





## 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 2017. 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): [www.comptroller.defense.gov](http://www.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 \$28,000 for the 2016 Fiscal Year. This includes \$12,000 in expenses and \$16,000 in DoD labor.

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## 1. FY 2017 BUDGET SUMMARY

The Fiscal Year (FY) 2017 budget submission complies with the Bipartisan Budget Act of 2015 and sustains the alignment of program priorities and resources with the 2014 Quadrennial Defense Review (QDR) and supports military operations in Afghanistan and other areas of the world to counter threats from terrorists. The updated defense strategy, as set forth in the QDR, is right for the nation, sustaining the global leadership role of the United States and providing the basis for decisions that will help bring the military into balance over the next decade and responsibly position the Department for an era of both strategic and fiscal uncertainty. The geopolitical developments of the last year have only reinforced the need to adequately resource the Department

of Defense (DoD). The Department's response to recent events, which include the Islamic State of Iraq and the Levant (ISIL) offensive into Iraq and Syria, the Russian Federation's aggressive acts and attempts to intimidate neighboring countries, China's continued anti-access military modernization programs and its island-building and sovereignty claims in international waters, as well as high-profile cyberattacks, have placed additional pressures on DoD that would be extremely difficult to resource should the Department be forced to return to sequester level funding after FY 2017.

The FY 2017 budget request is designed to protect capabilities that are most closely aligned with the defense strategy's objectives to protect the homeland, build security globally, and project power and win decisively. The budget also maintains a ready force, continues to take care of service members and their families, extends enterprise reforms that control costs, and seizes opportunities to build the future force by developing new and innovative operational concepts and dominating technological frontiers including undersea, cyber, space, electronic warfare, and other advanced capabilities. In developing the FY 2017 budget and planning for future years, the Department supports progress toward achieving and maintaining full-spectrum combat readiness by all four Military Departments.

It is important to note that the FY 2017 budget request and the enacted FY 2016 budget come after several years of declining defense budgets. This defense drawdown, which began with the FY 2010 budget, was the fifth major defense drawdown since the end of World War II (WWII), following those after WWII and the Korean War, the Vietnam War, and the Cold War. While this decline largely reflects a significant drawdown of U.S. presence in Iraq and Afghanistan, it occurred in a period of considerable instability and was driven to a substantial extent by the restrictions of the Budget Control Act (BCA) of 2011 rather than by strategic considerations.

With continuing fiscal and strategic uncertainty, the FY 2017 budget request reflects the Department's responsible choices to develop a coherent defense program with the proper balance between capacity, capabilities, and current and future readiness. The FY 2017 funding levels will allow the military to protect and advance U.S. interests and execute the updated defense strategy — but with somewhat increased levels of risk for some missions. The Department will continue to experience gaps in training and maintenance over the near term and will have a reduced margin of error in dealing with risks of uncertainty in a dynamic and shifting security environment over the long term. As a global leader, the United States requires a robust national defense strategy to protect and advance its interests, and ensure the security

Key Themes
<ul style="list-style-type: none"><li>• Seek a Balanced Force</li><li>• Manage Enduring Readiness Challenges</li><li>• Accelerate the Pace of Defense Reform</li><li>• Pursue Investments in Military Capabilities</li><li>• Take Care of Our People</li><li>• Support Overseas Contingency Operations</li></ul>



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of its allies and partners, with a military that can implement that strategy effectively. This goal can only be achieved by the package of balanced reforms and initiatives that the Department is presenting to Congress and will require partnership between Congress and DoD to make politically difficult choices. Most importantly, the specter of sequestration needs to be eliminated. The nation's defense strategy cannot be executed at sequester-levels of funding.

For FY 2017, the Department is requesting a total of \$582.7 billion, which is \$2.4 billion (about 0.4 percent) more than the FY 2016 enacted level of \$580.3 billion, to finance base and overseas contingency operations. The FY 2017 base budget provides \$523.9 billion, an increase of \$2.2 billion from the FY 2016 enacted budget of \$521.7 billion, and is consistent with the Bipartisan Budget Act of 2015. It reflects Administration-wide efforts to make tough program choices. This budget adjusts programs that support joint force technological superiority, stabilizes total ground force end strength, funds important reforms of health care, retirement, and family programs, focuses on building the force of the future, and continues to make better use of defense resources through acquisition reform, management reform, and reducing lower priority programs to comply with the Bipartisan Budget Act.

The Department is also requesting that the Congress provide the authority that would permit the Department to conduct another round of Base Realignments and Closure to reduce unneeded facilities and repurpose scarce defense resources from maintaining this unneeded infrastructure to higher national security priorities.

The FY 2017 Overseas Contingency Operations (OCO) budget is \$58.8 billion. This request will enable the Department to maintain a U.S. presence in Afghanistan consistent with the President's drawdown plan, sustain personnel forward deployed to the Middle East to conduct a range of operations alongside a robust international coalition to degrade and defeat the Islamic State of Iraq and the Levant (ISIL), build the capacity of the Iraqi and Syrian opposition forces to counter ISIL in Iraq and Syria; support partner nations in counterterrorism efforts; and enhance the U.S. presence in Eastern Europe to assure allies and deter aggressive actors in the region.

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

<i>\$ in billions</i>	<b>FY 2015 Actual</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 Request</b>	<b>FY16 – FY17 Change</b>
Base	497.3	521.7	523.9	+2.2
OCO	63.1	58.6	58.8	+0.2
Total	560.4	580.3	582.7	+2.4

*Discretionary budget authority*

*Numbers may not add due to rounding*

The overall themes developed in this overview are explained in the following chapters:

- Seek a Balanced Force (Chapter 2)
- Manage Enduring Readiness Challenges (Chapter 3)
- Accelerate the Pace of Defense Reform (Chapter 4)
- Pursue Investments in Military Capabilities (Chapter 5)
- Take Care of Our People (Chapter 6)

In addition, Chapter 7 summarizes the FY 2017 request to support Overseas Contingency Operations, Chapter 8 provides views of each of the Department's Military Services, and Chapter 9 provides performance improvement information.

### SEEK A BALANCED FORCE

For much of the past decade, the DoD focused on fighting terrorism and countering violent insurgencies. The Department will continue the fight as long as these threats exist. But the security environment is rapidly changing as warfare evolves across all domains. The defense strategy outlined in the 2014 QDR and supported in this budget focuses on a Joint Force with the ability to simultaneously protect the homeland; provide a global presence in support of U.S. interests; and project power against a range of adversaries and challenges across the spectrum of conflict.

The FY 2017 budget request is consistent with the FY 2016 budget request in planning to adjust the size of the force over the next several years to a level of 980,000 soldiers, 308 ships, 182,000 active-duty Marines, and 55 Air Force tactical fighter squadrons. The budget continues to make informed choices to achieve a modern, ready, and balanced force to meet the full range of potential military missions. The restructured force will sustain its technological edge, be capable of deterring and, if necessary, defeating aggression, and improve its readiness to accomplish key missions.

This budget will protect basic and applied research to ensure the United States maintains its technological edge. The Administration emphasizes a strong national investment in research and development, emphasizing science and technology that is vital to our future competitive advantage.

### MANAGE ENDURING READINESS CHALLENGES

The 2014 QDR highlights the importance of and commitment to maintaining ready and capable forces. Readiness investments in equipment maintenance, exercises, and training technologies are necessary complements to investments in military capabilities. Today U.S. forces are postured globally, conducting counterterrorism, stability, and deterrence operations, maintaining a stabilizing presence, conducting bilateral and multilateral training to enhance U.S. security relationships, and providing the crisis response capabilities required to protect U.S. interests. This budget supports the Military Departments' continued reemphasis on full-spectrum readiness that began with the FY 2014 budget. The investments made in full-spectrum readiness will yield a smaller but more ready force, prepared to achieve its missions anywhere at any time required.

### ACCELERATE THE PACE OF DEFENSE REFORM

The Department is seizing opportunities to redirect resources by reducing management headquarters and overhead, attracting the best talent, emphasizing technological superiority in acquisitions to achieve dominant capabilities, restructuring weapons programs, and consolidating infrastructure.

The Department has learned from prior drawdowns that it is impossible to generate all the needed savings just through efficiencies. The Department prioritizes by focusing on key missions relevant to the future security environment. The Department also has learned that excess, unneeded facilities and infrastructure must be eliminated. The Department is wasting scarce defense resources on maintaining facilities that far exceed DoD's needs. The Congress must provide the Department with the authority to pursue another Base Realignment and Closure round beginning in FY 2019. As the Department draws down to a smaller, more capable, agile force, it must eliminate all areas of waste to include maintaining unneeded facilities.

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This budget continues and expands the reform agenda advanced in the previous five budgets, with ever-increasing emphasis on enhancing how DoD does business. The Department must continue to reduce the “cost of doing business” to maximize the availability of its constrained resources for the optimum balance of force structure capacity and technological capabilities. This includes divesting lower priority or excess force structure and excess infrastructure as well as compensation changes.

### **PURSUE INVESTMENTS IN MILITARY CAPABILITIES**

In support of the defense strategy, the FY 2017 President’s Budget emphasizes the capabilities needed to modernize the force for a wide range of missions, including the ability to project power against advanced adversaries. The Department’s investments in technologically advanced weaponry are designed to yield a military force that achieves the nation’s security objectives and ensure that the United States remains a technologically superior global force to promote peace and security. In addition, the Defense Innovation Initiative (DII) is a Department-wide effort to identify and invest in unique ways to advance U.S. military superiority for the 21<sup>st</sup> century, including investments in: 1) a long-range research and development program designed to identify new technologies and their uses; 2) innovative leadership; 3) war-gaming; 4) operational concepts; and 5) innovative business practices.

The FY 2017 budget request continues to give prominence to the improved lethality, survivability, sustainability, and affordability of the next generation of weapons systems and military equipment. The budget also protects key capability areas in support of DoD’s strategy, including nuclear deterrence; space-based systems; power projection; missile defense; cyber defense; intelligence, surveillance, and reconnaissance; and counter terrorism and special operations.

### **TAKE CARE OF OUR PEOPLE**

America asks much of its All-Volunteer Force (AVF) and the civilians who support that force. The Department of Defense (DoD) must preserve the quality of its most prized asset, the AVF, which is comprised of high quality, educated, motivated personnel who are committed to excellence in defense of the Nation. Therefore, this budget keeps faith with the men and women in uniform and their families, because the volunteer force is central to a strong future military.

Personnel costs, including military pay and allowances, military health care, civilian pay, and family support, encompass nearly half of the Department’s budget. The FY 2017 budget request continues to take care of DoD’s people and their families while addressing costs in a responsible manner. The Department provides a strong package of pay and benefits that is balanced with readiness, capacity, and the capabilities needed to execute the national defense strategy. In fact, military pay and benefits continue to increase on a per-capita basis. Given the sharp growth in military compensation, such as medical costs that have more than doubled since 2001, the Department is taking steps again in the FY 2017 budget request to maintain balance in the rate of growth in military pay and health care costs. The Department is also implementing new reforms in military retirement, child care policies, and maternity and paternity leave to adapt our policies to meet the needs of today’s service members as well as the force of the future.

### **SUPPORT OVERSEAS CONTINGENCY OPERATIONS**

The FY 2017 President’s budget includes \$58.8 billion for overseas contingency operations (OCO) including Operation FREEDOM’S SENTINEL (OFS) in Afghanistan, Operation

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INHERENT RESOLVE (OIR) in Iraq and the Levant, increasing efforts to support European allies and deter aggression, and supporting a partnership-focused approach to counterterrorism.

### FY 2017 – FY 2021 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
Base	527.9	528.2	530.4	495.5	496.3	497.3	521.7	523.9
OCO	162.4	158.8	115.1	82.0	84.9	63.0	58.6	58.8
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>582.7</b>

\*Other non-war supplemental funding

Numbers may not add due to rounding

Figure 1-3 presents the proposed FY 2017 – FY 2021 DoD base budget topline for this year's President's budget, as compared to last year's FY 2016 President's budget.

**Figure 1-3. DoD Proposed Outyear Topline for the Base Budget**

Current \$ in Billions	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY17-FY21 TOTAL
FY 2016 PB	547.3	556.4	564.4	570.0	581.4	2,819.5
Change	-23.4	0.3	0.5	0.4	3.8	-18.5
FY 2017 PB	523.9	556.7	564.8	570.4	585.2	2,801.1
<b>CORRECTION: (2-9-2016)</b>						
<b>FY17 PB % Real Change</b>	<b>-1.1%</b>	<b>+4.2%</b>	<b>-0.5%</b>	<b>-1.0%</b>	<b>+0.5%</b>	<b>+0.4%</b>

\*Average annual real growth of the FY 2017 President's Budget for FY 2017-FY 2021.

Numbers may not add due to rounding.

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## 2. SEEK A BALANCED FORCE

This chapter provides an overview of how the FY 2017 budget request supports the defense strategy through its investments to balance modernization, force structure, and readiness for the current and future Joint Force in the face of a dynamically evolving security environment.

### Seek a Balanced Force

- Security and Fiscal Environments
- The Defense Strategy
- Balance the Joint Force
- Supporting Personnel

### SECURITY AND FISCAL ENVIRONMENTS

The United States continues to face a rapidly changing security environment, as warfare evolves across all domains. The Department must maintain ready forces with superior capabilities to deter potential adversaries and defeat attacks across the full spectrum of conflict and address a wide range of security challenges. The nation faces emerging challenges in particular from Russia and China, who continue to develop military systems and doctrine that could erode traditional U.S. military advantages in specific areas, as well as continuing challenges and threats from potential regional aggression posed by Iran and North Korea. The nation will also continue to confront terrorists around the globe, most immediately in Iraq and Syria as part of operations to counter the Islamic State in Iraq and the Levant (ISIL). Thus, the Department's strategic approach to resourcing and developing the Joint Force must be to ensure its ability to deter aggression posed by these priority threats while continuing to prosecute counter-terrorism operations. The Department's budget must enable the Joint Force to fight and win today while simultaneously prioritizing and protecting its capability and readiness to ensure the United States can fight and win in possible future conflicts.

However, the Department is still recovering from years of fiscal reductions and instability. The Bipartisan Budget Act of 2015 provided the Department with an FY 2016 base budget that grew by \$26 billion, the largest increase during this Administration, and also provided some funding stability for FY 2017, although in both cases the Department received fewer resources than required. As a result of this agreement, the Department can make key investments to address priority threats. However, unless Congress acts, annual sequestration cuts are set to return after FY 2017. To protect the nation's security interests within the constraints imposed by the national imperative to reduce the deficit, and to maintain the U.S. military's competitive advantages in facing future threats, the FY 2017 budget request proposes a Defense base budget of \$523.9 billion. The base budget request is approximately \$2.2 billion above the Department's FY 2016 enacted appropriations.

### THE DEFENSE STRATEGY

The defense strategy, as outlined in the 2014 Quadrennial Defense Review, explains that the nation demands that the Joint Force have the ability to simultaneously protect the homeland; provide a global presence in support of U.S. interests, particularly to assure allies and deter aggression in the Asia-Pacific, European, and Middle East regions; and project power against a range of adversaries and challenges across the spectrum of conflict. The Department's force planning and programming must address both the near-term and long-term priorities derived from these Departmental objectives. To underwrite this ability in the Joint Force, the Department's budget must prioritize capability investments and recovery of the force's readiness while controlling internal cost growth that threatens to erode combat power. It must also develop and maintain a posture of CONUS-based and forward forces that prioritizes deterrence, surge for responsiveness to crises, and the ability to prevail in conflict. Finally, the Department



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must prioritize investments in and preparation for emerging 21<sup>st</sup> century threats, including those related to the space and cyberspace, the nuclear enterprise, and power projection in highly contested environments. This focus means sustaining robust investments in science, technology, research, and development in areas most critical to future conflict, including where there is the greatest potential for game-changing advances. It also requires reforms to headquarters, for structure, health care, and infrastructure so that the needed investment in priorities is possible.

### BALANCE THE JOINT FORCE

The Department must balance the Joint Force and adapt to changes in the security environment. The Secretary of Defense has directed the Department to prioritize the challenges presented by ongoing or possible future aggression from China, Russia, Iran, and North Korea, as well as maintaining the capabilities to conduct ongoing counter-terrorism operations. These five challenges are informative to balancing the Joint Force.

**Balancing for broad spectrum of conflict.** Future conflicts could range from hybrid contingencies against state or non-state actors to high-end conflicts against states armed with weapons of mass destruction and/or advanced anti-access and area-denial capabilities. To address this diverse range of challenges, the U.S. military will continue to invest in a broad range of capabilities to support the full spectrum of possible operations. While preserving hard-won expertise in counterinsurgency and stability operations, the Joint Force must also be prepared to battle sophisticated adversaries employing advanced warfighting capabilities, especially space and cyber. The Department will sustain robust investments in science, technology, research, and development in areas most critical to meeting future challenges or where there is greatest potential for game-changing advances.

**Balancing presence and sustaining posture abroad to protect U.S. national security interests.** In meeting the defense priorities of the nation, the Department will continue to ensure the right balance is achieved to sustain a global posture that deters aggression and safeguards the nation's allies. The Department will continue its contributions to the Asia-Pacific rebalance, while remaining committed to the security of allies and partners in the Middle East. The Department will continue to work with allies and partners in Europe to promote regional security, Euro-Atlantic integration, enhanced military capability, and enhanced interoperability. Across the globe, DoD will ensure that the Joint Force is properly manned, trained, and equipped in the event of a crisis.

**Balancing capability, capacity, and readiness within the Joint Force.** The Department's greatest responsibility is to win the nation's wars. The Department will continue to invest in the most capable, ready, and efficient force that can project power globally for full-spectrum operations against a range of threats. The FY 2017 budget request supports this aim in the following ways:

- Sustaining a world-class Army capable of conducting the full range of operations on land, including prompt and sustained land combat, by maintaining a force structure that it can train, equip, and keep ready. The Department will maintain a balance of capability, capacity, and readiness across the Army's total force, including the Active, Guard, and Reserve components. The active component of the Army is reducing its planned post-war end strength from 490,000 to 450,000 personnel by the end of FY 2018. The Army National Guard and the Army Reserve are reducing their planned force structure to 335,000 and 195,000 soldiers, respectively, by the end of FY 2017. The Army continues to move toward stabilizing its total force at 980,000.

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- Providing stability in Navy shipbuilding while buttressing aviation and weapons to address emerging challenges. The FY 2017 budget request supports the construction funding for 38 ships across the FYDP and supports steady production of destroyers and submarines; ten destroyers and nine submarines are constructed through FY 2021 to support a fleet size of 308 ships. The FYDP shipbuilding construction program includes funding for the Ohio Replacement Program Advanced Procurement beginning in FY 2017; one LHA amphibious assault ship replacement; four T-AO(X) fleet oilers, and continued funding for the refueling and overhaul of the USS GEORGE WASHINGTON (CVN 73). The FY 2017 budget request also funds two littoral combat ships (LCS) and continues to finance the detailed design and construction of the second Ford Class carrier and provides for the procurement of carrier-based aircraft to address a looming strike-fighter shortage in the 2020s, and it bolsters funding for some of the Navy's most capable weapons to provide a powerful deterrent to potential aggressors.
- Resourcing the Marine Corps to be a force-in-readiness, immediately deployable to respond to crises and support contingencies. This budget provides a Marine Corps with a 182,000 active duty end strength, and capable of expeditionary operations across all warfighting functions. The Marine Corps is actively modernizing and preparing for future challenges, as demonstrated by its Joint Strike Fighter program achieving initial operating capability this year, and is increasing this momentum with new technologies to enable its mission set.
- Maintaining an Air Force with global power projection capabilities and modernizing next generation Air Force combat equipment — to include fighters, bombers, and munitions — particularly against increasingly sophisticated air defense systems, while sustaining the health of the combat fleet. To make resources available for these programs and preserve investments in critical capabilities, the Air Force will reduce capacity in some single-role aviation platforms by the end of the FYDP.
- Achieving the right balance and integrated approach to warfighting readiness between the Active Component (AC) and the Reserve Component (RC), which is critical to the Department's overall efforts to size and shape the future Joint Force.

As the Joint Force maintains this critical balance to remain modern, capable, and ready — while reducing end strength — the Department is taking the following steps in the President's Budget submission to develop and protect key capability areas, including:

- Air/Sea: increasing the Joint Force's ability to counter advanced anti-access and area-denial capabilities by continuing to invest in fifth-generation fighters and long-range strike aircraft and munitions, survivable persistent surveillance, resilient architectures, and undersea warfare capabilities;
- Nuclear Deterrence: continuing to invest in modernizing the triad's essential nuclear delivery systems, to include the Ohio Class Submarine, command and control, and, in collaboration with the Department of Energy, nuclear weapons and supporting infrastructure;
- Space: moving toward more resilient systems and system architectures, and pursuing a multi-layered approach to deter attacks on space systems;
- Missile Defense: making targeted investments in defensive interceptors, discrimination capabilities, and sensors;

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- Cyber: continuing to invest in new and expanded cyber capabilities and forces to operate and defend DoD's networks; enhance DoD's ability to conduct cyberspace operations; support military operations worldwide; and counter cyber-attacks against the United States;
- Precision Strike: procuring advanced air-to-surface weapons that will allow fighters and bombers to engage a wide range of targets, and a long-range anti-ship cruise missile that will improve the ability of U.S. aircraft to engage surface combatants in defended airspace;
- Intelligence, Surveillance, and Reconnaissance (ISR): continuing to invest in systems that are effective in highly contested environments, while sustaining capabilities appropriate for more permissive environments, in order to support global situational awareness, counter-terrorism operations, and other Combatant Command needs; and,
- Counter-Terror and Special Operations: improving the nation's ability to counter terrorist activity by maintaining current SOF end-strength and improving the efficacy of counter-terrorism operations. This requires the Department to budget and plan to sustain persistent, networked, distributed operations to defeat trans-regional terrorist networks, counter other emerging transnational threats, counter weapons of mass destruction, build the capacity of U.S. partners, and support conventional operations.

The Department also recognizes that the size of the force or the level of funding and investments alone cannot entirely reduce the risks the nation faces. The Department must also continue to evolve its thinking on its warfighting concepts and planning, toward developing a more diverse, adaptive, and less costly playbook of options for how the Joint Force should operate in the emerging security environment.

In addition to balancing Joint Force capability, capacity, and readiness, this budget supports the Department's continued efforts to rebalance internally, to prioritize resourcing for warfighting. This includes reducing the Department's major headquarters' operating budgets across the Department and reducing major headquarters staff by 25 percent in the Office of the Secretary of Defense and the Defense Agencies.

The DoD will remain committed to increasing productivity in defense acquisition. The Better Buying Power initiative seeks to achieve affordable programs by incentivizing productivity and innovation in industry and government, eliminating unproductive processes and bureaucracy, promoting effective competition, improving tradecraft in contracted acquisition of services, and improving the professionalism of the total acquisition workforce.

The Department can be better stewards of taxpayer dollars by eliminating excess infrastructure; it already has more infrastructure than needed, and the excess will increase as DoD reduces its end strength. The best way to eliminate unneeded infrastructure is through the Base Realignment and Closure (BRAC) process. Once again, Congress has denied the Department's request for a BRAC this year. Congress should approve the Department's request to authorize another BRAC round in 2019. Currently, each Military Department is expending much needed funds to maintain a surplus of facilities. A new round of BRAC will put about \$2 billion back in the operating forces by 2025.

## SUPPORTING PERSONNEL

As this budget request continues efforts to rebalance the Joint Force and the Department, the United States must maintain its sacred contract with its service members: to properly compensate and care for Service members and their families both during and after their service,

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and to provide U.S. troops the best training and equipment possible so that they can safely accomplish their missions. The Department has expanded opportunities in the military for women, to include opening up previously banned combat roles, working to eliminate sexual assault, and integrating gay and transgender troops to serve openly and equally in the military. The Department must continue to provide the best possible care to those returning from combat.

With increasing personnel costs such as healthcare, the Department cannot afford to sustain the rate of growth in military compensation experienced over the last decade. The Department and the American people have been rightfully supportive of the men and women in uniform over more than a decade of war, providing increases in military pay and benefits as they endured the increased combat operational tempo. These changes have significantly closed compensation gaps with the private sector and have appropriately recognized the sacrifices of those who are serving and have served, and their families. The Department is proposing changes that will ensure it can continue to offer a competitive compensation package to recruit and retain the Joint Force of the future.

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### 3. MANAGING ENDURING READINESS CHALLENGES

#### INTRODUCTION

Key Initiatives
<ul style="list-style-type: none"><li>• Generating Service Capabilities</li><li>• Generating Joint Capabilities</li></ul>

The Fiscal Year (FY) 2017 budget request reflects the Secretary’s vision for a defense program that effectively rebalances today’s persistent operational demand with current and future readiness for full-spectrum warfare within the funding caps established by the Bipartisan Budget Act (BBA) of 2015 for National Defense. The requested funding levels will allow the Joint Force to meet steady state demand requirements and strategic obligations, and support the Military Departments’ ongoing readiness recovery plans. At \$14 billion above the Budget Control Act (BCA) of 2011 sequestration level funding caps, the FY 2017 topline affords the Department the opportunity to protect investments and priorities critical to securing national objectives at home and abroad.

The refocus to full-spectrum readiness recovery that began in FY 2014 revealed the severity of the Department’s readiness deficiencies after 14 years of counterinsurgency-centric campaigns in Iraq and Afghanistan. The Military Departments and combatant commands have oriented their pipeline metrics to a full-spectrum readiness recovery model to inform resourcing and sourcing decisions that will improve readiness throughout the force. Funding shortfalls due to sequestration in FY 2013 seriously disrupted the process and delayed targeted recovery dates. Since then, the return of increased and predictable funding levels has put the Department on the right course to address its competing challenges.

The Military Departments remain dedicated to meeting the complexity and pace of today’s operational demand while concurrently rebuilding core readiness. The funding request for FY 2017 supports their efforts and allows the Department to take intended risk in balancing today’s requirements and countering tomorrow’s threats. The Military Departments tackled their most direct readiness concerns with restored readiness funding under the Bipartisan Budget Agreement (BBA) of 2013 and accelerate those efforts with the funding requested for FY 2017.

Each Military Department will focus on its top priority readiness effort. The Army will optimize Combat Training Center (CTC) throughput capacity to provide Brigade Combat Teams (BCTs) with increased opportunities for full-spectrum training. The Navy will continue implementation of its Optimized Fleet Response Plan (OFRP), which balances the preservation of critical maintenance and training while maximizing employability of naval forces. Carrier Strike Groups (CSGs) and Amphibious Readiness Groups (ARGs) are being phased into the plan with the final group entering in FY 2018. The Marine Corps fully funded the Integrated Combined Arms Exercises for all elements of the Marine Air Ground Task Forces to recover full-spectrum readiness and maintain its role as the nation’s crisis response force. The Air Force will optimize funding for flying hours and invest in exercise capacity and training range modernization to maximize home station training opportunities; all 13 fighter squadrons that stood down under sequestration can now fully execute their flying hours. For the U.S. Special Operations Command (USSOCOM), there will be an increased focus on language and cultural expertise training and continued enhancement of Special Operations Forces (SOF) support to the Geographic Combatant Commands.

The FY 2017 budget request balances support for current operations with a still-emerging readiness recovery. Although the Military Departments made significant progress in the last 2 years under the BBA of 2013, there are limits to what funding alone can do to recover their full-spectrum readiness. The Military Departments require a combination of resources, a stable



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readiness funding profile, and time to rebuild full-spectrum readiness across the Future Years Defense Program (FYDP).

Fiscal stability is required for the Military Departments to efficiently program a balanced approach to longer-term institutional readiness and health, and each Service has a unique plan designed to meet readiness recovery objectives just outside the FYDP. The FY 2017 funding levels will advance these plans — just slower than planned before the BBA of 2015 funding caps — with their respective focus areas of:

- The Army's Decisive Action (DA) CTC rotations, supported with home station training, serving as the primary mechanism to build full-spectrum readiness;
- The Navy's OFRP cycle induction as it attempts to clear away its long-term maintenance back-log;
- The Marine Corps' focus on leader-to-lead ratios while maintaining its crisis response capabilities; and
- The Air Force's rebuild of high-end readiness at home station with a reduced Deploy-to-Dwell ratio.

Time is a critical element that funding alone cannot create, and rebuilding readiness is just as much of a function of time as it is of resources and fiscal stability. Examples include:

- Opportunities for major exercises and combined training;
- Creating seasoned shipyard artisans, professional Non-Commissioned Officer development, and leader-to-led ratios; and
- Stable maintenance cycles.

The Department faces increasing operational pressures that further exacerbate issues caused by undesirable sequestration level funding. Unrelenting combatant commander requirements are disrupting manning, training, and equipping cycles. Although the Military Departments remain hard pressed to sustain high levels of operational demands worldwide while concurrently rebuilding core readiness for high-end contingency operations, the FY 2017 budget request allows the Department to take calculated risk in balancing today's requirements and those to counter 21st century threats.

The readiness recovery and careful strategic tradeoffs requested will be lost if the Department returns to the sequestration funding levels in FY 2018 and beyond. The Military Departments are able to achieve their readiness recovery goals under the President's topline, but on a longer timeline than previously expected. A return to the sequestration level caps would undermine these near-term advancements and render Military Departments' readiness recovery goals unachievable.

The following sections discuss FY 2017 force generation and resourcing strategies for the Military Departments, the United States Special Operations Command (USSOCOM), and the United States Transportation Command (USTRANSCOM). These readiness investments are needed to improve full-spectrum readiness recovery and capability.

## GENERATING SERVICE CAPABILITIES

The Military Departments organize, train, and equip units to meet operational requirements. In doing so, each Military Department creates a force generation process that combines the basic inputs of labor and capital to provide the requisite supply of ready forces. These force

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generation processes naturally differ based on the particulars of the capabilities being produced and the demand signal derived from current operations and strategic guidance.

### **Army**

While the Army continues to provide ready forces for known and emergent Combatant Command requirements, the rebuilding of Army core readiness has plateaued. Increasing emergent demand strains Army capacity even while budgetary constraints cause downsizing, which challenges the rebuilding of readiness. At current readiness levels, the Army assumes risk in its ability to meet the most critical requirements of the National Military Strategy (NMS) by using resources simultaneously needed for the Joint Force to achieve national security objectives elsewhere in the world.

### ***Generating Army Readiness***

To decrease stress on high demand capabilities, the Army will preserve and build unit readiness while effectively adapting to emergent demand through innovative sourcing solutions. Additionally, the Army will implement several initiatives including administrative and medical deployability personnel policy revisions, improved standardization to unit training assessment procedures, and, by FY 2017, an updated force generation process to achieve higher unit readiness levels over longer periods of time.

### ***Readiness Management under PB 2017***

The Army's readiness recovery goal is to source current operations with ready forces while ensuring sufficient forces are ready to achieve combatant command contingency requirements in accordance with the NMS. Achievement is heavily influenced by four factors: demand for Army forces; required end strength drawdown and force reorganization efforts; time required to regain decisive action (fighting major combat operations against near-peer adversaries) proficiency; and fiscal uncertainty and budgetary constraints. The reductions required to comply with the BBA of 2015 and the FY 2017 budget request will increase risk in achieving previously established readiness recovery goals.

The BBA of 2015 provides a measure of much needed near-term certainty to the Army's FY 2016 and FY 2017 budgets and mitigates some of the funding reductions under the sequestration level caps, but it does not reverse the effects and the backlog caused by reductions that will most likely affect near-term readiness (operations) and future readiness (modernization). The revised FY 2017 program decreases collective operational training proficiency across Army ground formations, dramatically limits modernization of the UH-60 Blackhawk and CH-47 Chinook helicopter fleets, and reduces funding across facilities sustainment, modernization, and construction programs from already historically low levels.

### ***Training***

The Army will prioritize FY 2017 deploying Regionally Aligned Force (RAF) and CTC rotational units to ensure the Army meets combatant command requirements. However, additional reductions below the BBA of 2015 caps in FY 2017 training readiness would come at the expense of non-deploying units, which could be funded at reduced collective training proficiency levels. Additionally, there would be cuts to critical Training Support Systems and reductions to institutional training seats, including: Reserve Component (RC) military occupational specialty qualification seats, civilian education, and functional training. All of this will prevent achievement of training proficiency and readiness sought under the requested funding levels.

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**Figure 3-1. Required, Planned, and Executed Rotations through Maneuver Combat Training Centers (Unified Land Operations (ULO) versus Mission Rehearsal Exercises – MRE)**

	FY 2015	FY 2016	FY 2017	FY 2018-2022
CTC Capacity	21 Rotations	21 Rotations	21 Rotations	21 Rotations
Planned CTC Rotations	16 x DA/ULO 1 Hybrid MRE/DA 2 DA Enabler	16 x DA/ULO 2 Hybrid MRE/DA 1 DA Enabler	16 x DA/ULO 3 Hybrid MRE/DA	21 x DA/ULO
Executed CTC Rotations (DA/ULO vs MRE)	15 x DA/ULO 2 Hybrid MRE/DA 2 DA Enabler			

*DA/ULO: Decisive Action in support of Unified Land Operations*  
*MRE: Mission Rehearsal Exercise*

### **Equipping**

With the FY 2017 funding request (consistent with the BBA of 2015) established to achieve a force of 980,000 by FY 2018, the Army accepts the greatest risk in future readiness in the form of equipment modernization reductions. To absorb modernization funding reductions or adjustments, the Army will delay the fielding of a number of UH-60 Blackhawk helicopters and operate at a minimum sustaining rate for procurement of Apaches, Blackhawks, and Chinooks. Additionally, the Army will reduce the modernization of vehicles intended for Infantry Brigade Combat Teams (IBCTs) and other missions while also reducing mission command equipment modernization, causing delays to some IBCT command post upgrades. The Army's priority is to equip Soldiers involved in current operations today, while accepting mid-term risk to modernize for the future.

### **Sustainment**

With FY 2017 reductions to sustainment readiness, the Army anticipates decreased equipment readiness rates, potentially affecting improvement to force readiness levels. There will be impacts to corrosion assistance to aviation and missile programs and significant reductions to Army depot production, affecting aviation, communications electronics, and a variety of other fire and mobility assets. Additionally, with the elimination of labor hours across five depots, there are risks to maintaining critical skills needed to meet Title 10 core capability requirements.

### **Installations**

To resource crisis response demands and existing combatant command requirements, the Army has taken risk in installation sustainment funding. It is worth noting that major training facilities like the CTCs, which provide the pinnacle of Army unit training and are a vital part of Army readiness, draw on these same installation funding lines. While the Army accepts short-term risk in modernizing and sustaining its installations, these strategic tradeoffs have long-term consequences that eventually degrade future readiness and capabilities.

Because the funding levels in the BBA of 2015 do not keep pace with the reality of the strategic environment, the Army's readiness recovery goal is at risk. At the projected funding levels and with increased requirements, the Army will be unable to improve readiness and make critical investments in capabilities and infrastructure. Additionally, a return to sequestration level funding limits in FY 2018 would further delay the Army's goal for regaining decisive action proficiency.

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### Navy

#### Generating Navy Forces

Overall Navy readiness continues to improve under its 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 that meets all of the previous requirements in fewer days. It similarly combines inspection requirements within specified periods to enhance their 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 Strike Group (CSG) and Amphibious Readiness Groups (ARGs) composition with continuity of command and alignment of manning through the cycle.

**Figure 3-2. Programmed Navy Training Throughput (assumes continued base budget and OCO funding levels reflected in the FYDP supporting the FY 2017 budget request for steaming days and maintenance activity in support of named operations)**

	FY 2016		FY 2017		FY 2018	
	BASIC	INT*	BASIC	INT	BASIC	INT
Carriers	4	3	5	3	4	3
Carrier Air Wings	4	3	4	3	4	3
CG/DDG/ LCS	40	23	44	25	45	26
LHA/LHD/LPD/LSD	15	11	14	9	16	12
SSNs	13	32	19	3	17	28

\*INT = Integrated, refers to aggregated training of all units in a Carrier Strike Group/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 three CSGs and four ARGs inducted into the OFRP. The final group of CSGs and ARGs will enter the OFRP in FY 2018.

#### Operation and Maintenance

*Ships:* The FY 2017 funding request supports the continued implementation of the OFRP. As one part of that 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 2017 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 by the end of FY 2021. 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 overlap.

With Overseas Contingency Operations (OCO) funding, the FY 2017 budget request funds ship operations to the anticipated level of required steaming days (58/24 operating tempo) but less than the anticipated need for Operating Target (OPTAR) funding (89 percent). If OPTAR funding remains at this reduced amount over a period of time, it is likely that material and training readiness will be impacted. The FY 2017 budget request fully protects ship

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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 2017 Flying Hour Program funding is to deliver a Carrier Air Wing presence as directed by the Global Force Management Allocation Plan. These deployed presence levels will be attainable at the expense of non-deployed units, due to the effects of F/A-18 A-D Legacy Hornet Out-of-Reporting caused by aviation depot throughput challenges and the Ready Basic Aircraft gap caused by 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 realigned 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 2017 funding 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 2017 funding request funds Aviation Depot Maintenance inductions to an executable level given the current level of work in process. The Navy also plans to reduce the number of carrier air wings from ten to nine, which will support its OFRP goals.

### ***Manpower/Personnel***

Manning units with the right number and type of properly trained, properly experienced Sailors is a critical element of readiness. To ensure continuing readiness, Navy tracks how many billets are filled, and whether they are filled by individuals with the requisite qualifications. These data sets are 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 calculated risk in funding installations but is mitigating this risk by focusing investment on capabilities that directly support the operational forces, implementing a force laydown that supports the defense strategy, and arresting degradation of facilities by focusing on the “envelopes” (roof, walls, support structures) of our 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 combatant commanders, enable initial operational capability for new platforms and missions, upgrades energy and utility systems, and recapitalizes naval shipyards. The Navy maintains a commitment to meeting the key needs of service members and their families.

### ***Marine Corps***

The Marine Corps is committed to remaining the nation’s premier expeditionary force-in-readiness, 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-level leaders. Even with the reduced BBA of 2015 funding levels, the FY 2017 budget request continues to support that role.

The Marine Corps prioritized funding for end strength, training, and operational accounts to support a high level of near-term operational needs. The FY 2017 budget request will continue to resource the Marine Corps to accomplish the same guidance and objectives as in the FY 2016 budget. The Marine Corps will emphasize near-term readiness for deployed and next-to-deploy forces while maintaining top modernization programs including the Amphibious



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Combat vehicle, the Joint Light Tactical Vehicle, the Joint Strike Fighter, and the CH-53K Heavy Lift Helicopter. The FY 2017 budget request funds an 182,000 active component end strength, which supports a 1:2 deploy-to-dwell ratio for major force elements. Infrastructure sustainment, equipment modernization and military construction will 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 continues to manage 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 the 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. The following paragraphs describe the Marine Corps’ approach for generating ready forces today and informing an investment strategy that will ensure the future readiness of the Marine Corps.

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

Specific Corps-provided capabilities will be sourced from standing units and newly assembled task organized units. Such units include Special Purpose Marine Air Ground Task Force (SPMAGTF)-Africa and the Black Sea Rotational Force, both of which have been permanently operating in the African and European areas. A second SPMAGTF-Crisis Response-Central Command expands the Commander, U.S. Central Command’s operational reach and a third SPMAGTF-U.S. Southern Command will intermittently operate in Central America. These units assist combatant commanders in executing theater security cooperation plans by providing military-to-military engagement such as bi/multilateral training, thereby building partner confidence and deterring would-be adversaries. Moreover, these Marine units are capable of rapid crisis response to seize the initiative and defeat those who threaten U.S. interests. While the SPMAGTF concept has proven its utility in today’s environment, inherent challenges, such as overflight authorities and freedom of movement, make traditional amphibious Marine Expeditionary Units (MEUs) the preferred crisis response formation to meet combatant commander requirements. This increased 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. Even with the reduced funding, the FY 2017 budget request is designed to achieve the tenets of the force posture plan.

The rebalance to the Pacific also remains a top priority and is reflected in the resourcing of the Unit Deployment Program (UDP) as well as Pacific-based operational units and MEUs. The establishment of a rotational presence of Marines in Darwin, Australia, positively impacts U.S. allies’ confidence in the Corps’ ability to respond to crises in the South and Southeast Asian littorals. Collectively, the Marine Corps’ forward postured forces provide scalable, expeditionary units that are capable of functioning as the lead elements of a crisis response force. Additionally, the reestablishment of three permanent Marine Expeditionary Brigade (MEB) command elements provides additional 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 could deploy as the nucleus of a Joint Task Force Headquarters. Regionally aligned SPMAGTFs, forward deployed and forward stationed units (i.e., MEU and UDP), and MEBs provide expeditionary crisis response capability for the nation. The FY 2017 budget request enables the Marine Corps to sustain these capabilities in the near-term.



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### Unit Readiness

The Marine Corps provides well trained, highly ready forces to meet the combatant commanders' requirements. The Marine operating forces depend on funding for training and maintenance of equipment to preserve and enhance their readiness. Although deployed Marine forces are at the highest levels of readiness, this readiness cost often comes at the expense of non-deployed units that frequently provide equipment and personnel in support of deploying units. The FY 2017 budget request helps address some of the most acute readiness challenges for non-deployed forces.

*Equipment reset.* Reset is comprised of the actions taken to restore units to a desired level of combat capability commensurate with future missions. While the FY 2017 budget request adequately resources units throughout the training and deployment cycle and funds ground depot maintenance to 69 percent of the validated requirement, the readiness of non-deployed units will begin to degrade in the future.

Aviation depot maintenance is equally critical to maintaining readiness. The Marine Corps has registered its concern about the impact that aging platforms, high demand/use, and constrained depot funding is having on aircraft availability and squadron readiness. The FY 2017 budget request provides some much-needed funding into the aviation depot programs.

*Training:* The FY 2017 budget request maintains a focus on operational readiness and service-level training. It funds crisis response capabilities in support of the combatant commands. However, core capabilities such as amphibious training are strained by the lack of resources, amphibious ships, and the time needed to reset equipment and train to full-spectrum capability.

The FY 2017 budget request continues to support the Marine Corps' service-level training program by fully funding an Integrated Training Exercise (ITX) program designed to recover full-spectrum readiness. During FY 2017, the ITX is funded to provide training for up to 10 infantry battalions, 5 artillery battalions, 5 logistics battalions, 30 flying squadrons, and additional aviation support elements. Figure 1 displays the Marine Corps' service training exercise plan.

**Figure 1. Planned Large Training Exercises**

Marine Corps	Annual Training Exercises for 2017	
	Integrated Training Exercises	Mountain Exercise
Infantry Battalion	10	2
Infantry Regiment	0	0
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

Recruiting and retaining high quality people plays a key role in maintaining the Marine Corps' high state of readiness, as such individuals produce higher performance, reduced attrition, increased retention, and improved readiness for the operating forces. The FY 2017 budget request supports an 182,000 active duty and 38,500 reserve end strength. Additionally, FY 2017 budget request supports a 1:2 deploy-to-dwell ratio for active duty forces and 1:4 for reserves, using limited and targeted total force solutions. This postures the Marine Corps to preserve forward presence and crisis response capabilities and creates options and decision space for the nation's leaders by taking acceptable risk in major combat operations and large, long-term stability operations.

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### ***Infrastructure Sustainment***

Sustainable readiness is inextricably linked to the availability and condition of real property and infrastructure. Adequately resourcing the sustainment of Marine Corps bases and stations is essential to safeguarding unit readiness, as bases and stations provide the means by which units conduct training and deploy.

The FY 2017 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 2017 budget request funds facility sustainment to 70 percent of the Department's facility sustainment 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 had to make difficult choices about modernizing and upgrading equipment. The FY 2017 President's budget 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 Joint Strike Fighter, and the CH-53K Heavy Lift Helicopter. However, the FY 2017 budget request continues to accept risk in both equipment sustainment and service life extensions that sustain legacy equipment.

### **Air Force**

Regaining full-spectrum readiness remains a top priority for the Air Force, but the Air Force continues to have significant readiness concerns. The too-narrow focus on assigned operational missions over the last 14 years eroded full-spectrum readiness across the Combat Air Forces (CAF). Readiness remains at historically low levels following a readiness decline in FY 2015. The Air Force is forced to make tough budgeting decisions that limit readiness improvement shortfalls to meet the demands of full-spectrum operational readiness required by the current strategy. Under the FY 2017 budget request, the Air Force weighed the balance between strategy-based modernization and acquisition programs, and the need to repair readiness shortfalls.

To fully support the requirements of the current defense strategy, Air Force operational elements must be postured to respond rapidly anywhere on the globe. The Air Force remains committed to building and maintaining a high level of readiness across the total force at all times, while continuing to modernize and acquire the capabilities of that force in relation to potential adversaries. Air Force recapitalization and modernization efforts (i.e., KC-46 Pegasus, F-35 Joint Strike Fighter, Long Range Strike Bomber (LRS-B), HC-130J Combat King, HH-60W Combat Rescue Helicopter) will improve both capability and capacity in the long-term, but will impinge on short-term readiness as units transition to these new weapons systems. Moreover, the continued pressure of deployments and a chronic shortage of Airmen in critical skill positions are limiting recovery efforts.

Assigned mission readiness, particularly for the CAF, currently meets the combatant commanders' rotational demand. However, it leaves few full-spectrum ready forces available to handle unforeseen surge or contingency requirements. In order to meet the Air Force's

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80 percent full-spectrum readiness goal, the CAF needs to return to and sustain a 1:4 deploy-to-dwell ratio.

Enduring global operations and emerging contingencies continue to impede the at-home training opportunities needed to regain the full-spectrum readiness levels required by the Quadrennial Defense Review (QDR) strategy. These operational demands are unlikely to decrease in the near term. Going forward, balancing rotational requirements with the full-spectrum training required to meet the QDR will remain a significant element of Air Force strategy.

### ***Generating Air Force Readiness***

The Air Force relies on its proven “5-Levers of Readiness Model” to inform its readiness budgeting in the FY 2017 budget request. These levers are: (1) Flying Hour Program (FHP), which includes the dollars associated with sortie production; (2) Weapons System Sustainment (WSS), which includes dollars associated with aircraft availability production or enabler war-fighting systems; (3) Training Resources Availability, which encompasses ranges, live/virtual construct, and dollars to provide capabilities to replicate realistic training; (4) Critical Skills Availability (CSA), which includes specialty level enlisted training, special certifications and other skills that aid in producing aircraft availability or qualified enablers; and (5) Deploy-to-dwell, which is affected by force capacity against current tasking. Each of these inter-dependent variables works to produce full-spectrum ready forces. Because they are interrelated, funding one of these levers, without appropriately funding the others, will not produce the desired full-spectrum readiness outcomes.

With the limited BBA of 2015 funding cap, the FY 2017 budget request addresses all five levers in a balanced fashion; it has slightly improved some key end-of-FYDP readiness building areas like critical skills accessions (end strength) and resources for training and ranges, assuming the sequestration level caps are increased to the FY 2017 FYDP levels. These investments will help the Air Force build the capacity to execute a readiness building training program later in the FYDP. In the short-term, the Air Force capped training flying hours and weapon system sustainment accounts to executable levels and is monitoring Global Force Management reforms that limit commitments on highly stressed force elements.

Current expectations pertaining to the recovery of full-spectrum readiness are that today’s levels will persist from FY 2016 through FY 2019. With the investments being made in long-lead items (i.e., maintenance manpower, training resources and weapons system sustainment) associated with sustained improvements in deploy-to-dwell and predictable resource levels, the Air Force expects to see a gradual but steady climb in readiness beginning in FY 2020, assuming the funding levels in the FY 2017 FYDP are provided. The Air Force will achieve its 80 percent full-spectrum readiness goal 8 to 10 years after these conditions are set.

### ***Manpower/Personnel***

Currently, the Air Force is facing a shortage of skilled maintenance personnel, specifically in the most experienced categories. The FY 2017 budget request funds maintenance manning shortfalls in the F-16 Fighting Falcon, F-15E Strike Eagle, HH-60 Combat Rescue Helicopter, and B-1 Lancer (1,057 positions). The development of skilled maintainers is a 5- to 7-year process, which will be complicated by F-35 Joint Strike Fighter and KC-46 Pegasus transitions. The investment in human capital now will help the Air Force build the appropriate skill level mix to execute an optimum training program later in the FYDP.

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

The Air Force's Flying Hour Program (FHP), Weapons System Sustainment (WSS), and Training Resource Availability (TRA) are inextricably linked. For example, funding flying hours without associated WSS will cause hours to be flown at a pace where WSS no longer supports aircraft availability and prevents execution of additional the flying hours. The FY 2017 budget requests FHP funds at the executable level limited by combat deployments and sortie generation rates. These FY 2017 FHP funds will help the Air Force to hold onto readiness gains. To sustain the requested levels of flying, WSS is funded at 88 percent of the enterprise level using FY 2017 base and OCO funding requests.

The FY 2017 budget request increases the TRA funding to \$1.27 billion to support the full-spectrum training needed to generate operational readiness. The FY 2017 budget request funds upgrades to critical items needed to replicate realistic threat environments, thereby improving training integration for 4<sup>th</sup> and 5<sup>th</sup> generation aircraft. Additionally, the budget request supports increased operational availability for upper tier training support, such as RED FLAG, GREEN FLAG, Adversary Air, other instrumented ranges, and includes Operational Training Infrastructure investments for the Live, Virtual, and Constructive (LVC) enterprise (see Figure 2 below).

**Figure 2. Air Force Historical and Planned Large Force Exercises**

	FY 2015 Executed	FY 2016 Planned	FY2017 Planned
<b>RED FLAG Nellis</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>RED FLAG Alaska</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>GREEN FLAG West</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>GREEN FLAG East</b>	<b>9</b>	<b>9</b>	<b>9</b>

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

The USSOCOM's FY 2017 budget request focuses on delivering innovative, low-cost, small footprint solutions to the geographic combatant commanders (GCCs) to help achieve the nation's current and future security objectives. The USSOCOM will continue to use joint exercises, rotational and permanent forward presence, and robust military advisory capabilities to be a more efficient security partner with nations and organizations around the globe, sharing USSOCOM's vision of freedom, stability and prosperity. The FY 2017 baseline and OCO budget requests achieve these objectives by maintaining readiness, balancing risk, and increasing Research, Development Test and Evaluation (RDT&E).

The USSOCOM's readiness status remains stable across the enterprise. However, USSOCOM is beginning to see minor impacts to the forces' ability to accomplish missions and support the GCCs. The Special Operations Forces (SOF) would begin to lose its technological superiority or be forced to jeopardize various essential recapitalization and modernization programs leaving the force with reduced capability and/ or capacity in critical areas if the sequestration level funding caps are provided in FY 2018 and beyond.

One of USSOCOM's greatest concerns is the potential impact of fiscal reductions to the Military Departments' readiness, which directly affects SOF. The USSOCOM has already witnessed reductions to the Military Departments that negatively affect SOF in a variety of ways. The Naval Special Warfare Command is seeing training challenges associated with lower fleet asset availability, which impacts readiness and interoperability. The Marine Forces Special Operations Command is experiencing reductions in access to some important school seats. The U.S. Army Special Operations Command is seeing a reduction in the military training

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specific allotment as well as reduced staffing at heavily used ranges. If further Military Department program reductions become necessary, SOF is likely to see more negative impacts to its capabilities.

### ***Enhancing Capabilities for Full-Spectrum Readiness***

The 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 the Areas of Responsibility, USSOCOM provides capabilities critical to achieving national security objectives and address emerging crises. To provide the GCCs with these types of unique capabilities, USSOCOM must invest in the types of programs and projects that keep SOF at a high state of readiness.

To maintain readiness, the FY 2017 budget request continues to support deployment for Phase Zero Operations and maintains sufficient surge capacity to support Operational Plans and contingencies. The USSOCOM's keys to being ready to support these ongoing and future operations and contingencies require enhancing the capabilities of USSOCOM's individual SOF operators, maintaining a robust fleet of air, ground, and maritime platforms uniquely tailored to support SOF's unique core activities, and enhancing USSOCOM's overall intelligence, surveillance, and reconnaissance capabilities. As a result, much of USSOCOM's procurement of SOF-Peculiar modifications is tied to Service-managed capabilities and platforms as the foundation of USSOCOM's core activities. The Major Force Program-11 buying power is highly dependent on Military Departments' continued investment in these baseline capabilities and platforms.

### ***Military Construction***

The USSOCOM's military construction (MILCON) addresses SOF operations, maintenance, training, and storage facility requirements at 22 locations in the continental United States and 5 overseas locations across the FYDP. The FY 2017 budget request funds 16 projects supporting programmed force structure, recapitalization, capabilities, and missions. It supports the basing of CV-22 Ospreys at Yokota Air Base, Japan, and MC-130J Commando IIs at Kadena Air Base, Japan.

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

The USSOCOM continues to focus on cultivating its premier global training venue, the Joint/Combined Exchange Training (JCET), which allows a light footprint SOF detachment to closely partner with host nation countries. The FY 2017 budget request includes additional JCETs funding to support intra-theater airlift during exercises.

### ***Capability Renew, Realignment, and Modernization***

The USSOCOM added funding to the MH-47G Combat Mission Simulators Renew program to align USSOCOM funding with the U.S. Army buy rate of eight aircraft per year. This ensures the optimum production schedule and timeliness of delivery to preclude sustainment, safety, and obsolescence from impacting the SOF heavy lift helicopter fleet.

The U.S. Air Force adjustments to the C-130 Hercules recapitalization schedules drove USSOCOM's changes to the procurement and installation schedules for SOF modifications. These adjustments allowed realignment of resources such as the AC-130J Ghost rider precision strike package (PSP) and MC-130J Commando II aircraft modifications. During the development phase of the previous terrain following/terrain avoidance (TF/TA) radar program of record, USSOCOM identified significant concerns with the radar performance and its ability to meet defined user requirements. After conducting a comprehensive programmatic assessment, USSOCOM decided to revise its acquisition strategy for the AN/APQ-187 Silent Knight Radar



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(SKR) development in order to field TF/TA radar with associated controls and displays to fulfill SOF requirements for the MC-130J aircraft.

### **RDT&E**

Innovative new technologies are necessary to maintain SOF superiority against emerging threats. The 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.

The USSOCOM aligns resources and capabilities to position USSOCOM to maintain a ready and capable force. The changes reflected in the FY 2017 budget request and to the supporting FYDP 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.

## **GENERATING JOINT CAPABILITIES**

The FY 2017 budget request reflects investments in joint readiness. The operational readiness of units includes proficiency in Military Department-specific tasks as well as the integration of those tasks as part of a cohesive Joint Force. The overall mission success highly depends on the ability of the Military Departments to operate seamlessly with one another as well as with interagency organizations and our international partners.

### **United States Transportation Command**

The FY 2017 budget request provides adequate resources for U.S. Transportation Command (USTRANSCOM) to fulfill its mission. Cyber threats and Anti Access/Area Denial will become an ever expanding threat to USTRANSCOM's ability to deploy and employ military forces over trans-oceanic distances in support of U.S. national interests. These challenges will continue to be a top priority in USTRANSCOM's future plans.

The Transportation Working Capital Fund (TWCF) allows USTRANSCOM, through both organic and commercial means, to provide reliable distribution and mobility operations to the Military Departments and combatant commands while preserving the readiness of its forces. The TWCF provides USTRANSCOM with the opportunity to sustain organic readiness and guarantees that commercial providers can maintain healthy levels of readiness and capacity. Declining transportation workload that results from reductions in Afghanistan will challenge the ability to sustain commercial surge capacity. This increases risk in the TWCF budget and drives higher cost recovery rates to customers. The USTRANSCOM continues to pursue cost reductions and more efficient operations to offset these budget risks. The TWCF budget incorporates a risk factor in its budget by assuming a greater degree of unknown contingency workload demand from customers. Additionally, USTRANSCOM is pursuing workload from non-traditional customers, such as foreign military sales and large weapon system contracts like the F-35 Joint Strike Fighter.

The USTRANSCOM's readiness is inextricably linked to Service-readiness management strategies and fiscal priorities. The Air Force's FY 2017 procurement budget request secures USTRANSCOM's ability to execute effective airlift and air refueling missions in future years. This includes funding for the flying hour and weapon system accounts, the modernization efforts and fielding of the C-5M Super Galaxy strategic airlifter, the C-130J Super Hercules theater airlifter, and the KC-46 Pegasus tanker. These initiatives are key to ensuring USTRANSCOM's ability to provide global reach and maintain strategic agility in the future as older weapon aircraft, such as the 1950's vintage KC-135 tankers, age. Further, the Navy is applying funds towards procuring the first wave of the updated sealift fleet, beginning with the T-AO (X)



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platform. The Army and Navy MILCON budgets contain funding for strategic seaports, enabling USTRANSCOM to effectively operate its global enroute system.

### **Building on Service Capabilities: Joint Training**

The Military Departments must regularly train and exercise together to operate effectively as a Joint Force. This includes active participation in combatant command-sponsored large force exercises as well as innovative, low-cost, small-footprint engagements across the globe. Participation enables the Military Departments to develop regional expertise and build trusting relationships with each other, U.S. allies, and international partners, while developing the joint operational experience that is essential for success in today's global security environment.

### **Combatant Command Exercise and Engagement**

Each Military Department's readiness program produces a set of building blocks that make up the Joint Force. The FY 2017 budget request includes \$157 million in FY 2017 for joint training enablers through the Combatant Commander Exercise Engagement and Training Transformation (CE2T2) program to cement these building blocks into a ready and cohesive Joint Force. Building on Military Department-specific training and readiness capabilities, the CE2T2 program helps close Service-training deficiencies that exist in the seams between the tactical and operational levels of war. Additionally, the program funds joint training enablers in the "no man's land" between the Military Departments' training and joint operating force training.

For example, the CE2T2 program funds the Joint Training Enterprise Network (JTEN), 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.

Another program funded by CE2T2 is the Joint Training Coordination Program (JTCP), which 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 2017 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.

Other joint training opportunities funded through the CE2T2 program include: 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.

The FY 2017 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. More specifically, this funding supports over 100 major exercises annually that prepare U.S. forces to execute operational plans, train the combatant command staffs,

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provide presence and regional expertise with U.S. allies and partners, and build relationships and trust.

### FY 2017 Joint Exercise Program Authorized, CE2-Funded Exercises

- 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: ULCHEI 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.

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- 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 2017 (UG 17) — A cyber exercise, to be linked with USPACOM's PACIFIC SENTRY 17-2. The UG 17 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.

### Joint Logistics

The Joint Logistics Enterprise (JLEnt) continues to meet current operational requirements while remaining flexible to respond to new threats and challenges. Recent budget constraints forced the Military Departments to make tough choices with regard to force structure and force posture. In many cases these decisions affected critical logistics enablers reducing the JLEnt's ability to rapidly respond to contingencies. Additionally, continued operation under constrained resource conditions forces the Joint Force to choose to maintain current logistics readiness plans and programming over building future logistics capability and capacity. Consistent and predictable funding for ship and aviation depot level maintenance is necessary to optimize capacity and backlog. Projected FY 2017 funding levels can halt further decline, but the sequestration level funding caps could jeopardize a recovery glide path. Additionally, uncertain operational tempo could increase lifecycle usage, consume critical commodities, and change depot level maintenance planned requirements.

The FY 2017 budget request provides for the current logistics operational requirements but may fall short of adequately meeting the demands of future contingencies, logistics modernization, and readiness needs to shape Joint Force Next and beyond. The Joint Force will continue to focus on key partnerships that mitigate reduced flexibility and posture through building partner logistics capacity and improved host nation access. However, even these initiatives need adequate funding. The Department's need for the funding levels reflected in the FY 2017 FYDP is imperative to reduce further atrophy of readiness, mitigate risk, and properly resource to rebuild logistics capacity.

### Language and Culture Capabilities

The FY 2017 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. The FY 2017 budget request funds several investments that increase the percentage of the force with foreign language and cultural competency, even as the size of the force declines. In 2013, slightly more than 336,500 personnel had language capabilities,

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roughly 10.49 percent. In 2014, the percentage grew to 10.74 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 10.80 percent by the end of FY 2017. Recruiting, training, and skill sustainment all contribute to the Department's commitment to ensuring the war fighters have the necessary language capabilities.

The Department's language and culture investments support all Federal departments and agencies. Specifically, the National Security Education Program is designed in statute to provide a future Federal workforce with skills in languages and cultures critical to national security. The FY 2017 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. These 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, which provides language surge capacity across the entire Federal government, including the DoD. This Corps provides an effective hedge against the effects of uncertainty in current and future national security language needs.

The FY 2017 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 2017, DLIFLC will continue efforts to raise language proficiency graduation standards to 2+ in both reading and listening. The FY 2017 budget request provides money to train more than 3,000 students in DLIFLC's basic courses in 24 languages and dialects. In addition, DLIFLC will provide continuing education for more than 4,800 language professionals and pre-deployment and familiarization training for more than 1,200 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 2017 budget supports Language Training Centers (LTC) that partner between universities and the Department to provide language instruction. In FY 2015, nine institutions of higher education hosting LTCs provided training to approximately 1,500 DoD personnel in 17 languages and expanded collaborations with the National Guard and Special Forces community. This brings the LTC program's grand total to nearly 8,500 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 ten. The FY 2017 budget request also provides for pre-accession language training for military officer candidates enrolled at institutions of higher education through the Project Global Officer (GO) program. Project GO promotes critical language learning, study abroad, and intercultural exposure among Reserve Officer Training Corps (ROTC) students. Since its inception in 2007, over 3,500 ROTC students nationwide participated in the program. There are currently 25 institutions of higher education hosting Project GO programs, including five of the six Senior Military Colleges.

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## 4. ACCELERATE THE PACE OF DEFENSE REFORM

The Department, with assistance and support from Congress, embarked on a reform path in FY 2010. The FY 2017 budget request continues and expands reform efforts as detailed in this chapter.

By reworking the Department’s command structure, Public Law 99–433, the Goldwater–Nichols Department of Defense Reorganization Act of 1986, made the most sweeping changes to the Department since it was established in the National Security Act of 1947. The Department has undertaken a comprehensive review of organizational issues spanning the Office of the Secretary of Defense, the Joint Staff, the combatant commands, and the Military Departments, with the objective of identifying potential redundancies, inefficiencies, and other areas for improvement. The review is ongoing and preliminary internal findings are expected in time to shape recommendations for FY 2018.

Commencing in FY 2012, the Department initiated a series of efforts to reduce the cost of doing business by identifying opportunities for management improvements and better use of resources in such areas as health care modernization, force structure changes, headquarters reductions, travel and acquisition reforms, and multiyear procurement. Many of these savings have been reinvested into higher priority military programs. Others have been used to accommodate lower defense budgets.

- FY 2010 – FY 2011 budgets: Focused on weapons programs, e.g., terminating F-22 fighter production and the VH-71 Presidential helicopter, ended C-17 production and stopped pursuit of a second engine for the Joint Strike Fighter.
- FY 2012 – FY 2013 budgets: Focus on DoD business operations, overhead activities and support functions, but plans included some changes in weapons programs. Also proposed military health care changes.
- FY 2014 budget: Continued focus on more effective use of resources, with greater emphasis on weapons programs and Military Construction.
- FY 2015 budget: More focus on contracting efficiencies, controlling health care costs, and reducing management headquarters.
- FY 2016 budget: Continued focus on improving the financial management workforce, improving audit readiness, contracting oversight, and improving technological superiority while controlling life cycle costs.
- FY 2017 budget: Continuing previous initiatives and enhancing focus on ensuring capabilities to achieve dominant capabilities on future battlefields while delivering better value to the taxpayer and warfighter by improving the way the Department does business; new initiatives in infrastructure and support activity reforms.

### Major Themes

- Force Structure for Current and Future Operations
- Base Realignment and Closure
- Health Care Reform
- Infrastructure and Support Activity Reforms
- Better Buying Power: Obtaining Greater Efficiency and Productivity in Defense Spending
- Control Costs throughout the Product Life Cycle
- Financial Improvement and Audit Readiness Initiative
- Audit and Contract Management Oversight
- Improving the Financial Management Workforce



### FORCE STRUCTURE FOR CURRENT AND FUTURE OPERATIONS

The FY 2017 budget request reflects critical decisions on force structure reforms that are vital to making sure U.S. military forces have the capabilities needed for both present and future missions. The FY 2017 budget request continues some force structure reductions from the FY 2015 and FY 2016 budgets and adjusts other force structure changes:

- The Army eliminates 1 National Guard Brigade Combat Team (BCT).
- The Navy decommissions 6 ships and activates 13 ships for a net increase of 7 ships to the inventory. In addition, the Navy is decommissioning the 10<sup>th</sup> Carrier Air Wing.
- The Marine Corps increases 1 active infantry battalion, which reflects a 1 year delay of their FY 2016 force structure plan.
- The Air Force is increasing by 1 Active Combat Coded Squadron due to retaining the A-10 Warthog aircraft.

The Department plans to reduce the total military end strength by 29,200 (a 1.4 percent reduction) from 2.11 million in FY 2016 to 2.08 million in FY 2017. Additional end strength and force structure reductions will be needed if sequestration level funding returns in FY 2018.

### BASE REALIGNMENT AND CLOSURE (BRAC)

The force structure that emerges from the new defense strategy will require a properly aligned infrastructure from which to operate, deploy, and train. Further, underutilized military facilities create a drag on the economies of their host communities and prevent the Department from redirecting its scarce resources from facility maintenance to its readiness objectives. The NDAA for FY 2016 required the Department to produce a new analysis to demonstrate its excess capacity; that analysis is underway. The Department therefore requests Congress to authorize a new BRAC round in 2019, using the established statutory process that has proven, repeatedly, to be the only effective and fair way to eliminate excess infrastructure and reconfigure what must remain. A key component of this proven process is having an independent commission that provides third-party review, validating or even changing the Department's recommendations.

The FY 2017 budget request includes \$4.0 million in FY 2017 for planning and oversight. Prior BRAC rounds are producing \$12.5 billion in annual savings. The need to reduce unneeded facilities is so critical that, in the absence of authorization of a new round of BRAC, the Department will explore any and all authorities that Congress has provided to eliminate wasteful infrastructure.

### HEALTH CARE REFORM

The Department has submitted several reform plans since 2005, largely to control health care costs. The FY 2016 benefit reform proposal was relatively well received based on its greater simplicity and a perceived increase in value that corresponded to a modest cost increase. The PB 2017 health benefit reform proposal leverages the FY 2016 proposal but makes some important adjustments. Chapter 6, Taking Care of People, of this document includes more information regarding reforms to the TRICARE health program and the military retirement system. The attributes of the FY 2017 proposal include:

- A simpler system that provides beneficiaries with two care alternatives and less complexity in the health plan. TRICARE Select is an HMO-like (managed) option that is

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Military Treatment Facility (MTF)-centric and TRICARE Choice is a preferred provider-like (unmanaged) option offering greater choice at a modestly higher cost.

- Emphasizes TRICARE Select, leveraging MTFs as the lowest cost option for care to make full use of capacity and provide needed readiness training workload for military providers.
- 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.
- Copays, designed to minimize overutilization of costly care venues, will depend on beneficiary category (excluding active duty) and care venue. To facilitate the effective use of military clinics and hospitals and thereby improve the efficiency of DoD's fixed facility cost structure, MTFs would not charge copays. There would be fixed network copays for the TRICARE Choice option without a deductible.
- Participation fee for retirees (not medically retired), their families, and survivors of retirees (except survivors of those who died on active duty), who would pay an annual participation fee or forfeit coverage for the plan year. No participation fee for active duty or their family members. There is a higher participation fee for those retirees choosing the TRICARE Choice option (\$200 higher).
- 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.
- Parity with Active Duty Family Members for medically retired members and their families and survivors of those who died on active duty; 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 and zero copays for ADFM ER use, including in the network.
- The Department will offer a second payer option with a lower fee for those with other health insurance.
- Fees and copays will be indexed at the National Health Expenditures (NHE) per capita rate.

## INFRASTRUCTURE AND SUPPORT ACTIVITY REFORMS

The Department continuously reviews infrastructure and support activities to identify organizational and process improvements that can reduce costs, increase efficiency, and free up resources needed for the readiness and modernization of the force. These initiatives, taken together, are expected to yield approximately \$7.7 billion in savings over the Future Years Defense Program (FYDP), as summarized in Figure 4-1. Initiatives include:

- Major Headquarters Activities (MHA) Reduction: For the Office of the Secretary of Defense and the Defense agencies, the Department is undertaking a comprehensive “delayering” review, applying organizational principles developed in the private sector and applied successfully by the Army and the Air Force, to improve organizational alignment and meet the reduction target. The objective, now codified in the NDAA for

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FY 2016, is to reduce funding for major headquarters activities by 25 percent over the FYDP.

- **Service Requirement Review Boards (SRRBs):** The SRRB process entails review and rationalization of service contracts across the Office of the Secretary of Defense, the Defense Agencies, and Field Activities (the Fourth Estate). The SRRB process has been successfully applied by the Military Departments. By 2021, DoD expects to realize savings of \$1.9 billion in Fourth Estate entities funded by direct appropriations, and additional savings in the working capital funded entities.
- **Business Operations Improvements:** The Department is implementing a plan for more disciplined implementation of business systems improvements to achieve a better return on information technology investments. Review of existing Fourth Estate investments and investments in military integrated personnel and pay systems is projected to achieve savings of about \$0.6 billion across the FYDP. In addition, the Department projects savings of about \$0.5 billion through defense travel modernization.
- **Information Technology (IT) Optimization:** The Department plans to achieve significant savings in IT through circuit optimization, leveraging purchasing power in enterprise licensing agreements, ensuring more efficient utilization of data center infrastructure, and consolidating IT in the National Capitol Region.
- **Defense Resale Business Optimization:** The Department is developing a comprehensive strategy to pursue operational efficiencies, optimize and promote common practices, and garner savings across the entire Defense resale system, comprised of the defense commissaries and the military exchanges. With the assistance of new legislative flexibility provided in the NDAA for FY 2016 and additional flexibilities requested for FY 2017, the Department expects to achieve savings of \$1.9 billion over the FYDP without any reduction to patron benefits.

**Figure 4-1. Initiatives and Process Improvements**

*(Dollars in Billions, Base Budget only)*

	FY 2017	FY 2018-FY 2021
Management Headquarters Reduction	0.15	1.5
Service Requirements Review Boards	0.14	1.9
Business Operations	0.04	1.1
IT Optimization	0.06	1.3
Defense Resale Business Optimization	--	1.9
Total	0.40	7.7

*Numbers may not add due to rounding*

### BETTER BUYING POWER: OBTAINING GREATER EFFICIENCY AND PRODUCTIVITY IN DEFENSE SPENDING

A central tenet of the Department's efforts to continuously improve the productivity of the Government and the Industrial Base in delivering better value to the taxpayer and warfighters is the ability to achieve greater efficiencies in the defense acquisition enterprise. First introduced in 2010, Better Buying Power (BBP) has evolved from an emphasis on basic acquisition principles and best practices under the original BBP 1.0, to a focus on critical thinking and sound professional judgment captured in BBP 2.0, to an emphasis on achieving dominant capabilities through technical excellence reflected in BBP 3.0.

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Better Buying Power 3.0 encompasses eight focus areas:

- Achieve affordable programs;
- Achieve dominant capabilities while controlling lifecycle costs;
- Incentivize productivity in industry and government;
- Incentivize innovation in industry and government;
- Eliminate unproductive processes and bureaucracy;
- Promote effective competition;
- Improve tradecraft in acquisition of services; and
- Improve the professionalism of the total acquisition workforce

Many of the BBP 3.0 initiatives address technical excellence and innovation. Examples include:

- Increase the use of prototyping and experimentation;
- Emphasize technology insertion and refresh in program planning;
- Use Modular Open Systems Architecture to stimulate innovation;
- Provide clear “best value” definitions so industry can respond; and
- Strengthen organic engineering capabilities

Underpinning BBP 3.0 is the growing concern that the nation’s technological superiority over potential adversaries is being threatened today in a way not seen for decades. The U.S. military today depends on a suite of dominant capabilities that originated in the 1970s and 1980s. These capabilities have been enhanced and upgraded since that time, but have not fundamentally changed. The DoD’s technological superiority is not assured and, in fact, it is being increasingly challenged.

This release of BBP 3.0 does not end DoD’s focus on controlling costs, critical thinking, and sound professional management. It shifts the Department’s emphasis toward ensuring capabilities to achieve dominant capabilities on future battlefields. The focus of BBP remains delivering better value to the taxpayer and warfighter by improving the way the Department does business, while addressing both the fiscal and security challenges that face the nation.

### CONTROL COSTS THROUGHOUT THE PRODUCT LIFE CYCLE

Cost control starts with clear, accurate, prioritized requirements, followed by buying the most cost-effective performance needed to accomplish the mission. The Department will continue to align the communication between the requirements and acquisition communities to ensure the highest likelihood of success. Product life cycles typically last for decades, and requirements and acquisition decisions will influence the Department’s costs well into the future. Today’s design decisions for systems in development affect tomorrow’s costs for sustainment. The Operating and Support Cost Key System Attribute, which is a requirement for all new programs, makes life cycle cost control an imperative that begins at program inception.

The Department has implemented a requirement for affordability analysis and constraints on programs as one means of controlling costs throughout the life cycle. Assessing the affordability of major systems before, during, and after production establishes the fiscal feasibility of the program, informs the Analyses of Alternatives, guides capability requirements and engineering tradeoffs, sets realistic program baselines, and enables executable

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sustainment planning. The analysis includes a quantitative assessment across capability portfolios, rather than just for specific programs. To assess the ability to fund the program over its life cycle within expected budget levels, affordability analysis looks at the entirety of the program's costs rather than near-term budget years.

Additional work is needed beyond this affordability analysis as the Department acquires and sustains new capabilities. "Should Cost" management is an approach to cost control that requires managers to understand and when possible reduce costs under their control. The Department is aggressively employing the use of Should Cost management for acquisition programs during sustainment as well as during acquisition. During program reviews, Program Managers for Acquisition Category 1 programs specifically report their Should Cost targets and progress toward achieving them.

Cost control efforts continue after the production phase. Once a weapon system is fielded, the program's primary means of cost control is through execution of its sustainment plan. Given the long timeframes for sustainment, often decades, and shifting circumstances under which a system may be employed, the Department requires program managers to assess and update sustainment plans continually and to identify opportunities for cost reduction throughout the product's service life.

### FINANCIAL IMPROVEMENT AND AUDIT READINESS INITIATIVE

The Financial Improvement and Audit Readiness (FIAR) initiative is the Department's strategy for achieving and validating audit readiness of all financial statements by September 30, 2017. Audit readiness means the Department has strengthened its internal controls and improved its financial practices, processes, and systems, so there is reasonable confidence that the information can withstand an audit by an independent auditor.

Fiscal year (FY) 2015 was a pivotal year for the Department. Each Military Department commissioned an Independent Public Accountant (IPA) firm to conduct a limited-scope audit of its General Fund Schedule of Budgetary Activity (SBA) for its FY 2015 appropriations. Additionally, most of the larger other Defense organizations (ODO) went under SBA examination or completed mock audits of their current year budgetary activities. Going under IPA audit or examination is an essential part of the Department's FIAR strategy and is consistent with the generally positive feedback on this approach, received from Government Accountability Office (GAO), the Department of Defense Office of the Inspector General (DoD IG), and some members of Congress. Audits highlight remaining deficiencies and dependencies between organizations so corrective actions can be implemented and full audit readiness can be achieved. Going under audit also means an important culture change is underway, requiring military and civilian personnel across the Department to learn and understand the responsibilities associated with achieving and sustaining auditability.

During FY 2015, about 90 percent of the Department's current year General Fund appropriations were under audit. The General Fund appropriations not currently under audit are undergoing examinations or audit readiness activities. Over the next 2 years, the Department will continue to expand the scope of audits while continuing these examinations and audit readiness activities to sustain a stronger, more disciplined business environment until full audit readiness is achieved. Lessons learned from other Federal agencies suggest that the first years of auditing the full financial statements will not result in a positive opinion, but the Department is committed to resolving all issues until a positive opinion can be achieved and sustained.

## AUDIT AND CONTRACT MANAGEMENT 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.

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

*(Dollars in Billions, Base Budget only FY 2016/2017, Direct FTEs in whole numbers)*

Program	FY 2015 Actuals*	FY 2016 Enacted	FY 2017 Request
Defense Contract Audit Agency	\$0.6	\$0.6	\$0.6
DCAA Direct Full-Time-Equivalents	4,230	4,080	4,632
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>

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 2015, the DCAA audited nearly \$175 billion of costs incurred on contracts and issued about 880 forward pricing proposal audit reports totaling about \$62.5 billion. In FY 2015, DCAA achieved \$3.1 billion in savings as the result of audit findings
  - In FY 2017, the DCAA continues efforts to reduce the incurred cost backlog, maintain an incurred cost inventory at an acceptable level, and meet DoD’s other mission critical audit needs. Reducing the backlog will: (1) assist in achieving auditable financial statements; (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)
- 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



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- In FY 2017, the DCMA continues 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
- 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 2017, 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

### IMPROVING THE FINANCIAL MANAGEMENT WORKFORCE

The Department requires a well-trained financial management workforce to achieve auditable financial statements and provide strong financial management. The National Defense Authorization Act (NDAA) for Fiscal Year 2012 (Public Law 112-8) provided the authority for DoD to prescribe certification and credentialing standards for the financial management community. The Department initiated a multiyear effort to develop a course-based Financial Management (FM) Certification Program. The Program applies to personnel in the FM workforce and offers training and professional opportunities while establishing a standard financial management body of knowledge throughout the Department. This effort has been supported by the U.S. House of Representatives, the Senate, and the Government Accountability Office.

The Certification Program aims to move the FM workforce toward a more analytical orientation and helps to ensure the FM workforce has the knowledge necessary to achieve auditable financial statements. It also establishes a DoD FM framework to guide the professional development of approximately 54,000 members of the FM workforce and ensures the workforce has the competencies to adapt to future mission requirements. Through increased training in key areas such as audit readiness, the program supports the Department’s effort to achieve auditable financial statements by 2017 as directed by the Secretary of Defense and the Congress. Identifying and defining key competencies in both FM and leadership enables the Department to assess and close gaps between current capabilities and the competencies required by the future financial management workforce. Once they achieve certification, individuals must earn a minimum level of continuing education and training credits every 2 years to sustain their achieved certification level and maintain and improve financial management proficiency and skills.

The DoD FM Certification Program policy was signed on November 20, 2013. Initial implementation for civilians and active duty Components was completed in September 2014, and implementation of the Guard and Reserve Components was completed in March 2015.

## 5. PURSUE INVESTMENTS IN MILITARY CAPABILITIES

### Acquisition Summary

The Department maintains a healthy Science and Technology (S&T) program of \$12.5 billion to invest in future technologies. The overall Research, Development, Test, and Evaluation (RDT&E) portfolio of \$71.8 billion includes an increase of \$2.8 billion compared to the enacted FY 2016 appropriations. The procurement portfolio of \$112.1 billion includes \$0.1 billion for the National Guard and Reserve Equipment and a decrease of \$7.0 billion from the enacted FY 2016 appropriations.

Key Initiatives
<ul style="list-style-type: none"> <li>• Space and Space-Based Systems</li> <li>• Missile Defense Programs</li> <li>• Cyberspace Operations</li> <li>• Science &amp; Technology</li> </ul>

**Figure 5-1. Investments**

*Base and OCO \$ in billions*

	FY 2016 Enacted	FY 2017 Request	Change
Aircraft and Related Systems	50.6	45.3	-5.3
C4I Systems	7.1	7.4	0.3
Ground Systems	9.9	9.8	-0.1
Missile Defense Programs	9.1	8.5	-0.6
Missiles and Munitions	12.7	13.9	1.2
Mission Support	52.9	52.4	-0.5
Science & Technology (S&T)	13.0	12.5	-0.5
Shipbuilding and Maritime Systems	27.5	27.0	-0.5
Space-Based Systems	7.0	7.1	0.1
Rescissions	-1.8	-	+1.8
<b>Total</b>	<b>188.0</b>	<b>183.9</b>	<b>-4.1</b>

### Major Weapons Programs

The Department pursues numerous major weapons programs. Some are described in later portions of this section; others are described in the Military Departments' summaries presented in Chapter 8 of this document. Figure 5-2 summarizes the top 25 DoD weapon programs as measured by their total procurement and RDT&E funding in the FY 2017 budget. The website displays the Department's "Program Acquisition Costs by Weapons Systems" book (<http://comptroller.defense.gov/budgetmaterials/budget2014.aspx#press>) that provides more detailed information.

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**Figure 5-2. Major Acquisition Programs**

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

		FY 2016		FY 2017	
		Qty	\$	Qty	\$
<b>Aircraft</b>					
F-35	Joint Strike Fighter	68	11.6	63	10.5
KC-46A	Tanker	12	3.0	15	3.3
P-8A	Poseidon	17	3.4	11	2.2
V-22	Osprey	20	1.6	16	1.5
E-2D AHE	Advanced Hawkeye	5	1.2	6	1.4
AH-64E	Apache Helicopter	64	1.4	52	1.1
C/HC/MC-130J	Hercules	29	2.4	14	1.3
UH-60	Black Hawk Helicopter	107	1.8	36	1.0
CH-53K	King Stallion Helicopter	--	0.6	2	0.8
MQ-4C	Triton	4	1.0	2	0.8
H-1 Upgrades	Bell Helicopter	29	0.9	24	0.8
NGJ	Next Generation Jammer Increment 1	--	0.4	--	0.6
CH-47F	Chinook Helicopter	39	1.1	22	0.7
<b>Missile Defense/Missiles</b>					
BMD5	Ballistic Missile Defense	--	7.7	--	6.9
Trident II	Trident II Missile Mods	--	1.2	--	1.2
AMRAAM	Adv. Medium Range Air-Air Missile	429	0.7	419	0.7
<b>Ships</b>					
SSN 774	VIRGINIA Submarine	2	5.7	2	5.3
DDG 51	AEGIS Destroyer	2	4.4	2	3.5
CVN 78	FORD Aircraft Carrier	--	2.8	--	2.8
ORR	Ohio Replacement	--	1.4	--	1.9
LHA-6	Amphibious Assault Ship	--	.5	1	1.6
LCS	Littoral Combat Ship	3	1.8	2	1.6
<b>Space</b>					
AEHF	AEHF Satellite	--	0.6	--	0.9
EELV	EELV Launch Vehicle	4	1.5	5	1.8
<b>Trucks</b>					
JLTV	Joint Light Tactical Vehicle	804	0.4	2,020	0.7

## SPACE AND SPACE-BASED SYSTEMS

The FY 2017 budget request includes \$7.1 billion for the DoD Space Investment Programs, which reflects an increase of \$0.1 billion above the FY 2016 enacted level of \$7.0 billion. For FY 2017, the Department continues to modify the space program portfolio based on the Space Strategic Portfolio Review, which recommended strategic goals and capabilities to implement an

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assured spaces strategy. The budget allows the United States to maintain supremacy in space and provides communications, navigation, missile warning, space situational awareness, and environmental monitoring capabilities.

The Air Force completes Global Positioning System (GPS) III space vehicles (SV) 01 and 02 for available launch activities and updates the procurement profile to position the program for a potential follow-on competition to procure SV 11-32. The Air Force continues the development of the GPS Operational Control System (Blocks 1 and 2) and the Military GPS User Equipment Increment 1. The Air Force also funds the GPS Prime Integrator (Enterprise Integration) effort to synchronize space control and user segment programs and manage civil/military specifications and requirements.

The Air Force continues to explore an alternative architecture for Satellite Communications (SATCOM) and Overhead Persistent Infrared (OPIR). The FY 2017 budget request also sustains the existing SATCOM and OPIR systems through the transition, maintaining the Advanced Extremely High Frequency capability with vehicles 5/6 through 2027 and the Space-Based Infrared System geosynchronous orbit capability with vehicles 5/6 through 2025.

The Air Force is exploring cost-effective acquisition approaches for meeting the Department's future space based environmental monitoring (SBEM) capabilities. The request includes funding for the Weather System Follow-On (WSF), which will begin during in FY 2016. The FY 2017 budget request includes a reduction in scope for the Defense Meteorological Satellite Program (DMSP) to include only sustainment of the on-orbit constellation and divestment of Flight 20. The Department's overall SBEM approach leverages civil and partnerships while investing in WSF to meet DoD requirements.

The Evolved Expendable Launch Vehicle (EELV) program has been aligned with satellite launch schedules in FY 2017 while aggressively pursuing competition. The FY 2017 budget request also continues the block buy of five EELV launch services, three of which are set aside for competition and usually ordered 24 months prior to the planned mission, as well as activities such as launch preparation, site and operations activities, post mission analysis, and related tasks. The Air Force is taking steps to ensure the existence of two commercially-viable, domestically-sourced space launch service providers with the objective of also eliminating reliance on a foreign-made liquid rocket engine. The Air Force is also planning one or more Public-Private Partnership ventures for these efforts, which may include new upper stages as part of the development effort. The Air Force certified SpaceX as an EELV provider on May 19, 2015.

The FY 2016 budget request established a new account for Air Force major space procurement programs. The Congress approved the new space appropriation; however, in the Statement of Managers for the Consolidated Appropriations Act for 2016, the Congress directed that all space-related procurement line items should be included in this new appropriation. Therefore, the FY 2017 budget request transfers all space-related items requested in Other Procurement, Air Force appropriation to the Space Procurement, Air Force appropriation. The FY 2017 budget requests 5-year availability for the Space Procurement, Air Force account. Although it is reasonable and appropriate for the overwhelming majority of acquisition programs to have a 3-year period of availability (POA), modern satellites are highly complex and can take up to a decade to design and build. The long development and production timelines are more like those of large Navy ships, which are funded in the Shipbuilding and Conversion, Navy appropriation with a base POA of 5 years. The additional 2 years for the Space appropriation would provide time for obligations for engineering services, test and evaluation, and other activities that must be performed in the final stages of satellite development; thus, a 5-year POA would make the funds available for obligation for the duration of development and production.

### MISSILE DEFENSE PROGRAMS

The FY 2017 budget request funds the development and deployment of ballistic missile defense (BMD) capabilities to support the Administration's commitment to protect the U.S. homeland, deployed forces, allies, and partners. The FY 2017 budget request for missile defense is \$9.1 billion, which includes \$7.5 billion for the Missile Defense Agency and reflects a decrease of \$.7 billion below the FY 2016 enacted level of \$9.8 billion.

For homeland defense, the FY 2017 budget request maintains the commitment to increase the number of deployed Ground-Based Interceptors (GBI) to 44 (by delivering an additional 14 interceptors over the FY 2016 level of 30 fielded interceptors); continue development of the Redesigned Kill Vehicle (REKV); and proceed with the development of the Long-Range Discrimination Radar (LRDR). When combined with the planned GBI reliability, system engineering, and discrimination improvements, these enhancements will enable the missile defense system to deal effectively with the Intercontinental Ballistic Missile (ICBM) threat from North Korea and a potential ICBM threat from Iran.

The FY 2017 budget request also reflects the Department's commitment to building the regional missile defense forces that are interoperable with the North Atlantic Treaty Organization (NATO) Air Command and Control and Patriot Systems, Israeli Arrow and Patriot Weapon Systems, and Japan Aerospace Defense Ground Environment (JADGE), and Aegis Weapon Systems and SM-3 interceptors deployed by international partners.

The Department continues to support the European Phased Adaptive Approach (EPAA), which is designed to protect U.S. deployed forces and allies in Europe from ballistic missile attacks from the Middle East. The FY 2017 budget request supports the implementation of Phase 3 of the EPAA, to include the deployment of Aegis Ashore to Poland in the FY 2018 timeframe. The Aegis Ashore will be capable of launching Standard Missile-3 (SM-3) Blocks IA, IB, and IIA (delivery in 2018) variants.

The FY 2017 budget request also:

- Provides additional funding for key capabilities to meet the maturing threat from North Korean ICBMs and the potential threat from Iranian ICBMs, including GBI reliability and system engineering enhancements, GBI modifications to address the root causes of previous flight test failures, and operation of the Sea-Based X-band radar;
- Provides funding for advanced technologies to meet the future threat, including discrimination improvements, directed energy research, and multiple kill technologies;
- Provides funding for Terminal High Altitude Area Defense (THAAD) concept development and risk reduction activities for follow-on capabilities; and procures 24 THAAD interceptors in FY 2017;
- Procures 85 new Missile Segment Enhancement (MSE) missiles. The MSE is a significant evolutionary improvement over the Patriot Advanced Capability-3 (PAC-3) missile, and provides greater agility and lethality;
- Continues U.S. contributions to the Iron Dome system to defeat short-range missiles and rockets; continues support for the Arrow Weapon System, Israeli Upper Tier Interceptors, and the David's Sling Weapon System; and
- Continues conversion of Aegis ships to provide BMD capability and procures 35 SM-3 Block IB missiles to be deployed on Aegis BMD ships and at the Romania Aegis Ashore site.

### CYBERSPACE OPERATIONS

The FY 2017 base budget request of \$6.7 billion for cyber operations represents an increase in cyber funding of \$0.9 billion compared to the FY 2016 enacted base budget, and fully supports the Department's defensive and offensive cyberspace operations capabilities and cyber strategy.

The Department developed the 2015 DoD Cyber Strategy in response to the growing cybersecurity threats and to guide efforts to defend the Nation against cyberattacks of significant consequence. The new cyber strategy, the Department's second, guides the development of DoD's cyber forces and strengthens its cybersecurity and cyber deterrence posture.

The strategy focuses on building cyber capabilities and organizations for DoD's three primary cyber missions: to defend DoD networks, systems, and information; defend the Nation against cyberattacks of significant consequence; and provide cyber support to operational and contingency plans. To accomplish these missions, the strategy sets five strategic goals:

1. Build and maintain ready forces and capabilities to conduct cyberspace operations;
2. Defend the DoD information network, secure DoD data, and mitigate risks to DoD missions;
3. Prepare to defend the U.S. homeland and U.S. vital interests from disruptive or destructive cyberattacks of significant consequence;
4. Build and maintain viable cyber options and plan to use those options to control conflict escalation and to shape the conflict environment at all stages; and,
5. Build and maintain robust international alliances and partnerships to deter shared threats and increase international security and stability

The Department's FY 2017 budget:

- Continues to organize the 133 team Cyber Mission Force, which is expected to be fully operational by the end of FY 2018;
- Outfits the new Joint Operations Center for U.S. Cyber Command (USCYBERCOM) at Fort Meade, Maryland; occupancy is scheduled for FY 2018;
- Continues to support cyberspace operational Science and Technology programs and other research and technology projects to develop the tools required by the Cyber Mission Force to accomplish its mission;
- Continues to develop innovative approaches to provide a virtual environment for the Cyber Mission Force to consistently train and mission rehearse across a wide range of threat environments;
- Continues to support defensive cyberspace operations by providing information assurance and cyber security to the Department's networks at all levels, and via ongoing investments in the Department's larger Information Technology budget to implement Joint Regional Security Stacks across the DoD enterprise; and
- Continues to support Combatant Commanders and offensive cyber operations by providing integrated cyber capabilities to support military operations and contingencies.



**SCIENCE & TECHNOLOGY**

The Department’s Science and Technology (S&T) Program’s mission is to invest in and develop capabilities that advance the technical superiority of the U.S. military to counter new and emerging threats. The overall FY 2017 base budget S&T funding request for the Army, Navy, Air Force, and Defense Agencies is approximately \$12.5 billion, which is 2.4 percent of the Department’s \$523.9 billion base budget. The FY 2017 request is slightly lower than the FY 2016 enacted level of \$13.0 billion for continued S&T focus on the rebalance of forces from Iraq and Afghanistan to the Asia Pacific region, and towards promising technologies to counter other nations’ development of anti-access/area-denial capabilities.

Highlights of the FY 2017 budget request for S&T include:

- Maintaining a robust Basic Research program of \$2.1 billion
- Continuing the implementation of the Defense Innovation Initiative (DII) that will help to identify investments in innovations to sustain and advance DoD’s military dominance for the 21<sup>st</sup> century. Provides \$45 million in support of this initiative for the Defense Innovation Unit–Experimental (DIU-X) facilities (DIU-X East and DIU-X West) and \$40 million for the Department’s pilot program, In-Q-Tel;
- Providing \$137.0 million for the continued support of six DoD-led Manufacturing Initiative institutes and provides funding to establish two additional institutes, which will satisfy the DoD requirement for eight institutes in support of the President’s National Network for Manufacturing Innovation plan and the National Economic Council’s manufacturing goals; and
- Providing \$35.0 million for the Department’s Third Offset Strategy that is designed to counter or offset the technological advances of U.S. foes. Additional efforts that have supported or will continue to support this strategy include:
  - Providing \$902.0 million for the Strategic Capabilities Office, which was established to identify, analyze, demonstrate, and transition game-changing applications of existing and near-term technology to shape and counter emerging threats
- Continuing to analyze the Long Range Research and Development Planning Program study, conducted in 2015, to identify high-payoff enabling technology investments that could shape key future U.S. investments

**Figure 5-3. Science & Technology Program**

*Base budget \$ in billions*

Program	FY 2016 Request	FY 2016 Enacted*	FY 2017 Request	FY16 Enacted – FY17 Change
Basic Research (6.1)	2.1	2.3	2.1	-0.2
Applied Research (6.2)	4.7	5.0	4.8	-0.2
Adv Tech Dev (6.3)	5.5	5.7	5.6	-0.1
<b>Total S&amp;T</b>	<b>12.3</b>	<b>13.0</b>	<b>12.5</b>	<b>0.5</b>

*\*Reflects Congressional adds to include \$100 million for Technology Innovation efforts, \$250 million for the Defense Rapid Innovation Fund, and \$204 million in support of Army, Navy, Air Force, Defense Agencies, and university research programs.*

## 6. TAKE CARE OF OUR PEOPLE

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 24/7.

The Department’s commitment to a generous compensation package for those individuals willing to serve their country voluntarily is evidenced in an examination of the annual budget request and demonstrated by the number of initiatives and programs to support their professional development and their personal and family lives.

Key Initiatives
<ul style="list-style-type: none"><li>• Military Compensation</li><li>• Blended Retirement System</li><li>• Force of the Future</li><li>• Managing the Military Health System</li><li>• Strengthening Military Families</li><li>• Supporting DoD Civilians</li></ul>

Comprising roughly one-third of the DoD budget, military pay and benefits funding is, 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. Therefore, the Department must be vigilant that these requirements do not grow such that they prevent achieving the Department’s strategic goals. Specifically, 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 carry into combat and accomplish the incredible array of missions undertaken around the globe every day. 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 adequate compensation is a vital component of readiness and military quality-of-life, it must remain in balance with readiness, capacity, and capabilities needed.

The Department continues to face significant budget challenges from sequestration under the Budget Control Act of 2011 (BCA 2011). Even with the short-term relief from the sequestration funding caps provided under the two Bipartisan Budget Acts (2013 and 2015), the Department’s current topline for the base budget has been reduced by approximately \$800 billion over the 10-year sequestration period (FY 2012 through FY 2021) when compared to the FY 2012 President’s Budget (PB) Future Years Defense Program (FYDP) topline estimates (pre sequestration). Over the same 10-year period, the estimated savings from military compensation proposals enacted from FY 2012 through FY 2016 along with those proposed in the FY 2017 President’s Budget total to just under \$69 billion — less than 9 percent of the \$800 billion reduction.

Figure 6-1 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 2017. 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 6-1 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 Budget Control Act (BCA) of 2011 and the subsequent Bipartisan Budget Act (BBA) of 2013. The nearly \$9 billion decrease in the FY 2013 base budget military pay and benefits funding includes the shift from

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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 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 2016 and FY 2017 reflect modest growth achieved through a combination of force structure reductions consistent with the Quadrennial Defense Review strategy, the continuation of historically low medical inflation trends, numerous efficiencies, and policy changes. These efforts have created a trajectory of growth that puts compensation on a more sustainable path. This started in previous budgets and is continued with the proposals included in the FY 2017 budget request. With the FY 2016 and FY 2017 increases in discretionary spending negotiated in the Bipartisan Budget Act (BBA) of 2015, military pay and benefits funding drops to 34.0 percent of the overall DoD budget authority.

**Figure 6-1. Pay & Benefits Funding** <sup>1</sup>

(Dollars in Billions)

Military Pay & Benefits Funding	FY 2001 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Military Personnel Appropriations <sup>2</sup>	77.3	130.8	126.4	128.7	127.5	128.7	128.9
Medicare-Eligible Retiree Health Care Accruals	0.0	10.7	8.0	7.3	7.0	6.6	6.4
Defense Health Program <sup>3</sup>	13.7	32.3	30.6	32.7	32.7	32.9	33.8
DoD Education Activity <sup>4</sup>	1.5	3.3	3.2	3.6	3.0	3.1	2.9
Family Housing	3.7	1.7	1.5	1.4	1.1	1.3	1.3
Commissary Subsidy	1.0	1.4	1.4	1.3	1.3	1.4	1.2
Other Benefit Programs <sup>5</sup>	2.4	3.7	4.0	3.5	3.4	3.5	3.4
<b>Military Pay &amp; Benefits Funding</b>	<b>99.5</b>	<b>183.8</b>	<b>175.0</b>	<b>178.5</b>	<b>176.0</b>	<b>177.5</b>	<b>177.9</b>
<b>Civilian Pay &amp; Benefits Funding</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>71.8</b>	<b>72.9</b>
<b>Total Pay &amp; Benefits Funding</b>	<b>139.3</b>	<b>253.4</b>	<b>243.5</b>	<b>246.8</b>	<b>245.5</b>	<b>249.3</b>	<b>250.8</b>
DoD Base Budget Authority (BA)	287.4	530.4	495.5	496.3	497.3	521.7	523.9
<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>34.0%</b>	<b>34.0%</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>47.8%</b>	<b>47.9%</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>1,301,300</b>	<b>1,281,900</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>811,000</b>	<b>801,200</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>769,365</b>	<b>763,774</b>

<sup>1</sup> Base Budget only -- excludes OCO funding.

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 on September 30. FY 2016 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. Additionally, it is generally viewed by the public as a national obligation to the small percentage of the population who choose to serve this nation in this capacity. 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 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 9th 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 9th 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 6-2.

**Figure 6-2. 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



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- Permitted small increase in pharmacy co-pays
- **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

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 6-3 displays the estimated savings from the military compensation proposals included in the FY 2017 budget request. These proposals decrease military pay and benefits funding by \$0.5 billion in FY 2017 and \$11.0 billion through FY 2021.

- Basic Pay Raise** — The FY 2017 President’s budget proposes a 1.6 percent increase in military basic pay. This is less than the 2.1 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 2017 proposed increase of 1.6 percent is 0.3 percent above the FY 2016 military pay increase of 1.3 percent.

**Figure 6-3. FY 2017 PB Military Compensation Proposals**  
(Dollars in billions)

Proposals	FY 2017 Savings	FY17 – FY21 Savings
FY 2017 Pay Raise of 1.6% (vice 2.1%)	0.3	2.2
TRICARE Modernization Plan	-0.1*	3.5
Pharmacy Co-Pay Adjustments	0.3	2.0
TRICARE-for-Life Enrollment Fee	0.3	1.4
Blended Retirement Amendment	-0.4*	1.9
<b>Total Military Compensation Proposal Savings</b>	<b>0.5</b>	<b>11.0</b>

\*Costs

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 2017 budget health benefit reform proposal leverages the FY 2016 proposal seeking to balance the needs of beneficiaries with requirements to maintain military medical readiness. In addition to adding choice for beneficiaries, encouraging the use of military treatment facilities, and modernizing health care cost sharing, the FY 2017 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.
- Implement Enrollment Fee for New Tricare-for-Life Beneficiaries and Increase Pharmacy Co-Pays** — In conjunction with the TRICARE Plan changes, the Department again seeks to adjust pharmacy co-pay structures and *establish a modest annual enrollment fee for the TRICARE-for-Life* coverage for Medicare-eligible retirees.
- Blended Retirement System** — As detailed in the next section, the Department seeks to amend certain aspects of the new retirement system in order to ensure that, when the new system goes into effect, it meets the needs of the Military Departments and service members today and in the future.

## BLENDING RETIREMENT SYSTEM

The National Defense Authorization Act for Fiscal Year 2016 (NDAA) enacted substantial changes to the current military retirement system. For 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.

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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 at the 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.

The FY 2017 accrual savings reflects the impact of the new blended retirement system based on lower retired pay accrual rates as the defined benefit multiplier is reduced from 2.5 percent to 2.0 percent. The savings realized from the reduced accrual rates provide the necessary funding to support the new defined-contribution component consisting of individual military members' TSP accounts and continuation pays necessary to maintain retention at various career points along the Service force profile. However, since the new blended retirement system is not scheduled to take effect until January 1, 2018, the savings in FY 2017 are solely due to the lower accrual rates and not offset by the costs associated with TSP contributions and continuation pays.

In general, the Department supports the blended retirement system established by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016. However, DoD is proposing some modifications now to ensure that, when the new system goes into effect, it best meets the retention needs of the Services and our men and women in uniform.

- The Department seeks flexibility in the application of continuation pays in order to shape the force vice the NDAA, which provides a minimum continuation payment to all members at 12 years-of-service (YOS)
- The Department seeks to increase TSP matching to 5 percent for a total contribution of 6 percent. The NDAA provides a 1 percent automatic TSP contribution to the Service member and up to 4 percent in TSP matching contributions for a total of 5 percent
- The Department seeks to amend the start date for matching service member TSP contributions to the first day of the fifth YOS generally aligning the start date with a service member's second enlistment. The NDAA begins matching the first day of the third YOS
- The Department seeks to extend TSP matching contributions until the member's retirement, similar to civilians covered by the Federal Employees Retirement System, while the NDAA ceases TSP matching contributions at 26 YOS.

### FORCE OF THE FUTURE

The Department is evaluating a series of comprehensive reform initiatives to improve recruiting and retention, focus on talent management, and increase permeability between the public and private sectors. The Secretary of Defense announced the first tranche of Force of the Future reforms in a speech at George Washington University on November 18, 2015, where he highlighted the following 12 initiatives focused on permeability to new people and ideas, recruitment, and retention.

- Improving and enhancing college internship programs
- Establishing the Defense Digital Service
- Launching an Entrepreneur-in-Residence Program
- Designating a Chief Recruiting Officer
- Expanding the Secretary of Defense Corporate Fellows Program
- Pursuing legislation to make the Career Intermission Program permanent and increase the size of the program
- Continuing to refine the Blended Retirement System approved in the FY 2016 NDAA
- Piloting a web-based Talent Management System
- Establishing an Office of People Analytics
- Implementing Service member exit surveys
- Commissioning a study to better understand the factors affecting poor recruit outcomes
- Implementing semiannual diversity briefings to senior leaders

Secretary Carter announced a second tranche of reforms on January 28, 2016, focused on improving the quality of life of military parents. This second tranche is intended to allow Service members to better balance commitments they make to serve in uniform and start and support a family. Initiatives include --

- Establishing a DoD-wide standard of 12 weeks paid maternity leave (up from 6 weeks)
- Seeking legislation to expand paternity leave from 10 to 14 days
- Seeking legislation to expand adoption leave for military to military marriages
- Extending Childcare Development Center (CDC) operating hours
- Modifying or establishing about 3,600 Mothers' rooms across DoD installations
- Conducting long-range strategic planning and assessments for childcare options to improve access and usability
- Pursuing an amendment to existing authorities to permit Service members to remain at a duty station of choice in certain instances where it is in the best interests of the family
- Implementing a pilot program to provide egg and sperm cryopreservation services to active duty Service members

The Department anticipates final decisions on the remaining initiatives in the coming months.

- The reforms captured in the Force of the Future initiative represent an investment in maintaining the strongest and most agile fighting force the world has ever known. The U.S. military represents the Department's best competitive advantage in warfare and the Force of the Future initiative examines how the Department can better attract and retain top talent.

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- The proposed reforms represent a comprehensive overhaul of the military and civilian personnel systems; many ideas will require changes to statute that will be submitted as part of the FY 2017 President’s Budget (PB) submission. The DoD looks forward to working with Congress to institute meaningful reform for the Department.
- There is a broad array of topics under consideration that range from the complex (e.g., Defense Officer Personnel Management [DOPMA]) reform to the simple (e.g., increasing inter-agency broadening opportunities for DoD civilians); all of them are designed to increasingly reward top performers, improve quality of life for DoD employees and their families, and optimally manage talent within the Department’s ranks.
- All of the costs are being taken from existing DoD resources and additional unidentified savings may be garnered as the Department becomes more efficient as a result of better talent management.

## MANAGING THE MILITARY HEALTH SYSTEM

The FY 2017 budget request includes \$48.8 billion for the DoD Unified Medical Budget to support the Military Health System (MHS). The MHS currently has 9.4 million eligible beneficiaries, which includes active military members and their families, military retirees and their families, dependent survivors, and certain eligible Reserve Component members and their families.

### Strategic Construct

The MHS is a federated healthcare system responsible for supporting the health needs of the U.S. military and 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. Delivery of the TRICARE health benefit utilizing both military treatment facilities and purchased health services is a shared responsibility executed by the Services and the DHA. The benefit is delivered to several distinct categories of beneficiaries, such as active duty military personnel, families of active duty personnel, reservists, and military retirees and their family members.

**Figure 6-4. Military Health Care Funding<sup>1</sup>**  
(Dollars in Billions)

Program	FY 2017 Request
Defense Health (DHP)	33.5
Military Personnel <sup>2</sup>	8.6
Military Construction <sup>2</sup>	0.3
Health Care Accrual <sup>3</sup>	6.4
<b>Unified Medical Budget</b>	<b>48.8</b>
Treasury Receipts for Current Medicare-Eligible Retirees <sup>4</sup>	10.3

*Numbers may not add due to rounding*

<sup>1/</sup> Excludes OCO funds and other transfers. The FY 2017 amounts include \$40 million additional DHP costs and \$589 million Health Care Accrual savings from TRICARE benefit proposals.

<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 their family members.

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The primary mission of the MHS is to support the health readiness of the Force. Given its role in supporting both health readiness and routine healthcare, the benefit serves two primary customer groups:

- Combatant commanders who rely on the system to supply a ready medical force and a medically ready force in support of Globally Integrated Operations (GIO), and
- Beneficiaries who rely on the system for safe and effective health services to meet their healthcare needs.

This dual responsibility distinguishes the MHS from civilian healthcare systems and presents both a challenge and an opportunity.

### Health Care Costs

Since its inception in 1994, the TRICARE program has expanded the range of benefits provided to beneficiaries, yet the original cost sharing requirements have remained relatively unchanged. Asking beneficiaries to share in the costs of health care requires congressional action. Over the years, Congress permitted small increases in the TRICARE Prime enrollment fees for working age retirees and made some adjustments to retail and mail order pharmacy co-pays. But these changes are not enough to offset the overall projected increase in health care 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 care 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.

Controlling health care costs are a priority for the Department of Defense (DoD), and DoD does so using two strategies: 1) achieving some savings within the program itself, and 2) requiring beneficiaries to increase their contribution for the health care that they receive. Over the past several years, program efficiencies have been extremely successful in constraining health care costs. Initiatives included implementation of Federal Ceiling Pricing (a discount drug program), the Outpatient Prospective Payment system (a transition to more favorable Medicare rates for private hospitals), Patient-Centered Medical Homes, and the Defense Health Agency's Shared Services (reducing redundancy and improving coordination among the Services), which have resulted in roughly \$3 billion in annual savings. Concurrently, Congress permitted small increases in the TRICARE Prime enrollment fees for working age retirees and made some adjustments to retail and mail order pharmacy co-pays in the FY 2012, FY 2013, FY 2015, and FY 2016 budget and legislative cycles. These congressional actions are projected to save the Department an additional \$2.4 billion annually.

Taken together, the internal savings initiatives and modest congressional fee increases are helpful but are not enough to curb the projected increase in health care costs for the Department. Following several years of historically low health care inflation, National Health Expenditure projections, a product of the Centers for Medicare and Medicaid Services, anticipate a gradual increase in per capita health care costs to roughly 5 percent in coming years. Additionally, the Military Compensation and Retirement Modernization Commission<sup>1</sup> (MCRMC) recently reviewed and recommended changes to the military compensation and retirement systems.<sup>2</sup> Some of their recommendations were to improve and modernize the MHS, including the TRICARE benefit plan. The current TRICARE Program is largely

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<sup>1</sup> Established by the National Defense Authorization Act FY 2013 Pub. L. 112-239, 126 Stat. 1787 (2013).

<sup>2</sup> Final report issued January 2015.



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unchanged from its inception in 1994. In his response to the MCRMC report, the President stated, “this remains a critical issue, and my Administration will work with the Commission and interested Members of Congress in the coming months to develop additional reform proposals for consideration as part of my Fiscal Year 2017 Budget.” From multiple vantage points, including cost and structure, it is clear the DoD must pursue reasonable health benefit reform now as part of a balanced approach given the reduced sequestration level funding for FY 2018 and beyond.

### 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 (MSO/VSO). This dynamic changed somewhat with the submission of the President’s Budget (PB) 2016 benefit reform proposal that was relatively well received. Some attributes of this proposal that resonated with beneficiaries, members of Congress, and MSO/VSO included greater simplicity and a perceived increase in value that corresponded to a modest cost increase.

The PB 2017 health benefit reform proposal leverages the PB 2016 proposal but makes some important adjustments. Following are the attributes of the PB 2017 proposal.

- A simpler system — provides beneficiaries with two care alternatives and overall less complexity in their health plan. TRICARE Select is an HMO-like (managed) option that is MTF-centric and TRICARE Choice is a PPO-like (unmanaged) option offering greater choice at a modestly higher cost.
- Economically emphasizes TRICARE Select leveraging MTFs as the lowest cost option for care to make full use of Direct Care capacity and also provides needed workload for military providers for readiness training.
- 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.
- Copays — will depend on beneficiary category (excluding active duty) and care venue; designed to minimize overutilization of costly care venues. There would be no copays in MTFs to facilitate the effective use of military clinics and hospitals and thereby improve the efficiency of DoD’s fixed facility cost structure. There would be fixed network copays for the TRICARE Choice option without a deductible.
- 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. There is no participation fee for active duty members or their family members. There is a higher participation fee for those retirees choosing the TRICARE Choice option (\$200 higher).
- 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 (ADFM), with no participation fee and lower cost shares.



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- To ensure equity among ADFMs, the proposal offers all ADFMs a no cost care option regardless of assignment location and zero copays for ADFM emergency room use, including in the network.
- The Department will offer a second payer option with a lower fee for those with other health insurance.
- Fees and copays will be indexed at the National Health Expenditures (NHE) per capita.

### **Health benefit reform is more than the cost sharing structure of the benefit itself:**

Beneficiaries do not distinguish TRICARE as separate and distinct from the Direct Care System. Instead, they see a continuum of health care services and support. Beneficiaries are concerned about access to timely medical care, particularly for those with exceptional medical needs. In addition, they argue for a reduction in the administrative burdens associated with today's integrated military health system, in keeping with a contemporary approach to health care coverage. They also value choice in health care.

Simply revising the cost sharing structure of TRICARE will not meet beneficiaries' concerns or resolve access to care issues. Instead, the Department must commit to institutional health care reform and implement targeted solutions to solve the variety of issues facing its beneficiaries. The Department's own review, the MHS Review on Quality, Access and Safety, documented many opportunities to improve performance.

The Department needs to pair institutional reforms with a benefit reform package offering real value to the beneficiary. Following are attributes that most observers agree are desirable in a military health benefit package:

- Simplicity, choice, and value for the beneficiary;
- 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 our beneficiaries move around the globe;
- Special consideration of children's needs;
- Emphasis on utilizing the MTF direct care system to maximize capacity and ensure military providers have access to patients/complexity of care for readiness skills;
- Alternate option that offers greater choice but still remains a good value;
- Participation fees and copays that are affordable, maximize use of the direct care system, and tend to direct care to the lowest cost venue of appropriate care ; and
- Economically structured to maintain a reasonable balance between what the beneficiary pays and what the government pays.

The DoD offers a comprehensive health benefit at a significantly 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. 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.

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### FIGURE 6-5. TRICARE PROPOSAL TABLES

**Table 1 – Proposed TRICARE Health Plan Participation Fee Rates (Plan Year 2018)**

<b>Proposed TRICARE Health Plan Participation Fee</b> (inflated annually by National Health Expenditures (NHE) per capita percentage)	
Non-Medicare eligible beneficiary	TRICARE Select: \$350 individual/ \$700 family TRICARE Choice: \$450 individual/ \$900 family
Medicare eligible beneficiary (TRICARE for Life)	See Table 7

Note 1. Retirees (not medically retired), their families, and survivors of retirees.

**Table 2 – Outpatient Cost Sharing for the Proposed TRICARE Health Plan effective January 1, 2018**

Services	TRICARE Network and Military Treatment Facility (MTF)				Out-of-Network	
	Active Duty Family Members		Retirees and Family		AD Family Members	Retirees and Family
	TRICARE SELECT <sup>c</sup>	TRICARE CHOICE	TRICARE SELECT <sup>c</sup>	TRICARE CHOICE		
Clinical preventive services <sup>a</sup>	\$0	\$0	\$0	\$0	\$0	\$0
Primary care visit	\$0 MTF \$0 network referral	\$0 MTF \$15 network	\$0 MTF \$20 network referral	\$0 MTF \$25 network	20% <sup>b</sup>	25% <sup>b</sup>
Specialty care visit (including PT, OT, speech)	\$0 MTF \$0 network referral	\$0 MTF \$25 network	\$0 MTF \$30 network referral	\$0 MTF \$35 network	20% <sup>b</sup>	25% <sup>b</sup>
Urgent care center	\$0 MTF visit \$0 network referral	\$0/0/0 MTF \$25 network	\$0 MTF visit \$30 network referral	\$0 MTF \$35 network	20% <sup>b</sup>	25% <sup>b</sup>
Emergency department – emergency care	\$0 MTF visit \$0 network	\$0/0/0 MTF \$50 network	\$0 MTF visit \$75 network	\$0 MTF \$90 network	20% <sup>b</sup>	25% <sup>b</sup>
Ambulance regardless of destination (MTF or network)	\$0 trip	\$15 trip	\$20 trip	\$25 trip	20% <sup>b</sup>	25% <sup>b</sup>
DME, prosthetics, orthotics, & supplies	\$0 MTF \$0 network referral	10% of negotiated network fee	20% of MTF cost or network negotiated fee	20% of MTF cost or network negotiated fee	20% <sup>b</sup>	25% <sup>b</sup>
Ambulatory surgery	\$0 MTF \$0 network referral	\$0 MTF \$50 network	\$0 MTF \$100 network referral	\$50 MTF \$100 network	20% <sup>b</sup>	25% <sup>b</sup>

a. No cost for clinical preventive services as selected by the Affordable Care Act

b. Percentage of TRICARE maximum allowable charge after deductible is met

c. If a TRICARE Select beneficiary obtains care without a referral, Point of Service charges will apply: 50% of the allowed charge after the \$300 individual/\$600 family deductible is met.

Note: PT – physical therapy; OT – occupational therapy; DME – durable medical equipment.

## Overview – FY 2017 Defense Budget

**Table 3 – Inpatient Cost Sharing for the Proposed TRICARE Health Plan effective January 1, 2018**

Services	TRICARE Network and Military Treatment Facility				Out-of-Network	
	Active Duty Family Members		Retirees and Family		Active Duty Family Members	Retirees and Family
	TRICARE SELECT	TRICARE CHOICE	TRICARE SELECT	TRICARE CHOICE		
Hospitalization	\$0 MTF \$0 network referred	\$0 MTF per day \$80 per admission network	\$0 MTF \$200 per admission network referred	\$0 MTF \$250 network per admission	20% <sup>a</sup>	25% <sup>a</sup>
Inpatient skilled nursing / rehabilitation <sup>b</sup>	\$0 network referred	\$25 network per day	\$25 per day network referred	\$25 per day	20% <sup>a</sup>	\$250 per day or 20% <sup>a</sup> of billed charges whichever is less,

a. Percentage of TRICARE maximum allowable charge after deductible is met

b. Inpatient skilled nursing / rehabilitation is generally not offered in MTFs for anyone other than military members.

**Table 4 – Deductible and Catastrophic Cap for the Proposed TRICARE Health Plan effective January 1, 2018**

General Deductible (out-of-network care)	
E1–E4 active duty family	\$100 individual/\$200 family
All other families	\$300 individual/\$600 family
Catastrophic Cap (per fiscal year)	
Active duty family	\$1,500
Retiree Family	\$4,000

<sup>a</sup> Point of Service (POS) fees do not apply to the Catastrophic Cap

**Table 5 – Pharmacy Co-Pays effective January 1, 2017**

(Amounts in whole dollars)	FY 15	FY 16*	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
<b>Retail Rx (1 month fill)</b>												
Generic	8	10	10	10	11	11	11	11	12	13	14	14
Brand	20	24	28	30	32	34	36	38	40	42	45	46
Non-Formulary	44				Available only on a limited basis							
<b>Mail-Order Rx (3 month fill)</b>												
Generic	0	0	0	0	0	11	11	11	12	13	14	14
Brand	16	20	28	30	32	34	36	38	40	43	45	46
Non-Formulary	46	49	54	58	62	66	70	75	080	85	90	92

**Military Treatment Facilities**

No change — still \$0 co-pay

\*Increases for FY 2016 authorized by the National Defense Authorization Act for FY 2016

## Overview – FY 2017 Defense Budget

**Table 6 – Cost-Sharing Impact on Beneficiary Families (CY 2018)**

		Current TRICARE Triple Option	Proposed TRICARE Health Plan
Active Duty Family <sup>a</sup> (3 members not including service member)	DoD cost	\$ 13,776	\$ 13,744
	Family cost	\$ 189	\$ 219
	Total	\$ 13,965	\$ 13,963
	% borne by family	1.4%	1.6%
Non-Medicare eligible Retiree Family <sup>b</sup> (3 members, all under age 65)	DoD cost	\$ 15,623	\$ 15,042
	Family cost	\$ 1,360	\$ 1,768
	Total	\$ 16,982	\$ 16,809
	% borne by family	8.0%	10.5%

Note 1. 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 the current TRICARE triple option (or former Prime and NonPrime users), for the proposed TRICARE health plan. For those using all civilian care, the percent borne by the family is slightly higher.

Note 2. The annual employer health benefits survey published by Kaiser Family Foundation (KFF)/Health Research & Educational Trust (HRET) offers a useful benchmark for comparison (<http://kff.org/health-costs/>).

a. Active duty family cost-sharing structure also applies to transitional survivors, TRICARE Young Adult beneficiaries with an active duty sponsor, the Transitional Assistance Management Program, and TRICARE Reserve Select.

b. Retiree cost-sharing structure also applies to survivors, TRICARE Young Adult beneficiaries with a retired sponsor, and TRICARE Retired Reserve.

**Table 7 – TRICARE-for-Life Annual Family (Two Individuals) Enrollment Fees\***

Retired Pay	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Percentage of Gross Retired Pay (GRP)	N/A	0.50%	1.00%	1.50%	2.00%	2.00%
Ceiling	\$0	\$150	\$300	\$450	\$600	\$632
Flag Officer Ceiling	\$0	\$200	\$400	\$600	\$800	\$842

\* Individual fees are 50 percent of family fees (e.g., 1 percent of GRP in FY 2020 and after). Ceilings indexed to retiree National Health Expenditures (NHE) per capita after FY 2020

## 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

## Overview – FY 2017 Defense Budget

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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 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 2017 base budget includes \$7.6 billion (Figure 6-6) for military family support programs. The \$0.5 billion decrease from the FY 2016 enacted funding level for military family support programs is driven by a school construction deferral and the lower Commissary operating support request.

Figure 6-6 displays a summary of the Department's FY 2015 — FY 2017 base budget 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; tuition assistance; 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, 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 80,527 students in 177 schools (52,284 students in 115 schools in 12 countries and 28,243 students in 62 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.

## Overview – FY 2017 Defense Budget

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

*(Dollars in Billions, Base Budget only)*

Program	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Child Care and Youth Programs	1.0	1.2	1.3
Morale, Welfare and Recreation	1.4	1.5	1.5
Warfighter and Family Services	1.5	1.6	1.5
Commissary	1.3	1.4	1.2
DoDEA Schools	2.4	2.3	2.1
Military Spouse Employment	0.1	0.1	0.1
<b>Total</b>	<b>7.7</b>	<b>8.2</b>	<b>7.7</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 2017 budget request supports a properly sized and highly capable civilian workforce that is aligned to mission and workload, shaped to reflect changes to the Department's reduced 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. While maintaining training and readiness levels to support the All-Volunteer Force and providing services to their families, the civilian workforce recognizes evolving critical demands such as emerging cyber technologies and threats, and guards against an erosion of organic skills and an overreliance on contracted services.

Civilian workforce reductions in the FY 2017 budget reflect an analytically based workforce-to-workload review designed to preserve mission essential skills and capabilities. The FY 2017 budget builds on previous efforts to reduce the civilian workforce by further reducing the Major DoD Headquarters Activities (MHA) by up to 25 percent but recognizes that certain functions that must grow. The Department will comply with legislative requirements outlined in section 346 of the National Defense Authorization Act (NDAA) for the FY 2016, 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 (excluding Classified Activities, Cemeteries, and Foreign National Indirect Hire (FNIH) FTEs) will decline 0.7 percent from 738 thousand in FY 2016 to 733 thousand in FY 2017. The Military Departments and Defense Agencies will begin to shape the workforce to reflect the changing post-OCO needs and a declining military force. The need for some skills, such as cyber, ship maintenance, disability evaluation, sexual-assault prevention, and auditing, will increase. Other skillsets directly related to the war, such as skills supporting depot maintenance and base support for military end strength, will decrease over time. Actions may include early-out incentives and temporary suspension of recruitment actions to allow the Military Departments and Defense



## Overview – FY 2017 Defense Budget

Agencies to more fully assess the impact of mission changes, the continuous improvement of business practices, refined process efficiencies, and elimination of unintended redundancies within the workforce.

The civilian workforce continues to be a critical asset across the Department. As the workforce decreases in numbers, the Department remains concerned about the ability to attract and retain a highly qualified civilian workforce after pay freezes from 2011 through 2013 and raises of just 1 percent or slightly more in 2014 and 2015. The Department will continue to support the civilian workforce, including a civilian pay raise of 1.6 percent in the FY 2017 request. Renewed emphasis will be placed on civilian education, training, and leadership development. This FY 2017 request reflects the Department's commitment to finding creative solutions to recruiting, promoting, and retaining the highest caliber of public servants available to serve among our ranks.

**Figure 6-7. Civilian FTEs<sup>1/</sup>**

Program	FY 2016 <sup>2/</sup> Estimate	FY 2017 <sup>2/</sup> Request	Percent Change
Army	189.9	184.8	-2.7%
Navy	190.5	191.9	0.7%
Air Force	166.3	166.3	0.0%
Defense Wide	191.3	189.9	-0.7%
<b>Total DoD</b>	<b>738.1</b>	<b>732.9</b>	<b>-0.7%</b>
U.S. Direct Hires	722.7	717.6	-0.7%
Foreign Direct Hires	15.4	15.3	-0.9%

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

<sup>2/</sup> Includes 674 OCO FTEs in FY 2016 and 619 in FY 2017; excludes 31,629 of Foreign National Indirect Hire (FNIH) FTEs in FY 2016 and 31,487 in FY 2017

## 7. OVERSEAS CONTINGENCY OPERATIONS (OCO)

### SUMMARY

The FY 2017 budget requests \$58.8 billion for overseas contingency operations (OCO) spending, in accordance with the Bipartisan Budget Act (BBA) of 2015. This request focuses on Operation FREEDOM'S SENTINEL (OFS) in Afghanistan, Operation INHERENT RESOLVE (OIR) in Iraq and the Levant, increasing efforts to support European allies and deter aggression, and supporting a partnership-focused approach to counterterrorism. Figure 7.1 displays requested OCO funding by Military Activity.

The request supports the following activities:

- Maintaining a U.S. presence in Afghanistan consistent with the President's drawdown plan;
- Sustaining personnel forward deployed to the Middle East to conduct a range of operations alongside a robust international coalition to degrade and defeat the Islamic State of Iraq and the Levant (ISIL);
- Building the capacity of the Iraqi and Syrian opposition forces to counter ISIL in Iraq and Syria in support of the United States' comprehensive regional strategy;
- Conducting in-country and in-theater support activities, such as intelligence support to military operations;
- Supporting partner nations through a more sustainable approach to counterterrorism; 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 in the region.

The FY 2017 OCO budget request remains relatively consistent with the FY 2016 enacted amount of \$58.6 billion, including congressional adds and cancellations of prior year appropriations. The primary drivers of the FY 2017 OCO amount include: (1) the

### Continuing the Afghan Transition, Eliminating Terrorist Threats, and Deterring Aggression

- Summary
- Force Level Budget Assumptions
- Overseas Contingency Operations Budget Request
- Iraq Train and Equip Fund
- Syria Train and Equip Fund
- Counterterrorism Partnerships Fund
- European Reassurance Initiative

**Figure 7.1 OCO Funding by Activity**

(Dollars in Billions)

Operation/Activity	FY 2016 Enacted	FY 2017 Request
Operation FREEDOM'S SENTINEL (OFS) and Related Missions	42.9	41.7
Operation INHERENT RESOLVE (OIR) and Related Missions	5.0	7.5
European Reassurance Initiative (ERI)	0.8	3.4
Counterterrorism Partnerships Fund (CTPF)	1.1	1.0
National Guard and Reserve Equipment/Restore Military Readiness	1.5	--
<b>Subtotal</b>	<b>51.3</b>	<b>53.6</b>
Prior-Year Rescissions <sup>1</sup>	-0.4	--
Bipartisan Budget Act (BBA) of 2015 Compliance <sup>2</sup>	7.7	5.2
<b>Grand Total</b>	<b>58.6</b>	<b>58.8<sup>3</sup></b>

<sup>1</sup> From FY 2015 Afghanistan Security Forces Fund (\$400M)

<sup>2</sup> FY 2016 Enacted 'BBA Compliance' includes Congressional adds and base budget amounts transferred by the Congress (ISR Improvement Fund \$500M, Ukraine Security Assistance Initiative \$250M, and \$7.0B in transfers and increases)<sup>3</sup> Excludes the portion of the congressional base budget fuel adjustment that was applied to OCO (\$893.5M)

## Overview – FY 2017 Defense Budget

President's plan to extend the presence of U.S. forces in Afghanistan; (2) intensified operations to counter ISIL; (3) expanded U.S. presence in Eastern Europe; and (4) compliance with the funding caps established by the Bipartisan Budget Act (BBA) of 2015.

### FORCE LEVEL BUDGET ASSUMPTIONS

In October 2015, the President approved plans for a future military presence in Afghanistan in support of the Department's dual counterterrorism (CT) and train, advise, and assist mission to the Afghan National Defense and Security Forces (ANDSF). The U.S. will sustain up to 9,800 troops through calendar year 2016 before drawing down to approximately 5,500 troops by January 2017.

In Iraq and the Levant, the U.S. and coalition partners focus on destroying ISIL through active and effective air strikes and enabling local partners on the ground to seize territory from ISIL and deliver it a lasting defeat, without putting U.S. forces on the front lines. The budgeted force levels in Iraq represent the forces associated with the counter-ISIL mission as well as Iraq and Syria train and equip efforts.

Figure 7.2 displays the force levels assumed in the Department's FY 2017 OCO budget, expressed as annual average troop strength. In FY 2017, the average annual troop strength of 6,217 in Afghanistan is consistent with the President's drawdown plan. The average annual troop strength of 3,550 in Iraq is consistent with the President's counter-ISIL mission.

**Figure 7.2. U.S. Force Level Assumptions in DoD OCO Budget**

*(Average Annual Troop Strength)*

Force	FY 2015 Actuals	FY 2016 Enacted	FY 2017 Request
Afghanistan (OFS)	10,012	9,737	6,217
Iraq (OIR)	3,180	3,550	3,550
In-Theater Support <sup>1</sup>	55,958	55,831	58,593
In CONUS <sup>2</sup> /Other Mobilization	16,020	15,991	13,085
<b>Total Force Levels</b>	<b>85,170</b>	<b>85,108</b>	<b>81,445</b>

<sup>1</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>2</sup> In-CONUS = In the Continental United States

**OVERSEAS CONTINGENCY OPERATIONS BUDGET REQUEST**

Funding in the FY 2017 OCO budget request is captured by operational support category in Figure 7.3, followed by brief explanations of select activities.

**Figure 7.3. OCO Functional/Mission Category Breakout**

*(Dollars in Billions)*

OCO Budget	FY 2016 Enacted	FY 2017 Request
Operations/Force Protection	8.8	8.7
In-Theater Support	14.8	17.0
Joint Improvised-Threat Defeat Fund	0.4	0.3
Afghanistan Security Forces Fund (ASFF)	3.6	3.4
Support for Coalition Forces	1.4	1.4
Iraq Train and Equip Fund (ITEF)	0.7	0.6
Syria Train and Equip Fund (STEF) <sup>1</sup>	--	0.3
Equipment Reset and Readiness	10.1	9.4
Classified Programs	8.1	8.1
Counterterrorism Partnerships Fund (CTPF) <sup>1</sup>	1.1	1.0
European Reassurance Initiative (ERI)	0.8	3.4
National Guard and Reserve Equipment/Military Readiness	1.5	--
<b>Subtotal</b>	<b>51.3</b>	<b>53.6</b>
Prior-Year Cancellation	-0.4	--
Bipartisan Budget Act (BBA) of 2015 Compliance	7.7	5.2
<b>Total</b>	<b>58.6</b>	<b>58.8</b>

<sup>1</sup> In FY 2016, Congress did not establish the STEF account, but did authorized the Syria Train and Equip (ST&E) mission. The Department is likely to leverage CTPF funding for the ST&E mission in FY 2016. Numbers may not add due to rounding

**Operations/Force Protection (\$8.7 billion):** This category of incremental cost includes the full spectrum of military operations requirements for U.S. personnel operating in Afghanistan, Iraq, and the Levant:

- 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, to include the retrograde of U.S. equipment from Afghanistan;
- Various classes of supplies;
- Deployment and redeployment of combat and support forces;
- Life support and sustainment; and
- Additional body armor and personal protective gear.

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***In-Theater Support (\$17.0 billion):*** Funds requested in this category provide for critical combat and other support for personnel in Afghanistan and Iraq that comes from units and forces operating outside Afghanistan and Iraq. This category also includes funding to support other operations conducted outside Afghanistan and Iraq.

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, 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) (\$0.085 billion):*** 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) (\$0.005 billion):*** 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 (\$0.4 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 used by the Joint Force. The FY 2017 budget request for the Joint Improvised-Threat Defeat Fund marks the transition of essential enduring capabilities to a permanent organization under the Defense Threat Reduction Agency (DTRA). Includes \$113 million in BBA compliance funding.

***Afghanistan Security Forces Fund (ASFF) (\$3.4 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). 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.

***Support for Coalition Forces (\$1.4 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.

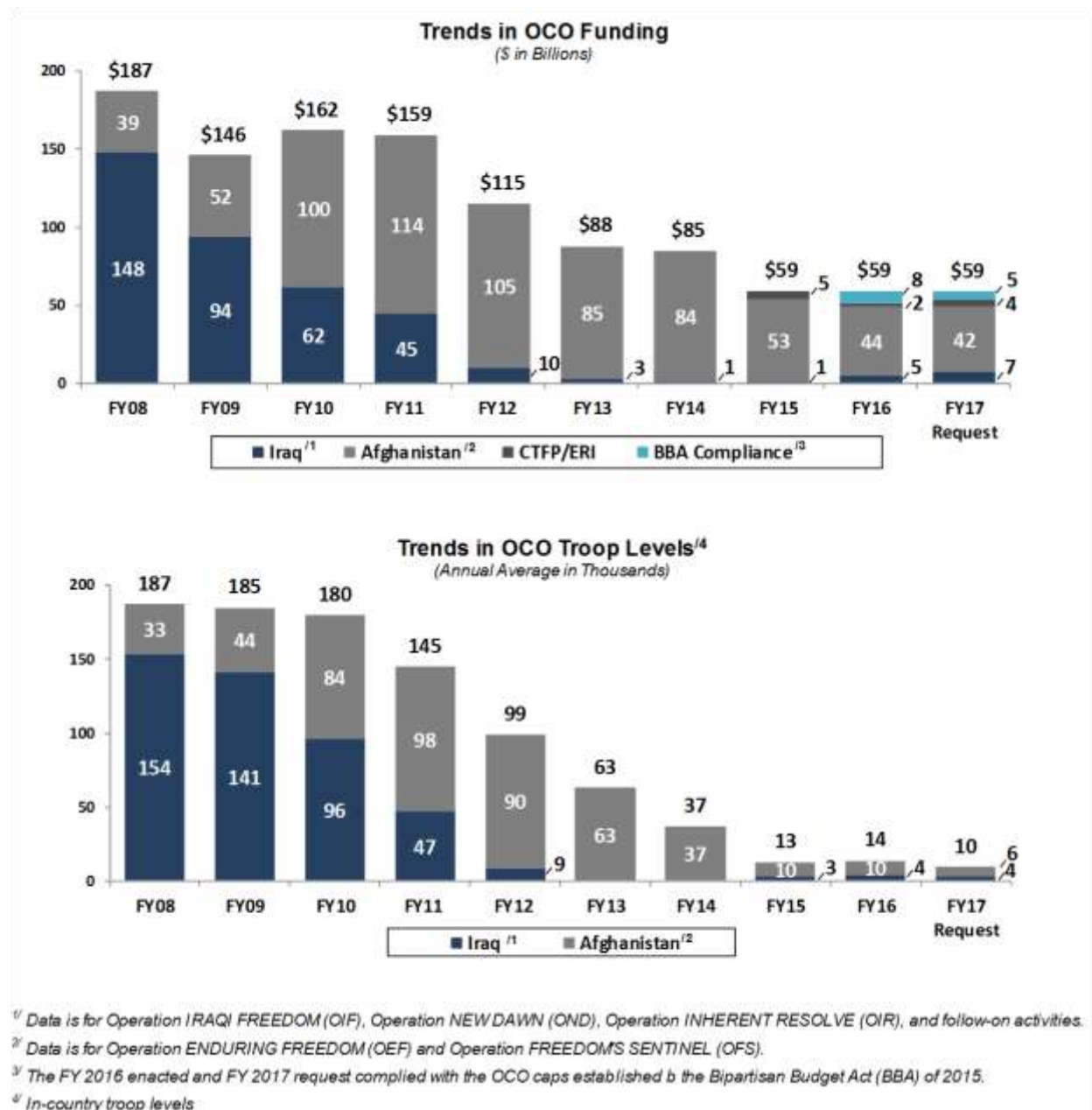
***Equipment Reset (\$9.4 billion):*** The request funds the replenishment, replacement, and repair of equipment and munitions expended, destroyed, damaged, or worn out due to prolonged use in combat operations. The major items that will be repaired or replaced include helicopters, fixed wing aircraft, trucks, other tactical vehicles, Mine-Resistant Ambush Protected (MRAP) vehicles, radios, and various combat support equipment. Munitions that will be

## Overview – FY 2017 Defense Budget

replenished include missiles, such as the Laser Maverick, Standoff Precision Guided Munitions (SOPGM), and Hellfire, 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.

The FY 2017 OCO request for \$58.8 billion is down substantially from requests in recent years, and reflects less than a 1 percent reduction from the FY 2016 enacted OCO level of \$58.6 billion (Figure 7.4).

**Figure 7.4. OCO Funding and Troop Level Trends**





### IRAQ TRAIN AND EQUIP FUND

The continued and evolving nature of the Islamic State of Iraq and Levant (ISIL), also known as Daesh, underscores the importance of training, advising, assisting, and equipping Iraqi Security Forces (ISF). The Iraq Train and Equip Fund (ITEF) enhances the ISF's ability to liberate and secure lost territory, secure borders, protect the population, and further improve the quality of provincial and national defenses.

To build the required capacity and achieve U.S. objectives, U.S. assistance in FY 2017 will focus on: (1) training and equipping additional ISF elements needed to hold liberated areas and establish local security; (2) providing equipment and supplies needed for ongoing counter-ISIL/Daesh operations; and (3) performing maintenance and providing sustainment for equipment vital to the defeat of ISIL/Daesh.

The requested FY 2017 ITEF funding of \$630 million will further the critical work accomplished in FY 2015 and FY 2016 and is a key component of the U.S. counter-ISIL/Daesh strategy. Helping the Government of Iraq to develop a sustainable defense force is essential to ensure lasting security and stability in Iraq.

### SYRIA TRAIN AND EQUIP FUND

The Syria Train and Equip Fund (STEF) is a key component of the U.S. Government's strategy to degrade, dismantle, and ultimately defeat the ISIL/Daesh. The absence of a national military or civilian partner in Syria and the disparate nature of the Syrian opposition have constrained progress in the counter-ISIL campaign.

The STEF provides resources to train, equip, and/or sustain appropriately vetted opposition forces engaged in the counter-ISIL/Daesh fight. The train and equip program addresses the immediate need to enable and build the capacity of partners on the ground within Syria to degrade and destroy the ISIL/Daesh threat.

Military operations in the fight against ISIL/Daesh in Syria continue to evolve, increase in scale, and grow in complexity. A flexible train and equip program, resourced through the requested FY 2017 STEF, will enable the Department to provide the equipment and supplies needed to reinforce battlefield successes while continuing to explore opportunities to provide targeted training to vetted opposition forces.

### COUNTERTERRORISM PARTNERSHIPS FUND

The FY 2017 request of \$1.0 billion for the Counterterrorism Partnerships Fund (CTPF) will continue the President's initiative to support a more sustainable and partnership-focused approach to counterterrorism in the U.S. Africa Command (USAFRICOM) and U.S. Central Command (USCENTCOM) areas of responsibility. The CTPF 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. The CTPF will provide direct CT support to partner nations and augment U.S. capability to support partners in CT operations.

The CTPF is set up to permit DoD — consistent with guidance from an interagency process and appropriate notification to Congress — to transfer funds to other accounts for execution.

## Overview – FY 2017 Defense Budget

**Figure 7.5 CTPF Funding Request**

(Dollars in Billions)

	FY 2015 Enacted <sup>1</sup>	FY 2016 Enacted <sup>2</sup>	FY 2017 Request <sup>3</sup>	△ FY16 - FY17	%△ FY16 - FY17
<b>Counterterrorism Partnerships Fund</b>	1.3	1.1	1.0	-0.1	-9.1%
<b>TOTAL</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>	<b>-0.1</b>	<b>-9.1%</b>

<sup>1</sup> In FY 2015, \$500 million of the \$1.3 billion for CTPF was allocated for Svria Train and Eaujib (ST&E)

<sup>2</sup> In FY 2016, the Department may use a portion of CTPF funding for authorized (but unfunded) ST&E programs

<sup>3</sup> The FY 2017 request excludes funding for ST&E (requested in a separate fund)

## EUROPEAN REASSURANCE INITIATIVE

This budget enhances the President's European Reassurance Initiative (ERI), which was originally proposed in Warsaw on June 3, 2014. The FY 2017 budget request of \$3.4 billion for ERI continues efforts started in FY 2015 and FY 2016 to reassure allies of the U.S. commitment to their security and territorial integrity as members of the NATO Alliance. The request provides near-term flexibility and responsiveness to the evolving concerns of U.S. allies and partners in Europe (especially Central and Eastern Europe), and help increase the capability and readiness of U.S. allies and partners. The FY 2017 funding request also supports the expansion of ERI to provide measures for a quick joint response against any threats made by aggressive actors in the region.

Specifically, the request funds enhanced training and exercises, improvements to key infrastructure, and three continuous brigade-sized rotations to train with allies. It also funds the placement of a full set of Army Prepositioned Stocks (APS) in Europe consisting of one Armored Brigade Combat Teams (ABCT), a fires element, a division headquarters, and associated enablers. The request sustains the ABCT European Activity Set (EAS) currently in theater conducting exercises with NATO allies and partners.

The DoD would 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's accounts. Figure 7.6 provides the allocation of ERI by categories.

**Figure 7.6 Allocations for European Reassurance Initiative Categories**

(Dollars in Millions)

Categories	FY 2015 Enacted	FY 2016 Enacted <sup>2</sup>	FY 2017 Request
Increased Presence	423.1	471.4	1,049.8
Exercises and Training	40.6	108.4	163.1
Improved Infrastructure	196.5	89.1	217.4
Enhanced Prepositioning	136.1	57.8	1,903.9
Building Partner Capacity	13.7	62.6	85.5
ERI Transfer Fund <sup>1</sup>	175.0	--	--
<b>Total</b>	<b>985.0</b>	<b>789.3</b>	<b>3,419.7</b>

<sup>1</sup> The Consolidated and Further Continuing Appropriations Act, 2015 (PL 113-235) provided \$175 million in the ERI transfer fund to support the Governments of Ukraine, Estonia, Lithuania, and Latvia.

<sup>2</sup> The Consolidated Appropriations Act, 2016 (PL 114-113) provided an additional \$250 million to support the Government of Ukraine [not shown above].

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## 8. MILITARY DEPARTMENTS

The Military Departments generally 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 2017 Budget submission for inclusion in the OSD Budget Overview. Additional data are contained in Appendix A, Resource Exhibits.

### DEPARTMENT OF THE ARMY OVERVIEW

#### Introduction

The Army continues to meet the priorities in the National Security Strategy (NSS) and the National Military Strategy (NMS) with a trained and ready Army while transitioning to a smaller fighting force that seeks to increase lethality by balancing capacity, capability, and readiness.

The principle purpose of the Army remains to preserve the nation's freedom by fighting and winning wars. The Army of today, under diminishing resources, faces an increasingly uncertain global security environment. To remain an effective instrument of the nation's military power will require intense planning and difficult decisions. Accordingly, to fulfill the security demands of the nation, in FY 2017, the Army will prioritize readiness, focus investment in key modernization programs, and ensure Soldiers receive the support required to sustain the world's greatest Army. As the Army approaches a total end strength of 980,000 (AC 450,000/ARNG 335,000/USAR 195,000) Soldiers by FY 2018, it must constantly assess threats, operational tempo and associated impacts on the health and viability of the force. The Army must preserve both the capability to respond to unforeseen demands and the capacity to sustain high levels of readiness in the force to meet current global requirements.

In the past year, the Army developed and implemented the Army Operating Concept, "Win in a Complex World," to manage as the Army continues to downsize. The foundation of the Army Operating Concept is the ability to conduct combined arms maneuver. The Army Operating Concept endeavors to build a force, operating alongside many partners, able to respond to multiple adversarial dilemmas while providing commanders synchronizing and integrating options and effects from various domains. The Army Operating Concept envisions an Army that is expeditionary, tailorable, scalable, and prepared to meet the changing challenges of the global environment. The Army Operating Concept sets the foundation upon which leaders can focus the efforts and resources needed to maintain the strategic and operational flexibility to deter and operate in multiple regions simultaneously — in all phases of military operations — to prevent conflict, shape the security environment, and win wars now and in the future.

Nevertheless, fiscal challenges strain the Army's ability to meet NMS requirements and bring into balance readiness, modernization, and end strength. Operating in a fiscally constrained environment adds significant risk to the Army's ability to satisfy its 2014 Quadrennial Defense Review obligations and fulfill its national security requirements. Although the Bipartisan Budget Acts of 2013 (BBA13) and 2015 (BBA15) provided two 2-year windows of fiscal predictability above the sequestration funding levels, funding in the second year of each act has been markedly lower than the initial program. A predictable and consistent fiscal topline is integral to prudent, resourced informed decision-making.

This is a profession built on trust. In holding true to that trust, the nation expects the Army's competence, commitment, and character to reflect the Army values. To that end, the Army is working to reduce and eventually eliminate sexual assault and sexual harassment, which destroys good order and discipline and is contrary to the Army's core values. The Army has increased opportunities for women and is opening all positions based on standards, free from

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any gender bias. Finally, programs like Soldier for Life and the Ready and Resilient Campaign are demonstrating the commitment to care for the Soldiers, Civilians, and Families who selflessly sacrifice so much. These programs are combat multipliers critical to Army readiness.

### Department of the Army Objectives

The FY 2017 budget request supports the priorities established by the Secretary of the Army (SA) and the Chief of Staff of the Army (CSA). It provides the framework for cultural change and focuses on the future in preparing and sustaining land forces capable of preventing conflict, shaping the strategic environment, and, when called upon, fighting to win decisively. The topical discussions that follow highlight specific details on the strategies that the Army incorporated in its FY 2017 budget request to achieve senior leader priorities and objectives.

### Contemporary Security Challenges

The complexity and number of security challenges in the world are intensifying and combatant commanders increasingly need more Army forces to meet these security challenges. Assigned and allocated Army forces provide combatant commanders with the capability to prevent conflict, shape the environment, and when required, fight to win. Increased demand for Army forces means the Army is more globally engaged than ever, with 190,000 Active Component, Army National Guard and U.S. Army Reserve Soldiers on active duty in 140 countries supporting the geographic combatant commanders. Focused regional engagement is necessary for combatant commanders to prevent future conflict by shaping the environment. However, due to reduced force levels, the Army's capacity to simultaneously maintain current commitments and defeat near peer adversaries if required is at risk. The Army's forward presence and stationing builds partner capacity, assures the nation's allies, and deters aggressors. Soldiers are conducting "Train, Advise, and Assist" missions around the world to build partner capacity with allied forces and support host nation partner relations, and to defend DoD personnel and lines of communication.

### Adapting to New Realities

Emerging geopolitical realities confront the United States across Europe, the Middle East, Africa, and the Pacific, along with growing threats to the homeland. These realities manifest themselves in the form of increased risk to the armed forces, the country's national security interests, and the homeland. Nuclear weapon-enabled states have unabashedly expanded their territories. The potential exists for the nation to intervene with a large-scale ground force to stabilize a failed state. The real possibility exists of confronting a near-peer competitor like Russia and China, while simultaneously opposing the aggression of regional powers and transnational terrorist organizations globally. Extremist organizations have seized terrain in Iraq and Syria and, on November 13, 2015, attacked Paris, the capital of France — one of the nation's longest standing allies. As the nation has recently witnessed, the homeland is no longer a sanctuary and adversaries are investing resources to extend their capabilities to attack national security interests and even the homeland. These threats can come without warning and require the nation's Army to stay on point and always be prepared to respond to an ever growing range of contingencies from low to high intensity. This new reality will increase the demand for land forces and the enabling capabilities the U.S. Army brings to the joint force.

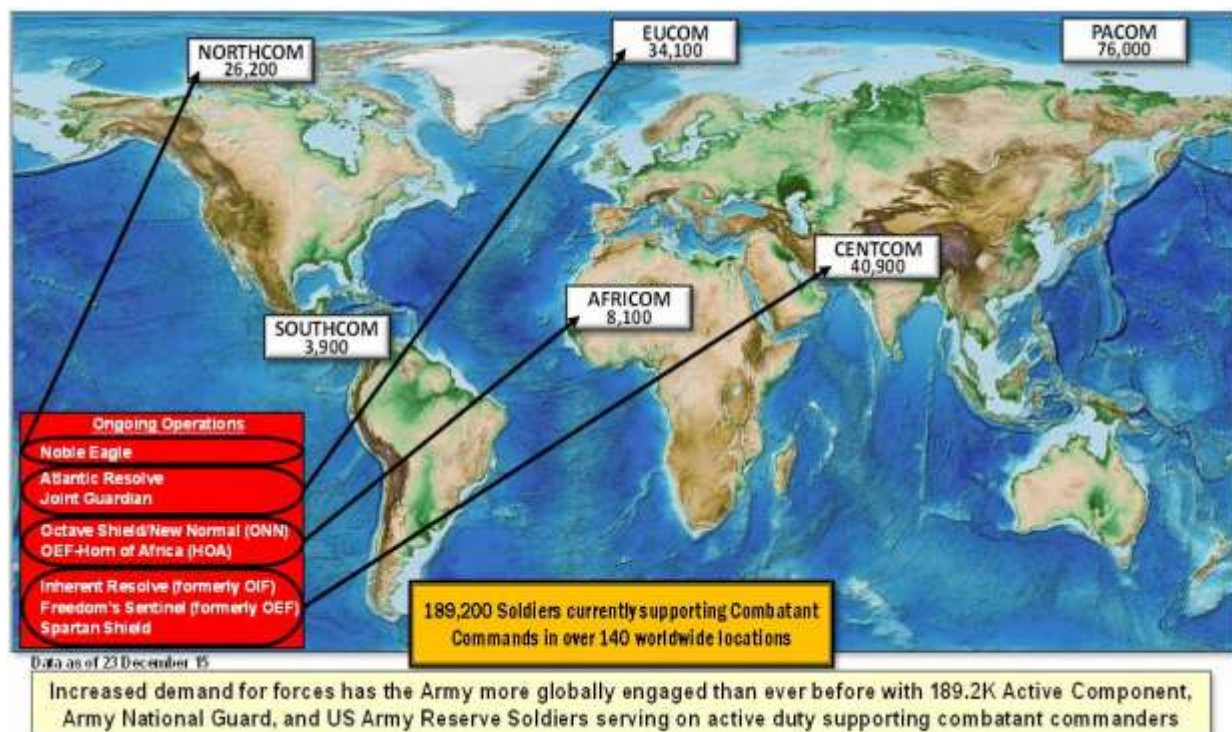
Near-peer competitors continue to act in an unexpected, bold manner. Russia considers the United States and the expansion of the North Atlantic Treaty Organization (NATO) a direct threat to its territory and core interests. Russia's November 2015 actions in Syria led to a direct confrontation with Turkey, a member of NATO. While the Army cannot predict Russian intentions, their record of aggression — Estonia (2007), Georgia (2008), and Ukraine and Crimea (2014) — suggests the Army needs to be prepared to face a nation-state threat on land.



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In the Pacific, China continues its territorial claims and expansion in the South China Sea. China's actions impede freedom of navigation and the ability of the joint force to project power in the Asia-Pacific region. Meanwhile, North Korean nuclear and missile developments continue to pose a direct threat to regional security. Across the Middle East and the CENTCOM area of responsibility, instability ensues. Most recently, Iranian naval vessels conducted rocket tests in December 2015 near U.S. warships and commercial traffic passing through the Strait of Hormuz, causing new tension between the two nations.

### America's Army – Globally Committed



Near-peer competitors continue to act in an unexpected, bold manner. Russia considers the United States and the expansion of the North Atlantic Treaty Organization (NATO) a direct threat to its territory and core interests. Russia's November 2015 actions in Syria led to a direct confrontation with Turkey, a member of NATO. While the Army cannot predict Russian intentions, their record of aggression — Estonia (2007), Georgia (2008), and Ukraine and Crimea (2014) — suggests the Army needs to be prepared to face a nation-state threat on land. In the Pacific, China continues its territorial claims and expansion in the South China Sea. China's actions impede freedom of navigation and the ability of the joint force to project power in the Asia-Pacific region. Meanwhile, North Korean nuclear and missile developments continue to pose a direct threat to regional security. Across the Middle East and the CENTCOM area of responsibility, instability ensues. Most recently, Iranian naval vessels conducted rocket tests in December 2015 near U.S. warships and commercial traffic passing through the Strait of Hormuz, causing new tension between the two nations.

In addition to near-peer states, the Islamic State of Iraq and the Levant (ISIL), Al-Qaeda, Boko Haram, and other transnational terrorist groups present a significant threat to global stability. The ISIL is considered one of the most lethal and destabilizing terrorist group in history. Their ability to seize and hold territory, expand their reach globally, and spread their ideology through social media has challenged conventional thinking on the nature of war. Even when ISIL is defeated, terrorism will never be the same.



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Today, state and non-state actors are working together to destabilize major regions of the world by combining conventional and irregular warfare. Acts of aggression occur through surrogates, cyber and electronic warfare, and economic coercion. These groups are often able to mobilize people and resources in unconventional ways that enable the hostile actors to be more agile than the response of traditional militaries. Because of these advantages, it is likely this form of conflict will persist well into the future. In addition to the global responsibility to respond to near-peer competitors and terrorism, the Army must maintain an enduring capability to protect the homeland. Continued efforts in cyber defense and partnership with the intelligence community have precluded a terrorist event similar to 9-11; however, terrorist attacks such as those that occurred in San Bernardino and Chattanooga appear to be on the rise.

Bold actions of near-peer states and transnational terrorist groups, and terrorist attacks on the homeland and world-wide demand the Army be ready now and always to meet the nation's security challenges. It is probable the next crisis will be at an unanticipated time in an unforeseen place, and will unfold in an unforeseen manner but, nonetheless, it will require the rapid commitment of Army forces. A ready Army — trained, modernized, and well led across the full spectrum of operations — is the key to success.

Further, one of the most important global security structures is the U.S. network of security alliances and partners. This valuable asset to U.S. national security and global stability is entering a period of transition. Traditional allies in Europe face significant economic and demographic burdens that exert downward pressure on defense budgets. As a consequence, allies and partners who have joined the United States in past coalition operations may be less capable to do so in the future. Building the security capacity necessary for regional stability requires sustained and focused engagement. Active engagement with allies, friends, and partners is resource-intensive but essential to sustaining global multilateral security. This combination of threats and conditions creates an increasingly dangerous and unpredictable operational environment and underscores the need for a U.S. Army that is agile, responsive, and regionally engaged.

### *Fiscal Environment*

Fiscal austerity had a detrimental impact on readiness and modernization of the nation's Army, forcing the delay of critical investments in next generation capabilities and immediately impacting the current readiness of the force. Necessary levels of readiness are achieved only through the cumulative training that spans a continuum of time and training events. The Army had to break that continuity of training required to maintain an Army at a desired state of readiness. Although the BBA15 provides some measure of predictability, it neither prevents the possibility of a government shutdown or continuing resolution in any year, nor revises the defense funding caps established in the BCA of 2011 for FY 2018 to FY 2021. Absent additional legislation, the sequestration funding levels will return in FY 2018, forcing the Army to consider additional continued reductions in readiness and sustainment funding at a time when the nation needs the Army to rebuild readiness capabilities and get on a glide path of consistent funding levels year after year. The inability to invest in the future force affords potential adversaries the time to achieve near parity to any technological advantages the US Army has today. The more immediate impact is the increased risk of sending insufficiently trained and equipped Soldiers into harm's way — a redline the Army and the United States must not cross.

To prevail in an increasingly uncertain world, the Army's top budget priority is building and maintaining readiness. Although the Army appreciates the short-term predictability provided by the BBA15, funding levels do not keep pace with the reality of the strategic environment and increasing world threats to U.S. national security. Years of unpredictable budget levels, the seesaw funding of successive BBAs, and late receipt of appropriations exacerbates the

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challenges by delaying training and maintenance, deferring investments, and ultimately degrading readiness.

The Army is fully engaged in seeking to strike a balance between resources, capabilities, and capacity, and achieving the highest levels of fiscal responsibility and stewardship. In that regard, the Army has made many tough choices. There are critical cost-saving measures that allow the Army to further reallocate scarce resources to ensure Army forces remain as trained and ready as possible. These include compensation reform, sustainable energy and resource initiatives, the Aviation Restructure Initiative (ARI) and the desire for a new round of Base Realignment and Closure (BRAC). The Army asks Congress to support these initiatives as they provide the necessary flexibility to manage budgets to achieve the greatest possible capability. Barring support for these initiatives, the Army will be compelled to make deeper reductions to manpower, modernization, and training, thereby sub-optimizing resources and inflicting greater, more prolonged damage to Army capacity and capabilities.

### **The Foundation of America's Defense**

While the Army trains to fight alongside the Navy, Marine Corps, Air Force, Coast Guard, and the nation's allies, the nation relies on a ready Army to provide unique capabilities upon which the entire system of defense depends. As the foundation of the joint force, the Army provides critical capabilities — command and control, communication, intelligence, logistical support, and special operations — in support of joint operations to counter acts of aggression, combat terrorism, and defend the homeland. Effective joint operations against any land threat will not be possible without ready Army ground combat forces and critical enablers. The Army also devotes a sizeable portion of its force structure to sustaining Army units and other Military Department forces and multinational allies. A properly sized and equipped Army makes it possible to deploy in sufficient scale and duration to prevent conflict, shape security environments, create multiple options for responding to and resolving crises, and winning decisively.

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

Today's Army is the product of the decisions made to support Soldiers in harm's way for over a decade of conflict that was marked by a focus on counterinsurgency and counter terrorism. The result is a land force of seasoned combat professionals leading today's Army, trained to fight lethal, adaptive enemies among civilian populations. The tradeoff has been that many Army leaders have had to delay or forego planned professional education and have not experienced full spectrum training (decisive action) while in key leadership positions throughout their careers to support urgent and emerging overseas contingency operations. The Army had to prioritize training for counterinsurgencies at the expense of combined arms maneuver against a near-peer enemy. The Army's equipment for meeting a near-peer adversary is still the legacy equipment used three decades ago to remove Iraqi forces from Kuwait in 1991. Unlike the 1990s, the security environment has continued to place significant demands on Army formations, stressing the Army's ability to train the forces for their core missions. In addition, potential near-peer adversaries studied the U.S. military and coalition actions in Afghanistan and Iraq and adjusted their military strategies. The decisions and tradeoffs the Army made to man, train, and equip the nation's Army while at war shape the Army of tomorrow, challenging leaders to strike a balance between end strength, readiness, and modernization, all impacted by suppressed and unpredictable future funding levels for the force.

Over the past several years and into the near future, the Army has reduced its end strength and delay modernization programs to fund readiness. Reduced funding levels force the Army to make the deliberate tradeoff between quantity and quality. This is achieved by striking a near-term balance among the four pillars of readiness — manning, training, equipping, and

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leading. Achieving this balance is fundamental to providing combatant commanders the trained and ready land forces they require to be successful for current operational missions and potential major war plan contingencies.

The first pillar of readiness, manning, is about people, the keystone to innovation, versatility, and capabilities. In contrast to the Navy and the Air Force, which are platform based, the collective strength of the Army is people. The Army provides support to Soldiers, their families, and the civilian workforce by sustaining quality accessions, providing challenging opportunities, and ensuring quality-of-life programs. America's Army must continue to recruit and develop quality Soldiers, challenged by competent leaders who possess fully developed combat skills and values fundamental to the profession of arms. Manning also requires an appropriate mix of forces across the Total Army – Regular Army, Army National Guard, and the Army Reserve - to accomplish the nation's military objectives. To support Joint Force commitments worldwide, the Army must rely more heavily and increase the operational use of the Army National Guard and the Army Reserve. With the support of Congress, the Army can maintain the appropriate force mix with the requisite readiness to maintain a credible deterrent and provide the nation the capacity to conduct sustained land combat operations.

Training is the capstone pillar that integrates all other supporting elements to build and sustain overall unit readiness and, ultimately, the Army's strategic readiness to enable the Joint Force. Training ensures Soldiers and units achieve and maintain a qualitative edge in combat. This ensures that Army personnel and units remain at the forefront of thinking on how to employ and maneuver forces on the battlefield of the future and conduct decisive action – the continuous, simultaneous combinations of offense, defense, and stability or defense-support of civil authorities. The capstone of this symbiotic relationship is a unit's rotation at one of the Army's Combat Training Centers (CTCs). In FY 2015, the Army conducted 19 major training operations at CTCs, of which 15 were solely focused on the rebuilding of decisive action readiness throughout the Total Force. In FY 2016, the Army will conduct the same total amount of rotations with 16 fully focused on decisive action operations and by FY 2017, the Army will focus all 19 CTC rotations on regaining proficiency in decisive action by FY 2020. A commitment to full spectrum training at the Army's CTCs enables the Army to provide the Joint Force with the capability to out-maneuver the enemy and attack enemy forces so that the nation can prevail against threats to the homeland, the nation's interests, and its allies.

Equipping is and will continue to be a critical pillar of readiness. At the expense of the other components of readiness, the Army has not been able to afford and sustain the force with the most modern equipment. Instead, the Army will continue to selectively modernize equipment to provide Soldiers with the best equipment available and affordable. Equipping includes maintaining the Army's current inventory to include the Army Pre-Positioned Stocks (APS). Fiscal realities have forced the Army to choose to delay several modernization efforts and prioritize those programs most critical to ensuring the Army has the capability to defeat an act of aggression by a near-peer.

The first three components of readiness can only achieve the end result when a quality leader is put in charge of their integration, thereby making leader development, which requires continued predictable funding, the fourth and perhaps the most critical pillar of Army readiness. Developing Army leaders who are trusted to impose the will of the nation provides a strategic edge that neither technology nor weapons can replace. As stated in the 2015 National Military Strategy, "military and civilian professionals are our decisive advantage." It takes time to develop decisive action experienced leaders who can successfully take a trained and equipped unit into combat. Army leaders must be technically and tactically full spectrum proficient, innovative, and committed to life-long learning. The Army develops leaders within a framework of formal training and operational assignments. Professional military education serves as the

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principal way Soldiers combine decisive action experiences gained during operational assignments with new doctrinal methods to enhance their readiness for combat.

As described in the four pillars of readiness, ensuring a trained and ready Army takes time and resources and can only be achieved through the cumulative effect of consistent, multiple, and repetitive training activities. The demand for Army forces continues to increase, making it important for the Army to be prepared to respond to contingencies and the escalating uncertainty in the global security environment. Currently, the Army supports operations in Afghanistan, Iraq, Kosovo, the Horn of Africa, and the homeland. The Army also has permanent and rotational forces in Germany and Korea. Since the fall of the Berlin Wall in 1989, the Army has been the “force of choice” for unforeseen operations domestically and around the world. Only with the appropriate level of resources for manning, training, equipping, and leader development can the nation ensure it has a trained and ready Army to fight and win the nation’s wars.

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

The Army will rebalance readiness and modernization from 2020 to 2030, but the Army does not have the resources to equip and sustain the entire force with the most modern equipment. Informed by the Army warfighting experiments, the Army will selectively modernize and invest in programs with the highest operational return, and build new equipment only by exception. The Army is forced to accept some risk and delay procurement of the next generation platforms until they are affordable. The Army’s modernization strategy is focused on five programs: Joint Light Tactical Vehicle (JLTV), Warfighter Information Network-Tactical (WIN-T), Patriot, AH-64 Apache, and the Armored Multi-Purpose Vehicle.

The Joint Light Tactical Vehicle is the centerpiece of the Army’s Tactical Wheeled Vehicle modernization strategy. The JLTV will replace approximately one-third of the light-wheeled vehicle fleet by 2041. This multi-mission vehicle will provide protected, sustained, and networked mobility for personnel and payloads across the full range of military operations.

The second program, Warfighter Information Network-Tactical (WIN-T), provides lighter, more mobile command communication structures, securely connecting Soldiers with uninterrupted global access to combat information that allows commanders in the field to make informed, timely decisions. In 2014, WIN-T provided the communications framework for humanitarian operations responding to the Ebola epidemic in West Africa. The WIN-T is a proven vital system that provides a demonstrated advantage in distributed communications well into the next decade.

Over one-half of Army forces are forward stationed. The Patriot provides a critical, sustained, and ground based tactical ballistic missile defense capability to deter threat advances, protect vital assets, and protect deployed Soldiers, Sailors, Airmen, and Marines as well as multinational partners. The primary update to Patriot is a significant upgrade to the radar that will provide a 360-degree view of the battlefield and increase the reach of its missiles.

Like the Patriot, upgrades to the Army’s heavy attack helicopter, the AH-64 Apache, incorporate new-technology additions or upgrades. Apache updates include improved flight performance, reduced maintenance costs, updated sensors and electronics, and the ability to control unmanned aerial vehicles as part of manned-unmanned platform teaming.

The fifth program, the Armored Multi-Purpose Vehicle (AMPV), replaces the one armored vehicle that has been in the Army’s formation since the Vietnam War. As a replacement for the M113 family of vehicles, the AMPV provides command and control, medical evacuation, medical treatment, and mortar capability, and accomplishes general-purpose tasks such as logistical resupply escort — a critical component of Army support to the Joint Force.

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These five priority modernization programs provide the Army with the capability to conduct decisive action in support of the Joint Force in the near term. As the advantage of these five modernization efforts continues to diminish, the Army is actively seeking suitable replacements. Currently, the Army is prioritizing its Research Development and Acquisition (RD&A) strategy to identify key capabilities that address critical gaps in mobility, protection, and lethality of combat platforms. The Army will also continue to invest broadly in Science, Technology, and Innovation to find leading edge technologies that will lay the foundation and drive future capabilities. The Army seeks congressional support for the programs in the RD&A strategy now so that the Joint Force can meet the nation's future mission requirements.

### 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. The Army Warfighting Challenges (AWFCs) provide an analytical framework to integrate efforts across warfighting functions while collaborating with key stakeholders in learning activities, modernization, and future force design.

Future funding levels under sequestration will lead to even greater risk, specifically limiting readiness to committed forces only and returning the Army to tiered readiness that significantly impacts the Army's ability to deter or deny near-peer adversaries. The sequestration funding levels also threaten the Army's modernization, requiring the Army to end, restructure, or delay virtually every RDA program and preclude any new investment in future capabilities. Should the sequestration funding levels remain for FY 2018, the Army will be forced to further reduce force structure and end strength by an additional 60,000 across all three components from 2017 to 2021. The Army is witnessing numerous planning assumptions that have not materialized, ranging from the number, duration, location, and size of future force conflicts, to the need to conduct post-conflict stability operations. The sequestration level funding caps will significantly increase risk by reducing the Army's ability, on any scale, to support the Joint Force in conducting simultaneous operations, specifically deterring in one region while defeating in another.

### Conduct Combined Arms Operations

Army forces are essential components of joint operations that create sustainable political outcomes while defeating enemies and adversaries who challenge U.S. advantages in all domains: land, air, maritime, space, and cyberspace. Joint operations are critical to cope with such complexity, and the Army's contribution provide unique capabilities and multiple options to the President, Secretary of Defense, and combatant commanders. These capabilities include tailorable and scalable combinations of special operations and conventional forces, regionally aligned and globally responsive combined arms teams, and foundational theater capabilities to enable joint operations. Operations against elusive and capable enemies demand an extension of the concept of combined arms from two or more arms or elements of one Military Department to include the application of joint, inter-organizational, and multinational capabilities. Combined arms operations create multiple dilemmas for the enemy. Army forces achieve surprise through



maneuvering across strategic distances and have the mobility, protection, and firepower necessary to strike the enemy from unexpected directions. In high anti-access and area denial environments, dispersion allows future Army forces to evade enemy attacks, deceive the enemy, and achieve surprise. Even in dispersed operations, mobile combined arms teams are able to concentrate rapidly to isolate the enemy, attack critical enemy assets, and seize fleeting opportunities. Forces conduct continuous reconnaissance and security operations to seize, retain, and exploit the initiative over the enemy while protecting the force against dangers. During joint operations Army forces maneuver and project power across all domains to ensure joint force freedom of action and deny the enemy the ability to operate freely across those domains. Army leaders synchronize the efforts of multiple partners across multiple domains to ensure unity of effort.

### **Take Care of Soldiers, Civilians, and their Families**

Just as the strength of the nation is the American people, the strength of the Army — its Soldiers — are the nation's sons and daughters who volunteer to serve as Soldiers. The Army's collective strength originates from the quality people we recruit, develop, and eventually reintegrate into communities across America. Building Soldier readiness includes filling Army formations with ethical, moral, and competent Soldiers who are mentally and physically fit to withstand the intense rigors of ground combat.

Having ready Soldiers makes the nation stronger. The Army remains committed to providing Soldiers, civilians, and their families the best possible care, support, and services. The Army continues to improve access and predictability of services across the spectrum of wellness — physical, emotional, social, family, and spiritual. This past year, for example, the Army established a policy that began placing substance-abuse counselors within the mental health clinics supporting combat brigades. Another example is the ongoing Soldier for Life program that ultimately connects Army, governmental, and community efforts to build relationships that facilitate successful reintegration of Soldiers, Retired Soldiers, Veterans, and their Families into communities across America. Renewed capital investments that provide Soldiers with ever-increasing education opportunities, access to meaningful employment, and quality healthcare ultimately improve the quality of life, enhance readiness, and protect the health and well-being of those who serve.

The process of building Army readiness occurs on Army installations where Soldiers live, work, and train. On the 154 permanent Army installations worldwide that many Soldiers call home, the availability of quality ranges, maneuver areas, airfields, and classrooms enables the Army to integrate diverse individual skills and attributes into ready Army units. Responsibly managing in excess of 13 million acres, twice the land mass of the state of New Jersey, requires the Army to continually improve installation operations. A smaller force requires the Army to match the best quality facilities to the requirements of the mission. The Army will realign organizations with enduring missions to leverage the best facilities. The Army's excess infrastructure hinders the ability to effectively resource decisive readiness, project power, and sustain the all-volunteer force. Continued investment in installations readiness and Soldier and Family programs plays a key role in ensuring Army readiness as well as attracting and retaining the best Soldiers, civilians, and their families.

From the Secretary of the Army to the youngest private, the Army remains committed to ensuring the dignity and respect of Soldiers, civilians, and their families. A part of that respect is ensuring every Soldier and civilian has the opportunity to reach their highest potential. With the recent opening of all military occupations and positions to women, the Army will have access to a broader range of talent. The Army will provide every Soldier and civilian equal opportunities to rise to the level of their merit regardless of their gender, their race, or their self-identity.



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The Army continues to attract the nation's premier young men and women, despite having to execute a variety of drawdown programs. Through officer and enlisted accession programs, the Army will continue to recruit the most talented Soldiers with the capabilities, prerequisites, and potential required for future needs. While the Army projects achievement of its FY 2016 recruiting goals, the incentives, advertising, and marketing resources that the Army expends directly determine how many people join the Army. Funding makes recruiting possible.

From an individual's first to last day in the Army, the Army will not tolerate sexual assault or sexual harassment. The Army actively pursues methods to eliminate sexual harassment and sexual assault by creating a climate that respects the dignity of every Soldier, civilian, and family member. While the primary objective of the Army Sexual Harassment/Assault Response & Prevention (SHARP) program is prevention, when an incident occurs, the Army is committed to providing best-in-class support and protection of the survivor. The Army performs assessments of the SHARP program strategies to measure effectiveness, identify gaps, and make adjustments as required. Last year, the Army identified a potential gap in immediate care data collection. Accordingly, the U.S. Army Medical Command established a Sexual Assault Medical Management Office that provides at least one sexual assault nurse examiner at every Military Treatment Facility with a 24/7 emergency room. Eliminating sexual assault and sexual harassment ensures that Soldiers are ready for combat.

It is through changes in personal conduct and proactive leadership that the Army seeks to prevent unwanted or unprofessional acts. The Army's most precious asset is its people; therefore, the well-being of Soldiers, civilians, and their family members, both on and off-duty is imperative to the Army. Historically, the Army's training has focused on eliminating negative behaviors and minimizing risk factors. Now the Army also focuses on improving personal readiness. Pledges like "Not in My Squad," championed by Sergeant Major of the Army Dailey, empower Army leaders who have direct influence over their Soldiers every day to take ownership of Army values and standards. The American people expect and continue to deserve an Army of professionals they can trust.

### Conclusion

Today's Army, sufficiently manned, trained and equipped, is a necessity to address the security environment. With the full support of Congress, the Army will be ready to respond to the challenges that face the nation as the Army has done for over 240 years. Whether deterring aggression along the Korean Demilitarized Zone, advising and assisting in Afghanistan, or protecting the homeland, Soldiers stand ready to protect the nation's interests. The Army's capacity and capabilities serve as a foundation of the Joint Force that exists for one purpose: to fight and win wars in defense of the United States.

Continued investment in all aspects of readiness is the primary means that allows the Army to meet the priorities of the combatant commanders and maintain the capacity to respond to threats worldwide. Only by building readiness and modernizing our equipment throughout the Total Army, can the Joint Force respond to unforeseeable threats, decisively defeat the nation's enemies, and enforce the nation's will.

The collective strength of the Army depends upon the Soldiers, civilians, and their families who comprise it. Army values, including treating others with respect and leading with integrity, represent collective strength. Taking care of the troops ensures Soldier readiness and provides the means to recruit and retain Soldiers and civilians.

America does not need the largest Army in the world, but it must have the most capable Army, right sized to address the security environment now and in the future. In light of today's budget reality, the Army continues to prioritize readiness at the expense of modernization to address

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current demands to support the nation's global commitments and protect the homeland. The Army requests the support of Congress to sufficiently fund and modernize America's Army to ensure the Army remains the preeminent fighting force able to meet current demands and protect the nation's security interests. The American people will continue to judge the Army on one standard: when called upon to fight and win, the Army will be mission ready and victorious.

### DEPARTMENT OF THE NAVY OVERVIEW

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 citizens abroad, and preventing adversaries from leveraging the world's oceans against the United States. The ability to sustain operations in international waters far from the nation'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.

Today's global security environment is characterized by the rising importance of the Indo-Asia-Pacific region, the ongoing development and fielding of anti-access/area denial (A2/AD) capabilities that challenge U.S. global maritime access, continued threats from expanding and evolving terrorist and criminal networks, the increasing frequency and intensity of maritime territorial disputes, and threats to maritime commerce, particularly the flow of energy.

In addition to the risks emerging in this turbulent 21<sup>st</sup> Century, there are opportunities as well - many facilitated by the sea services through routine and constructive engagement with allies and partners. Chief among them is the potential for a global network of navies that brings together the contributions of like-minded nations and organizations around the world to address mutual maritime security challenges and respond to natural disasters.

The U.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 wherever and whenever needed. Coming from the sea, the sea services get there sooner, stay there longer, bring along everything needed, and don't have to ask anyone's permission.

The founding fathers 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 sea services' responsibility to the American people dictates an efficient use of 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.

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The FY 2017 budget request balances current readiness needed to execute assigned missions while sustaining a highly capable fleet and allows the Department of the Navy (DoN) to take calculated risk in balancing today's requirements and those required to counter emerging threats. In the near term, there are gaps in training and maintenance that create readiness risks in the event of a major contingency. In the longer term, there are also risks associated with a dynamic and increasingly dangerous security environment, especially as potential adversaries develop greater military capability, and smaller forces strain to handle multiple simultaneous contingencies. This budget reflects a Future Years Defense Program (FYDP) from 2017 to 2021 of \$826.4 billion in the base budget, \$1.6 billion higher than the FYDP presented with the FY 2016 budget; the FY 2017 budget for the DoN is \$155.4 billion, a decrease of \$8.2 billion (5 percent) from the FY 2017 plan in the FY 2016 budget request. The OCO request for FY 2017 is \$9.5 billion.

The FY 2017 budget request supports the construction funding for 38 ships across the FYDP. Providing stability in shipbuilding to affordably deliver warfighting requirements, the budget supports steady production of destroyers and submarines; ten destroyers and nine submarines are constructed through FY 2021. The FYDP shipbuilding construction program also includes funding for the Ohio Replacement Program Advanced Procurement beginning in FY 2017, one LHA amphibious assault ship replacement, four T-AO(X) fleet oilers, and continued funding for the refueling and overhaul of USS GEORGE WASHINGTON (CVN 73). The FY 2017 budget request also funds two littoral combat ships (LCS) and continues to finance the detailed design and construction of the second *Ford* Class aircraft carrier and provides the second year of Advanced Procurement for the third.

The budget supports a balanced manned and unmanned aviation procurement plan of 476 aircraft over the FYDP. The successful testing of the carrier variant (CV) of the F-35 Joint Strike Fighter (JSF) on USS NIMITZ (CVN-68) in 2014 followed by the successful operational testing of the short take off and vertical landing (STOVL) variant on the USS WASP (LHD-1) in 2015 continues JSF program progression. The F-35B reached initial operational capability in July 2015 with a squadron of 10 ready for deployment worldwide. The DoN will procure 161 JSF aircraft of both Navy and Marine Corps variants across the FYDP. The Marine Corps invests heavily in rotary wing aircraft, accelerating the procurement of the final 78 AH-1Z-1/UH-1Y Cobra helicopters, and procuring 24 MV-22 Ospreys. The first 24 Navy V-22 Carrier Onboard Delivery (COD) aircraft will be procured starting in FY 2018. Investment in unmanned systems includes 19 MQ 4 Triton Unmanned Aircraft Systems through FY 2021, with first deployment to the Pacific in FY 2017, and the procurement of 9 MQ-8C Vertical Takeoff Unmanned Aircraft Systems. Aviation investments in the FYDP also include procurement of airborne early warning aircraft (23 E-2D), presidential helicopters (17 VH-92A), heavy lift helicopters (40 CH-53K), aerial refueling tankers (10 KC-130J), and the final 30 P-8A Poseidon multi-mission maritime aircraft.

The FY 2017 budget request funds an FY 2017 fleet of 272 Battle Force Ships. As with the FY 2016 request, this budget funds baseline and OCO flight hours for the Navy and Marine Corps to deploy at a 2.0 T-rating, which indicates the Aviation Training and Readiness (T&R) score for requirements and resources. Ship depot maintenance is funded to 70 percent in the base budget and 100 percent with OCO. Aviation depot maintenance is funded to capacity at the Fleet Readiness Centers, 85 percent of the total requirement in base plus OCO funding (76 percent in base). Marine Corps ground equipment maintenance is funded in base plus OCO at 79 percent of requirement. The FY 2017 base budget request funds sustainment of Navy and Marine Corps shore facilities at 70 percent.

To provide the required ability to deter aggression and respond to emerging security threats - including extremist organizations, pandemic diseases and natural disasters — the sea

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services must maintain the proper force strength. Both the Navy and Marine Corps are on path to align with the force structure required by strategy, following periods of reduction. The Navy has drawn down from 383,000 in FY 2002 and will end the FYDP at 323,100. The Marine Corps is coming down from a peak of 202,000 in FY 2009 to a sustained level of 182,000 in FY 2017 and beyond. The Marines have returned to their expeditionary roots, with an enhanced ability to operate from sea. Civilian personnel levels will slightly increase, strongly supporting the force as engineers, scientists, medical professionals and skilled laborers.

The DoN remains challenged to meet combatant commander demands for forces and associated higher-than-planned operational tempo over the past decade while dealing with constrained funding levels. The capacity to surge forces has decreased due to high operating tempo and deferred maintenance, a reduction in aircraft and weapons procurement, and risks taken against support infrastructure. This budget continues to put a priority on readiness while maintaining the minimum investment necessary to maintain an advantage in advanced technologies and weapons systems. While the DoN has accepted some risk in weapons capacity and delayed certain modernization programs, this budget request provides a plan to keep the Navy and Marine Corps as a ready, balanced force. The DoN prioritizes investments in modernization efforts to recapitalize the forces and maintain an effective, safe, and secure nuclear deterrent, including weapons and systems to enhance reliability and survivability of the nuclear strike capability and C2 networks.

Overall, the DoN's investments in readiness and infrastructure in the FY 2017 budget request are essential to generating the combat ready forces that support the DoD rebalance to the Asia-Pacific and enable critical presence in the strategic maritime crossroads that span the Middle East, Europe, Africa, the Western Pacific, and South America.

### **Strategic Guidance**

The FY 2017 budget request is developed from the priorities established in the Quadrennial Defense Review (QDR) 2014, which identifies ten missions, arranged under the three QDR objectives — protect the homeland, build security globally, and project power and win decisively.

#### ***Protect the Homeland***

- Maintain a safe, secure, and effective nuclear deterrent
- Fight terrorism through counter-terrorism/irregular warfare operations
- Defend the homeland and provide support to civil authorities
- Counter weapons of mass destruction

#### ***Build Security Globally***

- Provide a stabilizing presence across the globe
- Conduct stability and counterinsurgency operations
- Conduct humanitarian, disaster relief, and other operations

#### ***Project Power and Win Decisively***

- Defer and defeat aggression
- Project power despite anti-access/area denial challenges
- Operate effectively in space and cyberspace

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In addition to these three objectives and ten missions, the QDR also directs the DoN to prepare for emerging conflicts and to maintain the strength of the All-Volunteer Force. The Marine Corps will return to a smaller, more agile sea-based force, as outlined in “Expeditionary Force 21.” The DoN will also evaluate innovative ways to integrate Marine Corps operations with Navy, Coast Guard, Special Forces, and international partners.

The DoN has identified three major forces that energize the rapidly changing environment in which the Navy must operate to fight and win. The first is increased traffic on the oceans, seas, waterways, and the sea floor. The maritime system is becoming more heavily used, stressed, and contested than ever before. The second force is the increasing rise of the global information system, including information that rides on servers, undersea cables, satellites, and wireless networks that connect the globe. The third force is increasing rate of technological creation and adoption, including robotics, energy storage, 3-D printing, and low-cost networks. The Navy will need to respond with greater agility and creativity across the entire spectrum of action at and from the sea.

The DoN will move forward to address these forces by executing four lines of effort that focus on warfighting, learning better and faster, strengthening the Navy team, and building partnerships. The Navy will enhance power at and from the sea by providing a combat-ready fleet, trained and deployed to protect U.S. interests while deterring conflict. The DoN will learn better and faster by employing best techniques and technologies to accelerate learning and adapting processes to be inherently receptive to innovation and creativity. The DoN will strengthen the Navy team of Sailors and Civilians who are trained masters of their craft, who share core values, and are empowered to use their own initiative. The Navy will expand and strengthen the network of partners by building enhanced operational relationships with other services, agencies, industry, allies and partners who support shared interests.

### People, Platforms, Power, and Partnerships

Four key factors sustain the DoN’s warfighting advantage and global presence; these factors are the Secretary of the Navy’s priority areas:

- **People** provide the critical asymmetric advantage in today’s complex world. The DoN will continue to prioritize the correct size of deployment capabilities to meet operational demands, support new concepts and stratagems to develop at all levels, and to ensure the proper training, readiness, and mental and physical well-being of Sailors, Marines and their families.
- **Platforms** span the ships, aircraft, submarines, tactical vehicles, and unmanned vehicles that provide the capability and capacity underpinning the DoN’s global combat-ready presence. The budget request supports expanding aspects of information warfare, specifically in the areas of space and cyber security. This approach is essential to providing the platforms needed to execute DoN missions.
- **Power** and energy get the platforms where they need to be and keep them there. The DoN continues to make progress toward greater energy security, building on a record of alternative energy long term innovation from sail to coal to oil to nuclear to biofuels, wind, and solar power.
- **Partnership** strengthens the capacity of existing partnerships, while developing key alliances through initiatives, joint exercises, operations, and broad leadership engagement. This has allowed the DoN a more interoperable force better prepared and more widely available to prevent and respond to crises.



### Innovation

To face the threats of tomorrow, the force must continue to evolve and innovate to meet the challenges of a changing world. National security depends on a future force that is able to harness the best and brightest talent that the nation has to offer. The Secretary of the Navy is taking the initiative to reform the Navy's personnel system to achieve a modernized force and initiating manpower reforms to modernize the Navy's personnel system. High profile changes such as new maternity leave policies, physical fitness assessment revisions, and body composition assessment reforms are accompanied by other initiatives like a more proactive outreach to retain talent and restructuring of bonuses to reward performance. The Navy is encouraging individuals, teams, and organizations to engage in high velocity learning through tools and technologies that prioritize creativity and agility. These and other changes emerging from the Sailor 2025 initiative and the Secretary of Defense's Force of the Future initiative are designed to offer careers that are flexible, option-oriented, and competitive. By leading in this area, Navy will continue to provide the exceptional manpower capable of operating the most technologically-advanced Navy in the world.

The DoN has been at the forefront of innovation for over 240 years, from the USS Constitution's inventive battle armor to ship-borne tactical aviation, nuclear powered ships and submarines, ballistic missile defense capability, and now fifth generation fighter aircraft and multi-mission ships. The Navy must continue to be a leader in rapidly deployed innovation, using high quality people, better use of information, and quicker maturation of ideas. The Navy must take advantage of opportunities from advances in technology, information systems, and the sciences. While the DoN will be ready to defend the homeland and the nation's global interests, it must continually innovate, not only to keep pace with emerging technology but also to bridge challenges in today's fiscal environment to achieve the capabilities required for tomorrow's global security. Innovation will be accomplished through five key efforts:

- Build a naval innovation network in partnership with private sector to accelerate development and fielding of new ideas and methods. Greater access to the tools, training, and technology will help transform the Navy and Marine Corps, its capabilities, and its workforce.
- Manage the talent of the DoN workforce through systems that will better inform career paths and career options and provide more flexibility. The Sailor 2025 initiative will provide high velocity learning through tools such as simulators, gaming, and other technologies that prioritize creativity as well as agility.
- Transform DoN uses of information by empowering decision makers through information sharing across organizations to enable innovation to thrive.
- Accelerate new capabilities to the fleet by creating test beds for emerging operational capabilities to accelerate delivery to the warfighter. This is necessary to keep pace with rapidly evolving technology.
- Develop game-changing warfighting concepts by increasing the frequency and breadth of DoN war gaming and applying outcomes for future capability.

### Forward Presence and Partnership

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 network of allies and partners and improving the DoN's ability to operate alongside them, naval forces promote stability, deter conflict, shorten the response time to aggression, and foster the secure environment essential to an open economic system based on



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the free flow of goods. During crises, forward naval forces provide the President immediate options to defend national interests, de-escalate hostilities, and keep conflict far from the nation's shores. During wartime, forward naval forces fight while preserving freedom of access -- and action — for follow-on forces.

The FY 2017 budget request provides forward postured capabilities of 119 ships by 2021, up from an average of 94 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 continues to implement the following force employment innovations:

- Increase forward-basing of forces abroad to reduce costly rotations and deployments while boosting in-theater presence.
- 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, rather than entire ships, to be swapped, thus saving time and money.

### Cyber Resiliency

The DoN invests in protection of its cyber networks to operate effectively in every mission. The DoN has expanded previous investments in Operation Rolling Tide (ORT), which was primarily focused on tactical networks such as the Next Generation Enterprise Network (NGEN) and the Consolidated Afloat Networks and Enterprise Services (CANES), to include combat and other control systems on tactical platforms. The Task Force Cyber Awakening (TFCA) was established to provide a holistic view of cyber security across the Navy enterprise. Based on the TFCA's prioritizations of required capabilities to improve Navy's cyber posture, the budget request includes an additional \$300 million across the FYDP across a broad spectrum of programs. Together, ORT and TFCA efforts form the Cyber Resiliency Plan; the FY 2017 budget request will lead to significant improvements in the DoN's Cyber posture.

### 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 our members, the DoN will build a future force that is capable and combat-ready.

Facing the challenges of the 21st Century, the DoN will remain committed to the development of its people; validate new operational concepts; and employ innovative capabilities that sustain its warfighting advantages, particularly in contested environments. Meeting these challenges requires the DoN embrace the global network of navies, becoming stronger by working with the nation's allies and partners.

The Navy and Marine Corps' foremost priority remains the security and prosperity of the nation and the American people and way of life. This strategy ensures that the Department of the Navy will continue protecting American citizens and advancing U.S. interests, as it has done for more than two centuries. American sea power — *forward, engaged, and ready*. This will be a challenge if sequestration level funding caps continue for FY 2018 through FY 2021.

### DEPARTMENT OF THE AIR FORCE

#### Introduction

The Air Force's FY 2017 budget request is designed to preserve combatant commander requirements in support of the defense strategy. The Secretary of the Air Force's priorities of taking care of people, striking the right balance between today's readiness and future modernization, and making every dollar count continue to serve as the foundation for the FY 2017 budget request.

The Air Force's FY 2016 budget request was built to invest in critical capabilities and restore capacity to meet the combatant commanders' most urgent requirements. In FY 2017, the Air Force again seeks to balance capability, capacity, and readiness while investing in modernization and recapitalization at the funding levels required to support the defense strategy. The FY 2017 budget request of \$166.9 billion (\$151.1 billion base; \$15.8 billion OCO) is informed by current geopolitical conditions and restores some capacity, funds readiness to executable levels, and makes additional investments in nuclear, space, cyber, command and control, and intelligence, surveillance, and reconnaissance (ISR) capabilities.

The FY 2017 budget request seeks to build and maintain an Air Force that is capable of executing its core missions against future high-end threats and is ready for the full range of military operations. Airmen bring to the nation's military portfolio five interdependent and integrated core missions: (1) air, space, and cyber superiority; (2) ISR; (3) rapid global mobility; (4) global strike; and (5) command and control. While the methods for executing these missions have changed over time, the core missions have not fundamentally differed since the Air Force's inception. More information on these core missions is available in the Air Force strategic framework document, [Global Vigilance, Global Reach, Global Power for America](#).

#### FY 2017 INITIATIVES BY AIR FORCE CORE MISSION

##### Air, Space, and Cyber Superiority

###### *Air Superiority*

The United States and coalition forces experienced a distinct precision attack advantage in 2015 operations, such as in Afghanistan. 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 Air Force legacy fighters and bombers to engage heavily defended targets. To stay ahead of these challenges, the Air Force's FY 2017 budget balances needed precision strike capabilities. It funds modernization of legacy fighters and bombers, F-35 Joint Strike Fighter development and procurement, development of a new Long Range Strike Bomber (LRS-B) capability, modifications to the F-22 Raptor, and continued investment in preferred air-to-ground and air-to-air munitions.

**Legacy Aircraft:** The average F-15C/D Eagle is over 28 years old and requires modernization to remain viable. The F-15C/D models, including several funded through the European Reassurance Initiative (ERI), will undergo multiple offensive and defensive upgrades to ensure capability and survivability in the current and future threat environments, including Active Electronically Scanned Array (AESA) radars, the Advanced Display Core Processor (ADCP) II central computer, Mode 5/Automatic Dependent Surveillance-Broadcast (ADS-B), and Increment 1 and 2 development of the Eagle Passive/Active Warning Survivability System (EPAWSS). Also in initial development is an Infra-Red Search and Track system that will give

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the Eagle the 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-2020's.

Additionally, the FY 2017 budget request seeks to modernize a small number of F-16 Fighting Falcons for National Capital Region support to address Homeland Defense needs. The AESA radars will be retrofitted starting in FY 2017 and, starting in FY 2018, 52 more F-16s will be upgraded with AESA radars. This modernization is necessary to guarantee the capability of the force in the mid- and long-term.

Finally, the FY 2017 budget rephases the retirement plan for the A-10 Thunderbolt II fleet to preserve Total Force fighter capacity during the Air Force's transition to the F-35, keeping the A-10 in the inventory through FY 2022.

**Electronic Warfare:** The FY 2017 budget maintains the current EC-130H Compass Call fleet and retains a Total Active Inventory (TAI) of 14 EC-130Hs.

**Fifth Generation Aircraft:** To remain viable in contested airspace and ahead of accelerating threats, F-22A combat capability modernization focuses on Increment 3.1 Operational Flight Program (OFP) with continued development of the follow-on 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 also increased F-22 logistics support to sustain an enhanced flying hour program, which was increased from 28 thousand to 32.5 thousand hours to meet operational training requirements.

As one of the Air Force's top three acquisition priorities, the FY 2017 budget continues investment in the F-35 program. Partial funding is included for Block 4 and research and development of nuclear weapons capability.

**Personnel Recovery (PR):** The FY 2017 budget funds the recapitalization of the HC-130J Combat King II, increases investment in the Guardian Angel program and funds modifications for the legacy HH-60G Pave Hawk. Additionally, the Combat Rescue Helicopter (CRH), which is the HH-60 replacement, is fully funded for a projected Initial Operational Capability in 2021.

**Munitions:** The FY 2017 budget funds Air Intercept Missile (AIM)-9X Block 2 and AIM-120D development, integration, and production. The AIM-9X gives pilots the ability to release the missile out of X-band at the time of launch, thus decreasing the time required from target identification to firing. The AIM-120D is the next iteration of the Advanced Medium Range Air to Air Missile (AMRAAM) with increased range and radar capabilities. Although the Department will reduce its procurement quantity of AIM-9X, the additional investment in the missile's software will increase the capability of the AIM-9X inventory. The Air Force will also marginally increase AIM-120D procurement from the FY 2016 PB levels across the FYDP.

The FY 2017 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-22 Raptor and F-35 Joint Strike Fighter, as well as other current operational platforms. Procurement of Advanced Guided Missile (AGM)-158B Joint Air-to-Surface Standoff Missile-Extended Range (JASSM-ER), an upgrade to the baseline JASSM, continues at an increased quantity in the FY 2017 budget. The JASSM-ER can fly a much greater distance, providing excellent stand-off capability in highly contested environments, while increasing the flexibility and lethality of the force. In FY 2016, the Air Force bought 340 JASSM-ER global strike munitions and in FY 2017 the Air Force will increase the purchase to 360 JASSM-ERs, as well as 312 SDB IIs. The AGM-114 Hellfire missile is the primary weapon for Predator and Reaper systems directly supporting Joint Force

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Commanders in finding and prosecuting time-sensitive targets. Although the Air Force will reduce its procurement of AGM-114s from 3,756 (plus 2,500 with OCO funding; total planned procurement is 6,256) in FY 2016 to 284 (plus 1,252 with OCO funding; total planned procurement is 1,536) in FY 2017, the AGM-114 inventory is at maximum capacity due to several prior year reprogramming actions.

### **Space Superiority**

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 2017 budget request continues to enhance space investment in line with strategic direction.

**Space Situational Awareness (SSA) and Space Control:** The FY 2017 budget request maintains FY 2016's increased investment in 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 3, and deliver enhanced information to enable rapid visualization and targeting. Additionally, the Department requests increased funding for the Joint Interagency Combined Space Operations Center (JICSpOC), thus laying the foundation for joint experimentation efforts and further enhancing joint tactics and doctrine for space.

**Global Positioning System (GPS):** The Air Force will re-phase the GPS III space vehicle procurement profile SV 11 from FY 2017 into FY 2018 to support contract competition, and realign savings from the contract re-compete to fund GPS III contingency operations and the GPS command and control ground system (OCX) to Service Cost Position (SCP) levels. Additionally, the Department increased funding for Military GPS User Equipment (MGUE) programs to accelerate platform integration of "M-code" capability, which provides stronger signaling and data authentication capability.

**Satellite Architecture:** The Air Force continues to explore future architectures for the Satellite Communications (SATCOM) and Overhead Persistent Infrared (OPIR) technologies. The FY 2017 request fully funds the Advanced Extremely High Frequency (AEHF) capability with vehicles 5/6 and Space Based Infrared System (SBIRS) geosynchronous orbit capability with vehicles 5/6. It also pursues a resilient, disaggregated SATCOM architecture with separate tactical and strategic systems.

**Space-Based Environmental Monitoring:** The Air Force commenced development of Weather System Follow-on (WSF) in FY 2015 to begin the transition from the Defense Meteorological Satellite Program (DMSP). The FY 2017 budget request matches the Service Cost Position and aligns the Air Force proposed strategy to launch an enhanced Technology Demonstration in FY 2017. The WSF will provide 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 (EELV) program remains fully funded to support all competitive launch opportunities in Phase 1A, and is aligned with a satellite launch scheduled in FY 2017. A total of five launch services, including three competitive launches, will be procured in FY 2017. Additionally, the Department added funding to develop and integrate a domestically-sourced rocket engine to include new upper stages as part of the development effort.

### ***Cyberspace Superiority***

Cyberspace Superiority is the degree of dominance in cyberspace by one force that permits the secure, reliable conduct of operations by that force and its related land, air, maritime, and space forces at a given time and place 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 the cyberspace operations. As a combatant command support agency for the U.S. Cyber Command (USCYBERCOM), the Air Force Cyberspace Superiority budget includes a fourth category for combatant command support.

This year's 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 partners; and allies and partners abroad.

The 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, 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 2017 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 Intelligence, Surveillance, and Reconnaissance (ISR) investment in intelligence analysis and end-to-end automation through dissemination. The FY 2017 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.



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The FY 2017 budget request includes a commitment to enhance the remotely piloted aircraft (RPA) enterprise to meet operational and training demands. This effort includes doubling the Undergraduate RPA Training budget to accommodate 394 graduates per year, up from 192 graduates per year in the FY 2016 budget.

**Medium Altitude ISR:** The Air Force sustains MQ-1 Predator and MQ-9 Reaper medium-altitude, permissive ISR capacity through FY 2017, with Remotely Piloted Aircraft (RPA) lines funded in the FY 2017 budget request. Additionally, the Air Force restores two operational MQ-9 squadrons previously slated for inactivation in FY 2017, normalizing the ISR capacity to align with current and enduring operations tempo.

The FY 2017 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.

**High-altitude ISR:** In the FY 2017 budget request, the Air Force maintains planned U-2 aircraft divestment that begins in FY 2019 and is complete by FY 2020. This aligns U-2 divestiture with the anticipated fielding of enhanced RQ-4 Block 30 sensors. In accordance with congressional guidance, the Air Force is required to maintain the U-2 fleet in its current configuration and capability until the RQ-4 capabilities are equal to or greater than the U-2's capabilities, which is currently scheduled to occur in FY 2019. As a result, prudent investments are required to sustain U-2 operations and supply chain. The Air Force request includes Research and Development funding in FY 2017 to maintain U-2 fleet combat capability through planned divestiture. These funds address Diminishing Manufacturers' Source (DMS) issues in systems including datalink and Inertial Navigation Units/Global Positioning Systems.

### Rapid Global Mobility

The FY 2017 budget request sustains intra-theater airlift capability by retiring 27 C-130H Hercules aircraft between FY 2017 and FY 2019, thus reducing excess capacity and freeing up funds to invest in the remaining fleet. This force restructure continues to allow the Air Force to support the defense strategy and direct support requirements. Finally, the Air Force balances enduring global air refueling requirements with capacity by retiring legacy aircraft as the KC-46 Pegasus tanker enters the operational fleet.

**Airlift Compliance and Modernization:** The FY 2017 budget request continues to fund extensive modernization efforts among tactical and strategic airlift aircraft. Under the C-130 Aircraft Modernization Program, Increment One (AMP-1), modification will continue in order to meet global Communications Navigation and Surveillance/Air Traffic Management (CNS/ATM) requirements. The Air Force expands upon AMP-1 improvements by funding the Aircraft Modernization Program, Increment Two (AMP-2), which adds Terrain Awareness and Warning System (TAWS), Flight Management System (FMS), and Multi-function Displays (MFD). The Air Force also funds the C-130 Center Wing Box replacement that will preclude the need to restrict aircraft due to exceeding flying hour limitations. Combined, these initiatives will ensure the longevity of the C-130 as a versatile tactical airlift platform. These enhancements are partially funded by the right-sizing of the tactical airlift fleet in line with OSD and Joint Staff requirement estimates.



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The budget request continues funding C-17 and C-5 avionics upgrades to bring them into compliance with federally-mandated air traffic control and communication standards. This is in addition to continued funding for fleet-wide survivability modifications through the Large Aircraft Infra-red Counter Measure (LAIRCM) system.

The FY 2017 budget funds the development and procurement of the Presidential Aircraft Recapitalization (PAR) program to replace the VC-25 Air Force One after FY 2020. This will enable the Air Force to continue delivering reliable, worldwide access with uncompromising security and connectivity 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 2017 budget request continues to support the KC-46A Pegasus program. 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. The current program plan will deliver 85 aircraft by end of calendar year 2021 and procure a total of 179 KC-46 aircraft.

**Special Operations:** The FY 2017 budget request sustains ongoing efforts to recapitalize the Air Force Special Operations Command's (AFSOC) legacy fleet across the FYDP by increasing the AC-130J fleet to 32 aircraft and the MC-130J fleet to 47 aircraft. This will preserve the nation's ability to provide specialized air mobility and precision strike capabilities that have been in high demand for over a decade.

### 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 (NDO) 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 2017 budget request funds additional investments to sustain and modernize the ICBM force, including Ground Based Strategic Deterrent (GBSD) integrated design and development.

**Manpower Supporting the Nuclear Enterprise:** The FY 2017 budget request centralizes the oversight and control of the nuclear enterprise by transferring ownership of Kirtland Air Force Base from Air Force Material Command (AFMC) to Air Force Global Strike Command (AFGSC) and transferring the B-1 bomber / Long Range Strike Bomber (LRS-B) mission from Air Combat Command (ACC) to AFGSC. These moves transferred over 8,600 military and civilian authorizations into AFGSC's oversight.

**Nuclear Helicopter Support:** The FY 2017 budget supports a replacement program for the Vietnam era UH-1N light-lift utility helicopter fleet to enhance the security provided to the Intercontinental Ballistic Missile (ICBM) inventory. The AFGSC is seeking to replace all UH-1N aircraft with commercial off-the-shelf/government off-the-shelf (COTS/GOTS) solutions to fill current capability gaps.

**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 2017, the Air Force will continue the bomber modernization efforts and include additional investment for the B-52 Radar

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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 command and control aircraft. The FY 2017 budget request fully funds the B-2 Defensive Management Systems-Modernization (DMS-M) program to enable penetration of dense threat environments. The FY 2017 budget request also funds the B-2 Low Observable Signature and Supportability Modification (LOSSM).

**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 (LRS-B):** The LRS-B aircraft is also one of the Air Force's top three acquisition priorities and is currently in the development phase. The Air Force's FY 2017 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 2017 budget continues funding for 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 older variants into the B61-12. This investment will allow the Air Force to field a modernized weapon to meet operational requirements and provide nuclear assurance to U.S. allies in Europe.

**Long Range Stand-Off (LRSO) Weapon:** The FY 2017 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.

**Air Launched Cruise Missile (ALCM):** The FY 2017 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)

**Command and Control:** The FY 2017 budget request funds legacy Joint Surveillance and Target Attack Radar System (JSTARS) aircraft while recognizing that some aircraft are approaching the end of service life. The Air Force anticipates developing a fleet retirement plan informed by strategic assessments of capability requirements. Additionally, the Air Force added funding to preserve the Airborne Warning and Control System (AWACS) Reserve Association Group at Tinker Air Force Base, Oklahoma. This action increases near-term capacity to meet the highest-priority combatant commander requirements while preparing for future fights. The Air Force also continues to fund crews that will use legacy deployable Radar approach control (D-RAPCON) equipment as they wait to transition to new systems.

**JSTARS Recapitalization:** The FY 2017 budget request sustains the Air Force's commitment to command and control (C2) across the range of military operations. The budget request pursues C2 modernization critical to ensure a dominant C2 capability in current and future

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conflicts. The FY 2017 budget reflects an affordable acquisition strategy for JSTARS Recapitalization that is expected to reach initial operating capability by 2024.

**AWACS Legacy:** The budget request funds several upgrades to the AWACS fleet 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 2017 budget request funds the initial Research, Development, Test and Evaluation profile for the NAOC recapitalization. This effort is a critical part of the NC3 modernization plan.

**D-RAPCON:** The FY 2017 budget request slows the procurement of the D-RAPCON system by procuring 10 of 15 systems in the FYDP.

**Combat Survivor Evader Locator:** The FY 2017 budget request funds cryptologic modifications. This effort ensures compliance with mandatory NSA cryptologic standards.

### Core Mission Enablers

**Military Construction (MILCON) and Facilities Sustainment, Restoration and Modernization (FSRM):** The Air Force maintained facility sustainment at minimal levels, focused on investing its resources on the highest installation priorities, and increased MILCON investment. The Air Force increased its MILCON funding by 14.5 percent above the FY 2016 enacted levels to address shortfalls and an increased backlog that resulted from sequestration level funding. It also maintains the Military Family Housing construction program, with a focus on Okinawa.

The FY 2017 budget request for MILCON continues to support construction for combatant commands (e.g., U.S. European Command's Joint Intelligence Analysis Center), weapon system bed downs (e.g., F-35A, KC-46A, CRH), Asia-Pacific Resiliency, and "Quality-of-Life" (e.g., basic military training and fitness center). It also strengthens the prime mission priority within the Air Force, the nuclear enterprise, by constructing a new Consolidated Communications Facility, and renovates missile transfer as well as missile maintenance facilities. The Air Force intends to mitigate reduced FSRM investment levels by using an enterprise-wide approach to target resources to keep "good facilities good" and focus funding through a "mission critical, worst first" approach.

**Personnel:** In recent years, the Air Force sought to reduce near-term capacity to improve the readiness of the remaining force while sustaining key modernization efforts. Part of this strategy included the decision to drawdown active duty end strength levels from approximately 330 thousand in FY 2014 to a targeted level of roughly 309 thousand by FY 2017. However, the geopolitical situation (such as events surrounding the Islamic State of Iraq and the Levant (ISIL), Crimea, and Ukraine), coupled with force structure rephasing (A-10, EC-130, and other weapon systems retained), led to the assessment that the FY 2015 manpower profile projections were too low to support mission requirements. The FY 2016 budget began to address key capability gaps and grew end strength to address voids within the nuclear, maintenance, cyber, and ISR enterprises. While the FY 2017 budget request is fully funded at 317,000 end strength, the Air Force will continue its concerted effort to "right the force" by stabilizing the force size and assessing critical capabilities that may necessitate future military manpower growth. The FY 2017 budget request also continues to leverage the Guard and the Reserve.

**Readiness:** The Air Force continues to have significant readiness concerns. Readiness decreased in FY 2015 to historically low levels. The continued pressure of deployments and chronic shortage of Airmen in critical skill positions are limiting recovery efforts. Though very

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good at the current operations, less than 50 percent of Combat Air Forces are proficient in other required mission sets. Moreover, 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. The Air Force recapitalization and modernization efforts will improve both capability and capacity in the long term. The FY 2017 budget request will improve key readiness building areas such as critical skills capacity and training infrastructure. With sustained improvements in the deploy-to-dwell ratio and predictable resource levels, the Air Force expects to improve readiness within 8 to 10 years.

### Conclusion

The FY 2017 budget request represents a “pivot point” for the Air Force to continue the recovery to “balance the force” for today’s readiness and the readiness needed 10 to 20 years from now. However, FY 2017 could simply represent a pause to the devastating effects of sequestration level funding that will return in FY 2018. Without relief from sequestration, the Air Force will be forced to consider drastic actions, such as force structure and manpower reductions, reduced readiness, and cancellations and delays of key modernization programs. Operating at reduced funding levels since 2013 has resulted in an Air Force that is less ready, less capable, and less viable than the one America demands. Operating at sequestration level funding in the future will only amplify known capacity, capability, and readiness shortfalls.

The Air Force’s FY 2017 budget request maintains the delicate balance between capability, capacity, and readiness. Informed by current geopolitical conditions and ongoing operations, this budget also restores capacity and makes additional investments in nuclear, space, cyber, ISR, and command and control capabilities. Finally, this budget funds the Air Force’s greatest asset, the nation’s Airmen, by restoring critical active duty manpower billets.

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## 9. PERFORMANCE IMPROVEMENT

### 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 2015 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>. The FY 2015-2018 Agency Strategic Plan (ASP)/Annual Performance Plan (APP) outlines the Department's strategic goals, strategic objectives, and performance goals, available at: <http://dcmo.defense.gov/Publications/DoDASP.aspx>.

### FY 2015 DOD ANNUAL PERFORMANCE REPORT

#### Executive Summary

The FY 2015 APR is intended to inform the general public about the Department's progress towards achieving the 44 enterprise-wide performance goals described in the Agency Strategic Plan for Fiscal Years 2015-2018.

Far more than 44 performance measures would be needed to fully capture the breadth and scope of the Department's world-wide responsibilities, or even the Department's management efforts. Indeed, the Department uses dozens of performance measures to assess its progress in each of many key areas such as acquisition performance, military readiness, audit readiness, and the health of the force. Moreover, significant efforts in areas such as the readiness of the force cannot be fully represented in this or future public performance reports due to the sensitivity of the information involved. While the Department endeavors to improve its Agency Strategic Plan and Performance Report over time, these reports necessarily represent only a partial picture of DoD's management efforts, and management progress.

The measures included in this report show that the Department maintained solid performance in supporting the operational force in the field while reducing unnecessary overhead. In the area of human resources, transition support to veterans remained good and the quality of recruits remained high. However, due to budget restrictions, the Department did not achieve all its goals for improving quality of family housing and is falling slightly short in acquisition qualifications and hiring timelines. These areas will continue to be a major focus of future



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agency strategic plans. Further, the goal of achieving Department-wide financial auditability shows poor progress. However, the Under Secretary of Defense (Comptroller) and the Defense Chief Management Officer (DCMO) have worked with the Military Departments and Defense Agencies to develop an aggressive new plan to put the Department on a sound track toward future audit readiness.

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

- During FY 2015, Secretary Carter directed and the OSD carried out the Force of the Future initiative, which a major review of human capital strategy. This review put fundamental emphasis on changing how the Department manages both military and civilian personnel and how it considers new skill sets required to meet future needs. The Under Secretary of Defense for Personnel and Readiness developed a number of performance measures to assess the implementation of the Force of the Future initiative.
- In the area of innovation and technical excellence, the Department is carrying out a Better Buying Power initiative that appears to have significantly improved acquisition performance. The next phase of the Better Buying Power initiative is now being rolled out. With it comes an emphasis on taking more advantage of the technical innovation within private industry. The Under Secretary of Defense for Acquisition, Technology, and Logistics is tracking a number of performance measures to assess the implementation of the Better Buying Power initiative.
- In the area of cyber security, the Department has undertaken significant new efforts to address challenges associated with ongoing cyber threats. The Chief Information Officer of the Department of Defense has developed a Cybersecurity scorecard to track the implementation of a number of key initiatives in the cyber arena.

During FY 2015, the DCMO team led a Department-wide effort to identify concrete, measurable management reforms in areas such as Department-wide retail sales; reduction in the size of major headquarters; reduction in the number and cost of advisory and assistance contracts; and efficiencies in the provision of information technology support to the Department. This collective effort is aimed at generating over \$6 billion in savings that can be reallocated to higher priority needs such as new mission equipment investment or training and readiness of combat forces.

### ***FY 2015 Agency Priority Goal (APG) Results***

Pursuant to the GPRA Modernization Act of 2010, the Department established four APGs for FY 2014 and FY 2015 that were used to track the Department's progress toward achieving priorities throughout FY 2015.

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 Department's contributions to these goals. The DoD, in partnership with OMB, currently leads the CAP Goals for Cybersecurity and Strategic Sourcing. In addition, DoD contributes to the following CAP Goals:

- Insider Threat and Security Clearance

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- 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 the biennial high-risk series updates since 1990 (see <http://www.gao.gov/highrisk/overview>). The Department shares responsibility for the following cross-agency areas on the GAO high risk list:

- DoD Approach to Business Transformation
- DoD Business Systems Modernization
- DoD Support Infrastructure
- DoD Financial Management
- DoD Supply Chain Management
- DoD Weapon System Acquisition
- DoD Contract Management
- Strategic Human Capital Management
- Limiting Federal Government Fiscal Exposure by Better Managing Climate Change Risk
- Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of PII
- Establishing Effective Mechanisms for sharing and Managing Terrorism Related Information to Protect the Homeland
- Managing Federal Real Property
- Mitigating Gaps in Weather Satellite Data
- Ensuring Effective Protection of Technologies Critical US National Security Interests
- Improving and Modernizing Federal Disability Programs
- Improving the Management of IT Acquisitions
- Managing Risks and Improving VA Health Care

### ***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:

- Financial Management
- Acquisition Processes and Contract Management
- Joint Warfighting and Readiness
- Cyber Security
- Health Care
- Equipping and Training Iraq and Afghan Security Forces
- The Nuclear Enterprise

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 2016	FY 2017	Delta FY16- FY17
<b>Army Active</b>			
Brigade Combat Teams (BCT)	30	30	-
Combat Aviation Brigades (CAB)	11	11	-
<b>Army National Guard</b>			
BCT	28	26	-2
CAB/Aviation Restructure Initiative	8	8	-
<b>Army Reserve</b>			
CAB/Theater Aviation Brigade	2	2	-
<b>Navy</b>			
Number of Ships	280	287	+7
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	41	+1
Aircraft Inventory (TAI)	4,031	4,056	+25
<b>Air Force Reserve</b>			
Combat Coded Squadrons	3	3	-
Aircraft Inventory (TAI)	332	326	-6
<b>Air National Guard</b>			
Combat Coded Squadrons	21	20	-1
Aircraft Inventory (TAI)	1,093	1,090	-3

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

Service	FY 2016 Estimate <sup>1/</sup>	FY 2017	Delta FY16 - FY17
Army	475.0	460.0	-15.0
Navy	327.3	322.9	-4.4
Marine Corps	182.0	182.0	--
Air Force	317.0	317.0	--
<b>TOTAL<sup>2/</sup></b>	<b>1,301.3</b>	<b>1,281.9</b>	<b>-19.4</b>

*Numbers may not add due to rounding*

<sup>1/</sup> Projected end strength.

<sup>2/</sup> President's invoking of emergency authorities permits end strength to vary from authorized levels

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

Service	FY 2016 Estimate <sup>1/</sup>	FY 2017	Delta FY16 - FY17
Army Reserve	198.0	195.0	-3.0
Navy Reserve	57.4	58.0	+0.6
Marine Corps Reserve	38.9	38.5	-0.4
Air Force Reserve	69.2	69.0	-0.2
Army National Guard	342.0	335.0	-7.0
Air National Guard	105.5	105.7	+0.2
<b>TOTAL</b>	<b>811.0</b>	<b>801.2</b>	<b>-9.8</b>

*Numbers may not add due to rounding*

<sup>1/</sup> Projected end strengths.

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

<i>\$ in Thousands</i> Base Budget	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	135,330,213	135,269,240	-60,973
Operation and Maintenance	197,468,777	205,860,227	+8,391,450
Procurement	110,737,432	102,566,680	-8,170,752
RDT&E	68,778,330	71,391,771	+2,613,441
Revolving and Management Funds	1,175,932	1,371,613	+195,681
<b>Defense Bill</b>	<b>513,490,684</b>	<b>516,459,531</b>	<b>+2,968,847</b>
Military Construction	6,909,712	6,124,204	-785,508
Family Housing	1,261,288	1,319,852	+58,564
<b>Military Construction Bill</b>	<b>8,171,000</b>	<b>7,444,056</b>	<b>-726,944</b>
<b>Total</b>	<b>521,661,684</b>	<b>523,903,587</b>	<b>+2,241,903</b>

Note: Reflects Discretionary Budget Authority

*Numbers may not add due to rounding*

## Overview – FY 2017 Defense Budget

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

<i>\$ in Thousands</i> Base Budget	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Army	123,259,240	122,998,058	-261,182
Navy	159,337,556	155,384,640	-3,952,916
Air Force	145,685,330	151,052,826	+5,367,496
Defense-Wide	93,379,558	94,468,063	+1,088,505
<b>Total</b>	<b>521,661,684</b>	<b>523,903,587</b>	<b>+2,241,903</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

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

<i>\$ in Thousands</i> OCO Budget	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	3,222,673	3,562,258	+339,585
Operation and Maintenance	46,966,155	45,034,083	-1,932,072
Procurement	8,128,888	9,514,408	+1,385,520
RDT&E	231,434	374,169	+142,735
Revolving and Management Funds	88,850	140,633	+51,783
<b>Defense Bill</b>	<b>58,638,000</b>	<b>58,625,551</b>	<b>-12,449</b>
Military Construction	--	172,449	+172,449
Family Housing	--	--	--
<b>Military Construction Bill</b>	<b>--</b>	<b>172,449</b>	<b>+172,449</b>
<b>Total</b>	<b>58,638,000</b>	<b>58,798,000</b>	<b>+160,000</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

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

<i>\$ in Thousands</i> OCO Budget	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Army	23,668,804	25,035,892	+1,367,088
Navy	9,449,242	9,476,438	+27,196
Air Force	16,098,000	15,826,413	-271,587
Defense-Wide	9,421,954	8,459,257	-962,697
<b>Total</b>	<b>58,638,000</b>	<b>58,798,000</b>	<b>+160,000</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding



## Overview – FY 2017 Defense Budget

### Table A-8. DoD Total Budget by Appropriation Title

<i>\$ in Thousands</i> Total Budget	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	138,552,886	138,831,498	+278,612
Operation and Maintenance	244,434,932	250,894,310	+6,459,378
Procurement	118,866,320	112,081,088	-6,785,232
RDT&E	69,009,764	71,765,940	+2,756,176
Revolving and Management Funds	1,264,782	1,512,246	+247,464
<b>Defense Bill</b>	<b>572,128,684</b>	<b>575,085,082</b>	<b>+2,956,398</b>
Military Construction	6,909,712	6,296,653	-613,059
Family Housing	1,261,288	1,319,852	+58,564
<b>Military Construction Bill</b>	<b>8,171,000</b>	<b>7,616,505</b>	<b>-554,495</b>
<b>Total</b>	<b>580,299,684</b>	<b>582,701,587</b>	<b>+2,401,903</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

### Table A-9. DoD Total Budget by Military Department

<i>\$ in Thousands</i> Total Budget	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Army	146,928,044	148,033,950	+1,105,906
Navy	168,786,798	164,861,078	-3,925,720
Air Force	161,783,330	166,879,239	+5,095,909
Defense-Wide	102,801,512	102,927,320	+125,808
<b>Total</b>	<b>580,299,684</b>	<b>582,701,587</b>	<b>+2,401,903</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

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

<i>\$ in Thousands</i> Department of the Army	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	56,156,215	55,225,375	-930,840
Operation and Maintenance	40,829,451	43,516,908	+2,687,457
Procurement	16,971,233	15,338,059	-1,633,174
RDT&E	7,552,871	7,515,399	-37,472
Military Construction	1,107,725	819,118	-288,607
Family Housing	446,313	526,730	+80,417
Revolving and Management Funds	195,432	56,469	-138,963
<b>Total Department of the Army</b>	<b>123,259,240</b>	<b>122,998,058</b>	<b>-261,182</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

## Overview – FY 2017 Defense Budget

<i>\$ in Thousands</i> Department of the Navy	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	45,281,913	45,555,508	+273,595
Operation and Maintenance	45,978,052	46,917,890	+939,838
Procurement	47,441,469	44,039,282	-3,402,187
RDT&E	17,882,860	17,276,301	-606,559
Military Construction	1,909,521	1,200,733	-708,788
Family Housing	369,577	394,926	+25,349
Revolving and Management Funds	474,164	--	-474,164
<b>Total Department of the Navy</b>	<b>159,337,556</b>	<b>155,384,640</b>	<b>-3,952,916</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<i>\$ in Thousands</i> Department of the Air Force	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	33,892,085	34,488,357	+596,272
Operation and Maintenance	44,111,454	47,661,084	+3,549,630
Procurement	41,002,607	38,521,056	-2,481,551
RDT&E	24,475,957	28,112,251	+3,636,294
Military Construction	1,648,599	1,870,330	+221,731
Family Housing	491,730	335,781	-155,949
Revolving and Management Funds	62,898	63,967	+1,069
<b>Total Department of the Air Force</b>	<b>145,685,330</b>	<b>151,052,826</b>	<b>+5,367,496</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<i>\$ in Thousands</i> Defense-Wide	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	--	--	--
Operation and Maintenance	66,549,820	67,764,345	+1,214,525
Procurement	5,322,123	4,668,283	-653,840
RDT&E	18,866,642	18,487,820	-378,822
Military Construction	2,243,867	2,234,023	-9,844
Family Housing*	-46,332	62,415	+108,747
Revolving and Management Funds	443,438	1,251,177	+807,739
<b>Total Defense-Wide</b>	<b>93,379,558</b>	<b>94,468,063</b>	<b>+1,088,505</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<b>Grand Total Budget</b>	<b>521,661,684</b>	<b>523,903,587</b>	<b>+2,241,903</b>
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Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

\* Negative in FY 2016 due to a rescission in the Homeowner's Assistance Fund that exceeded the total appropriated amount for Defense-Wide in the Family Housing public law title.

## Overview – FY 2017 Defense Budget

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

<i>\$ in Thousands</i> Department of the Army	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	2,036,833	2,290,556	+253,723
Operation and Maintenance	19,197,494	19,805,016	+607,522
Procurement	2,432,977	2,774,065	+341,088
RDT&E	1,500	100,522	+99,022
Military Construction	--	18,900	+18,900
Family Housing	--	--	--
Revolving and Management Funds	--	46,833	+46,833
<b>Total Department of the Army</b>	<b>23,668,804</b>	<b>25,035,892</b>	<b>+1,367,088</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<i>\$ in Thousands</i> Department of the Navy	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	438,176	525,983	+87,807
Operation and Maintenance	8,577,243	8,101,319	-475,924
Procurement	398,076	711,004	+312,928
RDT&E	35,747	78,323	+42,576
Military Construction	--	59,809	+59,809
Family Housing	--	--	--
Revolving and Management Funds	--	--	--
<b>Total Department of the Navy</b>	<b>9,449,242</b>	<b>9,476,438</b>	<b>+27,196</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<i>\$ in Thousands</i> Department of the Air Force	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	747,664	745,719	-1,945
Operation and Maintenance	11,206,819	9,576,416	-1,630,403
Procurement	4,123,917	5,382,633	+1,258,716
RDT&E	17,100	32,905	+15,805
Military Construction	--	88,740	+88,740
Family Housing	--	--	--
Revolving and Management Funds	2,500	--	-2,500
<b>Total Department of the Air Force</b>	<b>16,098,000</b>	<b>15,826,413</b>	<b>-271,587</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

## Overview – FY 2017 Defense Budget

<i>\$ in Thousands</i> Defense-Wide	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	--	--	--
Operation and Maintenance	7,984,599	7,551,332	-433,267
Procurement	1,173,918	646,706	-527,212
RDT&E	177,087	162,419	-14,668
Military Construction	--	5,000	+5,000
Family Housing	--	--	--
Revolving and Management Funds	86,350	93,800	+7,450
<b>Total Defense-Wide</b>	<b>9,421,954</b>	<b>8,459,257</b>	<b>-962,697</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<b>Grand Total Budget</b>	<b>58,638,000</b>	<b>58,798,000</b>	<b>+160,000</b>
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Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

**Table A-12. DoD Total Budget by Military Department and Appropriation Title**

<i>\$ in Thousands</i> Department of the Army	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	58,193,048	57,515,931	-677,117
Operation and Maintenance	60,026,945	63,321,924	+3,294,979
Procurement	19,404,210	18,112,124	-1,292,086
RDT&E	7,554,371	7,615,921	+61,550
Military Construction	1,107,725	838,018	-269,707
Family Housing	446,313	526,730	+80,417
Revolving and Management Funds	195,432	103,302	-92,130
<b>Total Department of the Army</b>	<b>146,928,044</b>	<b>148,033,950</b>	<b>+1,105,906</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<i>\$ in Thousands</i> Department of the Navy	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	45,720,089	46,081,491	+361,402
Operation and Maintenance	54,555,295	55,019,209	+463,914
Procurement	47,839,545	44,750,286	-3,089,259
RDT&E	17,918,607	17,354,624	-563,983
Military Construction	1,909,521	1,260,542	-648,979
Family Housing	369,577	394,926	+25,349
Revolving and Management Funds	474,164	--	-474,164
<b>Total Department of the Navy</b>	<b>168,786,798</b>	<b>164,861,078</b>	<b>-3,925,720</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

## Overview – FY 2017 Defense Budget

<i>\$ in Thousands</i> Department of the Air Force	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	34,639,749	35,234,076	+594,327
Operation and Maintenance	55,318,273	57,237,500	+1,919,227
Procurement	45,126,524	43,903,689	-1,222,835
RDT&E	24,493,057	28,145,156	+3,652,099
Military Construction	1,648,599	1,959,070	+310,471
Family Housing	491,730	335,781	-155,949
Revolving and Management Funds	65,398	63,967	-1,431
<b>Total Department of the Air Force</b>	<b>161,783,330</b>	<b>166,879,239</b>	<b>+5,095,909</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<i>\$ in Thousands</i> Defense-Wide	FY 2016 Enacted	FY 2017 Request	Delta FY17 - FY16
Military Personnel	--	--	--
Operation and Maintenance	74,534,419	75,315,677	+781,258
Procurement	6,496,041	5,314,989	-1,181,052
RDT&E	19,043,729	18,650,239	-393,490
Military Construction	2,243,867	2,239,023	-4,844
Family Housing	-46,332	62,415	+108,747
Revolving and Management Funds	529,788	1,344,977	+815,189
<b>Total Defense-Wide</b>	<b>102,801,512</b>	<b>102,927,320</b>	<b>+125,808</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

<b>Grand Total Budget</b>	<b>580,299,684</b>	<b>582,701,587</b>	<b>+2,401,903</b>
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Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

## APPENDIX B: Acronym List

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

Acronym	Definition
AC	Active Component
ACC	Air Combat Command
AD	Area Denial
ADCP	Advanced Display Core Processor
ADS-B	Automatic Dependent Surveillance-Broadcast
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
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
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
AWACS	Airborne Warning and Control System
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
BMD	Ballistic Missile Defense
BRAC	Base Realignment and Closure



## Overview – FY 2017 Defense Budget

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BSRF	Black Sea Rotational Force
CAF	Combat Air Forces
CANES	Consolidated Afloat Networks and Enterprise Services
CAP	Cross-Agency Priority
CENTCOM	Central Command
CERP	Commanders Emergency Response Program
CH	Chinook helicopter
CNS/ATM	Communications Navigation and Surveillance/Air Traffic Management
COD	Carrier Onboard Delivery
COLA	Cost-Of-Living Allocation
CONUS	Contiguous United States
COTS/GOTS	Commercial Off-The-Shelf/Government Off-The-Shelf
CRH	Combat Rescue Helicopter
CSA	Chief of Staff of the Army
CSA	Critical Skills Availability
CSG	Carrier Strike Group
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
CWMD	Chemical Weapons of Mass Destruction
DA	Decisive Action
DAWDF	Defense Acquisition Workforce Development Fund
DAWIA	Defense Acquisition Workforce Improvement Act
DCA	Dual-Capable Aircraft
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCO	Defensive Cyberspace Operations
DCMO	Defense Chief Management Officer
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

## Overview – FY 2017 Defense Budget

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DoN	Department of the Navy
DOPMA	Defense Officer Personnel Management
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
ERI	European Reassurance Initiatives
FCP	Federal Ceiling Price
FERS	Federal Employees Retirement System
FHP	Flying Hour Program
FIAR	Financial Improvement and Audit Readiness
FM	Financial Management
FMS	Flight Management System
FNIH	Foreign National Indirect Hire
FSRM	Facilities Sustainment, Restoration and Modernization
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
GCC	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
IBCT	Infantry Brigade Combat Team
ICBM	Intercontinental Ballistic Missile
IED	Improvised Explosive Device
IG	Inspector General
IPA	Independent Public Accountant

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ISF	Iraqi Security Forces
ISIL	Islamic State in Iraq and the Levant
ISR	Intelligence, Surveillance, and Reconnaissance
IT	Information Technology
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
JIDA	Joint Improvised-Threat Defeat Agency
JIE	Joint Information Environment
JLTV	Joint Light Tactical Vehicle
JSF	Joint Strike Fighter
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
LHA	Landing Helicopter Assault
LOSSM	Low Observable Signature and Supportability Modification
LPD	Landing Platform Dock
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
MARSOC	Marine Forces Special Operations Command
MCRMCMC	Military Compensation and Retirement Modernization Commission
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
MRAP	Mine-Resistant Ambush Protected
MRE	Mission Rehearsal Exercises
MSE	Missile Segment Enhancement
MSO/VSO	Military and Veteran Service Organizations
MTF	Military Treatment Facility

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MWR	Morale, Welfare, and Recreation
NAOC	National Airborne Command Center
NSA	National Security Agency
NATO	North Atlantic Treaty Organization
NDAA	National Defense Authorization Act
NGEN	Next Generation Enterprise Network
NHE	National Health Expenditure
NMS	National Military Strategy
NORAD	North American Aerospace Defense Command
NSS	National Security Strategy
NSWC	Naval Special Warfare Command
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
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
OPTAR	Operating Target
ORT	Operation Rolling Tide
OSC-I	Office of Security Cooperation - Iraq
OSD	Office of the Secretary of Defense
OT	Occupational Therapy
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 2014	President's Budget 2017
PCS	Permanent change of station
PII	Personally Identifiable Information
POA	Period Of Availability
POS	Point of Service
PPV	Public-Private Ventures
PR	Personnel Recovery
PSP	Precision Strike Package
PT	Physical Therapy
QDR	Quadrennial Defense Review
QRMC	Quadrennial Review of Military Compensation
RAF	Royal Air Force

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RAF	Regionally Aligned Forces
RC	Reserve Components
RD&A	Research Development and Acquisition
RDT&E	Research, Development, Test, and Evaluation
REKV	Redesigned Exo-atmospheric Kill Vehicle
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
SBEM	Space Based Environmental Monitoring
SBIRS	Space Based Infrared System
SBR	Statements of Budgetary Resources
SBSS	Space-Based Space Surveillance
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
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
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
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

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TFCA	Task Force Cyber Awakening
TFL	TRICARE-for-Life
THAAD	Terminal High-Altitude Area
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
VSO	Vetted Syrian Opposition
WIN-T	Warfighter Information Network – Tactical
WS3	Weapons Storage and Security System
WSF	Weather System Follow-On
WSS	Weapons System Sustainment
YOS	Year of Service



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