



Fiscal Year 2017 Budget Request

February 9, 2016

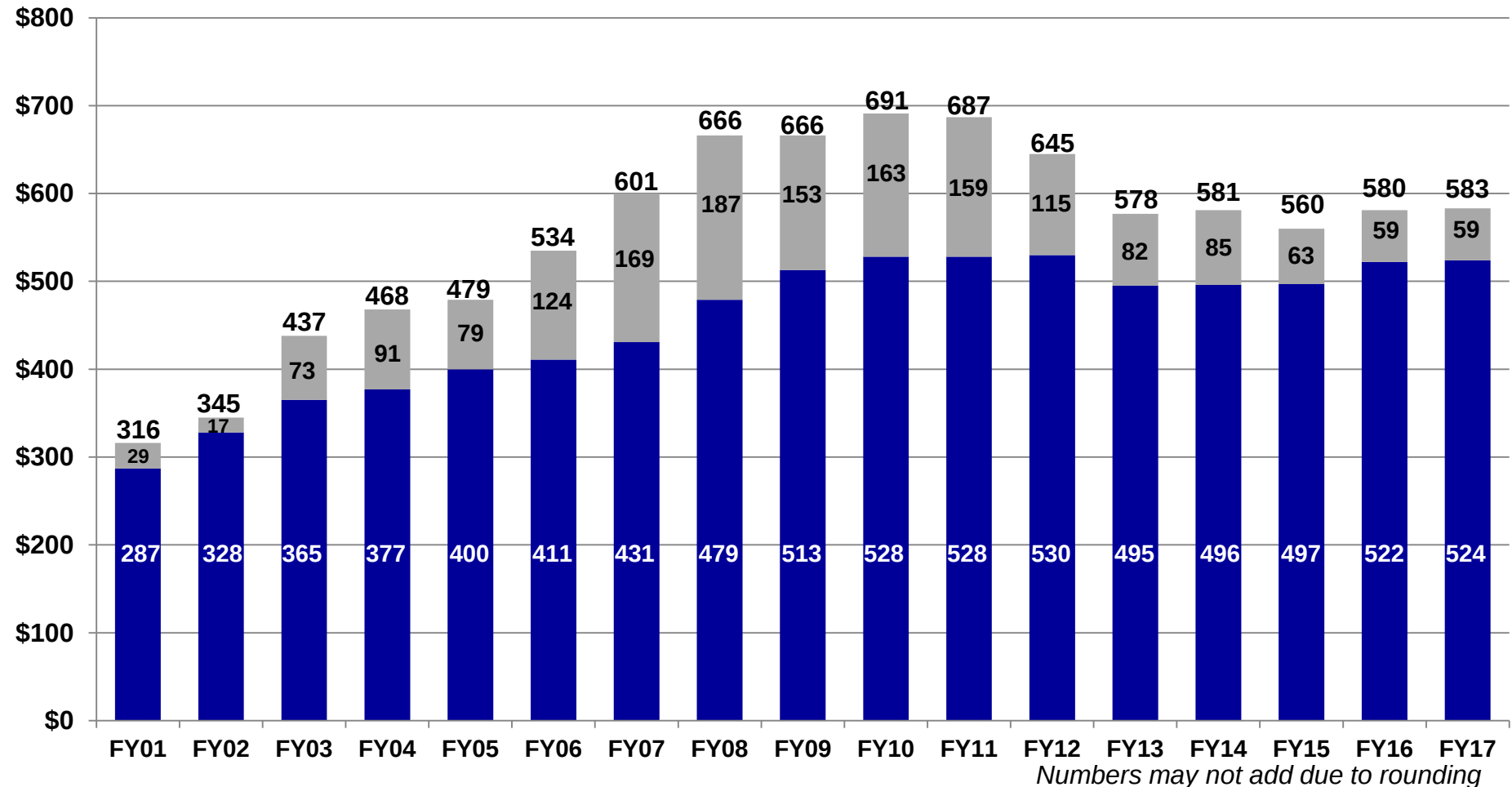
Office of the Under Secretary of Defense (Comptroller)/CFO

The FY 2017 Budget: Key Points

- Adheres to the Bipartisan Budget Act of 2015 (Dollars in Billions)
 - Base budget request \$523.9
 - Overseas Contingency Operations (OCO) budget request \$58.8
 - Total budget request \$582.7
- Funds a joint force with the capacity and capability to:
 - Defend the homeland
 - Respond to five challenges
 - o Russia
 - o China
 - o North Korea
 - o Iran
 - o Global counter-terrorism
 - Respond to aggression from two different adversaries with overlapping timelines
- DoD requires funding above the BCA levels after FY 2017 to properly support this strategy

DoD Funding from 9/11 Through FY 2017 Request

(Discretionary Budget Authority)



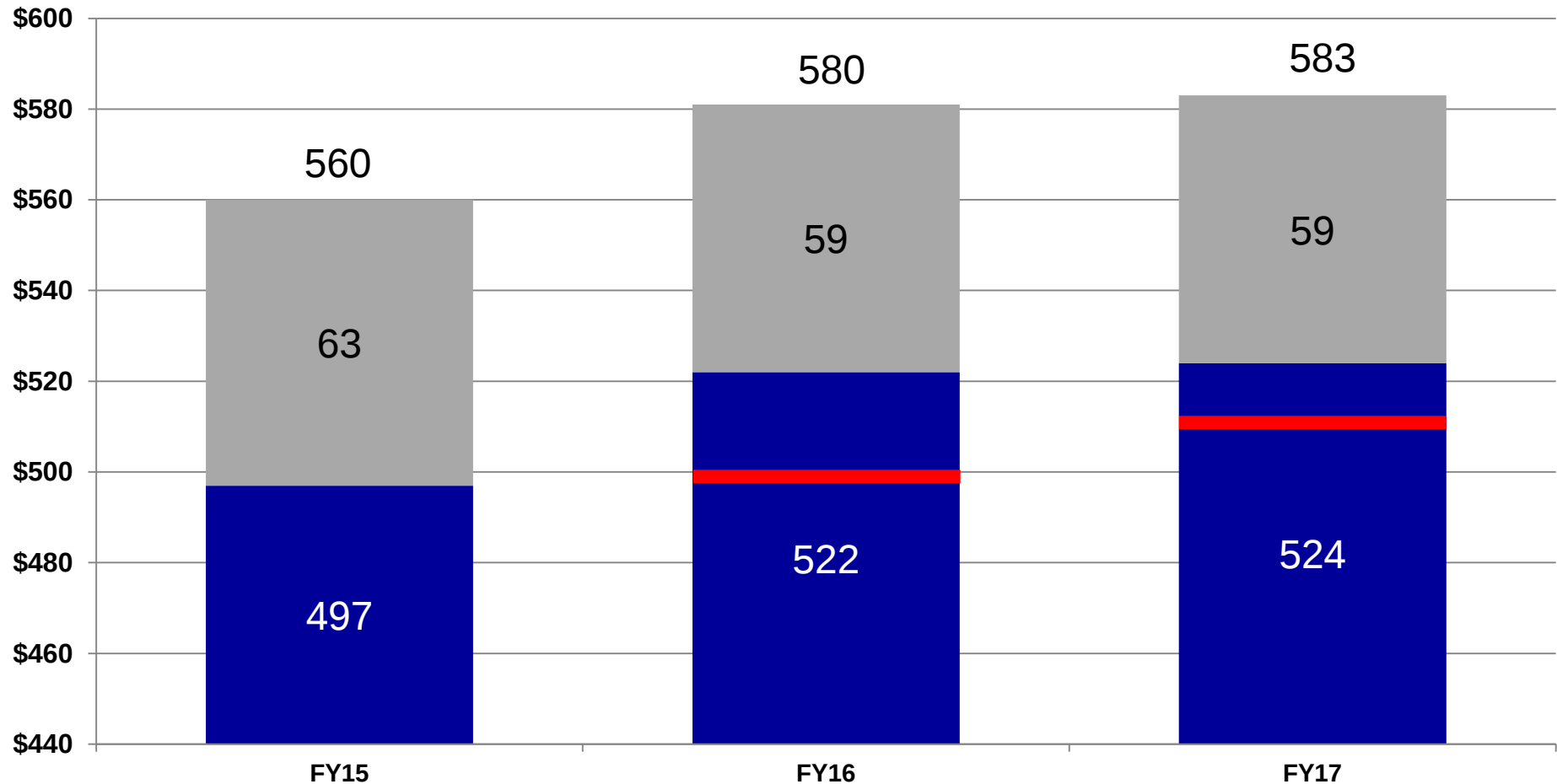
DoD Topline, FY 2001 – FY 2017

(Current Dollars in Billions)

Base Budget OCO/Other Budget

DoD Topline Under the Budget Agreement

(Discretionary Budget Authority)



Numbers may not add due to rounding

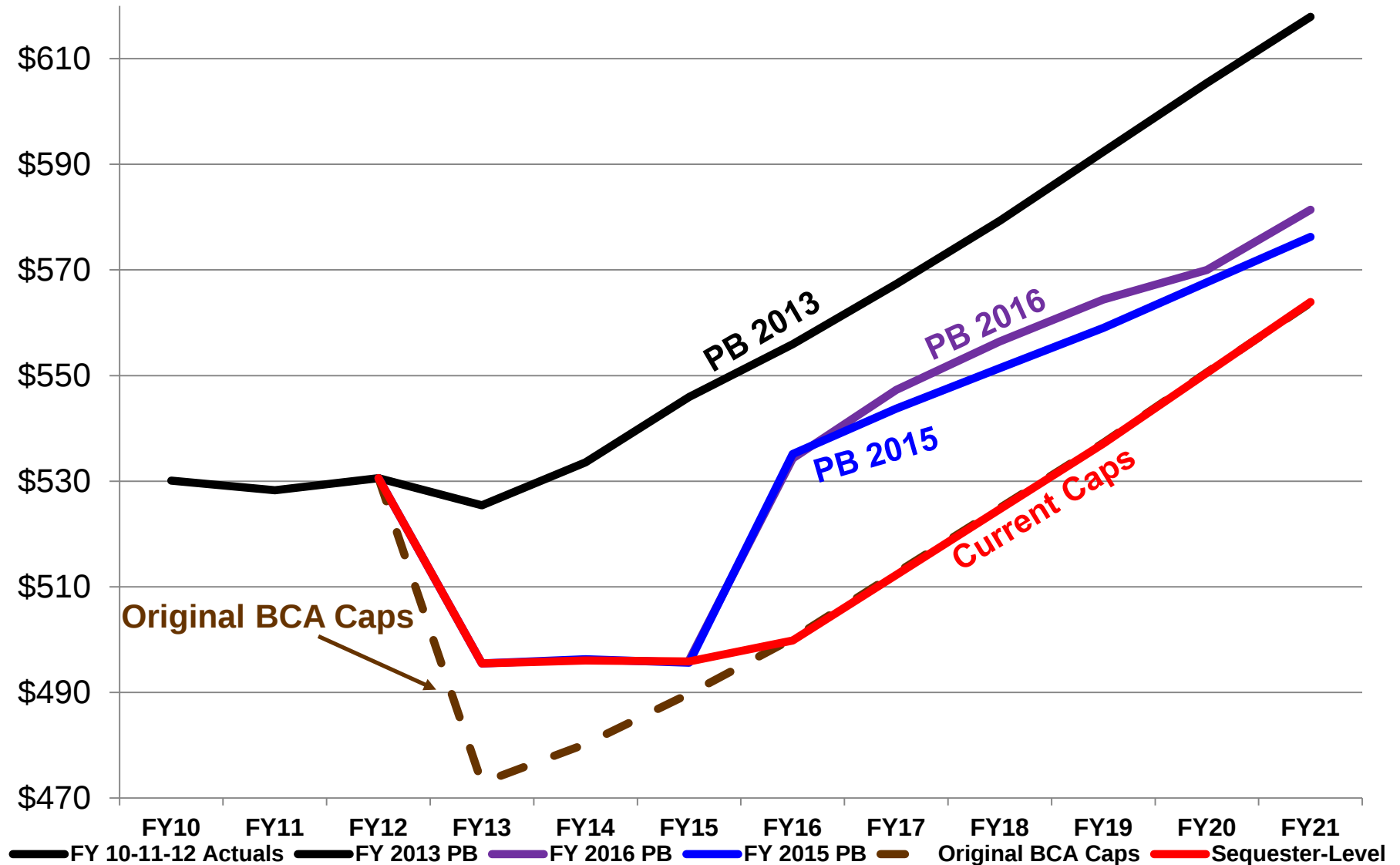
DoD Topline, FY 2015 – FY 2017

(Current Dollars in Billions)

Base Budget OCO/Other Budget Pre-BBA Caps

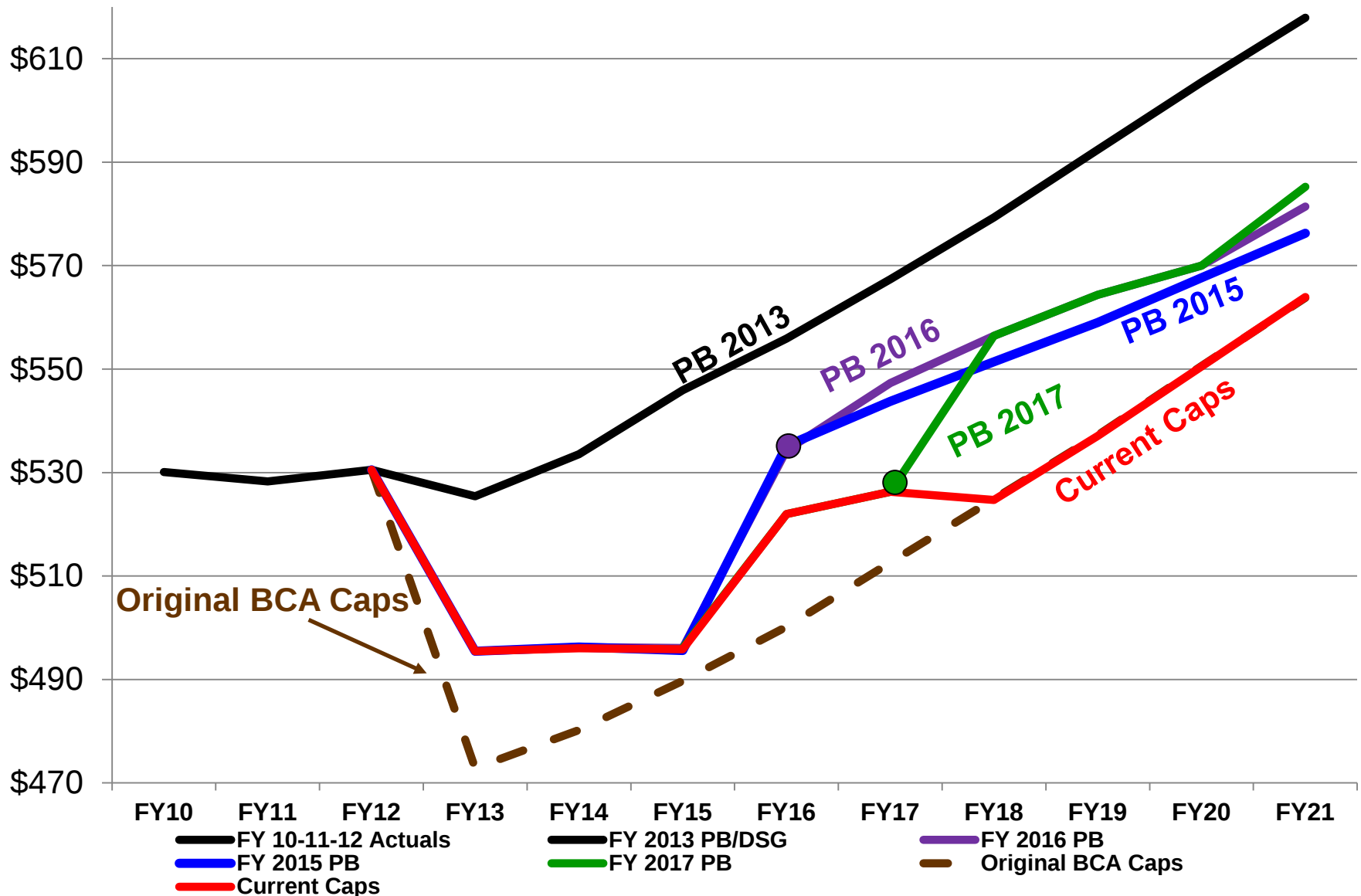
The Defense Budget picture one year ago...

(Dollars in Billions)



...and the Defense Budget picture today

(Dollars in Billions)



Secretary Carter's Priorities for This Budget

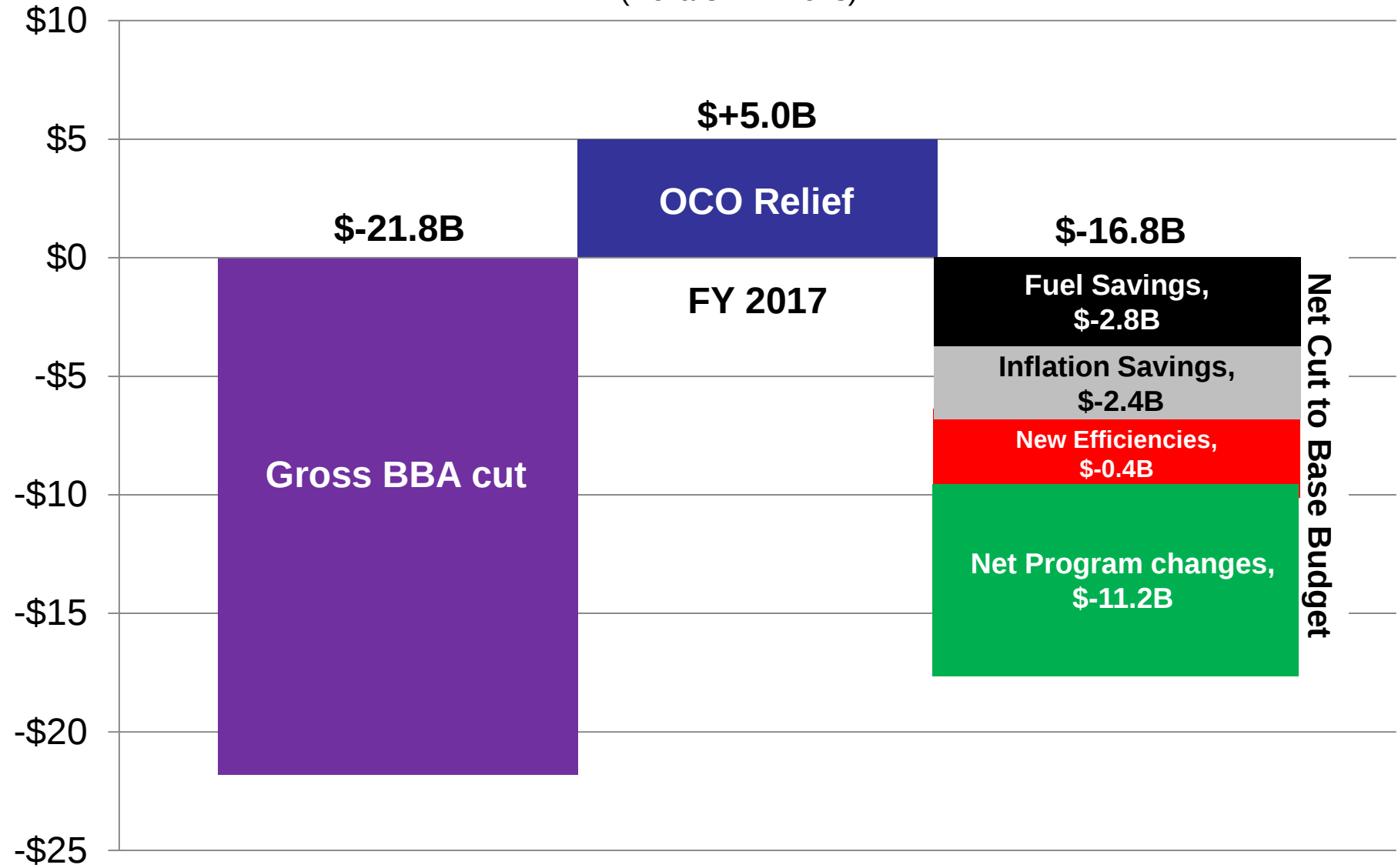
- Given the current level of budget resources (\$800B in Budget Control Act cuts), we can't reduce all risk. Instead, the Department must:
 - Prioritize conventional deterrence against our most advanced adversaries
 - Focus more on the shape than the size of the force
 - o Seek the best balance between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

“Today's security environment is dramatically different ... and it requires new ways of thinking and new ways of acting”

Secretary Carter, February 2, 2016

How we hit the lower FY 2017 topline

(Dollars in Billions)



Comparison to FY 2016 PB Plan for FY 2017

Cuts to hit the lower FY 2017 Topline

- We will procure fewer weapons systems than planned:
 - 9 AH-64 Apache helicopters (Army)
 - 24 UH-60 Blackhawk helicopters (Army)
 - 5 F-35 A Joint Strike Fighters
 - 2 V-22 aircraft (Navy)
 - 3 C-130J aircraft (Air Force)
 - 4 LCAC Service Life Extension Programs (Navy)
 - 77 Joint Light Tactical Vehicles (Marine Corps)
- Aircraft procurement accounts reduced \$4.4 billion
- Shipbuilding reduced \$1.75 billion
- Other procurement accounts reduced \$2.6 billion
- Reduce plans for new military construction projects by \$1.1 billion

Comparison to FY 2016 PB Plan for FY 2017

FY 2017 Budget Supports

- Planned force structure levels
- Service readiness recovery plans
- A safe, secure and reliable nuclear force at New START levels
- Force of the Future initiatives
- Modernization:
 - DDG modernization and SSN upgrades
 - Surface ship advanced munitions and sensor technologies
 - Investment in space capabilities
 - Hypersonic research and development
 - Cyber tools for Combatant Commanders
 - Army aviation modernization plan
 - Marine Corps vehicle modernization plan
- Key reform proposals (e.g., TRICARE)

FY 2017 Force Structure

- Force structure assessed sufficient to execute the strategy
- Major elements include:
 - 14 SSBNs, 450 ICBMs
 - 96 Operational Bombers (154 total)
 - 287-ship Navy with 11 Carriers in FY 2017
 - (Building to a 308-ship Navy)
 - 54+1 Tactical fighter squadrons
 - 990k Army Total End Strength (460k Active)
 - (30 Active BCTs in FY 2017)
 - 221k Marine Corps Total End Strength (182k Active)

FY 2017 Force Structure Sufficient to Execute Strategy

End Strengths in FY 2017 Budget and FYDP

	End Strength	
	FY 2017	End of FYDP
Maintain strength ramps for Army and Marine Corps active and reserves forces		
Active Army includes support for 30 Brigade Combat Teams (BCTs)	460,000	450,000
Army Reserve	195,000	195,000
Army National Guard includes support for 26 BCTs	<u>335,000</u>	<u>335,000</u>
Total Army End Strength	990,000	980,000
Active Marine Corps supports rotation demands of 7.6 Infantry Battalions and enablers	182,000	182,000
Marine Corps Reserve	<u>38,500</u>	<u>38,500</u>
Total Marine Corps End Strength	220,500	220,500
Retain Navy force structure		
Active Navy	322,900	323,100
Navy Reserve	<u>58,000</u>	<u>58,900</u>
Total Navy End Strength	380,900	382,000
• 308 ships Navy with 11 Carriers by FY 2021 • 14 SSBNs		
Maintain active Air Force to address high optempo and shortfalls in active fighter maintainers		
Active Air Force	317,000	317,000
Air Force Reserve	69,000	68,500
Air National Guard	<u>105,700</u>	<u>105,200</u>
Total Air Force End Strength	491,700	490,700
• 96 operational bombers • 55 combat coded fighter squadrons		
Total Active Forces End Strength	1,281,900	1,272,100
Total Reserve Forces End Strength	801,200	801,100

Major Investments in the FY 2017 Budget

(Quantities/Dollars in Billions)

	<u>FY 2017</u>	<u>FYDP</u>
• Aircraft		
F-35 Joint Strike Fighter (USAF, USMC, USN)	63/\$10.1	404/\$56.3
F/A-18 (Navy)	2/\$0.4	16/\$2.2
KC-46 Tanker Replacement (Air Force)	15/\$3.1	75/\$15.7
AH-64E Apache helicopters (Army)	52/\$1.1	275/\$5.6
MQ-9 Reaper	24/\$1.1	24/\$3.9
• Shipbuilding		
Virginia Class submarines (Navy)	2/\$5.2	9/\$29.4
DDG-51 AEGIS Destroyers (Navy)	2/\$3.4	10/\$18.3
Littoral Combat ships (Navy)	2/\$1.3	7/\$5.6
• Space		
Evolved Expendable Launch Vehicle (Air Force)	5/\$1.8	23/\$9.4
Global Positioning System (Air Force)	--/\$0.8	10/\$5.6

Requires Funding in 5-Year Plan + FY 2017 OCO

PB 2017 Focus on Technology Innovation

- Funds science and technology to further innovation (FY 2017, \$12.5 billion; FYDP, \$65.0 billion)
- Creates new connections with commercial sector
 - Establishing experimental defense innovation units
 - IN-Q-TEL
- Funds innovative “offset technologies” to bolster conventional deterrence (FYDP, \$18B). Examples:
 - Assured positioning, navigation and timing
 - Large displacement unmanned undersea vehicles
 - High speed strike weapons
 - Arsenal plane
 - Hypersonics
 - Low-cost unmanned systems
 - High-Velocity Projectiles from “powder guns”

DoD needs to accelerate delivering new capabilities

Joint Force Readiness

- PB17 funds Service efforts to enhance readiness
- Focus is on recovering full spectrum readiness to meet current demands and to ensure our Joint Force is ready for future contingencies
- Resources are not the dominant factor in readiness recovery; OPTEMPO, training, maintenance throughput, and other factors may delay readiness recovery
- Joint Force dependent on OCO funding for current operational demands and future reset requirements

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



Service Readiness

- **Army:**
 - PB 2017 supports high-end collective training exercises and home station training, resulting in 19 combat training center rotations in 2017
 - Training plan allows Army to ramp to full-spectrum training proficiency and leader development by 2021
- **Navy:**
 - Level-loaded ship maintenance requirements to ensure consistent and sustainable maritime presence
 - PB 2017 supports deployed readiness while investing in aircraft maintenance to bridge the gap between legacy and next-generation platforms
- **Marine Corps:**
 - PB 2017 sustains Marine Corps crisis response operational concept and capabilities, and supports readiness and maintenance issues of non-deployed forces
- **Air Force:**
 - PB 2017 supports balance between flying hours and weapon system sustainment to continue full-spectrum readiness gains, but relief from high operational tempo and time is needed to regain combat readiness
 - Increases training exercises and range training to achieve readiness goals
- **SOCOM:**
 - PB 2017 maintains funding for deployments and has sufficient surge capacity to support Operational Plans and contingencies
 - USSOCOM will achieve full spectrum readiness in 2020

Preserving the Health of the All Volunteer Force

- PB 2017 maintains the Health of Force through a competitive compensation package that reflects the unique demands and sacrifices of our Service Members
- Increases planned basic pay: 1.6% CY 2017 increase (largest in 4 years)
- Seeks modest modifications to the Blended Retirement System
 - Increase Force shaping ability
 - o Greater flexibility in “continuation pay”
 - o Start matching contributions later to incentivize retention
 - Ensure nearly equivalent lifetime retirement benefit
 - o Increase defined contribution matching rate
 - o Continue defined contributions matching until end of service
- Modernizes and Improves Military Healthcare System
 - Increase value (e.g., simplicity/choice/access)
 - Increase military healthcare provider readiness
 - Balanced approach to fiscal sustainability

Enhancing Our Status as a World Class Employer

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

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

Secretary Carter, Jan 28, 2016

Key Reform Proposals included in the FY 2017 Budget Request

- Continues to support some FY 2016 proposals:
 - Army aviation restructure plan
 - Navy Cruiser/LSD phased modernization program
 - Base Realignment and Closure in 2019
- Modifies some FY 2016 proposals:
 - Air Force A-10 divestiture/restructure
 - Keeps A-10s in force until replaced with F-35s
 - TRICARE reform proposal
 - Commissary savings
 - Only from business process reforms, not from reduction of benefits

Need Congressional Support

PB 2017 Continues to Support Broad Institutional Reform Agenda

- Continue to reduce management headquarters staffs and overhead
- Continue Acquisition Reform: Sustain Better Buying Power 3.0
- Review our contracts to ensure requirements still valid
- Sustain financial auditability improvements
- Sustain sexual assault prevention and response programs
- Review Goldwater-Nichols legislation and DoD organization
- Increase security of personal information used in security investigations

FY 2017 Overseas Contingency Operations (OCO)

(Dollars in Billions)

- Operation FREEDOM'S SENTINEL (Afghanistan) and Theater Posture \$41.7
 - Continues responsible transition of in-country presence
 - Includes training and equipping of Afghan security forces (\$3.4 billion)
 - Includes other theater-wide support requirements and costs
 - Includes Coalition Support (\$1.4B)
- Operation INHERENT RESOLVE (Iraq and Syria) \$7.5
 - Supports slightly increased activities
 - Includes training and equipping of Iraqi security forces and vetted moderate Syrian opposition (\$0.9 billion)
- European Reassurance Initiative \$3.4
- Counterterrorism Partnerships Fund \$1.0
- Increases counterterrorism activities in Africa \$0.2
- Base-to-OCO requirements \$5.0
 - Consistent with enacted BBA OCO level of \$58.8B
 - Supports other readiness and readiness support requirements
 - Includes preferred munitions

OCO funding crucial to trans-regional counterterrorism efforts

Summary

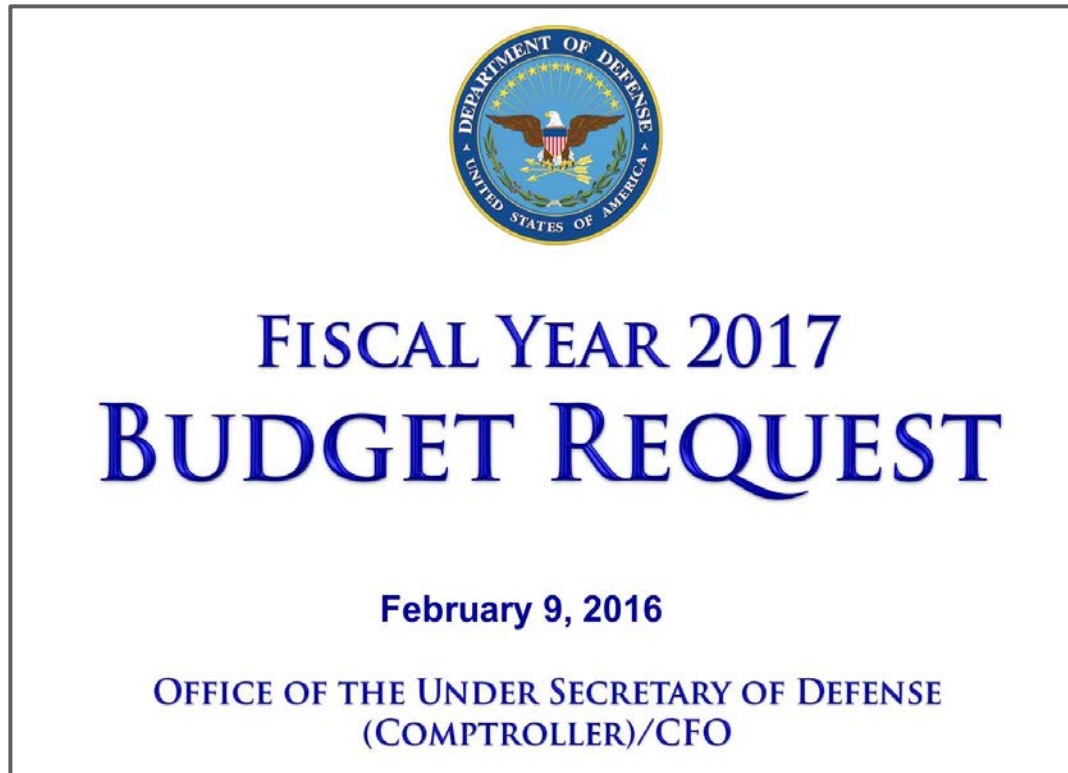
- FY 2017 funding is constrained by the Budget Agreement but reshapes the Department in order to:
 - Address current and future operational challenges
 - Retains major elements of our planned force structure
 - Invests in the future
 - Emphasizes lethality and capability over size
 - Pursues Innovative “offset” capabilities ... and processes
 - Enables Joint Force to operate across all domains including cyber
 - Maintains our commitment to our people and families
 - World-class employer that can continue to attract and retain the best talent
 - Expands opportunities to serve
- Increased, predictable funding needed to sustain this investment in the future and maintain U.S. superiority
- Full support from Congress is key to:
 - Providing the most capable, modern force
 - Eliminating excess infrastructure
 - Supporting necessary force structure adjustments
 - Removing the BCA sequester caps after FY 2017

“This budget marks a major inflection point for the Department of Defense”

Secretary Carter, Feb 2, 2016

For More Information

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



Back Up

FY 2017 President's Budget By Appropriation Title

(Discretionary Budget Authority, Dollars in Billions)

By Appropriation Title	FY 2016 Enacted			FY 2017 Request			Total Funding FY17 +/- FY16	
	Base	OCO	Total	Base	OCO	Total	\$	%
Military Personnel	135.3	3.2	138.6	135.3	3.6	138.8	+0.3	+0.2%
Operation & Maintenance	197.5	47.0	244.4	205.9	45.0	250.9	+6.5	+2.6%
Procurement	110.7	8.1	118.9	102.6	9.5	112.1	-6.8	-5.7%
RDT&E	68.8	0.2	69.0	71.4	0.4	71.8	+2.8	+4.0%
Military Construction	6.9	--	6.9	6.1	0.2	6.3	-0.6	-8.9%
Family Housing	1.3	--	1.3	1.3	--	1.3	<+0.1	+4.6%
Other	1.2	0.1	1.3	1.4	0.1	1.5	+0.2	+19.6%
TOTAL	521.7	58.6	580.3	523.9	58.8	582.7	+2.4	+0.4%
Defense Bill	513.5	58.6	572.1	516.5	58.6	575.1	+3.0	+0.5%
Military Construction Bill	8.2	--	8.2	7.4	0.2	7.6	-0.6	-6.8%

Numbers may not add due to rounding

FY 2017 President's Budget By Military Department

(Discretionary Budget Authority, Dollars in Billions)

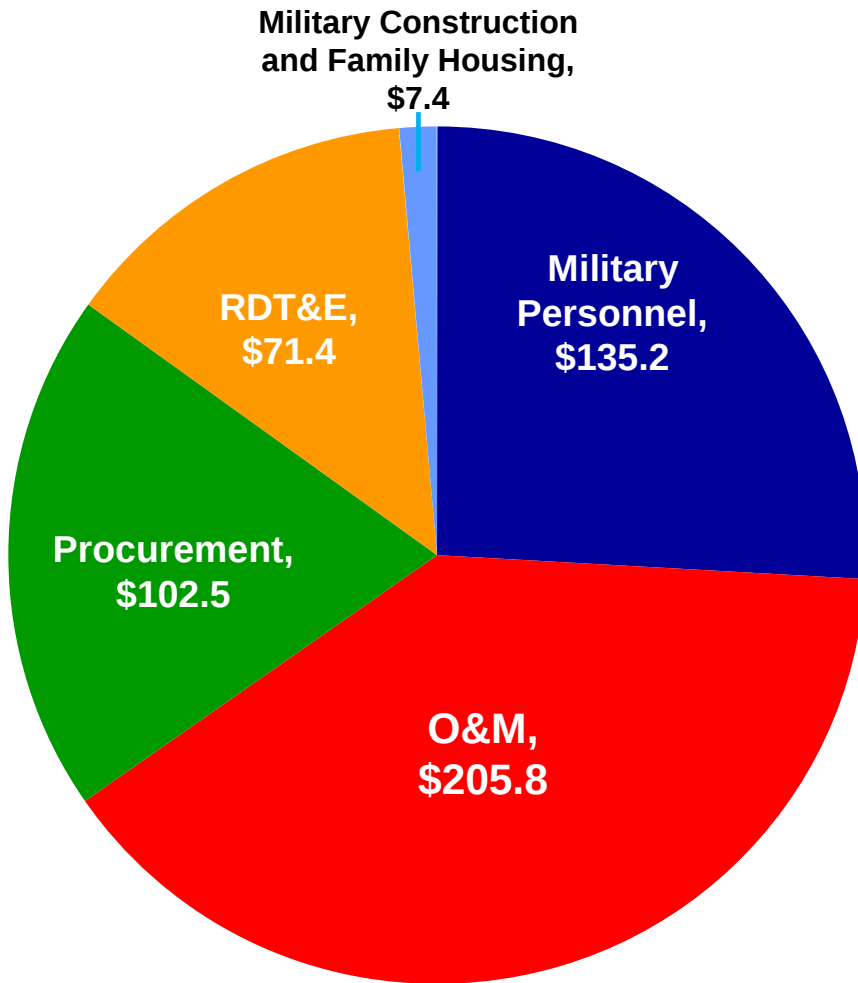
By Military Department	FY 2016 Enacted			FY 2017 Request			Total Funding FY17 +/- FY16	
	Base	OCO	Total	Base	OCO	Total	\$	%
Army	123.3	23.7	146.9	123.0	25.0	148.0	+1.1	+0.8%
Navy	159.3	9.4	168.8	155.4	9.5	164.9	-3.9	-2.3%
Air Force	145.7	16.1	161.8	151.1	15.8	166.9	+5.1	+3.1%
Defense Wide	93.4	9.4	102.8	94.5	8.5	102.9	+0.1	+0.1%
TOTAL	521.7	58.6	580.3	523.9	58.8	582.7	+2.4	+0.4%

Numbers may not add due to rounding

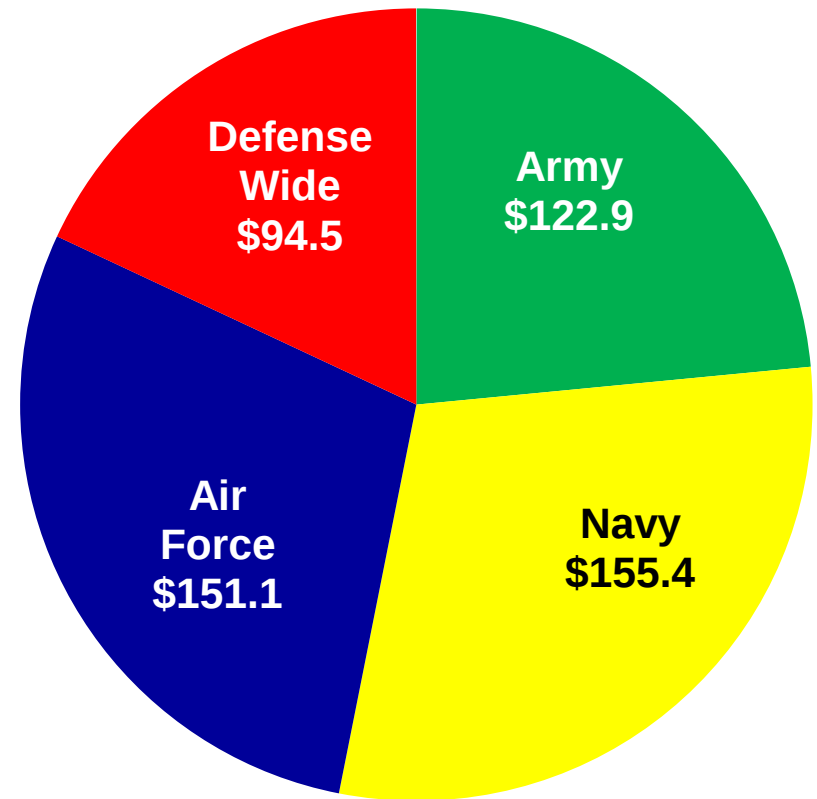
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FY 2017 Base Funding

By Appropriation Title



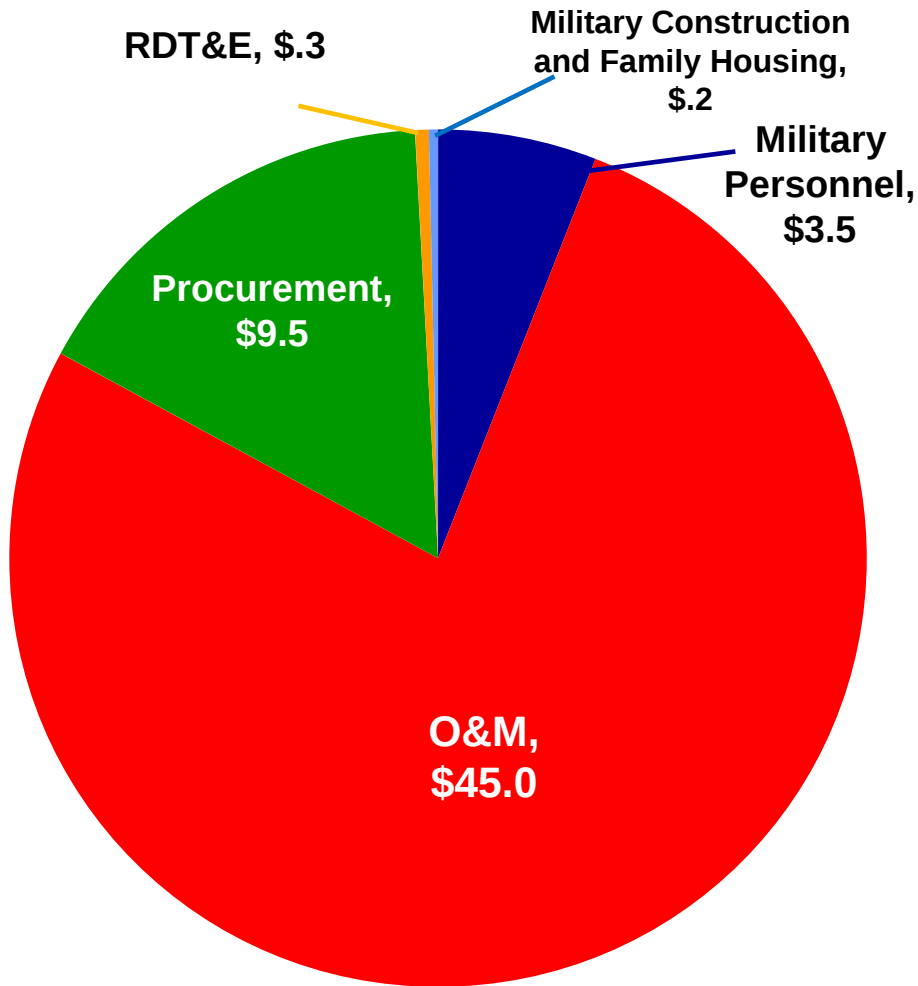
By Military Department



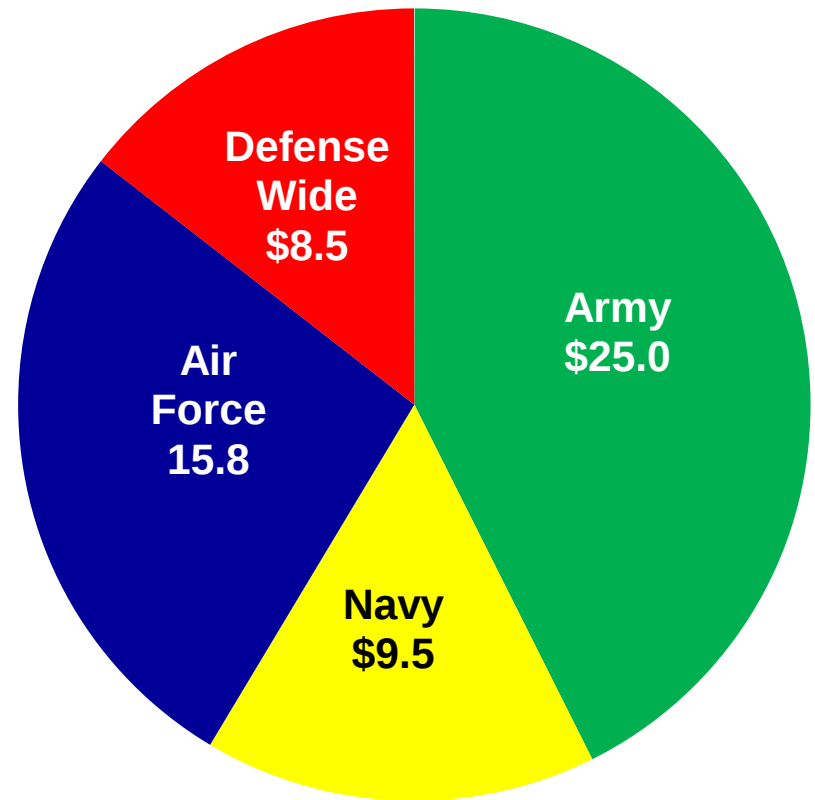
FY 2017 Request: \$523.9 billion

FY 2017 OCO Funding

By Appropriation Title



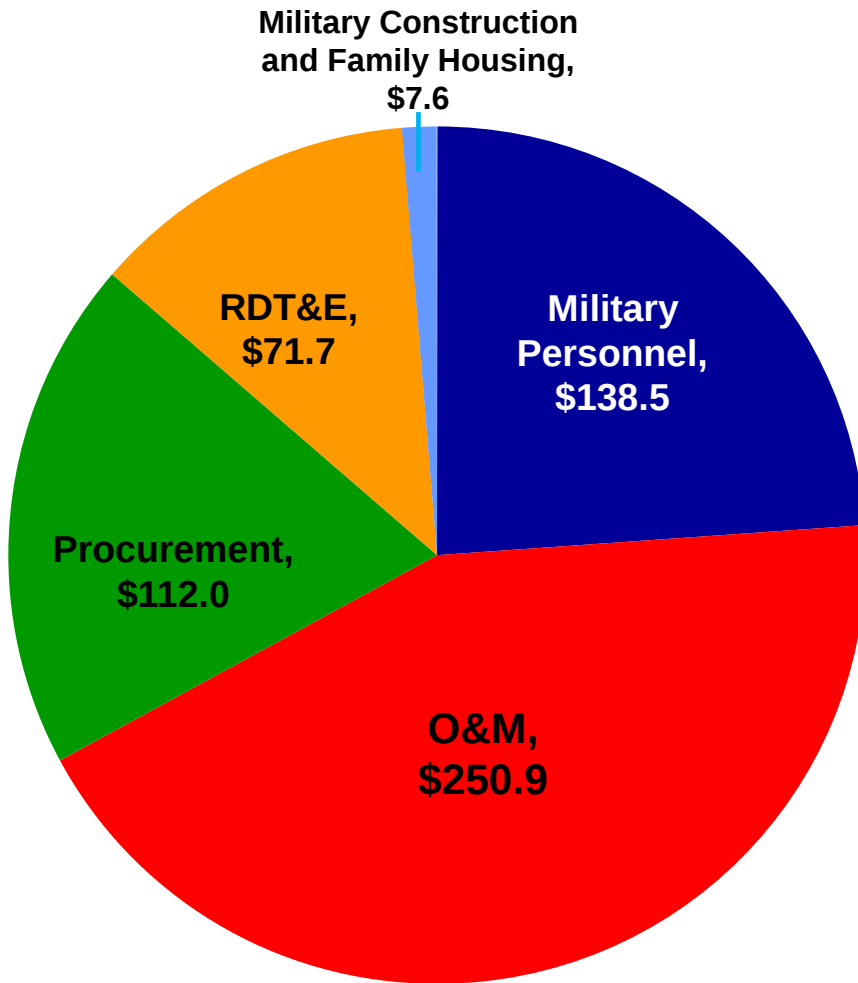
By Military Department



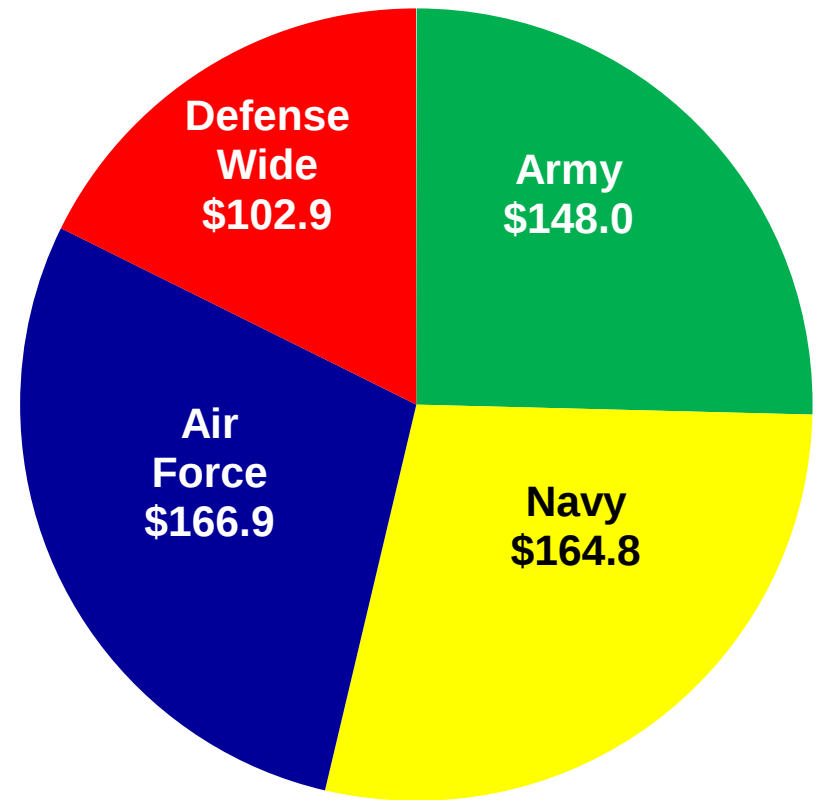
FY 2017 Request: \$58.8 billion

FY 2017 Total Base and OCO Funding

By Appropriation Title



By Military Department



FY 2017 Request: \$582.7 billion