULO training environment focusing on missions against a peer competitor for all echelons of command; an effort which requires sustained funding resources. Reduced funding under sequestration led the Army to suspend CTC rotations, resulting in the readiness degradation of scheduled units. The suspension of DA/ULO CTC rotations was unproductive and negatively affected the readiness of the units. In 2016 the Army completed 18 Decisive Action rotations, and it plans to incrementally increase rotations across the FYDP.

As one Total Force, the Army, Army National Guard (ARNG), and Army Reserve (USAR) units regularly deploy as integral elements of contingency plans. To enhance ARNG and USAR readiness, the Army has programmed for increased manning, training days, and CTC rotations. Additional training days will ensure units required for immediate availability (e.g. ARNG Armored Brigade Combat Teams (ABCTs) and Stryker Brigade Combat Teams (SBCTs)) meet CTC rotation requirements. Conversely, units allowed more time to deploy will utilize fewer additional training days within their prescribed plans.

The Army's new force generation methodology – "Sustainable Readiness" – has provided a framework which has allowed Army leaders to make significant progress in restoring and sustaining readiness longer, regaining combined arms lethality, and developing key capabilities. This new methodology facilitates the increased ability to integrate USAR forces into global management and readiness decisions/efforts. Objective Training requirements underpin sustainable readiness.

The Army is coupling training with strategic deployment of forces. For example, the 3rd Brigade, 4th Infantry Division, presently deployed to Poland, will initiate the heel-to-toe rotation of ABCTs in Europe. By sustaining high DA readiness via training exercises with allies abroad, the unit's deployment will not consume its readiness. This deployment also exercises the Army's ability to deploy strategically. The Army will also deploy a Combat Aviation Brigade (CAB) with heel-to-toe rotations to accompany ABCT deployments to Europe.

Similar efforts to simultaneously assure allies and build readiness in Korea will occur by rotating a Heavy Aviation Reconnaissance Squadron to round out the forward deployed CAB in Korea.

Despite the Army's best efforts, most missions consume readiness at a rate the Army struggles to maintain. Currently, approximately one out of three BCTs, one out of four CABs, and one out of two Division Headquarters are ready. The Army requires additional people, training, and equipment to ensure readiness, as reflected in the FY 2018 budget request.

**Figure 2-1. Required, Planned, and Executed Rotations through Maneuver CTCs DA/Unified Land Operations (ULO), and Warfighter Exercises (WFX)**

CTC Training	FY 2016	FY 2017	FY 2018	FY 2019-2023
CTC Capacity	21	21	21	21
Planned	18 DA/ULO	19 DA/ULO	19 DA/ULO	20 DA/ULO
	5 WFX	5 WFX	5 WFX	5 WFX

### Equipment

Although the Army aims to achieve a force of 1,018,000, it accepts risk in future readiness; specifically in equipment and modernization readiness. Historically, initiatives to regain and sustain readiness have come at the cost of modernization. For example, as a result of previous budget cuts, the Army was forced to forgo funding of aviation modernization. The Army requires modernized equipment and sufficient, trained manpower to win decisively. In order not to be outmanned, outranged, outgunned, and outdated, this budget request prioritizes critical equipment modernization, infrastructure upgrades, and acquisition reform initiatives to deliver

optimal near-term readiness. This readiness recovery plan will reduce Army manpower shortages while generating select formations and modernizing fires, air and missile defense, and armor.

### ***Sustainment***

The Army will refocus on industrial base strategy, assessment, and investment to ensure critical capabilities and skillsets are available to sustain the long-term strength of the force and its viable industrial base. The Army requires a viable industrial base to sustain readiness and enable the reconstitution of combat losses at an acceptable rate. An unpredictable fiscal environment or continuing resolutions will negatively impact sustained production and workforce skillsets. The Army is aligning capabilities and capacities to meet readiness and modernization requirements, while publishing policies to increase OIB efficiency and effectiveness. Additionally, the Army is leveraging opportunities for Public Private Partnerships (e.g., facilities assistance conducted with Letterkenny with Raytheon) to facilitate sustainment.

### ***Installations***

Every aspect of generating, projecting, and sustaining combat power needed to train, fight and win occurs on Army installations. The Army made deliberate choices to ensure Soldiers are prepared to train, fight, and win against adversaries. Reduced resources, emerging requirements, and persistent operational tempo resulted in nearly 22 percent or 33,000 facilities, in poor or failed condition. Approximately, \$10.8 billion is required to offset deferred maintenance and return these facilities to adequate condition. The condition of mission facilities (e.g., airfields, training areas, maintenance facilities, roads, ports, dams, bridges, housing, and barracks) directly impacts the readiness of its units and the morale of its Soldiers, civilians, and families.

To enable mission readiness, installations require a deliberate shift in resources over the next ten years. Adequate resourcing will prevent further facility degradation, restore poor and failing facilities, and modernize infrastructure to meet current and emerging mission requirements.

Although a new authority in National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328) allows conversion of existing buildings to new functions, the Army still requires authorization for another round of Base Realignment and Closure (BRAC), which will enable the Army to re-station forces and missions for future requirements.

To provide the best support for Soldiers, families, and civilians the Army needs sufficient, timely, and predictable funding to ensure installations continue to support the needs of the Total Army in FY 2018 and beyond.

## **Navy**

### ***Rebuilding Navy Readiness***

Overall Navy readiness continues to improve under its Optimized Fleet Response Plan (OFRP), which began phased implementation in FY 2015. A key readiness benefit of OFRP is to preserve critical maintenance and training while maximizing employability of Navy forces. This provides stable and predictable maintenance and modernization plans, as well as forces trained to a single full-mission readiness standard. The OFRP combines several phases of the integrated training period in a logical manner meeting all of the previous requirements in fewer days. It similarly combines inspection requirements within specified periods to enhance its contribution to force generation rather than delaying it. The improved focus on predictably building readiness will also improve quality-of-work and quality-of-life for Navy Sailors. Additional benefits include fixed Carrier Support Group (CSG) and Amphibious Readiness Groups (ARG) composition with continuity of command and alignment of manning through the cycle.

**Figure 2-2. Programmed Navy Training Throughput**

	FY 2016		FY 2017		FY 2018	
	BASIC	INT*	BASIC	INT	BASIC	INT
Carriers	4	3	5	4	4	3
Carrier Air Wings	4	3	4	4	4	3
CG/DDG/ LCS	40	23	38	30	41	21
LHA/LHD/LPD/LSD	15	11	14	9	16	9
SSNs	13	32	14	34	12	30

\*INT = Integrated, refers to aggregated training of all units in a CSG/Amphibious Ready Group (e.g. Airwing training at Naval Air Station Fallon, NV; COMPTUEX (Composite Training Unit Exercise); JTFEX (Joint Force Training Exercise))

To date, Navy has inducted all Maritime Patrol and Reconnaissance Squadrons (P3 Orion/P8 Poseidon), Naval Expeditionary Combat Command forces, and attack submarines (SSNs), as well as guided missile submarines (SSGNs), into the OFRP. Because of the number of ships involved, CSGs and ARGs are being phased into the plan. There are currently seven CSGs and eight ARGs. The final group will enter the OFRP in FY 2018.

### **Operation and Maintenance**

**Ships:** The FY 2018 funding request supports the continued implementation of the OFRP. As one part of the process, there is a continued focus on level-loading carrier maintenance over three OFRP cycles to deliver a more consistent output. With the funding levels reflected in the FY 2018 budget request FYDP, the OFRP is on track to produce an overall increase in aircraft carrier (CVN) employability across the FYDP and achieve its goal of an average of 2 deployed and 3 surge ready CSGs just outside the FYDP. The Navy anticipates a temporary dip in FY 2020 in CVN surge capacity because the USS GEORGE WASHINGTON and USS JOHN C STENNIS Refueling Complex Overhauls (RCOH) overlap.

With Overseas Contingency Operations (OCO) funding, the FY 2018 budget request funds ship operations to the anticipated level of required operational days. The FY 2018 budget request fully protects ship maintenance, including surface ship and aircraft carrier maintenance reset. The material condition reset of Navy capital assets will require continuing investment through the FYDP. Together with protecting the time to train and maintain, this material condition reset is also essential to the long term readiness of the force.

**Aviation:** The intent of FY 2018 Flight Hour Program funding is to deliver a Carrier Air Wing presence as directed by the Global Force Management Allocation Plan. These deployed presence levels are only attainable at the expense of non-deployed units, due to the effects of F/A-18 A-D Legacy Hornet out-of-reporting. This is caused by both the aviation depot throughput challenges and the Ready Basic Aircraft gap due to flight line maintenance issues. All units will continue to execute the Fleet Readiness Training Plan and be ready to deploy; however, sustainment levels will be affected by these issues. To recover, Navy is increasing investment across Aviation Readiness accounts and is realigning funding into engineering and program-related logistics, providing increased engineering support in the aviation depots and flight line assessments of aircraft to speed the repair process. The FY 2018 budget request sustains funding in aviation support and enabler accounts directed at reducing depot work in process. Similar to shipyard hiring actions, Navy has also stepped up hiring in its Aviation Depots. The FY 2018 budget request funds Aviation Depot Maintenance inductions to an executable level given the current level of work in process.



### ***Manpower***

Manning units with the right number and type of properly trained, properly experienced Sailors is a critical element of readiness. To ensure continuing readiness, the Navy tracks how many billets are filled, and whether they are filled by individuals with the requisite qualifications. This information is closely managed by the Fleets, each warfare community, and by individual units to predict future readiness and correct critical shortfalls for deploying units.

### ***Installations***

The Navy continues to take risk in funding installations but it mitigates this risk by focusing investment on capabilities directly supporting the operational forces. The Navy is implementing a force laydown which supports the defense strategy and arrests degradation of facilities by focusing on the “envelopes” (roof, walls, and support structures) of its buildings. As the Navy funds installation operations, it continues to prioritize fleet operations, quality-of-life programs, base security, and public safety while taking increased risk across other base support programs. This budget request provides infrastructure to support CCDRs, enable initial operational capability for new platforms and missions, upgrade energy and utility systems, and recapitalize naval shipyards. The Navy maintains a commitment to meeting the key needs of service members and its families.

### **Marine Corps**

With an increasingly challenging and complex global security environment, the Joint Force requires and actively employs the nation’s premier expeditionary force-in-readiness — the United States Marine Corps. The Marine Corps is committed to remaining capable of responding to crises anywhere around the globe at a moment’s notice. Marines are forward deployed, protecting the nation’s security by conducting operations to defeat and deter adversaries, support partners, and create decision space for national leaders. The FY 2018 budget request continues to support this role.

The Marine Corps prioritized funding for end strength, training, and operational accounts to support a high level of near-term operational needs. The Marine Corps will emphasize near-term readiness for deployed and next-to-deploy forces while maintaining critical modernization programs including the Amphibious Combat Vehicle, the Joint Light Tactical Vehicle, the F-35 Lightning II, and the CH-53K Heavy King Stallion. Consistent with the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328), the FY 2018 Budget Request funds 185,000 active component end strength, supporting a 1:2 deploy-to-dwell ratio for major force elements. Infrastructure sustainment and equipment modernization may continue to be the “bill payers” for crisis response capability. These tradeoffs have long-term consequences that will eventually degrade future readiness and capabilities, especially with the sequestration level funding caps.

The Marine Corps manages readiness across five pillars: (1) Capability and Capacity to Meet Requirements; (2) Unit Readiness; (3) High Quality People; (4) Infrastructure Sustainment; and (5) Equipment Modernization. Maintaining balance across these pillars is key to achieving and sustaining the level of readiness expected of the Marine Corps. This budget reflects hard choices that the Marines made to protect readiness largely at the cost of modernization and infrastructure sustainment. The following paragraphs describe the Marine Corps’ approach to generating ready forces today and informing an investment strategy that sets the conditions for the Marine Corps transformation to a 21<sup>st</sup> century, 5<sup>th</sup> generation fighting force.



### ***Generating Marine Corps Readiness through Capability and Capacity***

Specific Marine Corps-provided capabilities will be sourced from both standing and newly assembled task organized units like the Special Purpose Marine Air Ground Task Forces (SPMAGTF). In FY 2018, the Marine Corps will source SPMAGTFs to Africa Command, Central Command, and Southern Command while the Black Sea Rotational Force will remain forward deployed in Europe. These units assist CCDRs in executing regional theater security cooperation plans by providing military-to-military engagement such as bilateral and multilateral training, thereby improving partner confidence and capabilities while also deterring would-be adversaries. Although the SPMAGTFs in Africa Command and Central Command will have less aviation capacity than their predecessors, these units are capable of rapid crisis response to seize the initiative and deter or defeat those who threaten U.S. interests. While the land based SPMAGTFs have proven their utility in today's operational environment, they lack the full combat power and capacity, as well as the strategic and operational agility that results when MAGTFs are embarked aboard amphibious ships. Freedom of movement makes traditional amphibious Marine Expeditionary Units (MEUs) the preferred crisis response formation to meet CCDR requirements. The Marine Corps forward presence is captured in the force posture plan, a global distribution of Marine Corps' capabilities that meets the most critical global force management demands. At current funding levels, the FY 2018 budget request meets the tenets of the force posture plan.

The Marine Corps presence in the Pacific is a top priority as reflected in the resourcing of the Unit Deployment Program (UDP), Pacific-based operational units, and Pacific based MEUs. Further, the continued rotational presence of 1,250 Marines in Darwin, Australia, bolsters U.S. allies' confidence in the Corps' ability to respond to crises in the South and Southeast Asian littorals. Collectively, the Marine Corps' resourcing of forward postured forces provides scalable, expeditionary units capable of functioning as the lead elements of a crisis response force. Additionally, three permanent Marine Expeditionary Brigade (MEB) command elements provide an operational capability that is light enough for rapid employment, heavy enough to prevail against threats in the littorals, and can command and control operations up to the Marine Expeditionary Force level. The MEB is capable of joint forcible entry operations and can deploy as the nucleus of a Joint Task Force Headquarters. Regionally aligned SPMAGTFs, forward deployed and forward stationed units, and MEBs provide expeditionary crisis response capability for the nation. The FY 2018 budget request enables the Marine Corps to sustain these capabilities in the near-term.

### ***Unit Readiness***

The Marine Corps provides well-trained, ready forces to meet the CCDRs' requirements. The Marine operating forces depend on training and maintenance of equipment to preserve and enhance their readiness. Although deployed and next to deploy Marine units are at sufficient levels of readiness, this comes at the expense of the readiness of non-deployed units, which frequently provide equipment and personnel in support of deploying units. The FY 2018 budget request addresses some of the most acute readiness challenges for non-deployed forces.

**Reset:** Equipment reset is comprised of the actions taken to restore units to a desired level of combat capability commensurate with future missions. While the FY 2018 budget request adequately resources units throughout the training and deployment cycle, and funds ground depot maintenance to 80 percent of the validated requirement across the FYDP, the readiness of non-deployed units remains at risk.

Aviation depot maintenance is equally critical to maintaining readiness. The Marine Corps has registered its concern about the impact of aging platforms, high demand/use, and constrained

depot funding on aircraft availability and squadron readiness. The FY 2018 budget request provides funding into the aviation depot programs.

**Training:** The FY 2018 budget request maintains a focus on operational readiness, service-level training, and crisis response capabilities in support of the combatant commands. However, core capabilities are constrained by a limited inventory of operationally available amphibious ships, and the time needed to reset equipment and train to full-spectrum capability. The FY 2018 budget request continues to support the Marine Corps' Service Level Training Exercise (SLTE) program to enhance the combat readiness of the operating forces. The most prominent of the SLTE is the Integrated Training Exercises (ITX) for all elements of the MAGTF. During FY 2018, the ITX is funded to provide training for 5 MAGTF command elements, 10 infantry battalions, 5 artillery battalions, 5 logistics battalions, elements of 30 flying squadrons, and additional aviation support elements. Figure 1 displays the Marine Corps' service training exercise plan.

**Figure 2-3. Marine Corps Planned Large Training Exercises**

	Annual Training Exercises for 2018	
	Integrated Training Exercises	Mountain Exercises
MAGTF CE	5	0
Infantry Battalion	10	2
Artillery Battalion	4.5	0
Logistics Battalion	5	0
Squadrons	30	0

*Figures represent maximum number of service level funded exercises depending upon global environment*

### **High Quality People**

The success of the Marine Corps relies upon the high quality, character, and capabilities of individual Marines and civilians. Recruiting and retaining high quality people plays a key role in maintaining readiness, as such individuals produce higher performance, reduced attrition, increased retention, and improved readiness for the operating forces. The FY 2018 budget request supports a 185,000 active duty and 38,500 reserve end strength, consistent with the National Defense Authorization Act for Fiscal Year 2017. Further, using limited and targeted total force solutions, the FY 2018 budget requests support an aggregate 1:2 deploy-to-dwell ratio for active duty forces and 1:4 for reserves. This postures the Marine Corps to preserve forward presence and crisis response capabilities which create options and decision space for the nation's leaders but also assumes acceptable risk in major combat operations and large, long-term stability operations.

### **Infrastructure Sustainment**

Marine Corps installations are the power projection platforms critical to generating readiness. They provide the capability and capacity to build, train, launch, and support combat-ready forces. As such, sustainable readiness is inextricably linked to the availability and condition of real property and infrastructure. Adequate resourcing to sustain Marine Corps bases and stations is essential to safeguarding unit readiness. The FY 2018 budget request allows the Marine Corps to maintain DoD facility maintenance standards, but will require deferment of new construction and restoration projects in the near-term. The FY 2018 budget request funds facility sustainment to 75 percent of the Department's facility sustainment requirement model. The Marine Corps will continue to optimize base operations support and leverage improved training infrastructure to ensure the readiness of its expeditionary forces.

### ***Equipment Modernization***

The Marine Corps' ground and aviation equipment must meet the needs of current and emerging security environments. As the Marine Corps maintains its priority on current readiness, it has made difficult choices about modernizing and upgrading equipment. The FY 2018 budget request allows the Marine Corps to focus funding on its top priority programs while accepting risk with legacy platforms.

The Marine Corps is fully committed to funding and maintaining its top modernization programs including the Amphibious Combat Vehicle, the Joint Light Tactical Vehicle, the F-35 Lightning II, and the CH-53K King Stallion. However, the FY 2018 budget request continues to accept risk in both equipment sustainment and service life extensions that sustain legacy equipment.

### **Air Force**

Continuous combat operations and deployments have produced shortfalls in operational readiness and challenged the Air Force's personnel, equipment, and infrastructure. For example, the Air Force has faced chronic manpower shortages in critical skill positions. Significant budget constraints have caused the Air Force to limit readiness improvements and recovery efforts. Full-spectrum training to ensure the force is ready for current and emerging threats has been severely curtailed by near-constant deployments for both combat and non-combat missions.

In the FY 2018 Budget Request the Air Force balances readiness recovery, strategy-based modernization, and acquisition programs, which begins a multi-year process to fully recover readiness. To fully support the current defense strategy requirements, Air Force operational elements must remain postured for rapid response worldwide, which will continue to limit Air Force's ability to recover readiness and full-spectrum capabilities.

The Air Force remains committed to continually building and maintaining high readiness levels across the Total Force, while continuing to modernize and acquire the capabilities to deter and defeat potential adversaries. For example, the Air Force is rapidly developing the B-21 Raider bomber and modernizing the B-52 Stratofortress and B-2 Spirit bombers. The F-35A Lightning II has also demonstrated value-adding capabilities across the force. Further, the KC-46 Pegasus air refueling tanker is slated to replace some of the aging tanker fleet. Overall, the Air Force recapitalization and modernization efforts will improve long-term capability and capacity.

Enduring global operations and emerging contingencies continue to impede at-home full-spectrum training opportunities and near-term operational demands are unlikely to decrease. Going forward, balancing rotational requirements with training will remain a significant element of the Air Force strategy. While assigned mission readiness, particularly for the Combat Air Forces (CAF), currently meets Combatant Commander (CCDR) rotational demands, insufficient full-spectrum ready forces remain available for surge or contingency requirements. In order for the Air Force to meet its 80 percent full-spectrum readiness goal, the CAF must address broad manpower requirements and be able to obtain a 1:4 deploy-to-dwell ratio.

### ***Rebuilding Air Force Readiness***

The Air Force relied on its "5-Levers of Readiness" model to inform the FY 2018 Budget Request. The readiness levers with corresponding funding are:

1. Flying Hour Program (FHP), which includes funding for sortie production.
2. Weapons System Sustainment (WSS), which includes funding for aircraft availability production or enabler warfighting systems.

3. Training Resources Availability, which includes funding for ranges, Live/Virtual Construct (LVC), and capabilities to replicate realistic training.
4. Critical Skills Availability, which includes funding for specialty-level enlisted training, special certifications and other skills which aid in producing aircraft availability or qualified enablers.
5. Deploy-to-Dwell, which includes funding for force capacity to meet current tasking.

Each interdependent variable works to produce a full-spectrum force. Since the levers are interrelated, funding one, without appropriately funding the others, will not produce the full-spectrum readiness outcomes required. Through measured and well-balanced allocations, the FY 2018 Budget Request addresses all five Air Force levers.

The FY 2018 Budget Request will improve key readiness areas including critical skills accessions, end-strength, training, WSS, and preserves unique Air Force contributions to the Joint fight by properly balancing capability, capacity, and readiness while focusing on modernizing weapons systems and infrastructure. Investment decisions prioritize increased end strength, nuclear deterrence operations, space, cyber combat forces, and infrastructure. The Air Force resource strategy focuses on disciplined, synchronized investment in readiness accounts in sequential order.

### ***Manpower***

The principal challenge impeding Air Force readiness is manpower shortfalls – particularly skilled maintenance personnel and pilots. The first priority is addressing the longest-lead process - Active Duty end strength – by growing to 325,100 in FY 2018. Last year the Air Force significantly increased maintenance personnel in its training pipeline. Additional increases, supported by the FY 2018 budget request, will further address maintenance manning shortfalls. Similarly, the pilot shortage will improve via both production and retention actions (e.g., increased training pipeline and financial bonuses).

### ***Training and Equipment Maintenance***

The next priority is investment in the training and sustainment enterprises, both of which require three to five years of lead time due to industrial and human processes. The Air Force is investing in Operational Training Infrastructure (OTI) to increase pilot training and absorption and to provide more realistic training opportunities to prepare the force for the high-end fight. These resources will support training and exercises needed to generate full-spectrum readiness. It also permits the Air Force to upgrade critical elements of the realistic training environment.

The Air Force's Flight Hour Program (FHP), Weapons System Sustainment (WSS), and Training Resource Availability (TRA) are inextricably linked. For example, funding flight hours without the associated sustainment will put aircraft availability at risk and potentially prevent the execution of additional flying hours.

The FHP, limited by combat deployments and sortie generation rates, is funded to the maximum executable level of 91 percent in the FY 2018 budget request. Further, to safeguard Air Force readiness gains, the FY 2018 budget request will correspondingly fund WSS to 86.5 percent using both base and Overseas Contingency Operations (OCO) funding.

Lastly, to support full-spectrum training and generate operational readiness, the FY 2018 Budget Request increases TRA funding to \$1.5 billion. The funding request upgrades critical items to replicate realistic threat environments thereby improving training integration for 4th and 5th generation aircraft. Additionally, this funding also supports increased operational availability for

upper tier joint training support, such as RED FLAG, GREEN FLAG, Adversary Air, other instrumented ranges, and includes OTI investments for the LVC enterprise.

**Figure 2-4. Air Force Historical and Planned Full-Spectrum Training Exercises**

	FY 2016 Executed	FY 2017 Planned	FY 2018
RED FLAG Nellis	4	4	4
RED FLAG Alaska	3	3	3
GREEN FLAG West	9	9	9
GREEN FLAG East	9	9	9

### **United States Special Operations Command**

The United States Special Operations Command (USSOCOM) will continue to focus on training (e.g., language and cultural expertise) and providing Special Operations Forces (SOF) support to the geographic Combatant Commands (GCCs). The FY 2018 USSOCOM budget request focuses on delivering innovative, low-cost, small footprint solutions to the GCCs which achieve the nation's current and future security objectives. USSOCOM continues to use joint exercises, rotational and permanent forward presence, and robust military advisory capabilities as a security partner of nations and organizations worldwide. The FY 2018 budget request achieves SOCOM's objectives of maintaining readiness, balancing risk, and increasing research, development, test, and evaluation (RDT&E).

One of USSOCOM's chief concerns is the Military Departments' readiness, which directly affects SOF. USSOCOM has already witnessed reductions to the Military Departments which negatively affect SOF in a variety of ways.

#### ***Rebuilding SOCOM Readiness***

USSOCOM continues to provide properly trained, equipped, and culturally-aligned SOF to the GCCs. By continually building and maintaining relationships with interagency and international partners across its areas of responsibility, USSOCOM provides capabilities critical to achieving national security objectives and address emerging crises. To provide the GCCs with unique capabilities, USSOCOM must invest in programs and projects which keep SOF at a high state of readiness.

To maintain readiness, the FY 2018 budget request continues to support deployment for Phase Zero Operations and maintains sufficient surge capacity to support operational plans and contingencies. USSOCOM's keys to supporting ongoing, future, and contingency operations require enhanced capabilities of individual SOF operators, maintaining a robust fleet of air, ground, and maritime platforms uniquely tailored to support core activities, and enhancing overall intelligence, surveillance, and reconnaissance capabilities. As a result, much of USSOCOM's procurement of SOF-specific modifications is tied to Service-managed capabilities and platforms as its foundation of core activities. The buying power is highly dependent on Military Services' continued investment in baseline capabilities and platforms.

#### ***Training and Engagements***

USSOCOM continues to focus on cultivating its premier global training venue, the Joint/Combined Exchange Training, which allows a light footprint SOF detachment to closely partner with host nation countries.



### ***Research, Development, Test, and Evaluation***

Innovative new technologies are necessary to maintain SOF superiority against emerging threats. USSOCOM continually researches, develops, and acquires new technology to provide the GCCs and future SOF operators with cutting edge technology and capabilities capable of defeating emerging threats.

USSOCOM aligns resources and capabilities to position USSOCOM to maintain a ready and capable force. The changes reflected in the FY 2018 budget request provide greater balance between capability, capacity, and readiness, and will enhance SOF support to the GCCs and enable USSOCOM to meet the challenges of the future.

### **United States Transportation Command**

The FY 2018 budget request provides resources for USTRANSCOM to fulfill its mission.

USTRANSCOM's readiness is linked to the readiness management strategies and priorities of the Military Services. Military Service investment into strategic mobility platform readiness is vital to current and future global deployment and distribution capabilities. As budgets have constricted, the Military Services focused less on strategic mobility related capabilities and capacity of USTRANSCOM and its components.

Additionally, cyber threats and A2AD are an ever expanding threat to USTRANSCOM's ability to deploy and employ the Joint Force across trans-oceanic distances in support of national interests. These challenges are a top priority in USTRANSCOM's future plans.

USTRANSCOM provides distribution and operational mobility organically and commercially to Military Services and CCMDs. The Transportation Working Capital Fund (TWCF) provides USTRANSCOM and its commercial providers a financial tool which supports the sustainment of readiness and capacity. If the transportation workload declines (an immediate effect of reduced combat operations, for example), USTRANSCOM will be challenged to sustain its commercial surge capacity. USTRANSCOM continues to pursue cost reductions and efficient operations to offset these potential budget risks. The TRANSCOM budget accounts for risk by pursuing workload from non-traditional customers (e.g., foreign military sales) and large weapon system contracts (e.g., F-35 Lightning II).

The Air Force's FY 2018 budget request secures USTRANSCOM's ability to execute effective airlift and air refueling missions in future years. Procurement funding will enhance the Flight Hour Program, Weapon System Sustainment, modernization efforts, and fielding of strategic assets (e.g., the C-5M Super Galaxy strategic airlifters, and KC-46 Pegasus tankers). The procurement initiatives are key to USTRANSCOM's ability to provide global reach and maintain strategic agility as older aircraft age.

Lastly, the ARMY's military construction budget includes funding for strategic seaports enabling USTRANSCOM's global en route system. Although considerable progress has been achieved, USTRANSCOM requires continued investment to recapitalize its aging sealift fleets, enhance global patient movement capabilities, defend against cyber-attack, and enable logistics training.

## **GENERATING JOINT CAPABILITIES**

### **Combatant Command Exercise and Engagement and Training Transformation**

The \$596 million Combatant Command Exercise and Engagement (CE2) and Training Transformation (T2) program, collectively referred to as CE2T2, is the only DoD Joint training program that ensures the Combatant Commands (CCMDs) and Services are able to train fully capable Joint/coalition forces to meet wartime requirements.

The FY 2018 budget request includes funding to support the exercises and engagement requirements of the nine combatant commands. These events improve the readiness of the force to conduct joint operations, highlight U.S. capabilities, deter potential adversaries, and build partner capacity. For the combatant commands, exercise and engagement events are a cost-effective way to provide U.S. presence, reassure allies, and hedge against destabilization in high-risk areas. This funding supports over 100 major exercises annually that prepare U.S. forces to execute operational plans, train the combatant command staffs, provide presence and regional expertise with U.S. allies and partners, and build relationships and trust.

The exercise portion of the program includes the exercises themselves, transportation of personnel and equipment, and costs incurred by the Services to relocate their training to the various CCMDs. The major exercises in the CCMDs for FY 2018 are:

- U.S. Africa Command (USAFRICOM): EPIC GUARDIAN — USAFRICOM/SOCAFRICA ELLIPSE GOLF exercise. A Global Command and Control level exercise designed to rehearse and validate procedures for a select contingency plan, and mature possible responses and task force interaction. The exercise covers a broad range of topics, including logistics, intelligence, and public affairs.
- U.S. Central Command (USCENTCOM): EAGER LION — A USCENTCOM-executed multi-lateral exercise to improve the ability of coalition forces to prevent, prepare for, respond to, and mitigate a crisis resulting from a natural or man-made disaster.
- U.S. European Command (USEUCOM): SABER STRIKE — A U.S. Army Europe led company-level live fire exercise and brigade/battalion-level command post exercise designed to sustain the interoperability of U.S. and Baltic partners when forward deployed in support of NATO or other multilateral contingency operations.
- USEUCOM: TRIDENT JUNCTURE (TRJE) — A NATO Supreme Allied Commander, Transformation-sponsored command post exercise. Recent scenarios involved a multinational force deployed in a NATO Non-Article 5 crisis response operation and included the participation of select elements of the U.S. Global Response Force, and linked USTRANSCOM's ULTIMATE REACH exercise.
- U.S. Northern Command (USNORTHCOM)/North American Aerospace Defense Command (NORAD): VIGILANT SHIELD — A Joint Exercise Program Tier 1 exercise event, supported by the Joint Staff and conducted as a command post exercise, designed to train USNORTHCOM/NORAD HQ staffs in Homeland Defense/Homeland Security process interaction; tentatively to be linked to Canadian Joint Operations Command DETERMINED DRAGON 16.
- U.S. Pacific Command (USPACOM): PACIFIC SENTRY — Exercise focused on operation/contingency plan execution. It is conducted in three iterations annually: a senior leader seminar, a targeting focused command post exercise, and separately, a more broadly oriented command post exercise.
- USPACOM: ULCHI FREEDOM GUARDIAN — A bilateral exercise focused on USPACOM and U.S. Forces Korea/Combined Forces Command operational plans supporting the defense of the Republic of Korea. It examines the strategic, operational, and tactical aspects of military operations in the Korean theater of operations.
- U.S. Southern Command (USSOUTHCOM): PANAMAX — USSOUTHCOM's largest engagement exercise typically involving over 16 partner nations and more than 300 participants from those partner armed forces. The PANAMAX trains the battle staff and



subordinate component commands in conducting multi-national operations aimed at countering a wide range of threats in the Panama Canal region.

- U.S. Strategic Command (USSTRATCOM): CYBER GUARD — A “Whole of Nation” cyberspace training exercise focused on responding rapidly to an effective domestic cyber-attack, catastrophic natural or man-made cyberspace disruption.
- USSTRATCOM: CYBER FLAG — A tactically-focused joint exercise fusing offensive and defensive cyberspace operations with DoD full-spectrum combined arms operations against capable and thinking adversaries in a realistic virtual environment. USSTRATCOM: GLOBAL THUNDER — A strategic battle staff readiness training event designed to maintain battle staff critical task proficiency as the exercise scenario begins with a conventional attack and evolves toward nuclear operations. The GT is designed to exercise all the mission areas assigned to USTRATCOM.
- USSTRATCOM: TURBO CHALLENGE — A primary battle staff command post exercise, linked annually to a supported geographic and/or functional combatant command joint exercise to exercise USTRANSCOM's unique responsibilities as assigned within the President's Unified Command Plan. The TC exercises existing and conceptual USTRANSCOM plans, policies, procedures, and systems to evaluate command proficiency on accomplishing existing joint mission essential tasks.
- U.S. Transportation Command (USTRANSCOM): ULTIMATE GUARDIAN 2018 (UG 18) — A cyber exercise, to be linked with USPACOM's PACIFIC SENTRY 18-2. The UG 18 will exercise and assess USTRANSCOM, its transportation component commands (TCCs), and subordinate commands readiness for defensive cyberspace operations at the strategic, operational, and tactical levels. The exercise will involve detection, reporting, mitigation, recovery processes and procedures, and exploring command and control relationships with supporting cyber mission forces.

Additionally, the program funds joint training enablers that build on Military Department-specific training and readiness capabilities and helps close Service-training deficiencies that exist in the seams between the tactical and operational levels of war. The program also funds joint training enablers in the “no man's land” between the Military Departments’ training and joint operating force training. The major enablers that the program funds are:

- The Joint Training Enterprise Network (JTEN) is a system that links the geographically-separated live, virtual, and constructive training capabilities of the combatant commands and Military Departments and integrates them into a realistic joint training environment. The JTEN bridges the gap between tactical and operational level training and mission rehearsal activities by providing real-time connectivity and simulations of higher headquarter authorities.
- The Joint Training Coordination Program (JTCP) enables the live participation of one Military Department's assets in the tactical-level exercises of another Military Department. Specific exercises receiving JTCP funding in FY 2018 include: the Air Force's RED FLAG and GREEN FLAG exercises held at Nellis Air Force Base, NV; the Navy's Fleet Readiness exercise held at Air Wing Fallon, NV; the Marine Corps' Tactical Operations Group Exercise held at Twenty Nine Palms, CA; and the Army's National Training Center Program events in Fort Irwin, CA. These joint training venues prepare the Military Departments for the tactics used in ongoing operations in Afghanistan, Libya, Syria, Africa, and other theaters across the globe.

- Additionally, the program funds joint individual training that prepares service members to operate in a joint environment; Service-unique training simulations that allow them to operate in a realistic joint environment and with U.S. international partners; replication of robust opposing forces (OPFOR) that optimize training on Military Department tactical ranges for both the host Military Department and other Military Department participants; and development of a virtual training environment that facilitates 24/7 online joint training from the individual to the joint task force level.

### Language and Cultural Capabilities

The FY 2018 budget request supports the importance of language, regional, and cultural understanding in building international partnerships as well as contributing to successful operational outcomes across the entire spectrum of operations. The Department has learned, after more than a decade of war, that a basic understanding of U.S. partners' language and culture is essential for the efficacy of the total force and not just for special operations and intelligence forces. Recruiting, training, and skill sustainment all contribute to the Department's commitment to ensuring the war fighters have the necessary language capabilities.

The FY 2018 budget request funds several investments designed to increase the percentage of the force with foreign language and cultural competency. In 2013, slightly more than 336,500 personnel had language skills, constituting 10.5 percent. In 2014, the percentage grew to 10.7 percent, despite a decline of more than 63,000 personnel. In 2015, the percentage of the force with language skills was 10.76 percent, even though the total force was further reduced by more than 9,400 members. The Department's sustained commitment is expected to yield an increase to at least 10.8 percent by the end of FY 2017.

The Department's language and culture investments encompass all Federal departments and agencies. Specifically, the National Security Education Program (NSEP) is designed in statute to provide a future Federal workforce with skills in languages and cultures critical to national security. The FY 2018 budget request for this program reflects a \$26 million Department of Defense commitment, \$16 million of which is a transfer of funds from the Office of the Director of National Intelligence in accordance with 50 U.S.C. 1902. NSEP efforts include partnerships with institutions of higher education, competitive scholarships and fellowships, and the development of recruiting and retention policies to increase the return on these investments. The Department also supports the National Language Service Corps, providing language surge capacity across the Department of Defense and Federal government agencies. This provides a hedge against the effects of uncertainty in current and future national security language needs.

The FY 2018 budget supports efforts to increase the capacity of language-enabled personnel, specifically within DoD. The budget includes funding for the Defense Language Institute Foreign Language Center (DLIFLC), the Department's primary training resource for intelligence community military professionals and General Purpose Forces (GPF) across the Department. In FY 2018, DLIFLC will continue efforts to raise language proficiency graduation standards to Level 2+ in both reading and listening. The FY 2018 budget request provides money to train more than 3,000 students in DLIFLC's basic acquisition courses. This program offers instruction in more than 85 languages and dialects, and delivers training in approximately 60 other languages each year based on specific requirements. In addition, DLIFLC will provide continuing education for more than 4,800 language professionals, and pre-deployment and familiarization training for more than 2,000 GPF personnel through Mobile Training Teams, Video-Tele-training, and Language Training Detachments.

Beyond mobile training teams that provide “just-in-time” training for deploying personnel, the FY 2018 budget supports university-based Language Training Centers (LTC) that partner with the Department to provide language instruction. In FY 2016, nine institutions of higher education hosting LTCs provided training to approximately 1,500 DoD personnel in 19 languages and expanded collaborations with the National Guard and Special Forces community. This brings the LTC program's total to nearly 10,400 DoD personnel trained since its inception in 2011. A special LTC initiative was developed in 2015 to provide Foreign Area Officers with advanced understanding and analysis of the most current regional security affairs and the impact of regional activities on interagency and joint operations. A new LTC was selected for this initiative, which brings the total number of institutions of higher education in the LTC community to nine. The FY 2018 budget request also provides for pre-accession language training through Project Global Officer (GO). This program is for military officer candidates attending higher education institutions and promotes critical language learning, study abroad, and intercultural exposure among Reserve Officer Training Corps (ROTC) cadets and midshipmen. Since its inception in 2007, over 4,000 ROTC students nationwide have participated in the program. There are currently 24 institutions of higher education hosting Project GO programs, including five of the six Senior Military Colleges.

### 3. INCREASING CAPACITY AND LETHALITY WHILE PREPARING FOR FUTURE GROWTH

The Department of Defense FY 2018 budget request continues to address near-term gaps in warfighting readiness while also beginning to address the need to increase lethality and capacity across the Joint Force. The FY 2017 Request for Additional Appropriations began the rebuilding process by focusing on near-term and mid-term warfighting readiness. The FY 2018 budget request continues this rebuilding process by making additional investments in near-term readiness, fixing programmatic holes caused by previous budget cuts, and setting the stage for future capacity and lethality growth that will be driven by the Defense Strategic Review. Through the FY 2018 investments, the Department will continue to develop a more capable, ready, and efficient force that can project power globally for full-spectrum operations against a range of priority threats.

#### Major Themes

- Security Environment
- Fixing Program Holes to Ensure Future Lethality
- Power Projection
- Nuclear Modernization
- Stronger Missile Defense
- Science & Technology
- Space and Space-Based Systems
- Cyberspace Operations

#### SECURITY ENVIRONMENT

The Department of Defense is responsible for ensuring that the Joint Force remains able to simultaneously protect the homeland, respond to and defeat adversary aggression abroad, and wage a global counter-terrorism campaign in the cooperation with our allies and partners, all while still improving its ability to respond to emerging threats. Thus the defense program must be able to address both near-term requirements of these strategic imperatives while at the same time ensuring that U.S. forces will be able to prevail against challenges in these mission areas into the future.

The defense program became unbalanced relative to the modernization needs of the future security environment after more than a decade of prioritizing resources to fight wars in Iraq and Afghanistan. During this time potential adversaries – most notably China and Russia, but also Iran and North Korea – continued to modernize their forces in key areas. Additionally, violent extremist organizations' threats to transregional security grew, and continue today, through their coupling of readily available technologies and extremist ideologies. Despite a persistent operational tempo and the need for U.S. forces to remain globally deployed, through recent budget cycles the Department internalized the imperative for it to modernize, recover readiness, improve resiliency of critical capabilities, and build surge capacity in the face of this stressful operating environment.

Although the Department is well-configured today to address potential adversaries with acceptable risk, global security trends and capability developments could challenge our competitive military advantages in the future – particularly through anti-access and area denial capabilities, systems and corresponding strategies.

#### FIXING PROGRAM HOLES TO ENSURE FUTURE LETHALITY

The FY 2018 budget request addresses resource gaps in the capabilities, readiness, and capacity needed to project power globally in contested environments, while emphasizing preparedness for future high-end security challenges. The budget request supports this emphasis through

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investment in advanced capabilities to reassert our technological edge over potential future adversaries, while shifting emphasis toward a more surge-capable posture for warfighting.

The Department recognizes that while additional capacity in the force is needed – and will be a major focus of investment in FY 2019 and beyond – the Joint Force must develop and field the necessary deterrent capabilities to be survivable, resilient, and relevant to key operational challenges across the conflict spectrum to be able to achieve warfighting objectives. The FY 2018 budget request seeks to fill the holes – achieve program balance – before beginning to grow capacity in future years.

Part of achieving a more capable force involves not only resourcing levels, but also pursuing innovative ways of force development and concepts of operation that reverse the unfavorable cost ratios that adversary strategies seek to impose on the United States in future warfighting environments. Therefore the DoD's analytic processes, Service budgets, and decisions made in the FY 2018 Program Review have sought to foster new research, development, test, and evaluation (RDT&E) programs.

### MAJOR WEAPONS PROGRAMS

Figure 3-1 summarizes the top DoD weapon programs in the FY 2018 budget. Further details can be found in the Department's "Program Acquisition Costs by Weapons Systems" book (<http://comptroller.defense.gov/budgetmaterials/budget2018.aspx#press>).

## Overview – FY 2018 Defense Budget

**Figure 3-1. Major Weapons Programs**

*Base \$ in Billions; Includes RDT&E and Procurement funding*

		FY 2017		FY 2018	
		Qty	\$	Qty	\$
<b>Aircraft</b>					
F-35	Joint Strike Fighter	68	11.3	70	10.8
KC-46A	Tanker	15	3.3	15	3.1
P-8A	Poseidon	17	3.3	7	1.6
B-21	Raider	--	1.4	--	2.0
F/A-18E/F	Super Hornet	26	2.5	14	1.3
V-22	Osprey	19	1.8	6	1.0
E-2D AHE	Advanced Hawkeye	6	1.4	5	1.1
AH-64E	Apache Helicopter	72	1.8	63	1.4
UH-60	Black Hawk Helicopter	53	1.4	48	1.1
CH-53K	King Stallion Helicopter	2	0.8	4	1.1
<b>Missile Defense/Munitions</b>					
BMDs	Ballistic Missile Defense	--	7.8	--	7.9
Trident II	Trident II Missile Mods	--	1.2	--	1.3
LRsO	Long-Range Standoff Weapon	--	0.1	--	0.5
GBSD	Ground Based Strategic Deterrent	--	0.1	--	0.2
B61 Tailkit	B61 Mod 12 Life Extension Program	--	0.1	--	0.2
<b>Ships</b>					
SSN 774	VIRGINIA Class Submarine	2	5.3	2	5.5
DDG 51	ARLEIGH BURKE Destroyer	2	3.5	2	4.0
CVN 78	FORD Aircraft Carrier	--	2.8	1	4.6
SSBN	COLUMBIA Class Submarine	--	1.9	--	1.9
LHA-6	AMERICA Class Amphibious Assault Ship	1	1.6	--	1.7
LCS	Littoral Combat Ship	2	1.6	1	1.2
<b>Space</b>					
SBIRS	Space Based Infrared System	--	0.6	--	1.4
AEHF	Advanced Extremely High Frequency Satellite	--	0.9	--	0.2
EELV	Evolved Expendable Launch Vehicle	5	1.8	3	1.9
<b>Ground Systems</b>					
JLTV	Joint Light Tactical Vehicle	2020	0.7	2647	1.1

### POWER PROJECTION

The FY 2018 President's Budget prioritizes the Department's power projection capabilities to include enhancements to offensive air and sea power through the development and procurement of long range strike weapons, combatant ships, and strike aircraft and the modernization of existing weapons, ships, aircraft, and electronic warfare capabilities.

#### Air Power

The FY 2018 budget request includes increased procurement of strike fighter aircraft and modernization programs for existing strike fighter aircraft and bombers. Development of the B-21 Raider Long Range Strike Bomber is also funded with initial capabilities projected to be fielded in the mid-2020s.

The major tactical air power investment is the F-35 Lightning II, which will form the backbone of the U.S. inventory. The F-35 program is developing, producing, and fielding three variants of a 5<sup>th</sup> Generation strike fighter: 1) Air Force F-35A Conventional Take-Off and Landing variant; 2) Marine Corps F-35B Short Take-Off and Vertical Landing variant; and 3) Navy F-35C Carrier variant. The FY 2018 budget also procures additional F/A-18E/F Super Hornet's to increase readiness of the Navy fighter fleet, and relieve pressure on the aging legacy F/A-18A-D inventory.

The Air Force, Navy, and Marine Corps are investing in modernization programs that improve the capability and extend the utility of existing aircraft. Addition of advanced Infra-Red Search and Track sensors will significantly improve detection and targeting of threat aircraft despite complex enemy Electronic Attack, and the development and fielding of an Active Electronically Scanned Array radar and Digital Radar Warning Receiver which will enable the F-16 fleet to maintain relevance throughout its service life.

The FY 2018 budget funds the development of the B-21 Raider and modernization of the existing bomber fleet. Major modification efforts on the B-2 Spirit include an updated defensive management and survivable/high-bandwidth communications. The budget request funds B-52 Stratofortress avionics and weapons upgrades and explores options to replace the B-52's inefficient and aging engines.

The Joint Air-Surface Standoff Missile-Extended Range (JASSM-ER) will be acquired at the maximum production rate providing the Air Force with a highly survivable, standoff, precision strike weapon for high-value targets.

The FY 2018 budget funds multiple electronic warfare (EW) capabilities to improve the platform survivability to enable power projection.

FY 2018 funds air vehicle survivability improvements with the Next Generation Jammer for the EA-18G aircraft. It will provide significantly improved Airborne Electronic Attack (AEA) capabilities against advanced integrated air defense radars, communications and data links. The FY 2018 budget request also funds survivability improvements in the F-15 Eagle Passive Active Warning and Survivability System and the Integrated Defensive Electronic Countermeasures System. These will autonomously detect, identify, and locate radio frequency (RF) threats as well as deny, degrade, disrupt, and defeat RF threat systems.

#### Sea Power

Nuclear aircraft carriers (CVNs) provide forward presence for air power projection. FY 2018 begins the first year of construction funding for the ENTERPRISE, CVN 80, the third ship in the GERALD R. FORD Class, and continues funding of the JOHN F. KENNEDY, CVN 79.

Amphibious warships are versatile, interoperable warfighting platforms and are critical in providing sea-based forces in theater to project power. FY 2018 continues the recapitalization of the retired



WASP class ships with the AMERICA class LHA 6 Amphibious Assault Ship, and funds advance procurement of long-lead time material for the first of the LX(R) Amphibious Warship Replacement class ships which will replace the aging WHIDBEY ISLAND class LSD 41 Dock Landing Ships

Submarines provide the Navy with unprecedented strike and special operation mission capabilities from a stealthy, clandestine platform. Armed with tactical missiles, the Navy's four OHIO-class guided-missile submarines carry up to 154 Tomahawk land-attack cruise missiles (TLAMs) and have the capacity to host up to 66 Special Operation Forces (SOF) personnel; they begin to decommission in the early 2020's. The FY 2018 budget request continues the development of the VIRGINIA Payload Module in Block V VIRGINIA Class submarines (VCS) which will replace much of this critical capability by adding 28 additional TLAMs and space for SOF operations over Block I-IV VCS.

The budget funds survivability improvements to maritime defensive capabilities with the Surface Electronic Warfare Improvement Program Block 3 electronic attack capability to keep pace with the threat, and the Advanced Offboard Electronic Warfare program that is developing long duration, off-board decoys to fill the identified electronic warfare gaps.

The final Tomahawk Block IV cruise missile acquisition will provide capability from both surface and sub-surface launch platforms for long-range strike performance against high value targets.

The FY 2018 budget request continues funding for the procurement of 125 Standard Missile-6 rounds per year, providing the most capable long range anti-air missiles for Fleet defense. The budget also funds procurement of the Long-Range Anti-Ship Missile (LRASM) for the Navy and Air Force as a near-term solution for the Offensive Anti-Surface Warfare air-launch capability gap.

### NUCLEAR MODERNIZATION

Most of the nation's nuclear weapons delivery systems are reaching their end-of-life between 2025 and 2035. All three legs of the currently fielded nuclear triad have been extended well beyond their original service lives and are nearing the end of sustainability. Replacement programs are underway to ensure there are no gaps in capability when the legacy systems age-out. There is little or no schedule margin between legacy system age-out and fielding of the replacement systems.

The previous administration created a National Nuclear Security Administration (NNSA) Program Support account in DOD, which held outyear amounts that OMB would re-allocate from DOD to NNSA in one-year increments during the annual budget formulation process. Going forward, all outyear funding for NNSA will be included in its Future Years Nuclear Security Program, and none in DOD's Future Years Defense Program. This represents a return to regular budget order and this mechanical change will not alter the total planned NNSA resources since NNSA has always included the DOD support amount in its planning for outyear totals.

**B-21 Raider.** The B-21 Raider is being developed to acquire an affordable, long range, penetrating aircraft that incorporates proven, mature technologies. This bomber represents a key component to the joint portfolio of conventional and nuclear deep-strike capabilities. The planned size of the bomber force is determined entirely by its conventional mission, and therefore only a portion of the cost of the B-21 bomber is attributed to the total cost of nuclear modernization.

**COLUMBIA-class SSBN.** The COLUMBIA-class ballistic missile submarine (SSBN) is being developed to begin replacing the OHIO-class SSBNs in the early 2030s. The Navy is continuing to modernize the Ohio-class to ensure a smooth transition for the sea-based leg of the nuclear triad with the COLUMBIA-class SSBN. The COLUMBIA-class program successfully completed

## Overview – FY 2018 Defense Budget

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Milestone B on January 4, 2017, and entered the Engineering and Manufacturing Development phase.

**Ground Based Strategic Deterrent (GBSD).** The GBSD system will replace the Minuteman III Intercontinental Ballistic Missile (ICBM) Weapon System beginning in 2028. The program is in the Technology Maturation and Risk Reduction (TMRR) phase and industry proposals are under Air Force review.

**Long-Range Standoff (LRSO) Weapon.** The LRSO program will develop a weapon system to replace the AGM-86B Air Launched Cruise Missile, first produced in 1982. The LRSO weapon system will be capable of penetrating and surviving advanced Integrated Air Defense Systems from significant stand-off ranges to hold targets at risk in support of U.S. nuclear deterrence strategy and the Air Force's nuclear deterrence operations core function. LRSO is critical for sustaining the credibility of the U.S. nuclear deterrent, assuring allies, and hedging against risks in more complex nuclear delivery system development programs.

**Trident II D5 Life Extension (D5LE).** The D5LE program extends the service life of the D5 submarine launched ballistic missile and will be deployed on both OHIO-class and COLUMBIA-class SSBNs. The D5LE is in production and achieved Initial Fleet Introduction in February 2017.

**F-35A Dual-Capable Aircraft (DCA).** The F-35A dual-capable aircraft (DCA) will replace the F-15 and F-16 DCA to support extended deterrence. The F-35 DCA is scheduled to achieve operational certification in FY 2025.

**B61 MOD 12 LEP Tailkit Assembly.** The nuclear gravity bomb B61 Mod 12 life extension program (LEP) will consolidate four legacy B61 variants into a single variant for carriage on heavy bombers and dual-capable aircraft. The Air Force-funded Tailkit Assembly (TKA) will be coupled with DOE/NNSA Bomb Assembly (BA) to extend the lifespan of the B61 gravity bomb while making it safer, more secure, and more reliable. The TKA program is in phase two of Engineering and Manufacturing Development and is planning for a Milestone C decision in October 2018.

Additional related efforts include modernization of the nation's nuclear command and control systems.

## A STRONGER MISSILE DEFENSE

The FY 2018 President's Budget funds the development of a Ballistic Missile Defense System (BMDS) to defend the homeland, deployed forces, allies, and partners against an increasingly complex ballistic missile threat. The Department also will make investments for expanding interceptor and sensor capacity to keep pace with the threat. The budget includes \$9.9 billion for missile defense, including \$7.9 billion for the Missile Defense Agency (MDA).

For homeland defense, the Department will maintain the 44 Ground-Based Interceptors (GBI) to 44 deployed by the end of 2017; continue development of the Redesigned Kill Vehicle to address the evolving threat and improve kill vehicle reliability; develop 2-/3-stage booster selectable capability to expand battlespace for GBI engagements; and deploy the Long-Range Discrimination Radar to improve BMDS discrimination capability and enable conservation of GBI inventory. The budget request also uses available technology to improve existing sensors, battle management, fire control, and kill vehicle capabilities and begins development for a Homeland Defense Radar in Hawaii to provide persistent tracking and discrimination capability. MDA also will deliver a space-based experimental kill assessment capability for defense of the homeland as part of an integrated post intercept assessment solution.

The FY 2018 budget request also reflects the Department's commitment to building integrated regional missile defenses that are interoperable with systems deployed by international partners to protect deployed forces, allies and international partners against Short Range Ballistic Missiles

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(SRBM), Medium Range Ballistic Missiles (MRBM), and Intermediate Range Ballistic Missiles (IRBM).

The FY 2018 budget request:

- Supports implementation of European Phased Adaptive Approach (EPAA) Phase 3 and deployment of Aegis Ashore in Poland in 2018.
- Continues increasing BMD capability and capacity of the Aegis Fleet and procures 34 Standard Missile (SM-3) Block IB missiles to be deployed on Aegis BMD ships and at Aegis Ashore Sites; continues the SM-3 Block IIA Cooperative Development effort with Japan, the integration of the SM-3 Block IIA into the Aegis BMD Weapon Systems, and procurement of 6 SM-3 Block IIA missiles to ensure the maturation of the manufacturing process; continues development of the Sea Based Terminal capability to protect the Fleet and forces ashore.
- Provides funding for Terminal High Altitude Area Defense (THAAD) development efforts and software upgrades such as implementation of flexible threat packages and defense planning, improved capability to engage SRBM, MRBM and limited IRBM threats and integration of the THAAD Battery capability into the Army's Integrated Air and Missile Defense Battle Command System (IBCS) planning process. THAAD funding includes FY 2018 test events as part of the Integrated Master Test Plan (IMTP), procurement of 34 THAAD Interceptors in FY 2018 and Operations & Maintenance (O&M) to support maintenance and upkeep of BMDS-unique items of fielded THAAD Batteries and for training devices.
- Provides funding to perform the systems engineering required to design, build, test, assess and field the integrated BMDS.
- Provides funding to execute a comprehensive, highly integrated, complex, cost-effective series of flight tests, ground tests, wargames and exercises to ensure that BMDS capabilities are credibly demonstrated and validated prior to delivery to the Warfighter.
- Provides funding for development of advanced BMD technologies for integration into the BMDS to counter future threats, including discrimination improvements, multi-object kill vehicle technology, hypersonic threat missile defeat, and high-powered lasers.
- Continues support for Israeli Cooperative BMD Programs, to include U.S. funding for the Iron Dome system to defeat short-range missiles and rockets and co-development of the David's Sling Weapon System, Upper Tier Interceptor, and Arrow Weapon System Improvements.
- The budget request includes funding to increase Sea-Based X-Band Radar (SBX) sea time from 120 days to 330 days per year, providing additional operational support.

## SCIENCE & TECHNOLOGY

The Department's FY 2018 Science and Technology (S&T) Program mission invests in and develops capabilities that advance the technical superiority of the U.S. military to counter new and emerging threats.

The FY 2018 President's Budget Request for S&T is \$13.2 billion, which is 2.3 percent of the Department's (\$574.5 billion) base budget. The FY 2018 request is 5.6 percent more than the FY 2017 requested amount of \$12.5 billion for continued S&T focus on innovations to sustain and advance DoD's military dominance for the 21<sup>st</sup> century.

## Overview – FY 2018 Defense Budget

Highlights of the FY 2018 budget request for S&T include:

- Maintains a robust Basic Research program of \$2.2 billion.
- Funds the Defense Advanced Research Projects Agency budget of \$3.1 billion to develop technologies for revolutionary, high-payoff military capabilities.
- Provides \$115.0 million for the National Advanced Manufacturing Initiative at eight DoD-led institutes to support the National Network for Manufacturing Innovation plan and the National Economic Council's manufacturing goals.

To maintain the military's warfighting edge, the Department is addressing the erosion of technological superiority by identifying and investing in innovative technologies and processes to sustain and advance America's military dominance.

Examples of innovative efforts in the FY 2018 budget request include:

- Funds the Strategic Capabilities Office at \$1.2 billion in FY 2018 in support of three primary focus areas: enabling systems to cross or blur domains, creating teams of manned and autonomous systems, and leveraging enabling commercial designs and technologies.
- Invests \$230 million in Air Force and DARPA efforts to develop high speed strike weapons.
- Invests \$593 million in Air Force to develop a highly efficient turbine engine, with a 25 percent increased fuel efficiency and improved thrust and thermal management.
- Includes funding for Army (\$42 million) and Air Force (\$60 million) laser demonstrator projects.
- Provides \$54 million for DIUx and \$60 million for the Defense Technology Innovation effort, which includes DoD engagement with In-Q-Tel.

**Figure 3-3. Science & Technology Program**

*Base budget \$ in billions*

Program	FY 2017 Request*	FY 2018 Request	FY17 Request – FY18 Change
Basic Research (6.1)	2.1	2.2	+0.1
Applied Research (6.2)	4.8	5.0	+0.2
Adv Tech Dev (6.3)	5.6	6.0	+0.4
<b>Total S&amp;T</b>	<b>12.5</b>	<b>13.2</b>	<b>+0.7</b>

*\*FY 2017 Request does not include the Request for Additional Appropriations or OCO*

## SPACE AND SPACE-BASED SYSTEMS

The FY 2018 budget request for space and space-based systems addresses Satellite Communications (SATCOM), Overhead Persistent Infrared (OPIR) capabilities, and Space Launch systems. The Department continues to sustain existing systems, while paving the way for future, follow-on capabilities. These focus areas reflect the Department's continued emphasis and commitment to sustaining, modernizing, and advancing the nation's space capabilities.

In FY 2018, the Air Force will continue production of Space Based Infrared Systems (SBIRS) Space Vehicles 5 and 6 to address OPIR requirements, and Advanced Extremely High Frequency (AEHF) Space Vehicles 5 and 6 to meet military SATCOM (MILSATCOM) needs. Resiliency improvements are being incorporated into the production line for SBIRS Space Vehicles 5 and 6

## Overview – FY 2018 Defense Budget

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and AEHF Space Vehicles 5 and 6. Additional resilience initiatives will continue to be investigated and implemented where possible. Beyond sustaining the current constellations, the Department will address future needs to the constellations and the transition to follow-on systems.

Several activities address the future, evolving military satellite communications capability. The Wideband Communications Service (WCS) Analysis of Alternatives (AoA) commenced in FY 2017. The WCS AoA is expected to complete in 2018. The WCS AoA will inform the acquisition decision for the successor to the Wideband Global Satellite system. Air Force and US Strategic Command are addressing Mid-Term Polar (MTP is the successor to the Enhanced Polar System) requirements and will lay out a plan to align the acquisition of the MTP and the Protected Satellite Communications System – Aggregated (PSCS-A). Navy anticipates starting a narrowband AoA in FY 2018 to inform the acquisition system on the successor to the existing Mobile User Objective System.

The FY18 request initiates advanced procurement funding for the SBIRS Follow-On Space Vehicles 7 and 8 that begin the transition to the future OPIR architecture, consisting of strategic and non-strategic layers.

The Evolved Expendable Launch Vehicle (EELV) program has been aligned with satellite launch schedules in FY 2018 and continues to pursue a public private partnership approach for future launch service acquisitions. The Air Force's strategy is to ensure the existence of two commercially-viable, domestically sourced space launch service providers with the requirement of also eliminating use of foreign-made propulsion systems.

## CYBERSPACE OPERATIONS

The Department of Defense is simultaneously enhancing the ability of its forces to operate in a cyber-contested environment while fielding the 133 Cyber Mission Force (CMF). The Department has three primary missions in cyberspace:

- Defend DoD networks, systems, and information
- Defend the United States and its interests against cyber-attacks of significant consequence
- Provide Combatant Commands with integrated cyber capabilities to support military operations and contingency plans

Specific activities aligned with forming the CMF include the acquisition of a Persistent Cyber Training Environment (PCTE) and outfitting the force. The US Army is the Executive Agent for the DoD's Cyber Training Ranges and the acquisition lead for PCTE. The process of equipping the CMF is supported through materiel solution analyses, prototyping, and the acquisition of cyber capabilities. Although the Services have the capacity for acquiring cyber systems, US Cyber Command was also granted limited acquisition authority for cyber-peculiar capabilities.

Title 10 military operations in cyberspace continue to provide US forces with operational experience as well as insights into the Command and Control (C2) capabilities required to effectively conduct integrated cyber operations. In addition, the Department has made and continues to make significant investments in Dual-Use Cyber Ranges. These ranges have the flexibility to support both CMF training and the evaluation of both Information Technology (IT) and weapons systems in a realistic cyber environment. Furthermore, DoD's capability for operating in a cyber-contested environment is being strengthened by ongoing cyber vulnerability assessments. These reviews consist of both system-level and mission-level evaluations and are being conducted in accordance with Section 1647 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114-92). The results will help the Department make informed,

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risk-based decisions on the most effective way to improve the capability of DoD forces to operate in a cyber-contested environment.

**Figure 3-4. Investments by Category**

*Base and OCO \$ in billions*

	FY 2017	FY 2018 Request	Change
Aircraft and Related Systems	47.8	49.9	4.6
C4I Systems	8.3	8.6	1.2
Ground Systems	10.0	11.2	1.4
Missile Defense Programs <sup>1</sup>	9.4	9.2	0.7
Missiles and Munitions	14.9	16.4	2.5
Mission Support	51.2	59.9	7.5
Science & Technology (S&T)	12.6	13.2	0.7
Shipbuilding and Maritime Systems	28.2	30.4	3.4
Space-Based Systems	7.2	9.8	2.7
<b>Total</b>	<b>189.6</b>	<b>208.6</b>	<b>24.7</b>

<sup>1</sup> Missile Defense Programs FY 2018 amount does not include the MDA Operation and Maintenance request (\$504 million) or the MDA Science and Technology request (\$292 million)



## 4. REFORMING HOW THE DEPARTMENT DOES BUSINESS

As directed by the President, the Secretary of Defense is committed to continuously reforming the business practices of the Department of Defense.

The Department has a range of in-flight reform efforts, some proposed by the Department, some enacted by Congress. However, there remain many parts of how the Department operates that deserve additional attention and reform efforts going forward.

The FY 2018 budget request includes some notable reform efforts, and even more significant reform will follow in future years. In FY 2018, the Department will be implementing the split of the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L) as well as a range of acquisition reform initiatives directed by the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-387). The Department is also seeking authority for a Base Realignment and Closure (BRAC) round in FY 2021. Reforms to the Military Health System are addressed in Chapter 5.

In FY 2018, the Department will undergo its first full-scope financial audit and in parallel the Department continues to grow its real cost accounting ability.

### Major Themes

- Acquisition Reform
- Base Realignment and Closure
- Infrastructure and Support Activity Reforms
- Financial Improvement and Audit Readiness Initiative
- Real Cost Accounting
- Contract Management and Oversight

### ACQUISITION REFORM

The Department is committed to reforming its acquisition enterprise to improve its ability to be innovative, responsive, and cost effective.

The Department's FY 2018 acquisition reform activities are focused in two areas. First is the disestablishment of the Under Secretary of Defense for Acquisition, Technology & Logistics (USD(AT&L)) and the establishment of the Under Secretaries for Research & Engineering and for Acquisition & Sustainment. Second is the identification of additional reforms to improve effectiveness and efficiency.

Consistent with section 901 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-387) the Department expects the Under Secretaries for Research & Engineering and for Acquisition & Sustainment to be in effect by February 1, 2018 or sooner. Concurrently, the Department is conducting a broader rationalization of the offices, organizations, and processes within the USD(AT&L) portfolio and their alignment, and potential overlap, with other functional areas and processes across the Office of the Secretary of Defense and the Services.

With regard to other acquisition reform efforts, the Department has formed a series of cross-functional teams to improve effectiveness and maximize efficiencies across the Department with a particular focus on addressing system ownership costs earlier in the acquisition lifecycle. Additionally, the Department has been working closely with the Congressional defense committees to refine the latest legislative ideas, but is also still processing and executing the significant acquisition reforms of FY 2016 and 2017 defense authorization bills, as well as implementing legislation dating back to 2013. Those reforms will serve as the foundation for future improvements in how the Department supports our Warfighters.



### BASE REALIGNMENT AND CLOSURE (BRAC)

Recent DoD analyses indicate the Department has about 20 percent more infrastructure capacity than required for its operations. Resources spent on this excess infrastructure could be spent on higher priorities such as readiness and modernization. BRAC supports the Secretary of Defense's reform agenda as well as the Administration's commitment to rebuild infrastructure because it focuses on the necessary so we do not waste resources on the excess. A successful BRAC round would be a cornerstone of the DoD's efficiencies program. Of equal importance is the ability to conduct a holistic, periodic review of stationing in view of new and changing force structure configurations. The Administration is therefore asking Congress to authorize a 2021 BRAC round.

### INFRASTRUCTURE AND SUPPORT ACTIVITY REFORMS

The FY 2018 budget continues the reform agenda, with a particular focus on business practices in the Fourth Estate (Office of Secretary of Defense, Defense Agencies and Field Activities) and Military Services' Headquarters. In total, these in-flight efficiencies efforts will lead to \$1.2 billion in savings in FY 2018. Specific initiatives include:

- Defense travel modernization – changing the default air fares to offer the lowest acceptable fare for domestic air travel in the City Pair Program (managed by the Government Services Administration) will save \$120 million.
- Fourth Estate IT business operations efficiency – implementing a policy that the Deputy Chief Management Officer (DCMO) must approve any business IT investments of \$1 million or more over the Future Years Defense Program. This will save \$77 million in FY 2018. DCMO continues its analyses on potential legacy systems for termination.
- Service Requirements Review Board (SRRB) – DCMO has established a board to review and evaluate Fourth Estate organizations' contracted services. This effort realized savings by consolidating vendor and license agreements that mainly reduce redundancy while offering better prices. The SRRB is an annual process to continue identifying efficiencies in the Department's contracting business practices. This will save \$382 million in FY 2018.

### FINANCIAL IMPROVEMENT AND AUDIT READINESS INITIATIVE

The Department's Financial Improvement and Audit Readiness (FIAR) initiative guides the Department's efforts to achieve compliance with the Chief Financial Officers Act of 1990 and support regular, annual full financial statement audits. FIAR focuses on improving the quality and timeliness of financial information through sustaining reliable and well controlled business processes, along with the capability to provide supporting documentation to auditors in a timely and consistent manner. The overall outcome will be a significantly enhanced enterprise Financial Management.

Beginning in FY 2015, the Military Departments moved from audit readiness into an annual audit regimen. Initial audits are helping to drive change while also giving personnel valuable real world audit experience. As a result, DoD financial managers and functional leaders are now better trained to understand auditors' expectations and the higher level of consistency, discipline, and rigor that successful audits require. The auditors, in turn, are able to familiarize themselves with DoD's organization, systems, and way of doing business, allowing them to be more efficient in conducting audits. The ongoing audits maintain the Department's focus and drives progress toward an audit opinion, enhancing earlier audit readiness efforts. Operationally, audits provide objective feedback on DoD controls, processes, and systems. Audit findings and recommendations identify areas that need attention from an auditor's perspective to prioritize remediation. Audits also reveal opportunities for process improvement and resource savings.

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Initial audits have produced over 700 notice of findings and the Department is actively prioritizing, tracking and implementing corrective actions to resolve these.

The primary measure of audit progress is the extent to which the Department's organizations have achieved capabilities necessary to be under some form of a financial audit regimen. The Military Departments completed audits of FY 2015 and FY 2016 budgetary information. The Department has been expanding the scope of its audits in FY 2017 and is on track to enter into full, agency-wide financial statement audit beginning in FY 2018 as required by statute. The U.S. Marine Corps, Defense Logistics Agency and Defense Information Systems Agency are now under an initial full financial statement audits, while seven other DoD components continue to sustain their positive audit opinions.

### REAL COST ACCOUNTING

As the Department faces increasing national security demands within limited resources, DoD must have better insight into the cost of its operations and how they relate to the mission. In short, every dollar must count. To support this objective, the Department has been on an important journey to improve the quality and timeliness of financial information through its pursuit of financial auditability, while using financial data for management decisions and performance assessment.

As part of this effort, the Office of the Under Secretary of Defense (Comptroller), the Office of the Deputy Chief Management Officer, the Military Departments, and associated Defense Agencies have established a Cost Decision (CODE) framework that leverages commercial best practices, adapted to DoD operations. The CODE framework is the authoritative source for enterprise lines of business cost information. The expectation is that this initiative will ultimately reduce the amount of time-consuming *ad hoc* data calls that Military Departments and defense agencies must answer to on an ongoing basis. This will also give decision makers the information they need to make cost based decisions to improve business management. The Department has a phased approach to implement this framework across various lines of business.

### CONTRACT MANAGEMENT AND OVERSIGHT

The Department provides independent contract audits and management support to the Military Services and Defense Agencies to ensure that the contracts that the Department enters into are priced fairly and that the Department and the taxpayer receive agreed upon products and services. Three agencies provide these services: (1) the Defense Contract Audit Agency (DCAA); (2) the Defense Contract Management Agency (DCMA); and (3) the Office of the Inspector General (OIG). Figure 4-2 provides the funding and civilian manpower for each of these organizations.

The establishment of the DCAA (1965) and DCMA (2000) consolidated the audit and contract management functions, previously performed by the Military Services, into independent organizations that now apply consistent and methodical audit, contract management, and assessment regulations and principles across the Department.

- The DCAA performs contract audit functions for all DoD Components plus other Federal agencies. In FY 2016, the DCAA audited nearly \$221 billion of costs incurred on contracts and issued about 870 forward pricing proposal audit reports totaling about \$63.4 billion. In FY 2016, DCAA achieved \$3.6 billion in savings as the result of audit findings
  - In FY 2018, the DCAA will continue efforts to maintain a reasonable incurred cost inventory in order to (1) assist in achieving auditable financial statements, a Secretary

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- of Defense priority; (2) assist the Department in closing completed contracts; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed). DCAA has reduced its backlog to an acceptable level and is now focused on maintaining a reasonable incurred cost inventory level
- The DCMA represents the Military Services, other Federal agencies, and related government buying agencies at defense contractor locations worldwide, prior to and after contract award. The DCMA provides Contract Advisory Services on more than 345,000 prime contracts with a total value of more than \$1.9 trillion, which is performed by over 19,600 contractors
  - In FY 2018, the DCMA will continue the Department's efforts to grow the acquisition workforce to mitigate known acquisition oversight workforce shortfalls, primarily in the areas of price costing, earned value, and quality assurance

**Figure 4-2. Contract Management and Oversight**

*Dollars in Billions, Base Budget only FY 2017/2018, Direct FTEs in whole numbers*

	FY 2016 Actuals*	FY 2017 Request	FY 2018 Request
Defense Contract Audit Agency	\$0.6	\$0.6	\$0.6
DCAA Direct Full-Time-Equivalents	4,187	4,218	4,583
Defense Contract Management Agency	\$1.3	\$1.4	\$1.4
DCMA Direct Full-Time-Equivalents	10,023	10,286	10,466
Office of Inspector General	\$0.3	\$0.3	\$0.3
OIG Direct Full-Time-Equivalents	1,495	1,507	1,587
<b>Total – Audit and Contract Management</b>	<b>\$2.1</b>	<b>\$2.2</b>	<b>\$2.3</b>
<b>Total Civilian Full-Time-Equivalents</b>	<b>16,770</b>	<b>16,803</b>	<b>17,642</b>

Source: FY 2017 President's Budget  
rounding

Numbers may not add due to

\* \* Includes Overseas Contingency Operations data

- Created by the Inspector General Act of 1978, the DoD OIG is an independent, objective agency within the Department of Defense. The DoD OIG is responsible for conducting audits, investigations, and inspections, and recommends policy and procedure changes to promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse, and mismanagement. In FY 2015, the DoD OIG identified \$2.5 billion in potential monetary benefits and recovery
  - In FY 2018, the OIG will continue its efforts in serving the warfighter, and the taxpayer, by conducting audits, investigations, inspections, and assessments that provide guidance and recommendations for both the Department and Congress.

## 5. KEEPING FAITH WITH SERVICE MEMBERS AND FAMILIES

The Military — Active, Reserve, and National Guard — and Civilian personnel are the foundation of the Department of Defense and constitute its premier asset. As such, they must have the full support of the Nation and the Department to ensure they successfully accomplish the arduous mission of defending the United States of America.

### Key Initiatives

- Military Compensation
- Blended Retirement System
- Managing the Military Health System
- Strengthening Military Families
- Supporting DoD Civilians

The Department's commitment to a generous compensation package for those individuals willing to serve their country voluntarily is built into the FY 2018 budget request and demonstrated by the number of initiatives and programs to support their professional development and their personal and family lives.

Comprising roughly one-third of the DoD budget, military pay and benefits are, and will likely always be, the single largest expense category for the Department. Total compensation funding, including civilian personnel, consumes nearly half of the budget. People are the Department's most valuable asset, but DoD must continually balance these requirements with other investments that are critical to achieving the Department's strategic goals. The Department cannot allow its personnel requirements to crowd out investments in the readiness and modernization portions of the budget, which are essential to providing the needed training and equipment for its warriors to be prepared for combat. Balancing resources is particularly important as the Department reshapes the force needed to remain effective in an uncertain future. Providing a robust pay and benefits package is essential and must be sustained to ensure the best warfighters are available to execute the nation's defense strategy. Nevertheless, although compensation is a vital component of readiness and military quality-of-life, it must remain in balance with the readiness, capacity, and capabilities needed by the Joint Force.

The Department continues to face significant budget challenges from sequestration under the Budget Control Act of 2011 (BCA) (Public Law 111-25). Even with the short-term relief from the sequestration funding caps provided under the Bipartisan Budget Act of 2013 (P.L. 113-67) and 2015 (P.L. 114-74), the Department's FY 2017 President's Budget (PB) Future Years Defense Program (FYDP) topline for the base budget was approximately \$800 billion less over the 10-year sequestration period (FY 2012 through FY 2021) when compared to the FY 2012 FYDP topline estimate (pre-sequestration). Over the same 10-year period, the estimated savings from military compensation proposals enacted from FY 2012 through FY 2017 total to just under \$59 billion.

Figure 5-1 displays a summary of the Department's base budget pay and benefits funding since the War on Terror began, as illustrated by FY 2001 and FY 2012 through FY 2018. Military pay and benefits funding increased from \$99.5 billion in FY 2001 to \$183.8 billion in FY 2012 (an 85 percent increase), remaining roughly one-third (34.6 percent) of the total budget due to a similar increase in the Department's base budget authority. However, Figure 5-1 also demonstrates that the average cost per capita of military personnel increased significantly during this period. This is evident in the size (end strength) and composition of the force.

The FY 2013 through FY 2015 columns clearly reflect the impacts of the BCA and the subsequent Bipartisan Budget Act of 2013. The nearly \$9 billion decrease in the FY 2013 base budget military pay and benefits funding includes the shift from base to Overseas Contingency Operations (OCO) funding of non-enduring Army and Marine Corps end strength grown to support wars in Iraq and Afghanistan; it also reflects the slowing of medical growth trends experienced across the Nation in recent years and program delays and one-time reductions taken to meet sequestration funding

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levels. However, even with these reductions, the base budget military pay and benefits funding actually increased as a percentage of the defense budget (34.6 percent to 35.3 percent) due to the size of the overall reduction to the Department's base budget authority.

Military pay and benefits funding in FY 2017 reflects the impact of the Request for Additional Appropriations (RAA), which would provide \$24.9 billion in Department's base budget for urgent warfighting readiness needs to begin a sustained effort to rebuild the U.S. Armed Forces. While the RAA includes funding to support the higher end strength and military pay raise levels enacted in the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328), the majority of the additional funding is directed to critical budget shortfalls in training, maintenance, equipment, munitions, modernization and infrastructure investments – resulting in military pay and benefits declining as a percentage of the overall base budget authority. The FY 2018 budget request further underscores this rebuilding effort by restoring over \$52 billion to the Department's discretionary budget authority above the BCA budget cap. This restoral enables the reversal of previously planned end strength reductions and supports a total of 56,400 additional FY 2018 end strength compared to the FY 2018 level planned in the FY 2017 budget request.

**Figure 5-1. Pay & Benefits Funding** <sup>/1</sup>

(Dollars in Billions)

Military Pay & Benefit Costs	FY 2001 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Amended	FY 2018 Request
Military Personnel Appropriations <sup>/2</sup>	77.3	130.8	126.4	128.7	127.5	128.2	129.3	133.9
Medicare-Eligible Retiree Health Care Accruals	0.0	10.7	8.0	7.3	7.0	6.6	7.0	7.8
Defense Health Program <sup>/3</sup>	13.7	32.3	30.6	32.7	32.7	32.7	33.6	34.6
DoD Education Activity <sup>/4</sup>	1.5	3.3	3.2	3.6	3.0	3.1	2.9	3.1
Family Housing	3.7	1.7	1.5	1.4	1.1	1.3	1.3	1.4
Commissary Subsidy	1.0	1.4	1.4	1.3	1.3	1.3	1.2	1.4
Other Benefit Programs <sup>/5</sup>	2.4	3.7	4.0	3.5	3.4	3.3	3.4	3.5
<b>Military Pay &amp; Benefit Costs</b>	<b>99.5</b>	<b>183.8</b>	<b>175.0</b>	<b>178.5</b>	<b>175.9</b>	<b>176.5</b>	<b>178.6</b>	<b>185.7</b>
<b>Civilian Pay &amp; Benefits Costs</b> <sup>/6</sup>	<b>39.8</b>	<b>69.6</b>	<b>68.4</b>	<b>68.4</b>	<b>69.6</b>	<b>71.4</b>	<b>73.6</b>	<b>75.2</b>
<b>Total Pay &amp; Benefits Costs</b>	<b>139.3</b>	<b>253.4</b>	<b>243.5</b>	<b>246.8</b>	<b>245.5</b>	<b>247.8</b>	<b>252.3</b>	<b>260.9</b>
DoD Base Budget Authority (BA)	287.4	530.4	495.5	496.3	497.3	521.3	549.6	574.5
<b>Mil. Pay &amp; Benefits as % of BA</b>	<b>34.6%</b>	<b>34.6%</b>	<b>35.3%</b>	<b>36.0%</b>	<b>35.4%</b>	<b>33.8%</b>	<b>32.5%</b>	<b>32.3%</b>
<b>Total Pay &amp; Benefits as % of BA</b>	<b>48.5%</b>	<b>47.8%</b>	<b>49.1%</b>	<b>49.7%</b>	<b>49.4%</b>	<b>47.5%</b>	<b>45.9%</b>	<b>45.4%</b>
<b>End Strength - Active Component</b> <sup>/7</sup>	<b>1,385,116</b>	<b>1,399,622</b>	<b>1,329,745</b>	<b>1,314,016</b>	<b>1,314,110</b>	<b>1,301,444</b>	<b>1,308,043</b>	<b>1,314,000</b>
<b>End Strength - Reserve Component</b> <sup>/7</sup>	<b>868,534</b>	<b>840,320</b>	<b>834,651</b>	<b>824,378</b>	<b>819,062</b>	<b>811,668</b>	<b>813,815</b>	<b>815,900</b>
<b>Civilian FTEs</b> <sup>/8</sup>	<b>687,305</b>	<b>800,052</b>	<b>772,741</b>	<b>755,692</b>	<b>756,334</b>	<b>754,182</b>	<b>765,696</b>	<b>771,082</b>

<sup>/1</sup> Base Budget only -- excludes OCO funding. FY 2017 reflects request for additional appropriations. Numbers may not add due to rounding

<sup>/2</sup> Includes pay & allowances, PCS move costs, retired pay accruals, unemployment compensation, etc.

<sup>/3</sup> DHP funding includes O&M, RDT&E, and Procurement. It also includes construction costs funded in Military Construction, Defense-Wide.

<sup>/4</sup> DoDEA funding includes all O&M, Procurement, & Military Construction costs.

<sup>/5</sup> Includes Child Care & Youth Programs, Warfighter & Family Programs, MWR, Tuition Assistance and other voluntary education programs.

<sup>/6</sup> Civilian Pay & Benefits amounts exclude costs in funded in the DHP, DoDEA, Family Housing and Commissary Subsidy programs.

<sup>/7</sup> Total number of active and reserve component military personnel funded in the Base Budget as of September 30. FY 2017 projected E/S.

<sup>/8</sup> Total Civilian FTEs Direct/Indirect and Foreign Hires

## MILITARY COMPENSATION – BACKGROUND

The Department believes providing competitive pay and benefits is a necessity to attract and retain the highly qualified people needed in today's military. Those who are willing to serve their country in uniform should be well compensated. While there is no perfect benchmark or comparison to determine the adequate level of compensation for recruiting and retaining the Force, for more than a decade, the work of the Ninth Quadrennial Review of Military



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Compensation (9<sup>th</sup> QRMC) has been the primary measuring stick and justification for many improvements that have occurred in military pay. In the final report, the 9<sup>th</sup> QRMC asserted that:

*Military and civilian pay comparability is critical to the success of the All-Volunteer Force. Military pay must be set at a level that takes into account the special demands associated with military life and should be set above average pay in the private sector. Pay at around the 70<sup>th</sup> percentile of comparably educated civilians has been necessary to enable the military to recruit and retain the quantity and quality of personnel it requires.*

**In the late 1990s**, even though the trajectory of military compensation was slightly upward, it had sunk to an unsatisfactory level relative to the rest of the working population. The 9<sup>th</sup> QRMC's analysis noted that in 2000, regular military compensation (RMC) (defined as basic pay, housing and subsistence allowances, and the Federal tax advantage associated with these tax-free allowances) for mid-grade enlisted personnel (E5 – E7s) and mid-grade officers (O4s) only placed in the 50<sup>th</sup> and 58<sup>th</sup> percentiles, respectively, compared to similarly educated and experienced workers in the United States. To address this and with the help of the Congress, substantial targeted and overall increases to the basic pay table were enacted, well above the level of growth in private industry wages and salaries as measured by the Employment Cost Index (ECI).

In addition to increasing basic pay, during the same period the Department also began increasing housing allowance rates to bring them in line with actual rental market housing costs across the country and to reduce members' out-of-pocket housing costs. Prior to this initiative, a military member's housing allowance covered only about 80 percent of their full housing costs, leaving an out-of-pocket cost of up to 20 percent. By 2005, housing allowance rates were increased enough so that the median out-of-pocket "off-base" housing cost was completely eliminated for members by pay grade, location, and dependency status. As a further quality-of-life initiative, the Military Services also entered into numerous public-private ventures (PPVs) designed to eliminate inadequate government housing by leveraging private sector financing, expertise, and innovation to provide necessary housing faster and more efficiently than traditional Military Construction processes would allow. The PPV process significantly increased the Department's Basic Allowance for Housing (BAH) program costs due to an increased number of military personnel receiving a housing allowance, but it quickly enhanced the quality-of-life for members and their families through revitalized family housing in many military locations.

**By the late 2000's**, the increased trajectory of compensation designed to close the gap with the private sector had overshot the mark – understandably so during a decade of war. By 2009 and as a direct result of these improvements, the 11<sup>th</sup> QRMC reported in June 2012 that average officer and enlisted RMC had climbed to the 83<sup>rd</sup> and 90<sup>th</sup> percentile of comparable civilian pay, respectively. It should be noted that while RMC is the foundation, it is by no means the totality of military pay and benefits available to members, a summary of which is provided in Figure 5-2.



**Figure 5-2. Military Pay and Benefits Summary**

- The foundation of military pay is Regular Military Compensation (RMC). Every member receives the following pay or in-kind entitlement:
  - Basic Pay
  - Basic Allowance for Housing (BAH) with the advantage of being tax-free.
  - Basic Allowance for Subsistence (BAS) with the advantage of being tax-free.
- Members may also receive a series of other allowances to offset the costs they incur because of official travel and relocation, family separation, uniform replacement, and the greater than normal living expenses associated with assignments to high-cost locations.
- Every member receives:
  - 30-days paid vacation annually;
  - Free health, dental, and vision care; and automatic survivor coverage in event of death on active duty. For members on active duty, free health care is also available for their dependents.
- Members who qualify, may receive in addition to the above universal benefits, additional compensation in the form of Special and Incentive (S&I) pays, which are used to target specific occupations, specialties, and segments of the force to:
  - Attract and retain members in certain occupations or specific skills (e.g., enlistment and reenlistment bonuses, critical skills retention bonuses, medical special pays)
  - Motivate attainment of specific skills (e.g., language proficiency pay, dive pay)
  - Recognize hardships, danger, or arduous duty (e.g., hardship duty pay, parachute duty pay, imminent danger pay, firefighting crew member pay)
  - Incentivize hard to fill assignments or those of special responsibility (e.g., assignment incentive pay, special duty assignment pay).
- Members, as well as their dependents, are offered many other non-monetary benefits such as:
  - Subsidized child care
  - Subsidized life insurance
  - Education and tuition assistance
  - Child, youth, and family support programs
  - Discounted retail shopping (Commissary and Exchange)
  - Spiritual health and support
  - Access to a wide range of welfare and recreation offerings (e.g., club, golf, pool, other sports and recreation facilities, commercial discount tickets, internet cafes)
- Members who qualify receive a retirement:
  - Lifetime defined benefit after 20 years of service
  - Lifetime defined benefit upon occurrence of significant disability
  - Most of the same non-monetary benefits as while serving
  - Subsidized health care for self and family
  - Subsidized survivor protection

### MILITARY COMPENSATION CHANGES – TO-DATE

Against this backdrop of a healthy and competitive military compensation package, the Department has done a significant amount of work to explore how it can balance the rate of growth in military pay, benefit costs, and individual compensation incentives in a way that is both responsible and fair. The Department has submitted numerous proposals in recent years to do just that, and some portions of which have been accepted and acted upon by the Congress. Authorized adjustments include:

- **FY 2012**
  - Allowed a modest increase in TRICARE Prime enrollment fees (\$5 per month per retiree family plan) and indexed the fees to the annual retiree cost-of-living (COLA) increase
  - Required retirees in the Uniformed Services Family Health Plans (USFHP) to transition to the TRICARE-for-Life (TFL) plan upon becoming Medicare-eligible like all other military retirees
  - Permitted small increase in pharmacy co-pays

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- **FY 2013**
  - Authorized some increases in pharmacy co-pays structured to provide incentives to use generic drugs and the lower cost mail order program over retail pharmacies
- **FY 2014**
  - Accepted an alternative basic pay raise of 1.0 percent vice the 1.8 percent increase equal to the Employment Cost Index (ECI)
- **FY 2015**
  - Accepted an alternative basic pay raise of 1.0 percent vice the 1.8 percent increase equal to the ECI
  - Approved General Officer/Flag Officer (GO/FO) pay freeze for FY 2015
  - Authorized the monthly Basic Allowance for Housing (BAH) rates to be set at 99 percent (vs. 100 percent) of the median rental housing costs
  - Allowed a \$3 increase to retail and mail order pharmacy co-pays and required refills for maintenance drug prescriptions (e.g., cholesterol, blood pressure) to be filled through lower cost mail order or Military Treatment Facility (MTF) pharmacies
- **FY 2016**
  - Accepted an alternative basic pay raise of 1.3 percent vice the 2.3 percent increase equal to the ECI
  - Authorized monthly BAH rates to be set at 95 percent (vs. 99 percent) of the median rental housing costs; phased in 1.0 percent increments per year over 4 years
  - Authorized additional pharmacy co-pay increases in FY 2016
  - Allowed change to policy on second destination transportation for fresh fruit and vegetable supplies for Asia-Pacific commissaries
- **FY 2017**
  - Adopted much of the Department's reform proposal to consolidate the TRICARE health plans and modernize the benefit cost sharing; however, the FY 2017 National Defense Authorization Act (NDAA) limited the reforms to only those who enter service on or after January 1, 2018

The Department also has taken other actions to improve efficiencies and to reduce the overall costs for health care. For instance, with the support of Congress, the Department championed changes in law (known as Federal Ceiling Price (FCP)) that required pharmaceutical manufacturers to provide discounts for drugs for TRICARE beneficiaries through retail network pharmacies. As a result, the FCP discounts for drugs are at least 24 percent less than the average manufacturer's price for its non-Federal customers. To further reduce costs, the Department also changed the way it buys medical products by leveraging the bulk buying power of the military health system (MHS). Additional examples are provided in the *Managing the Military Health System* section of this chapter.

These have been important steps in controlling costs. However, given the long-term fiscal realities faced within defense budget funding levels, the Department must continue to explore proposals that promote balanced growth in pay and benefits funding levels.

## MILITARY COMPENSATION PROPOSALS – GOING FORWARD

Figure 5-3 displays the estimated savings from the military compensation proposals included in the FY 2018 budget request. These proposals decrease military pay and benefits funding by \$0.6 billion in FY 2018 and \$7.1 billion through FY 2022.

- **Basic Pay Raise** — The FY 2018 President's budget proposes a 2.1 percent increase in military basic pay. This is less than the 2.4 percent increase under the formula in current law, which calls for a military pay raise to equal the annual increase in the wages and salaries of private industry employees as measured by ECI. The FY 2018 proposed increase of 2.1 percent maintains the annual increase at same level as provided in FY 2017.

**Figure 5-3. FY 2018 PB Military Compensation Proposals**  
(Dollars in billions)

Proposals	FY 2018 Savings	FY18 – FY22 Savings
FY 2018 2.1% Pay Raise (vice 2.4%)	0.2	1.4
TRICARE Modernization Plan	--	3.6
Pharmacy Co-Pay Adjustments	0.4	2.1
<b>Total Military Compensation Proposal Savings</b>	<b>0.6</b>	<b>7.1</b>

*Numbers may not add due to rounding*

- **TRICARE Modernization Plan** — As detailed in the *Managing the Military Health System* section of this chapter, the FY 2018 budget health benefit reform proposal seeks to remove the grandfathering provisions in the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328). The Department is proposing to streamline the current TRICARE managed care and fee-for-service options (Prime, Standard, and Extra) into a simplified structure of Military Treatment Facility (MTF), in-network, and out-of-network cost sharing that provides incentives for wellness, decreases overutilization of services and provides beneficiaries with alternatives to managing their care. Through modestly higher deductibles and co-pays, this simplified structure is designed to encourage members to use more affordable means of care. The FY 2018 proposal pairs these changes with institutional reforms that are designed to provide greater value and address beneficiary concerns including — access to care that meets the beneficiaries' needs; first call resolution and a greatly improved referral process to improve response times and reduce administrative burdens; and seamless mobility as military members move around the globe.
- **Increase Pharmacy Co-Pays** — In conjunction with the TRICARE Plan changes, the Department again seeks to adjust pharmacy co-pay structures to fully incentivize the use of mail order and generic drugs.
- **Blended Retirement System** — As detailed in the next section, the Department is diligently working to educate the force and modify systems to successfully implement the momentous changes to the military retirement system enacted by Congress. However, the Department is proposing a legislative change to allow enlisted members who serve beyond 26 years, to continue receiving Thrift Savings Plan (TSP) matching contributions.

## BLENDED RETIREMENT SYSTEM

The National Defense Authorization Act for Fiscal Year 2016 (P.L. 114-92) and for Fiscal Year 2017 (P.L. 114-328) enacted substantial changes to the military retirement system. For

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decades, military members have had to serve 20 years before becoming eligible for any retirement benefits, and since roughly 80 percent of Service-members depart before 20 years, most leave without any retirement benefit, which constitutes a disadvantage in comparison to their peers. Under the new system, a member will have the opportunity to achieve a retirement that is the equivalent of or better than retirement under the current system.

The current military retirement system consists entirely of a defined retired pay benefit, and the member's retired pay is based upon a formula of 2.5 percent times the number of years served times the average of the member's highest 36 months of basic pay. The new retirement system is a blend of several components, which include:

- a defined retired pay benefit using a 2.0 percent per year multiplier in lieu of 2.5 percent;
- an automatic 1 percent government contribution to the member's account with the Thrift Savings Plan (TSP) after the member serves 60 days;
- government matching contributions to the member's TSP account using the same matching plan as is used for Federal government civilians under the Federal Employee Retirement System; and
- a bonus (continuation pay) paid to the member between the 8<sup>th</sup> and 12<sup>th</sup> year of service.

The blended retirement system will include all members who join after January 1, 2018, and those who have less than 12 years of service on December 31, 2017, who elect to opt-in. Currently serving members who have more than 12 years of service and those with less than 12 years of service on December 31, 2017, who do not elect to opt-in, will remain grandfathered under the current retirement system.

With the January 1, 2018 implementation date approaching, the Department is well along in the massive training and education effort necessary to prepare force and in particular the estimated 1.75 million members' eligible to opt-in to the new system. The Department has already issued detailed implementation guidance and developed and released three Blended Retirement System (BRS) training courses specifically targeted at leaders who will introduce the BRS to the force, financial educators who will advise the force, and an online course and calculator for those eligible to opt-in. To-date over 100,000 members have enrolled and completed the online BRS opt-in training course. In addition, the Defense Finance and Accounting Service (DFAS) has already logged over 13,000 hours working with the Services to complete the various systems updates needed to accommodate BRS requirements.

### MANAGING THE MILITARY HEALTH SYSTEM

The FY 2018 budget request includes \$51.0 billion for the DoD Unified Medical Budget to support the Military Health System (MHS). The MHS currently has 9.5 million eligible beneficiaries, which includes active military members

**Figure 5-4. Military Health Care Funding<sup>1</sup>**  
(Dollars in Billions)

Program	FY 2018 Request
Defense Health (DHP)	33.7
Military Personnel <sup>2</sup>	8.6
Military Construction <sup>2</sup>	0.9
Health Care Accrual <sup>3</sup>	7.8
<b>Unified Medical Budget</b>	<b>51.0</b>
Treasury Receipts for Current Medicare-Eligible Retirees <sup>4</sup>	11.2

Numbers may not add due to rounding

<sup>1/</sup> Excludes OCO funds and other transfers. The FY 2018 amounts include \$16 million in DHP savings and \$342 million in Health Care Accrual savings from the TRICARE Pharmacy Co-Pay adjustment proposal.

<sup>2/</sup> Funded in Military Personnel & Construction accounts.

<sup>3/</sup> Includes health care accrual contributions into the Medicare-Eligible Retiree Health Care Fund to provide for the future health care costs of personnel currently serving on active duty – and their family members – when they retire.

<sup>4/</sup> Transfer receipts in the year of execution to support 2.4 million Medicare-eligible retirees and family members.

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and their families, military retirees and their families, dependent survivors, and certain eligible Reserve Component members and their families.

In this constrained fiscal environment, growing health care costs will limit the Department's ability to fund readiness and modernization requirements. From a historical perspective, the Department has seen health care costs grow from 4 percent of the Department's base budget in 1990 to nearly 10 percent in 2015. Since the original establishment of TRICARE, Congress has also dramatically limited beneficiary contributions and expanded benefits.

### Strategic Construct

The MHS is a federated healthcare system responsible for supporting the health needs of the U.S. Military and for delivering safe, high-quality care to more than 9.5 million eligible beneficiaries around the world. The MHS consists of the Office of the Assistant Secretary of Defense for Health Affairs (ASD(HA)), the Military Medical Departments (Services), and the Defense Health Agency (DHA). The system supports operational medicine (including combat casualty care, disaster relief, global health engagement, and humanitarian assistance) and provides health services in a global network of military hospitals and clinics. It also purchases more than 65 percent of the total care provided for beneficiaries through tailored contracts. Functioning as a comprehensive learning system, the MHS operates a medical school, a full spectrum of graduate medical education programs, and training platforms for all members of the health team. In summary, the MHS is a complex organization that mixes healthcare delivery (both direct and purchased), medical education, public health, and cutting edge medical research and development, all focused on supporting the medical readiness of the total force.

### Military Health System Reform

The National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328)(NDAA) contains a number of provisions that will substantially transform the MHS, including provisions that direct the transfer of some responsibilities from the Service Surgeons General to the Defense Health Agency; provisions that establish the criteria for designation of medical centers, hospitals and clinics; provisions that direct the establishment of high performance military-civilian integrated health delivery systems, and a host of additional requirements and reforms.

Recent progress toward a more integrated and efficient Direct Care System (DCS) has positioned the MHS for more dynamic transformation. The establishment of the Defense Health Agency (DHA) in 2013 served to help the MHS move more from ad hoc to structured collaboration. The creation of shared services resulted in a more standardized management model for key business functions. An improved MHS Governance structure formalized mechanisms for coordination between the Services and DHA. Collectively, these changes facilitated execution of the MHS Review in 2014 and are foundational to current work on readiness capabilities. Implementation of the NDAA provisions will accelerate MHS' progress towards developing an operating model supporting improved and efficient delivery of health care at military treatment facilities while enhancing the Services' readiness capabilities and addressing escalation of health care costs. In support of this major reform effort, the Department is partnering with Congress to rebuild and reform our military into a more capable and more lethal force. In this process, the Department will seek to maximize the efficiency of support functions to re-invest resources into higher priority programs.

### Health Care Costs

Controlling health care costs is a priority for the Department. In recent years, additional emphasis was placed on achieving savings and efficiencies within the operational environment of the MHS. This has been a success story, with roughly \$3.2 billion in savings per year achieved through programs like Federal Ceiling Pricing (a discount drug program), the Outpatient Prospective



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Payment system (a transition to more favorable Medicare rates for private hospitals), implementation of Patient-Centered Medical Homes, and the Defense Health Agency's Shared Services (reducing redundancy and improving coordination among the Services).

However, these internal savings initiatives are not enough to curb the projected increase in health care costs for the Department in the coming years. Therefore, DoD must continue to pursue reasonable health benefit reform now as part of a balanced approach. As noted earlier in this chapter, since FY 2012, Congress has permitted small increases in the TRICARE Prime enrollment fees for working age retirees, required retirees in the Uniformed Services Family Health Plans (USFHP) to transition to the TRICARE-for-Life (TFL) plan upon becoming Medicare-eligible like all other military retirees, and most importantly made some adjustments to retail and mail order pharmacy co-pays. Cumulatively, these changes are estimated to be saving the Department over \$3 billion annually. But these changes alone are not enough to control the overall projected increase in costs in the long-term. For example, when TRICARE was fully implemented in 1996, a working age retiree's family of three who used civilian healthcare contributed on average roughly 27 percent of the total cost of their health care. Today that percentage has dropped to less than 9 percent. While health care costs have doubled or tripled over this time frame, a family's out-of-pocket expenses, including enrollment fees, deductibles and cost shares, have grown by only 30 to 40 percent.

### Health Benefit Reform

The Department has submitted several reform plans since 2005, largely to control health care costs. These plans have generally been met with resistance in Congress and opposition from military and veteran service organizations. In the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328), Congress did enact reforms to the TRICARE health plan that were similar to those proposed in the FY 2017 budget request. However, Congress limited those reforms to those who enter service after January 1, 2018. This will produce non-optimal results in two ways. First, DoD will have to administer two separate benefit packages for almost 50 years until all the grandfathered beneficiaries reach Medicare eligibility. Second, the five year savings from these reforms will be a small fraction of the budgeted amounts. The National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328) also did not include an exemption provision for survivors of those who died on active duty or medically retired members and their families. This means that these vulnerable beneficiaries will be the first to experience the new benefit package with higher out of pocket expenses.

In the FY 2018 budget request submission, the DoD seeks to remove the grandfathering provisions in the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328). The Department is proposing streamlining the current TRICARE managed care and fee-for-service options (Prime, Standard, and Extra) into a simplified structure of Military Treatment Facility (MTF), in-network, and out-of-network cost sharing that provides incentives for wellness, decreases overutilization of services and provides beneficiaries with alternatives to managing their care. Through modestly higher deductibles and co-pays, this simplified structure is designed to encourage members to use more affordable means of care. Following are key elements of the consolidated health plan:

- A Simpler System – provides beneficiaries with alternatives to managing their care and less complexity in their health plan.
- No Change for Active Duty – who would maintain priority access to health care without any cost sharing but would still require authorization for civilian care.
- Cost shares – will depend on beneficiary category (excluding active duty) and care venue and are designed to minimize overutilization of costly care venues, such as emergency



## Overview – FY 2018 Defense Budget

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departments. Cost shares would be the lowest in MTFs, higher in the network, and highest out of network, which will facilitate the effective use of military clinics and hospitals and thereby improve the efficiency of DoD's fixed facility cost structure.

- Participation Fee – for retirees (not medically retired), their families, and survivors of retirees (except survivors of those who died on active duty). They would pay an annual participation fee or forfeit coverage for the plan year.
- Open Season Enrollment – similar to most commercial plans, participants must enroll for a 1-year period of coverage or lose the opportunity.
- Catastrophic Caps – which have not gone up in 10 years would increase slightly but still remain sufficiently low to protect beneficiaries from financial hardship. The participation fee would no longer count towards the cap.
- Medically retired members and their families and survivors of those who died on active duty would be treated the same as Active Duty Family Members with no participation fee and lower cost shares.
- To ensure equity among Active Duty Family Members (ADFM), the proposal offers all ADFMs a no cost care option regardless of assignment location.
- Premiums, co-pays, deductibles, and catastrophic caps would be identical to those in the FY 2017 NDAA Section 701 for those entering service after January 1, 2018.
- Increases in premiums, co-pays, deductibles and catastrophic caps would increase annually based on the increases in health care costs as measured by the growth in National Health Expenditures (NHE) per capita.

In addition to consolidating TRICARE Prime, Standard, and Extra, the Department proposes to:

- **Increase co-pays for pharmaceuticals** (excludes active duty service members). The FY 2017 NDAA did not include the Department's requested increase in pharmacy co-pays. The Department believes additional adjustments are needed to fully incentivize the use of mail order and generic drugs. The proposed pharmacy changes in the FY 2018 budget are phased-in over a 10-year period, and prescriptions will continue to be filled at no cost to beneficiaries at MTFs. Table 1 of Figure 5.5 displays the proposed co-pays for prescriptions filled through the TRICARE retail and mail order pharmacy programs.

The DoD offers a comprehensive health benefit at a lower cost than most other employer sponsored health benefits plans. Even after the proposed changes, TRICARE will remain one of the best health benefits in the United States, with lower out-of-pocket costs compared to other employers (see Table 2 of Figure 5.5). The scope of benefits is not changing, and the Department will continue to invest in those programs and services, like medical readiness and support to wounded warriors and their families, that are critical to sustaining a strong Military Health System and the All-Volunteer Force.

**FIGURE 5-5. TRICARE PROPOSAL TABLES**

**Table 1 – Pharmacy Co-Pays effective January 1, 2018**

(Amounts in whole dollars)	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
<b>Retail Rx (1 month fill)</b>											
Generic	10	10	10	10	11	11	12	12	13	13	14
Brand	24	25	25	26	28	31	33	35	38	42	46
Non-Formulary*	50	51	53	56	58	61	64	70	75	82	90
<b>Mail-Order Rx (3 month fill)</b>											
Generic	0	5	7	10	11	11	12	12	13	13	14
Brand	20	22	24	26	28	31	33	35	38	42	46
Non-Formulary	49	51	53	56	58	61	64	70	75	82	90
<b>Military Treatment Facilities</b>	No change — still \$0 co-pay										

\*Available on a limited basis

**Table 2 – Cost-Sharing Impact on Beneficiary Families (CY 2019)**

	Current TRICARE Triple Option	Proposed TRICARE Health Plan
Active Duty Family (3 members not including service member)		
DoD cost	\$ 14,320	\$ 14,331
Family cost	\$ 214	\$ 202
Total	\$ 14,535	\$ 14,533
% borne by family	1.5%	1.4%
Non-Medicare eligible Retiree Family (3 members, all under age 65)		
DoD cost	\$ 16,216	\$ 15,553
Family cost	\$ 1,517	\$ 1,986
Total	\$ 17,733	\$ 17,539
% borne by family	8.6%	11.3%

The analysis assumes an average mix of MTF and civilian care within each beneficiary category, and a weighted average of Prime and Non-Prime users. For those using all civilian care, the percent borne by the family is slightly higher.

## STRENGTHENING MILITARY FAMILIES

The Department will keep faith with military members and their families, who have borne the burden of a decade of war, by providing military family assistance programs including child care, non-medical counseling, and Morale, Welfare, and Recreation (MWR) programs. The Department recognizes the demands that continue to be placed on the All-Volunteer Force and their families and remains committed to providing assistance. The Military Departments plan to continue the vital family assistance to military members and their families on more than 300 installations worldwide.

The major initiatives to improve the quality-of-life of military members and their families are designed to mitigate the demands of military life — especially the challenges of deployments and frequent relocations. The Spouse Education and Career Opportunities program supports spouse educational and career development, recognizing that spouses' lives are disrupted when they relocate every few years with their service member. Military OneSource, a 24/7 information and

## Overview – FY 2018 Defense Budget

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assistance line, links military members and their families to a community-based non-medical counselor for up to 12 free sessions per issue (no limits on financial issues) to address relationship issues or other stressful situations before they escalate. The MWR program provides much needed recreational and fitness resources for all members of the family to promote overall well-being. These are just a few examples of the web of support designed to ensure that military members can confidently attend to the larger Defense mission, knowing that their family is able to thrive.

The FY 2018 budget request includes \$8.3 billion (Figure 5-6) for military family support programs. The \$0.6 billion increase from the FY 2017 requested funding level for military family support programs is driven by increases for school construction, Warfighter and Family Services, and Commissary operating support.

Figure 5-6 displays a summary of the Department's FY 2016 — FY 2018 budget request for these programs. Key programs are:

- **Child Care and Youth Programs:** Includes funding for child care providers, who serve over 200,000 children, and child and youth development programs, which serve over 500,000 children.
- **Morale, Welfare, and Recreation programs:** Includes funding for mission-sustaining programs such as fitness centers, libraries, and single service member programs; voluntary education; and recreation programs such as outdoor recreation and auto skills centers.
- **Warfighter and Family Services:** Includes funding for family support centers, Armed Forces Exchanges, transition assistance, tuition assistance, and non-medical counseling support services for Active Duty, National Guard, and Reserve members and their families.
- **Commissary:** Includes funding for the Defense Commissary Agency to operate 240 commissary stores on military installations worldwide, employing a workforce of over 14,000 civilian full-time equivalents.
- **Department of Defense Education Activity (DoDEA) Schools:** Includes funding to support the education of 77,904 students in 169 schools (52,281 students in 111 schools in 12 countries and 25,623 students in 58 schools in 7 states, Puerto Rico, and Guam).
- **Spouse Employment program:** Provides funding for the Spouse Employment and Career Opportunities Program, which includes funding tuition assistance for eligible military spouses through the My Career Advancement Accounts program, employment counseling, and assistance to all military spouses to obtain employment and career opportunities through the Military Spouse Employment Partnership.

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**Figure 5-6. Military Family Support Programs**

*(Dollars in Billions, Base Budget only)*

Program	FY 2016 Actual	FY 2017 Request	FY 2018 Request
Child Care and Youth Programs	1.2	1.3	1.2
Morale, Welfare and Recreation	1.4	1.5	1.5
Warfighter and Family Services	1.5	1.5	1.7
Commissary	1.4	1.2	1.4
DoDEA Schools	2.3	2.1	2.4
Military Spouse Employment	0.1	0.1	0.1
<b>Total</b>	<b>7.9</b>	<b>7.7</b>	<b>8.3</b>

As the Department continues to reshape its forces for current and future missions, it is committed to sustaining a balanced portfolio of family assistance programs that are fiscally sustainable and continue to promote service member and family readiness. The overall funding for family assistance programs was determined strategically, based on the number of military members and families served, but without degradation in the quality of the programs provided.

### SUPPORTING DOD CIVILIANS

The FY 2018 budget request supports a properly sized and highly capable civilian workforce that is aligned to mission and workload, and is shaped to reflect changes commensurate with the Department's military force structure. Civilian personnel perform critical functions in intelligence, equipment maintenance, medical care, family support, base operating services, and other activities that directly support the military forces and readiness. The Department's civilian workforce is key to warfighter readiness, an integral enabler of operational capabilities, essential to family and Service member support activities, and critical to the sustainability and viability of the All-Volunteer Force. The size and composition of the civilian workforce reflects and recognizes evolving critical demands such as emerging cyber technologies and threats, and guards against the erosion of organic skills and an overreliance on contracted services.

The DoD civilian workforce presented in the FY 2018 budget request reflects an analytically based, workforce-to-workload review designed to preserve mission essential skills and capabilities. The FY 2018 budget continues to build on previous efforts to reduce the Major DoD Headquarters Activities (MHA) by up to 25 percent, while recognizing that certain capabilities must still grow to meet operational demand. The Department will continue to comply with the legislative requirements outlined in section 346 of the National Defense Authorization Act for Fiscal Year 2016 (P.L. 114-92), leveraging opportunities to reshape the civilian workforce through realignments and workload reductions consistent with overall Department strategies and with due consideration of the growing number of statutory force-management and workload sourcing mandates.

The Department estimates the number of civilian Full-Time Equivalents (FTEs) (excluding Classified Activities, Cemeteries, and Foreign National Indirect Hire) will increase 0.7 percent, from 735,000 in FY 2017 to 740,000 in FY 2018. The Department continues to improve business practices by eliminating unintended redundancies within the workforce. While the Defense Agencies and Field Activities continue to reduce the MHA civilian workforce, the Military Departments will continue to shape the workforce to support the Department's push to increase readiness as reflected in the FY 2018 President's Budget. Civilian increases are tied to skillsets

## Overview – FY 2018 Defense Budget

directly related to the operational requirements, such as depot maintenance supporting shipyards and logistics depots, and cyber and intelligence.

The Department will continue to support the civilian workforce; the FY 2018 budget includes a civilian pay raise of 1.9 percent, and continued emphasis on civilian education, training, and leadership development. This FY 2018 request reflects the Department's commitment to recruiting, promoting, and retaining the highest caliber of public servants available to serve among our ranks.

**Figure 5-7. Civilian FTEs<sup>1/</sup>**

Program	FY 2017 <sup>2/</sup> Estimate	FY 2018 <sup>2/</sup> Request	Percent Change
Army	185.6	182.9	-1.5%
Navy	193.8	197.6	2.0%
Air Force	166.1	170.5	2.7%
Defense Wide	189.3	189.0	-0.1%
<b>Total DoD</b>	<b>734.8</b>	<b>740.0</b>	<b>0.7%</b>
U.S. Direct Hires	719.6	725.0	0.8%
Foreign Direct Hires	15.2	14.9	-1.9%
Numbers may not add due to rounding			

<sup>1/</sup> Excludes Classified Activity, Cemetery Expense, and Foreign National Indirect Hire (FNIH) FTEs

<sup>2/</sup> Includes 619 OCO FTEs in FY 2017 and 420 in FY 2018; excludes 31,519 of Foreign National Indirect Hire (FNIH) FTEs in FY 2017 and 31,509 in FY 2018

## 6. OVERSEAS CONTINGENCY OPERATIONS (OCO)

### SUMMARY

The FY 2018 President's Budget requests \$64.6 billion for Overseas Contingency Operations (OCO) spending. This request focuses on Operation FREEDOM'S SENTINEL (OFS) in Afghanistan, Operation INHERENT RESOLVE (OIR) in Iraq and Syria, increasing efforts to support European allies and deter aggression, and global counterterrorism operations. Figure 6.1 displays requested OCO funding by Operation and Activity.

The request supports the following activities:

- Maintaining U.S. presence to support the train, advise, and assist (TAA) and counterterrorism (CT) missions in Afghanistan;
- Sustaining personnel forward deployed to the Middle East to conduct operations to defeat the Islamic State of Iraq and Syria (ISIS);
- Building the capacity of the Iraqi Security Forces and Syrian opposition forces to counter ISIS in support of the United States' comprehensive regional strategy;
- Conducting in-country and in-theater support activities, including intelligence support to military operations;
- Supporting partner nations through a sustainable approach to counterterrorism and security cooperation; and,
- Enhancing U.S. assurance and deterrence activities in Eastern Europe to assure North Atlantic Treaty Organization (NATO) allies and partners and deter aggressive actors.

### FORCE LEVEL BUDGET ASSUMPTIONS

The FY 2018 OCO budget request funds military presence in Afghanistan in support of OFS, in Iraq and Syria in support of OIR, and in-theater in support of both operations.

In Afghanistan, the FY 2018 OCO request maintains a force posture of 8,448 troops, consistent with the approved force manning level announced in July 2016. This force level supports the

#### Key Themes

- Force Level Budget Assumptions
- Overseas Contingency Operations Budget Request
- Counter-ISIS Train and Equip Fund
- Security Cooperation
- European Reassurance Initiative

**Figure 6.1 Overseas Contingency Operations (OCO) Funding by Activity**  
(Dollars in Billions)

Operation/Activity	FY 2017 Request	FY 2018 Request
Operation FREEDOM'S SENTINEL (OFS) and Related Missions	46.2	45.9
Operation INHERENT RESOLVE (OIR) and Related Missions	11.9	13.0
Defeat ISIS Transfer Fund	2.0	--
European Reassurance Initiative (ERI)	3.4	4.8
Security Cooperation <sup>1/</sup>	1.0	0.9
<b>Subtotal</b>	<b>64.5</b>	<b>64.6</b>
Bipartisan Budget Act (BBA) of 2015 Compliance <sup>2/</sup>	5.2	--
<b>Grand Total</b>	<b>69.7</b>	<b>64.6</b>

<sup>1/</sup> In FY 2017, funding for Security Cooperation was appropriated as the Counterterrorism Partnerships Fund (CTPF). The National Defense Authorization Act for FY 2017 realigned CTPF funding to Operation and Maintenance, Defense-Wide and made it available for a wide range of security cooperation activities, including counterterrorism.

<sup>2/</sup> FY 2017 Requested 'BBA Compliance' includes base budget amounts added to the OCO budget to meet the Bipartisan Budget Act (BBA) of 2015 mandated topline.



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Department's dual CT and TAA missions to the Afghan National Defense and Security Forces (ANDSF). This force level is currently under review.

In Iraq and Syria, the FY 2018 OCO request maintains a force posture of 5,765 troops, consistent with the approved force manning level announced in December 2016. The U.S. and coalition partners are focused on destroying ISIS through active and effective air strikes and enabling local partners on the ground to seize territory from ISIS and deliver it a lasting defeat. The budgeted force levels in Iraq represent the forces associated with the counter-ISIS mission as well as Iraq and Syria train and equip efforts.

In-theater and in CONUS, forces provide support for OFS and OIR, and also include Combined Joint Task Force-Horn of Africa, counterterrorism operations in northwest Africa, and the European Reassurance Initiative.

Figure 6.2 displays the force levels assumed in the Department's FY 2018 OCO budget, expressed as annual average troop strength. These force levels do not include potential changes to troop strength in response to the acceleration of the campaign to defeat ISIS.

**Figure 6.2. U.S. Force Level Assumptions in DoD OCO Budget**

*(Average Annual Troop Strength)*

Force	FY 2016 Enacted	FY 2017 Request	FY 2018 Request
Afghanistan (OFS) <sup>1</sup>	9,737	8,674	8,448
Iraq/Syria (OIR)	3,550	5,765	5,765
In-Theater Support <sup>2</sup>	55,831	62,486	56,310
In CONUS <sup>3</sup> /Other Mobilization	15,991	13,085	16,611
<b>Total Force Levels</b>	<b>85,108</b>	<b>90,010</b>	<b>87,134</b>

<sup>1</sup> At the time of publication, this force level is under review.

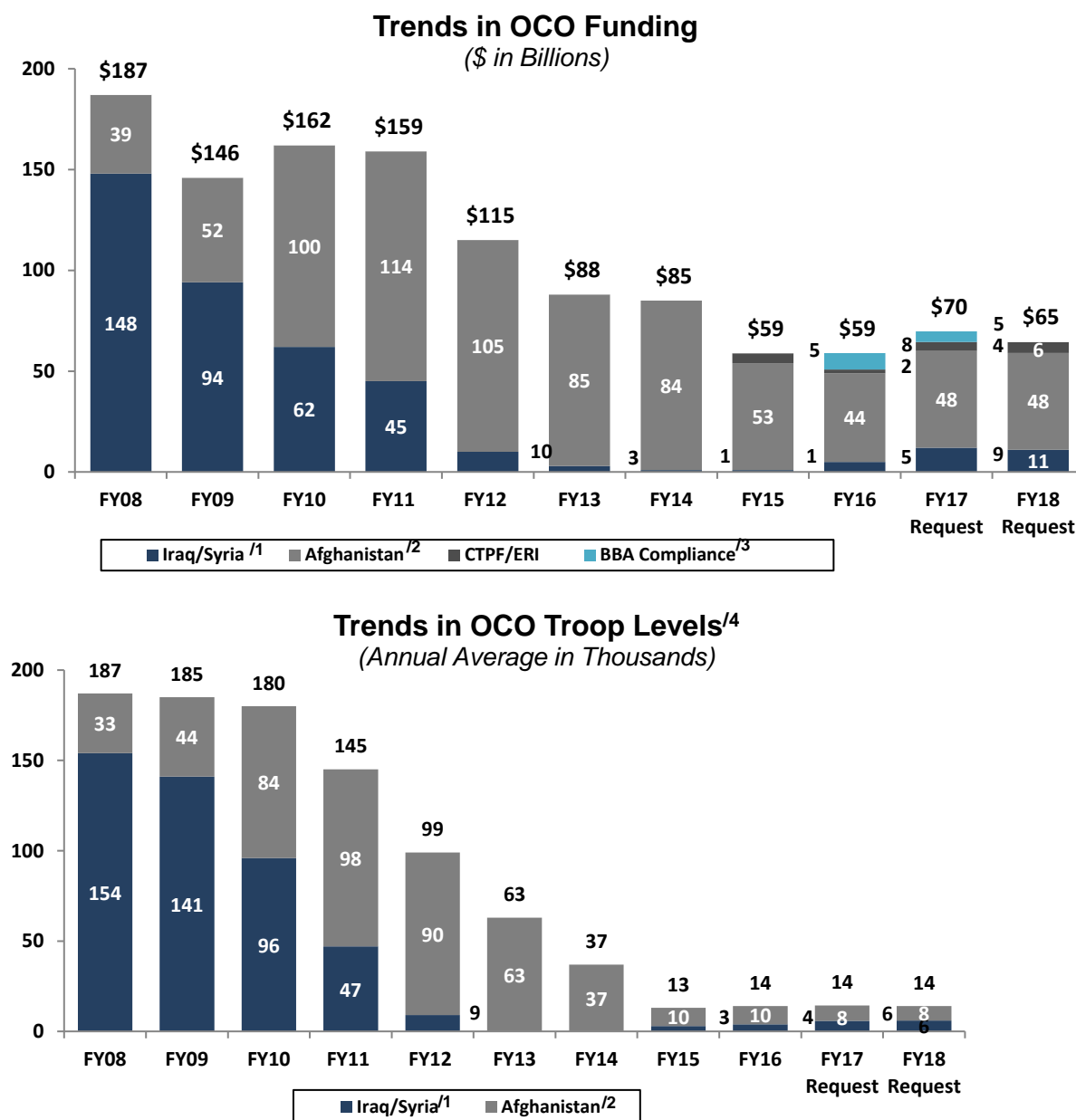
<sup>2</sup> In-Theater support includes support for Afghanistan/Iraq, Combined Joint Task Force (CJTF) HOA / NW Africa CT, and ERI (including approximately 10,500 afloat forces).

<sup>3</sup> In-CONUS = In the Continental United States

## OVERSEAS CONTINGENCY OPERATIONS BUDGET REQUEST

The FY 2018 OCO budget request reflects a \$5.1 billion reduction from the FY 2017 request of \$69.7 billion (the FY 2017 budget request included \$5.2 billion of base budget requirements in OCO as part of the Bipartisan Budget Act of 2015).

Figure 6.3. OCO Funding and Troop Level Trends



1/ Iraq/Syria data are for Operation IRAQI FREEDOM (CIF), Operation NEW DAWN (OND), Operation INHERENT RESOLVE (OIR), and follow-on Iraq activities. The FY 2017 OCO request amount also included \$2.0 billion for the acceleration of the effort to defeat ISIS.

2/ Afghanistan data is for Operation ENDURING FREEDOM (OEF) and Operation FREEDOM'S SENTINEL (OFS).

3/ FY 2017 request for 'BBA Compliance' reflects base budget amounts added to the OCO budget to meet the Bipartisan Budget Act (BBA) of 2015 mandated topline.

## Overview – FY 2018 Defense Budget

Funding in the FY 2018 OCO budget request is captured by operational support category in Figure 6.4, followed by brief explanations of select activities.

**Figure 6.4. OCO Functional/Mission Category Breakout**

(Dollars in Billions)

OCO Budget	FY 2017 Request	FY 2018 Request
Operations/Force Protection	13.5	11.8
In-Theater Support	19.1	19.2
Joint Improvised-Threat Defeat Fund	0.5	0.5
Afghanistan Security Forces Fund (ASFF)	4.2	4.9
Support for Coalition Forces	1.4	1.3
Counter-ISIS Train and Equip Fund (CTEF) <sup>1/</sup>	1.8 <sup>2/</sup>	1.8
Equipment Reset and Readiness	10.1	9.0
Classified Programs	9.5	10.4
Security Cooperation <sup>3/</sup>	1.0	0.9
European Reassurance Initiative (ERI)	3.4	4.8
<b>Subtotal</b>	<b>64.5</b>	<b>64.6</b>
Bipartisan Budget Act (BBA) of 2015 Compliance <sup>4/</sup>	5.2	0.0
<b>Total</b>	<b>69.7</b>	<b>64.6</b>

1/ CTEF is a new account and includes the original request of \$630 million for the Iraq Train and Equip Fund (ITEF) and \$250 million for the Syria Train and Equip Fund (STEF), plus the additional March budget amendment request of \$446.4 million for ITEF related requirements and \$180 million for STEF related requirements.

2/ The FY 2017 request includes \$289.5 million requested in the FY 2017/2018 Iraq Train and Equip Fund (ITEF) for support to the Kurdish Peshmerga.

3/ In FY 2017, funding for Security Cooperation was appropriated as the Counterterrorism Partnerships Fund (CTPF). The National Defense Authorization Act for FY 2017 realigned CTPF funding to Operation and Maintenance, Defense-Wide and made it available for a wide range of security cooperation activities, including counterterrorism.

4/ FY 2017 requested 'BBA Compliance' includes base budget amounts added to the OCO budget to meet the Bipartisan Budget Act (BBA) of 2015 mandated topline.

Numbers may not add due to rounding

**Operations/Force Protection (\$11.8 billion):** This category of incremental cost includes the full spectrum of military operations requirements for U.S. personnel operating in Afghanistan, Iraq, and Syria:

- Personnel special pays and subsistence for deployed forces;
- Personnel pay for mobilized forces;
- Operating tempo (ground vehicles/equipment, combat aviation, Special Operations Forces);
- Communications;
- Pre-deployment training;
- Transportation cost to sustain and support the forces, including the retrograde of U.S. equipment from Afghanistan;

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- Various classes of supplies;
- Deployment and redeployment of combat and support forces;
- Life support and sustainment; and
- Additional body armor and personal protective gear.

***In-Theater Support (\$19.2 billion):*** Funds requested in this category provide for critical combat and other support for personnel in Afghanistan, Iraq, and Syria that comes from units and forces operating outside Afghanistan, Iraq and Syria. This category also includes funding to support other operations conducted outside Afghanistan, Iraq, and Syria.

The types of cost incurred for in-theater operations are similar to those outlined in the “Operations/Force Protection” category. However, this category also includes incremental costs for afloat and air expeditionary forces, engineers, fire support, and other capabilities located elsewhere that support operations in Afghanistan, Iraq, Syria, and other important missions. It also includes support for some activities operating from the United States (such as remote piloted aircraft and reach back intelligence, surveillance, and reconnaissance (ISR) capabilities).

- *Office of Security Cooperation — Iraq (OSC-I) (\$42 million):* This program is DoD’s cornerstone for achieving the long-term U.S. goal of building partnership capacity in the Iraqi Security Forces (ISF). The OSC-I conducts the full range of traditional security cooperation activities such as joint exercise planning, combined arms training, conflict resolution, multilateral peace operations, senior level visits, and other forms of bilateral engagement. Additionally, the OSC-I conducts security cooperation activities in support of the ISF to include: CT training, institutional training; ministerial and service level advisors; logistic and operations capacity building; intelligence integration; and interagency collaboration. The OSC-I is the critical Defense component of the U.S. Mission Iraq and a foundational element of the long-term strategic partnership with Iraq.
- *Commander’s Emergency Response Program (CERP) (\$5 million):* This program provides a vital resource that allows military commanders on the ground in Afghanistan to respond to urgent humanitarian relief and reconstruction needs within their areas of responsibility by carrying out programs that will immediately assist the Afghan people and assist U.S. forces in maintaining security gains, thereby advancing the counterinsurgency mission.

***Joint Improvised-Threat Defeat Fund (\$0.5 billion):*** These funds will be used to understand, develop, procure, and field measures to defeat improvised threats to U.S. forces, closing the gap between the enemy’s innovation cycles and operational capabilities employed by the Joint Force.

***Afghanistan Security Forces Fund (ASFF) (\$4.9 billion):*** This request funds the sustainment, operations, and professionalization of up to 352,000 members of the ANDSF, including 195,000 members of the Afghan National Army (ANA) and 157,000 Afghan National Police (ANP), as well as 30,000 Afghan Local Police. The request funds the sustainment of the ANA and ANP and supports further development of the capacity of the Afghan Ministries of Defense and Interior to sustain and command and control their forces. It includes over \$700 million for the program to address aviation lift and aerial fires capability gaps and transition from Russian-manufactured to U.S.-manufactured rotary wing assets. This is in addition to the \$814 million requested in FY 2017 ASFF request to begin transitioning the Afghan aviation fleet.

***Support for Coalition Forces (\$1.3 billion):*** Amounts requested finance coalition, friendly forces, and a variety of support requirements for key foreign partners who wish to participate in U.S. military operations but lack financial means. Such support reduces the burden on U.S. forces and is critical to overall mission success.

**Equipment Reset and Readiness (\$9.0 billion):** The request funds the replenishment, replacement, and repair of equipment and munitions expended, destroyed, damaged, or worn out due to prolonged use in combat operations. The major items that will be repaired or replaced include unmanned aerial vehicles, helicopters, fixed wing aircraft, trucks, other tactical vehicles, radios, and various combat support equipment. Munitions that will be replenished include the Small Diameter Bombs, Guided Multiple Launch Rocket Systems (GMLRS), Hellfire, Advanced Precision Kill Weapon System, Army Tactical Missile System and ammunition for all the Military Services. Upon returning from war zones, units restore their equipment to a condition that enables them to conduct training exercises, achieve required readiness levels, and prepare for future deployments. As personnel and equipment return from theater to their home stations, the need for equipment reset will continue for several years.

### COUNTER-ISIS TRAIN AND EQUIP FUND

The United States Government's strategy to counter ISIS directed DoD to conduct a campaign to degrade, dismantle, and ultimately defeat ISIS. The focus of DoD's efforts is to work by, with, and through the Government of Iraq's Security Forces and Vetted Syrian Opposition (VSO) forces to build key security force capabilities and promote longer term stability of the region.

The FY 2018 request of \$1.8 billion for the Counter-Islamic State of Iraq and Syria Train and Equip Fund (CTEF) consists of requirements needed to continue the ongoing fight to defeat ISIS. The CTEF appropriation reflects the consolidation of funding sources for the Iraq and Syria Train and Equip (T&E) efforts, allowing the Department to quickly and effectively provide assistance to foreign security forces, irregular forces, groups, or individuals participating in activities to counter ISIS. This fund provides timely funding and flexibility to the Commander while providing the Congress with oversight of the program.

The \$1.8 billion request includes \$1.3 billion for Iraq T&E activities and \$0.5 billion for Syria T&E activities.

### SECURITY COOPERATION

The FY 2018 request includes \$850 million for Security Cooperation (SC). This funding replaces the Counterterrorism Partnerships Fund (CTPF), which was transitioned in the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328) and in the Continuing Appropriations Act, 2017 (Public Law 115-31) to a new, broader authority that includes counterterrorism, crisis response, border security and other security cooperation support to partner nations. Security Cooperation funds provide the ability to enable partner nations to deter and defeat existing and evolving terrorist and other transnational threats. Training and equipping partner nations allows U.S. forces to be more readily available for other contingency operations, build better relationships with partners, and promote global security in a more cost effective manner.

### EUROPEAN REASSURANCE INITIATIVE

The FY 2018 budget request enhances the European Reassurance Initiative (ERI) by adding new capabilities to improve deterrence and increase capabilities while continuing to reassure allies of the U.S. commitment to their security and territorial integrity as members of the NATO Alliance. The FY 2018 budget request of \$4.8 billion for ERI provides near-term flexibility and responsiveness to the evolving concerns of U.S. allies and partners in Europe and helps to increase the capability and readiness of U.S. allies and partners.

Specifically, the request enhances deterrence by continuing to implement the increased ground force posture while increasing joint capabilities and activities; continues the build-up of Army equipment stockpiled in theater to increase responsiveness and improve force effectiveness;

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maintains and increases the rotational presence of joint forces in theater to participate in exercises and training; increases the capacity and resiliency of U.S. Air Force strike operations by expanding airbase infrastructure; increases joint enablers to improve effectiveness of combat forces; and increases U.S. bilateral, and multilateral training and exercises to enhance preparedness of all forces and improve interoperability with NATO Allies.

DoD will continue several lines of effort to accomplish the purposes of this initiative, including: (1) increased U.S. military presence in Europe; (2) additional bilateral and multilateral exercises and training with allies and partners; (3) improved infrastructure to allow for greater responsiveness; (4) enhanced prepositioning of U.S. equipment in Europe; and (5) intensified efforts to build partner capacity for newer NATO members and other partners. Funding for ERI is requested in the applicable Component accounts. Figure 6.5 provides the allocation of ERI by categories.

**Figure 6.5. Allocations for European Reassurance Initiative Categories**

(Dollars in Millions)

Categories	FY 2017 Request	FY 2018 Request
Increased Presence	1,049.8	1,732.5
Exercises and Training	163.1	217.7
Improved Infrastructure	217.4	337.8
Enhanced Prepositioning	1,903.9	2,221.8
Building Partner Capacity <sup>1</sup>	85.5	267.3
<b>Total</b>	<b>3,419.7</b>	<b>4,777.3</b>

<sup>1</sup> The FY 2018 request includes \$150.0 million for the Ukraine Security Assistance Initiative to support Ukraine under the 'Building Partnership Capacity' line of effort, aligned to Operation and Maintenance, Defense-wide, for implementation by DSCA.

## UKRAINE SECURITY ASSISTANCE

The FY 2018 budget request for ERI includes \$150 million to continue train, equip, and advise efforts to build Ukrainian capacity to conduct internal defense operations to defend its sovereignty and territorial integrity, while also supporting needed institutional transformation efforts. This effort is focused on developing a sustainable and effective Ukrainian capacity to generate and deploy appropriately manned, trained, and equipped forces in the near term, while developing a sustainable defense sector and enhancing interoperability with NATO and other Western forces. This funding will also improve Ukraine's ability to command and control subordinate forces, understand the operational environment, and integrate intelligence and operational data into decision making processes.

Support will include Command and Control Capabilities; Counter-battery radars; Training, Equipping, and Employment of Forces; Comprehensive Logistics; and Advisory Efforts.



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## 7. MILITARY DEPARTMENTS

The Military Departments use several means to report to the Congress on their activities. Consistent with Title 10 Section 113 (c)(1)(A) each of the Military Departments is providing a summary of their FY 2018 budget request for inclusion in the Department of Defense Budget Overview. Additional data are contained in Appendix A, Resource Exhibits.

### DEPARTMENT OF THE ARMY OVERVIEW

<i>\$ in Thousands</i> Department of the Army Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	56,163,480	58,048,737
Operation and Maintenance	40,751,834	49,375,238
Procurement	16,988,173	18,402,902
RDT&E	7,547,794	9,425,440
Military Construction	952,516	1,262,758
Family Housing	483,167	529,287
Revolving and Management Funds	7,000	83,776
<b>Total Department of the Army</b>	<b>122,893,964</b>	<b>137,128,138</b>

*Discretionary budget authority.*

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

### Introduction

America's Army remains globally engaged to help secure our nation's interests in the face of a wide range of challenges. The Army continues to build partner capacity in Iraq as it destroys ISIS. The Army is training, advising, and assisting the Afghan National Defense Security Forces. In Europe, the Army is actively deterring Russian aggression and reassuring allies. In the Pacific Rim, it is sustaining regional stability and deterring aggression on the Korean peninsula. The Army is engaging our partners in Africa, and throughout North and South America, improving stability and security. The Total Army is protecting important national security objectives in every region of the world, and plays a key role as the ground component of the Joint Force in every major contingency. Almost 50 percent of Combatant Commander annual demand and more than 60 percent of Combatant Commander emergent demand is filled by Army capabilities. Today, over 80 percent of U.S. military forces in Iraq, Syria, and Afghanistan are U.S. Army soldiers. Ground Forces remain the most globally committed U.S. military force with more than 180,000 U.S. Army Soldiers – Active, Army National Guard, and Army Reserve – committed to Combatant Command (COCOM) missions in over 140 countries worldwide. Meeting these demands requires the Army to be trained, ready and modernized. Moreover, investments made by Russia, China, and other challengers have exposed areas where the Army no longer retains the overmatch our nation requires.

Conducting current operations, sustaining current readiness, and making progress towards a more modern, capable, and lethal future Army requires predictable and consistent funding. For the U.S. Army to fulfill the security demands of the country in Fiscal Year (FY) 2018 and beyond, the nation simply cannot afford to perpetuate the uncertainty and instability created by long-term Continuing Resolutions (CRs) and the looming return of the 2011 Budget Control Act (BCA)

sequestered funding levels. Under these conditions, the Army simply cannot sustain readiness or build the Army our Nation needs in the future.

In the last two years the Army has made steady progress to improve readiness in its core warfighting skills across multiple types of units, but has much work to do to achieve full spectrum readiness necessary to meet the demands of the pending National Military Strategy and the Defense Planning Guidance. In short, the Army needs to sustain the capability to fight and win against potential near-peer adversaries. Advances by our adversaries are real. The cumulative effect of budget instability is increasing risk, not only to the Army, but also to the Nation. This instability has contributed to the Army losing its technological edge over near-peer adversaries and could result in preventable U.S. military casualties on a future battlefield. Deterrence is expensive; however, the only thing more expensive than maintaining capable ready forces is actually fighting a war. And the only thing more expensive than fighting and winning a war is fighting and losing a war. The FY 2018 budget request will help start to arrest the risk the Army is carrying, including the declining technological overmatch, if enacted in a timely manner and at a funding level commensurate with current and future demands on the force.

### Department of the Army Objectives

The FY 2018 budget request supports the priorities established by Army leadership. It provides the framework to strengthen the U.S. Army's ability to improve readiness levels that are inadequate to meet today's current and future threats. The topical discussions that follow highlight the strategies the Army incorporated in its FY 2018 budget request to achieve the Nation's priorities and objectives, placing the U.S. Army on a path to ensure it remains the best led, equipped, and most ready force in the world.

The Army's FY 2018 budget request totaling \$166.1 billion between the base budget and Overseas Contingency Operations (OCO) funding supports the President's priorities for an increased defense capability and aligns with the Secretary of Defense's guidance provided earlier this year to seek to achieve Program Balance in the FY 2018 budget request. This amount represent a \$5.1 billion increase over the Army's FY 2017 budget request, including the FY 2017 Request for Additional Appropriations. The budget supports the increased end strength authorized in the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328) and helps arrest the readiness decline caused by previous budget cuts. This increase in funding allows for the Army to strike a greater balance between end strength, current readiness and modernization. This funding level, followed by consistent, strategy-based funding over time, provides the Army a foothold to build the necessary capacity, train contingency forces, close critical modernization gaps and rebuild installation and training infrastructure—all while maintaining excellence in the execution of current operations in support of the Combatant Commands.

### Fiscal Environment

The fiscal impacts of the BCA left the Army too small to completely accomplish all of the missions required by the current and future security environment at acceptable risk levels. At current strength and readiness, the Army remains challenged to simultaneously defeat and deter significant adversaries, continue to support counterterrorism operations, and defend the Homeland as called for by the Defense Planning Guidance (DPG). More specifically, the Army lacks the capacity, resources, and time to fully man, train, and equip our formations to meet DPG requirements. A return to BCA funding levels would reverse efforts to properly size our Army for the current threats and improve Army readiness, causing the Army to further mortgage future readiness and marginalize modernization efforts in order to maintain acceptable levels of current readiness.

## Overview – FY 2018 Defense Budget

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Army forces have been effective in engaging enemies, deterring adversaries, and assuring allies, however, this excellence in current operations does not assure readiness for a future conflict. With consistent, strategy-based funding over time, the Army can increase capacity, train contingency forces, close critical modernization gaps to retain or regain overmatch, and rebuild installation and training infrastructure. To that end, the budget would eliminate defense sequestration. A defense budget sized to achieve the objectives outlined in the National Defense Strategy is critical to the Army accomplishing assigned missions to a standard acceptable to the American people.

Attaining these goals is neither easy nor inexpensive. In fact, the most immediate challenge impeding the success of the Army is the persistent fiscal unpredictability that obstructs the long-term planning necessary to achieve our strategic objectives. To fully meet the National Military Strategy, the Army needs consistent, stable, and predictable funding at levels commensurate with full-spectrum readiness requirements for both counter-insurgency and major combat operations.

### **America's Army – Globally Committed**

The Army, as part of the integrated Joint Force, deterred conflict and supported allies and partners in Europe and Asia, supported civil authorities within the United States, and continues to fight two prolonged wars in Iraq and Afghanistan. Today, with the return of great power conflict, the world is a more dangerous place than at any time since the end of the Cold War; indeed, the whole of the global security environment is increasingly volatile, uncertain, and complex. With increasingly aggressive actions by several rising and resurgent powers and disruptive regional actors, the risk of conflict is rising. Russia and China continue their attempts to diminish U.S. influence while Iran and North Korea's provocative and bellicose actions increasingly destabilize their regions of the world. Violent extremist organizations, such as Islamic State in Iraq and Syria (ISIS), pose potential threats to U.S. national security interests and the safety of American citizens. Combined, these challenges represent a broad range of operations for which the Army must be prepared. At home or abroad, the American people expect a ready Army with sufficient capabilities and capacity to defend the Homeland and deploy rapidly in the event of conflict.

Army Soldiers directly contribute to the Nation's efforts to defeat ISIS, support governance in Afghanistan, and deter conflict throughout Europe, Asia, and the Middle East. This steady demand for trained and ready Army units provides our Nation with the ability to defeat adversaries, assure our partners, and deter potential aggressors. This excellence in current operations creates a perception that the Army is ready for any calling the Nation may require. While the Nation's Army has been largely successful over the last 15 years of war, this does not guarantee absolute success in future conflicts, especially with the possibility of a force-on-force conflict that requires the Army be prepared to conduct major combat operations against one or more near-peer competitors.

#### *North Korea and Indo-Asia Pacific*

The Army has about 71,000 Soldiers in the Pacific to counter myriad security challenges from regional adversaries, violent extremist organizations, and natural disasters across all domains. Due to the drawdown and capacity shortfall, this number includes a rotational brigade combat team whose presence is required in case of a high-end engagement. The possibility for conflict in Asia is greater now than it has been in decades and the Army must be prepared to continue to provide theater enabling capabilities to other services while also deterring conflict, and if deterrence fails, defeat an enemy as an integral part of the Joint Force. In South Korea, the Army serves alongside Republic of Korea counterparts to provide a deterrent to, and if necessary 'Fight Tonight' against, an increasingly confrontational North Korea. North Korea's reckless rhetoric and provocative actions continue despite United Nations censure and sanctions. This situation calls

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for our Army to maintain a formidable missile defense capability and a decisive conventional ground force that requires the routine rotation of an armored brigade combat team from the continental United States. In addition, ISIS-inspired attacks in Bangladesh, Indonesia and the Philippines, and a spate of bombings in Thailand in 2016, serve as a reminder of the persistent threat of terrorism to South and Southeast Asia.

### Middle East Instability

The Middle East and Central Asia are rife with threats and challenges. Iran's growing ballistic missile activities, cybersecurity threats, and interference in Iraq further threaten stability in the Middle East and the security of our allies. Russian intervention in Syria and increased influence throughout the region adds to the instability and inhibits long-term progress in the region. China's increased economic influence across the region further convolutes historical relationships with our partners. ISIS engages in a systematic campaign of extermination in territories it enters or controls. Even after the liberation of Mosul and Raqqa, ISIS will still pose a threat. It will take the commitment and participation of every member of the Coalition to eliminate this threat. In spite of these challenges, the Army's presence in the central region assures access and builds relationships with trust as a foundation. More than 29,000 Soldiers rotate from the continental United States to operate throughout the area to support the defeat of ISIS in Syria and Iraq, deny enemy safe havens in Afghanistan, deter Iran, support Turkey, assist with the stability of Jordan, and build partner capacity. The Army also maintains the rotational presence of a full-time brigade combat team to deter adversaries or respond quickly to hostilities.

### Russian Aggression

As evident by their interventions in Ukraine and Syria, Russia will continue to challenge security in Europe. Russia will continue to employ a mix of conventional and unconventional military approaches to achieve its policy objectives. Russia's conventional capabilities are formidable and, in many areas, challenge the capabilities of the U.S. and its allies and partners. The Russians are conducting aggressive and coercive activity. Approximately 33,000 Soldiers support United States European Command (EUCOM) efforts to deter aggression, reinforce NATO and ensure America's safety and security. The forward presence of Army Soldiers, including the routine rotation of an armored brigade combat team and a host of other forces from the continental United States, underpin the Nation's ability to assure NATO Allies and non-NATO partners, deter adversaries, and posture to act in a timely manner if deterrence fails. The Army must continue to invest in strategically prepositioned equipment stocks worldwide to include: combat vehicles, aircraft, and munitions. The Army must support the right mix of rotational and permanently stationed forces on the ground in Europe today. The result of these efforts reduces Army crisis response deployment times.

### China

The Army cannot focus solely on immediate threats, but must take a longer view as other countries demonstrate great potential to threaten our future security with expanding military capability. This challenge compounds the continuing challenges posed by Russian and violent extremist organizations, with the likely necessity to fight outnumbered and win against a technologically sophisticated global peer military power. China's disputed territorial claims further strain international relations in the South and East China Seas through aggressive actions against U.S. allies and partners. Although not predestined to become a competitor, China's long-term military modernization efforts, stated objectives, militarized competition, growing nationalism, and economic clout make it a near-peer competitor that warrants close observation.

### Africa

The Army's African partnerships promote regional stability and provide increased awareness and flexibility. United States Africa Command (AFRICOM) employs Army forces in small teams and units that train with African security forces, assist in building capable defense institutions, and support counter-extremist and other contingency operations. These efforts assist African partners in their fight against violent extremist organizations as ISIS, al-Shabab, and Boko Haram. During FY 2016 more than 7,000 Soldiers deployed throughout Africa. These Soldiers participated in more than 250 security cooperation events, exercises, and missions in more than 30 countries; highlighted by Central Accord 2016 in Gabon, where over 1,000 Soldiers participated with counterparts from eleven African nations as part of a peacekeeping training event.

### The Americas

Approximately 4,000 Soldiers support military operations in Central America, South America and the Caribbean. In October 2016, at the request of the U.S. Agency for International Development, U.S. Southern Command stood up Joint Task Force Matthew and directed U.S. military forces, including U.S. Army South, to conduct disaster relief operations in Haiti. U.S. Army South deployed air assets including CH-47 Chinooks, UH-60 Black Hawk utility helicopters and HH-60 Medical Evacuation helicopters providing the capability to quickly move heavy loads of humanitarian aid, conduct medical evacuation missions, transport key leaders in the area and conduct early reconnaissance flights to identify the hardest hit areas. The efforts of these Soldiers assisted in the delivery of more than 349,000 pounds of relief to areas devastated by Hurricane Matthew. Importantly, Army engagement in this region has contributed to improving relations with a number of key nations and their moves to contribute to security operations outside the region, including the Pacific.

### Cyber

At home and abroad, the Army secures, operates, and defends its networks and conducts cyber operations against a growing array of sophisticated cyber adversaries. The Army operates its global enterprise network through four Theater Signal Commands and five Regional Cyber Centers. The Army has 62 Total Army Cyber teams that conduct cyber operations against near peer adversaries, ISIS, and other global cyber threats. These teams deliver effects against adversaries in support of ground commanders, defend military networks, secure Army weapons platforms, and protect critical U.S. infrastructure. The FY 2018 budget request continues to modernize and secure the global enterprise network and advance defensive and offensive cyber capabilities to safeguard the Nation's security interests.

### **Readiness: Ready to Fight Tonight**

Readiness is and will remain the Army's first priority. Readiness is the capability of forces to conduct the full range of military operations to defeat all enemies regardless of the threat they pose. Readiness is generated through manning, training, and equipping of forces and the development of leaders to fulfill Combatant Command requirements. The FY 2017 Request for Additional Appropriations (RAA) represents the first step in restoring readiness. In FY 2018 Budget Request, the Army will retain the end strength increases authorized in the National Defense Authorization Act for Fiscal Year 2017 (FY 2017 NDAA) and will modestly increase modernization of air and ground fleets and address immediate capability gaps.

Readiness deters and wins wars. An investment in readiness is both time consuming and expensive, but funding readiness is essential to manning and training Soldiers capable of deterring and defeating our adversaries. Ultimately, the Army must be prepared to respond to crises in sufficient numbers with sufficient training and equipment with little-to-no notice and to fight and win. Reversing previously planned end strength declines, the FY 2017 NDAA authorized



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a Total Army end strength of 1,018,000 Soldiers, a start to ensure the Army has fully manned formations. The FY 2018 budget sustains this end strength growth translates into improved training and equipment readiness, that ultimately provides the greater capacity and capabilities that will advance the Army's ability to meet the requirements outlined in the National Defense Strategy and support the Combatant Commands.

Soldiers are only as ready as the training they receive. In recent years, the Army began the transition from training for a decade-long counterinsurgency campaign to training for major combat operations. Over the next two years, the Army's challenge is to balance the requirements of remaining regionally engaged while simultaneously preparing to meet the demands for a globally responsive contingency force. Under the force generation concept, referred to as sustainable readiness, the Army increased resources provided to Combat Training Centers (CTCs). CTCs provide capstone training events that most closely replicate combat and exercise mission command at the Brigade Combat Team (BCT) level. The Army is investing in the readiness of the Total Force by reallocating two of the 19 Combat Training Center rotations from the Active Army to the Army National Guard. Additionally, these rotations now challenge unit commanders at the brigade and battalion-level with combined arms live fire exercises—an essential skill and a demonstration of power that gives our greatest adversaries pause. The FY 2018 budget increases funding for Home Station Training support units achieving higher levels of proficiency in conduct of Decisive Action operations and gain maximum possible benefit from CTC rotations.

In addition to increased training opportunities, the Army initiated the Associated Units Pilot—a manning and training policy that builds readiness and responsiveness across the Total Force. Under this program, the Army assigns Army National Guard and Army Reserve units to a Regular Army unit commander or assigns Regular Army units to Army Reserve and Army National Guard commands. The receiving unit commander is responsible for approving the associated unit's training program, reviewing its readiness reports, assessing its resource requirements, and validating its compatibility. Associated units also train with their gaining units to the maximum extent feasible, including leader development, field training, command post exercises, and combat training center rotations. Associated units will also support each other's major training events such as Division Warfighter Exercises. Continued support of these efforts will increase Army readiness by shortening the post-mobilization training time required for combat units of the Army National Guard and the Army Reserve.

To respond to crises in a timely manner and provide greater strategic mobility, the Army positions military equipment in forward-located Army Prepositioned Stocks (APS). The APS, in conjunction with strategic sealift and airlift, provides Joint Force commanders the combat formations and enablers needed to reassure allies and defeat adversaries. The accelerated growth in the APS in Europe positions equipment for a division headquarters, two Armored Brigade Combat Teams, one Field Artillery Brigade, and division enablers within quick access to the Joint Force Commander. This budget's increased investment in APS in both Europe and in Asia will underwrite the Army's ability to provide flexible options to national leaders consistent with U.S. national interests, particularly in the heat of a crisis.

The Army's installations play a critical role in building and maintaining readiness. Our installations are comprised of vital ranges, simulation centers, maintenance facilities and logistical centers that support training. They include operational Command and Control facilities, airfields, railheads, and road networks that enable the Army to rapidly deploy and command forces from home stations. In order to maintain readiness and to rapidly project combat power wherever and whenever needed, the Army requires safe and functional facilities and infrastructure. Army installations have barracks, dining facilities and houses where Soldiers sleep, eat and raise their families – a critical component to the welfare of our Soldiers. Unfortunately, years of suppressed

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funding have forced the Army to take increased risk in facilities in order to maintain readiness in other critical operational areas, leading to 22 percent of facilities being in a poor or failing condition. The Army is increasing the priority of installations service support requirements, military construction of key operation and training facilities, Soldier barracks and family housing to support readiness and improve the quality of life for our Soldiers and their families. The FY 2018 funding request for Base Operation Support that provides critical training support, installation services and infrastructure sustainment, restoration and modernization totals \$14.7 billion.

There is no greater privilege in the Army than to lead American Soldiers. Leader development is the time intensive process that develops Soldiers into leaders prepared to lead in combat. Professional Military Education serves as the principle way Soldiers build upon unit training and their individual combat and specialty skills training experiences. With the renewed emphasis on training for major combat operations, the Army continues to adapt leader development programs and institutions. The end product of increased investment in Soldiers is Army leaders of competence and character, fit to lead men and women in combat.

Despite increasing demand for forces and budgetary pressure, this budget is focused on maintaining and building readiness and refocusing on the threats posed by peer competitors. However, the Army has paid for this readiness by assuming risk in equipment modernization, infrastructure and installations readiness, and the Organic Industrial Base. The FY 2018 budget supports the second phase of the Secretary of Defense's guidance laid out in his January 31, 2017, memorandum and helps mitigate these pressures to regain sustained readiness and meet the demands of an increasingly complex future.

### **Modernization: Equipped to Fight**

Whatever overmatch the United States enjoyed militarily for the last half century is closing quickly, and the U.S. military will be, and in fact already is, challenged in every domain of warfare: space, cyber, sea, air, and land. Adversaries now possess technologically advanced capabilities such as advanced armor protective systems which can better defend against anti-tank guided missiles and tanks; weapons systems with ranges that effectively outgun U.S. capabilities; and sensors that detect and counter U.S. forces before they can be acquired. Regarding comparable artillery systems, the Army cedes range to potential near-peer adversaries. These differences matter. The Army's combat platforms include tanks, helicopters, infantry fighting vehicles, air defense artillery, and artillery that were originally fielded in the 1970s. As technology continues to advance, the Army risks falling behind without investment in modernization to maintain its competitive advantage.

Even with funding levels well above the BCA, the future force would require five to eight years to realize necessary modernization efforts. The Army's modernization plan prioritizes systems critical to Soldier and unit readiness and emphasizes lowering technology risk, having solid cost estimates, and favoring procurement over development. For the FY 2018 budget, the Army is requesting \$29.7 billion for modernization, which is consistent with the FY 2017 request including the Request for Additional Appropriations. The FY 2018 request supports the Army's modernization efforts including investment in short range air defense, long range fires, munitions, combat vehicle mobility, lethality and protection, aviation, network and cyber, individual Soldier weapons, and combat service support. In line with current threats, the Army will stress overcoming anti-access and area-denial environments by making key research investments in assured position, navigation, and timing; communication security modernization; active protection; cyber, fires; and electronic warfare.

### Long-Range Fires and Short-Range Air Defense

The Long-Range Fires and Short-Range Air Defense portfolio contains the Army's most urgent and pressing capability needs due to challenges not faced in almost 30 years. Given the possibility of conflict with near-peer competitors who have a substantial anti-access and anti-denial capability, the Army is improving its long range fires and short range air defense capabilities. The gap is in both the quantity and the capabilities of those munitions, including range. The Army will rapidly improve and procure the Army Tactical Missile System and Guided Multiple Launch Rocket System rockets and develop a cannon delivered area effects replacement munition to mitigate past divestment in maneuverable short range air defense. In the short term, the Army is upgrading its remaining Avenger systems and Stinger missiles. The Army's request for \$2.2 billion in base funding will help to reduce the capability gap in long-range fires and short-range air defense.

### Munitions

In addition to fires and air defense munitions mentioned above, investment in the Patriot Product Improvement Program (PIP) and in the Missile Segment Enhancement (MSE) program improve reliability and lethality to the Army's integrated air and missile defense. The Army also plans to modernize its ammunition industrial facilities to improve munitions production, replace depleted stocks, and create capacity for increased future demand. In aviation munitions, the Army is continuing the transition from the Hellfire missile to the Joint Air-Ground Missile (JAGM). Current demand is exceeding production capabilities so the Army is expanding Hellfire production as well. Consistent with the efforts to increase munitions in FY 2017, the FY 2018 investment of \$3.1 billion will help ensure the availability of critical munitions for combatant commanders to deter the Nation's enemies.

### Combat Vehicle Mobility, Lethality, and Protection

The Army has developed a Combat Vehicle Modernization Strategy for the Abrams, Stryker, Bradley, Armored Multi-Purpose Vehicle, and Howitzer fleets. These programs are ready to begin production. In the FY 2018 base budget, the Army is requesting over \$2.2 billion in support of these programs. Additionally, the Army is enhancing the mobility and lethality of its light infantry units by providing them with both the ground mobility vehicle and the mobile protected firepower vehicle. The Army is also working to mitigate and develop solutions for active protection systems. The budget request leverages existing technologies to jumpstart this capability development.

### Aviation

The aviation portfolio supports the recommendations of the National Commission of the Future of the Army to retain more Apache units, but cannot support aggressive modernization until funding increases and remains relatively constant. To implement the Commission's recommendations, the Army is procuring the required new build Apache aircraft by slowing the modernization of the existing AH-64 Apache remanufacturing program and new build UH-60 Blackhawk procurements. This strategy extends the modernization timeline for Apaches from FY 2026 to FY 2028 and Blackhawks from FY 2028 to FY 2030. The Army is pursuing a rapid solution for aircraft survivability given the proliferation of anti-aircraft weapons on the battlefield. The Army's base request of \$4.1 billion increases the Army's capacity and capability in its aviation portfolio to address near term threats and improve overall aircraft survivability.

### Network

The Army's network is one of its greatest vulnerabilities. The Army's first priority in this area is to fix current network infrastructure capability gaps within 24 months to address the threats of today. The Army will procure new systems when possible to support modernization. For example, the

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Army is reducing procurement for the Warfighter Information Network-Tactical (WIN-T) system in order to reallocate some of those funds into updating the WIN-T systems it already owns. Additionally, the Army will increase procurement of the Joint Battle Command Platform to decrease software vulnerabilities and increase interoperability, which is critical for communicating at the tactical level. The FY 2018 budget request for this portfolio totaling \$1.3 billion base funding would enable the Army to advance these procurement efforts and reduce risk in its network capabilities.

### Individual Soldier Weapons

Soldiers remain the backbone of every Army capability and infantry units must be equipped with modern weapons. As the Army begins Next Generation Squad Weapons development to improve lethality and enhance squad overmatch, Soldier-centric programs seek to increase readiness in the near-term by completing M4A1 Carbine pure-fleet fielding. Also, the Army continues to procure anti-tank weapons such as the Javelin and tube-launched, optically tracked, wire-guided anti-tank guided missiles (TOW), and begin procurement of Lightweight Command Launch Unit for Javelin. This portion of the Army's procurement portfolio represents a \$430 million investment in Soldiers' individual weapon systems.

### Combat Multipliers

The Army is able to fight and win long campaigns because of its ability to project and sustain combat power over long distances and for long durations. However, it has critical shortfalls for bridging, tank transport, and tank recovery. Therefore, the Army's FY 2018 request increases production of the Joint Light Tactical Vehicle and Heavy Equipment Transporter, modernize its watercraft, and upgrade medical computers for combat casualty care. This includes procuring the Maneuver Support Vessel (Light), completing the Landing Craft Utility 2000 service-life extension, and the command, control, communications, computers, intelligence, surveillance, and reconnaissance upgrades. The Army request in this portfolio totals \$4.7 billion.

### Research, Development, Testing and Evaluation (RDTE)

The Army will invest the majority of science and technology dollars in technologies customized to ground warfare such as modular active protective systems; assured position, navigation, and timing; long range fires; cyber security; and robotics. The Army will assume risk where it is "technology takers" from the commercial sector—in areas such as information technology and fixed wing aircraft. The FY 2018 request of \$9.4 billion in RDTE seeks to deliver technologies across the force, including ground combat formations and the rotary wing aviation portfolios, that will increase lethality and limit adversary exploitation of the electromagnetic spectrum.

An adequately manned and trained Army deserves state-of-the-art equipment in sufficient quantities when responding to crisis. Last year, the Army established the Rapid Capabilities Office to acquire equipment and services more quickly and at less cost. Targeting the mid-term time horizon, the Rapid Capabilities Office is working with select industry partners to address critical modernization gaps including assured position, navigation and timing; counter-electronic warfare, automation, and cyberspace capabilities. The Rapid Capabilities Office is already fielding electronic warfare capabilities to Army forces in Europe, and with Congressional support, will provide deployed Soldiers with next-generation power units and a supplemental position, navigation, and timing capability by 2020.

The Army will continue to invest in technology to counter or evade U.S. strengths and exploit vulnerabilities. Providing predictable funding that affords the Army the ability to vastly improve procurement programs will help the Army's Research and Development efforts ensure tomorrow's forces continue to benefit from technological overmatch advantages.

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The modernization initiatives outlined above are vital, but will not carry the Army into the future. To that end, the Army has rebalanced its science and technology portfolio to deliver those vital future capabilities in areas such as robotics, autonomy, cyber, active protection, long range fires, advanced information technologies, advanced materials, advanced manufacturing, and directed energy and are emphasizing these investments in our research and development budget as well. Importantly, trends demand the Army begin development of options for a next generation combat vehicle now.

### Supporting Soldiers, Civilians, and Families

The Army values the strength, devotion, and service of our Soldiers, civilians, and their families. Army values are American values that empower leaders to instill a warrior ethos in our Soldiers and uphold the high standards that the Nation expects. The Army is committed to ensuring quality support to its Soldiers, civilians, and their families that strengthens the bonds within the Army team, while simultaneously advancing Army efforts to increase readiness.

The Army is an indivisible team of professionals with a common goal—the defense of the Homeland. To achieve this goal, the Army must continue to uphold the standards of its profession and reward merit, while placing equal value on diversity of ideas and experiences. One example is the standards-based Soldier 2020 Initiative which opened up over 125,000 positions for women across the Total Army. Women now serve or have been selected for training to serve in every career field branch of the Army.

Young men and women join the Army because they want to be part of a team that serves the Nation and addresses our country's most pressing security problems. The continued operational employment of all Army components keeps the force extremely busy. The Army must consider Soldier, civilian, and family resiliency, as high operational tempo places significant stressors on them. As the Army seeks to increase end strength to alleviate this stress, strong budgets ensure that Soldiers receive the requisite training before the Nation calls them to serve in combat.

In conjunction with efforts to relieve stress and safeguard its Soldiers, the Army's Sexual Harassment Assault Response and Prevention (SHARP) program is renewing focus on prevention while continuing to ensure victim advocacy and assistance. Emergent Leader Immersive Training Environment Prevention Outreach Simulation Trainer and Command Team Trainer represent two initiatives focused on training Army SHARP professionals how to support unit commanders and their senior leaders through effective prevention and outreach programs.

### Future Army

Ensuring that future Army forces are prepared to win in a complex world requires a focused, sustained, and collaborative effort across the institutional Army, the operating force, the joint community, industry, academia, and other inter-organizational and multinational partners. Future force development must also integrate efforts across doctrine development, organizational design, training, materiel development, leader development and education, personnel management, and investments in facilities. While concepts aligned with the Army's warfighting functions (mission command, intelligence, movement and maneuver, fires, engagement, sustainment, maneuver support and protection) help identify required capabilities for future Army forces, what is most important is to understand how units and leaders combine capabilities across warfighting functions to accomplish the mission.

### Conclusion

Readiness is unequivocally the Army's number one priority – it drives everything the Army does. Full support of the Army's FY 2018 President's Budget request, \$166.1 billion (\$137.1 billion in Base and \$28.9 billion in OCO), will help continue the momentum essential for the Army to build



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readiness through increased capability and capacity. The Army's funding request in FY 2018 provides an opportunity to recover from the uncertainty and the suppressed funding experienced since the enactment of the 2011 Budget Control Act, increase near-term readiness, and invest in and set the conditions for increased modernization and infrastructure funding. Sufficient and predictable funding, achieved through the timely enactment of both authorization and appropriations bills provides the necessary decision space for the Army to develop and execute balanced programs. Balanced funding programs improve readiness by filling personnel and equipment shortages in formations; professionally developing Soldiers and leaders through realistic training; and supports Soldiers, civilians, and their families with installation services and infrastructure consistent with the quality of their service. Funding modernization efforts focused on improving Army aviation, network, combat vehicles, long range fires and short range air defense, Soldiers, and combat service support systems will contribute to the technological overmatch the Army seeks to maintain. This budget request represents a greater balance across the entire readiness spectrum and will ensure the nation has one of the most formidable land forces in the world.



**DEPARTMENT OF THE NAVY OVERVIEW**

<i>\$ in Thousands</i> Department of the Navy Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	45,322,751	47,556,967
Operation and Maintenance	45,891,646	54,017,074
Procurement	47,405,482	49,514,983
RDT&E	18,076,818	17,675,035
Military Construction	1,531,049	1,825,580
Family Housing	394,926	411,964
Revolving and Management Funds	473,263	509,327
<b>Total Department of the Navy</b>	<b>159,095,935</b>	<b>171,510,930</b>

*Discretionary budget authority.*

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

The United States of America is a maritime nation. For more than two centuries, the Navy and Marine Corps—the Sea Services—have operated throughout the world to protect American citizens and defend U.S. interests by responding to crises and, when necessary, fighting and winning wars. Forward-deployed and forward-stationed naval forces use the global maritime commons as a medium of maneuver, assuring access to overseas regions, defending key interests in those areas, protecting U.S. citizens abroad, and preventing adversaries from leveraging the world’s oceans against the U.S. The ability to sustain operations in international waters far from U.S. shores constitutes a distinct advantage for the United States—a Western Hemisphere nation separated from many of its strategic interests by vast oceans. Maintaining this advantage in an interconnected global community that depends on the oceans remains an imperative for the Sea Services and the Nation.

The Fiscal Year (FY) 2018 baseline budget submission of \$171.5 billion for the Department of the Navy (DON) is an increase of \$6.5 billion (4 percent) from the FY 2017 budget request. The initial guidance from Secretary of Defense James Mattis is clear:

- Fund readiness first,
- Restore program balance, and
- Build capacity/improve lethality.

It is not an indictment of readiness over procurement, but a realization that the priority must be first and foremost to ensure the ability to fight today. The FY 2018 request for overseas contingency operations (OCO) of \$8.5 billion continues to fund the incremental costs to sustain ongoing operational commitments, equipment/infrastructure repair, manpower, as well as equipment replacement.

The FY 2018 budget reflects how best to improve readiness, address shortfalls, and take steps to add capacity and lethality to the force. This was done by focused investments that further enhance immediate, as well as longer term readiness, including modest personnel increases; sustained procurement of additional ships; difficult tradeoffs in aviation; enhanced weapons procurement; investments in key technologies that better posture the Sea Services for threats of

the future; and the highest levels of funding in infrastructure that could be afforded.

America's Sea Services uniquely provide forward postured capability around the globe. During peacetime and times of conflict, across the full spectrum—from supporting an ally with humanitarian assistance or disaster relief to deterring or defeating an adversary in kinetic action—Sailors and Marines are deployed at sea and in far-flung posts to be wherever they are needed, when they are needed. Coming from the sea, they get there sooner, stay there longer, bring everything they need with them, and they do not have to ask anyone's permission.

The founders recognized the United States as a maritime nation and the importance of maritime forces, including in the Constitution the requirement that Congress “maintain a Navy.” In today's dynamic security environment, with multiple challenges from state and non-state actors that are often fed by social disorder, political upheaval, and technological advancements, that requirement is even more fundamental.

The Department of the Navy's responsibility to the American people dictates an efficient use of its fiscal resources and an approach that adapts to the evolving security environment. Supporting its people, building the right platforms, powering them to achieve efficient global capability, and developing critical partnerships are key.

The budget provides for a deployable battle force of 292 ships in FY 2018. This level of operational funding supports 11 aircraft carriers and 32 large amphibious ships that serve as the foundation upon which our carrier and amphibious ready groups are based.

- Twelve battle force ships will be delivered in FY 2018: 2 Nuclear Attack Submarines (SSN), 4 Littoral Combat Ships (LCS), 2 Expeditionary Fast Transports (EPF), 1 Expeditionary Sea Base, 2 Destroyers (DDG) and 1 Zumwalt Class Destroyer (DDG 1000).
- Two battle force ships will be retired: 1 Nuclear Attack Submarines (SSN) and the Afloat Forward Staging Base (Interim).
- Ship procurement funds 8 new-construction ships in FY 2018: 1 Aircraft Carrier (CVN), 2 SSNs, 2 DDGs, 1 LCS/FF, 1 T-ATS, and 1 T-AO(X).
- Aircraft procurement funds 91 airframes in FY 2018.
- Major aviation procurement in FY 2018 includes: 24 F-35B/C Lightning II, 14 F/A-18E/F Super Hornets, 5 E-2D Advanced Hawkeye, 7 P-8A Poseidon, 2 KC-130J Hercules, 22 AH-1Z/UH-1Y, 4 CH-53K King Stallion, 6 MV-22 Osprey, 4 RQ-21A Blackjack, and 3 MQ-4C Triton.

Military basic pay increased by 2.1 percent, while civilian pay increased by 1.9 percent. Responsible military spending remains a focus in this budget, incorporating savings of approximately \$4 billion (across the FYDP), reflecting better buying power for acquisition programs, improved business operations reducing overhead, information technology improvements, and personnel reductions for Major Headquarters Activities and restructurings.

The FY 2018 budget request supports requirements for the Carrier Strike Groups (CSGs), Amphibious Ready Groups (ARGs), and Marine Expeditionary Forces (MEFs) to respond to persistent and emerging threats. The Navy deploys full-spectrum-ready forces to further security objectives in support of U.S. interests. Every day, more than 100 ships and submarines, embarked and shore based air squadrons, and Navy personnel ashore, are on watch around the

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globe. Sailors, Marines, civilians, and their families enable the Navy and Marine Corps to remain ready, forward, and engaged in challenging times. The men and women who comprise today's all-volunteer military are of superb caliber, and the Navy and Marine Corps continue to invest to sustain this impressive force.

The Department's military personnel are the cornerstone of the Navy. The mission objectives are accomplished because Sailors adhere to the core values enhancing the trust and confidence of the American people. Over the next five years, the Navy will continue to make adjustments to properly size manpower accounts to reflect force structure decisions, reduce manning gaps at sea, and improve Fleet readiness. This will result in FY 2018 active duty manning at 327,900 and supports a FYDP goal of 50,000 Sailors underway on ships, submarines, and aircraft, with more than 100 ships deployed overseas on any given day.

The Marine Corps remains dedicated to its essential role as the nation's expeditionary force in readiness, chartered by the 82nd Congress and reaffirmed in the most recent National Defense Authorization Act (NDAA), to be the most ready force when the nation is least ready. The FY 2018 Military Personnel, Marine Corps (MPMC) budget request funds an active duty end strength of 185,000. The makeup of this force was informed by Marine Corps Force 2025, a yearlong, exhaustive, ground up review that focused on the changes necessary to successfully operate in an increasingly complex global environment. At 185,000 Marines, the Marine Corps will improve the capability and capacity in fields such as information warfare, to allow commanders the ability to fight in all five operational domains (land, air, sea, space, and cyber) while maintaining effective command and control. The inventory of Marines with special skills – intelligence, electronic warfare, and cyber – will grow to keep pace with the ever-increasing demand for these technical specialties.

Overall, the Department's investments in readiness and infrastructure in FY 2018 budget are essential to generating the combat ready forces that support the Combatant Commanders throughout the globe, enabling critical presence in the strategic maritime crossroads spanning the Middle East, Europe, Africa, the Western Pacific, and South America.

### **FORWARD PRESENCE AND PARTNERHIP**

Naval forces operate forward to shape the security environment, signal U.S. resolve, and promote global prosperity by defending freedom of navigation in the maritime commons. By expanding the Navy's network of allies and partners and improving its ability to operate alongside them, naval forces foster the secure environment essential to an open economic system based on the free flow of goods, promote stability, deter conflict, and shorten response time to aggression. During crises, forward naval forces provide the President immediate options to defend U.S. interests, de-escalate hostilities, and keep conflict far from U.S. shores. During wartime, forward naval forces fight while preserving freedom of access—and action—for follow-on forces.

The DON's budget submission provides forward postured capabilities of 119 ships by 2022, up from an average of 96 in 2016, to be "where it matters, when it matters." This includes forward-based naval forces in Guam, Japan, and Spain; forward-operating forces deploying from overseas locations such as Singapore; and rotationally-deployed forces that operate from the United States. To provide forward presence more efficiently and effectively, the DON will continue to implement the following force employment innovations:

- Increase forward-basing of forces abroad to reduce costly rotations and deployments, while boosting in-theater presence.

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- Provide globally distributed and networked expeditionary forces in concert with allies and partners to increase effective naval presence, strategic agility, and responsiveness.
- Employ modular designed platforms to allow mission modules and payloads to be swapped instead of entire ships, saving time and money.

### CONCLUSION

The United States will increasingly leverage its Sea Services in the pursuit of its national security objectives. In this turbulent world, the Sea Services provide the Nation with credible, flexible, and scalable options to sustain freedom of the seas, rapidly respond to crises, and deter and defeat aggression. Through institutional innovation, balanced investments, and a commitment to developing Service members, the Department of the Navy will build a future force that is capable and combat-ready.

As the Sea Services face the challenges of the 21st century they will remain committed to the development of its people, they will validate new operational concepts, and will employ innovative capabilities that sustain warfighting advantages—particularly in contested environments. Meeting these challenges requires that the U.S. embrace the global network of navies, because the Sea Services are stronger when they work together with allies and partners.

The foremost priority remains the security and prosperity of the Nation, the American people, and their way of life. This strategy ensures that the Navy and Marine Corps continue protecting American citizens and advancing U.S. interests, as they have done for more than two centuries. American seapower—*forward, engaged, and ready*.

**DEPARTMENT OF THE AIR FORCE**

<i>\$ in Thousands</i> Department of the Air Force Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	33,931,263	36,080,359
Operation and Maintenance	44,027,597	49,930,456
Procurement	41,023,074	42,077,905
RDT&E	25,146,562	34,914,359
Military Construction	1,989,370	2,018,045
Family Housing	335,781	403,386
Revolving and Management Funds	18,000	66,462
<b>Total Department of the Air Force</b>	<b>146,471,647</b>	<b>165,490,972</b>

*Discretionary budget authority.*

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Introduction**

The Nation's Air Force is always there, providing national security across all domains by controlling and exploiting air, space, and cyber to deliver Global Vigilance, Global Reach, and Global Power to the Joint Force and our allies. In a world of continual conflict and accelerating threats posed by near-peer competitors, Joint Force success demands the Air Force maintain a competitive advantage today while preserving an asymmetrical advantage for the future. The Air Force does this by advancing capabilities in five core missions: Air, Space and Cyber Superiority; Global Intelligence, Surveillance, and Reconnaissance (ISR); Rapid Global Mobility; Global Strike; and Command and Control (C2).

To maintain its competitive advantage, the Air Force requests growing the force to 325,100 active duty. The Air Force's FY 2018 budget request continues progress toward its readiness recovery, fills critical gaps, and improves lethality. The Air Force is requesting funding to grow its end-strength and invest in readiness, nuclear deterrence operations, space, cyber, combat air forces, and infrastructure.

Entering its 70th year, demand for Air Force capabilities continues to grow. The demand far exceeds supply, which places a toll on Airmen, equipment, and infrastructure. The FY 2018 budget optimizes the use of taxpayer dollars, ensuring the Air Force gets the right equipment, at the right time, and at the right cost to ensure Airmen continue fighting and winning for the Nation, joint partners, and allies.

**FY 2018 INITIATIVES BY AIR FORCE CORE MISSION****AIR, SPACE, AND CYBER SUPERIORITY*****Air Superiority***

It is the responsibility of the United States Air Force to protect the airspace of the United States and gain and maintain air dominance over designated areas of operations. The homeland airspace remains protected and the United States and coalition forces have enjoyed a distinct precision attack advantage in recent operations such as Afghanistan and Iraq. However, potential adversaries are leveraging technologies to improve existing airframes with advanced radars,

jammers, sensors, and more capable surface-to-air missile systems. Increasingly sophisticated adversaries and highly contested environments will challenge the ability of the Air Force legacy fighters and bombers to engage heavily defended targets. To stay ahead of these challenges, the Air Force's FY 2018 budget balances needed precision strike capabilities while funding modernization of legacy fighters and bombers, F-35A Lightning II development and procurement, development of the B-21 Raider long range strike bomber, modifications to the F-22 Raptor, and continued investment in preferred air-to-ground and air-to-air munitions.

**Fifth Generation Aircraft:** As one of the Air Force's top three acquisition priorities, the FY 2018 budget request continues investment in the F-35A Lightning II program and procures 46 aircraft in FY 2018. This 5th generation fighter provides unparalleled global precision attack capability against current and emerging targets and threats, while also complementing the air superiority fleet. The F-35A is combat ready, and can perform interdiction, basic close air support, and limited suppression and destruction of enemy air defenses. Overall, fifth generation aircraft complement legacy aircraft providing an equilibrium in force structure that balances today's need for readiness, capacity, and capability.

The F-35A Lightning II provides unprecedented lethality with state-of-the-art sensor fusion, networked interoperability, and a broad array of advanced air-to-air and air-to-surface munitions that will enable unmatched lethality for decades. The F-35A's exceptional survivability is achieved through a combination of low-observable technologies, advanced electronic attack and electronic protection, and shared situational awareness. F-35A's multi-role precision attack capabilities allow the F-35A to substantially increase the Air Force's ability to foster deterrence and hold at risk any adversary target. The F-35 Lightning II will be the backbone of future joint and combined air operations, supporting global interoperability which provides industrial base benefits to the U.S. and partner nations and creates financial efficiencies

To remain viable in contested airspace and ahead of accelerating threats, F-22 Raptor combat capability modernization focuses on completing Increment 3.1 Operational Flight Program (OFP) and moving toward fielding 3.2B OFP. Increment 3.1 includes hi-resolution synthetic aperture radar, geo-location, and Small Diameter Bomb I capability. When installed, Increment 3.2B will provide increased weapons capability and improved data-link. The Air Force will maintain F-22 logistics support through the Future Year Defense Program (FYDP) while also addressing factors like engine depot and spare parts.

**Legacy Aircraft:** Legacy aircraft offer a cost effective platform to provide capacity for today's operations and tomorrow's threats. The FY 2018 budget provides significant investment in efficient fourth generation assets to retain affordable capacity while recapitalizing the fighter fleet. The Air Force will continue its modification of F-16 Fighting Falcon aircraft for the inclusion of Active Electronically Scanned Array (AESA) radar capability and further development of the advanced capabilities of the AESA radar. AESA radar offers advanced electronic protection capabilities as well as improved reliability and maintainability on F-16 Fighting Falcon aircraft that perform the Aerospace Control Alert (ACA) mission. It is imperative to operationally field the AESA radar in support of homeland defense against evolving threats.

The F-15C/D Eagle aircraft, including one squadron funded through the European Reassurance Initiative, will undergo multiple offensive and defensive upgrades to ensure capability and survivability in the current and future threat environments. Also in initial development is an Infrared Search and Track system that will give the Eagle a passive search and track capability that is vital to operations in a contested environment. These efforts will extend the capability of the Eagle into the mid-2020s.



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Air superiority is a demanding mission set, and the newest F-15C was built in 1986. Consequently, the F-15C/D fleet will need a Service Life Extension Program (SLEP) on its fuselage longerons to reach its planned service life within acceptable risk margins. The longeron SLEP entails replacing 14 primary tension members in the structure of the forward fuselage and is critical to the safety of flight of these aircraft. There are other structural issues with the F-15Cs besides the longerons, and full-scale fatigue testing is ongoing to assess these matters.

Finally, this budget fully funds the entire fleet of 283 A-10 Thunderbolt IIs. Fleet strategy and viability will be assessed as the Air Force determines a long term strategy.

**Electronic Warfare:** In FY 2018, the Air Force will maintain the current EC-130H Compass Call fleet and retain a Total Active Inventory (TAI) of 14 EC-130Hs.

**Personnel Recovery (PR):** The FY 2018 budget funds the recapitalization of the HC-130J Combat King II, and maintains investment in the Guardian Angel program. Additionally, the Combat Rescue Helicopter, the replacement for the HH-60G Pave Hawk, is fully funded for a projected Initial Operational Capability in 2021.

**Munitions:** Demand for munitions continues to rise, while operational expenditures have out-paced production of critical munitions. Since operations countering ISIS began in August 2014, the Air Force has expended over 50,000 weapons, drawing down the current inventory levels. The FY 2018 budget funds Air Intercept Missile (AIM)-9X Block II and AIM-120D development, integration, and production. The AIM-9X Block II is the latest generation short-range, heat-seeking missile and provides the pilot with high off-boresight and lock-on-after-launch capabilities. The AIM-120D is the next iteration of the Advanced Medium Range Air to Air Missile (AMRAAM) with increased range and radar capabilities. The FY 2018 budget increases AIM-9X FYDP procurement and continues investment in the missile's software to increase AIM-9X inventory capability. The FY 2018 budget also continues AIM-120D software improvement.

The FY 2018 budget request continues procurement of the Guided Bomb Unit (GBU) 53B Small Diameter Bomb Increment II (SDB II). The GBU-53B provides a capability to hold moving targets at risk in all weather conditions and at stand-off ranges. The SDB II is a key part of the solution for future conflicts and will be integrated onto the F-15E Strike Eagle, F-35B/C Lightning II, and F/A-18 Hornet. Procurement of Advanced Guided Missile (AGM) 158B Joint Air-to-Surface Standoff Missile-Extended Range (JASSM-ER), an upgrade to the baseline JASSM, provides the Air Force with a capability that flies a greater distance and provides excellent stand-off capability in highly contested environments, while increasing the flexibility and lethality of the force. The AGM 114 Hellfire missile is the primary weapon for Predator and Reaper systems, directly supporting Joint Force Commanders in finding and prosecuting time-sensitive targets.

### **Space Superiority**

The Air Force relies on Space capabilities to project power globally. Space continues to be an increasingly contested and congested environment as more commercial and government entities take advantage of space. The Air Force remains committed to improving space situational awareness and its command and control advantage, while modernizing and recapitalizing key space capabilities central to the joint fight. The FY 2018 budget request continues to enhance space investment in line with strategic direction.

**Space Situational Awareness (SSA) and Space Control:** The FY 2018 budget request continues to grow SSA and Space Control capabilities to address growing threats while enhancing the ability to identify, characterize, and attribute threatening actions. These enhancements enable

one-way net-centric data to the Joint Space Operations Center (JSpOC), accelerate delivery of the JSpOC Mission System Increment 2, and deliver enhanced information to enable rapid visualization and targeting. Further, the Air Force is increasing investment in the National Space Defense Center (NSDC), which provides the capacity needed to transition from an experimentation effort to an operational capability enhancing joint awareness, tactics, and doctrine for space.

**Global Positioning System (GPS):** The Air Force will re-phase the GPS III space vehicle procurement profile to support contract competition for a block buy. The GPS operational control system (OCX), following a Nunn-McCurdy restructure, is receiving funding to Service Cost Position levels, as is the Military GPS User Equipment program, that is integrating “M-code” capability into service platforms, providing a stronger signaling and data authentication capability of the GPS signal.

**Satellite Architecture:** The Air Force continues to explore future architectures for the Satellite Communications and Overhead Persistent Infrared technologies. The FY 2018 request begins funding development of the Evolved Advanced Extremely High Frequency (AEHF) Space vehicles 1/2 and advanced procurement of Space Based Infrared System (SBIRS) geosynchronous orbit capability with vehicles 7/8. Fiscal Year 2018 is the final year of incremental funding for SBIRS vehicles 5/6

**Space-Based Environmental Monitoring:** The FY 2018 budget supports the United States’ Space-Based Environmental Monitoring, which provides critical information for joint and coalition forces, as well as other worldwide users. The Air Force commenced development of Operationally Responsive Space 8 (ORS-8) and an Indian Ocean ground site providing timely, reliable, and high-quality space-based remote sensing capabilities to meet global environmental observations of atmospheric, terrestrial, oceanographic, solar-geophysical, and other validated requirements.

**Assured Access to Space:** The Evolved Expendable Launch Vehicle program remains fully funded to support all competitive launch opportunities and is aligned with the satellite launch schedule in FY 2018.

### ***Cyberspace Superiority***

Cyberspace Superiority is the degree of dominance in cyberspace that permits the secure, reliable conduct of operations and its related air, land, maritime, and space forces without prohibitive interference by an adversary. The Air Force categorizes the Department of Defense Information Network (DODIN) Operations, Defensive Cyberspace Operations, and Offensive Cyberspace Operations as various components of cyberspace operations.

The FY 2018 budget request continues the focus on the development of Cyber Mission Forces with support for defensive and offensive cyberspace operations capabilities. The unique attributes of cyberspace operations require trained and ready cyberspace forces to detect, deter, and, if directed, respond to threats in cyberspace. Securing and defending cyberspace requires close collaboration among federal, state, and local governments; private sector, and allied partners.

The FY 2018 budget also supports defensive cyberspace operations that provide information assurance and cyber security to the Department’s networks at all levels and continues to augment personnel within the combatant commands to support the integration and coordination of cyberspace operations.

**DODIN Operations:** The DODIN Operations are actions taken to design, build, configure, secure, operate, maintain, and sustain DoD communications systems and networks in a way that creates and preserves data availability, integrity, confidentiality, as well as user/entity authentication and non-repudiation. In DODIN Operations, the Air Force continues to plan and influence the development of the DoD Joint Information Environment (JIE). The Air Force supports the standup of the new security layer for JIE under the Joint Regional Security Stacks initiative and Air Force personnel are working with their Service counterparts, U.S. Cyber Command (USCYBERCOM), the Defense Information Systems Agency, the DoD Chief Information Officer, and other DoD Agencies and combatant commands to shape the strategy, planning, and implementation of the overarching JIE initiative.

**Defensive Cyberspace Operations:** Defensive Cyberspace Operations are cyberspace operations intended to defend DoD or other friendly cyberspace. The Air Force will increase the operational capability of the Cyberspace Vulnerability Assessment/Hunter mission and will leverage the Active and Reserve Component to increase capacity by standing up additional Cyber Protection Teams.

**Offensive Cyberspace Operations:** Offensive Cyberspace Operations are cyberspace operations intended to project power by the application of force in and through cyberspace. The Air Force is continuing to work with the Joint Staff and USCYBERCOM to provide forces required for the National and Combat Mission Teams supporting national and combatant command objectives.

### **INTELLIGENCE, SURVEILLANCE, AND RECONNAISSANCE**

The FY 2018 budget request represents the Air Force's commitment to medium altitude manned and unmanned capabilities, ensures viability of high-altitude conventional assets to fulfill designated wartime requirements, and continues the enterprise-wide ISR investment in intelligence analysis and end-to-end automation through dissemination. The FY 2018 budget request sustains focus on enhancing ISR capabilities against high-end threats while maintaining investment in medium-altitude, permissive ISR to sustain capacity for ongoing combatant command operations.

The FY 2018 budget request includes a commitment to enhance the remotely piloted aircraft (RPA) enterprise to meet operational and training demands. The effort includes funding manpower, equipment, and basing actions to enhance training and quality of life to improve retention and ensure a stable, robust MQ-9 Reaper enterprise.

**Medium Altitude ISR:** The Air Force sustains MQ-9 Reaper medium-altitude, permissive ISR capacity through FY 2018, with Remotely Piloted Aircraft (RPA) lines funded in the FY 2018 budget request. Additionally, the Air Force will modernize MQ-9 aircraft and cockpits (Ground Control Stations), enhancing capability and lethality. The Air Force also will begin planning for the Next-generation ISR Strike capability by funding an Analysis of Alternatives.

The FY 2018 budget sustains RC-135V/W Rivet Joint and funds aspects of the RC-135U Combat Sent and RC-135S Cobra Ball. These aircraft provide the Air Force, joint warfighters, and national decision makers with unique and often sole-source Signals Intelligence, Measurement and Signature Intelligence, and Foreign Instrumentation Signals Intelligence across the range of military operations. Additionally, the Rivet Joint is the basis of a highly successful international cooperative program with the United Kingdom, through which combined United States Air Force and Royal Air Force (RAF) aircrews co-man Rivet Joint missions in support of their common intelligence requirements.

**Processing, Exploitation, and Dissemination:** In the FY 2018 budget request, the Air Force begins to field Open Architecture (OA) Distributed Common Ground System (DCGS), a

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fundamental change to systems architecture which will migrate away from proprietary contractor support, allow rapid upgrades, and greatly increase data access. OA DCGS will rapidly integrate new and upgraded sensors which will support critical collection and targeting operations. Air Force designed the open architecture and cloud technologies to interoperate with DoD and Intel Community databases and processes.

### **RAPID GLOBAL MOBILITY**

The FY 2018 budget request enables rapid global mobility support to the current defense strategy by funding recapitalization, modernization, and compliance efforts across the Total Force airlift and tanker fleets.

**Presidential Aircraft Recapitalization:** The FY 2018 budget funds the development and procurement of the program to replace the VC-25 Air Force One. This will enable the Air Force to continue delivering reliable and secure worldwide access along with necessary command, control, and communications capabilities for the President of the United States.

**Tanker Replacement:** Tanker recapitalization remains one of the Air Force's top three acquisition priorities, and the FY 2018 budget request continues to support the KC-46A Pegasus program. The current plan will deliver 93 aircraft by the end of calendar year 2022 and procure a total of 179 KC-46 aircraft. The KC-46 will perform multi-point refueling of joint and coalition aircraft and conduct aeromedical evacuation. It will also carry more cargo and/or passengers, while deploying with fewer external logistical support requirements than the KC-135 Stratotanker.

**Strategic Airlift:** The FY 2018 budget request continues funding C-17 Globemaster III and C-5 Galaxy avionics upgrades to bring them into compliance with federally-mandated air traffic control and communications standards. This is in addition to continued funding for fleet-wide survivability modifications through the Large Aircraft Infra-Red Counter Measure system.

**Tactical Airlift:** Under the C-130H Hercules Aircraft Modernization Program (AMP), Increment One modifications will continue in order to meet mandatory global Communications Navigation and Surveillance/Air Traffic Management requirements. The Air Force builds upon AMP-1 improvements by funding AMP, Increment Two, which modernizes the C-130H fleet with Terrain Awareness and Warning System, a new Flight Management System, and Multi-function Displays. The Air Force will also fund the C-130 Center Wing Box replacement, significantly extending the service life of the C-130.

### **SPECIAL OPERATIONS**

The FY 2018 budget request sustains ongoing efforts to recapitalize the Air Force Special Operations Command's legacy fleet across the FYDP by increasing the AC-130J Ghosthunter fleet to 37 aircraft and the MC-130J Commando II fleet to 43 aircraft. This will preserve the Nation's ability to provide high demand specialized air mobility and precision strike capabilities to the combatant commanders.

Furthermore, the budget request increases funding for vital equipment for battlefield airman, including lighter communication and integrated data linkages. This investment guarantees these highly skilled airmen are provided with the best and most modern technological equipment making them more agile and lethal in the most austere combat environments.

### **Global Strike**

**Nuclear Deterrence:** Strengthening the nuclear enterprise remains one of the Air Force's highest priorities. The Air Force continues its actions to deliver safe, secure, and effective nuclear capabilities within its Nuclear Deterrence Operations portfolio. The Air Force's intercontinental

ballistic missiles and bombers provide two legs of the Nation's Nuclear Triad and dual-capable fighters and bombers extend deterrence and provide assurance to our allies and partners.

**Intercontinental Ballistic Missile (ICBM):** The FY 2018 budget request funds additional investments to sustain and modernize the ICBM force, including Ground Based Strategic Deterrent (GBSD) integrated design and development.

**Nuclear Helicopter Support:** The FY 2018 budget supports the rapid recapitalization of the Vietnam era UH-1N light-lift utility helicopter fleet to enhance the security provided to the ICBM inventory. The Air Force Global Strike Command (AFGSC) is seeking to replace all UH-1N aircraft with commercial off-the-shelf/government off-the-shelf solutions to fill current capability gaps and expects to release the final request for proposal in calendar year 2017.

**Legacy Dual-Capable Aircraft (DCA):** The Air Force continues to modernize dual-capable fighter aircraft to support long-range interdiction capabilities.

**Airborne Capabilities:** The Air Force continues to modernize its bomber fleet to extend the life of the B-52 Stratofortress, B-1 Lancer, and B-2 Spirit aircraft. In FY 2018, the Air Force will continue the bomber modernization efforts and include additional investment for the B-52 Radar Modernization Program, B-2 EHF survivable communications, and Increment 2 of the Common Very Low Frequency/Low Frequency Receiver (CVR) program to develop a receive-only survivable communication path for future integration on bomber, tanker, and C2 aircraft. The FY 2018 budget request fully funds the B-2 Defensive Management Systems-Modernization program to enable penetration of dense threat environments.

**United States Air Forces in Europe (USAFE) Weapons Storage and Security System (WS3) Modernization:** The WS3 is the cornerstone of the North Atlantic Treaty Organization nuclear weapons security. A programmed SLEP is scheduled to replace unsustainable alarm and display equipment and ensure the system meets new National Security Agency (NSA) encryption standards. This effort meets additional requirements for USAFE and gains efficiencies by implementing modifications and configuration changes on the new alarm equipment during SLEP installations.

**Long Range Strike Bomber (B-21):** The B-21 Raider aircraft is one of the Air Force's top three acquisition priorities and is currently in the development phase. The Air Force's FY 2018 budget request continues funding to develop the affordable, long range, penetrating aircraft that incorporates proven technologies to support the awarded contract. This bomber represents a key component to the joint portfolio of conventional and nuclear deep-strike capabilities.

**B61-12 Tail Kit:** The Air Force's FY 2018 budget continues to fund the B61-12 bomb Tail Kit Assembly. This program is a joint venture with the National Nuclear Security Administration's life extension program and combines four legacy variants into the B61-12. The Air Force is responsible for the development and production of the Tail Kit Assembly as well as the All Up Round and aircraft integration. This investment will allow the Air Force to field a modernized weapon to meet U.S. operational strategic deterrence requirements and provide assurance to U.S. allies in Europe by meeting extended deterrence commitments.

**Long Range Stand-Off (LRSO) Weapon:** The FY 2018 budget maintains the Department's commitment to the LRSO program. The LRSO effort will develop a weapon system to replace the Air Launched Cruise Missile, which has been operational since 1986. The LRSO weapon system will be capable of penetrating and surviving advanced Integrated Air Defense Systems from significant stand-off ranges to prosecute strategic targets in support of the Air Force's nuclear deterrence operations core function.



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**Air Launched Cruise Missile (ALCM):** The FY 2018 budget request continues funding for the procurement of the remaining ALCM Service Life Extension Program kits and additional kits required for attrition reserve. It also replaces and refurbishes critical non-nuclear components inside the ALCM to meet requirements for sustainment.

### **Command and Control (C2)**

The FY 2018 budget request sustains the Air Force's commitment to C2 across the range of joint military operations. The budget request pursues C2 modernization critical to ensure a dominant C2 capability in current and future conflicts.

**Control Reporting Center (CRC):** In FY 2018, the Air Force adds funding for six additional active duty CRC crews. This action increases near-term capacity to meet the highest-priority combatant commander requirements while preparing for future fights.

**JSTARS Legacy:** The FY 2018 budget funds legacy Joint Surveillance and Target Attack Radar System (JSTARS) aircraft while recognizing that some aircraft are approaching their end of service life. The Air Force anticipates developing a fleet retirement plan informed by strategic assessments of capability requirements and the delivery schedule of the JSTARS Recap fleet.

**JSTARS Recapitalization:** The FY 2018 budget request reflects an affordable acquisition strategy for JSTARS Recapitalization that is expected to reach initial operating capacity by 2024.

**Airborne Warning and Control System (AWACS) Legacy:** The Air Force continues to sustain and upgrade the AWACS fleet with mission enhancements. The FY 2018 budget request funds several upgrades to the AWACS including Block 40/45 (mission systems), DRAGON (digital cockpit and navigation system), E-3 Radar electronic protection capability, next generation identification-friend-or-foe, and combat identification modifications.

**E-4B National Airborne Operations Center (NAOC) Recapitalization:** The FY 2018 budget request continues to fund initial RDT&E efforts for the NAOC recapitalization.

**E-4B NAOC Legacy:** This effort is a critical part of the NC3 modernization plan and includes additional funding for the Advanced Extremely High Frequency (AEHF) terminal installation and the Low Frequency transmission system development for the E-4B fleet.

### **Core Mission Enablers**

**Military Construction (MILCON) and Facilities Sustainment, Restoration and Modernization (FSRM):** The Air Force continues to invest in FSRM and MILCON. The budget request also maintains the Military Family Housing construction program, with a focus on Okinawa.

The FY 2018 budget request for MILCON continues to support new weapon system bed downs (e.g. F-35A, KC-46 and the Presidential Airlift Recapitalization), strengthens the nuclear enterprise by constructing a consolidated tactical response force and alert crew facility, and provides facilities essential for meeting fifth generation fighter training requirements. The budget request also supports combatant commanders' highest construction priorities such as a consolidated squadron operations facility in the U.S. Central Command area of responsibility, improved posture of forces in Europe, and enhanced Asia-Pacific Resiliency.

**Personnel:** The FY 2018 budget request grows Active Duty military end-strength to 325,100, moving toward improving warfighter readiness. Specifically, the Nation has an acute pilot shortage impacting the entire Department of Defense. The budget request invests in the pilot training pipeline, pilot absorption, and pilot retention. The Air Force also focuses on addressing gaps in critical career fields, such as maintenance, ISR, cyber, and nuclear, while also expanding training capacity. Additionally, this budget strengthens Total Force Airmen by supporting modest FY 2018 growth in Air National Guard, Air Force Reserves, and civilian Airmen.



**Readiness:** Improving warfighter readiness is one of the highest priorities of the FY 2018 budget request, and the heart of it is the Air Force's most important investment: people. Investing in Airmen and growing end-strength sets the Air Force on the path to readiness recovery. To improve readiness, the Air Force must set end-strength commensurate with increasing global requirements. The Air Force continues to fund Flying Hours to executability and weapon system sustainment at moderate risk. Adversaries are closing the gap in military capability, the legacy force is less viable against advanced integrated air defense capabilities, and space is no longer a sanctuary. However, the Air Force must balance recapitalization and modernization efforts to improve capacity but stay on course to developing the capabilities needed for the long term.

**Science and Technology (S&T):** The FY 2018 budget request for S&T strengthens Air Force commitment to innovative and affordable responses to warfighter needs now, simultaneously creating the force of the future. Maximizing the impact of the Air Force's robust S&T program (game-changing, enabling, relevant, and rapid technologies), the Air Force is focusing on several game-changing technologies that can amplify many of the enduring attributes of airpower—speed, range, flexibility, and precision. These game-changing technologies are: autonomous systems, unmanned systems, hypersonics, directed energy, and nanotechnology.

**Experimentation and Development Planning:** The FY 2018 budget request maintains emphasis on development planning (DP) and increases investment for experimentation. DP involves a range of activities, including requirements analysis, cost versus capability trades, and modeling and simulation, to understand the Air Force's future warfighting needs and reconcile those with available and potential capabilities, concepts, and enabling technologies. Experimentation is a means to stimulate innovation and new thinking about future ways of warfighting and alternate ways to succeed on the battlefield. DP and experimentation activities are directed by the Air Force Capability Development Council to address future capabilities such as air superiority, close air support and directed energy weapons.

**Weapons Systems Cyber Resiliency (WSCR):** The Air Force has a multi-pronged approach to provide assurance, resilience, affordability, and empowerment to enable the Air Force's assured cyber advantage to ensure our ability to fly, fight, and win in air, space, and cyberspace. The Air Force Cyber Campaign Plan (CCP), which is driving WSCR efforts, has two goals: 1) to "bake in" cyber resiliency into new weapon systems and 2) mitigate critical vulnerabilities in fielded weapon systems. It consists of seven Lines of Action (LOAs) designed to be the "engine" behind increasing the cyber resiliency of all Air Force new and legacy weapon systems.

## CONCLUSION

The Air Force's FY 2018 budget request preserves and strengthens its unique contributions to the Joint Fight: Global Vigilance, Global Reach, and Global Power for America. The Air Force budget will properly balance capability, capacity, and readiness while focusing on modernizing weapons systems and infrastructure. The Air Force prioritized increased end strength, readiness, nuclear deterrence operations, space, cyber, combat air forces, and infrastructure. The FY 2018 budget ensures that the Air Force will remain the world's greatest and will continue to answer the Nation's call.

## 8. PERFORMANCE IMPROVEMENT

### 8.1 INTRODUCTION

#### Purpose

This chapter satisfies the requirements of the Government Performance and Results Act of 1993 (GPRA), the GPRA Modernization Act (GPRAMA) of 2010, and Office of Management and Budget (OMB) Circular A-11 — which call for integration of annual performance goals and results with congressional budget justifications. This chapter complements the appropriation-specific budget justification information that is submitted to Congress by providing:

- A performance-focused articulation of the Department's strategic goals and objectives; and
- A limited number of Department-wide performance improvement priorities for senior level management attention in the current and budget year.

The Department looks forward to working with the Administration and Congress to meet the challenge of creating more effective and efficient operations while delivering a high-value return for the American taxpayer's investment in the Defense Department.

#### *DoD Performance Plan and Report*

The FY 2016 DoD Annual Performance Report (APR) provides a summary of the Department's prior year performance results. This chapter presents an excerpt from the full report, available at: <http://dcmo.defense.gov/Publications/AnnualPerformancePlanandPerformanceReport.aspx>.

### 8.2 FY 2016 DOD ANNUAL PERFORMANCE REPORT

#### Executive Summary

The U.S. Department of Defense Annual Performance Report (APR) for Fiscal Year (FY) 2016 presents progress the Department is making towards achieving strategic objectives and performance goals in FY 2016. The report provides an overview of the Department's reviews and assessment capabilities to include FY 2016 Quarterly Performance Reviews as well as annual FedStat and Strategic Reviews. The report also provides an overview of the future enterprise performance management activities, goals, measures, and targets.

Capturing the breadth and scope of the Department's world-wide responsibilities and management efforts requires far more than 53 performance measures included in this report. In fact, the Department and its Components employ hundreds of performance measures to track and assess progress in many key areas, such as acquisition performance, military readiness, audit readiness, business process improvement, and the overall wellbeing of the force. Specific, detailed performance-related information is provided through a wide range of reports to Congress as well as in Defense budget exhibits. Moreover, significant efforts in many areas, to include military readiness, cyber security, and insider threat cannot be fully represented in this or future public performance reports due to the sensitivity of the information involved. This report represents only a partial picture of DoD's overall management efforts and progress. As we endeavor to improve our enterprise performance management analysis and oversight capability, a more comprehensive representation of the dynamic performance monitoring and assessment capability will be available.

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The performance plan results included in this report demonstrate that the Department maintained solid performance in supporting the operational force in the field, while reducing unnecessary overhead. The Department's priority goal of ensuring service members have a smooth transition to veteran status continues to exceed its performance target, and there are improvement opportunities in the areas of acquisition reform, financial management audit readiness, and civilian hiring timelines. The Department Better Buying Power initiative continues to make progress with overall improved acquisition performance. Progress toward achieving a Department-wide audit shows progress, with the Under Secretary of Defense (Comptroller) and the Office of the Deputy Chief Management Officer (ODCMO) working with the Military Departments and Defense Agencies to implement plans to put the Department on track toward achievement of initial overall audit readiness by October 2017.

The Department also undertook significant management improvements that are not fully reflected in the performance measures included in the Agency Strategic Plan (ASP) or in this report. For example:

- **Force of the Future.** The Department continued to evolve the Force of the Future initiative. With its implementation, this initiative will change how we manage both military and civilian personnel, and how we may best access and retain new skill sets required to meet future needs.
- **Innovation and Technological Excellence.** The Department continued its efforts to tap into the innovative potential of the commercial sector, as well as bolster more traditional sources of technological innovation. We continued to expand Defense Innovation Unit Experimental, or DIUx, establishing a presence in Austin, Texas, in addition to locations in Silicon Valley and Boston. The Strategic Capabilities Office, in partnership with the military Services, is taking existing defense capabilities and exploring how to apply these capabilities for different requirements. The Under Secretary of Defense for Acquisition, Technology, and Logistics is tracking a number of performance measures to assess the implementation of these initiatives.
- **Cyber Security.** The Department continued to address challenges associated with ongoing cyber threats. One initiative conducted this past year was "Hack the Pentagon," an effort to help test the security of our data systems. The Chief Information Officer of the Department of Defense uses a broad Cybersecurity scorecard to help the Department track and manage implementation of a number of key initiatives in the cyber arena.
- **Other Business Operation Efforts.** During FY 2016, the DCMO team continued to lead a Department-wide effort to identify concrete, measurable management reforms in areas such as Defense-Wide retail sales; reduction in the size of major headquarters; reductions in the number and cost of services contracts; and efficiencies in the provision of information technology support to the Department.

The Department is committed to managing towards specific, measurable goals derived from a defined mission, using performance data to continually improve operations wherever possible. DoD continued its firm commitment to continuous improvement that aims to provide the taxpayers with the best possible performance for their investment in the national defense.

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### ***FY 2016 Agency Priority Goal (APG) Results***

Pursuant to the GPRA Modernization Act of 2010, the Department established six APGs for FY 2016 and FY 2017 that were used to track the Department's progress toward achieving priorities throughout FY 2017.

The annual results and detailed narratives may be found in the "Summary of DoD Performance by Strategic Objective" section.

Please refer to [performance.gov](http://performance.gov) for the Department's contributions to the APGs and its progress.

### ***Cross-Agency Priority Goals***

Title 31 of the U.S. Code § 1116 requires the identification of Cross-Agency Priority (CAP) Goals in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. Please refer to [www.Performance.gov](http://www.Performance.gov) for the Defense Department's contributions to these goals.

The DoD, in partnership with OMB, currently leads the following CAP Goals:

- Cybersecurity
- Strategic Sourcing

In addition, DoD contributes to the following CAP Goals:

- Insider Threat and Security Clearance
- Service Members and Veterans Mental Health
- People and Culture
- Benchmarking
- Infrastructure Permitting and Modernization
- STEM Education
- Lab-to-Market
- Smarter IT Delivery
- Open Data
- Climate Change – Federal Actions
- Shared Services

### ***High Risk Areas***

To drive increased accountability and efficiencies in the Federal government, the Government Accountability Office (GAO) determines high risk areas across the Federal government based on vulnerability to fraud, waste, abuse, or mismanagement, and changes required to address major economic, efficiency, or effectiveness challenges. The GAO has published biennial high-risk series updates since 1990 (see <http://www.gao.gov/highrisk/overview>). The Defense Department either leads or shares responsibility for the following areas on the GAO high risk list: DoD Approach to Business Transformation

- DoD Approach to Business Transformation
- DoD Business Systems Modernization
- DoD Support Infrastructure Management
- DoD Financial Management

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- DoD Supply Chain Management
- DoD Weapon System Acquisition
- DoD Contract Management
- Strategic Human Capital Management
- Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information
- Establishing Effective Mechanisms for sharing and Managing Terrorism Related Information to Protect the Homeland
- Managing Federal Real Property
- Ensuring the Effective Protection of Technologies Critical U.S. National Security
- Improving Management of IT Acquisitions and Operations
- Managing Risks and Improving VA Health Care
- Limiting Federal Government's Fiscal Exposure by Better Managing Climate Change Risks
- Improving and Modernizing Federal Disability Programs
- Mitigating Gaps in Weather Satellite Data

Status updates to GAO high risk areas are addressed on the GAO High Risk website at:

<http://www.gao.gov/highrisk/overview>

### ***DoD Major Management Challenges***

The Office of the Inspector General (IG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. The DoD IG identified the following areas as presenting the most serious management and performance challenges:

- Countering Global Strategic Challenges
- Countering the Terrorist Threat
- Enabling Effective Acquisition and Contract Management
- Increasing Cyber Security and Cyber Capabilities
- Improving Financial Management
- Protecting Key Defense Infrastructure
- Developing Full Spectrum Total Force Capabilities
- Building and Maintaining Force Readiness
- Ensuring Ethical Conduct
- Promoting Continuity and Effective Transition Management

Detailed information regarding these challenges, the IG's assessment of the Department's progress, and the Department's management response can be found with the report at

<http://dodig.mil>

## APPENDIX A: RESOURCE EXHIBITS

Table A-1. Combat Force Structure Overview

Service	FY 2017 Estimate <sup>1/</sup>	FY 2018	Delta FY17- FY18
<b>Army Active</b>			
Brigade Combat Teams (BCT)	31	31	-
Combat Aviation Brigades (CAB)	11	11	-
<b>Army National Guard</b>			
BCT	26	26	-
CAB/Aviation Restructure Initiative	8	8	-
<b>Army Reserve</b>			
CAB/Theater Aviation Brigade	2	2	-
<b>Navy</b>			
Number of Ships	282	292	+10
Carrier Strike Groups	11	11	-
<b>Marine Corps Active</b>			
Marine Expeditionary Forces	3	3	-
Infantry Battalions	24	24	-
<b>Marine Corps Reserve</b>			
Marine Expeditionary Forces	-	-	-
Infantry Battalions	8	8	-
<b>Air Force Active</b>			
Combat Coded Squadrons	40	40	-
Aircraft Inventory (TAI)	4,101	4,015	-86
<b>Air Force Reserve</b>			
Combat Coded Squadrons	3	3	-
Aircraft Inventory (TAI)	326	328	+2
<b>Air National Guard</b>			
Combat Coded Squadrons	21	21	-
Aircraft Inventory (TAI)	1,090	1,073	-17

<sup>1/</sup> FY 2017 reflects projected force structure in request for additional appropriations.



**Table A-2. Active Component End Strength (in Thousands)**

Service	FY 2017 Estimate <sup>1/</sup>	FY 2018	Delta FY17 - FY18
Army	476.0	476.0	--
Navy	326.5	327.9	+1.4
Marine Corps	184.4	185.0	+0.6
Air Force	321.1	325.1	+4.0
<b>TOTAL</b>	<b>1,308.0</b>	<b>1,314.0</b>	<b>+6.0</b>

*Numbers may not add due to rounding*

<sup>1/</sup> FY 2017 reflects projected end strength in request for additional appropriations

**Table A-3. Reserve Component End Strength (in Thousands)**

Service	FY 2017 Estimate <sup>1/</sup>	FY 2018	Delta FY17 - FY18
Army Reserve	199.0	199.0	--
Navy Reserve	58.2	59.0	+0.8
Marine Corps Reserve	38.9	38.5	-0.4
Air Force Reserve	69.0	69.8	+0.8
Army National Guard	343.0	343.0	--
Air National Guard	105.7	106.6	+0.9
<b>TOTAL</b>	<b>813.8</b>	<b>815.9</b>	<b>+2.1</b>

*Numbers may not add due to rounding*

<sup>1/</sup> FY 2017 reflects projected end strength in request for additional appropriations

**Table A-4. DoD Base Budget by Appropriation Title**

<i>\$ in Thousands</i> Base Budget	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	135,417,494	141,686,063
Operation and Maintenance	197,113,623	223,277,081
Procurement	110,728,733	114,982,846
RDT&E	69,604,443	82,716,636
Revolving and Management Funds	1,173,697	2,095,923
<b>Defense Bill</b>	<b>514,037,990</b>	<b>564,758,549</b>
Military Construction	6,474,711	8,375,296
Family Housing	1,251,289	1,407,155
<b>Military Construction Bill</b>	<b>7,726,000</b>	<b>9,782,451</b>
<b>Total Base Budget</b>	<b>521,763,990</b>	<b>574,541,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

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**Table A-5. DoD Base Budget by Military Department**

<i>\$ in Thousands</i> Base Budget	FY 2017 <sup>1/</sup>	FY 2018 Request
Army	122,893,964	137,128,138
Navy	159,095,935	171,510,930
Air Force	146,471,647	165,490,972
Defense-Wide	93,302,444	100,410,960
<b>Total Base Budget</b>	<b>521,763,990</b>	<b>574,541,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Table A-6. DoD OCO Budget by Appropriation Title**

<i>\$ in Thousands</i> OCO Budget	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	3,487,791	4,276,276
Operation and Maintenance	51,982,090	48,653,825
Procurement	8,941,135	10,244,626
RDT&E	313,134	611,187
Revolving and Management Funds	88,850	148,956
<b>Defense Bill</b>	<b>64,813,000</b>	<b>63,934,870</b>
Military Construction	172,000	638,130
Family Housing	--	--
<b>Military Construction Bill</b>	<b>172,000</b>	<b>638,130</b>
<b>Total OCO Budget</b>	<b>64,985,000</b>	<b>64,573,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Table A-7. DoD OCO Budget by Military Department**

<i>\$ in Thousands</i> OCO Budget	FY 2017 <sup>1/</sup>	FY 2018 Request
Army	28,215,447	28,893,874
Navy	9,803,802	8,481,536
Air Force	17,087,014	17,540,788
Defense-Wide	9,878,737	9,656,802
<b>Total OCO Budget</b>	<b>64,985,000</b>	<b>64,573,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

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**Table A-8. DoD Total (Base + OCO) Budget by Appropriation Title**

<i>\$ in Thousands</i> Base + OCO Budget	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	138,905,285	145,962,339
Operation and Maintenance	249,095,713	271,930,906
Procurement	119,669,868	125,227,472
RDT&E	69,917,577	83,327,823
Revolving and Management Funds	1,262,547	2,244,879
<b>Defense Bill</b>	<b>578,850,990</b>	<b>628,693,419</b>
Military Construction	6,646,711	9,013,426
Family Housing	1,251,289	1,407,155
<b>Military Construction Bill</b>	<b>7,898,000</b>	<b>10,420,581</b>
<b>Total (Base + OCO) Budget</b>	<b>586,748,990</b>	<b>639,114,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Table A-9. DoD Total (Base + OCO) Budget by Military Department**

<i>\$ in Thousands</i> Base + OCO Budget	FY 2017 <sup>1/</sup>	FY 2018 Request
Army	151,109,411	166,022,012
Navy	168,899,737	179,992,466
Air Force	163,558,661	183,031,760
Defense-Wide	103,181,181	110,067,762
<b>Total (Base + OCO) Budget</b>	<b>586,748,990</b>	<b>639,114,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Table A-10. DoD Base Budget by Military Department and Appropriation Title**

<i>\$ in Thousands</i> Department of the Army Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	56,163,480	58,048,737
Operation and Maintenance	40,751,834	49,375,238
Procurement	16,988,173	18,402,902
RDT&E	7,547,794	9,425,440
Military Construction	952,516	1,262,758
Family Housing	483,167	529,287
Revolving and Management Funds	7,000	83,776
<b>Total Department of the Army</b>	<b>122,893,964</b>	<b>137,128,138</b>

*Discretionary budget authority.*

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<i>\$ in Thousands</i> Department of the Navy Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	45,322,751	47,556,967
Operation and Maintenance	45,891,646	54,017,074
Procurement	47,405,482	49,514,983
RDT&E	18,076,818	17,675,035
Military Construction	1,531,049	1,825,580
Family Housing	394,926	411,964
Revolving and Management Funds	473,263	509,327
<b>Total Department of the Navy</b>	<b>159,095,935</b>	<b>171,510,930</b>

*Discretionary budget authority.*

<i>\$ in Thousands</i> Department of the Air Force Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	33,931,263	36,080,359
Operation and Maintenance	44,027,597	49,930,456
Procurement	41,023,074	42,077,905
RDT&E	25,146,562	34,914,359
Military Construction	1,989,370	2,018,045
Family Housing	335,781	403,386
Revolving and Management Funds	18,000	66,462
<b>Total Department of the Air Force</b>	<b>146,471,647</b>	<b>165,490,972</b>

*Discretionary budget authority.*

<i>\$ in Thousands</i> Defense-Wide Base	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	--	--
Operation and Maintenance	66,442,546	69,954,313
Procurement	5,312,004	4,987,056
RDT&E	18,833,269	20,701,802
Military Construction	2,001,776	3,268,913
Family Housing	37,415	62,518
Revolving and Management Funds	675,434	1,436,358
<b>Total Defense-Wide</b>	<b>93,302,444</b>	<b>100,410,960</b>
<b>Total Base Budget</b>	<b>521,763,990<sup>1/</sup></b>	<b>574,541,000</b>

*Discretionary budget authority.*

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Table A-11. DoD OCO Budget by Military Department and Appropriation Title**

<i>\$ in Thousands</i> Department of the Army OCO	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	2,233,797	2,844,848
Operation and Maintenance	23,060,673	22,965,728
Procurement	2,821,877	2,774,119
RDT&E	80,200	119,368
Military Construction	18,900	139,700
Family Housing	--	--
Revolving and Management Funds	--	50,111
<b>Total Department of the Army</b>	<b>28,215,447</b>	<b>28,893,874</b>

<i>\$ in Thousands</i> Department of the Navy OCO	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	454,500	493,076
Operation and Maintenance	8,855,670	7,019,002
Procurement	398,076	820,593
RDT&E	35,747	130,365
Military Construction	59,809	18,500
Family Housing	--	--
Revolving and Management Funds	--	--
<b>Total Department of the Navy</b>	<b>9,803,802</b>	<b>8,481,536</b>

<i>\$ in Thousands</i> Department of the Air Force OCO	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	799,494	938,352
Operation and Maintenance	11,634,865	10,340,218
Procurement	4,547,264	5,648,830
RDT&E	17,100	135,358
Military Construction	88,291	478,030
Family Housing	--	--
Revolving and Management Funds	--	--
<b>Total Department of the Air Force</b>	<b>17,087,014</b>	<b>17,540,788</b>

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<i>\$ in Thousands</i> Defense-Wide OCO	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	--	--
Operation and Maintenance	8,430,882	8,328,877
Procurement	1,173,918	1,001,084
RDT&E	180,087	226,096
Military Construction	5,000	1,900
Family Housing	--	--
Revolving and Management Funds	88,850	98,845
<b>Total Defense-Wide</b>	<b>9,878,737</b>	<b>9,656,802</b>
<b>Total OCO Budget</b>	<b>64,985,000<sup>1/</sup></b>	<b>64,573,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**Table A-12. DoD Total (Base + OCO) Budget by Military Department and Appropriation Title**

<i>\$ in Thousands</i> Department of the Army (Base + OCO)	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	58,397,277	60,893,585
Operation and Maintenance	63,812,507	72,340,966
Procurement	19,810,050	21,177,021
RDT&E	7,627,994	9,544,808
Military Construction	971,416	1,402,458
Family Housing	483,167	529,287
Revolving and Management Funds	7,000	133,887
<b>Total Department of the Army</b>	<b>151,109,411</b>	<b>166,022,012</b>

<i>\$ in Thousands</i> Department of the Navy (Base + OCO)	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	45,777,251	48,050,043
Operation and Maintenance	54,747,316	61,036,076
Procurement	47,803,558	50,335,576
RDT&E	18,112,565	17,805,400
Military Construction	1,590,858	1,844,080
Family Housing	394,926	411,964
Revolving and Management Funds	473,263	509,327
<b>Total Department of the Navy</b>	<b>168,899,737</b>	<b>179,992,466</b>



## Overview – FY 2018 Defense Budget

<i>\$ in Thousands</i> Department of the Air Force (Base + OCO)	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	34,730,757	37,018,711
Operation and Maintenance	55,662,462	60,270,674
Procurement	45,570,338	47,726,735
RDT&E	25,163,662	35,049,717
Military Construction	2,077,661	2,496,075
Family Housing	335,781	403,386
Revolving and Management Funds	18,000	66,462
<b>Total Department of the Air Force</b>	<b>163,558,661</b>	<b>183,031,760</b>

<i>\$ in Thousands</i> Defense-Wide (Base + OCO)	FY 2017 <sup>1/</sup>	FY 2018 Request
Military Personnel	--	--
Operation and Maintenance	74,873,428	78,283,190
Procurement	6,485,922	5,988,140
RDT&E	19,013,356	20,927,898
Military Construction	2,006,776	3,270,813
Family Housing	37,415	62,518
Revolving and Management Funds	764,284	1,535,203
<b>Total Defense-Wide</b>	<b>103,181,181</b>	<b>110,067,762</b>
<b>Total (Base + OCO) Budget</b>	<b>586,748,990<sup>1/</sup></b>	<b>639,114,000</b>

<sup>1/</sup> Includes the Continuing Resolution, Military Construction and Family Housing Enactment, and the Security Assistance Appropriations Act. Does not include adjustment to reflect the March Request for Additional Appropriations.

**APPENDIX B: Acronym List**

NOTE: This is not a comprehensive list of all acronyms used in the Overview.

Acronym	Definition
A2AD	Army develop crucial anti-access and area-den
ABCTs	Armored Brigade Combat Teams
AC	Active Component
ACA	Aerospace Control Alert
ACC	Air Combat Command
AD	Area Denial
ADFM	Active Duty Family Members
ADCP	Advanced Display Core Processor
ADS-B	Automatic Dependent Surveillance-Broadcast
AEA	Airborne Electronic Attack
AEHF	Advanced Extremely-High Frequency
AESA	Active Electronically Scanned Array
AFGSC	Air Force Global Strike Command
AFMC	Air Force Material Command
AFSOC	Air Force Special Operations Command
AGM	Advanced Guided Missile
AH	Apache Helicopter
ASD/HA	Assistant Secretary of Defense for Health Affairs
AIM	Air Intercept Missile
ALCM	Air Launched Cruise Missile
AMP	Aircraft Modernization Program
AMPV	Armored Multi-Purpose Vehicle
AMRAAM	Advanced Medium Range Air-to-Air Missile
ANA	Afghanistan National Army
ANP	Afghanistan National Police
ANDSF	Afghan National Defense and Security Forces
AoA	Analysis of Alternatives
AORs	Areas of Responsibility
APG	Agency Priority Goal
APP	Annual Performance Plan
APS	Army Pre-Positioned Stocks
ARI	Aviation Restructuring Initiative
ARNG	Army Reserve/National Guard
ASD	Assistant Secretary of Defense
ASD/HA	Assistant Secretary of Defense for Health Affairs
ASFF	Afghanistan Security Forces Fund
ASP	Agency Strategic Plan
AT&L	Acquisition, Technology, and Logistics
AWACS	Airborne Warning and Control System
BA	Bomb Assembly

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BA	Budget Authority
BAH	Basic Allowance for Housing
BAS	Basic Allowance for Subsistence
BBA	Bipartisan Budget Act of 2013
BBP	Better Buying Power
BCA	Budget Control Act of 2011
BCT	Brigade Combat Team
BMD	Ballistic Missile Defense
BMDs	Ballistic Missile Defense System
BRAC	Base Realignment and Closure
BRS	Blended Retirement System
BSRF	Black Sea Rotational Force
C2	Command and Control
CAB	Combat Aviation Brigade
CAF	Combat Air Forces
CANES	Consolidated Afloat Networks and Enterprise Services
CAP	Cross-Agency Priority
CCDR	Combatant Commander
CCMD	Combatant Command
CCP	Cyber Campaign Plan
CTCs	Combat Training Centers
CE2	Combatant Command Exercise and Engagement
CENTCOM	Central Command
CERP	Commanders Emergency Response Program
CH	Chinook helicopter
CNS/ATM	Communications Navigation and Surveillance/Air Traffic Management
CMF	Cyber Mission Force
COD	Carrier Onboard Delivery
CODE	Cost Decision
COLA	Cost-Of-Living Allocation
CONUS	Contiguous United States
COTS/GOTS	Commercial Off-The-Shelf/Government Off-The-Shelf
CRs	Continuing Resolutions
CRC	Control Reporting Center
CRH	Combat Rescue Helicopter
CSA	Chief of Staff of the Army
CSA	Critical Skills Availability
CSGs	Carrier Strike Groups
CT	Counterterrorism
CTC	Combat Training Center
CTPF	Counterterrorism Partnerships Fund
CV	Carrier Variant
CVN	aircraft carrier, fixed wing, nuclear powered
CVR	Common Very Low Frequency

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CWMD	Chemical Weapons of Mass Destruction
D5LE	Trident II D5 Life Extension
DA	Decisive Action
DA/ULO	Decisive Action in support of Unified Land Operations
DAWDF	Defense Acquisition Workforce Development Fund
DAWIA	Defense Acquisition Workforce Improvement Act
DCA	Dual-Capable Aircraft
DCAA	Defense Contract Audit Agency
DCGS	Distributed Common Ground System
DCMA	Defense Contract Management Agency
DCO	Defensive Cyberspace Operations
DCMO	Defense Chief Management Officer
DCS	Direct Care System
DDG	Destroyers
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DHP	Defense Health Program
DII	Defense Innovation Initiative
DIU	Defense Innovation Unit
DLIFLC	Defense Language Institute Foreign Language Center
DME	Durable Medical Equipment
DMS	Defensive Management Systems
DMS	Diminishing Manufacturers' Source
DMSP	Defense Meteorological Satellite Program
DoD	Department of Defense
DoDEA	Department of Defense Education Activity
DoD IG	Department of Defense Office of the Inspector General
DoDIN Ops	DoD Information Network Operations
DoN	Department of the Navy
DOPMA	Defense Officer Personnel Management
DPG	Defense Planning Guidance
D-RAPCOM	Deployable Radar Approach Control
DTRA	Defense Threat Reduction Agency
ECI	Employment Cost Index
EELV	Evolved Expendable Launch Vehicle
EPAA	European Phased Adaptive Approach
EPAWSS	Eagle Passive/Active Warning Survivability System
EPF	Expeditionary Fast Transports
ERI	European Reassurance Initiatives
EW	electronic warfare
FCP	Federal Ceiling Price
FERS	Federal Employees Retirement System
FHP	Flying Hour Program
FIAR	Financial Improvement and Audit Readiness

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FM	Financial Management
FMS	Flight Management System
FNIH	Foreign National Indirect Hire
FSRM	Facilities Sustainment, Restoration and Modernization
FTEs	Full-Time Equivalents
FY	Fiscal Year
FYDP	Future Years Defense Program
GAO	Government Accountability Office
GBI	Ground-Based Interceptors
GBSD	Ground Based Strategic Deterrent
GBU	Guided Bomb Unit
GCCs	Geographic Combatant Commands
GMD	Ground-based Midcourse Defense
GO	Global Officer
GO/FO	General Officer/Flag Officer
GIO	Globally Integrated Operations
GPF	General Purpose Forces
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
GPS	Global Positioning System
GRP	Gross Retired Pay
GT	Global Thunder
HC	Combat King Helicopter
HH	Combat Rescue Helicopter
HMO	health maintenance organization
HRET	Health Research & Educational Trust
HQ	Headquarter
IBCS	Integrated Air and Missile Defense Battle Command System
IBCT	Infantry Brigade Combat Team
ICBM	Intercontinental Ballistic Missile
IED	Improvised Explosive Device
IG	Inspector General
IPA	Independent Public Accountant
IMTP	Integrated Master Test Plan
ISF	Iraqi Security Forces
ISIL	Islamic State in Iraq and the Levant
ISIS	Islamic State of Iraq and Syria
ISR	Intelligence, Surveillance, and Reconnaissance
IT	Information Technoogy
ITEF	Iraq Train and Equip Fund
ITX	Integrated Training Exercise
JADGE	Japan Aerospace Defense Ground Environment
JASSM-ER	Joint Air-to-Surface Standoff Missile-Extended Range
JCET	Joint Combined Exchange Training

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JIDA	Joint Improvised-Threat Defeat Agency
JIE	Joint Information Environment
JLTV	Joint Light Tactical Vehicle
JSF	Joint Strike Fighter
JSpOC	Joint Space Operations Center
JSTARS	Joint Surveillance Target Attack Radar System
JTCP	Joint Training Coordination Program
JTEN	Joint Training Enterprise Network
KFF	Kaiser Family Foundation
KV	Kill Vehicle
LAIRCM	Large Aircraft Infra-red Counter Measure
LCS	Littoral Combat Ship
LOAs	Lines of Action
LHA	Landing Helicopter Assault
LOSSM	Low Observable Signature and Supportability Modification
LPD	Landing Platform Dock
LRASM	Long-Range Anti-Ship Missile
LRDR	Long Range Discriminating Radar
LRS	Long Range Strike
LRS-B	Long Range Strike-Bomber
LRSO	Long Range Stand-Off
LTC	Language Training Centers
LVC	Live, Virtual, and Construct
MAGTF	Marine Air Ground Task Forces
MARSOC	Marine Forces Special Operations Command
MCRMC	Military Compensation and Retirement Modernization Commission
MDA	Missile Defense Agency
MEB	Marine Expeditionary Brigade
MEU	Marine Expeditionary Unit
MFD	Multi-function Displays
MGUE	Military GPS User Equipment
MH	Mission Helicopter
MHA	Major DoD Headquarters Activities
MHS	Military Health System
MILCON	Military Construction
MILSATCOM	Military SATCOM
MRAP	Mine-Resistant Ambush Protected
MRE	Mission Rehearsal Exercises
MSE	Missile Segment Enhancement
MSO/VSO	Military and Veteran Service Organizations
MTF	Military Treatment Facility
MWR	Morale, Welfare, and Recreation
NAOC	National Airborne Command Center
NSA	National Security Agency



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NATO	North Atlantic Treaty Organization
NDAA	National Defense Authorization Act
NGEN	Next Generation Enterprise Network
NHE	National Health Expenditure
NMS	National Military Strategy
NNSA	National Nuclear Security Administration
NORAD	North American Aerospace Defense Command
NSEP	National Security Education Program
NSA	National Security Agency
NSS	National Security Strategy
NSWC	Naval Special Warfare Command
OA	Open Architecture
OCO	Overseas Contingency Operations
OCX	Operational Control System
ODO	Other Defense Agency
OFP	Operational Flight Program
OFRP	Optimized Fleet Response Plan
OFS	Operation Freedom's Sentinel
OIB	Organic Industrial Base
OIG	Office of the Inspector General
OIR	Operation Inherent Resolve
OMB	Office of Management and Budget
OPFOR	Opposing Forces
OPLAN	Operational Plans
OPIR	Overhead Persistent Infrared
ORS-8	Operationally Responsive Space 8
OPTAR	Operating Target
ORT	Operation Rolling Tide
OSC-I	Office of Security Cooperation - Iraq
OSD	Office of the Secretary of Defense
OT	Occupational Therapy
OTI	Operational Training Infrastructure
USD	Under Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(P&R)	Office of the Under Secretary of Defense (Personnel and Readiness)
PAC-3	Patriot Advanced Capability-3
PAR	Presidential Aircraft Recapitalization
PB	President's Budget
PCS	Permanent change of station
PCTE	Persistent Cyber Training Environment
PII	Personally Identifiable Information
POA	Period Of Availability
POS	Point of Service
PPV	Public-Private Ventures

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PR	Personnel Recovery
PSCS-A	Protected Satellite Communications System – Aggregated
PSP	Precision Strike Package
PT	Physical Therapy
QDR	Quadrennial Defense Review
QRMCMC	Quadrennial Review of Military Compensation
RAA	Request for Additional Appropriations
RAF	Royal Air Force
RAF	Regionally Aligned Forces
RC	Reserve Components
RCOH	Refueling Complex Overhauls
RD&A	Research Development and Acquisition
RDT&E	Research, Development, Test, and Evaluation
REKV	Redesigned Exo-atmospheric Kill Vehicle
RF	radio frequency
RMC	Regular Military Compensation
ROK	Republic of Korea
ROTC	Reserve Officer Training Corps
RPA	Remotely Piloted Aircraft
SA	Secretary of the Army
S&I	Special and Incentive
S&T	Science and Technology
SATCOM	Satellite Communication
SBA	Schedule of Budgetary Activity
SBCTs	Stryker Brigade Combat Teams
SBEM	Space Based Environmental Monitoring
SBIRS	Space Based Infrared System
SBR	Statements of Budgetary Resources
SBSS	Space-Based Space Surveillance
SBX	Sea-Based X-Band Radar
SCP	Service Cost Position
SDB II	Small Diameter Bomb Increment II
SHARP	Sexual Harassment/Assault Response & Prevention
SKR	Silent Knight Radar
SLEP	Service Life Extension Program
SLTE	Service Level Training Exercise
SM-3	Standard Missile-3
SOCAFRICA	Special Operations Command, AFRICOM
SOF	Special Operations Forces
SOF-P	SOF-Peculiar
SOPGM	Standoff Precision Guided Munitions
SPMAGTF	Special Purpose Marine Air Ground Task Force
SPMAGTF-CR	SPMAGTF Crisis Response
SPMAGTF-CR-AF	SPMAGTF-CR-Africa

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SPMAGTF-CR-CC	SPMAGTF-CR-Central Command
SSA	Space Situational Awareness
SSBN	Submersible, Ballistic, Nuclear (submarine)
SSN	Submarine Nuclear
STEF	Syria Train and Equip Fund
STEM	Science, Technology, Engineering and Mathematics
STOVL	Short Take Off and Vertical Landing
SV	Space Vehicle
T2	Training Transformation
TAA	train, advise, and assist
T-AO(X)	Transport Oiler (Next Generation)
TAI	Total Active Inventory
TAWS	Terrain Awareness and Warning System
TC	Turbo Challenge
TF/TA	Terrain Following/Terrain Avoidance
TFCA	Task Force Cyber Awakening
TFL	TRICARE-for-Life
THAAD	Terminal High-Altitude Area
TLAMs	Tomahawk land-attack cruise missiles
TRA	Training Resources Availability
TRJE	Trident Juncture
TSP	Thrift Savings Plan
TWCF	Transportation Working Capital Fund
UDP	Unit Deployment Program
UH	Utility Helicopter
ULO	Unified Land Operations
U.S.	United States
USAFRICOM	United States Africa Command
USAFE	United States Air Forces in Europe
USAR	United States Army Reserve
USASOC	United States Army Operations Command
USCENTCOM	United States Central Command
USCYBERCOM	United States Cyber Command
USEUCOM	U.S. European Command
USFHP	Uniformed Services Family Health Plans
UG	Ultimate Guardian
USNORTHCOM	U.S. Northern Command
USPACOM	United States Pacific Command
USSOCOM	United States Special Operations Command
USSOUTHCOM	United States Southern Command
USSTRATCOM	United States Strategic Command
USTRANSCOM	United States Transportation Command
VA	Department of Veterans Affairs
VCS	VIRGINIA Class submarines

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VSO	Vetted Syrian Opposition
WCS	Wideband Communications Service
WIN-T	Warfighter Information Network – Tactical
WS3	Weapons Storage and Security System
WSCR	Weapons Systems Cyber Resiliency
WSF	Weather System Follow-On
WSS	Weapons System Sustainment
YOS	Year of Service

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