1616 Rhode Island Avenue, NW
Washington, DC 20036

Phone: 1.202.775.3270

Email:
acordesman@gmail.com
Web:
www.csis.org/burke/reports

The FY2015 Defense Budget and the QDR: Key Trends and Data Points

Anthony H. Cordesman,
Arleigh A. Burke Chair in Strategy

May 11, 2014 (Revised)

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES | Burke Chair in Strategy

Putting the FY2015 Budget Submission in Context

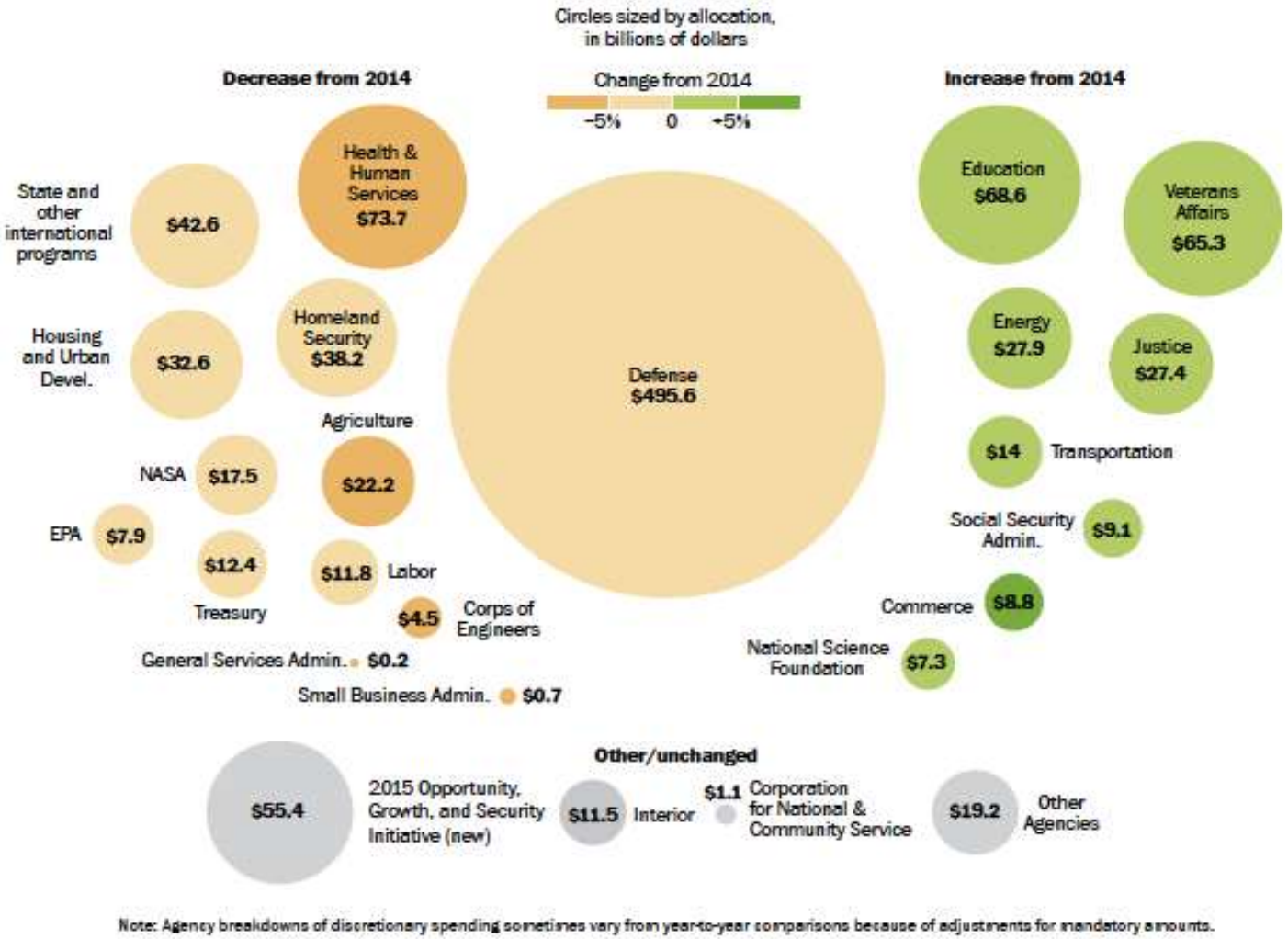
OMB Projection of Total Federal Budget: 2013-2024

(In billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Totals 2015-2019	Totals 2015-2024
Outlays:														
Appropriated ("discretionary") programs:														
Defense	626	612	606	653	675	687	700	711	728	745	763	781	3,321	7,050
Non-defense	522	562	543	542	552	559	569	581	592	605	618	632	2,766	5,795
Subtotal, appropriated programs	1,147	1,174	1,150	1,196	1,227	1,246	1,270	1,292	1,321	1,350	1,381	1,414	6,088	12,845
Mandatory programs:														
Social Security	808	852	896	947	1,003	1,063	1,127	1,195	1,264	1,337	1,415	1,499	5,037	11,748
Medicare	492	513	529	580	596	617	682	734	790	879	914	947	3,003	7,268
Medicaid	265	308	331	353	373	393	416	440	466	493	522	556	1,868	4,345
Other mandatory programs	521	560	669	697	712	704	752	778	807	847	852	868	3,524	7,666
Subtotal, mandatory programs	2,086	2,234	2,415	2,577	2,684	2,777	2,977	3,147	3,326	3,556	3,704	3,861	13,432	31,026
Net interest	221	223	251	318	393	480	563	635	697	761	827	886	2,006	5,812
Adjustments for disaster costs[2]	.....	2	6	8	8	9	9	10	10	10	10	10	40	90
Joint Committee enforcement[3]	.....	.....	–10	–73	–96	–102	–105	–107	–107	–54	–38	–10	–387	–704
Total outlays	3,455	3,633	3,812	4,026	4,217	4,409	4,714	4,978	5,247	5,623	5,884	6,160	21,178	49,069
Receipts:														
Individual income taxes	1,316	1,389	1,498	1,606	1,727	1,854	1,971	2,094	2,223	2,353	2,487	2,622	8,656	20,435
Corporation income taxes	274	333	412	463	488	501	512	524	538	552	566	585	2,376	5,141
Social insurance and retirement receipts:														
Social Security payroll taxes	673	732	766	808	848	896	942	984	1,029	1,090	1,139	1,191	4,251	9,693
Medicare payroll taxes	209	219	231	248	261	276	291	304	320	336	352	368	1,307	2,987
Unemployment insurance	57	60	59	59	58	54	54	56	56	58	59	61	283	572
Other retirement	8	9	9	10	10	11	11	12	13	13	14	15	51	118
Excise taxes	84	94	99	100	105	108	114	118	123	129	135	143	526	1,174
Estate and gift taxes	19	16	18	19	20	22	23	24	26	27	29	31	102	240
Customs duties	32	35	38	41	44	48	51	54	58	61	65	70	222	529
Deposits of earnings, Federal Reserve System	76	90	88	58	34	20	25	34	43	47	54	58	225	462
Other miscellaneous receipts	27	27	43	46	61	62	63	66	67	68	70	74	274	620
Total receipts	2,775	3,006	3,251	3,457	3,666	3,851	4,067	4,271	4,505	4,736	4,970	5,218	18,273	41,973
Deficit	**680**	**628**	**561**	**568**	**550**	**558**	**657**	**707**	**741**	**887**	**914**	**942**	**2,905**	**7,097**
Net interest	221	223	251	318	393	480	563	635	697	761	827	886	2,006	5,812
Primary deficit	**459**	**406**	**310**	**250**	**157**	**79**	**94**	**72**	**44**	**126**	**87**	**56**	**900**	**1,285**
On-budget deficit	719	648	558	569	548	538	523	551	576	800	800	799	2,837	6,563
Off-budget deficit / surplus (–)	–39	–19	3	–1	12	20	34	56	66	87	114	143	68	534

Source: **http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf, p. 168**

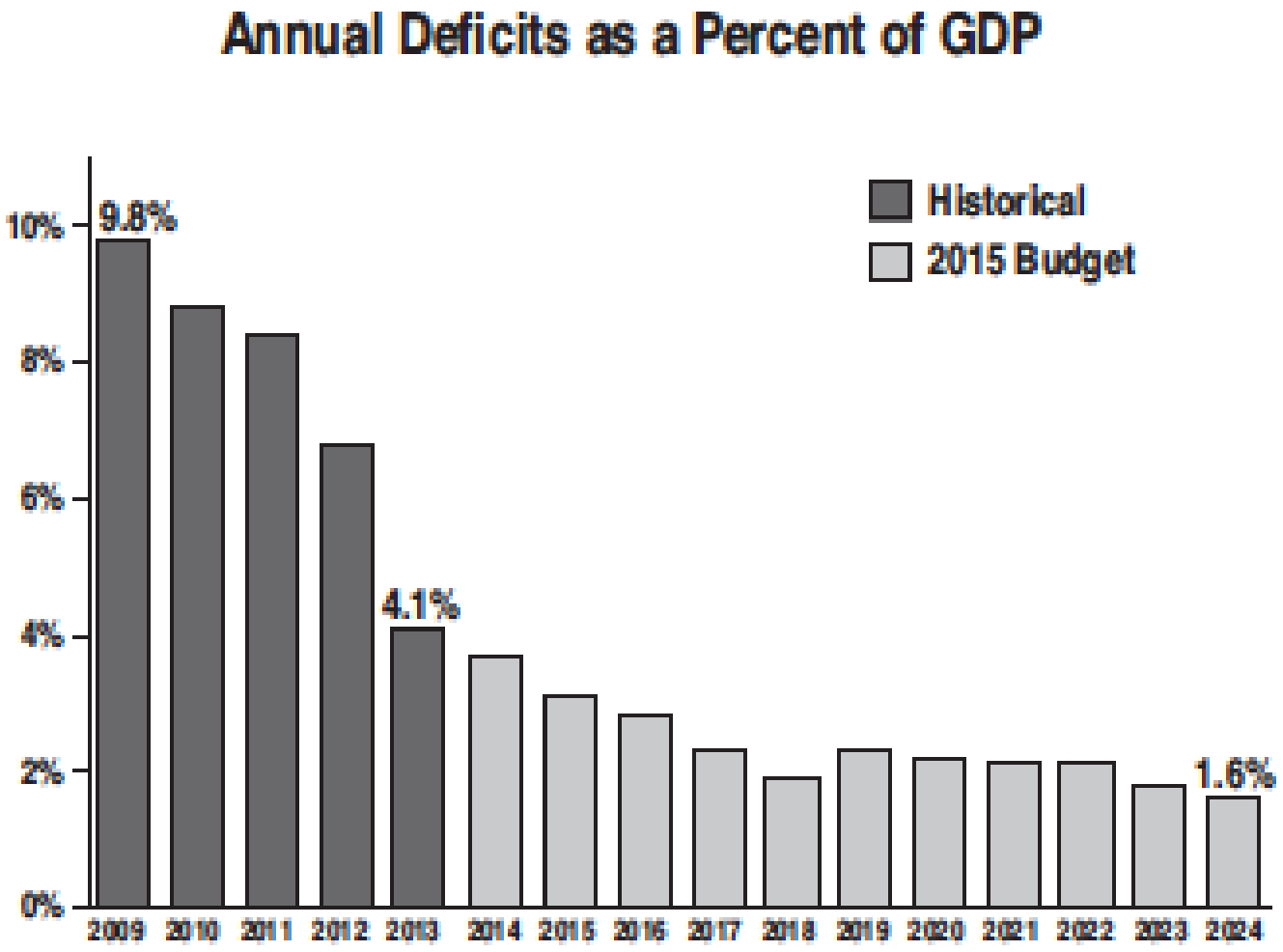
The Projected Defense Share of the FY2015 Federal Budget: Winners and Losers Relative to FY2014



Note: Agency breakdowns of discretionary spending sometimes vary from year-to-year comparisons because of adjustments for mandatory amounts.

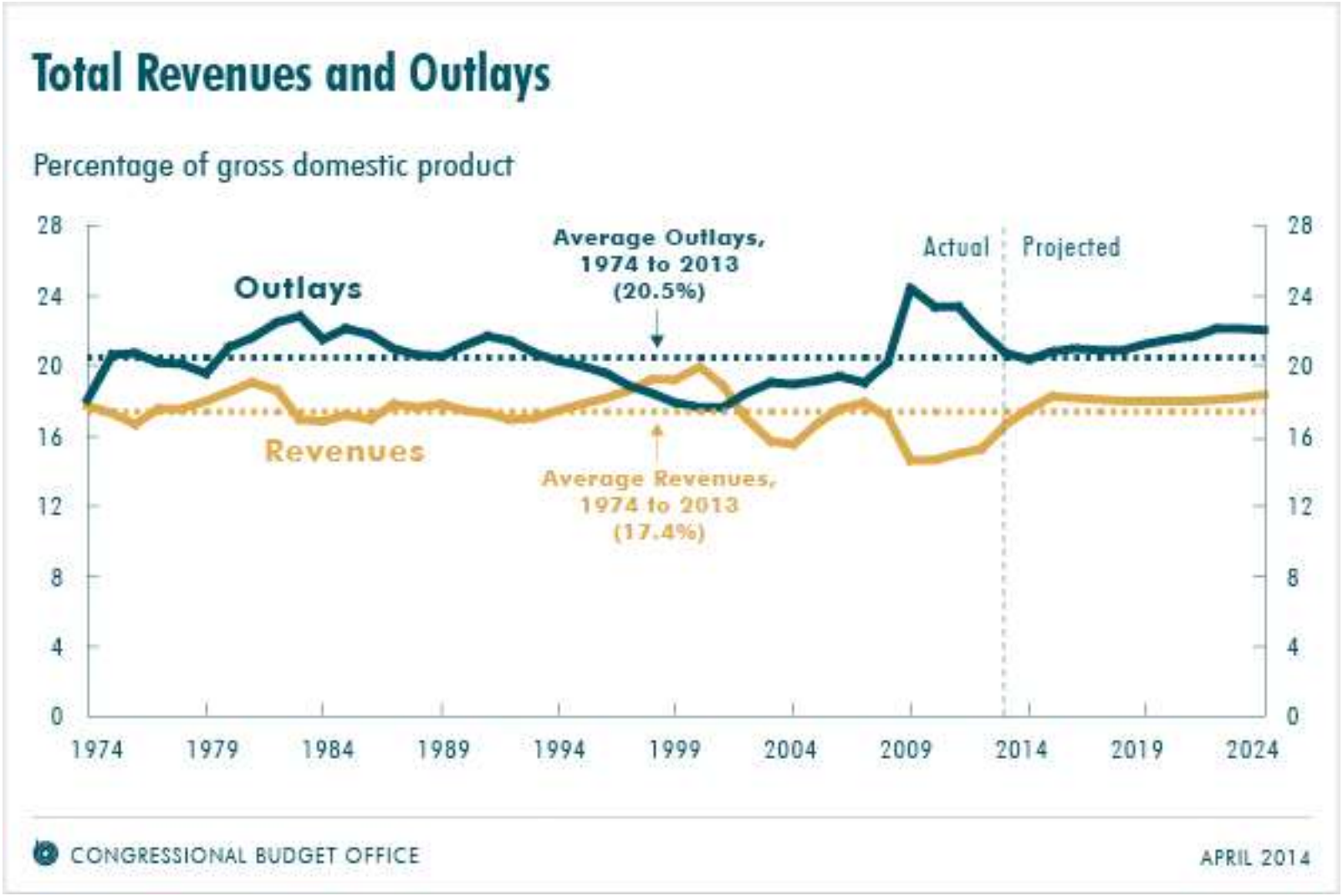
Source: Washington Post, March 5, 2015, http://www.washingtonpost.com/wp-srv/special/politics/presidential-budget-2015/

The President's FY2015 Goal for Deficit Burden on the Economy



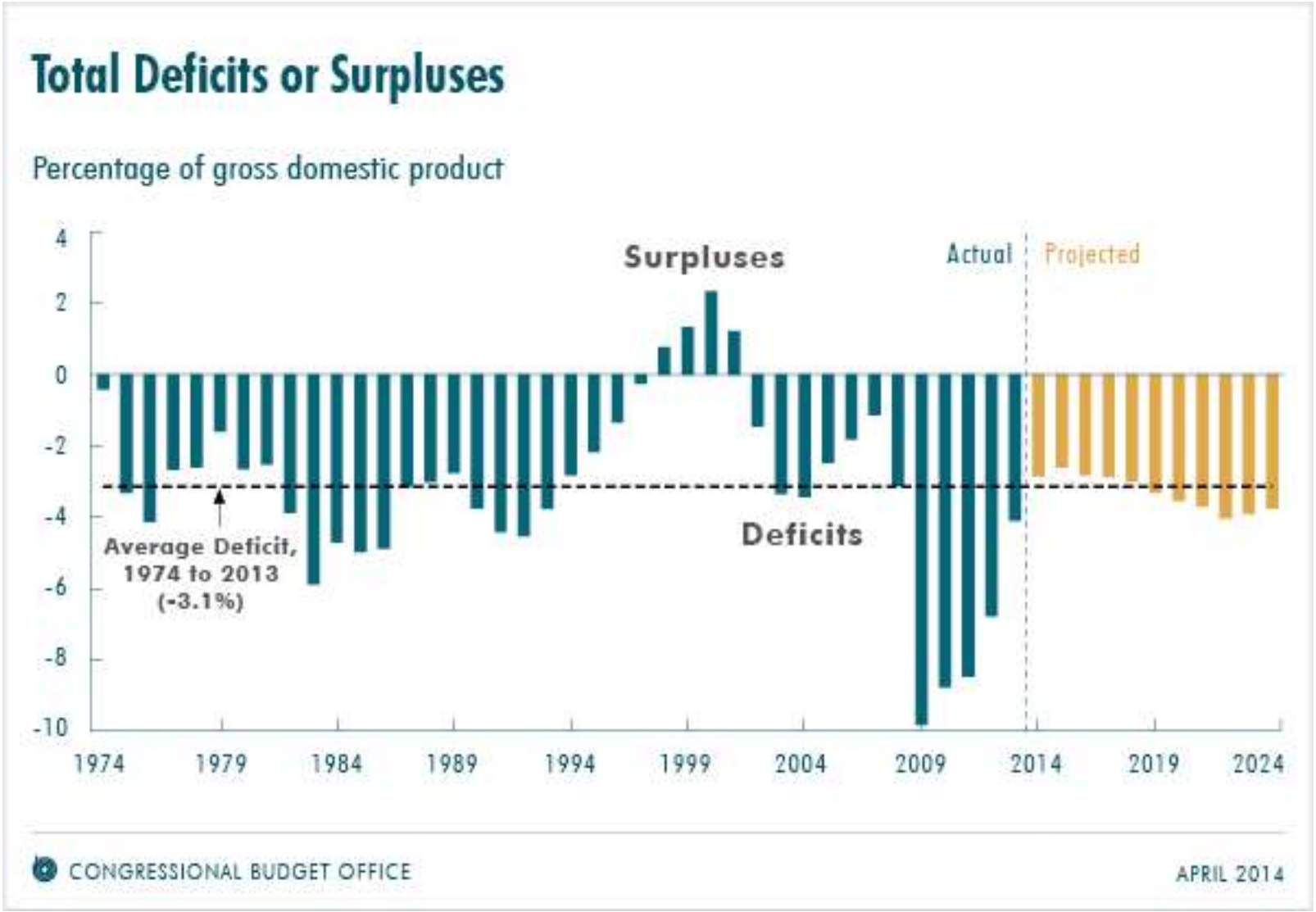
Source: **http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf, p. 8**

America's Revenues vs. Outlays and Debt



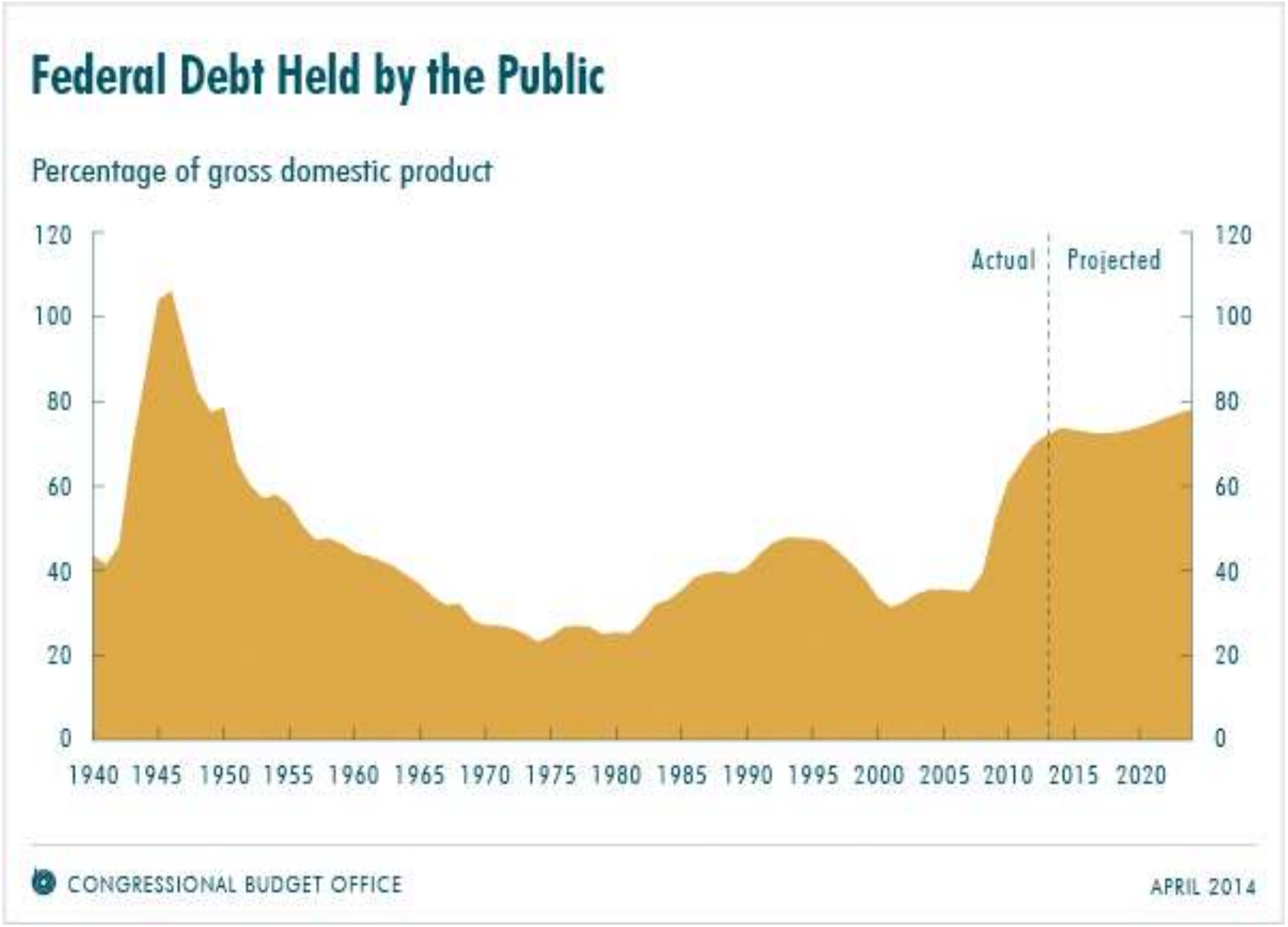
http://www.cbo.gov/publication/45229

America's Short-Term Budget Deficit Trajectory



Source: CBO Updated Budget Projections, http://www.cbo.gov/publication/45229. ,

Federal Debt Held by Public

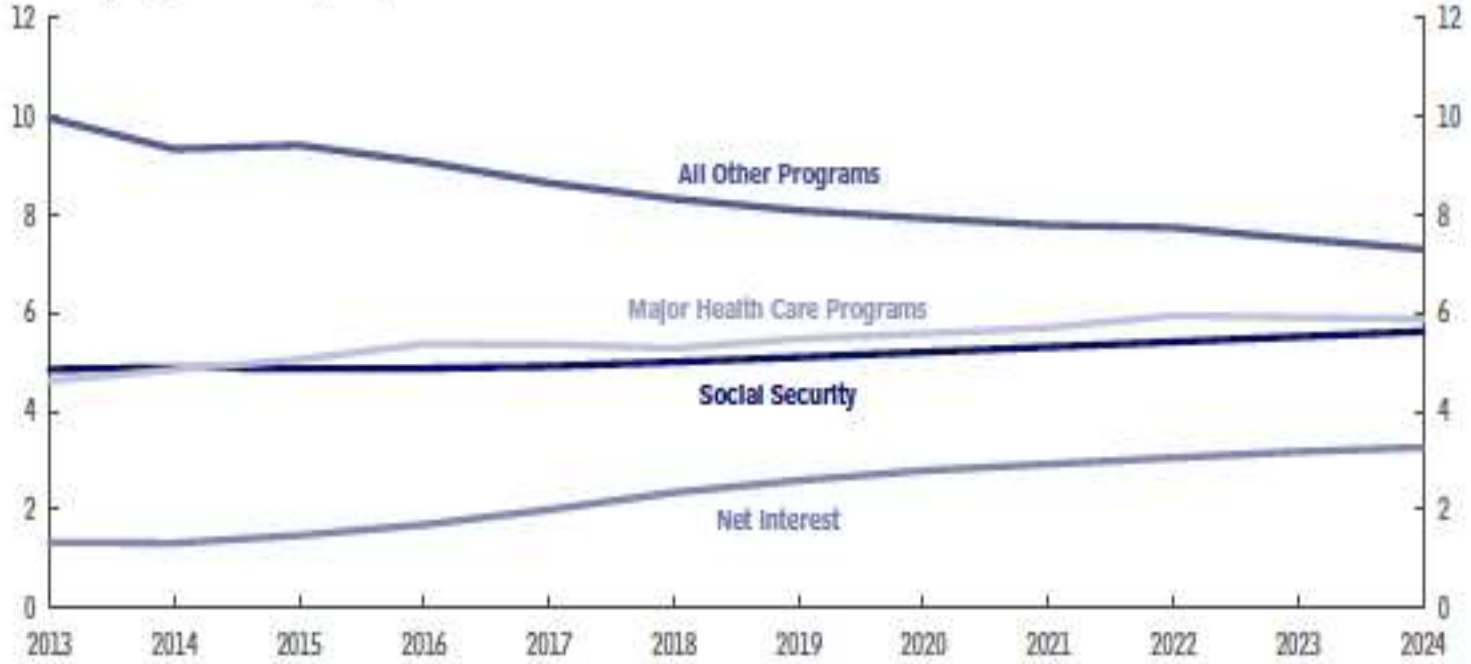


http://www.cbo.gov/publication/45229

Entitlements and Interest Drive the Impact on Our GDP

Projected Outlays for Major Budget Categories

(Percentage of gross domestic product)



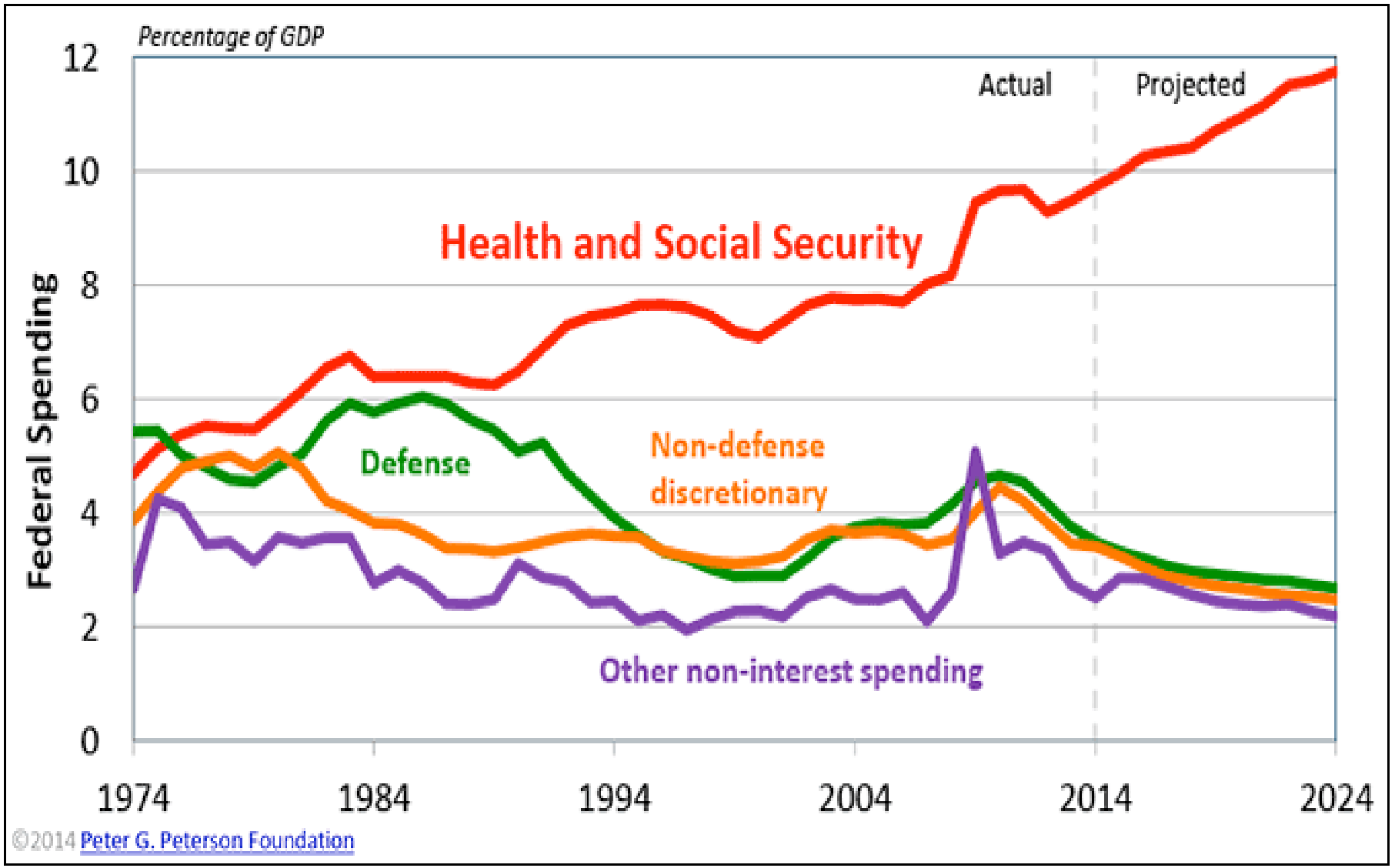
Source: Congressional Budget Office.

Notes: Major health care programs consist of Medicare, Medicaid, the Children's Health Insurance Program, and subsidies for the purchase of health insurance through exchanges and related spending. (Medicare spending is net of premiums paid by beneficiaries and other offsetting receipts.)

"All Other Programs" consist of all mandatory programs other than Social Security and the major health care programs, as well as defense and nondefense discretionary programs.

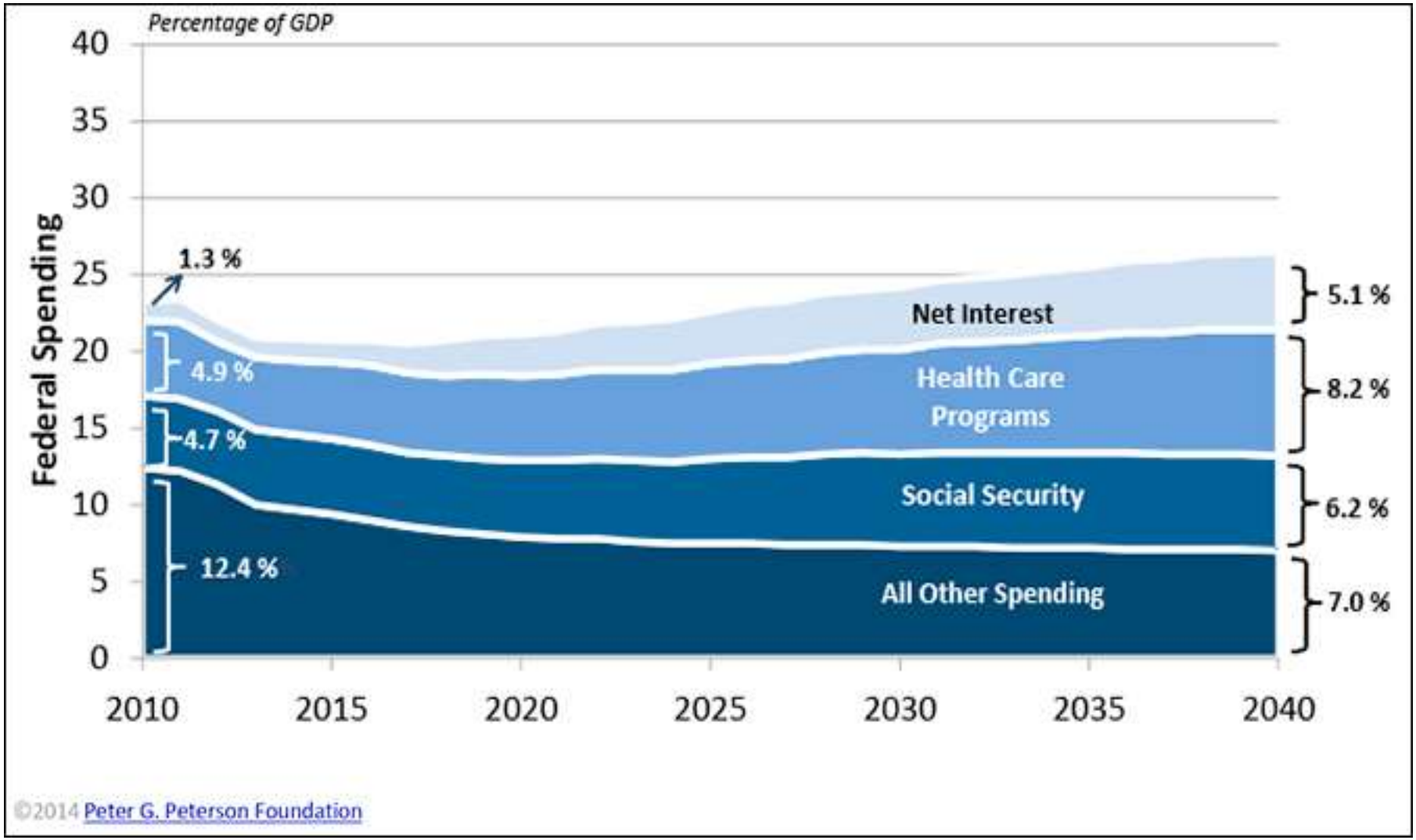
CBP, Updated Budget Projections, 2014-2024,, April 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/45229-UpdatedBudgetProjections_2.pdf, p. 8.

US Defense Spending Compared to Other US Programs

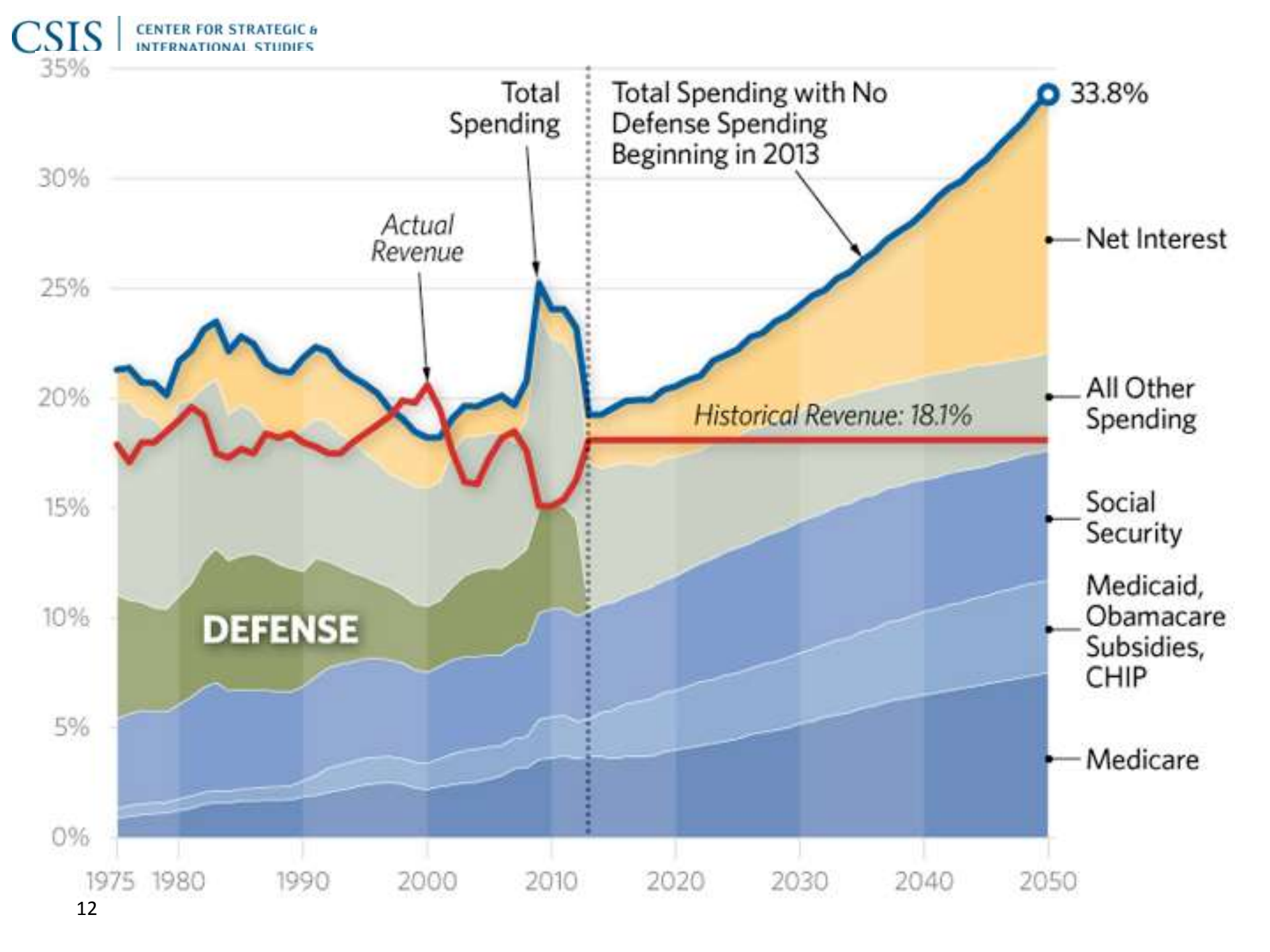


Data: Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024*, February 2014; and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2014*, April 2013; and Bureau of Economic Analysis, *National Income and Product Accounts Tables*, January 2014. Compiled by PGPF.
NOTE: Health programs include Medicare (net of offsetting receipts). Source: *Medicaid, Children's Health Insurance Program, and health insurance subsidies for the exchanges*,
http://pgpf.org/Chart-Archive/0182_health_ss_drivers, February 4, 2014,

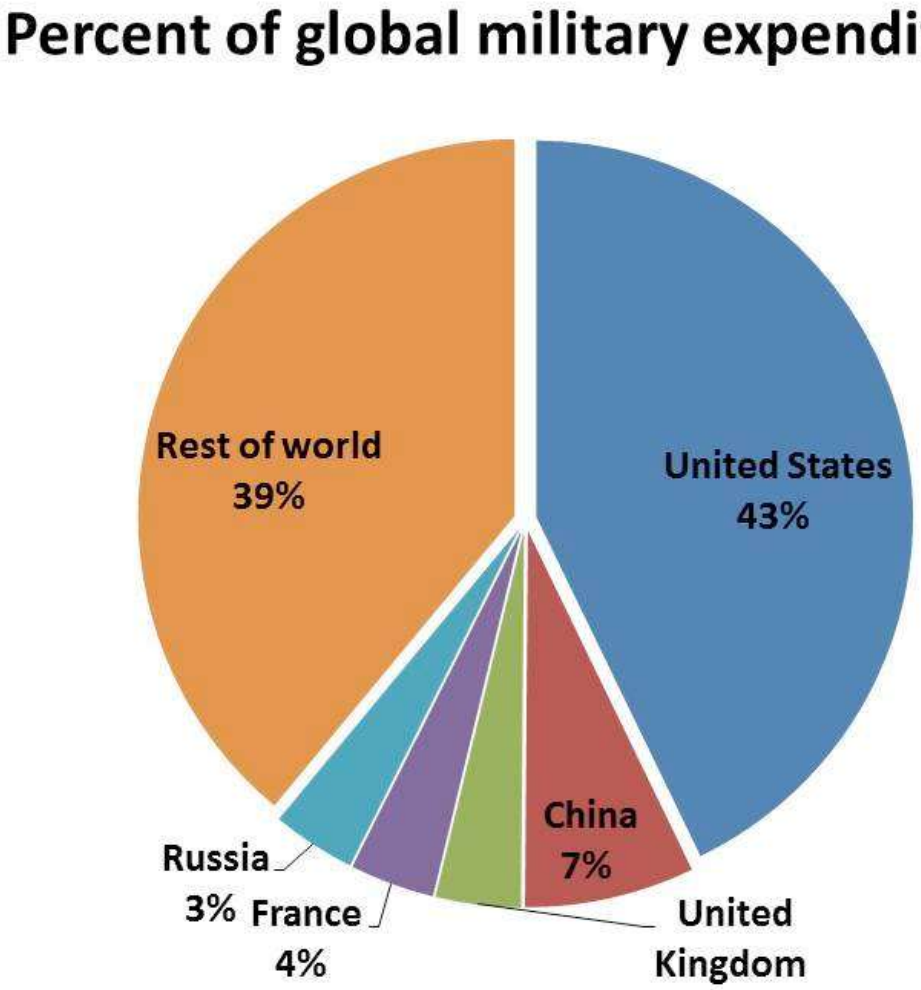
US Growth in Budget Spending as % of GDP



Data: Congressional Budget Office, *The 2013 Long-Term Budget Outlook*, September 2013. Compiled by PGPF.
NOTE: Healthcare programs include Medicare, Medicaid, Children's Health Insurance Programs (CHIP), and the healthcare exchange subsidies. Outlays for Medicare are net of offsetting receipts, such as premium payments by Medicare beneficiaries.. Source: *All of the projected future growth in the federal budget will come from entitlements and interest costs*, http://pgpf.org/Chart-Archive/0003_spending-growth-driver, February 4, 2014,

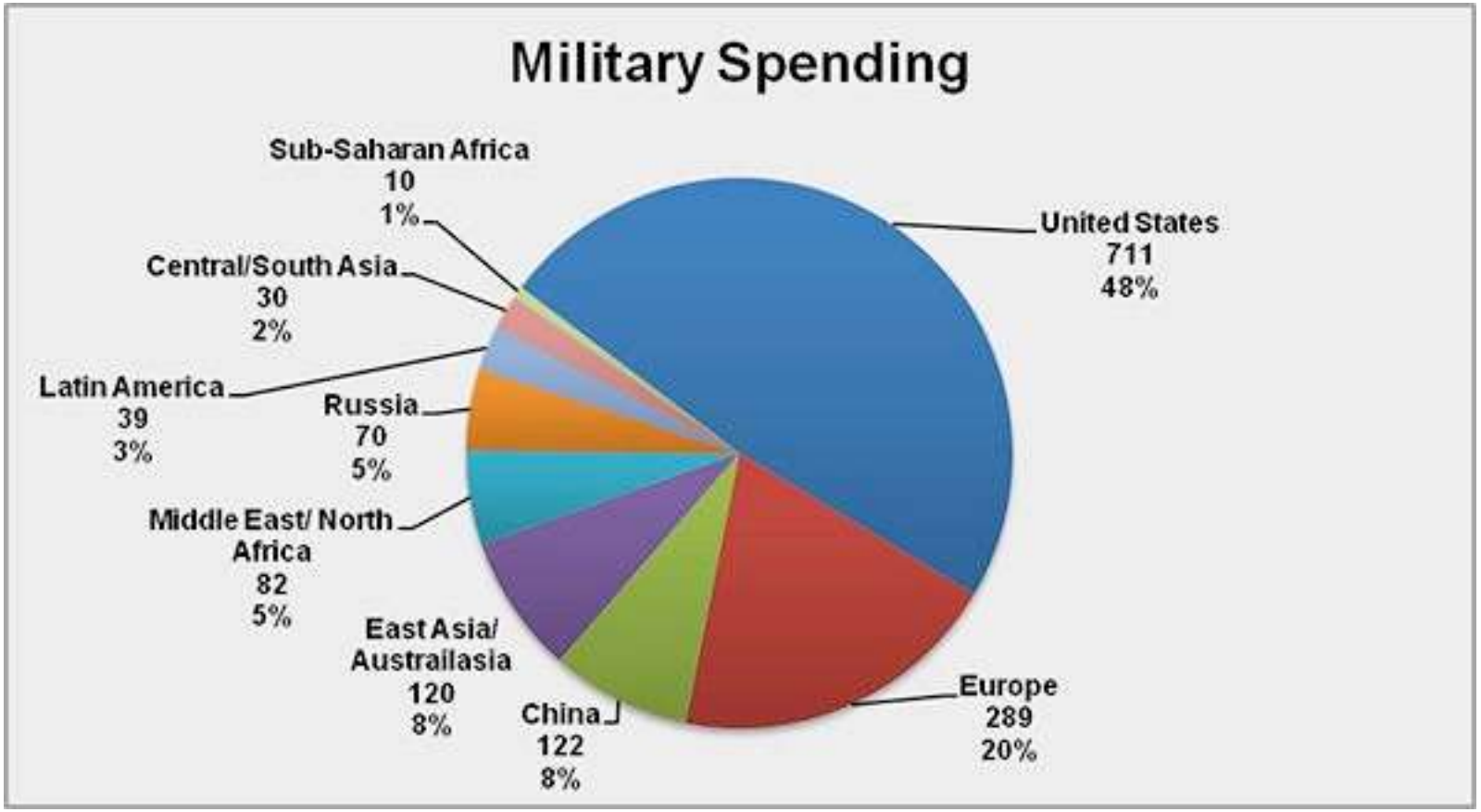

CSIS
CENTER FOR STRATEGIC & INTERNATIONAL STUDIES
35%
30%
25%
20%
15%
10%
5%
0%
1975
1980
1990
2000
2010
2020
2030
2040
2050
Total Spending
Total Spending with No Defense Spending Beginning in 2013
33.8%
Actual Revenue
Historical Revenue: 18.1%
DEFENSE
Net Interest
All Other Spending
Social Security
Medicaid, Obamacare Subsidies, CHIP
Medicare

US Defense Spending Compared to World: 2011?



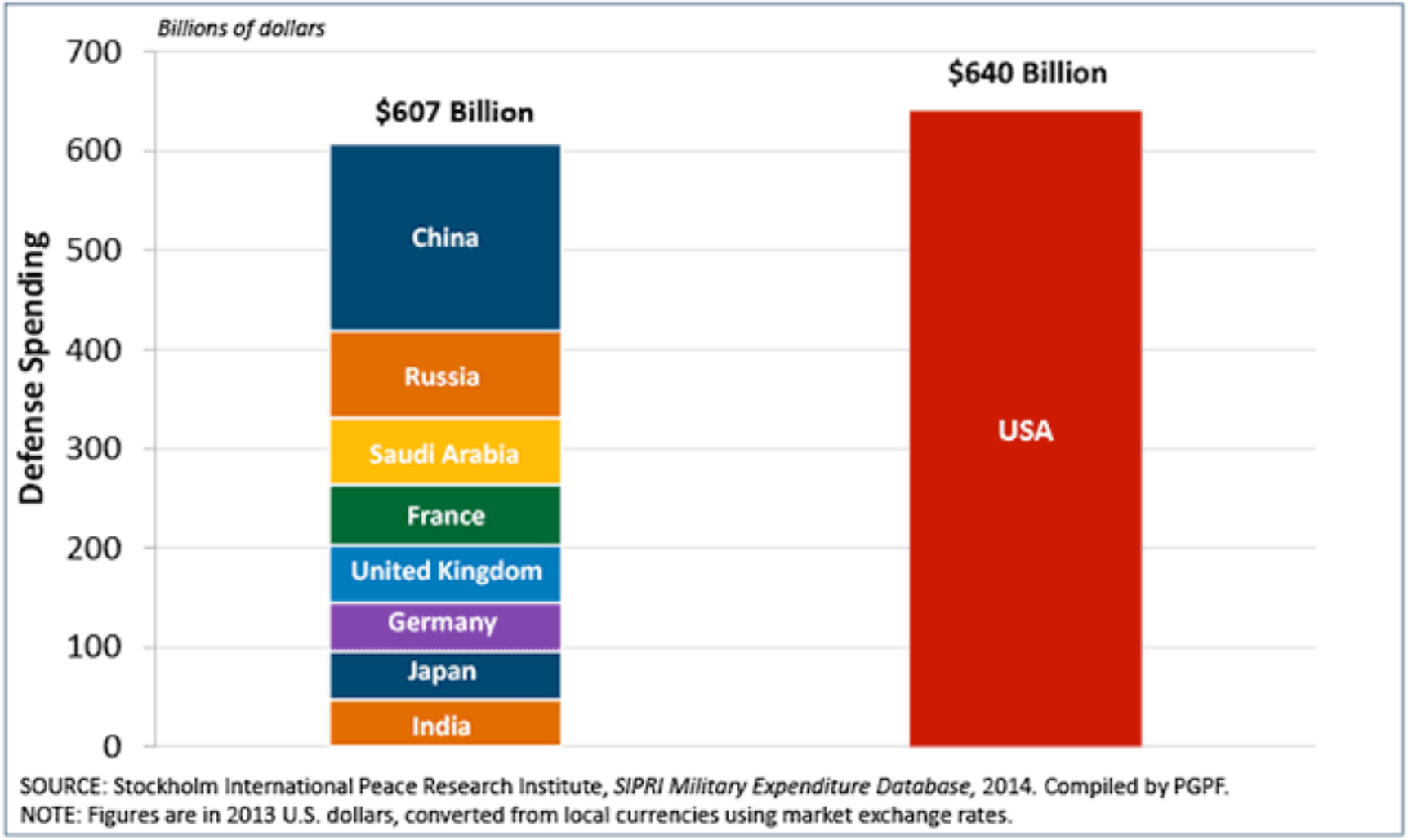
Phoward
Howard Steven Friedman,, **5 Countries With the Highest Military Expenditure, Hjuffington Post,** Posted: 11/29/11 03:13 PM ET, http://www.huffingtonpost.com/howard-steven-friedman/military-spending-united-states_b_1118851.html, based on SIPRI data.

US Defense Spending Compared to World: 2014?



http://nelsnewday.wordpress.com/2014/01/16/u-s-has-budget-unemployed-nothing/

US Defense Spending Compared to Other Key Nations



©2014 Peter G. Peterson Foundation

PGPF.ORG

Peter G. Peterson Foundation, The U.S. spends more on defense than the next eight countries combined, April 13, 2014, http://pgpf.org/Chart-Archive/0053_defense-comparison.

Key Trends in FY2015 Defense Budget Request

National Budget Summary of FY2015 Defense Request

Provides $495.6 billion in discretionary funding for the base budget of the Department of Defense to carry out our national defense strategy and protect national security. This includes:

- |Ending the war in Afghanistan and, pending the signing of a Bilateral Security Agreement maintaining a small force of Americans and international partners to train and assist Afghan forces and carry out limited counterterrorism operations in pursuit of any remnants of al Qaeda;
- Supporting Government-wide efforts to rebalance diplomatic, economic, and military resources to the Asia-Pacific region while also upholding responsibilities elsewhere;|
- Protecting the homeland and ensuring a safe, secure, and effective nuclear deterrent;|
- Sustaining our ability to project power and win decisively against both state adversaries and terrorist threats;
- Making progress toward restoring balance to the Joint Force by gradually raising readiness levels negatively impacted by sequestration while supporting the transition to a
- smaller military that is more agile and technologically superior;
- |Providing funds to recruit and retain the best-trained All-Volunteer Force; support military families; care for wounded, ill, and injured service members; make further, measurable progress toward eliminating sexual assault in the military; and help service members effectively transition to civilian life; and
- Sustaining investments in science and technology programs, which drive innovation in military capabilities as well as in the civilian economy.

Opportunity, Growth, and Security Initiative:

Through the Opportunity, Growth, and Security Initiative, supports:

- |Accelerated modernization of key weapons systems, faster progress toward restoring readiness lost under sequestration, and improvements to the Department's facilities.

Reforms:

- Takes steps to slow the growth in military compensation and benefit costs to free up funds for training and modernization while ensuring we continue to honor and support our men and women in uniform.
- Retires aging aircraft and adjusts the planned acquisition and refurbishment of select naval assets, allowing for critical investments in new weapons systems and platforms.
- Aligns infrastructure with current needs and includes institutional reform efforts, such as a 20 percent cut in operating budgets for headquarters staff, which will consolidate duplicative efforts and streamline Department-wide management functions.

Source: **http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf, pp. 56-57**

National Budget Summary of FY2015 National Intelligence Request

Provides $45.6 billion in base discretionary funding for the National Intelligence Program to support national security goals and reflect a deliberative process to focus funding on the most critical capabilities. This includes:

- **Funding to continue integrating intelligence across the Government to help policy officials make decisions informed by the latest and most accurate intelligence available;**
- **|Countering the proliferation of weapons of mass destruction by strengthening collection capabilities;**
- **|Supporting military operations around the world by addressing both current and future needs;**
- **|Adapting to evolving cyberspace capabilities to help protect Federal networks, critical infrastructure, and America's economy, while improving the security of intelligence networks against intrusion and counterintelligence threats; and**
- **|Enhancing information sharing through expanded use of the IT cloud to facilitate greater efficiency and improved data security across the intelligence information environment.**

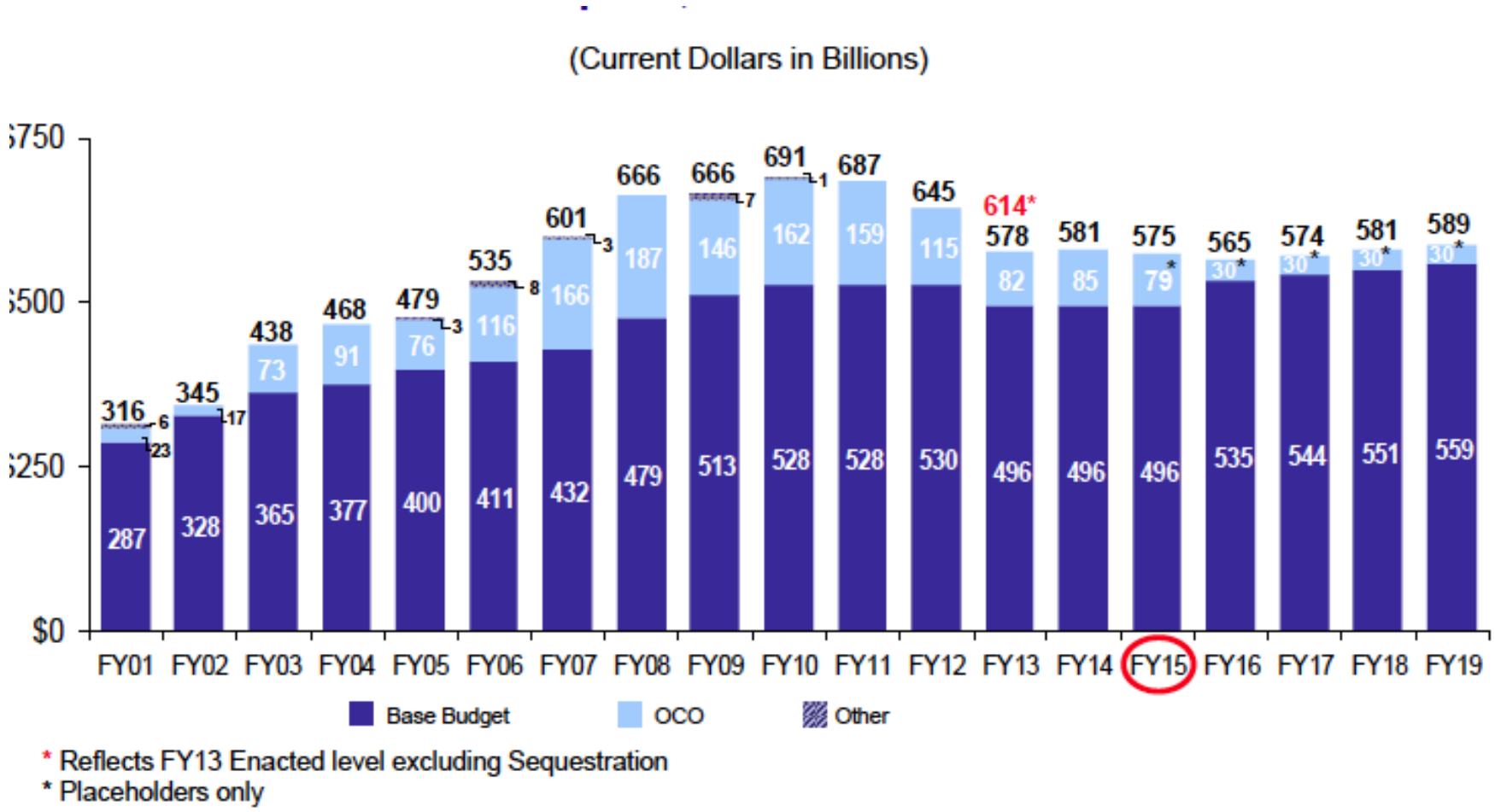
Reforms:

- **Supports the new presidential policy directive that governs signals intelligence collection and strengthens Executive Branch oversight of signals intelligence activities.**
- **Continues efforts to rightsize the workforce and to preserve critical current and future mission capabilities in the current fiscal environment.**
- **Reduces lower priority programs to enable investments in the most critical National Intelligence Program capabilities.**

Source: **http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf, pp. 63**

Moderate Estimate of Cost of War, 2001-2011 $2.8 Trillion

Budget Totals in President's FY 2015 Budget Request DoD Topline, FY 2001 – FY 2019



* Reflects FY13 Enacted level excluding Sequestration
* Placeholders only

Focus Only On Base Budget For Remainder Of Briefing
No FY 2015 OCO Budget Yet

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 2.

Uncertain Defense and OCO Spending

Discretionary Budget Authority Proposed by the President for 2015, Compared With Appropriations for 2014 and 2015

(Billions of dollars)

	Actual, 2013	Enacted, 2014[a]	President's Budget, 2015[b]	Percentage Change 2013–2014	Percentage Change 2014–2015
Defense					
Overseas contingency operations[c]	82	85	79	3.7	-7.0
Emergency requirements	*	0	0	-100.0	0
Other	518	520	550	0.5	5.6
Subtotal	600	606	629	0.9	3.8
Nondefense					
Overseas contingency operations[c]	11	7	6	-39.9	-9.3
Emergency requirements	48	0	-1	-100.0	n.a.
Other	481	521	529	8.3	1.5
Subtotal	540	528	533	-2.3	1.1
Total	**1,140**	**1,133**	**1,163**	**-0.6**	**2.6**

Source: Congressional Budget Office.

Notes: The numbers shown here do not include obligation limitations for certain transportation programs.

* = between zero and $500 million; n.a. = not applicable.

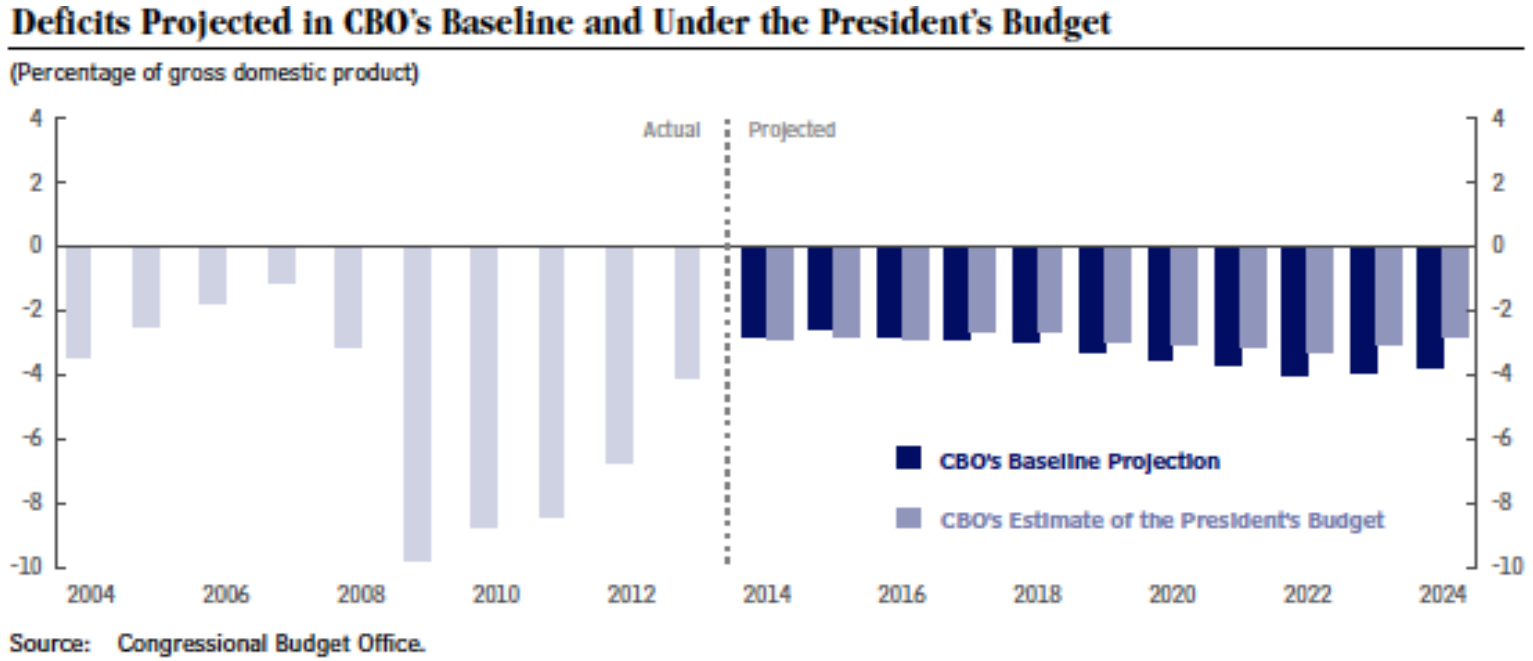
a. The President does not propose any changes to appropriations for 2014.

b. The President proposes to reduce budget authority by a total of $19 billion for certain mandatory programs through the appropriation process. In keeping with long-standing procedures, those changes are credited against discretionary spending and therefore are included in the figures for 2015. (For 2013 and 2014, any such effects appear in their normal mandatory accounts and are not shown here.)

c. Overseas contingency operations consist of military operations and related activities in Afghanistan and other countries.

Source: CBO, Analysis of the President's FY2015 Budget Request, April 17, 2014, p. 13, http://www.cbo.gov/sites/default/files/cbofiles/attachments/45230-APB_1.pdf

Cutting the War and Medicare Cuts the Deficit

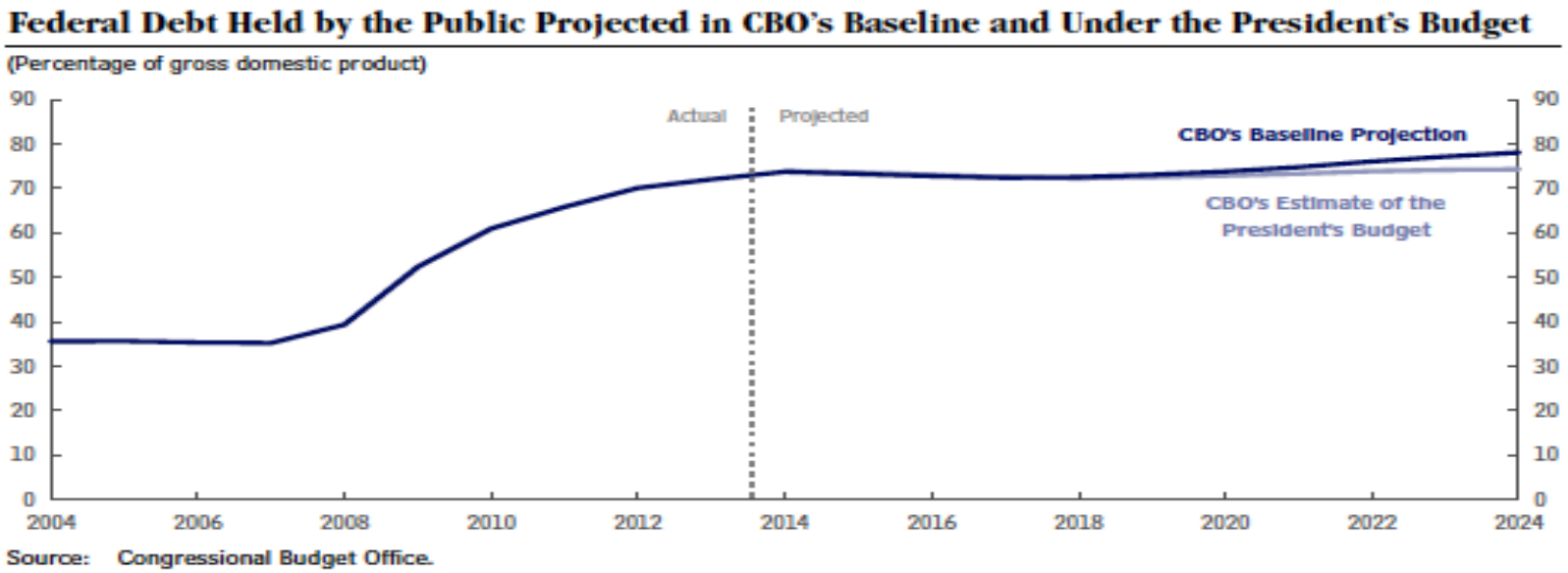


Less funding (relative to the amounts projected in CBO's baseline) for military operations in Afghanistan and for similar activities—known as overseas contingency operations. Following the rules specified in law, CBO's baseline incorporates the assumption that funding for such operations and activities each year through 2024 will equal the amount provided in 2014—$92 billion—with increases in funding to keep pace with inflation. By comparison, the President's budget includes a request for $85 billion for those operations and activities in 2015, a "placeholder" amount of $30 billion in each year from 2016 through 2021, and nothing thereafter. Consequently, estimated outlays for overseas contingency operations under the President's proposal are $659 billion less over the 2015–2024 period than CBO's baseline.

Net reductions in spending for Medicare. All together, proposed changes to Medicare would decrease federal spending by $250 billion over the 10-year projection period. The President's proposal to freeze payment rates for physicians (rather than allowing the rates to be reduced in 2015, as would be required under current law) would boost outlays by $124 billion. Other proposals affecting Medicare (excluding the cancellation of the automatic spending reductions) would reduce outlays by $373 billion, CBO estimates.

Source: CBO, Analysis of the President's FY2015 Budget Request, April 17, 2014, p. 2 http://www.cbo.gov/sites/default/files/cbofiles/attachments/45230-APB_1.pdf

And Slightly Cuts the Debt



An increase in discretionary spending for all activities other than overseas contingency operations and surface transportation programs (which the President proposes to reclassify to the mandatory side of the budget). In total, projected outlays for those activities under the President's budget are $433 billion (or 4 percent) more over the 10-year projection period than those in CBO's baseline.

A cap on the extent to which certain deductions and exclusions can reduce a taxpayer's income tax liability. The President's budget would limit the amount to no more than 28 percent of those deductions and exclusions; that change would increase revenues by $498 billion over the next decade, JCT estimates.

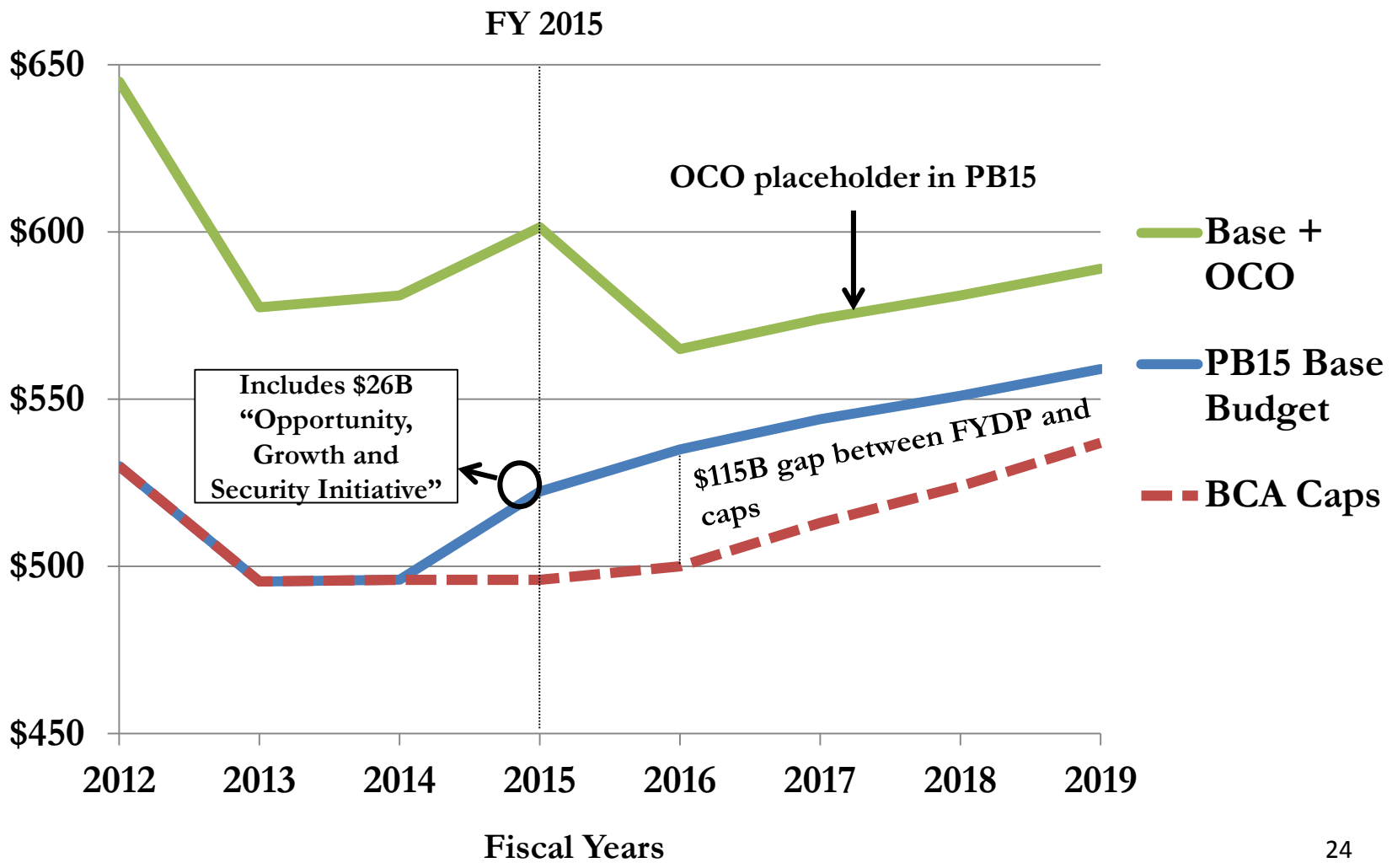
Comprehensive immigration reform similar to the legislation that was passed by the Senate in 2013— S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act. In July 2013, CBO and JCT estimated that, under the legislation, the number of legal residents and the size of the laborforce would increase, boosting tax receipts and direct spending for federal benefit programs; the legislation

Comprehensive immigration reform similar to the legislation that was passed by the Senate in 2013— S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act. In July 2013, CBO and JCT estimated that, under the legislation, the number of legal residents and the size of the labor force would increase, boosting tax receipts and direct spending for federal benefit programs; the legislation would have various other economic and budgetary effects as well. CBO and JCT estimated that enacting S. 744 in 2013 would have, over the 2014–2023 period, increased revenues by $456 billion and raised direct spending by $298 billion, for a net reduction of $158 billion in the cumulative deficit

Source: CBO, Analysis of the President's FY2015 Budget Request, April 17, 2014, p. 2 http://www.cbo.gov/sites/default/files/cbofiles/attachments/45230-APB_1.pdf

President's FY 2015 Budget Request Showing Baseline, $26B Add-on, and OCO versus Budget Act FY 2001 – FY 2019

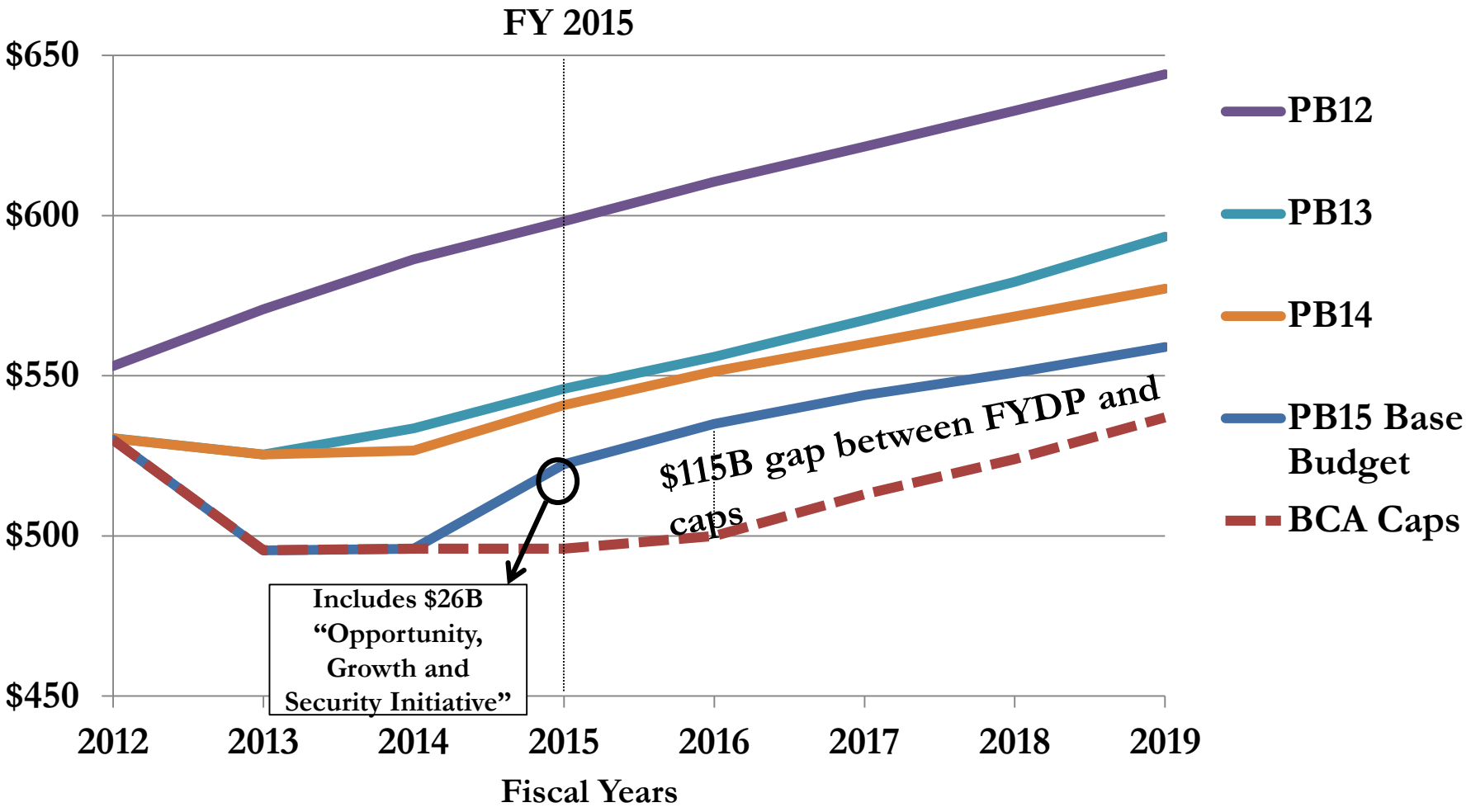
(Current $US Billions)



Source: David Berteau, 3/14

The Declining Defense Baseline: President's Request: FY2012 to FY2015

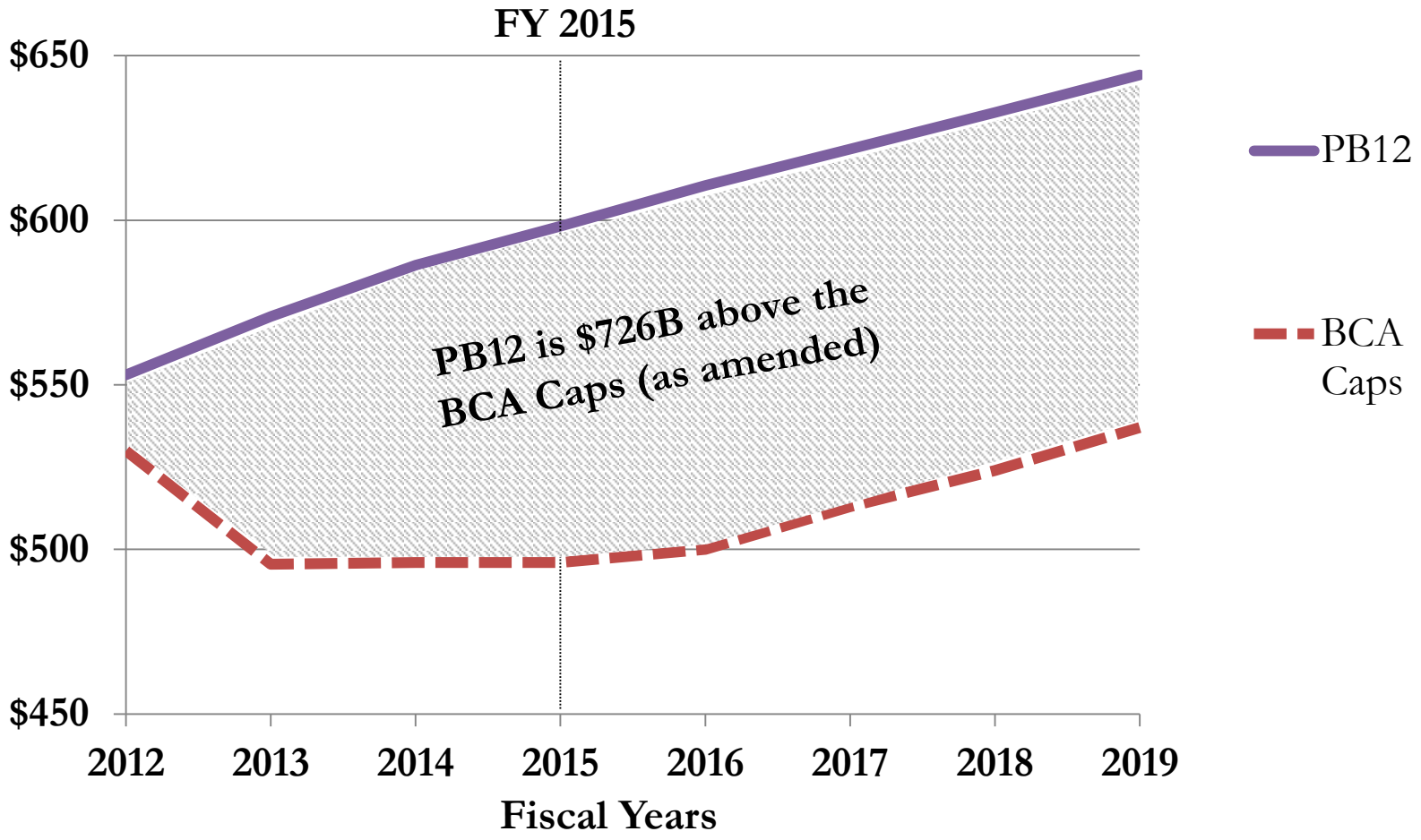
(Current $US Billions)



Source: David Berteau, 3/14

The President's Request in FY2012 versus the Impact of the BCA

(Current $US Billions)

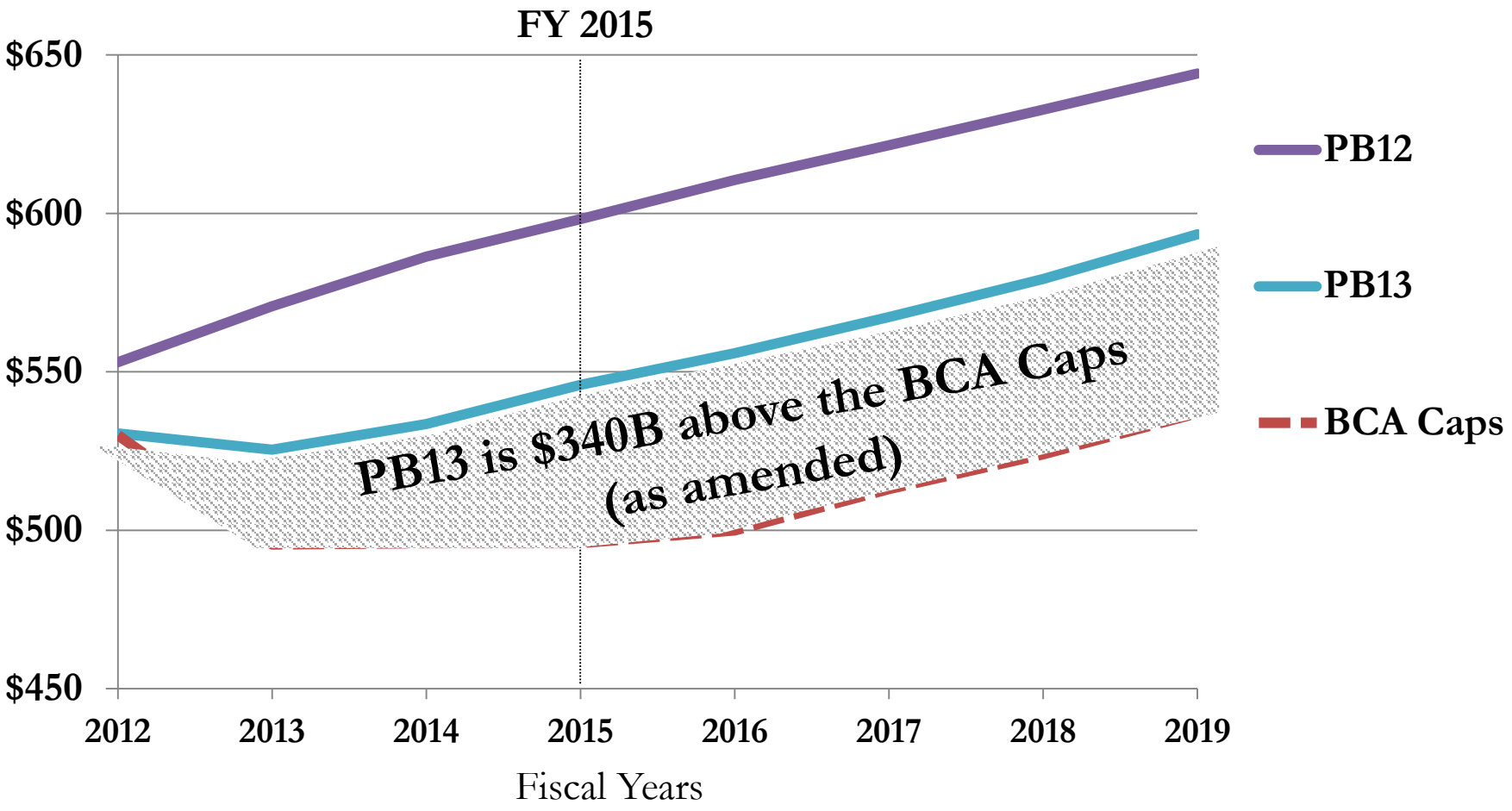


Source: David Berteau, 3/14

26

The President's Request in FY2013 versus the Impact of the BCA

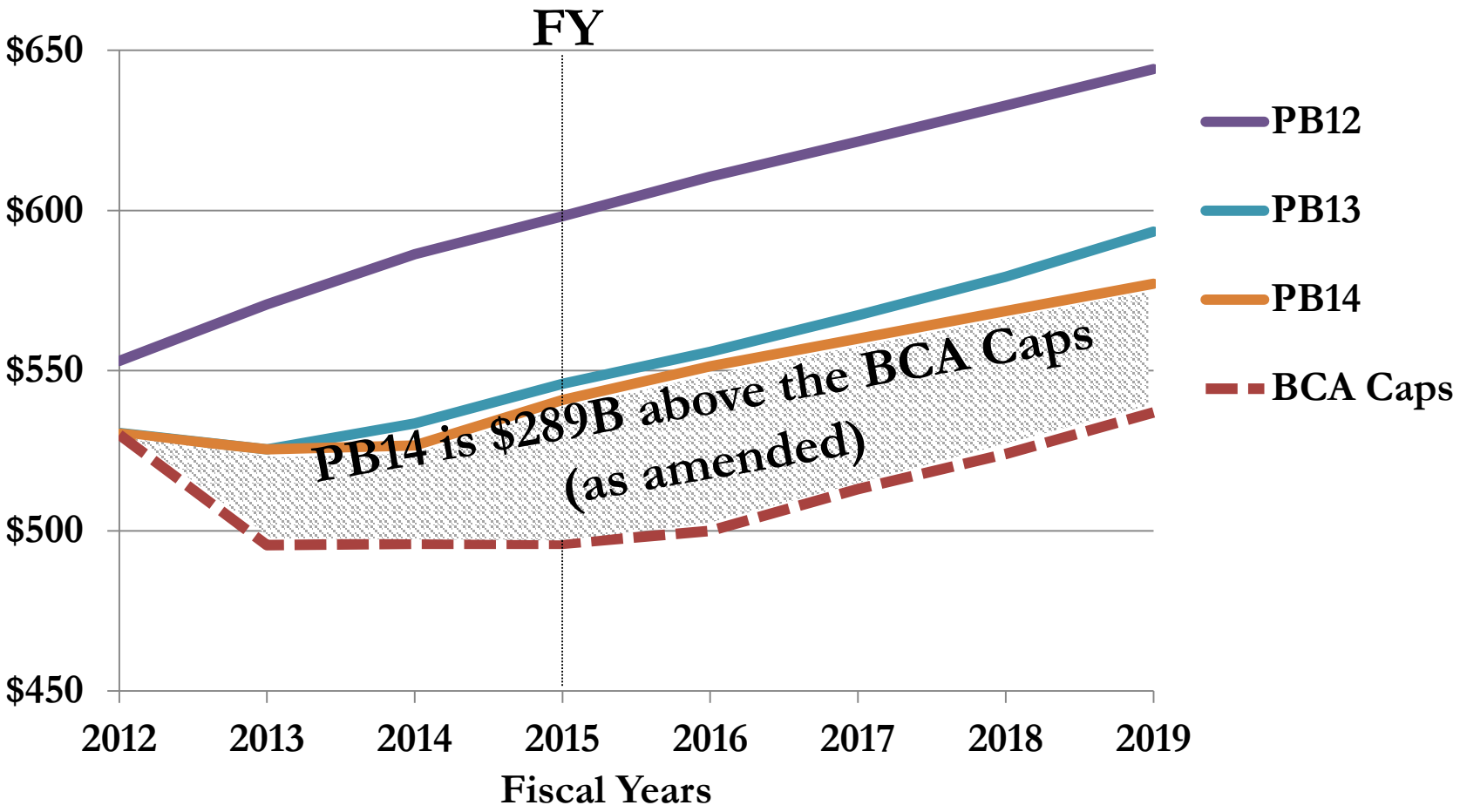
(Current $US Billions)



Source: David Berteau, 3/14

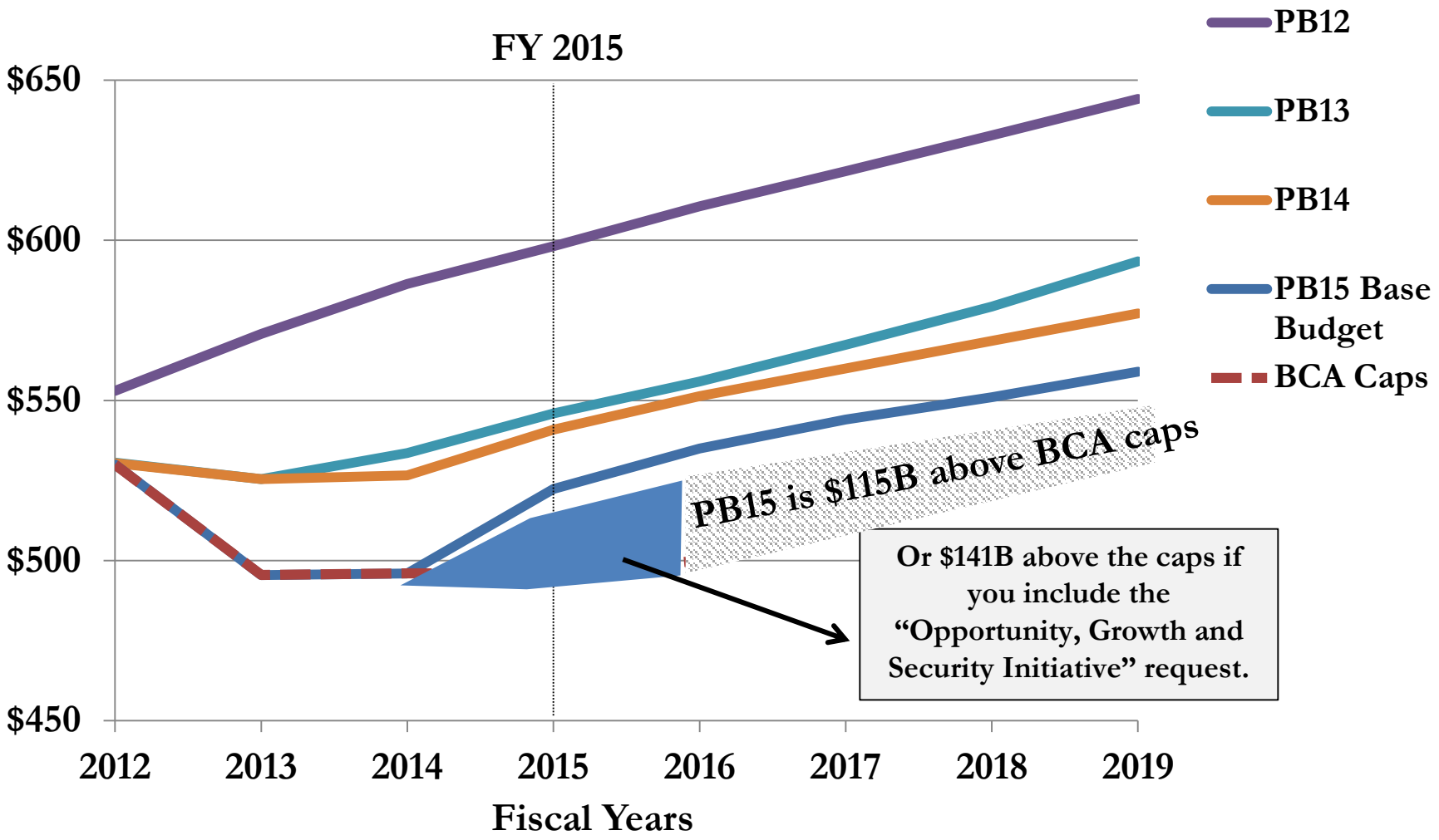
The President's Request in FY2014 versus the Impact of the BCA

(Current $US Billions)



The President's Request in FY2015 versus the Impact of the BCA

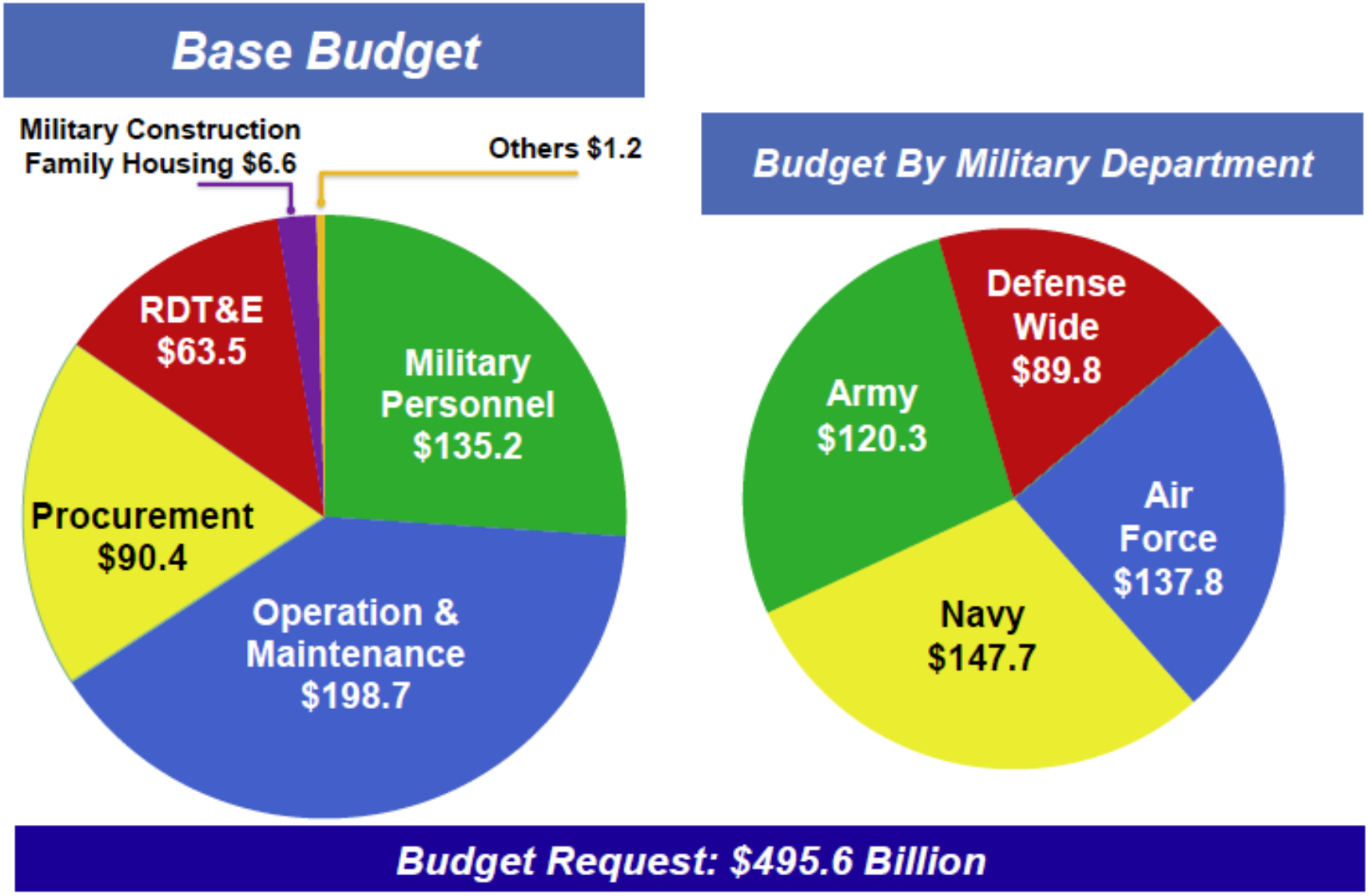
(Current $US Billions)



Source: David Berteau, 3/14

FY2015 Spending by Category and Service

(Dollars in Billions)



Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 12.

FY2015 versus FY2014 Baseline

BY COMPONENT	FY 2014 Enacted	FY 2015 PB Request	Δ% FY15/FY14 Req
Army	121.7	120.3	-1%
Navy	147.3	147.7	--
Air Force	134.7	137.8	+2%
Defense-Wide	92.3	89.8	-3%
Total	**496.0**	**495.6**	--

BY TITLE	FY 2014 Enacted	FY 2015 PB Request	Δ% FY15/FY14 Req
Military Personnel	135.9	135.2	--
Operation and Maintenance	192.8	198.7	+3%
Procurement	92.4	90.4	-2%
Research, Development, Test and Evaluation	62.8	63.5	+1%
Military Construction	8.4	5.4	-36%
Family Housing	1.4	1.2	-16%
Revolving Funds	2.2	1.2	-44%
Total	**496.0**	**495.6**	--

Numbers may not add due to rounding

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 21.

FY2015 versus FY2014 Baseline FYDP

Current $ in billions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY15 – FY19 TOTAL
FY 2014 PB	540.8	551.4	560.0	568.6	577.1	2,797.9
FY 2015 PB	495.6	535.1	543.7	551.4	559.0	2,684.9
Delta	-45.2	-16.2	-16.2	-17.2	-18.1	-113.0
Real Growth		**+6.3%**	**-0.1%**	**-0.5%**	**-0.6%**	**+1.3%***

Numbers may not add due to rounding

**Average annual real growth of the FY 2015 President's Budget for FY 2015 – FY 2019.*

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. I-4.

Force Level Changes

Key Force Goals in the FY2015 Request and 2014 QDR -I

- **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. To sustain this force, the Department will rebalance within the Army, across the Active, Guard, and Reserve components. The active Army will reduce its end strength from a war-time high of 570,000 to 440,000 to 450,000 personnel. The Army National Guard will continue its downsizing from a war-time high of 358,000 to 335,000 Soldiers, and the U.S. Army Reserve will reduce from 205,000 to 195,000 Soldiers. If sequestration-level cuts are imposed in FY 2016 and beyond, all components of the Army would be further reduced.**
- **• Preserving the Navy's capacity to build security globally and respond to crises. While prioritizing day-to-day presence demands, the Navy will decommission some assets and modernize its fleets of surface ships, aircraft, and submarines to meet 21st Century threats. Current Littoral Combat Ship (LCS) production plans will either transition to a future LCS Flight or new-design small surface combatant with capabilities tailored to the emerging security situation.**
- **• Maintaining the role of the Marine Corps as a vital crisis response force, protecting its most important modernization priorities and ensuring readiness, but planning for an end strength of 182,000 active Marines. This end strength includes an increase of about 900 Marines for the Embassy Security Guard program, which will protect U.S. interests and installations abroad. If sequester-level cuts return, the Marines would be further reduced.**
- **Maintaining an Air Force with global power projection capabilities crucial for this updated defense strategy. Modernizing next generation Air Force combat equipment – to include fighters and bombers – particularly against advancing modern air defense systems. To free resources for these programs as well as to preserve investments in critical capabilities, the Air Force will reduce or eliminate capacity in some single-mission aviation platforms**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 2-4.

Key Force Goals in the FY2015 Request and 2014 QDR -II

- ***Cyber.*** **We will invest in new and expanded cyber capabilities and forces to enhance our ability to conduct cyberspace operations, and support military operations worldwide; to support Combatant Commanders as they plan and execute military missions; and to counter cyber-attacks against the United States.**
- ***Missile Defense*****. We are increasing the number of Ground-Based Interceptors and deploying a second radar in Japan to provide early warning and tracking. DoD will make targeted investments in defensive interceptors, discrimination capabilities, and sensors; and is studying the best location for an additional missile defense interceptor site in the Eastern United States if additional interceptors are needed.**
- ***Nuclear Deterrence*****. We will continue to invest in modernizing our essential nuclear delivery systems, warning, command and control, and, in collaboration with the Department of Energy, nuclear weapons and supporting infrastructure.**
- ***Space*****. We will move toward less complex, more affordable, more resilient systems and system architectures and pursue a multi-layered approach to deter attacks on space systems, while retaining the capabilities to respond should deterrence fail.**
- ***Precision Strike*****. We will procure advanced air-to-surface missiles 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 Joint ability of U.S. aircraft to engage surface combatants in defended airspace.**
- ***Intelligence, Surveillance, and Reconnaissance (ISR*****). We will rebalance investments toward systems that are operationally responsive and effective in highly contested environments while sustaining persistent capabilities appropriate for more permissive environments in order to support global situational awareness, counter-terrorism, and other operations.**
- ***Counter Terrorism and Special Operations*****. We will maintain overall Special Operations Forces end strength at more than 69,700 personnel, protecting our ability to sustain persistent, networked, distributed operations to defeat Al Qaeda, counter other emerging transnational threats, counter weapons of mass destruction, build the capacity of our partners, and support conventional operations.**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 2-5.

Further Force and Military Personnel Cuts (without Sequester)

- Air Force aircraft at 4,814 in FY 2019 (5,194 in FY 2014)
  - Retire A-10s
  - Retire U-2s
- Predators/Reapers levels at 55 CAPs in FY 2019
- Navy ships at 309 in FY 2019 (288 in FY 2014) 11 cruisers in long-term phased modernization
- Army BCTs and aviation brigades reduced

	Planned End FY 2014	Planned End FY 2015	Goals w/o Sequester End FY 2019	Δ% FY19/FY14
Active end strength	1,345K	1,309K	1,264K	-6%
Guard/Reserve end strength	831K	821K	798K	-4%
Civilian full-time equivalents	791K	782K	751K	-5%

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. 9-10.

Manpower Levels: FY2014 vs. FY2015

Active Component End Strength – Base Budget (in Thousands)

Service	FY 2014 Estimate[1/]	FY 2015	Delta FY14 - FY15
Army	490.0	490.0	–
Navy	323.9	323.6	-0.3
Marine Corps	182.1	182.7	+0.6
Air Force	322.2	310.9	-11.3
TOTAL	**1,318.2**	**1,307.2**	**-11.0**

Active Component End Strength – OCO Budget (in Thousands)

Service	FY 2014 Estimate[1/]	FY 2015	Delta FY14 - FY15
Army	20.4	–	-20.4
Marine Corps	6.7	1.4 [2/]	-5.3
TOTAL	**27.1**	**1.4**	**-25.7**

Active Component End Strength – Base + OCO Budget (in Thousands)

Service	FY 2014 Estimate[1/]	FY 2015	Delta FY14 - FY15
Army[3/]	510.4	490.0	-20.4
Navy	323.9	323.6	-0.3
Marine Corps	188.8	184.1	-4.7
Air Force	322.2	310.9	-11.3
TOTAL[4/]	**1,345.3**	**1,308.6**	**-36.7**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. A-2.

Reserve Forces: FY2014 vs. FY2015

(End Strength in Thousands)

Selected Reserve	FY 2014 Enacted	FY 2015 Request
Army Reserve	202.0	202.0
Navy Reserve	59.1	57.3
Marine Corps Reserve	39.6	39.2
Air Force Reserve	70.4	67.1
Army National Guard	354.2	350.2
Air National Guard	105.4	105.4
Total	830.7	**820.8**

($ in Billions)

Program (Base Budget)	FY 2014 Enacted	FY 2015 Request
Army Reserve	8.2	8.0
Navy Reserve	3.4	3.2
Marine Corps Reserve	1.1	1.1
Air Force Reserve	5.7	5.2
Army National Guard	18.0	16.4
Air National Guard	10.1	10.0
Subtotal Reserve	18.4	17.4
Subtotal National Guard	28.1	26.4
Total	**46.5**	**43.9**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 6-6 and 6-7.

Civilian FTE Personnel Cuts (without Sequester)

FTEs in Thousands	FY 2014 Estimate	FY 2015 Request	Percent Change
Army	249.5	245.1	-2%
Department of Navy	201.3	203.5	+1%
Air Force	168.4	167.5	-1%
Defense-wide	136.1	133.0	-2%
Total DoD	**755.4**	**749.1**	**-1%**
U.S. Direct Hires	742.3	733.8	-1%
Foreign Direct Hires	13.0	15.3	+18%

Numbers may not add due to rounding

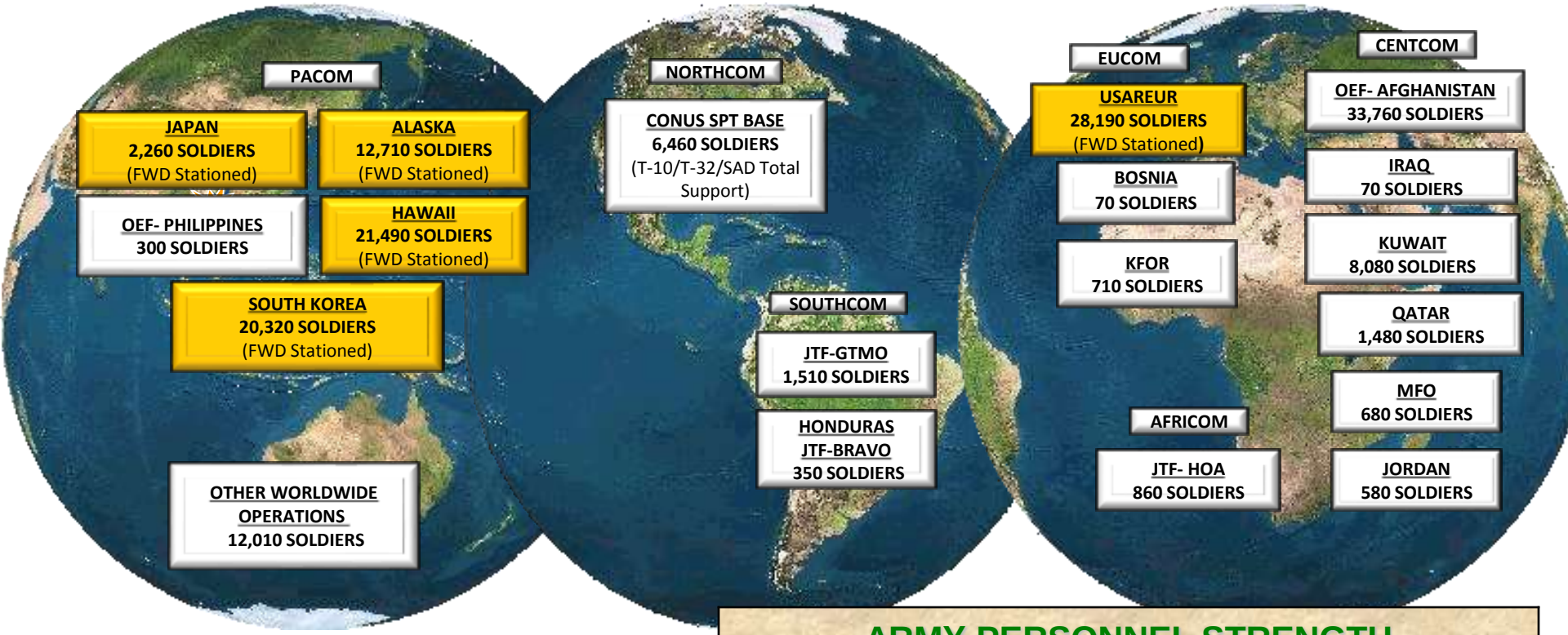
1/ Excludes 35,517 of Foreign National Indirect Hire (FNIH) FTEs in FY 2014 and 32,419 in FY 2015.

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. 5-16.

Force Levels: FY2014 vs. FY2015

Service	FY 2014	FY 2015	Delta FY14 - FY15
Army Active			
Brigade Combat Teams (BCTs)	38	32	-6
Combat Aviation Brigades (CABs)	13	11	-2
Army National Guard			
BCTs	28	28	--
CABs/Aviation Restructure Initiative	8	8	--
Navy			
Number of Ships	288	283	-5
Carrier Strike Groups	10	10	--
Marine Corps Active			
Marine Expeditionary Forces	3	3	--
Infantry Battalions	25	23	-2
Marine Corps Reserve			
Marine Expeditionary Forces	--	--	--
Infantry Battalions	9	8	-1
Air Force Active			
Combat Coded Squadrons	40	36	-4
Aircraft Inventory (TAI)	3,746	3,563	-183
Air Force Reserve			
Combat Coded Squadrons	3	3	--
Aircraft Inventory (TAI)	357	337	-20
Air National Guard			
Combat Coded Squadrons	21	20	-1
Aircraft Inventory (TAI)	1,091	1,056	-35

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 8-11.



SOLDIERS DEPLOYED	66,920
SOLDIERS FWD STATIONED	84,970
TOTAL SOLDIERS	151,890

IN NEARLY 150 LOCATIONS WORLDWIDE

ARMY PERSONNEL STRENGTH

Component		RC AUTHORIZED FOR MOBILIZATION / ON CURRENT
ACTIVE (AC)	523,000	N/A
RESERVE (RC)		
USAR	196,730	13,250
ARNG	355,270	14,240
	1,075,000	27,490

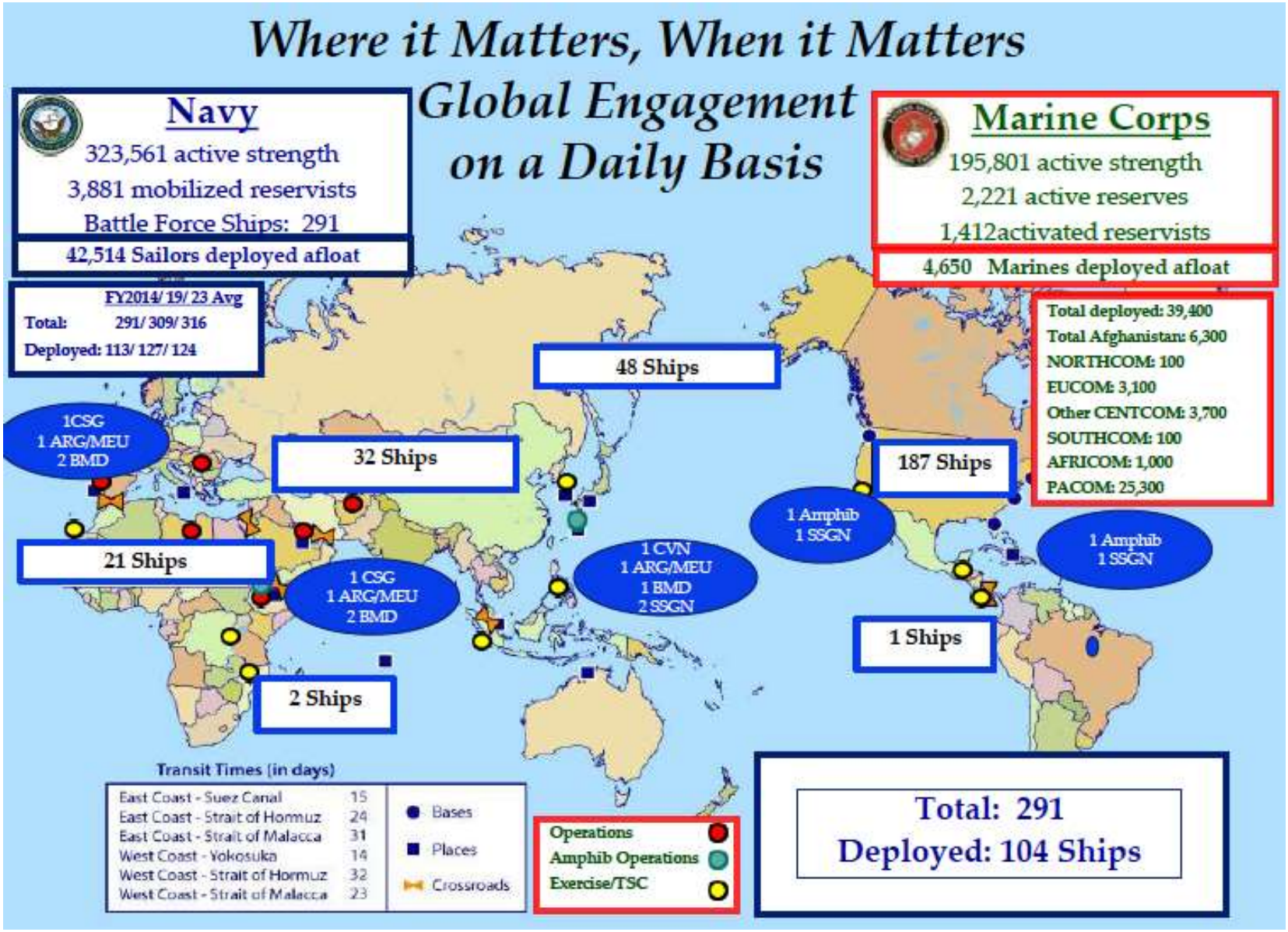
Source: US Army As of 18 Mar 14

US Army FY2014 vs. FY2019

Item	Current (starting point)	Future (per QDR '14)
Divisions	10 Regular, 8 Guard	10 regular Army, 8 National Guard
Aviation Brigades	13 Regular, 11 Guard, 1 Reserve (with lots of cats and dogs in the USAR which will be organized into an Avn Bde)	10 Regular Army, 2 U.S. Army Reserve, 10 National Guard
Patriot ~~and~~ Missile Defense Battalions	15 Regular	15 Regular Army
Terminal High-Altitude Area Defense (THAAD) missile defense batteries	6 Regular (approved), but only 2 fielded and 1 in the process of being fielded	7 Regular Army
Military Personnel	As of 14 Mar 14, Army component end strengths are 523K Regular, 197K Reserve, and 355K Guard. The previously approved size, was 490K Regular, 205K Reserve, and 350K Guard (2012 defense strategic guidance) to be achieved by the end of FY 15 (previously to be achieved by the end of FY 17, but accelerated 2 years to garner savings more quickly)	440,000-450,000 Regular Army, 195,000 Reserve, 335,000 National Guard (this is in the President's FY 15 budget request, but will not be achieved until the end of FY 17).

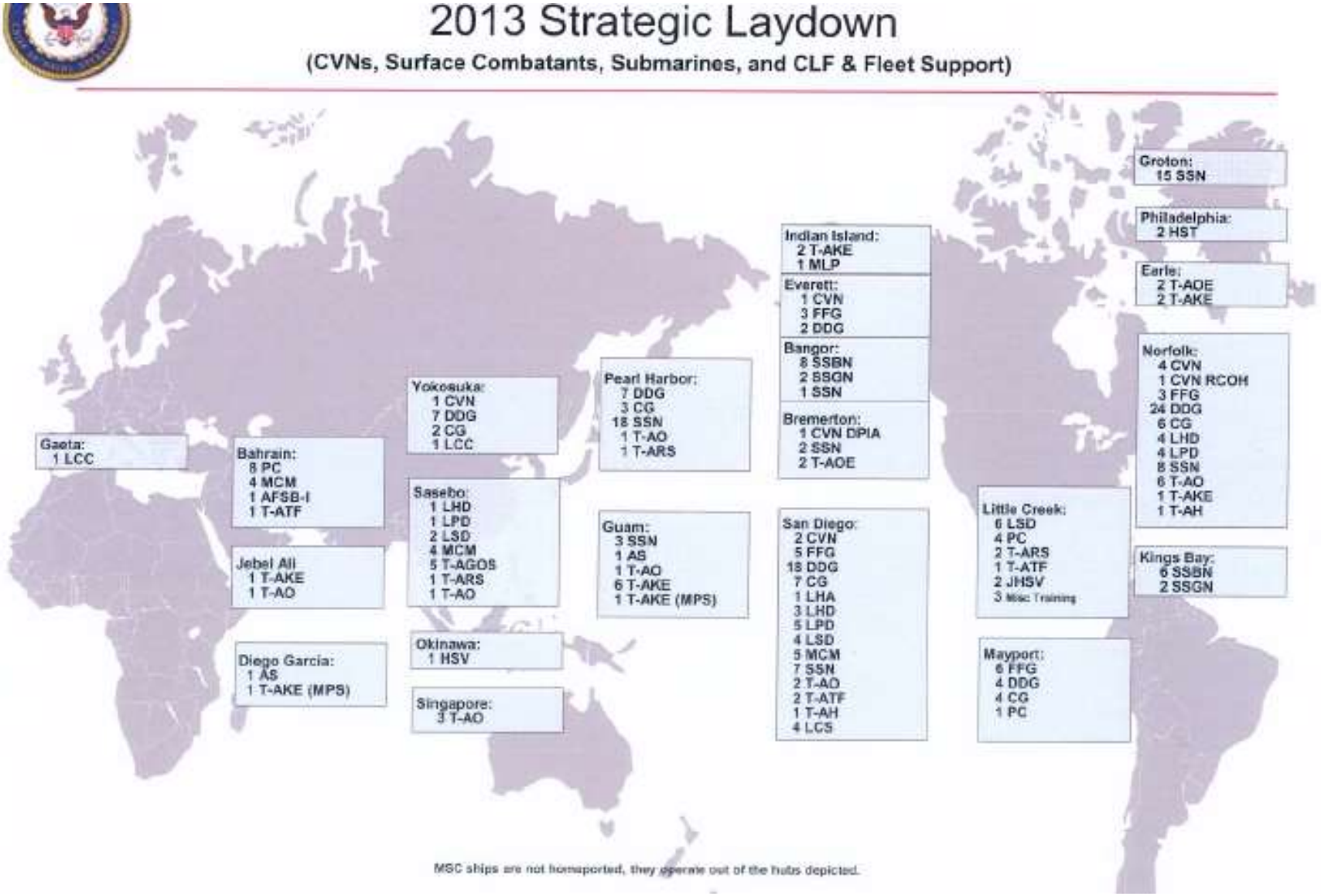
Source: US Army, March 15, 2014.

Current US Navy Deployed Forces - I



Source: US Navy, DEPARTMENT OF THE NAVY FY 2015 PRESIDENT'S BUDGET, Rear Admiral William K. Lescher, USN, Deputy Assistant Secretary of the Navy for Budget, March 4, 2014, p. 3.

Current US Navy Deployed Forces - II



Source: US Navy, March 7, 2014

Current USAF Deployed Forces

Source: US Air Force, March 2014

Current USAF Air Strength

ACFT	PAI
A10	243
AC130	34
B1	53
B2	16
B52	63
C12	27
C130H	227
C130J	95
C17	188
C20	11
C21	17
C32	6
C37	10
C38	2
C40	11
C5	54
CV22	41
E3	27
E4	3
E8	13
E9	2
EC130	13
F15C	174
F15D	32
F15E	192
F16C	662
F16D	60
F22	166
F35	17

Fighter Aircraft	
A10	243
F15C	174
F15D	32
F15E	192
F16C	662
F16D	60
F22	166
F35	17
	1546

Heavy Bomber Squadrons	
B52	63
B1	53
B2	16
	132

HC130J	9
HC130N	6
HC130P	14
HH60	79
KC10	54
KC135	352
KC46	0
LC130	10
MC12	37
MC130	39
MD1	131
MQ1	129
MQ9	186
RC135	17
RQ4	31
U2	24
UH1	42
VC25	2
WC130H	19

Aerial Refueling Aircraft	
KC135	352
KC46	0
KC10	54
	406

Strategic Airlift Aircraft	
C5	54
C17	188
	242

Tactical Airlift Aircraft	
C130H	227
C130J	95
HC130J	9
HC130N	6
HC130P	14
LC130	10
	361

ISR Aircraft	
MQ1	129
MQ9	186
RC135	17
RQ4	31
U2	24
	387

Command and Control Aircraft	
E3	27
E4	3
E8	**13**
	43

Source: US Air Force, March 2014

The Broad Goals in the QDR

Protecting and advancing these interests, consistent with the National Security Strategy, the 2014 QDR embodies the 21st century defense priorities outlined in the 2012 Defense Strategic Guidance. These priorities include rebalancing to the Asia-Pacific region to preserve peace and stability in the region; maintaining a strong commitment to security and stability in Europe and the Middle East; sustaining a global approach to countering violent extremists and terrorist threats, with an emphasis on the Middle East and Africa; continuing to protect and prioritize key investments in technology while our forces overall grow smaller and leaner; and invigorating efforts to build innovative partnerships and strengthen key alliances and partnerships.

The 2014 QDR builds on these priorities and incorporates them into a broader strategic framework. The Department's defense strategy emphasizes three pillars:

- ***Protect the homeland*, to deter and defeat attacks on the United States and to support civil authorities in mitigating the effects of potential attacks and natural disasters.**
- ***Build security globally*, in order to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges.**
- ***Project power and win decisively*, to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief.**

Source: 2014 Quadrennial Defense Review, March 2014, p. v.

Rebalancing for the 21st Century

Rebalancing for a broad spectrum of conflict. **Future conflicts could range from hybrid contingencies against proxy groups using asymmetric approaches, to a high-end conflict against a state power armed with WMD or technologically advanced anti-access and area-denial (A2/AD) capabilities. Reflecting this diverse range of challenges, the U.S. military will shift focus in terms of what kinds of conflicts it prepares for in the future, moving toward greater emphasis on the full spectrum of possible operations. Although our forces will no longer be sized to conduct large-scale prolonged stability operations, we will preserve the expertise gained during the past ten years of counterinsurgency and stability operations in Iraq and Afghanistan.**

We will also protect the ability to regenerate capabilities that might be needed to meet future demands. The Joint Force must also be prepared to battle increasingly sophisticated adversaries who could employ advanced warfighting capabilities while simultaneously attempting to deny U.S. forces the advantages they currently enjoy in space and cyberspace. We will sustain priority investments in science, technology, research, and development both within the defense sector and beyond.

The Department is taking steps to ensure that progress continues in areas most critical to meeting future challenges such as full-spectrum cyberspace capabilities and where the potential for game-changing breakthroughs appears most promising. We will actively seek innovative approaches to how we fight, how we posture our force, and how we leverage our asymmetric strengths and technological advantages. Innovation is paramount given the increasingly complex warfighting environment we expect to encounter.

Source: 2014 Quadrennial Defense Review, March 2014, p. vii.

QDR Force Level Goals: FY2019 - I

Department of the Army*

18 divisions (10 Regular Army; 8 Army National Guard)
22 aviation brigades (10 Regular Army, 2 U.S. Army Reserve, and 10 Army National Guard)
15 Patriot air and missile defense battalions, 7 Terminal High-Altitude Area Defense (THAAD) missile defense batteries (all Regular Army)

Department of the Navy

11 aircraft carriers (CVNs) and 10 carrier air wings (CVWs)
92 large surface combatants (68 DDG-51s, 3 DDG-1000s, and 21 CG-47s with 10-11 cruisers in temporary lay-up for modernization)
43 small surface combatants (25 LCS, 8 MCMs, and 10 PCs)
33 amphibious warfare ships (10 LHAs/LHDs, 11 LPDs, and 12 LSDs, with 1 LSD in temporary lay-up for modernization)
51 attack submarines (SSNs) and 4 guided missile submarines (SSGNs)
Personnel end strength: 323,200 Active Component (AC); 58,800 Naval Reserve

Source: FY2014 Quadrennial Defense Review March 2014, pp. 40-41.

QDR Force Level Goals: FY2019 -II

Marine Corps

2 Marine Expeditionary Forces organized in 3 AC and 1 Reserve Component (RC)
Division/Wing/Logistics Group teams
3 Marine Expeditionary Brigade Command Elements
7 Marine Expeditionary Unit Command Elements
Personnel end strength: 182,000 AC; 39,000 RC

Department of the Air Force*

48 fighter squadrons (26 AC; 22 RC) (971 aircraft)
9 heavy bomber squadrons (96 aircraft: 44 B-52, 36 B-1B, 16 B-2)
443 aerial refueling aircraft (335 KC-135, 54 KC-46, 54 KC-10)
211 strategic airlift aircraft (39 C-5, 172 C-17)
300 tactical airlift aircraft (C-130)
280 ISR aircraft (231 MQ-9, 17 RC-135, 32 RQ-4)
27 Command and Control Aircraft (18 E-3, 3 E-4, 6 E-8)
6 operational satellite constellations (missile warning, navigation and timing, wideband &
protected SATCOM, environmental monitoring, multi-mission)
Personnel end strength: 308,800 AC; 66,500 Air Force Reserve; 103,600 Air National Guard

Source: FY2014 Quadrennial Defense Review March 2014, pp. 40-41.

Modernization and Investment

Modernization Goals for FY2015

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

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 7.

Investment Spending FY2014 vs. FY2015

$ in billions

Weapons Category	FY 2014 Enacted	FY 2015 PB Request	Change
Aircraft and Related Systems	42.4	40.0	-2.4
C4I Systems	6.2	6.6	0.4
Ground Systems	7.4	6.3	-1.1
Missile Defense Programs	8.7	8.2	-0.5
Missiles and Munitions	9.5	9.0	-0.5
Mission Support	48.5	44.4	-4.1
Science & Technology (S&T)	12.0	11.5	-0.5
Shipbuilding and Maritime Systems	23.0	22.0	-1.0
Space-Based Systems	6.2	6.2	--
Sub-Total	163.9	154.2	-9.7
Rescissions	-8.7	-0.3	8.4
Total	**155.2**	**153.9**	**-1.3**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 6-1.

Major Acquisition Programs: FY2014 vs. FY2015 - I

$ in Billions; Includes RDT&E and Procurement funding; includes OCO funds in FY 2014

		FY 2014		FY 2015	
		Qty	$	Qty	$
Aircraft					
MQ-9	Reaper UAS	20	0.5	12	0.6
C–130J	Hercules	17	1.8	14	1.4
F–35	Joint Strike Fighter	29	7.5	34	8.3
V–22	Osprey	23	1.8	19	1.6
AH–64E	Apache Helicopter	46	1.0	25	0.8
CH–47	Chinook Helicopter	38	1.3	32	1.1
UH–60	Black Hawk Helicopter	70	1.3	79	1.4
MH–60R	Multi-Mission Helicopter	19	0.8	29	1.1
MH–60S	Fleet Combat Helicopter	18	0.4	8	0.2
P–8A	Poseidon	16	3.7	8	2.4
E–2D	Advanced Hawkeye	5	1.3	4	1.2
Bombers	Strategic Bombers	--	0.6	--	0.7
F-22	Raptor	--	0.6	--	0.5
KC-46A	Tanker	--	1.6	7	2.4
Missile Defense					
AEGIS	AEGIS BMD System	52	1.5	30	1.4
THAAD	THAAD BMD System	33	0.8	31	0.8
GMD	GBI Midcourse Defense	1	0.9	--	1.0

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 6-2.

Major Acquisition Programs: FY2014 vs. FY2015 - II

Missiles and Munitions					
AMRAAM	AMRAAM Missile	227	0.5	200	0.5
SM-6	Standard Missile	81	0.5	110	0.5
Trident II	Trident II Missile Mods	--	1.5	--	1.5
Ships					
CVN 78	FORD Aircraft Carrier	--	1.7	--	2.1
DDG 51	AEGIS Destroyer	1	2.3	2	3.1
LCS	Littoral Combat Ship	4	2.4	3	2.1
SSN 774	VIRGINIA Submarine	2	6.7	2	6.3
OR	SSBN	--	1.1	--	1.3
Space					
AEHF	AEHF Satellite	--	0.6	--	0.6
EELV	EELV Launch Vehicle	5	1.4	3	1.4
GPS	Global Positioning System	2	1.2	1	1.0
SBIRS	SBIRS Satellite	--	0.8	--	0.8

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 6-2.

Decline in Science and Technology: FY2014 vs. FY2015

($ in billions)

Program	FY 2014 Enacted	FY 2015 Request	FY14 – FY15 Change
Basic Research (6.1)	2.2	2.0	-0.2
Applied Research (6.2)	4.6	4.5	-0.1
Adv Tech Dev (6.3)	5.2	5.0	-0.2
Total S&T	**12.0**	**11.5**	**-0.5**

The FY 2015 President's Budget includes:

- **Maintaining a robust Basic Research program at $2 billion**
- **A modest increase to the Defense Advanced Research Projects Agency budget, now $2.9 billion (FY 2014 enacted, $2.8 billion), to develop technologies for revolutionary, high-payoff military capabilities.**
- **Additional funding for the President's National Advanced Manufacturing Initiative at five centers to support the President's National Network for Manufacturing Innovation plan and the National Economic Council's manufacturing goals.**

Overall S&T funding for the Army, Navy and Air Force are each approximately $2 billion.

This strategy will emphasize several missions with strong technology dimensions, including:

- **Project Power Despite Anti-access/Area-denial Challenges ($2.0 billion)**
- **Counter Weapons of Mass Destruction ($1.0 billion)**
- **Operate Effectively in Cyberspace and Space ($0.9 billion)**
- **Electronic Warfare ($0.5 billion)**
- **High-speed Kinetic Strike ($0.3 billion)**

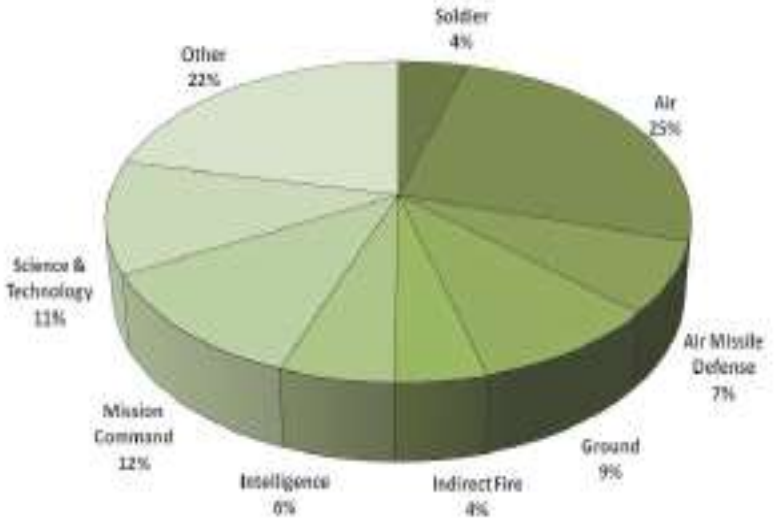
Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 6-9 to 6-10.

US Army Modernization Plans - I

Major Portfolios:

- Soldier
- Air (Aviation)
- Air Missile Defense
- Ground (Mobility)
- Indirect Fire
- Intelligence
- Mission Command
- Science & Technology

Appropriation Title ($B)	FY13 Base		FY 14 Base		FY 15
	Enacted	Sequester	Request	Enacted	Request
Aircraft (ACFT)	6	5.7	5.0	4.8	5.1
Ammunition (AMMO)	1.6	1.6	1.5	1.4	1.0
Missile (MSLS)	1.5	1.4	1.3	1.5	1.0
Other Procurement (OPA)	5.7	5.7	6.5	4.9	4.9
Weapons and Tracked Combat Vehicles (WTCV)	1.9	1.8	1.6	1.6	1.5
Procurement Totals :	16.8	16.3	15.9	14.3	13.5
Research, Development, Test & Evaluation	8.7	8.0	8.0	7.1	6.6
RDA Totals:	25.5	24.3	23.9	21.4	20.1




WIN-T


Apache


Warrior


Paladin (PIM)


Patriot MSE

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, p. 9.

US Army Modernization Plans - I

Soldier

❖ ***Specific Investments in this portfolio include:***

- **Enhanced Night Vision Devices:** $160.9M (OPA) procures 9,700 for SOF and Brigade Combat Teams (BCT)
- **TOW/JAVELIN:** $168M (MSLS) procures Soldier carried missiles
- **Nett Warrior:** $84.8M (OPA) procures Soldier worn communications set for Capability Set 15 fielding
- **M4A1 Carbine:** $32.8M (WTCV) retrofits and procures 38,234

❖ ***Science & Technology (RDTE)***

- Soldier lethality ($36M) to include lighter, cheaper and precision munitions components (Javelin multi purpose warhead, improved TOW/Javelin propulsion)
- Adaptable, next generation lightweight Soldier Protection ($48M) enabling mobility while addressing multiple threats
- Research the diagnosis and treatment ($32M) of Traumatic Brain Injuries and Post-Traumatic Stress Disorder
- Investigate promising candidate medical technologies ($24M) in drug prophylaxis, treatments, and vaccines

Aviation

❖ ***Specific Investments in this portfolio include:***

- **Black Hawk:** $1.5B ($104.5M RDTE /$1.44B ACFT) procures 55 UH-60M, 24 HH-60M; funds Improved Turbine Engine Program and UH-60 Digital L RDTE efforts; purchases mission equipment packages
- **Chinook:** $1.1B ($35.4M RDTE/$1.03B ACFT) procures 26 remanufactured, 6 New Build CH-47F aircraft and associated modifications to the Chinook fleet
- **Apache:** $957.3M ($124.1M RDTE/$833.2M ACFT) procures 25 remanufactured AH-64E (Apache Block III) aircraft and associated modifications to existing AH-64D fleet
- **Lakota:** $416.6M procures 55 UH-72A Lakota aircraft for the Initial Entry Rotary Wing training fleet

❖ ***Science & Technology (RDTE)***

- Next-generation Joint Multi-Role vertical lift aircraft ($52M)
- Technologies to provide the ability to operate in all degraded visual environments ($20M)

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, p. 10 & 11.

US Army Modernization Plans - III

Air & Missile Defense

- ***Specific investments in this portfolio include:***
  - **Patriot Missile: $420M ($35M RDTE / $385M MSLS) for procurement of 70 Patriot MSE missiles**
  - **Patriot Software: $400M ($232M RDTE / $168M MSLS) supports ongoing development, modeling, simulation and tests required to defeat emerging threats and ground system improvements**
  - **Army Integrated Air & Missile Defense System: $143M (RDTE) continues development which will provide an integrated software architecture that will enable weapons capabilities to function interdependently.**
  - **Joint Aerostat Project Demonstration: $54M (RDTE) continues NORTHCOM test**

- ***Science & Technology (RDTE)*** **Develop advanced technology ($60M) for gun, missile and high energy lasers to defeat Rockets, Artillery, Mortars, Unmanned Aerial Systems and Cruise Missiles.**

Ground Mobility

- ***Specific investments in this portfolio include:***
  - **Armor Multi-Purpose Vehicle (AMPV): $92M (RDTE); a $64M increase from FY2014, funding provides one Engineering, Manufacturing and Development (EMD) contract and Program Management Support**
  - **Abrams / Bradley: $549M ($205M RDTE / $345M WTCV); Engineering Change Package (ECP) development and fleet modernization**
  - **Stryker: $515M ($90M RDTE / $425M WTCV) ; ECP development and 3d Double V-Hull (DVH) BDE set**
  - **Paladin Integrated Management (PIM): $331M ($83M RDTE / $247M WTCV); procures Low Rate Initial Production (LRIP) of 18 PIM Systems; 18 Self-Propelled Howitzers (SPH) and 18 Carrier, Ammunition, Tracked (CAT)**
  - **Joint Light Tactical Vehicle family of vehicles (JLTV): $210M (46M RDTE / $165M OPA); completes Limited User Testing (LUT) and procures 176 variants through low-rate initial production**

The request reflects the decision to conclude the Ground Combat Vehicle program

- ***Science & Technology (RDTE)*** **Develop technologies ($131M) for survivability, mobility, lethality, improved fuel economy and vehicle power**

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, pp. 12 &13.

US Army Modernization Plans - III

Air & Missile Defense

- ***Specific investments in this portfolio include:***
  - **Patriot Missile: $420M ($35M RDTE / $385M MSLS) for procurement of 70 Patriot MSE missiles**
  - **Patriot Software: $400M ($232M RDTE / $168M MSLS) supports ongoing development, modeling, simulation and tests required to defeat emerging threats and ground system improvements**
  - **Army Integrated Air & Missile Defense System: $143M (RDTE) continues development which will provide an integrated software architecture that will enable weapons capabilities to function interdependently.**
  - **Joint Aerostat Project Demonstration: $54M (RDTE) continues NORTHCOM test**

- ***Science & Technology (RDTE)*** **Develop advanced technology ($60M) for gun, missile and high energy lasers to defeat Rockets, Artillery, Mortars, Unmanned Aerial Systems and Cruise Missiles.**

Ground Mobility

- ***Specific investments in this portfolio include:***
  - **Armor Multi-Purpose Vehicle (AMPV): $92M (RDTE); a $64M increase from FY2014, funding provides one Engineering, Manufacturing and Development (EMD) contract and Program Management Support**
  - **Abrams / Bradley: $549M ($205M RDTE / $345M WTCV); Engineering Change Package (ECP) development and fleet modernization**
  - **Stryker: $515M ($90M RDTE / $425M WTCV) ; ECP development and 3d Double V-Hull (DVH) BDE set**
  - **Paladin Integrated Management (PIM): $331M ($83M RDTE / $247M WTCV); procures Low Rate Initial Production (LRIP) of 18 PIM Systems; 18 Self-Propelled Howitzers (SPH) and 18 Carrier, Ammunition, Tracked (CAT)**
  - **Joint Light Tactical Vehicle family of vehicles (JLTV): $210M (46M RDTE / $165M OPA); completes Limited User Testing (LUT) and procures 176 variants through low-rate initial production**

The request reflects the decision to conclude the Ground Combat Vehicle program

- ***Science & Technology (RDTE)*** **Develop technologies ($131M) for survivability, mobility, lethality, improved fuel economy and vehicle power**

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, p. 12& 13.

US Army Modernization Plans - IV

Indirect Fire

- ***Specific investments in this portfolio include:***
  - **AN/TPQ-53 Radar:** $247M ($38M RDTE / $209M OPA) procures 13 systems
  - **Guided Multiple Launch Rocket System (GMLRS):** $173M ($128M MSLS / $45M RDTE) continues procurement of 534 GLMRS Unitary rockets and development of new munitions
  - **M119A2 Howitzer:** $73M (WTCV) procures Digital Fire Control modifications and redesigned M119A2 Howitzer recoil systems to enhance system survivability and lethality
  - **Army Tactical Missile System (ATACMS SLEP):** $49M (RDTE) Funds the service life extension program to provide compliant warheads in the Pacific Theater
- ***Science & Technology (RDTE)*** **Research and develop ($56M) long range precision rocket and gun technologies and disruptive energetics to regain overmatch of adversaries in a GPS denied environment**

Intelligence

- ***Specific investments in this portfolio include:***
  - **MQ-1 Gray Eagle:** $237M ($47M RDTE / $191M ACFT) Conducts Full Operational Test and procures 19 MQ-1C aircraft and associated ground support equipment
  - **Aerial Common Sensor (ACS):** $203M ($18M RDTE/$185M ACFT) for ACS/Enhanced Medium Altitude Reconnaissance and Surveillance System (EMARSS) aircraft supporting development of sensor enhancements and modification of 16 systems
  - **Distributed Common Ground System:** $148M ($20.1M RDTE/$128M OPA) continues development and testing of Inc 1 software releases to include integration into the Command Post Computing Environment (CPCE)
  - **RQ-7 Shadow UAS:** $142M ($16M RDTE / $125M ACFT) procures 7 retrofit kits and launchers
- ***Science & Technology (RDTE)*** **Research and develop technologies ($9M) to enable operations & intelligence convergence; automated intelligence support team tools; and sensor exploitation at lower echelons**

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, pp. 14 &15.

US Army Modernization Plans - V

Mission Command

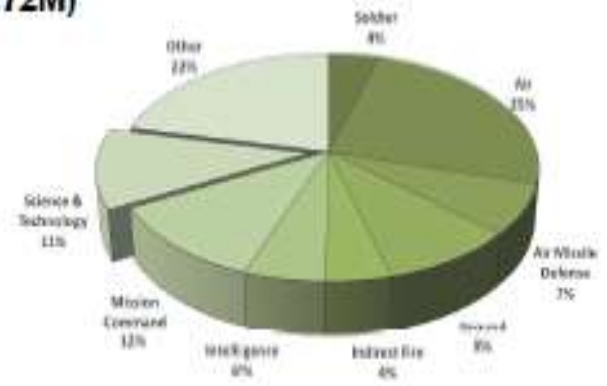
- ***Specific investments in this portfolio include:***
  - **WIN-T:** $789M ($117M RDTE/$672M OPA) – Increment 1 – (31) Brigade Upgrades; Increment 2 – (1) Division HQs, (1) BCT HQs, (11) Battalion sets; Increment 3 – development of integrated network operations capabilities
  - **Networked Tactical Radios:** $212M ($26M RDTE/$185M OPA) continues development and limited procurement of Mid-tier Networking Vehicular Radio (MNVR) systems, Manpack and Rifleman radios
  - **Command Post Common Operating Environment (CPCE):** $141M ($45M RDTE/$96M OPA) development and fielding of the CPCE for all COMPOs
  - **Network Integration Evaluation (NIE):** $105M (RDTE) resources two NIEs
  - **Joint Battle Command Platform:** $98M (OPA) procures Joint Battle Command-Platform (JBC-P) for BCTs and BDEs to include replacement of Enhanced Position Location and Reporting System in BCTs
- ***Science & Technology (RDTE)***
  - Position, navigation and timing technologies ($24M) to enable assured position, navigation and timing in a GPS denied environment
  - Develop potential convergence ($3M) of communications, networking and electronic warfare devices into one common plug and play architecture for command posts and vehicular applications

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, p. 16.

US Army RDT&E Plans

❖ **Maintains overall investment in Science and Technology at FY 2014 requested levels with focused investments in:**

- Cyber Security/Science ($40M)
- Combat Vehicle Prototyping & Active Protection, Survivability, Mobility, Lethality, fuel economy and Power & Data Architecture technologies for improved military vehicles ($131M)
- Long range precision rocket and gun technologies, disruptive energetics and Assured Position, Navigation and Timing to regain overmatch and fight in a GPS denied environment ($56M)
- Survivable & adaptable next generation lightweight Soldier technologies integration using innovative human performance & training science ($43M)
- Demonstrate technologies for the next-generation Joint Multi-Role vertical lift aircraft and technologies to support Degraded Visual Environment Mitigation for rotorcraft ($72M)



- Research to enable Operations/Intelligence convergence to provide tactical information overmatch ($9M)
- Vulnerability assessments of technology/red teaming to ensure our systems remain effective ($19M)
- Research and demonstrate gun, missile and High Energy Laser technologies to defeat Rockets, Artillery, Mortars, Unmanned Aerial Systems and Cruise Missiles ($60M)
- Basic research in:
  - Materials Centric science ($170M)–materials, chemistry, physics, environmental, survivability, lethality and mobility;
  - Information Centric science ($83M)–quantum information science;
  - Human Centric science ($78M)–life sciences, medical, training and cultural/behavioral dynamics;
  - Platform Centric science ($54M)–air and ground vehicles, intelligent autonomous systems.

APPN ($M)	Science & Technology	
	FY14 Enacted	FY15 Request
OPA	63	65
RDTE	2,455	2,205
Total	2,518	2,270

Source: US Army, *US Army FY20125 Budget Overview*, March 4, 2014, p. 17.

US Navy Ship Procurement Plans

	FY14	FY15	FY16	FY17	FY18	FY19	FYDP
CVN-21	0	0	0	0	1	0	1
SSN-774	2	2	2	2	2	2	10
DDG 51	1	2	2	2	2	2	10
LCS	4	3	3	3	3	2**	14
LHA(R)	0	0	0	1	0	0	1
T-ATF	0	0	0	2	1	1	4
MLP/AFSB	1	0	0	1	0	0	1
T-AO(X)	0	0	1	0	1	1	3
New Construction Total QTY	8	7	8	11	10	8	44
LCAC SLEP	4	2	4	4	4	0	14
Ship-to-Shore Connector	0	2	5	5	8	11	31
SC(X) (R) (LCU Replacement)	0	0	0	0	1	2	3
Moored Training Ships	0	1	0	1	0	0	2
CVN RCOH*	0	0	0	0	0	0	0
Total Shipbuilding QTY	12	12	17	21	23	21	94

Total Shipbuilding includes all new construction, RCOH, SLEP or conversion in SCN, R&D and FY14 NDSF, as well as other related line items including Service Craft, Outfitting and Post Delivery.
**Pending FY16 Decision*
***To be updated in POM16*

Source: US Navy, DEPARTMENT OF THE NAVY FY 2015 PRESIDENT'S BUDGET, Rear Admiral William K. Lescher, USN, Deputy Assistant Secretary of the Navy for Budget, March 4, 2014, p. 9.

US Navy Air Procurement Plans

	FY14	FY15	FY16	FY17	FY18	FY19	FYDP
Fixed Wing							
F-35B (STOVL JSF)	6	6	9	14	20	20	69
F-35C (CV JSF)	4	2	2	6	10	16	36
F/A-18E/F	0	0	0	0	0	0	0
EA-18G	21	0	0	0	0	0	0
E-2D AHE	5	4	5	6	5	5	25
P-8A (MMA)	16	8	15	13	13	7	56
C-40A (USMC)	0	0	1	0	0	0	1
KC-130J (USMC)	1	1	1	2	1	1	6
UC-12W	1	0	0	0	0	0	0
Rotary Wing							
AH-1Z/UH-1Y	21	26	28	26	26	27	133
VXX	0	0	0	0	0	6	6
CH-53K (HLR)	0	0	0	2	4	7	13
MV-22B	19	19	19	18	4	4	64
MH-60R	19	29	0	0	0	0	29
MH-60S	18	8	0	0	0	0	8
UAV							
MQ-8 (VTUAV)	2	0	0	0	0	0	0
MQ-4 Triton UAS	0	0	4	4	4	4	16
STUAS (NAVY)	0	0	0	1	2	5	8
Training							
T-6A/B (JPATS)	29	0	0	0	0	0	0
TOTAL	162	103	84	92	89	102	470

Source: US Navy, DEPARTMENT OF THE NAVY FY 2015 PRESIDENT'S BUDGET, Rear Admiral William K. Lescher, USN, Deputy Assistant Secretary of the Navy for Budget, March 4, 2014, p. 10.

US Navy Weapons Procurement Plans

	FY14	FY15	FY16	FY17	FY18	FY19	FYDP
Ship Weapons							
TACTOM	196	100	0	0	0	0	100
SM6	81	110	125	125	125	125	610
RAM	66	90	90	90	116	116	502
ESSM	53	104	89	89	73	94	449
MK 48 HWT	0	0	8	19	31	47	105
MK 48 HWT MODS	108	44	40	44	52	51	231
MK 54 LWT MODS	215	150	216	216	216	216	1,014
LCS SSMM	0	0	0	0	200	200	400
Aircraft Weapons							
AIM-9X	225	167	215	212	201	200	995
AMRAAM	44	0	138	154	233	274	799
JSOW C	212	200	200	0	0	0	400
AARGM	108	116	138	296	356	358	1,264
HELLFIRE*	616	0	0	0	0	0	0
SOPGM*	59	14	3	3	3	3	26
Maverick*	500	0	0	0	0	0	0
JAGM	0	0	0	0	0	189	189
OASUW	0	0	0	30	40	40	110
SDB II	0	0	0	90	750	750	1,590

*FY14 OCO included: 270 Hellfire, 500 Laser Maverick and 9 SOPGM

Source: US Navy, DEPARTMENT OF THE NAVY FY 2015 PRESIDENT'S BUDGET, Rear Admiral William K. Lescher, USN, Deputy Assistant Secretary of the Navy for Budget, March 4, 2014, p. 11.

US Marine Crops Procurement Plans

Major Combat Systems ($M)	FY13	FY14	FY15
Weapons and Combat Vehicles			
AAV PIP	16	32	17
Mod Kits (Armor/Weapons)	34	38	22
Weapons and Combat Vehicles	17	20	7
LAV PIP	26	6	78
Guided Missiles & Equipment			
Ground Base Air Defense (GBAD)	13	16	31
AAWS-Medium	29	66	0
MOD Kits (Missiles)	42	42	5
G/ATOR	0	0	89
RQ-21	14	67	71
Communications & Electrical Equipment			
Combat Support System	23	3	2
Common Computer Resources	212	109	34
Command Post Systems	33	84	38
Radio Systems	126	64	65
Radar Systems	135	102	20
Intelligence Support Equipment	51	71	44
Support Vehicles			
Commerical Cargo Vehicles	14	31	11
HMMWV	6	1	57
Family of Tactical Trailers	28	23	10
CAC2S	0	0	12
JLTV	0	0	8
Engineers & Other Equipment			
Tactical Fuel Systems	71	22	4
Power Equipment Assorted	69	63	9
Material Handling Equipment	36	37	9
BOD Systems	264	83	7

Source: US Navy, DEPARTMENT OF THE NAVY FY 2015 PRESIDENT'S BUDGET, Rear Admiral William K. Lescher, USN, Deputy Assistant Secretary of the Navy for Budget, March 4, 2014, p. 12.

US Air Force Procurement Plans I

($B)	FY14 Enacted	FY15 PB	Delta
Aircraft Procurement	10.3	11.5	1.2
Missile Procurement	3.8	3.8	0.0
Ammunition Procurement	0.7	0.7	0.0
Other Procurement	1.9	2.6	0.7
Total *Numbers do not add due to rounding	$16.8	$18.5	$1.9

Funds top procurement programs, sustains space capabilities & maintains munition inventories

	FY14	FY15
Aircraft	$ Millions	
F-35A	$3,319	$4,269
KC-46A	-	$1,582
C-130J MYP	$1,732	$1,283
Space		
SELC	$559	$750
EELV	$808	$631
SBIRS	$525	$451
AEHF	$328	$299
Munitions		
JASSM	$271	$337
JDAM	$179	$101
AIM-9X	$108	$140

Aircraft:
- Funds first production lot of 7 KC-46 Tanker aircraft
- Maintains stable production ramp for F-35As (26 a/c); will increase to 60 a/c by 2018
- Preserves C-130J Multi Year Procurement; procures 13 a/c supporting SOF & mobility

Space:
- Space Expendable Launch Capability (SELC): Reflects funding required to support launch and acquisition of National Security Space launch vehicles
- Reflects Evolved Expendable Launch Vehicle (EELV) newly negotiated contract savings
- Sustains Efficient Space Procurement strategy for AEHF & Space Based Infrared System

Munitions:
- Increases quantity of Joint Air to Surface Standoff Missiles with extended range (JASSM-ER)
- Maintains min sustainment rates for Advanced Medium-Range Air-to-Air Missile & AIM-9X

Other:
- Funds C2 capability for network infrastructure, communication for STRATCOM HQ and replaces end of life distributed common ground systems

Source: US Air Force, FY2015 Budget Overview PPT, SAF/MFB, March 2014, p. 13.

US Air Force Procurement Plans - II

Major Procurement Quantities [3]	FY14	FY15		FY14	FY15
Aircraft	58	58	**Space**	7	4
F-35A Lightning II	19	26	EELV	5	3
KC-46 Tanker	-	7	GPS III	2	1
MC-130 Recapitalization	4	2	**Weapons**	8,688	4,229
MQ-9A Reaper	20	12	JDAM	7,536	2,973
CV-22B Osprey	3	-	AGM-114 Hellfire	413	283
HC-130 Recapitalization	1	4	AIM-9X Sidewinder	225	303
C-130J Super Hercules	6	7	AIM-120D AMRAAM	183	200
AC-130 Recapitalization	5	-	AGM-158 JASSM	187	224
			Small Diameter Bomb II	144	246

Procurement TOA ($M)	FY14 Enacted	FY15 PB
Aircraft	10,303	11,473
Missiles	3,787	3,803
Ammunition	730	677
Other Procurement	1,948	2,590
Blue Total	**16,768**	**18,544**
Non-Blue	15,236	14,933
Air Force Procurement TOA Total	**32,005**	**33,476**

Source: US Air Force, FY2015 Budget Overview, SAF/MFB, March 2014, pp. 4 & 16.

US Air Force Procurement Activity - I

The FY 2015 budget request grows over the FY 2014 enacted level, primarily due to the initial procurement of the KC-46 (7) aircraft and an increase of quantity of the F-35 (26). To defend against a potential high-end threat in 2023 we shifted our priority from legacy modernization to recapitalizing capabilities.
The FY 2015 budget request supports vital systems across multiple Air Force core missions. Key air superiority initiatives include procurement of 26 F-35s, modifications of the F-22 Raptor sustainability and structural upgrades, and radar upgrades on the F-15 Eagle fleet. Global Integrated ISR is supported with procurement of 12 MQ-9 Reapers and continuation of the RQ-4 Block 30.

Rapid Global Mobility investment funds the tanker fleet recapitalization effort by purchasing the first seven KC-46 Tankers in FY 2015 which will provide multi-point refueling capability, and supports replacement of the C-5 Galaxy Core Mission Computer (CMC) and weather radar. The Air Force will leverage resources across services with funding committed to the C-130 multi-year procurement (MYP) strategy. This supports the acquisition of seven C-130J Super Hercules in support of Global Mobility, four HC-130 in support of Personnel Recovery, and two MC-130s in support of Special Operations. Global Strike initiatives include fleet-wide upgrades to B-52 communication capabilities. Finally, the Air Force will invest in Command and Control (C2) which includes mission systems modifications to the E-3 Airborne Warning and Control System (AWACS).

The Missile Procurement appropriation funds acquisition and modification of missiles, spacecraft, launch vehicles, spare parts, and support equipment. In FY 2015 the Air Force will continue the Evolutionary Acquisition for Space Efficiency/Efficient Space Procurement approach for a fixed price block buy of Advanced Extremely High Frequency (AEHF) satellite vehicles 5 and 6 and Space-based Infrared System (SBIRS) Geosynchronous Earth Orbit (GEO) 5 and 6. The FY 2015 budget request includes a cost-saving acquisition approach for Air Force funded medium and intermediate classes of EELV. In addition, the Air Force plans to procure one GPS III satellite and continue funding key modernization efforts within the Minuteman III program, continuing to deliver safe and secure nuclear capabilities.

A key part of the contested environment solution for future conflicts is the procurement of modern munitions for air superiority and preferred air-to-ground missiles. The Air Force plans to procure 303 AIM-9X Sidewinder Air-to-Air missiles; 200 AIM-120D Advanced Medium-Range Air-to-Air Missiles (AMRAAM); 104 Joint Air-to-Surface Standoff Missile-Extended Range (JASSM-ER) missiles; 283 Hellfire missiles; and 246 Small Diameter Bomb (SDB) II which sustains the Air Force's capability to provide air dominance and global precision attack capabilities.

Source: US Air Force, FY2015 Budget Overview, SAF/MFB, March 2014, pp. 17-18.

US Air Force Procurement Activity - II

The Ammunition Procurement appropriation funds procurement, production, and modification of ammunition. The portfolio primarily supports the Global Precision Attack core function and includes ammunition, bombs, flares, fuses, cartridges, and related training devices. The Air Force will procure munitions to maintain War Reserve Materiel (WRM) quantities and test and training stockpiles which include 2,973 Joint Direct Attack Munitions (JDAM); general purpose bombs; practice bombs; and rockets.

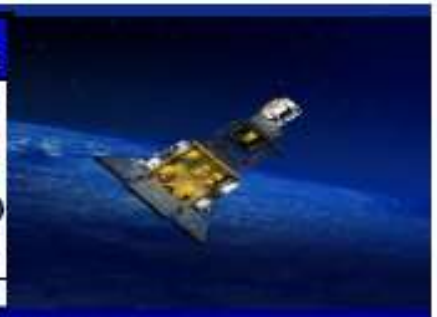
Readiness is supported through the acceleration of funding for advanced Airfield Damage Repair capabilities to Pacific Air Force airfields in Guam and Japan, which address runway denial threats from possible adversaries. The FY 2015 budget request supports our major installations by funding critical vehicle shortfalls in heavy construction equipment. The space superiority core function is supported through the modernization and recapitalization of the Air Force Network of Systems. This effort includes network systems and sub-system hardware and software that respond to obsolescence issues and evolving cyber threats.

The key to Global Integrated ISR is modernization of end-of-life Distributed Common Ground Systems, which provide a network backbone for time-critical intelligence data. C2 is supported by the fit-out requirements for the new United States Strategic Command (USSTRATCOM) Headquarters facility. USSTRATCOM is tasked to provide strategic deterrence, space operations, and cyberspace operations in our nation's defense. The new headquarters facility is integral in USSTRATCOM accomplishing their mission objectives, which requires significant command and control capabilities. The FY 2015 request funds a secure infrastructure to provide a High-Altitude Electromagnetic Pulse Shielded Command and Control Center; mainframe computer data centers; storage and maintenance areas; multiple 24/7 mission operations centers; and the necessary infrastructure to provide reliable secure and non-secure voice, data, and video to the command.

Source: US Air Force, FY2015 Budget Overview, SAF/MFB, March 2014, pp. 19-20.

US Air Force RDT&E Plans - I

($B)	FY14 Enacted	FY15 PB	Delta
Basic Research	0.5	0.5	0.0
Applied Research	1.1	1.1	0.0
Adv Technology Dev	0.6	0.6	0.0
Demonstration/Validation	0.8	1.4	0.6
Engineering Manufacturing Dev	4.5	3.3	(1.2)
RDT&E Management Support	1.1	1.2	0.1
Operational System Dev	7.2	7.9	0.7
Total	$16.0	$16.0	$0.0



Prioritized new capabilities over upgrading legacy platforms

Program Highlights
($ in millions)

	FY14	FY15
LRS-B	$359	$914
KC-46A	$1,559	$777
T&E	$852	$853
F-35A EMD	$629	$563
SBIRS EMD	$322	$320
S&T	$2,308	$2,129
AEHF	$266	$314
GPS III-OCS	$373	$300
F-15E Sq	$234	$262
RQ-4 UAV	$120	$245

Preserves top three recapitalization programs:

- Sustains design/development of LRS-B
- Maintains developmental & operational testing for F-35A's Blk 2B & Blk 3F mods
- Continues KC-46A development and test supporting 1st flight

Invests in future technology & capabilities:

- Minimizes reductions to Science & Technology and Test & Evaluation activities
- Begins next generation JSTARS; re-enforces commitment to joint and global C2
- Funds RQ-4 viability, reliability, and sensor improvements
- Starts T-X, Primary Fighter Trainer, program to recapitalize T-38C

Made affordability tradeoffs across the FYDP:

- Delays delivery of B-2 Defensive Management System Modification
- Extends delivery of Space Based Space Surveillance follow-on by a year

Source: US Air Force, FY2015 Budget Overview PPT, SAF/MFB, March 2014, p. 12.

US Air Force RDT&E Plans - II

RDT&E Largest Programs ($M)	FY14 Enacted	FY15 PB
Long Range Strike - Bomber	359	914
KC-46	1,559	777
Test and Evaluation Support	723	690
F-35	628	563
SBIRS High Engineering and Manufacturing Development	322	320
Defense Research Sciences	373	314
AEHF Military Satellite Communications (MILSATCOM)	266	314
GPS III - Operational Control Segment	373	300
F-15E Squadrons	234	262
RQ-4	120	245
Totals	**4,958**	**4,698**

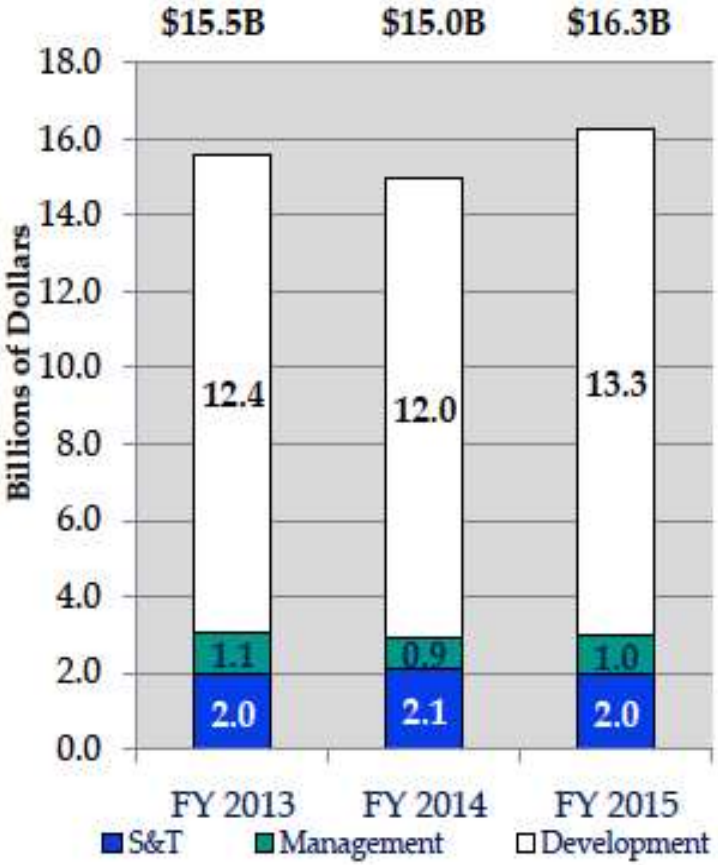
The FY 2015 request protects RDT&E efforts of our Top 3 programs (KC-46A, F-35 and Long Range Strike-Bomber) while reducing or deferring investments in other areas. Each of our Top 3 programs is approaching important events critical to meeting its milestone criteria. Our strategic budgetary approach re-enforces our senior leaders' direction to focus investment on recapitalization over modernization in the near-term, and provide Air & Space Superiority, Global Reach and Global Strike by 2023. The FY 2015 budget request funds KC-46A development and testing. This development effort, supporting Rapid Global Mobility, will convert commercial 767 aircraft into airframes with military capability. Funding also maintains development and operational testing for F-35 Block 2B, which includes initial warfighting capabilities, and Block 3F, which provides full warfighting capabilities. To ensure we maintain and exploit our technological advantage, we kept our investments in Science & Technology and Test & Evaluation activities level. Additionally, this budget also begins efforts to explore replacement options for the Joint Surveillance Target Attack Radar System (JSTARS) aircraft. We expect the replacement to provide improved capabilities with more advanced sensors at substantially reduced costs in the future.

In addition, we have allocated funds to replace our aging T-38C fleet and ground based training systems. Our choices to invest in the aforementioned programs required us to take some calculated risk by delaying delivery of B-2 Defensive Management Systems-Modernization (DMS-M) and delaying delivery of Space-Based Surveillance System (SBSS) follow-on by one year.

RDT&E funding also supports such programs as Space Fence, GPS, as well as Minuteman III ICBM modernization projects ensuring future viability of the nation's nuclear deterrence operations. The table below summarizes the major developments funded in this request.

Source: US Air Force, FY2015 Budget Overview, SAF/MFB, March 2014, pp. 22-23.

US Navy R&D and Investment Plans



CH-53K Stallion

Electromagnetic Railgun

Major Systems ($M)	FY13	FY14	FY15
Aviation			
Joint Strike Fighter (F-35)	1,281	856	1,029
CH-53K	536	462	573
Executive Helo Development	46	94	588
Shipbuilding			
Ohio Replacement Program	506	1,081	1,219
Virginia Class SSN	81	122	205
AMDR	194	125	145
CVN 78	158	148	123
Surface Ship Torpedo Defense	84	86	53
Unmanned			
MQ-4C Triton	613	575	498
UCLASS	99	122	403
NUCAS - D	128	21	36
USMC			
Amphibious Combat Vehicle	83	123	106
G/ATOR	70	78	99

- JSF: Maintains STOVL IOC in FY 2015 and CV IOC in FY 2019.
- Ohio Replacement: Supports start of construction in 2021.
- UCLASS: Supports operational capability in 2021.
- Executive Helo: Supports start of SDD with Milestone C scheduled for FY 19.

Source: US Navy, DEPARTMENT OF THE NAVY FY 2015 PRESIDENT'S BUDGET, Rear Admiral William K. Lescher, USN, Deputy Assistant Secretary of the Navy for Budget, March 4, 2014, p. 13

Readiness vs. Going Hollow

Gradually Restore Ready Force: O&M Grows 3.1%/yr

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

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 8.

Going Hollow Through FY2014

- **The Army produced just 2 of 43 active duty brigade combat teams fully ready and available to execute a major combat operation. During FY 2013, the Army was forced to cancel full-spectrum training for seven brigade combat teams. It takes 1 year to build full readiness for unified land operations.**
- **The Navy's average global presence was down about 10 percent from normal levels with fewer ships patrolling the waters.**
- **Only 50 percent of non-deployed Marine units were at acceptable readiness levels.**
- **Air Force was forced to stand-down 13 combat units for several months due to the FY 2013 sequester. In addition to standing down combat units, the Air Force cancelled Red Flag training events, ultimately affecting 20 U.S. and coalition squadrons. It will take at least 3 to 6 months to recover to already low readiness levels and will inflict lasting institutional impacts.**
- **Because Special Operations Forces (SOF) depend on conventional forces to provide enabling and logistics support for training and operational force packaging, degraded readiness across the Services began to directly impact SOF training and readiness.**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 3-2.

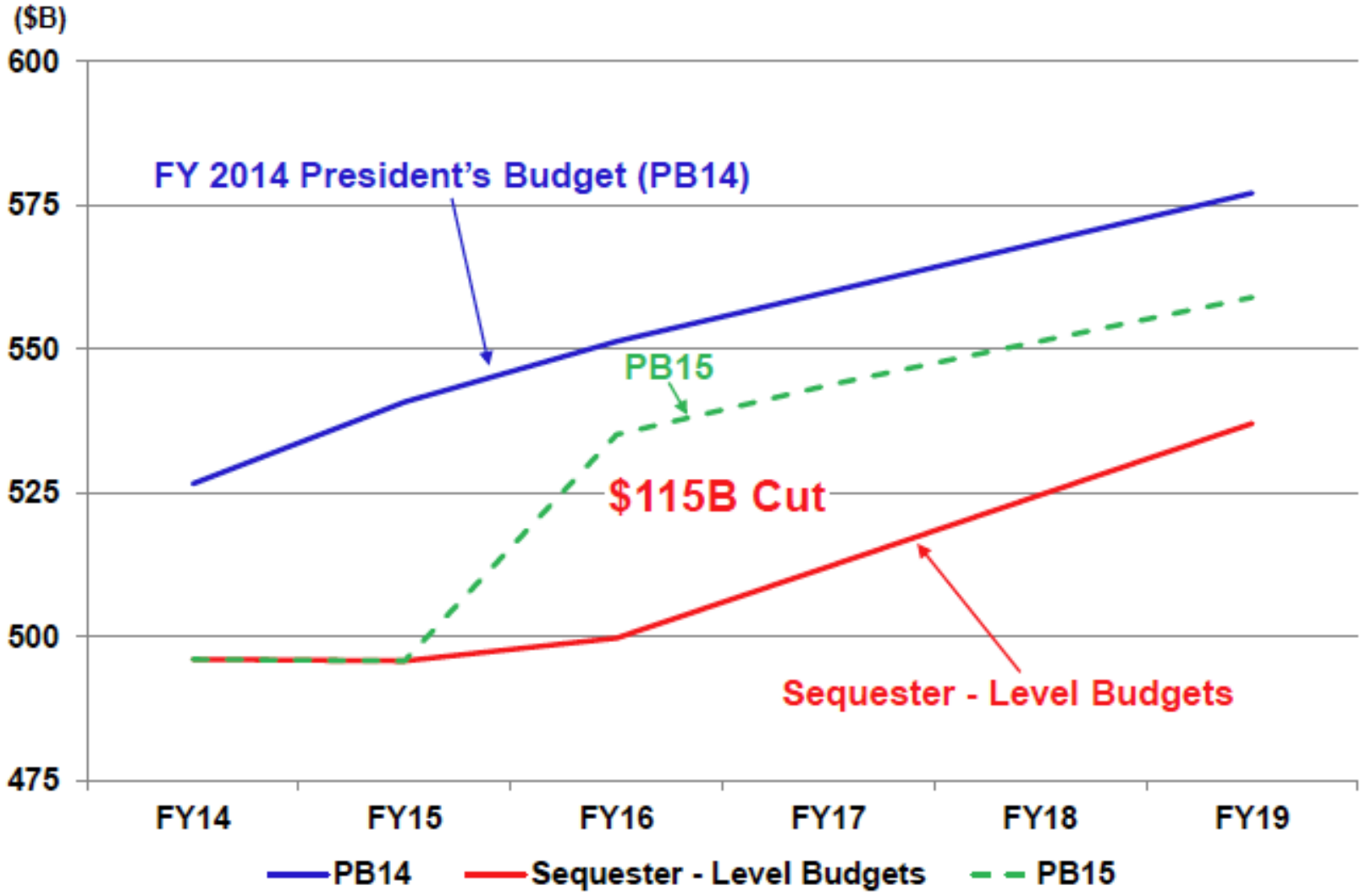
Gradually Restore Ready Force: O&M Grows 3.1%/yr

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

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 8.

Fighting Sequestration, but Well Below FY2014 Challenge

President's FY 2015 DoD Topline Request Versus FY2014 Request and Sequestration Level



Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 15.

Impact of Cutting FY2015 Request to Sequestration Level

- ***Topline down $115B in FY 2015 – FY 2019***

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

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 16.

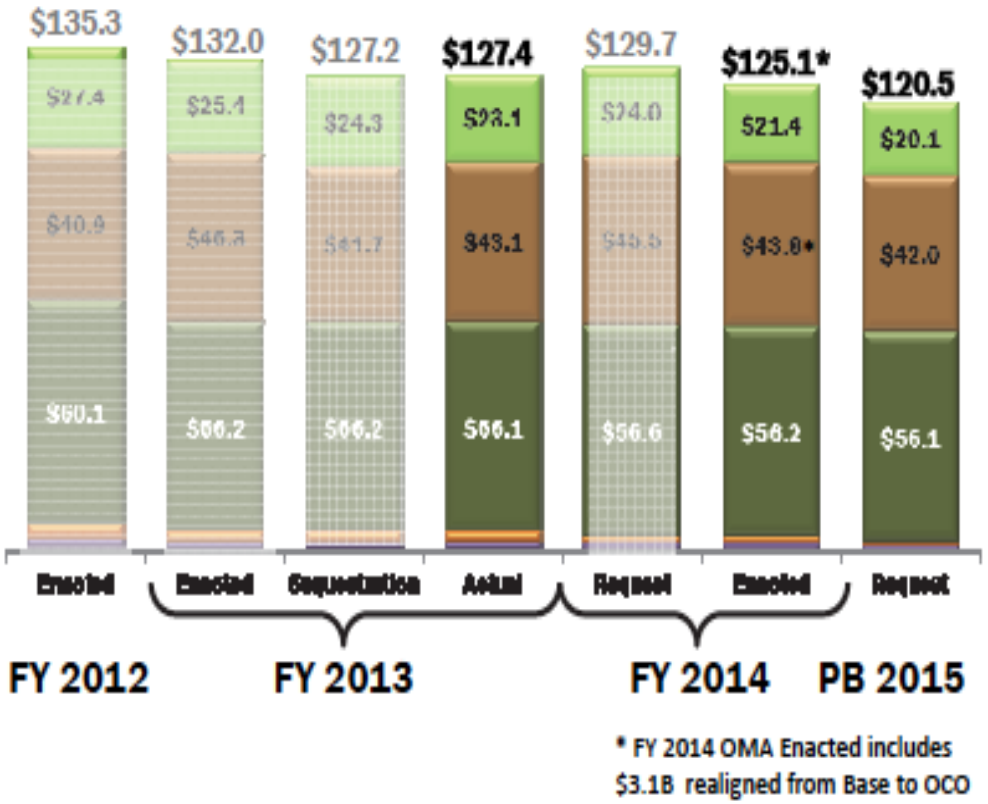
Impact of Cutting FY2015 Request to Sequestration Level on Military Manpower and Carriers

	Planned End FY 2014	Planned End FY 2015	Goals w/o Sequester End FY 2019	Δ% FY19/FY14
Active end strength	1,345K	1,309K	1,264K	-6%
Guard/Reserve end strength	831K	821K	798K	-4%
Civilian full-time equivalents	791K	782K	751K	-5%

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

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. 9, 11.

Pressure on Army Without Cuts to Sequestration Level



* FY 2014 OMA Enacted includes $3.1B realigned from Base to OCO

FY13:

- Budget reductions cut $7.6B from enacted levels
  - Overcame OCO shortfall late in year through reprogramming actions
  - Cancelled CTC rotations and prioritized training resources
  - Civilian furlough and hiring freeze
  - Deferred maintenance and facility sustainment
  - Every investment program impacted

FY14:

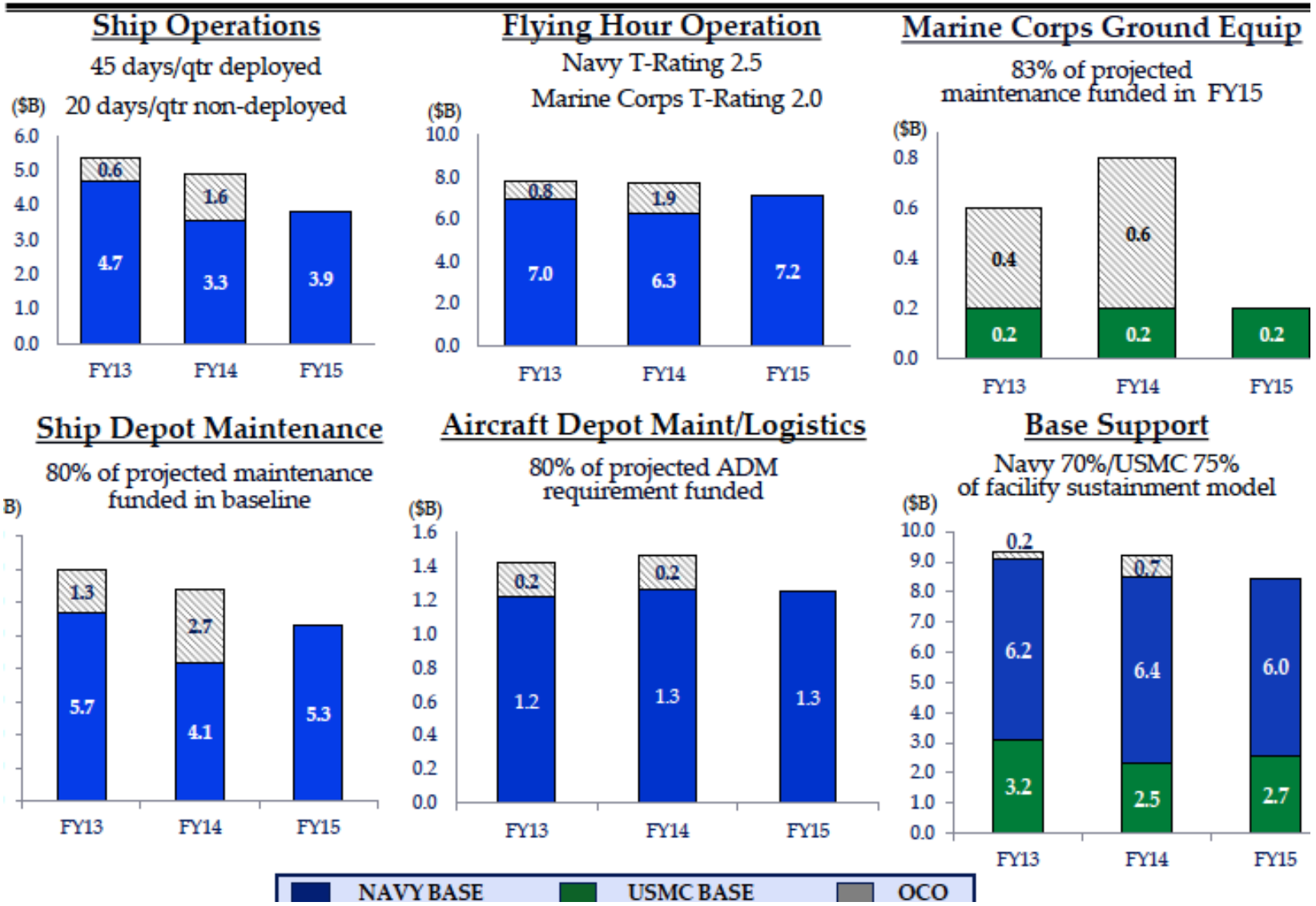
- Budget reductions cuts $7.7B from the PB request
  - Beginning to build back lost readiness – CTC Rotations
  - Risk incurred in modernization and construction

Research, Development, & Acquisition
Operation & Maintenance
Military Personnel
Military Construction, Family Housing, & BRAC
Other (CAMD, AWCF, JIEDDO, & ANC)

Source: US Army FY2015 Budget Overview, March 2014, pp. 5.

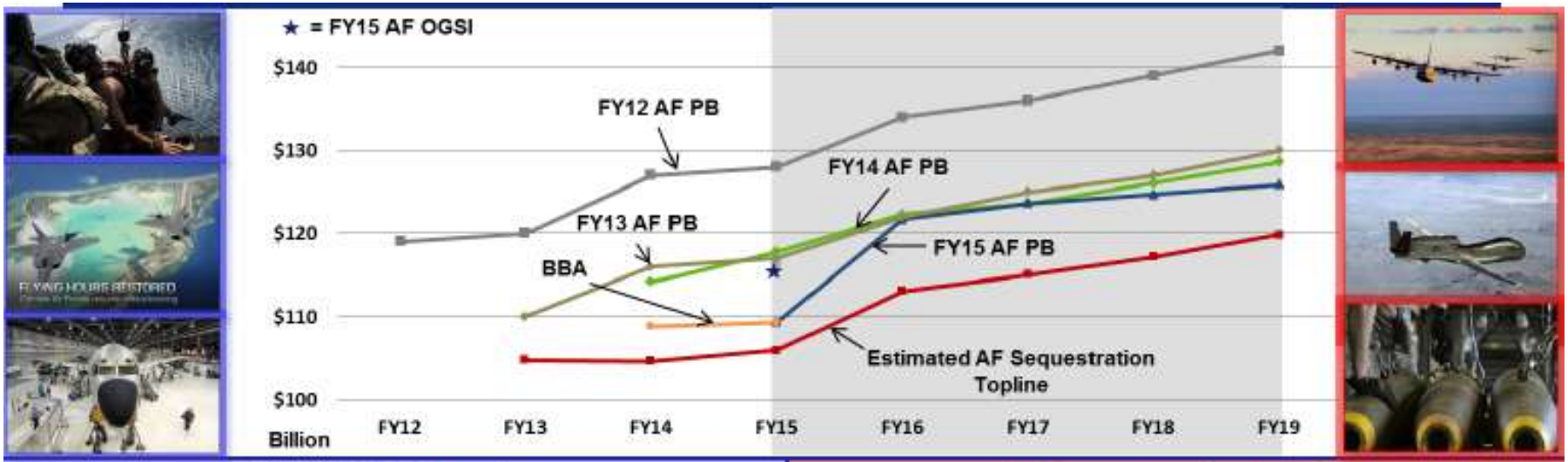
Limits to Navy Readiness Without Cuts to Sequestration Level

FY15 Baseline Readiness Metrics



Source: USNF FY2015 Budget Overview, March 2014, pp. 8.

Impact of Cutting FY2015 Request to Sequestration Level on the US Air Force



At FY15 PB Levels:

- Still required to make strategic choices
  - Fleet divestitures (e.g. A-10)
  - Force Management Programs
- Maintains Flying Hours and WSS funding to continue on gradual path to recovery of full-spectrum readiness
- Supports readiness components: ranges, simulators, exercises (Red Flag), training pipeline (weapons school)
- Protects investments in Primary Fighter Trainer (T-X) and the next generation of Space Based Systems (e.g., AEHF, SBIRs, Space Fence, Weather System Follow-on)
- Preserve top recapitalization programs (KC-46A, F-35A, LRS-B)
- Accelerates munitions inventory recovery

Sacrifices capacity to meet minimum capability requirements

At Sequestration Levels:

- Reduces tanker and ISR capacity
  - Divests KC-10A and RQ-4 Block 40 fleets
  - Reduces steady state ISR orbits (to 45)
- Reduces investment in new capability:
  - KC-46A, F-35As & MC-130J
  - Cuts S&T funding and investment in new jet engine tech
  - Halts radar, ISR sensor, comm modernization programs
- Slows readiness recovery due to cuts in WSS/ranges
- Compounds existing facility erosion
- Defers even more legacy fighter modification
- Stalls munitions stockpile recovery, reducing ability to meet national defense requirements

Less ready, less capable, less viable… unable to fully execute defense strategy

Source: USAF FY2015 Budget Overview, March 2014, p 7,.

Efficiency vs. Cost Escalation:

More than Equal to the Impact of Sequestration

Six Fiscal Years of Cuts & Good(?) Intentions

The FY 2015 budget continues the reform agenda advanced in the previous five budgets, but with greater emphasis on contracting and other efficiencies:

- **FY 2010 budget: Focused on weapons programs, e.g., terminating F-22 fighter production and the VH-71 Presidential helicopter.**
- **FY 2011 budget: Again focused on weapons programs, e.g., ended C-17 production and stopped pursuit of a second engine for the Joint Strike Fighter.**
- **FY 2012 budget: Much more focus on DoD business operations, but plans included some changes in weapons programs. Also proposed military health care changes.**
- **FY 2013 budget: Continued focus on DoD business operations, overhead activities and support functions.**
- **FY 2014 budget: Continued focus on more effective use of resources, with greater emphasis on weapons programs and Military Construction.**
- **FY 2015 plan: More focus on contracting efficiencies, controlling health care costs and reducing management headquarters.**

Many of these efficiencies have been reinvested into higher priority military programs. Others have been used to accommodate lower defense budgets.

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 4-1.

DoD's ~~Dream~~ *Fantasy* of Major New Efficiency Savings = $94B

$94B during FY2015 to FY 2019

Cumulative total of $339 Billion in Efficiency savings in FY2012 to FY2015 budget proposals

PB15 five-year efficiency savings total about $94B

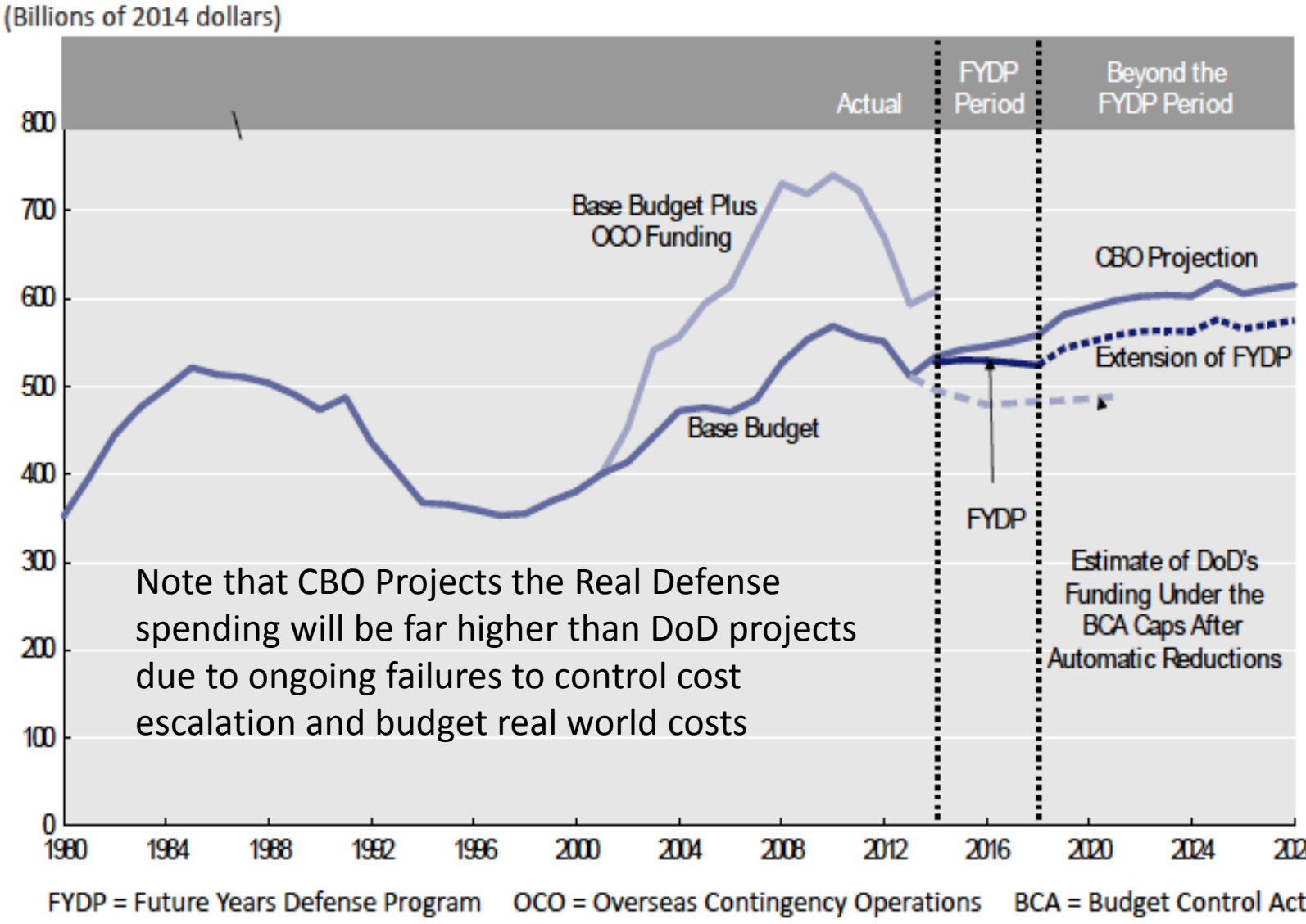
- **Key initiatives 20% cut in headquarters operating budgets**
  - **Reduction in contractor funding**
  - **Civilian manpower restructuring**
  - **Health care cost savings**
  - **Terminating/deferring weapons programs and military construction projects**
  - **BRAC round in 2017 (long-term savings)**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

These are in addition to past plans that are being implemented

- **FY 2012: $150B in FY12 – FY16**
- **FY 2013: $ 60B in FY13 – FY17**
- **FY 2014: $ 35B in FY14 – FY18**

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. 1.4.

CBO Projection of Real Defense Spending Based on FY2014 Budget



Impact of DoD Cost Escalation and Gap Between DoD Underestimates and Historical Reality

	Real Growth for 2013–2021 (Percent)		Increase in Costs Between 2013 and 2021 (Billions of 2013 dollars)	
	Under CBO's Cost Projection[a]	Under FYDP-Based Cost Projection[b]	Under CBO's Cost Projection[a]	Under FYDP-Based Cost Projection[b]
Military Compensation				
Cash compensation	12	5	11.9	5.4
Housing and other	8	1	2.2	0.3
Health care	68	26	26.4	10.0
Total	24	9	40.5	15.7
Acquisition				
Science and technology	24	23	2.8	2.7
Major weapon systems	34	16	36.0	17.5
Other acquisition	-5	-5	-2.8	-3.1
Total	20	10	36.0	17.1
Operations				
General operations	3	2	3.9	2.9
Civilian compensation	13	6	7.9	3.3
Total	7	4	11.8	6.2

Source: Congressional Budget Office.
Notes: Shaded subcategories together account for 90 percent of cost growth from 2013 through 2021.
DoD = Department of Defense; FYDP = Future Years Defense Program.
a. CBO's cost projection of DoD's base budget is based on cost factors and growth rates that reflect the department's actual experience and Congressional action in recent years.
b. The FYDP-based cost projection is based on cost assumptions underlying DoD's 2013 FYDP and on CBO's extrapolation of those figures from 2018 through 2021. From 2013 to 2017, the projection equals the FYDP totals.

…more than 90 percent of the estimated growth in costs arises in four particular areas: military cash compensation, military health care benefits, the acquisition of major weapon systems, and civilian compensation (see Table 2-2). Efforts to limit cost growth could have the most impact in those areas.

Source: CBO," Approaches for Scaling Back the Defense Department's Budget Plans," March 2013, p. 15

Cost Escalation Could Double the Impact of Sequestration - II

(Billions of dollars)

	DoD's Estimated Funding Under the BCA After Automatic Reductions[a]	Costs Under CBO's Cost Projection[b]		Costs Under the FYDP-Based Cost Projection[c]	
	Annual Average	Annual Average	Reduction to Satisfy the BCA (Percent)	Annual Average	Reduction to Satisfy the BCA (Percent)
			Nominal Dollars		
2013 to 2017	491	567	13	545	10
2018 to 2021	544	669	19	617	12
2013 to 2021	514	612	16	577	11
			2013 Dollars[d]		
2013 to 2017	476	550	13	529	10
2018 to 2021	487	598	19	552	12
2013 to 2021	481	572	16	539	11

Note: DoD = Department of Defense; BCA = Budget Control Act of 2011 as amended by the American Taxpayer Relief Act of 2012; FYDP = Future Years Defense Program.

a. This estimate is based on the assumption that DoD would receive 95.5 percent of funding made available for national defense. (That figure is based on DoD's average share of that funding from 2002 to 2011.)

b. CBO's cost projection of DoD's base budget is based on cost factors and growth rates that reflect the department's actual experience and Congressional action in recent years.

c. The FYDP-based cost projection is based on cost assumptions underlying DoD's 2013 FYDP (issued in March 2012) and on CBO's extrapolation of those figures from 2018 through 2021. From 2013 to 2017, the projection equals the FYDP totals.

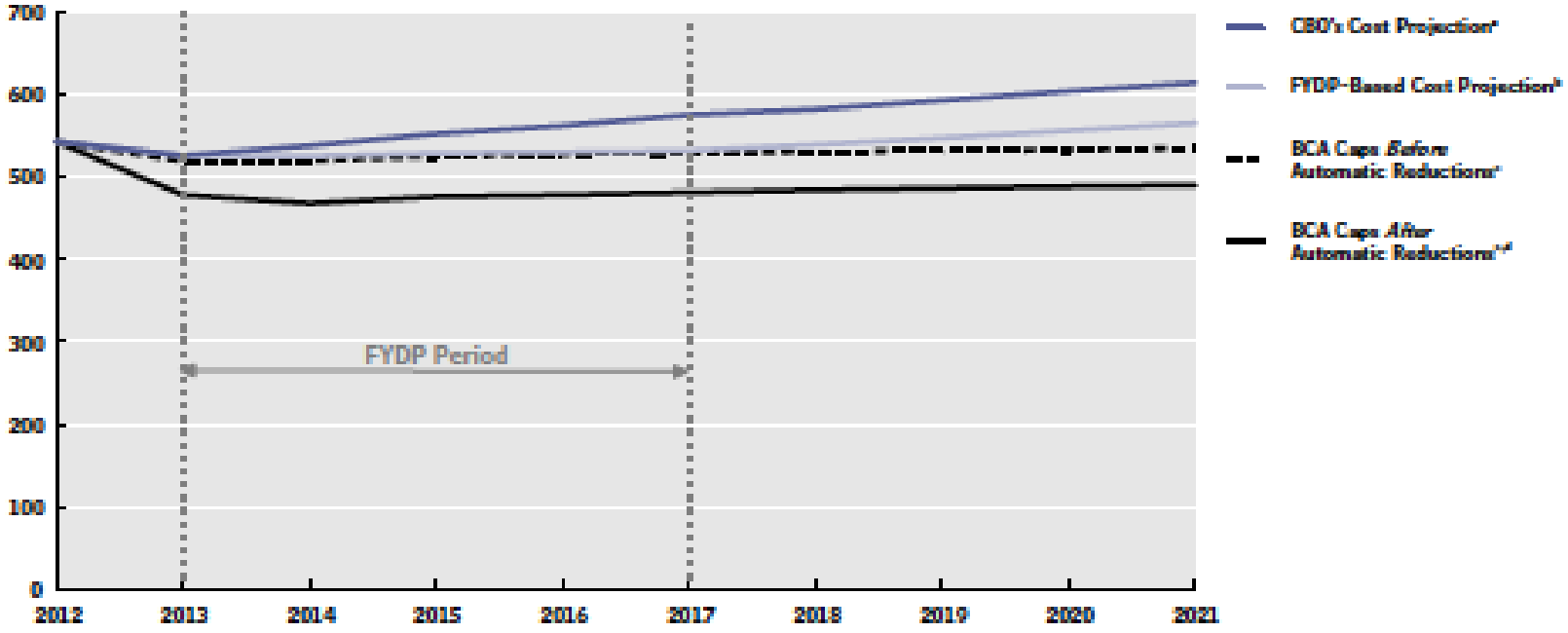
d. Nominal dollars were converted to 2013 dollars using CBO's projection of the gross domestic product price index.

CBO," Approaches for Scaling Back the Defense Department's Budget Plans," March 2013, p. 2

Cost Escalation Could Double the Impact of Sequestration - I

Projected Costs of DoD's Plans Compared with the BCA Caps

(Billions of 2013 dollars)



Note: DoD = Department of Defense; BCA = Budget Control Act of 2011 as amended by the American Taxpayer Relief Act of 2012; FYDP = Future Years Defense Program.

a. CBO's cost projection of DoD's base budget is based on cost factors and growth rates that reflect the department's actual experience and Congressional action in recent years.

b. The FYDP-based cost projection is based on cost assumptions underlying DoD's 2013 FYDP (issued in March 2012) and on CBO's extrapolation of those figures from 2018 through 2021. From 2013 to 2017, the projection equals the FYDP totals.

c. This estimate is based on the assumption that DoD would receive 95.5 percent of funding made available for national defense. (That figure is based on DoD's average share of that funding from 2002 to 2011.)

d. The automatic enforcement provisions do not establish a lower cap in 2013; instead, spending is reduced by sequestering (canceling) funding that has already been appropriated for that fiscal year. The amount shown for 2013 is CBO's estimate of the funding available in DoD's base budget after sequestration.

CBO," Approaches for Scaling Back the Defense Department's Budget Plans," March 2013, p. 3

Impact of DoD Cost Escalation and Gap Between DoD Underestimates and Historical Reality

	Real Growth for 2013–2021 (Percent)		Increase in Costs Between 2013 and 2021 (Billions of 2013 dollars)	
	Under CBO's Cost Projection[a]	Under FYDP-Based Cost Projection[b]	Under CBO's Cost Projection[a]	Under FYDP-Based Cost Projection[b]
Military Compensation				
Cash compensation	12	5	11.9	5.4
Housing and other	8	1	2.2	0.3
Health care	68	26	26.4	10.0
Total	24	9	40.5	15.7
Acquisition				
Science and technology	24	23	2.8	2.7
Major weapon systems	34	16	36.0	17.5
Other acquisition	-5	-5	-2.8	-3.1
Total	20	10	36.0	17.1
Operations				
General operations	3	2	3.9	2.9
Civilian compensation	13	6	7.9	3.3
Total	7	4	11.8	6.2

Source: Congressional Budget Office.
Notes: Shaded subcategories together account for 90 percent of cost growth from 2013 through 2021.
DoD = Department of Defense; FYDP = Future Years Defense Program.
a. CBO's cost projection of DoD's base budget is based on cost factors and growth rates that reflect the department's actual experience and Congressional action in recent years.
b. The FYDP-based cost projection is based on cost assumptions underlying DoD's 2013 FYDP and on CBO's extrapolation of those figures from 2018 through 2021. From 2013 to 2017, the projection equals the FYDP totals.

…more than 90 percent of the estimated growth in costs arises in four particular areas: military cash compensation, military health care benefits, the acquisition of major weapon systems, and civilian compensation (see Table 2-2). Efforts to limit cost growth could have the most impact in those areas.

Source: CBO," Approaches for Scaling Back the Defense Department's Budget Plans," March 2013, p. 15

Soldier Benefits vs. Enough Soldiers

Trying to Bring Military Compensation Under Control

Principles followed:

- **No one's pay and allowances are cut**
- **Fully support All-Volunteer Force •Compensation sufficient to recruit and retain needed personnel**
- **Use savings to pay for training and maintenance**
  - **Major initiatives –Basic pay raise limited to 1% in FY 2015, also limits beyond**
  - **Exception: General Officer/Flag Officer pay frozen in FY 2015**
- **Slow growth in Basic Allowance for Housing until out of pocket averages 5%**
  - **Eliminate renters insurance from Basic Allowance for Housing rates**
- **Reduce commissary subsidy by $1 billion over three years •No direction to close commissaries**
- **Consolidate TRICARE healthcare plans with altered deductible/co-pays**
- **Resubmit previous TRICARE-For-Life and pharmacy proposals •But not previous TRICARE Prime fee increases**

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 64.

FY2015 PB Military Compensation Proposals

(Dollars in billions)

Proposal	FY 2015 Savings	FY15 – FY19 Savings
Modest Military Pay Raises through FY 2019	0.0	3.8
FY 2015 General Officer/Flag Officer Pay Freeze	<0.01	<0.01
Slow BAH Growth	0.4	5.0
Reduce Commissary Subsidy	0.2	3.9
Consolidated TRICARE Health Plan /2	0.8	9.3
Total Compensation Proposal Savings	**1.5**	**22.1**
Travel Efficiencies	0.1	0.7
Total Reform Savings	**1.6**	**22.8**
Less PB14 TRICARE Proposal Savings	-1.7	-10.9
Net Savings /1	**-0.1**	**11.9**

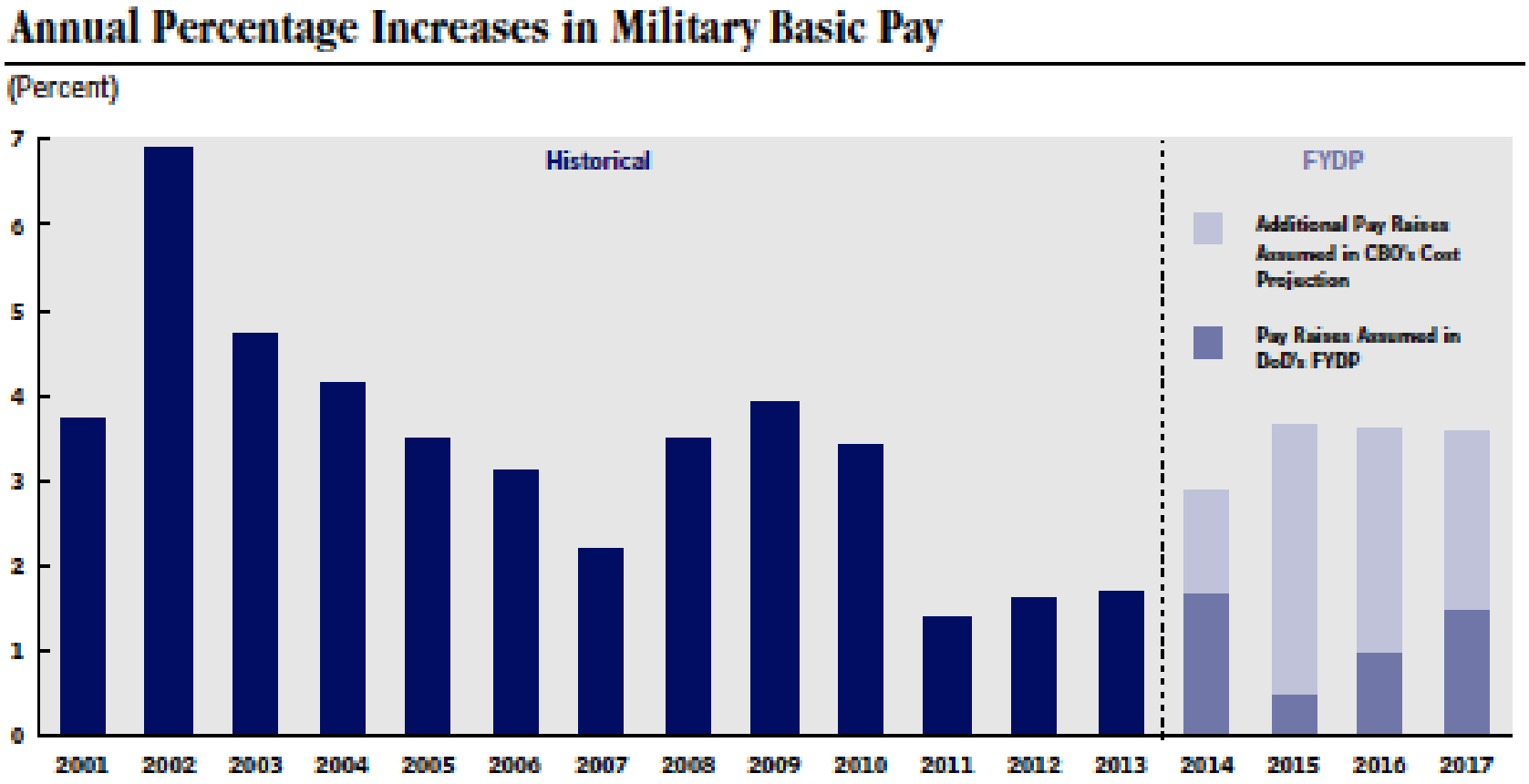
Numbers may not add due to rounding

/1 Savings compared to PB14 program estimates

/2 Includes previously submitted pharmacy co-pay and TRICARE-for-Life (TFL) enrollment fee proposals. Savings compared to current plan costs.

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 5-5.

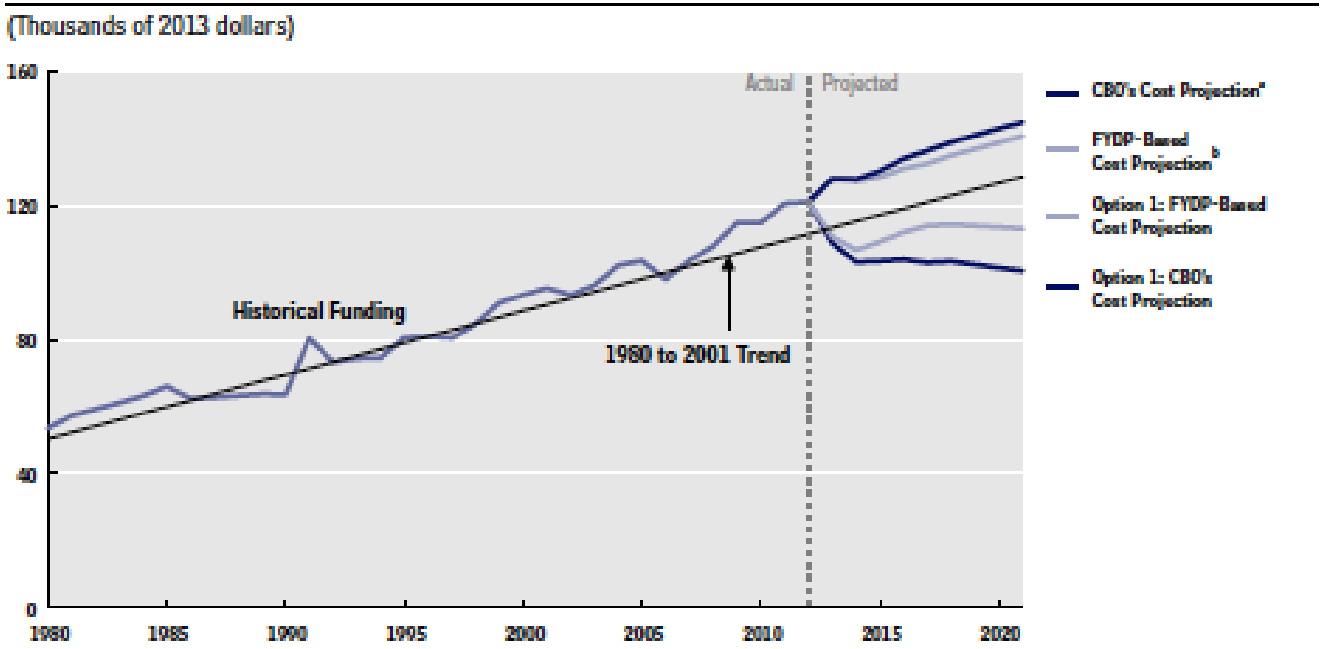
CBO Projection of Annual Increases in Military Basic Pay: 2001-2017



Source: Department of Defense.
Notes: Basic pay is the main (and typically the largest) component of military pay. All service members receive basic pay, the amount of which depends on the member's pay grade—based on military rank—and on the number of years that he or she has served.
DoD = Department of Defense; FYDP = Future Years Defense Program.

Source:" Coasts of Military Pay and Benefits in the Defense Budget," November 2012, p.

CBO Projection of Real Rise in Operations Costs per Active Duty Service Member in Base Budget: 1980-2022

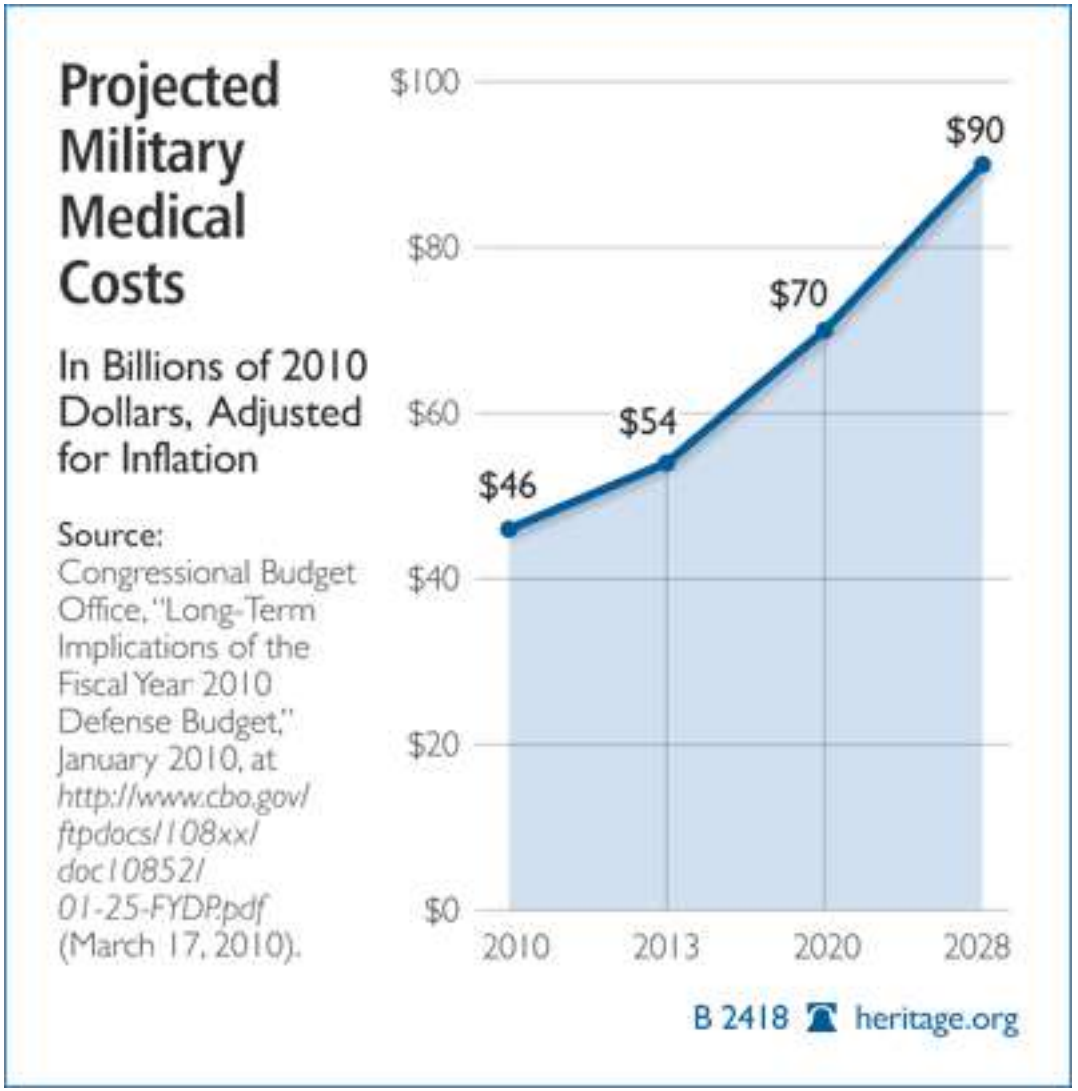


Source: Congressional Budget Office.
Note: DoD = Department of Defense; FYDP = Future Years Defense Program; n.a. = not applicable (because the option does not affect that category).
a. CBO's cost projection of DoD's base budget is based on cost factors and growth rates that reflect the department's actual experience and Congressional action in recent years.
b. The FYDP-based cost projection is based on cost assumptions underlying DoD's 2013 FYDP and on CBO's extrapolation of those figures from 2018 through 2021. From 2013 to 2017, the projection equals the FYDP totals.

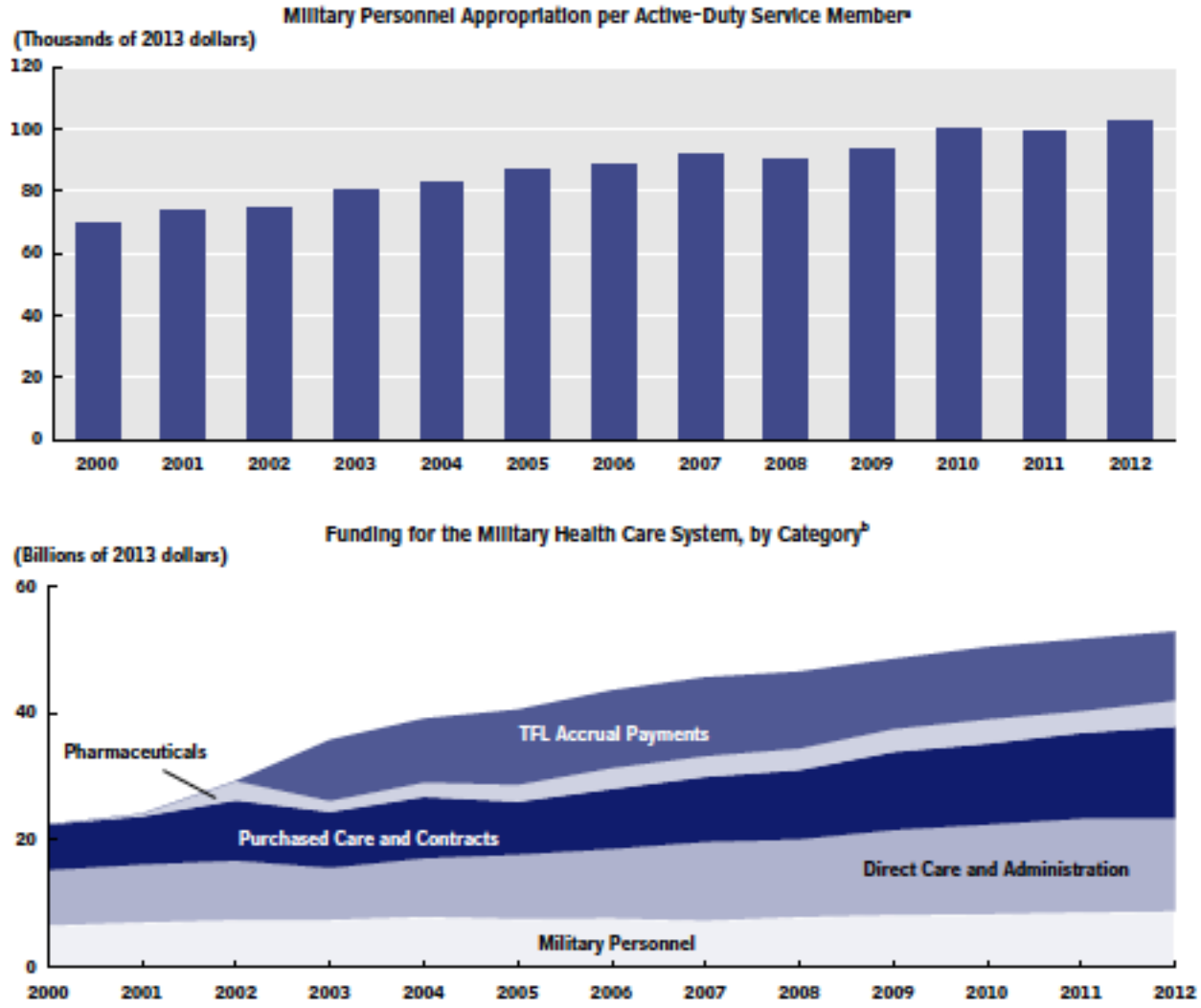
From 1980 to 2001, the last year before the beginning of the conflicts in Afghanistan and Iraq, funding in the operations category of DoD's base budget increased at a roughly constant rate of about $2,000 per active-duty service member per year (after adjusting for inflation). Since 2001, however, operations costs per capita in the base budget have increased by an average of about $2,300 per year. (The large operations costs associated with the wars should be reflected in OCO budgets, not in the base budget.)

Source: CBO," Approaches for Scaling Back the Defense Department's Budget Plans," March 2013, p. 34

Singling Out the Cost of Military Health Care

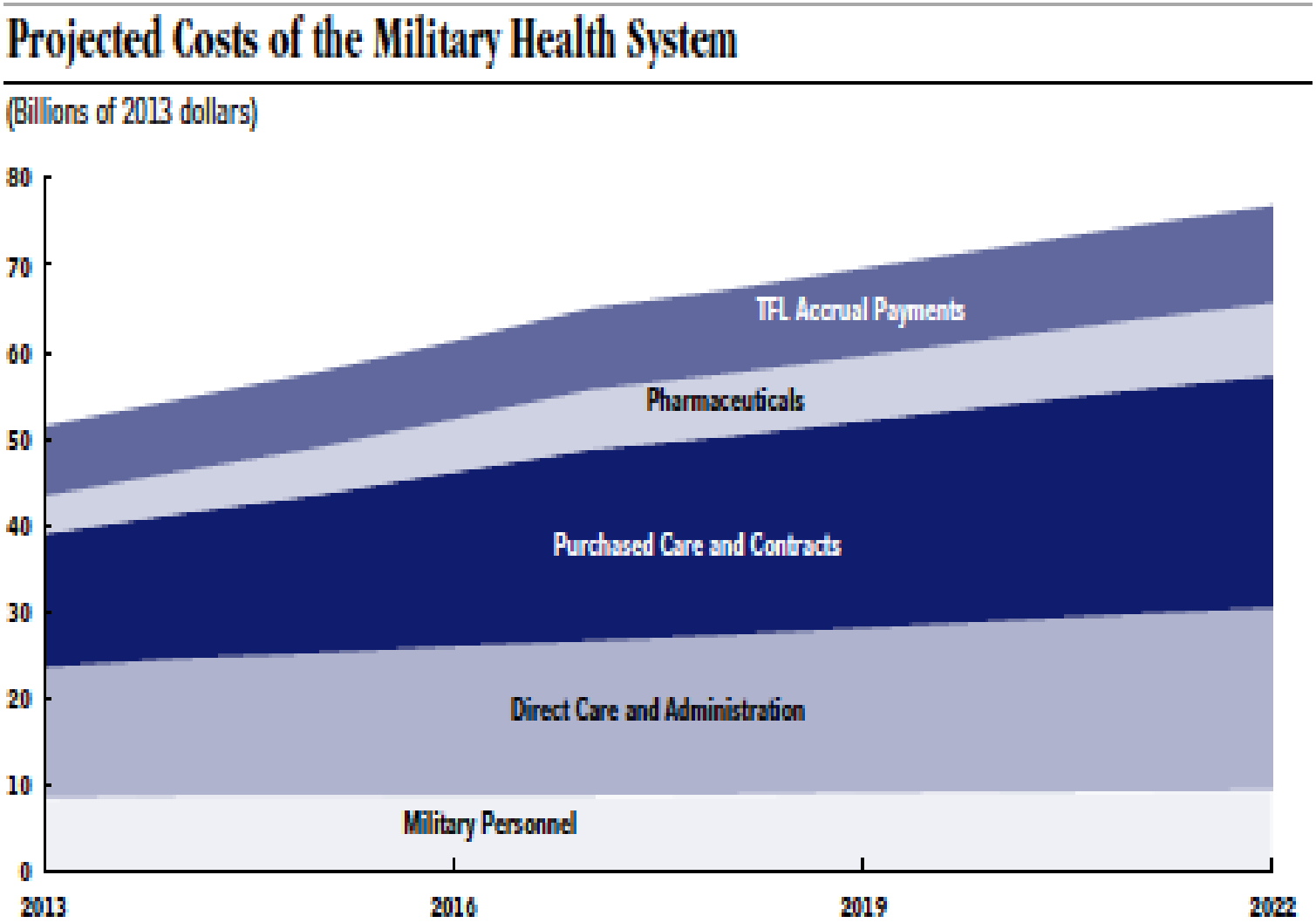

Projected Military Medical Costs
In Billions of 2010 Dollars, Adjusted for Inflation
Source: Congressional Budget Office, "Long-Term Implications of the Fiscal Year 2010 Defense Budget," January 2010, at http://www.cbo.gov/ftpdocs/108xx/doc10852/01-25-FYDP.pdf (March 17, 2010).
$100
$80
$60
$40
$20
$0
$46
$54
$70
$90
2010
2013
2020
2028
B 2418
heritage.org

CBO Estimate of rising cost of Military Health Compensation: 2000-2012



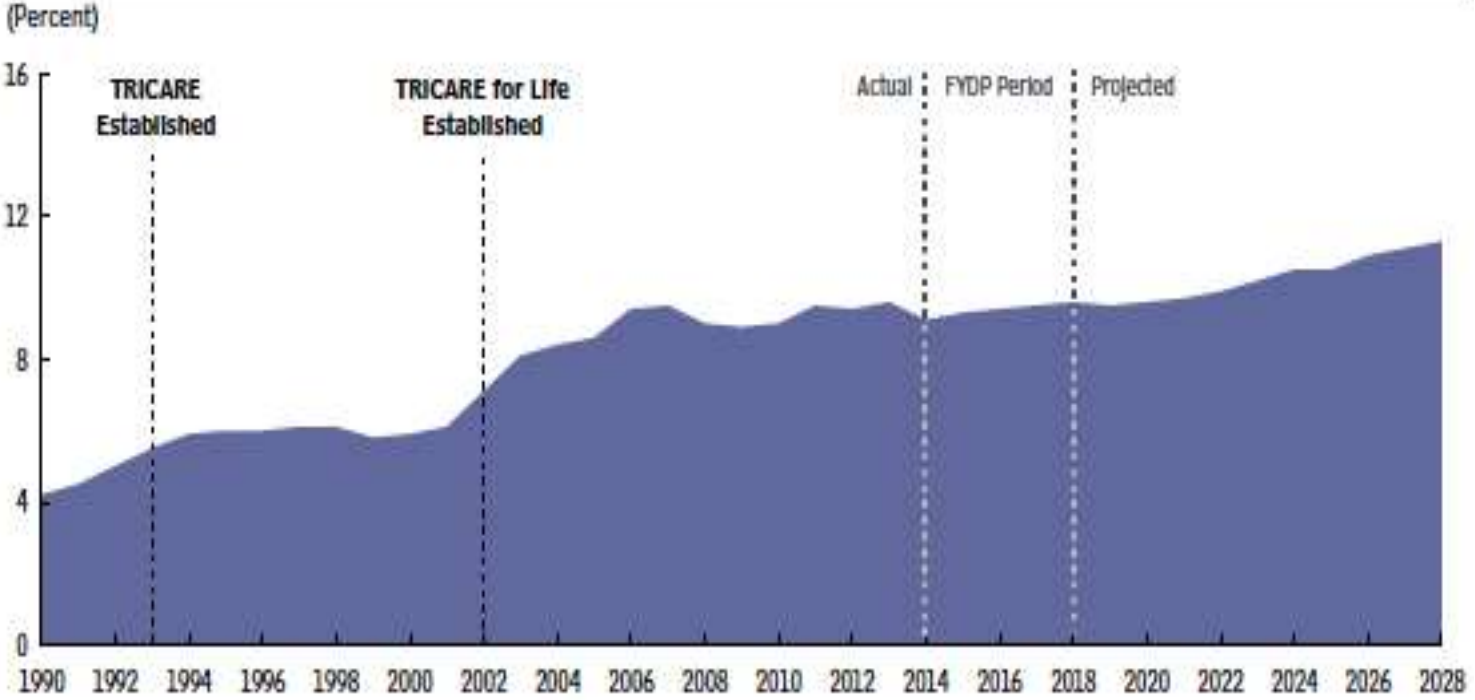
Source:" Coasts of Military Pay and Benefits in the Defense Budget," November 2012, " p. 2

CBO Projection of of Long-Term Cost of Military Health Spending Without Reform & Cost Controls: 2013-2022



Source:" Coasts of Military Pay and Benefits in the Defense Budget," November 2012, p. 34

Actual and Projected Costs for Military Health Care as a Share of DoD's Base Budget, 1990 to 2028



Source: Congressional Budget Office, *Long-Term Implications of the Fiscal Year 2014 Future Years Defense Program* (November 2013), www.cbo.gov/publication/44683.

Notes: In this figure, the FYDP projection spans the five-year period from 2014 through 2018. CBO's projection spans the years 2019 through 2028.

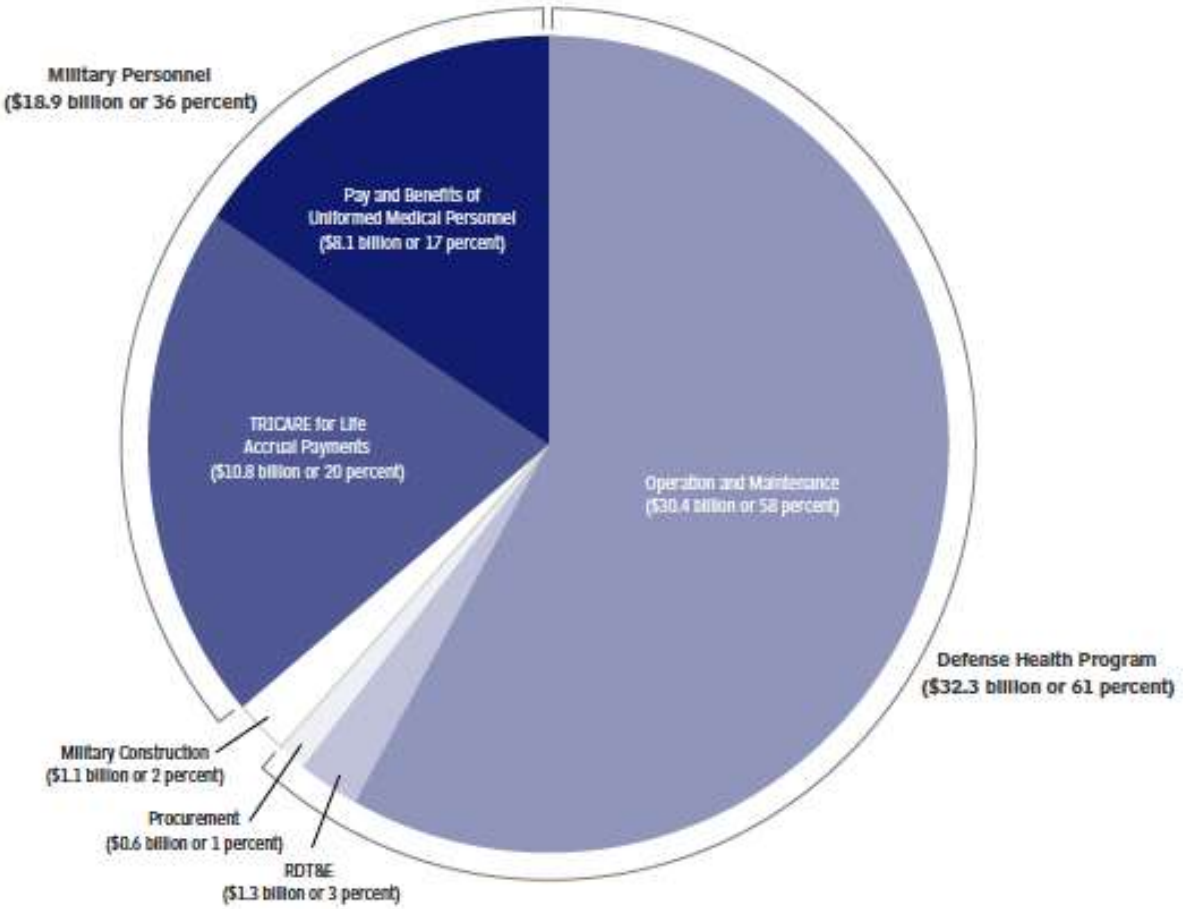
The historical data for military health care include supplemental and emergency funding for overseas contingency operations through 2013, but those funds are not included in CBO's projections.

DoD = Department of Defense; FYDP = Future Years Defense Program.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

Funding for Military Health Care, 2012



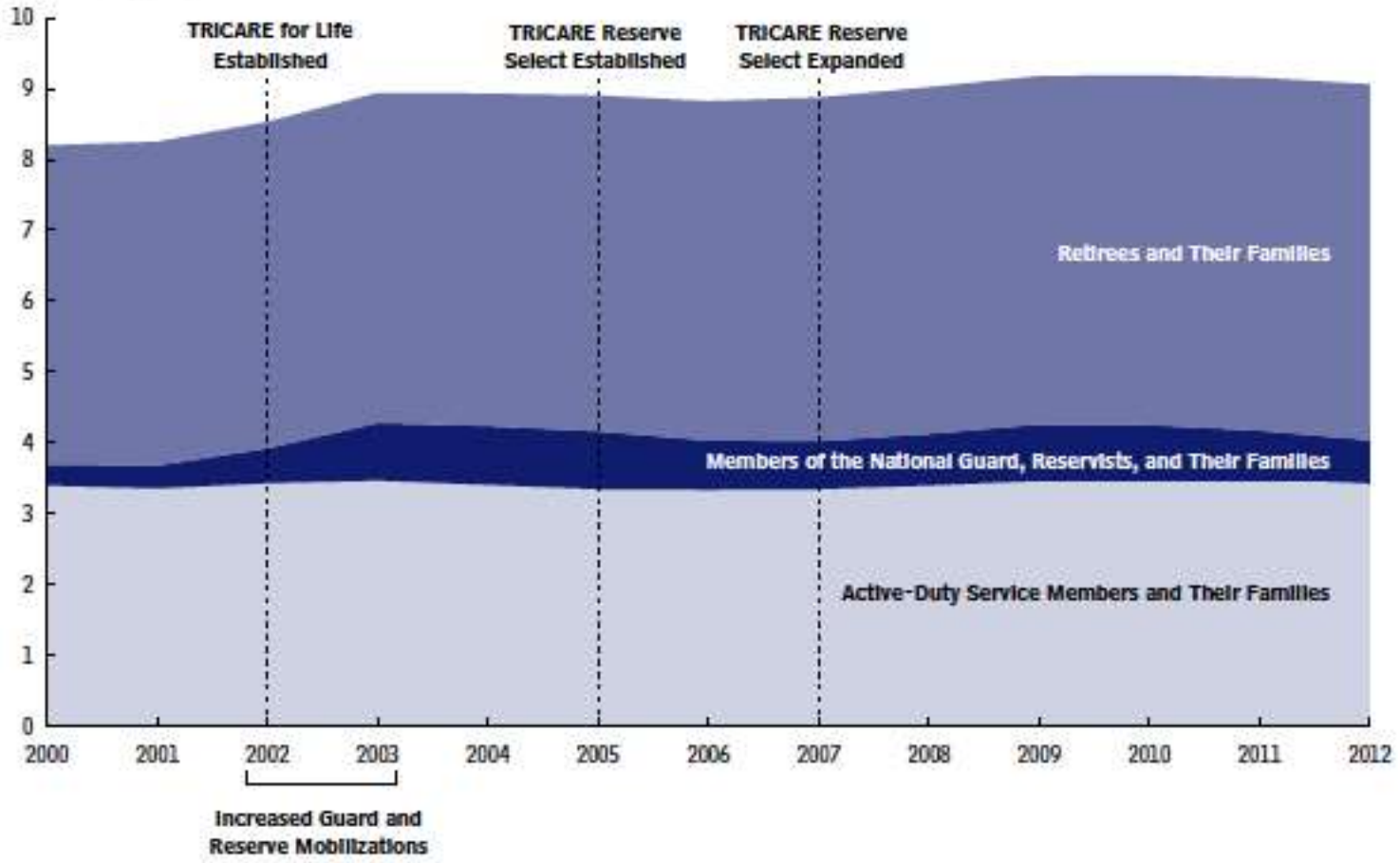
Source: Congressional Budget Office.

Notes: Annual funding for military health care can be divided into two major components. The first, called the Defense Health Program, includes funding for health-related operation and maintenance; procurement; and RDT&E. The second component, Military Personnel, includes funding for the pay and benefits of uniformed personnel who work in the health care system and for accrual payments made on behalf of all military personnel to the Medicare-Eligible Retiree Health Care Fund (which finances the TRICARE for Life benefit for those qualified personnel who retire and become eligible for Medicare). In addition to those two major categories, funding for the construction or replacement of military hospitals, clinics, or other facilities is provided under the "Department of Defense" section of the annual appropriation act for military construction and veterans affairs and related agencies.

RDT&E = research, development, test, and evaluation.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

Number of DoD Beneficiaries Eligible for TRICARE, 2000 to 2012



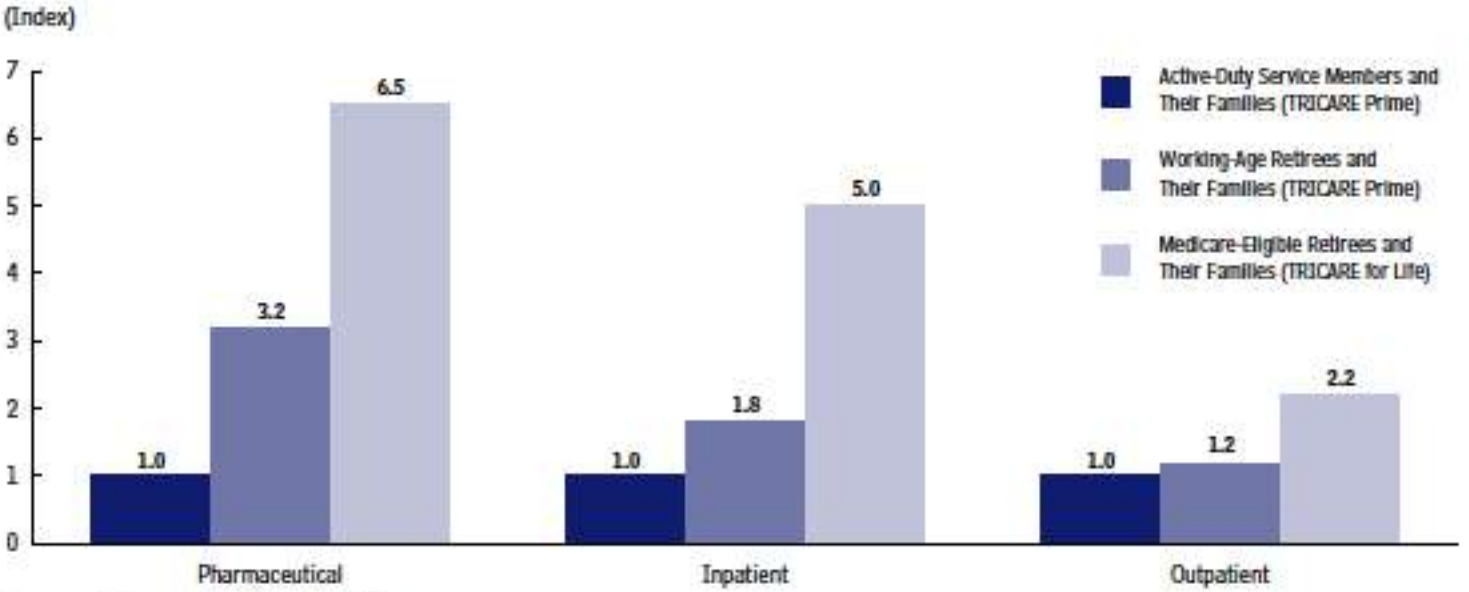
Source: Congressional Budget Office.

Notes: Excludes eligible members of the Coast Guard and the commissioned corps of the Public Health Service and of the National Oceanic and Atmospheric Administration (and their families).

DoD = Department of Defense.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

Per Capita Use of TRICARE by Retirees and Their Families Relative to Use by Active-Duty Service Members and Their Families, 2010



Source: Congressional Budget Office.

Notes: Use of pharmaceutical, inpatient, and outpatient services by active-duty service members and their families has been normalized to 1 to serve as a benchmark against which to compare use by working-age and Medicare-eligible retirees and their families.

Pharmaceutical use is measured as the number of 30-day equivalent prescriptions per member per year.

Inpatient utilization (that is, treatment requiring admittance to a hospital or other acute care facility) is measured as the relative weighted products (RWPs) per 1,000 people. An RWP ranks the resources used to provide acute care on a common scale by weighting the average cost per inpatient stay by the complexity of the patient's condition. RWPs more accurately reflect differences across beneficiary groups than discharges per capita because they adjust for the intensity of care required.

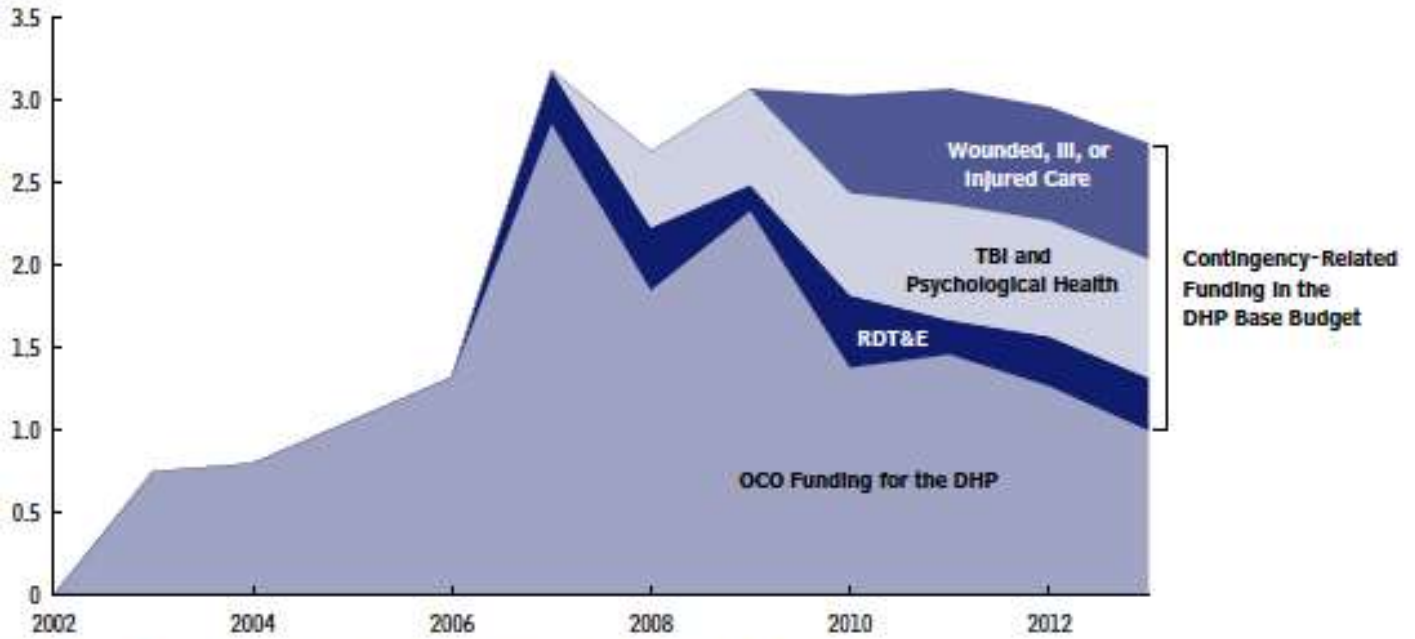
Outpatient usage (that is, visits for treatments or procedures not requiring hospitalization) is measured by relative value units (RVUs) per person per year. RVUs rank the resources used to provide a service on a common scale. An outpatient visit for primary care has an average RVU value of about 1.5.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

Contingency-Related Funding for the Defense Health Program

(Billions of 2014 dollars)



Source: Congressional Budget Office based on data from the Department of Defense.

Notes: The base budget for the DHP includes funding for DoD's routine health-related activities, excluding funding for operations in Iraq and Afghanistan. The DHP has received additional appropriations to support health care costs associated with overseas contingency operations, including operations in Iraq and Afghanistan.

Care for the wounded, ill, or injured was included in OCO funding from 2007 to 2009 and identified separately in regular budget requests beginning in 2010.

Funding for the treatment of traumatic brain injuries and psychological health reported by DoD in 2008 also includes funding for those programs in 2006 and 2007.

These data do not include the costs of care provided in combat areas by the military departments directly because those costs are not part of the DHP.

Data for 2013 are preliminary.

TBI = traumatic brain injury; DHP = Defense Health Program; RDT&E = research, development, test, and evaluation; OCO = overseas contingency operations; DoD = Department of Defense.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

Average Annual Costs of Family Coverage Incurred by Military Retirees and Their Civilian Counterparts With Employment-Based Insurance, 2012

(Dollars)

Plan	Premium or Enrollment Fee	Deductibles and Copayments	Total Annual Costs per Family
TRICARE Prime	520	445	965
Civilian HMO	5,080	1,000	6,080
TRICARE as a percentage of civilian plan			16
TRICARE Standard or Extra	0	1,035	1,035
Civilian PPO	4,270	1,295	5,565
TRICARE as a percentage of civilian plan			19

Source: Department of Defense, *Evaluation of the TRICARE Program—Access, Cost, and Quality: Fiscal Year 2013 Report to Congress* (February 2013), pp. 83 and 85.

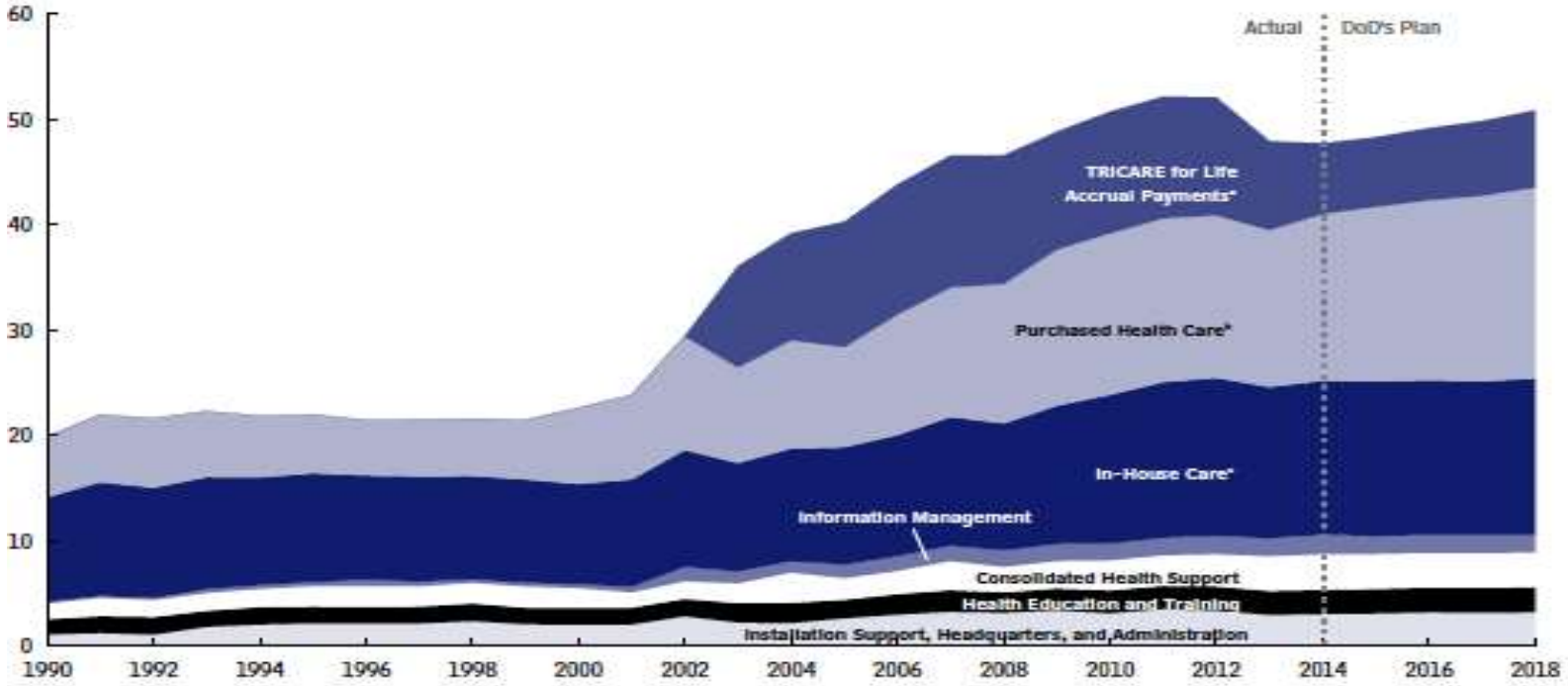
Notes: The Department of Defense adjusted the civilian data to match the age-and-sex distribution and the average family size of the TRICARE population.

HMO = health maintenance organization; PPO = preferred provider organization.

http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf

Funding for Defense Health Care From DoD's O&M and Military Personnel Appropriations, by Function, 1990 to 2018

(Billions of 2014 dollars)



Source: Congressional Budget Office.

Notes: The projection period reflects DoD's plans for the five-year period from 2014 through 2018, as outlined in the 2014 FYDP. Data for 2013 are preliminary.

Supplemental and emergency funding for overseas contingency operations is included for 2013 and preceding years but not for later years. That funding averaged about $1 billion per year from 2002 through 2006 and less than $3 billion per year from 2007 through 2013.

DoD = Department of Defense; O&M = operation and maintenance; FYDP = Future Years Defense Program.

a. TRICARE for Life accrual payments are made on behalf of all military personnel, not just those who are medical personnel.

b. Contracted health care provided by the private sector.

c. Direct health care provided at military facilities.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

Cumulative Budgetary Effects of Policy Options That Would Raise Military Retirees' Cost Sharing, 2015 to 2023

(Billions of dollars)

	Change in the Federal Budget			Change in DoD's Budget Authority
	Discretionary Outlays	Mandatory Outlays	Revenues	
Option 1: Increase Medical Cost Sharing for Military Retirees Who Are Not Yet Eligible for Medicare	-19.7	-0.3	-1.6	-24.1
Option 2: Make Military Retirees Ineligible for TRICARE Prime; Allow Continued Use of Standard and Extra With an Annual Fee	-71.0	0.5	-10.5	-89.6
Option 3: Introduce Minimum Out-of-Pocket Requirements for TRICARE for Life	0	-30.7	0	-18.4

Source: Congressional Budget Office.

Notes: The potential spending reductions from these policy options may not be additive; implementing one option could affect the spending in another. These estimates reflect the assumption that each change would go into effect at the beginning of fiscal year 2015.

Budget authority is authority provided by law to enter into obligations that will result in outlays of federal funds. Outlays are payments made to liquidate obligations.

Negative numbers represent reductions in outlays or budget authority or a loss of revenues.

DoD = Department of Defense.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

Enrollment in TRICARE Prime by Type of Beneficiary, 2003 and 2012

	Total Number of People Eligible to Enroll in TRICARE Prime (Millions)	Number of Eligible Beneficiaries Enrolled in TRICARE Prime (Millions)	Percentage of Eligible Beneficiaries Enrolled in TRICARE Prime
		2003	
Active-Duty Service Members	1.8	1.8	100
Families of Active-Duty Service Members	2.4	1.9	79
Working-Age Retirees and Their Families	3.1	1.2	39
Total	**7.3**	**4.9**	**67**
		2012	
Active-Duty Service Members	1.7	1.7	100
Families of Active-Duty Service Members	2.4	2.0	83
Working-Age Retirees and Their Families	3.5	1.6	46
Total	**7.6**	**5.3**	**70**

Source: Department of Defense, *Evaluation of the TRICARE Program—Access, Cost, and Quality: Fiscal Year 2013 Report to Congress* (February 2013), p. 16, and *Evaluation of the TRICARE Program, Fiscal Year 2005 Report to Congress* (March 2005), p. 20.

Notes: Data for people who are not eligible to enroll in TRICARE Prime—particularly members of the National Guard, reservists, and Medicare-eligible beneficiaries, and their respective families—are not included in this table.

Data reflect the average number of people in each year to account for beneficiaries who were eligible or enrolled for only a part of a year.

CBO, Approaches to Reducing Federal Spending on Military Health Care, January 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44993-MilitaryHealthcare.pdf.

Hoping for $26 Billion More in FY2015?

$26 Billion Bet on the FY 2015 Opportunity, Growth, and Security Initiative

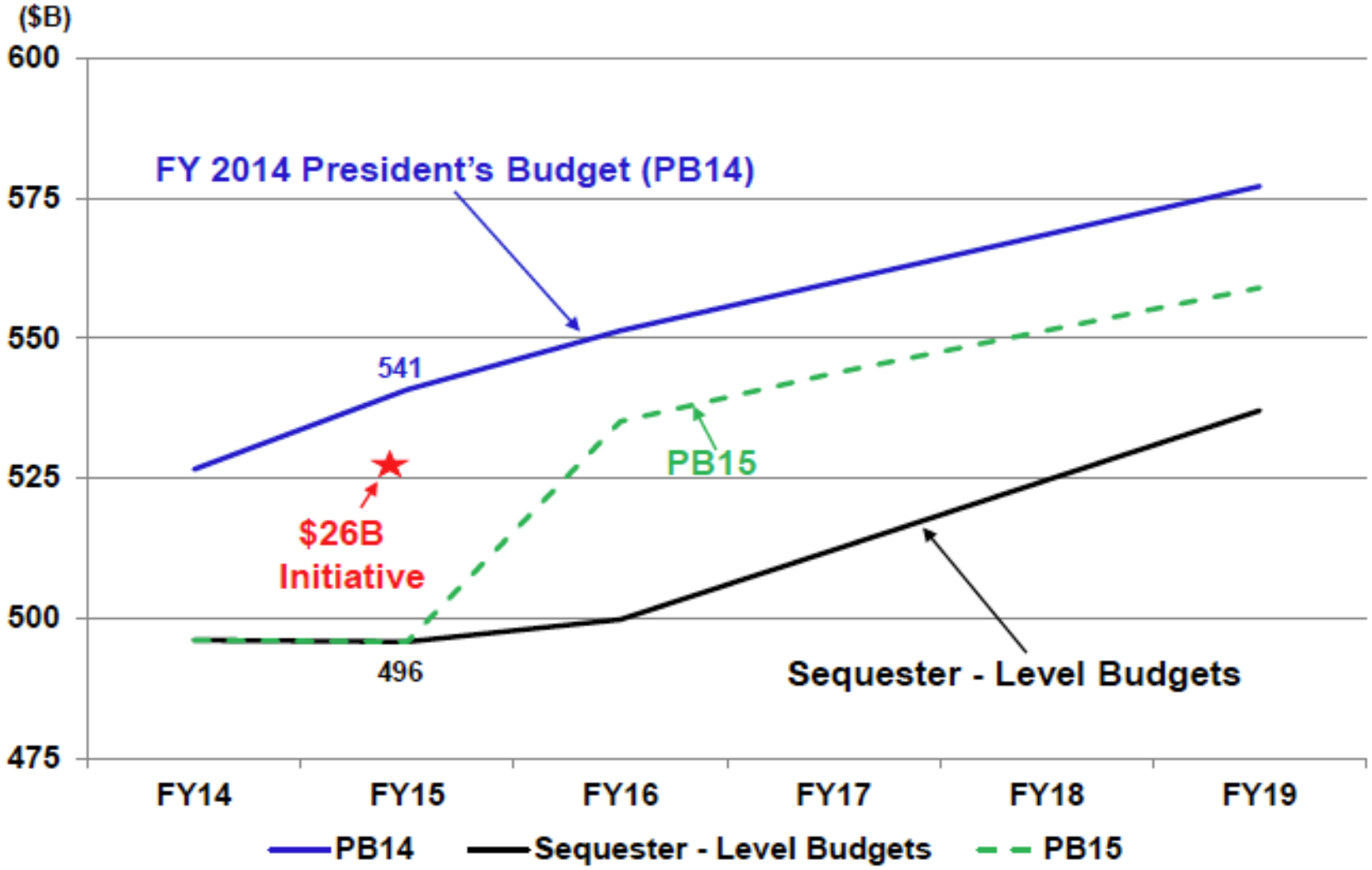
Total $26 billion for DoD

- **Readiness enhancements Training adds in Army**
  - **Spares and logistics in Navy**
  - **Unit training in USMC**
  - **Training in Air Force**
- **Investment increases Army Helicopters (56)**
  - **Navy P-8 (8), E-2D Aircraft (1)**
  - **USMC Light Armored Vehicle**
  - **Air Force F-35 (2), C-130J (10), MQ-9 Aircraft (12)**
  - **Science and Technology ($335M)**
- **Installation support increases All Services increase base sustainment**

All Services add MilCon funding

Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 14.

Potential Impact of Opportunity, Growth, and Security Initiative on PB15 DoD Base-Budget Topline



Source: FY2015 Budget Request, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, p. 13.

OGS Goals for FY2015 - I

For FY 2015, the President's Budget includes a separate, fully paid-for Opportunity, Growth, and Security (OGS) Initiative. The OGS Initiative, which is split evenly between defense and non-defense funding, shows how additional discretionary investments in 2015 can spur economic progress, promote opportunity, and strengthen national security. For the Department of Defense, the OGS Initiative proposes additional funding of $26.4 billion in FY 2015.

Sequestration degraded readiness throughout the Joint Force by requiring sharp cuts to training, maintenance, and support. More than a decade of war contributed to readiness problems. Although the base budget provides the resources needed to gradually restore readiness and balance, it does not provide funds to accelerate readiness improvements in FY 2015.

Making Faster Progress toward Restoring Readiness

The OGS Initiative provides the resources needed in FY 2015 to make faster progress by supporting increased activity at depot maintenance facilities around the country; greater training support; and increases in funding for fuel, spare parts, and transportation costs. Some specific examples include increased readiness and training range support for the Air Force; increased training and base support for the Army; increased aviation depot maintenance funding for the Navy; and increased training and Intelligence, Surveillance, and Reconnaissance operations for U.S. Special Operations Command.

Accelerating Modernization of Key Weapons Systems:

….The OGS Initiative would allow DoD to accelerate the schedules for developing and buying new or upgraded systems in order to ensure that the United States maintains technological superiority over any potential adversaries. For example, the OGS Initiative provides enhanced resources for procurement of manned and unmanned aircraft, helicopters, ground vehicles, and communication systems.

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. I-5 to I-6.

OGS Goals for FY2015 - II

Some specific examples include the procurement of eight P-8, one E-2D, and three C-40 aircraft for the Navy; procurement of two H-1, one KC-130, and one C-12 aircraft for the Marine Corps; two F-35 aircraft, 10 C-130s, and 12 MQ-9 Reapers for the Air Force; and modernization of the Army's helicopter and the Air Force's C-130 programs.

Improving DoD Facilities Around the Country

Sequestration required significant cuts to funding for DoD facilities, forcing the Department to defer some sustainment, restoration, and modernization (SRM) costs as well as some military construction projects. The base budget provides the funds necessary to keep DoD bases, housing, and other facilities safe, secure, and operational in the near term but not enough to keep up with long-term deterioration. The OGS Initiative adds additional resources for SRM and construction at DoD installations across the country that will generate jobs and avoid some larger than necessary future costs to replace buildings, roads, runways, and other facilities

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. I-5 to I-6.

OGS Goals for FY2015 - III

• Army
– Increase OPTEMPO, training, and Training Support System operations and services ($1.8 billion)
– Increase base support and facility sustainment ($1.6 billion)
– Procure 26 AH-64 Apache helicopters ($0.6 billion)
– Procure 28 UH-60 Blackhawk helicopters ($0.5 billion)
– Increase depot maintenance capabilities ($0.4 billion)
– Procure 2 CH-47 Chinook helicopters ($0.1 billion)

• Navy
– Increase demolition and facility sustainment, recapitalization and modernization ($2.3 billion)
– Procure 8 P-8A Poseidon aircraft ($1.1 billion)
– Increase Military Construction ($1.2 billion)
– Increase aviation logistics and maintenance ($0.3 billion)
– Increase Permanent Change of Station (PCS) funding ($0.2 billion)

• Marine Corps
– Increase Military Construction ($0.3 billion)
– Improve infrastructure readiness ($0.1 billion)
– Increase field logistics support ($0.1 billion)

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. I-5 to I-6.

OGS Goals for FY2015 - IV

- **Air Force**
  - **Increase facilities sustainment, maintenance, and repair ($1.6 billion)**
  - **Increase Military Construction ($1.4 billion)**
  - **Procure 10 C-130J series aircraft ($1.1 billion)**
  - **Increase readiness and training range support ($0.4 billion)**
  - **Procure 2 F-35 aircraft and associated modernization ($0.3 billion)**
  - **Procure 12 MQ-9 Reaper unmanned air systems ($0.2 billon)**
- **United States Special Operations Command (USSOCOM)**
  - **Increase training, readiness and Intelligence, Surveillance and Reconnaisance (ISR) operations ($0.3 billion)**
  - **Recapitalize Command, Control, Communications, Computers and Intelligence (C4I) ($0.1 billion)**

- **Missile Defense Agency**
  - **Procure additional radar spares ($0.2 billion)**

Source: FY2015 Budget Request Overview, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO March 2014, pp. I-5 to I-6.