Agenda

- Challenges
- FY 2012 Budget trends
- Key themes and priorities
- FY 2011 Continuing Resolution crisis
  - "The crisis at our doorstep"
Strategic Challenges

- U.S. Troops Remain Deployed
- WMD Proliferation
- Violent Extremists ↔ Non-State Actors
- Rising Peer Competitors
- Security of Global Commons (Piracy / Cyber)
- World-Wide Natural Disasters

An uncertain and dynamic environment that spans the Range of Military Operations
Economic Challenges

(Federal Deficit in Billions of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit (in Billions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>$236</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$459</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$1,293</td>
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<tr>
<td>FY 2011</td>
<td>$1,645</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$1,101</td>
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<tr>
<td>FY 2014</td>
<td>$645</td>
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<tr>
<td>FY 2016</td>
<td>$649</td>
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</tbody>
</table>
Total Defense Spending Declines from FY 2011 to FY 2012

(Current Dollars in Billions)

FY07  FY08  FY09  FY10  FY11  FY12

Base  Request  Non-War Supplemental  Iraq  OEF

FY07:  601  667  667  691  708  671

Real Growth: 7.8%  -1.3%  1.7%  0.7%  -6.6%

FY11-12

CR  -3.5%

Request  -6.6%
Base Budget Grows Modestly FY 2011 – FY 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
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</thead>
<tbody>
<tr>
<td>Growth</td>
<td>7.6%</td>
<td>7.6%</td>
<td>0.0%</td>
<td>1.9%</td>
<td>-0.6%</td>
<td>2.3%</td>
<td>7.9%</td>
<td>5.5%</td>
<td>0.7%</td>
<td>2.4%</td>
<td>-0.7%</td>
<td>1.0%</td>
<td>0.5%</td>
<td>0%</td>
<td>0%</td>
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</table>

*Real Growth based on the Request Amount.*

Real Growth

<table>
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<tr>
<th></th>
<th>FY11-12</th>
<th>FY11-16 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>+3.6%</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Request</td>
<td>-0.7%</td>
<td>+0.2%</td>
</tr>
</tbody>
</table>

February 9, 2011
FY 2012 Budget Themes

Themes
• Take care of people
• Focus on current war
• Modernize for possible future conflicts
• Support deployed troops

Reform Agenda
• Save $178 billion in FY 2012 – FY 2016
  – Reinvest $100 billion
  – $78 billion for topline reductions

“Budget represents a reasonable, responsible and sustainable level of funding” - Secretary Gates (1/6/2011)
Take Care of People

- Military pay raise of 1.6%
  - Matches the Employment Cost Index (ECI)
  - Civilians under a pay freeze
- Family Support Initiatives ($8.3 billion)
  - Child care and youth programs
    - Provides over 200,000 school-age children with child care
    - MyCAA and military spouse intern program
  - DoDEA Schools
    - Supporting over 100,000 students in 194 schools
    - 15 new/modernized school projects
  - Morale, welfare, and recreation
    - i.e., Provide mobile internet technology to deployed troops
  - Commissary operations
    - Over 90 million customer transactions per year
  - Warfighter services
    - Includes Yellow Ribbon Reintegration Program
Take Care of People
(Continued)

• Medical Care ($52.5 billion)
  – Defense Health Program
  – Traumatic Brain Injury & Psychological Health Care
  – Wounded, Ill and Injured Medical research
  – New hospital at Ft. Bliss

• New quality of life-related construction ($1.9 billion)
  – 41 new barracks
  – 6 new physical fitness centers
  – 4 new child development centers
  – 4 chapels
Focus on Current Wars

• Maintain combat readiness and training ($84.4 billion)
  – Shift additional funding from OCO budget to base budget

• Invest in increased intelligence, surveillance and reconnaissance capabilities (ISR) capabilities ($4.8 billion)
  – Procure additional Global Hawks (RQ-4)
    3 aircraft/$1.7 billion
  – Maximum Reaper (MQ-9) production
    48 aircraft/$1.4 billion
  – Maximum Gray Eagle (MQ-1) production
    36 aircraft/$1.0 billion
  – Accelerate unmanned maritime UAV (MQ-8)
    12 aircraft/$0.3 billion
  – Other UAVs: Shadow, Raven, STUAS
    $0.3 billion
  – Procure/sustain MC-12 aircraft
    12 aircraft/$0.3 billion

• Improved cyber capabilities ($2.3 billion)
Focus on Current Wars
(Continued)

• Chemical Biological Defense Program ($1.5 billion)
  – New vaccines/antibiotics
  – Medical counter measure initiative
  – Non-traditional agents
• Rotary aircraft recapitalization ($10.6 billion)
• Global Train and Equip funding (section 1206) ($0.5 billion)
  – Emphasis on Yemen
• Counterdrug activities ($1.2 billion)
  – Increased support for activities in Mexico
Modernize for Future Conflicts

• Restructured the Joint Strike Fighter Program ($9.4 billion)
  – Increase research and development funding
  – Deferred procurement (FY 2012 quantity: 32 aircraft)
  – STOVL on 2-year probation
• Extended F/A-18 procurement through FY 2014
  – FY 2012 F/A-18E/F (28 aircraft/$2.4 billion)
  – FY 2012 EA-18G (12 aircraft/$1.1 billion)
• Stabilized shipbuilding with a 11-ship program
  – Virginia Class submarine 2
  – DDG-51 destroyer 1
  – Littoral Combat Ship (LCS) 4
  – LPD-17 amphibious ship 1
  – Joint High Speed Vessel 2
  – MLP 1
Modernize for Future Conflicts
(Continued)

- Long Range Strike ($2.0 billion)
  - New Bomber
  - Minuteman III missile sustainment
  - Trident II Life Extension Program
- KC-X Tanker ($0.9 billion)
- Additional F-15 radar improvements ($0.2 billion)
- A new family of armored vehicles ($0.8 billion)
- Joint Light Tactical Vehicle ($0.2 billion)
- Continued development of SSBN(X) ($1.0 billion)
- Ballistic Missile Defense ($10.7 billion)
  - Phased Adaptive approach
- Defense Weather Satellite Systems (DWSS) ($0.5 billion)
- Funded 2% real growth in basic research and maintained stable funding in remainder of science and technology ($12.2 billion)
Support Our Deployed Troops

- Total FY 2012 OCO budget request: $117.8 billion
- Troop assumptions:
  - Iraq: transition from military to civilian mission; no troops after Dec 2011
  - Afghanistan: 98,250 troops on average
- Cost of operations: $79.8 billion
- Reset of damaged and destroyed equipment: $11.9 billion
- Counter IED/force protection needs: $10.1 billion
- Continue to train and equip Afghan Security Forces: $12.8 billion
- Temporary Army end strength: $1.9 billion
- Commanders Emergency Response Fund (CERP): $425 million
- Afghan Infrastructure Fund: $475 million
- Assist in Iraq transition: $524 million

Overseas Contingency Operations Fully Funded
FY 2012 Budget Themes

Themes
• Take care of people
• Focus on current war
• Modernize for possible future conflicts
• Support deployed troops

Reform Agenda
• FY 2010: Focus on weapons
• FY 2011: Focus on weapons
• FY 2012 – FY 2016: Focus on business operations
• Save $178 billion
  – Reinvest $100 billion
  – $78 billion for topline reductions
### Save and Reinvest $100 Billion

<table>
<thead>
<tr>
<th>($ Billions)</th>
<th>By Military Department</th>
<th>FY 2012</th>
<th>FY 2012 - FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>-2.7</td>
<td>-29.5</td>
<td></td>
</tr>
<tr>
<td>Navy</td>
<td>-4.3</td>
<td>-35.1</td>
<td></td>
</tr>
<tr>
<td>Air Force</td>
<td>-3.4</td>
<td>-33.3</td>
<td></td>
</tr>
<tr>
<td>SOCOM</td>
<td>-0.4</td>
<td>-2.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-10.7</strong></td>
<td><strong>-100.2</strong></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>($ Billions)</th>
<th>By Category</th>
<th>FY 2012</th>
<th>FY 2012 - FY 2016</th>
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</thead>
<tbody>
<tr>
<td>Better Business Practices</td>
<td>-3.9</td>
<td>-45.5</td>
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</tr>
<tr>
<td>Reorganizations</td>
<td>-3.5</td>
<td>-25.0</td>
<td></td>
</tr>
<tr>
<td>Program Reductions/Terminations</td>
<td>-2.6</td>
<td>-21.5</td>
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</tr>
<tr>
<td>Streamline Lower Priority Programs</td>
<td>-0.7</td>
<td>-8.2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-10.7</strong></td>
<td><strong>-100.2</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Army Savings ($29.5 billion)
- Reduce infrastructure civilian and military mangning and reduce support processes ($3.7 billion)
- Save on military construction costs by sustaining existing facilities ($1.5 billion)
- Cancel procurement of SLAMRAAM surface to air missile ($1.1 billion)
- Terminate Non-line of Sight Launch System ($3.2 billion)
- Reduce recruiting and retention incentives ($5.3 billion)

### Air Force Savings ($33.3 billion)
- Reorganizations ($4.2 billion), e.g., consolidate four operations and three numbered Air Force staffs, and streamline installation support
- Improve depot and supply chain business processes ($3.0 billion)
- Reduce/terminate programs ($3.7 billion), e.g., terminate Infrared Search and Track Program
- Reduce facility sustainment ($1.6 billion)
- Reduce cost of information technology ($1.3 billion)

### Navy Savings ($35.1 billion)
- Reduce ashore manpower, reassign personnel to operational ships and air units ($4.7 billion)
- Increase use of multiyear procurement contracts for ships and aircraft ($5.3 billion)
- Disestablish Second Fleet headquarters; staffs for submarine, patrol aircraft and destroyer squadron staffs ($1.2 billion)
- Terminate Expeditionary Fighting Vehicle ($2.8 billion)
- Reduce energy consumption ($2.3 billion)

### SOCOM ($2.3 billion)
- Terminate the Joint Multi-Mission Submersible program ($0.8 billion)
- Consolidate into single Special Operations Forces Info Technology Contract ($0.4 billion)
- Reduce programs where Service-common equipment meets requirements ($0.2 billion)
Achieving $78 Billion for Topline Reductions in FY 2012 – FY 2016

- Freeze civilian billets (limited exceptions) $13 billion
- Two-year federal civilian pay freeze $12 billion
- Healthcare reform $8 billion
- Defense Agency/OSD Staff Baseline Review $11 billion
- Disestablished Joint Forces Command/BTA $2.3 billion
- Reduce staff augmentee contracts $6 billion
- Restructure the Joint Strike Fighter program $4 billion
- Reduce the size of ground forces in FY 2015/FY 2016 $6 billion
- Decrease reports, studies, boards and commissions $1 billion
- Reduce senior leadership positions $.1 billion
- Lower economic assumptions $4 billion
- Many smaller efforts across the enterprise $11 billion
Key Take Aways

Priorities
- Take care of people
- Focus on current war
- Modernize for possible future conflicts
- Support deployed troops

Reform seeks to stretch defense dollars
- Save $100 billion and reinvest
- Save $78 billion and reduce topline

Total defense spending decreases
Base budget increases modestly

Reasonable, Responsible, Sustainable

February 9, 2011
FY 2011 Budget Crisis

• Operating under Continuing Resolution (CR) at least through March 4\textsuperscript{th}
• CR does not provide enough funds
  – Cut exercises, maintenance, people support
• CR does not provide enough flexibility
  – No new starts, no procurement rate increases
• CR results in inefficient management
  – Reopening contracts, delays, work arounds

“I want them [Congress] to deal with the crisis on my doorstep before we start arguing about the levels in FY 12” – Secretary Gates
For More Information

- For more information, visit the website for the Office of the Under Secretary of Defense (Comptroller) at
  - www.budget.mil
  - Download the Department’s *FY 2012 Budget Request*
Department of Defense Topline
FY 2001 – FY 2016
(Current Dollars in Billions)

FY 2010 – FY 2016
Base Growth
Nominal Growth 2.5%
Real Growth 0.5%

Notes:
- FY 2012 – FY 2016 reflects levels included in the President’s FY 2012 Budget Request; FY 2009 Non-War Supplemental was appropriated through the American Recovery and Reinvestment Act of 2009
- FY 2011 reflects the addition of the annualized 2011 Continuing Resolution and an adjustment to the Presidents FY2012 Budget Request


February 9, 2011
# Summary By Component

($ in Billions)

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2010</th>
<th>FY 2011 CR</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>138.8</td>
<td>136.8</td>
<td>144.9</td>
</tr>
<tr>
<td>Navy</td>
<td>155.3</td>
<td>155.6</td>
<td>161.4</td>
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<tr>
<td>Air Force</td>
<td>142.4</td>
<td>143.2</td>
<td>150.0</td>
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<tr>
<td>Defense-wide</td>
<td>91.5</td>
<td>90.5</td>
<td>96.8</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>527.9</strong></td>
<td><strong>526.1</strong></td>
<td><strong>553.1</strong></td>
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*Numbers may not add due to rounding*
Summary By Appropriation Title

(Dollars in Billions)

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<thead>
<tr>
<th>Appropriation Title</th>
<th>FY 2010</th>
<th>FY 2011 CR</th>
<th>FY 2012</th>
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</thead>
<tbody>
<tr>
<td>Military Personnel</td>
<td>$135.7</td>
<td>$135.2</td>
<td>142.8</td>
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<tr>
<td>Operation and Maintenance</td>
<td>183.9</td>
<td>184.5</td>
<td>204.4</td>
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<tr>
<td>Procurement</td>
<td>103.2</td>
<td>104.8</td>
<td>113.0</td>
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<td>RDT&amp;E</td>
<td>79.3</td>
<td>80.4</td>
<td>75.3</td>
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<td>Military Construction</td>
<td>20.5</td>
<td>15.9</td>
<td>13.1</td>
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<tr>
<td>Family Housing</td>
<td>2.3</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Revolving and Management Funds</td>
<td>3.1</td>
<td>3.1</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>527.9</strong></td>
<td><strong>526.1</strong></td>
<td><strong>553.1</strong></td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding.
FY 2012 Overseas Contingency Operations Budget Request
(Dollars in Billions)

- Continuing the Fight: $100.4B
- Force Protection: $7.5
- IED Defeat: $2.6
- Military Intelligence: $6.0
- Afghan National Security Forces: $12.8
- Afghan Infrastructure: $0.5
- Coalition Support: $2.2
- CERP: $0.4
- Temporary Army End Strength: $1.9
- Equipment Reset $11.9B
- Non-DoD Classified: $5.5B

Total: $117.8B

Numbers may not add due to rounding
## OCO Trends

<table>
<thead>
<tr>
<th></th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
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<tr>
<td>OEF</td>
<td>52</td>
<td>100</td>
<td>113</td>
<td>107</td>
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<tr>
<td>OIF</td>
<td>94</td>
<td>62</td>
<td>46</td>
<td>11</td>
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<td>Total</td>
<td>146</td>
<td>162</td>
<td>159</td>
<td>118</td>
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Numbers may not add due to rounding

OIF funding reflects withdrawal in first quarter FY 2012
OEF funding continues support of ongoing operations
## Savings Achieved by Military Departments

($ in Billions)

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2012</th>
<th>FY 2012 – FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>-2.7</td>
<td>-29.5</td>
</tr>
<tr>
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<td>Air Force</td>
<td>-3.4</td>
<td>-33.3</td>
</tr>
<tr>
<td>SOCOM</td>
<td>-0.4</td>
<td>-2.3</td>
</tr>
<tr>
<td>Total</td>
<td>-10.7</td>
<td>-100.2</td>
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*Numbers may not add due to rounding*
## Army Efficiencies

<table>
<thead>
<tr>
<th>($ in Billions)</th>
<th>FY 2012</th>
<th>FY 2012 – FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better Business Practices</td>
<td>-0.2</td>
<td>-10.3</td>
</tr>
<tr>
<td>Reorganizations</td>
<td>-0.8</td>
<td>-5.4</td>
</tr>
<tr>
<td>Program reduction/terminations</td>
<td>-1.3</td>
<td>-11.0</td>
</tr>
<tr>
<td>Reduced lower priority programs</td>
<td>-0.4</td>
<td>-2.8</td>
</tr>
<tr>
<td><strong>Army Total</strong></td>
<td><strong>-2.7</strong></td>
<td><strong>-29.5</strong></td>
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*Numbers may not add due to rounding*
# Navy Efficiencies

<table>
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<th>($ in Billions)</th>
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<th>FY 2012 – FY 2016</th>
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<tbody>
<tr>
<td>Better Business Practices</td>
<td>-1.5</td>
<td>-14.1</td>
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<td>Reorganizations</td>
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<tr>
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<td>--</td>
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<tr>
<td>Navy Total</td>
<td>-4.3</td>
<td>-35.1</td>
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Numbers may not add due to rounding
### Air Force Efficiencies

($ in Billions)

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<th></th>
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<tr>
<td>Reduced lower priority programs</td>
<td>-0.1</td>
<td>-4.8</td>
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<tr>
<td><strong>Air Force Total</strong></td>
<td><strong>-3.4</strong></td>
<td><strong>-33.3</strong></td>
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</table>

*Numbers may not add due to rounding*
## SOCOM Efficiencies

($ in Billions)

<table>
<thead>
<tr>
<th>Efficiencies</th>
<th>FY 2012</th>
<th>FY 2012 – FY 2016</th>
</tr>
</thead>
<tbody>
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<td>Better Business Practices</td>
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<tr>
<td>Reorganizations</td>
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<tr>
<td>Program reduction/terminations</td>
<td>-0.2</td>
<td>-1.3</td>
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<tr>
<td>Reduced lower priority programs</td>
<td>-0.1</td>
<td>-0.6</td>
</tr>
<tr>
<td>SOCOM Total</td>
<td>-0.4</td>
<td>-2.3</td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding
Military Healthcare Proposals

- **Efficiencies**
  - Patient Centered Medical Home staffing efficiencies
  - Consolidation of initial outfitting and transition responsibilities
  - Centralize procurement of medical equipment and devices
  - Service support contractor reductions and streamlined headquarters operations
  - Expanded use of urgent care and nurse advice line
- **Tricare Prime Enrollment Fees**
  - Modest increase in fees ($5 mo./family & $2.50 mo./individual)
  - Indexing to Medicare starting in FY 2013
- **Pharmacy co-pays**
  - Provide incentives to use generic and mail order prescriptions
- **U.S. Family Health Plan**
  - Phase out enrollment of Medicare-eligible retirees to avoid unique payments
- **Sole Community Hospitals**
  - Comply with law mandating Medicare rates
