Strategy

• 2014 QDR being submitted with budget
• 2014 QDR updates strategy, focusing on:
  – Defending homeland against all strategic threats
  – Build security globally by projecting U.S. influence and deterring aggressors
  – Project power and win decisively
• 2014 QDR embodies key elements of January 2012 defense strategy
  – Rebalance to Asia-Pacific
  – Sustaining commitments to key allies in Middle East
  – Aggressively pursue global terrorist network
  – Emphasis on key threat areas (e.g., cyber, special ops)
  – No longer size forces for large, prolonged stability operations
  – Others
Focus Only On Base Budget For Remainder Of Briefing
No FY 2015 OCO Budget Yet
PB15 DoD Base-Budget Topline

FY 2014 President's Budget (PB14)

Sequester - Level Budgets

FY14 FY15 FY16 FY17 FY18 FY19

PB14

Sequester - Level Budgets

PB15

($B)
What FY 2015 President’s Budget Seeks to Accomplish

• Seek a balanced force
  – Balance readiness, capability, and capacity

• Prepare for prolonged readiness challenges
  – Recover from sequestration
  – Meet today’s demands
  – Prepare to surge for contingencies

• Continue to focus on institutional reform
  – Headquarters reduction, others

• Pursue compensation changes

• Pursue investments in emerging military capabilities

• Reduce infrastructure
Achieve Efficiencies

• PB15 five-year efficiency savings total about $94B

• Key initiatives
  – 20% cut in headquarters operating budgets
  – Reduction in contractor funding
  – Civilian manpower restructuring
  – Health care cost savings
  – Terminating/deferring weapons programs and military construction projects
  – BRAC round in 2017 (long-term savings)
  – Better Buying Power
  – Auditable financial statements

• These are in addition to past plans that are being implemented
  – FY 2012: $150B in FY12 – FY16
  – FY 2013: $ 60B in FY13 – FY17
  – FY 2014: $ 35B in FY14 – FY18
Slow Growth in Military Compensation

• Principles we followed
  – No one’s pay and allowances are cut
  – Fully support All-Volunteer Force
    • Compensation sufficient to recruit and retain needed personnel
  – Use savings to pay for training and maintenance

• Major initiatives
  – Basic pay raise limited to 1% in FY 2015, also limits beyond
    • Exception: General Officer/Flag Officer pay frozen in FY 2015
  – Slow growth in Basic Allowance for Housing until out of pocket averages 5%
    • Eliminate renters insurance from Basic Allowance for Housing rates
  – Reduce commissary subsidy by $1 billion over three years
    • No direction to close commissaries
  – Consolidate TRICARE healthcare plans with altered deductible/co-pays
  – Resubmit previous TRICARE-For-Life and pharmacy proposals
    • But not previous TRICARE Prime fee increases
Modernization: Targeted and Streamlined

- Cyber fully funded ($5.1B)
- 34 JSF and continued RDT&E ($8B)
  - 343 in FY15 – FY19
- 7 Ships ($14.4B) including 2 subs, 2 destroyers, 3 LCS
  - 44 ships in FY15 – FY19
- 8 P-8 Aircraft ($2.1B)
  - 56 P-8s in FY15 – FY19
- Ballistic Missile Defense development ($8.5B)
- Long Range Strike Bomber ($0.9B) / Ohio replacement submarine development ($1.1B)
- Investment in Helicopters ($8.4B) / Mobility Aircraft ($2.4B for KC-46) / New Aircraft Engine
- Cancel Ground Combat Vehicle (new plan by year’s end)
- Delay Combat Rescue Helicopter
- Consider alternatives to Littoral Combat Ship (LCS) program
Gradually Restore Ready Force

O&M Grows 3.1%/yr

- Recover from sequestration impact and the past decade of high deployment
- Work to establish new readiness posture for the post-Afghanistan period
- Army: Contingency Response Force regionally aligned, forward deployed, trained for decisive action
- USMC: Crisis response, forward deployed, full spectrum combat capability, reconstitute in stride
- Navy: Operate forward, maintain global at-sea presence
- Air Force: Begin to restore full range of operations
- USSOCOM: Maintain full spectrum, global capabilities and regional expertise
- Cyber Operations: Continue to grow and train cyber mission force
## Reduce Numbers of Personnel

<table>
<thead>
<tr>
<th></th>
<th>Planned End FY 2014</th>
<th>Planned End FY 2015</th>
<th>Goals w/o Sequester End FY 2019</th>
<th>Δ% FY19/FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active end strength</td>
<td>1,345K</td>
<td>1,309K</td>
<td>1,264K</td>
<td>-6%</td>
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<tr>
<td>Guard/Reserve end strength</td>
<td>831K</td>
<td>821K</td>
<td>798K</td>
<td>-4%</td>
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<tr>
<td>Civilian full-time equivalents</td>
<td>791K</td>
<td>782K</td>
<td>751K</td>
<td>-5%</td>
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</tbody>
</table>
Selected Force Structure Changes
(Without Sequester)

• Air Force aircraft at 4,814 in FY 2019 (5,194 in FY 2014)
  – Retire A-10s
  – Retire U-2s

• Predators/Reapers levels at 55 CAPs in FY 2019

• Navy ships at 309 in FY 2019 (288 in FY 2014)
  – 11 cruisers in long-term phased modernization

• Army BCTs and aviation brigades reduced
# Goals For Forces and End Strength

<table>
<thead>
<tr>
<th></th>
<th>End FY 2014</th>
<th>Goal w/o Sequester FY 2019</th>
<th>Sequester FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army active end strength</td>
<td>510K</td>
<td>440-450K</td>
<td>420K*</td>
</tr>
<tr>
<td>Army Guard end strength</td>
<td>354K</td>
<td>335K</td>
<td>315K*</td>
</tr>
<tr>
<td>Army Reserve end strength</td>
<td>202K</td>
<td>195K</td>
<td>185K*</td>
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<tr>
<td>Marines active end strength</td>
<td>189K</td>
<td>182K</td>
<td>175K*</td>
</tr>
<tr>
<td>Carriers</td>
<td>10</td>
<td>11</td>
<td>10*</td>
</tr>
</tbody>
</table>

*Level of end strength shown in PB15 FYDP*
FY 2015 President’s Budget
(Dollars in Billions)

Base Budget

Military Construction
Family Housing $6.6

RDT&E $63.5

Procurement $90.4

Military Personnel $135.2

Operation & Maintenance $198.7

Others $1.2

Budget By Military Department

Defense Wide $89.8

Army $120.3

Air Force $137.8

Navy $147.7

Budget Request: $495.6 Billion
PB15 DoD Base-Budget Topline
(Opportunity, Growth, and Security Initiative)

FY 2014 President’s Budget (PB14)

$26B Initiative

Sequester - Level Budgets

FY14 FY15 FY16 FY17 FY18 FY19

PB14 Sequester - Level Budgets PB15
FY 2015 Opportunity, Growth, and Security Initiative

• Total $26 billion for DoD
• Readiness enhancements
  – Training adds in Army
  – Spares and logistics in Navy
  – Unit training in USMC
  – Training in Air Force
• Investment increases
  – Army Helicopters (56)
  – Navy P-8 (8), E-2D Aircraft (1)
  – USMC Light Armored Vehicle
  – Air Force F-35 (2), C-130J (10), MQ-9 Aircraft (12)
  – Science and Technology ($335M)
• Installation support increases
  – All Services increase base sustainment
  – All Services add MilCon funding
PB15 DoD Base-Budget Topline
(Effects Of Sequester-Level Budgets)

- FY 2014 President's Budget (PB14)
- $115B Cut
- Sequester - Level Budgets

Chart showing budget trends from FY14 to FY19.
Reduced Capability At Sequester-Level Budgets

Topline down $115B in FY 2015 – FY 2019

- End-strength cuts deeper than pre-sequester goals
- Carriers and wings reduced below pre-sequester goals
- Same proposed changes in military compensation
- More force cuts (e.g., KC-10, Global Hawk Block 40, Predators/Reapers)
- Less recovery in readiness (O&M up 1.9%/yr, 3.1%/yr in budget)
- Less growth in procurement
  - 326 JSF (343 in PB15 FYDP)
  - 36 Ships (44 in PB15 FYDP)
- RDT&E declines -1.3%/yr (grows 1.6% in PB15 FYDP)
- No recovery in facilities funding
Summary

• President’s Budget requests $496 billion in FY 2015, rising to $559 billion in FY 2019
  – Near term gaps in training and maintenance diminish readiness
    • Opportunity, Growth, and Security Initiative would mitigate
      – Longer term: risk due to deferred modernization and smaller U.S. force
      – PB force can fulfill strategy but with some added risk
  • Sequester-level budgets
    – Risk grows significantly
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 2015 Budget Request*
Back Up
Focus on FY 2015 Base Budget

<table>
<thead>
<tr>
<th></th>
<th>FY 2013 Enacted w/Sequester</th>
<th>FY 2014 Enacted</th>
<th>FY 2015 PB Request</th>
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<tbody>
<tr>
<td>Military Personnel</td>
<td>135.4</td>
<td>135.9</td>
<td>135.2</td>
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<tr>
<td>Operation and Maintenance</td>
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<td>Research, Development, Test</td>
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<tr>
<td>and Evaluation</td>
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<tr>
<td>Military Construction</td>
<td>8.1</td>
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<td>5.4</td>
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<tr>
<td>Family Housing</td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
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<tr>
<td>Revolving Funds</td>
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<td>1.2</td>
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<tr>
<td>Total</td>
<td>495.5</td>
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Numbers may not add due to rounding
## Shifts in Base Budget
*(Dollars in Billions)*

### BY COMPONENT FY 2014

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<th>FY 2015 PB Request</th>
<th>Δ% FY15/FY14 Req</th>
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<tr>
<td>Army</td>
<td>121.7</td>
<td>120.3</td>
<td>-1%</td>
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<tr>
<td>Navy</td>
<td>147.3</td>
<td>147.7</td>
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<tr>
<td>Air Force</td>
<td>134.7</td>
<td>137.8</td>
<td>+2%</td>
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<tr>
<td>Defense-Wide</td>
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<td>89.8</td>
<td>-3%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>496.0</strong></td>
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<td><strong>Total</strong></td>
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