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The FY 2016 Budget: The Defense Impact

FEBRUARY 3, 2015

REBALANCE TO THE FUTURE

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The President released a $585 billion defense budget on Monday, as part of a $4 trillion package that includes significant initiatives across the diverse inputs to the budget, including taxes, discretionary spending and mandatory programs. Detractors call it dead on arrival, but this budget nonetheless will provide the starting point for debate about the size and role of government as the Obama administration defends the last budget that it will execute.

The question remains whether the consensus on defense is strong enough to survive the coming battles over tax plans, infrastructure spending, healthcare, etc. The President has again submitted a budget plan that breaks the Budget Control Act (BCA) caps. After the deep cuts of sequester in FY 2013 and the flat bridge years of 2014 and 2015, the FY 2016 plan is focused on 1) recovering from three years of doing more while getting less, and 2) rebalancing between the imperatives of responding to high daily demands and preparing the force for the future. This sets up the classic tension between urgency and importance of priorities.

So the big question is, if increasing defense funding is imperative for maintaining the current strategy and preserving the force, then what does increasing the budget above the caps buy? The clear answer is the future. Operating under stringent budget constraints, DoD has been forced to prioritize the exigencies of today. The President's budget starts to give the future a seat back at the table. Investment, made up of procurement, military construction, and research, development, test and evaluation (RDT&E), get a 60 percent share of the $38 billion increase in FY 2016, even though they comprise only one-third of the budget. The Air Force is the primary beneficiary from this increase, receiving more than half of the procurement bump.

Whether undersea or aerospace, next generation systems get significant support in this budget. In addition, new initiatives are focused on the modernization, innovation and leap-ahead technology that will be necessary to compete in future high end conflicts. However, procurement plus-ups and new development initiatives also become the prime targets in a downside scenario. With the drive to slow or reverse endstrength cuts and the need to salvage readiness across the force, these investments will again be the first on the chopping block in the (likely) event that Congress and the President cannot come to an agreement on how to pay for increased defense spending.

As the debate and defense of this budget ramps up in Congress, the most important advocate for the future will have to be the presumptive Secretary of Defense, Ashton Carter. Protecting these investments, many of which have their roots in Dr. Carter's tenure as Deputy Secretary and Under Secretary for Acquisition, Technology and Logistics, will likely be a priority for the new Secretary, and he will be the one to commit to maintaining these future investments over other near-term priorities.

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THE CHALLENGES AND BENEFITS OF OCO

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The President's defense budget request for FY2016 includes $50.9 billion for the Overseas Contingency Operations (OCO) account. This represents a 23 percent reduction over the enacted FY2015 funding level for OCO. With the drawdown of U.S. forces in Afghanistan, OCO spending is coming down, but it is not disappearing. Flawed though it may be, OCO is a necessary budgeting tool to support emergent military activities. Absent an end to sequestration, however, it is also likely to fund various "enduring" costs that should be in the base defense budget.

The overseas contingency operations (OCO) account, like the defense supplemental appropriation it supplanted, began as a means for funding operational expenses not anticipated in the regular budget. From Vietnam and Bosnia to domestic airport security and Ebola response, supplemental appropriations and the OCO account have been important tools for budgeteers when the regular appropriations process cannot provide timely response. However, in practice, OCO provides funds for many anticipated operational expenses created by the use of U.S. military forces. The ruleset agreed to between congress and the administration also allows for indirect expenses for these contingencies to be funded through OCO. For example, the rules allow the incremental costs of U.S. military forces in Kuwait who are supporting operations in Afghanistan to be included.

To purists, OCO is anathema to the orderly process of budget development and congressional oversight. There is seldom the same level of scrutiny applied to the OCO account as there is to the base budget. Moreover, the OCO account is not counted under the sequester caps for defense (although in the event of sequester, it is subject to the same arbitrary line-item cuts), making it a tempting relief valve for constraints on military spending. This is particularly effective because OCO is less transparent and less well understood, often flying below the radar of more public guns-versus-butter debates that ensnare the base budget.

The Obama Administration began its tenure with all the best instincts of the budget purists, but the OCO account has proven itself necessary. Absent a highly unlikely overhaul of the annual congressional appropriations process, some form of supplemental appropriation like OCO is inevitable as long as the United States seeks to be actively engaged in a turbulent world.

We should not anticipate seeing an end to OCO with the end of the U.S. mission in Afghanistan; unfortunately, other events, like the rise of ISIS and the need to reassure allies in Europe, have already arisen to justify its continuation as a budget tool. New initiatives begun in FY 2015 to address these issue sets are again included in the FY 2016 budget, including the European Reassurance Initiative ($798 million), the Counterterrorism Partnerships Fund ($2.1 billion), and support to U.S. military operations in Iraq and Syria ($5.3 billion, plus an additional $300 million for other Iraq-related activities), including training and equipping of vetted moderate Syrian opposition and of Iraqi forces. The remainder of the FY 2016 OCO funding request ($42.5 billion) supports operations in Afghanistan, resetting U.S. forces leaving that country, or an ambiguously described set of "other missions."

Beyond the discrete funding lines and associated justifications provided in DoD materials to date, there appears to be more than $20 billion of funding in the FY 2016 OCO request. These funds are likely so-called "enduring" costs that pass the ruleset for inclusion in OCO but should be included in the base budget due to their steady-state nature and to ensure their stable funding in the future. Notably, significant support for special operations forces is likely captured here rather than in the regular DoD budget. Senior defense officials have been clear that shifting these costs to the base budget, while appropriate, is not possible absent a lifting of sequestration.

The OCO account has in fact been critical in helping the Department of Defense weather the sequestration stalemate in Washington. This reliance on OCO has come at a significant cost. Using OCO as a work-around for a sequestered base budget has lulled some policymakers and lawmakers into believing the worst effects of sequestration can be overcome. I am by no means in favor of forcing the Defense Department (or the State and Veterans Affairs Departments, which likewise receive OCO funding) to go without OCO - the risks to our security are too high. At the same time, we cannot rely on one-year contingency-related funds to fix the long-term readiness and modernization challenges that sequestration is imposing upon the U.S. military. OCO may be here to stay, but the only solution to sequestration's pernicious effects is to end sequestration.

GEOPOLITICAL RISK OF BUDGET SHORTFALLS

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Growing military and security risks around the world should prompt a reexamination of the assumptions that led us to sequestration and the budgets that have prevailed since 2013. A revisionist Russia, continued Chinese investment in high-end capabilities, and the evolving threat of ISIL represent real—but very different—challenges to U.S. interests and the use of U.S. military power. The FY 2016 budget evinces the Obama administration's attempt to square increasingly difficult security challenges with the currently constrained fiscal environment.

China

Military planners often describe China as the "pacing threat," whose advances in technology, progress in training, and sheer number of sophisticated systems present an increasingly complicated environment for possible U.S. military activities. The scale and pace of the challenges likely posed by China's future force, including advanced anti-air and "carrier killer" missiles, are key drivers behind the decision to preserve investments in high-end capabilities including $10.6 billion for F-35 procurement, funding for two Virginia class submarines, and $1.2 billion for the long range strategic bomber program.

Funding these platforms has come at the cost of falling budgets for operations and maintenance outside of combat areas—for example, the Navy considered retiring an aircraft carrier to save on refueling and lifetime maintenance—and to overall force structure, seen in the large reductions to Army and (lesser) reductions to Marine Corps personnel.

Middle East

The rise of the Islamic State of Iraq and the Levant (ISIL) and persistent growth of al-Qaeda affiliates and other violent extremist organizations in ungoverned and repressive areas of the Middle East over the last two years heighten the need to prioritize special operations forces (SOF), counterterrorism, and intelligence, surveillance, and reconnaissance (ISR) investments. The $50.9B Overseas Contingency and Operations (OCO) request provides $5.3 billion for counter-ISIL operations, including an additional $1.3 billion for training and equipping Iraqi forces and vetted Syrian opposition forces. The train and equip programs allow DoD to build partner capacity and buy time for DoD to assess the long-term implications of ISIL's rise and determine if changes are needed to the defense strategy in FY 2017. However, the success of these train and equip efforts depends upon their linkage to political strategies in Iraq and Syria.

Meanwhile, as diplomacy on Iran's nuclear capability continues, DoD has maintained "all options on the table" and remains poised to counter other threats that Iran poses in the region, including development of mid- and long-range missiles and support to terrorists and insurgents. Continued investments in missile defense, SOF, maritime security, ISR, and cyber will enable the U.S. military to better counter asymmetric threats from Iran. Reflecting growing demand for ISR in the Middle East and beyond, the FY 2016 budget request reverses cuts to drone capacity seen in the FY 2015 budget (an increase from 55 Predator and Reaper combat air patrols (CAPs) in the FY2015 budget to 76 CAPs in the FY2016 request). Reductions in ground forces will likely jeopardize critical enablers for SOF and thus should be made carefully so as not to undermine the SOF capability the Department is seeking to preserve.

Russia

The Russian annexation of Crimea and ongoing support of rebel groups in eastern Ukraine continues to destabilize Europe's post-Cold War security architecture. Ukraine has seen a significant uptick in fighting in recent weeks with pro-Russian separatists seemingly more interested in creating a frozen conflict than reaching a truce with Ukrainian government forces. In response to Russia's use of hybrid warfare to undermine stability in Ukraine, the Obama administration committed

$118 million in non-lethal equipment (such as body armor, helmets, and vehicles) and training to Ukraine's security forces to help Kiev better monitor and secure its border, operate more effectively, and preserve its territorial integrity. The Obama administration should step up direct military assistance to Ukraine to include lethal defensive equipment such as anti-tank missiles and armored vehicles—a measure reportedly now under serious consideration at the White House. While Western aid would not bolster the Ukrainian armed forces enough to rival Russia's military prowess, it could help Ukrainians hold their ground against the separatists.

The Obama administration is requesting another $789 million for the European Reassurance Initiative (ERI), on top of last year's $985 million. ERI funds increased exercises, training, and rotational presence to reassure NATO allies in Central Europe and the Baltics that the United States and NATO would stand with them, should Russia undertake similar action in their countries. It is an important signal to send to NATO allies and to Russia as U.S. defense planners continue to ponder a revised long-term strategy for Europe in light of the Ukraine crisis.

The Defense Department claims it will be able to respond adequately to these threats under its proposed budget, assuming the threat environment does not change. If the past year is any indication, the threats the U.S. faces will become more, not less, diverse. The decisions the Defense Department must make—at simplest, whether to have a larger, or a technologically advanced force—increasingly are zero-sum. Investing in the ability to confront the threat posed by a group like ISIL will increasingly crowd out the investments needed to compete with emerging anti-access/area denial capabilities.

SIGNIFICANT INNOVATION INVESTMENTS IN THE ABSENCE OF SEQUESTRATION

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The Department of Defense (DoD) last year worked to reduce expectations about the amount of near-term funding that it would be able to dedicate to the Defense Innovation Initiative (DII), which was announced with great fanfare by Secretary Hagel in November, 2014. The FY 2016 budget in fact includes a number of DII-related initiatives including: 1) the Aerospace Innovation Initiative, a combination of two efforts to competitively prototype next generation air dominance and engine technologies to extend the effectiveness and range of U.S. strike systems; 2) investments in rail gun technology which can affordably provide long-range fires in large volumes from either ship or shore; 3) enhancements to the position, navigation, and timing architecture, such as the GPS constellation and associated ground networks; 4) investments in space situational awareness and space control to address threats to U.S. space systems; and 5) investments in high speed strike. Although exact funding details are not yet available, these initiatives combined appear to devote between $6-10 billion for DII-related activities over the next five years, indicating that the Department is serious about developing and pursuing a new “offset strategy” to protect its eroding technological superiority. However, it is clear that these initiatives would be significantly slowed or eliminated if the budget reverts to sequestration levels. And further, it is increasingly clear that DII is desperately needed to reverse a substantial decline in investments in modernization and innovation over the last several years. As a result, the FY 2016 budget submission drives home the fact that innovation will become a linchpin in the debate over sequestration.

The combination of sequestration and the post war defense drawdown has taken a serious toll on investments in modernization and innovation between the wartime peak funding year of 2008 and 2015. The procurement budget account is down by 45 percent in constant dollar terms over this time frame while the research, development, test and evaluation (RDT&E) account is down by 28 percent in constant dollar terms. These figures compare to the reduction in the total DoD budget of 26 percent in constant dollar terms. The FY 2016 budget’s proposed increases, if approved by Congress, would recover only a quarter of the lost funding for R&D, and only one sixth of the lost funding for procurement in 2016.

There is particular reason to be concerned about R&D, which helps drive innovation. Although the recent reduction in the RDT&E budget account is commensurate with the overall budget reduction, this fact can obscure what is actually happening. While a significant portion of the reduction in the procurement account and defense overall came from war spending, the RDT&E reduction is almost entirely in the base budget and is not offset by any reduction in costs associated with overseas deployments. In addition, certain elements of R&D, such as the science and technology accounts which largely go to researchers in academia and labs, have rightly been given preferential treatment. As a result, the effect of recent cuts to R&D have been significantly magnified for industry, where new systems are actually designed and built. CSIS’s analysis of R&D-related contract obligations in the Federal Procurement Data System shows a decline of 39 percent between the peak year for defense contract obligations in 2009 and the data for 2013, with a decline of 21 percent in 2013 alone. Both figures show that R&D-related contract obligations were reduced 50 percent more than contract obligations generally. This decline is particularly large for the Army with the Army experiencing a 2009-2013 decline of 58 percent in R&D-related contract obligations, more than twice the rate for contract obligations generally. Since DoD’s budget continued to fall in 2014 and 2015, the contract data for these years (when it becomes available) is likely to show an even greater fall in R&D-related contract obligations.

The FY 2016 DoD budget proposal presents an important effort to reverse this nosedive in funding devoted to modernization and innovation. It remains to be seen whether this effort, even if successful in the face of what is likely to be substantial opposition in Congress, is sufficient to meet the many rapidly emerging challenges to U.S. technological superiority.

FUTURE OF SECURITY COOPERATION: BUILDING PARTNER CAPACITY IN THE FISCAL YEAR 2016 BUDGET

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The Department of Defense (DoD) pursues military engagement and security cooperation as a top-priority mission as laid out in the 2014 Quadrennial Defense Review, working with 148 countries around the world to develop partner nations' capabilities, build relationships, and ensure access to critical air, land, and sea nodes overseas. Through such efforts, which can include provision of training, advice, and equipment as well as involvement in exercises and exchanges, DoD can positively influence regional stability and thus better support U.S. national security interests at an economy of effort. As Commander of U.S. Central Command General Lloyd Austin has noted, security cooperation allows the United States to leverage military-to-military relationships that improve bilateral and multilateral partnerships and build interdependent, collective, partnered capacities.

In fact, the geographic combatant commands have long acknowledged the utility of robust security cooperation. For more than a decade, DoD officials have lobbied Congress for additional authorities and funding to conduct security cooperation activities. In the FY 2005 National Defense Authorization Act, U.S. Special Operations Command received authority to provide support to foreign and irregular forces that help special operations forces to combat terrorism. In FY 2006 legislation, DoD and the State Department received authority to build partner nations' capacities for counterterrorism and stability operations. More recently, the two departments received authority to conduct a Global Contingency Support Fund pilot program for security and counterterrorism training and rule of law programs. In addition, specific programs for key partners and regions (e.g., Pakistan, Yemen) have received special attention.

It is remarkable, then, that this week's roll-out of the President's $534 billion base budget request is largely silent on security cooperation activities as a strategic priority. While the $51 billion Overseas Contingency Operations (OCO) budget request includes some detail on Iraq and Syrian train-and-equip programs ($700 and $600 million, respectively), the European Reassurance Initiative ($789 million), and the Counterterrorism Partnerships Fund ($2.1 billion), there are few, if any, details regarding the on-going and planned use of other authorities and programs.

Most references are found within the military departments' overviews. Because each geographic combatant command has a service designated as its executive agent, it is worth exploring those overview statements to infer how the departments may operationalize security cooperation.

The Army states that strengthening partner capacity is a key tenet of its strategic approach, intending to support combatant commands' security cooperation engagements designed to develop partner nations' capacity for self-defense and participation in multinational operations, security force assistance, and joint and bilateral exercises. For example, the Pacific Pathways initiative leverages training opportunities and exercises with allies in the Asia Pacific to promote and strengthen partnerships; it reportedly saves $17.6 million by combining three exercises into one initiative. The Regionally Aligned Forces (RAF) concept could enhance the Army's building partnership capacity efforts, particularly in Africa and the Middle East, although questions remain on the appropriate and achievable depth of knowledge for RAF units and the feasibility of maintaining habitual alignment to a particular area of operation.

The Navy highlights partnership as one of its four priorities, including exercises, operations, and leadership engagement with allies and partners, which help create a more interoperable force prepared to prevent and respond to crises. For example, the Navy plans to provide globally distributed and networked expeditionary forces in coordination with allies and partners to increase naval presence, responsiveness, and strategic agility; this innovation will be particularly useful in U.S. Pacific Command

(USPACOM). As DoD considers how to right-size its global posture, security cooperation through periodic and strategically targeted joint exercises with allies and partners could provide a low-cost alternative to continued forward deployment of U.S. forces.

While the Air Force does not mention security cooperation as a strategic priority within the available budget documents, the KC-46 tanker recapitalization program represents a security cooperation investment to enhance interoperability with allies and partners, particularly in USPACOM. The KC-46 will perform multi-point refueling of joint and coalition aircraft, carry more cargo and/or passengers than the aged KC-135 fleet, conduct aeromedical evacuation, and self-deploy to any theater.

As DoD officials continue to provide details that underpin the President's budget request, stakeholders within the security cooperation community (e.g., partner nations, defense industry) will be watching whether the Department continues to emphasize exercises and engagement as a priority to shape the international security environment. It is clear from the OCO budget request that capabilities to counter Russian aggression and the Islamic State of Iraq and the Levant are receiving special focus. It remains to be seen whether other important, though less headline-grabbing capabilities – like maritime domain awareness or even simple marksmanship training – will also receive increased emphasis going forward.

THE OUTLOOK FOR U.S. GROUND FORCES

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Overall, Fiscal Year 2016 looks to be a continuation of difficult times for U.S. ground forces. Like the rest of the Defense Department, the Army and Marine Corps portions of the budget request must be viewed in the context of what might happen if any of three key assumptions that underpin that request fail. The first and most obvious is that the budget will be approved at levels higher ($36 billion higher) than those permitted under the Balanced Budget Act caps. If enacted levels are lower, ground forces will be subject to at least a proportional share of the reductions, and possibly more. The second assumption is that Congress will accept numerous proposed efficiency measures, the resulting savings from which have already been allocated in the budget request. If, as in past years, Congress fails to adopt proposed platform retirements or compensation adjustments, the Defense Department will need to find money from elsewhere to restore the previously-anticipated savings. The third assumption relates to inflation. The President's budget request assumes a low inflation rate; if in fact inflation is higher, this will decrease buying power across the department as it implements the FY 2016 plan, as well as force additional downward adjustments to out-year programs.

Any or all of these assumptions are vulnerable to failure. As a result, what will ultimately be executed is anyone's guess (and depends in part on how Congress proceeds). However, assuming at least partial failure of one or more of the assumptions above, the fiscal burden will likely fall most heavily on the operation and maintenance accounts and investment priorities, further slowing or delaying upgraded or new equipment.

Of the $534 billion base budget request, $126 billion is allocated to the Army and $24 billion to the Marine Corps. Most notably, each service elected to "buy back" previously-planned reductions in endstrength. In the FY 2015 budget request, the Army had planned to reduce its active duty endstrength to 470,000 by the end of FY 2016; in this year's request, that number is now 475,000. Similarly, the Marine Corps now projects to stay at 184,000 active duty forces, a higher number than was anticipated last year.

Some might interpret a slowing of the drawdown as an acknowledgement that previous thinking on the declining relevance of ground forces is being reconsidered. While the Army has been vocal in its opposition to this perspective, the motivation for slowing reductions is primarily tactical rather than strategic. Indeed, the services will continue to remove force structure consistent with previous plans. Instead, the additional personnel are intended to help relieve some of the impacts to unit readiness as they close down units and reallocate the soldiers and Marines to remaining units. Importantly, slower than expected force cuts will also allow the Army in particular to reduce the number of involuntary separations, a practice that has been a great concern to a number of Members of Congress.

What these personnel changes represent, fundamentally, is a determination that the ongoing risks to readiness were too significant, and thus that modernization must continue to be sacrificed. While there are no big program "kills" in this year's budget request, there are also no new initiatives. The Army continues to fund upgrades to existing programs (e.g., Apache and Blackhawk helicopters, Gray Eagle unmanned aircraft, and Stryker vehicles), but each will likely slow if there is no relief from the budget caps. The Marine Corps is also incrementally modifying key systems, but it too will be forced to relook those investments absent budgetary relief.

Also on the procurement side, the Army budgeted about $1.5 billion for its "number one priority," network programs, even as the Warfighter Information Network-Tactical (WIN-T) program continues to experience shortfalls in testing. The Joint Light Tactical Vehicle (JLTV) program, a joint effort between the Army and Marine Corps, remains on track, despite ongoing concerns that it might fall prey to budgetary pressures. The same is true for the Armored Multi-Purpose Vehicle (AMPV). The Marine Corps' highest investment priority (apart from the F-35B, which is funded in the Navy budget) is the

Amphibious Combat Vehicle (ACV). The Commandant's recently-released planning guidance indicates that the Marine Corps will continue to pursue the first phase of the ACV program while also developing a more capable future vehicle. Both services have tried hard to preserve readiness in areas beyond personnel, making significant investments in training and training support and "taking risk" in the other areas funded by operation and maintenance (e.g., family support programs and facilities upkeep). Again, if the budget caps remain in place, training would likely be affected and other support functions reduced still further.

Overall, the FY 2016 budget request reflects continued strain on U.S. ground forces. People are prioritized over modernization, with readiness being kept on life support only with the additional funding requested in the Other Contingency Operations (OCO) account. The degree to which the three foundational assumptions of the FY 2016 budget request can hold will have a significant impact on Army and Marine leaders' ongoing ability to strike a balance between readiness, modernization and personnel, especially as real-world demands continue unabated.

STRATEGY, BUFFETED BY CHOPPY BUDGET WATERS

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Rough seas and strong headwinds. That seems to be the forecast for the U.S. Navy as sequestration continues, and the challenges posed by mounting anti-access/area-denial (A2/AD) threats gather strength. The focus for countering A2/AD challenges has often centered on next generation aviation and undersea platforms like the F-35C and improved Virginia-class submarines, as well as development of advanced networks for integrated air warfare. These priorities are each addressed and well-funded in the FY 2016 budget request. In the face of what is likely to be a choppy, sequestration-constrained future, however, Chief of Naval Operations Admiral Jonathan Greenert's consistent call for renewed focus on lethality has prompted a proposal from the oldest component of the service: the surface warfare community.

The Navy's senior surface warfare officers recently articulated a new vision which they call "distributed lethality" whereby the fleet can leverage U.S. advantages through dispersed operations to offset threats posed by the increasing proliferation of advanced missile and sensor systems. It is an institutional vision, which, if adopted, will drive changes in fleet doctrine, training, and employment of ships. The desired end state is to restore the conventional deterrent profile of a surface force currently geared largely towards air and missile defense missions.

The concept departs from current operations, not surprisingly, in two primary ways. First, it would deploy groups of surface combatants to operate at great distance from the "high value" aircraft carrier and amphibious ships as a way to complicate planning and targeting for a potential adversary. That covers 'distributed'. Second, it would arm many more platforms for surface and strike warfare, including amphibious and logistics ships, by fielding improved missile and gun technologies and introducing offensive missile capability to each ship. That covers 'lethality'.

Introducing this new concept of operations could reduce the risks inherent in concentrating military power on or around aircraft carriers by instead holding potential adversaries' assets at risk from greater range and multiple vectors. That said, 'distributed lethality' represents increased risk for the fleet by complicating sustainment efforts, expanding point air defense requirements, adding strains on the air-defense mission of the current surface combatant fleet, and requiring greater utilization of over-the-horizon communications. Note that these risks all stem from the 'distributed' part of the concept, and will likely be studied over time if the Navy further explores the concept.

But when it comes to 'lethality', we will be able to see more immediately whether the Navy chooses to embrace this new vision, because to increase lethality throughout the fleet will almost certainly require the Navy to procure more anti-ship missiles. Budget choices are usually the first way to test how serious an organization is about a new approach. This new surface warfare concept is too nascent to be captured in the current budget. However, recent years' budgets, combined with the FY 2016 budget proposal provide a sense of whether distributed lethality will be an obvious fit with the choices the Navy has already made, or if it will require more tough tradeoffs by senior leaders under the next half-decade of reduced budgets currently anticipated.

Over the past four years, the Navy has requested nearly $3 billion per year to procure or upgrade its missiles or other weapons. Nearly three-quarters of these, however, are air-launched, and of those most are strike weapons. The FY 2016 budget requests a modest increase to permit acquisition of much-needed, but close-range missile and torpedo capability. While the Navy is also investing in research and development of a long-range surface-to-surface weapon at approximately $286 million for FY 2016, the proposed acquisitions will do little to enhance the offensive anti-surface warfare capabilities of the fleet that will be operating through the end of the decade.

Changing course to significantly increase anti-ship missile investment starting in FY 2017 would be the first step to realizing a more lethal fleet of surface ships. Taken to its full extent, retrofitting the surface force for distributed lethality will require a level of weapons procurement, training, and operational adjustments that would take years to fully implement in the best of budget times. Up-arming more elements of the fleet would add a bill to the existing Navy budget—no small feat under sequestration—but doing so may present a near-term option to enhance fleet capability without sacrificing significant warfighting capacity. Based on recent budget turbulence, though, distributed lethality will need attention in future Navy planning if the fleet is to be more lethal, as well as distributed.

AIR FORCE BUDGET REFLECTS CURRENT AND FUTURE REQUIREMENTS

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As with the overall defense budget, the Air Force FY 2016 budget reflects funding levels well above those provided for in the Budget Control Act. The Air Force requested a top line of $167.3 billion (including $10.7 billion in Overseas Contingency Operations funds and $34.4 billion in pass-throughs) to recapitalize its fleet for a future high-end fight. Secretary of the Air Force Deborah Lee James outlined the service's reasoning for this in her State of the Air Force address in January: "We are going to be asking the Congress, of course, to eliminate sequestration, as well as to allow us to get rid of excess base infrastructure, and we will once again ask for the authority to divest some of our older aircraft in order to free up money to plow back into people, readiness and modernization." Operations to counter ISIS, transport supplies and personnel for Ebola assistance, and conduct air defense missions in Europe, Asia, and North America in response to increased Russian antagonism continue to wear down a force weighed by continuous combat operations since 1990. It is notable that the Air Force will require three years more than the other services—until 2023—to return to full-spectrum readiness.

The Air Force's FY 2016 budget request reflects a continued commitment to its recapitalization priorities of the F-35 fighter, KC-46A tanker and the Long Range Strike Bomber (LRS-B) as the centerpieces of the future force. The $6 billion requested for the F-35A provides for the purchase of forty-four of the aircraft as the service moves toward initial operating capability (IOC) within the year. The budget requests $2.4 billion to purchase twelve KC-46A Pegasus tankers as the Air Force establishes its training base at Altus Air Force Base, Oklahoma and its first main operating base at McConnell Air Force Base, Kansas. It also asks for $1.2 billion for requirements refinement and R&D to support the LRS-B.

Following Congressional action in the FY 2015 National Defense Authorization Act to reverse Air Force attempts to retire several weapon systems, including the A-10 attack plane and U-2 reconnaissance platform, the FY 2016 budget request promises continuing controversy with a new schedule of retirements. This year's request again plans for the retirement of the A-10 fleet, beginning with 164 active duty A-10s in FY 2016 and continuing Reserve retirements through FY 2019. Of note, Air Force Chief of Staff General Mark Welsh says the FY 2015 delay of A-10 retirement and the associated transfer of A-10 maintenance personnel to the F-35 will not impact the F-35's initial operating capability in 2016 but is a limiting factor in the long term. Acknowledging the continued critical needs of intelligence, surveillance and reconnaissance, the previously proposed retirement of seven E-3 AWACS and thirty-two U-2 aircraft are moved to FY 2019. The budget also maintains all E-8 JSTARS to support current missions while pursuing a replacement by FY 2023.

In recognition of greater mission requirements post-Afghanistan than the Air Force and Department of Defense assumed several years ago, the Air Force will require a slightly higher endstrength. The Air Force FY 2015 budget planned for a drop to 312,000 active duty Airmen this year but instead leveled at approximately 315,000 for 2015. The FY 16 budget plans a climb back to 317,000. This increase should meet with support on the Hill.

Intelligence, surveillance, and reconnaissance (ISR) is perhaps the most notable area of continued high mission requirements for the Air Force. Increased remotely-piloted aircraft (RPA) manning is included in the slightly higher force levels the Air Force is seeking. The Air Force also looks to maximize the use of the Air National Guard and Air Force Reserve RPA crews to compensate for recently highlighted shortfalls in RPA crew manning. Combatant commander appetite for ISR will certainly not be fully met, but the increased manning should keep patrols at current levels and allow for the requested shift from Afghanistan to Iraq/Syria and other locations. Whether the Air Force and other services should be supplying even more ISR combat air patrols, and what the right mix of low- and higher-end ISR platforms should be, will likely be a source of debate throughout this year's budget process.

Overall, the Air Force sees the proposed FY 2016 budget align with current strategies, support Combatant Commands and reduce risk in capacity but what Congress will approve – especially the A-10 decision – can be questioned. To drop below the requested level would mean a forced change in strategy and the potential for dramatically reduced force readiness.

MISSILE DEFENSE AND NUCLEAR DETERRENCE

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Missile defense and nuclear deterrence are two missions flagged among the key capability areas for modernization investment in FY 2016, and that is largely reflected in the budget numbers.

On the missile defense side, the overall FY 2016 spending request is $9.6 billion, of which $8.1 goes to the Missile Defense Agency (MDA). While short of the past high in FY 2009, this figure represents a welcome 9 percent and $668 million increase from last year's request, and a 3 percent increase from the appropriated FY 2015 Omnibus level. Indeed, it is the first time in several years that MDA's budget hasn't been cut.

The bulk of MDA's boost comes from the $1.8 billion for Ground Based Midcourse Defense (GMD), up from just over a billion last year. Last June's successful GMD intercept provided enough confidence to move forward with both nearer-term CE-II kill vehicle improvements and the near-tripling of funding for development of a redesigned kill vehicle (RKV), indicating that the agency is very close to RKV's procurement path. Yesterday, MDA Director VADM James Syring announced that MDA is looking for authority to run a government-designed approach, followed by competitive production. Other boosts for homeland defense include discrimination improvements, advancing a two-stage ground-based interceptor (GBI), and long-range discrimination radar based in Alaska. In the longer term, MDA makes modest research investments toward multi-object kill vehicles, railguns, and even a UAV-mounted laser which might be flight-tested in the next two-to-three years.

Regional missile defenses continue to progress, including toward European deployments of SM-3 IB in 2015 and the 2018 deployment of SM-3 IIA. Co-developed with Japan, the SM-3 IIA is slated to be flight-tested this year and deployed in 2018, with $173 million for procurement and $169 million for Aegis Ashore construction in Poland. Overall Aegis funding increases from $1.5 to $1.6 billion, including procuring forty SM-3 IB missiles. Terminal High Altitude Area Defense (THAAD) procurement continues with additional 30 interceptors, but the budget includes notable mention of funding for "concept development" for an extended range THAAD to meet some emerging threats—which may include hypersonic threats. Funding continues, but at reduced levels, for Israel's Iron Dome, Arrow, and David's Sling programs. Notably, $582 million is allocated to procure SM-6 missiles for fleet defense, and yesterday VADM Syring confirmed that SM-6 might be considered to defend against hypersonic threats.

One thing that seems absent is more substantial investments in space-based sensors, beyond a few references to getting more out of existing systems. MDA's FY 2016 boost may also be short lived, however, since FY2016's increases are followed by declines for the remainder of the Five-Year Defense Plan (FYDP), down to $7.3 billion by 2018. Indeed, this year's entire FYDP for MDA is only marginally higher than the FY 2015 projection.

Moving to nuclear deterrence and strike, the FY 2016 budget reflects significant spending levels to account for replacement of a number of major platforms, following a multi-decade procurement holiday and several upcoming retirements.

The Air Force's long range strike investments increase to $2 billion, up $400 million, largely due to the Long Range Strike Bomber (LRSB), whose funding this year rises by $336 million to $1.2 billion. Serving both conventional and nuclear strike missions, the stealthy LRS-B must be able to penetrate advanced air defenses while being more affordable than its predecessors—no more than $550 million each, assuming the Pentagon buys 80-100 aircraft. Based on recent estimates, senior defense officials say unit cost could go down even further. The Air Force also invests to reverse the relative inattention given to the ICBM force, as well as $75.2 million to develop GBSD, the eventual replacement for the Minuteman III. Other strike investments include B-2's direct attack capabilities, JASSM-Extended Range missiles, offensive improvements to

LRASM, B61 tail kit work, and more Tomahawks (conspicuously absent last year). Significantly, the budget devotes $36.6 million for the Long Range Stand Off (LRSO) missile, apparently accelerating its pace by two years. Replacing the air launched cruise missile (ALCM) operating since 1986, LRSO represents a high priority which will significantly improve the strike capability of both existing bombers and LRSB.

Other major muscle movements for nuclear deterrence are continued R&D for the Ohio-replacement nuclear missile submarine, whose allocation rises to $1.4 billion, and $1.2 billion for Trident missile modifications. Construction of the new SSBN is slated to begin in FY 2021, with first deployment in 2028. This schedule simply cannot be slipped without significant damage to the strategic deterrent capability, most of which will be aboard submarines under New START. To manage its long-term procurement and ensure it stays on schedule, Congress in December authorized the creation of a special sea-based deterrent fund. The Air Force and NNSA are reportedly considering asking Congress to do something similar for the other two ICBM and bomber legs of the triad, as well as the weapons themselves.

For the Department of Energy's National Nuclear Security Administration (NNSA), the request includes $8.8 billion for weapons activities, $667 million (8 percent) above FY 2015, which is projected to rise to $9.8 billion by FY2020. NNSA's weapons activities include critical life extension programs for B61-12 and W76 warheads, as part of the "3+2" strategy to consolidate the aging stockpile to three warheads for missile delivery and two for delivery by air.

NUCLEAR SECURITY AND NONPROLIFERATION IN THE FY 2016 BUDGET

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The big picture in the nuclear world is "steady as she goes." This is more accurate for nuclear weapons and nuclear security, and less for nuclear nonproliferation, which continues to get a shrinking slice of an ever smaller pie. The modest increases in FY 2016's budget request will fail to make up for the last few years of declining budgets, despite the Obama administration's rhetoric about the grave risks of the threat of nuclear terrorism.

In general, requests exceed FY 2015 levels, but that's hardly surprising in light of the lower appropriated funds last year. The Department of Energy's (DoE) National Nuclear Security Administration reorganized its Defense Nuclear Nonproliferation Funding accounts making it impossible to track funding by programs, but helpfully provided a "comparable" funding chart that shows a $100 million increase over last year's request ($1.8 billion), which was $300 million lower than the FY14 request.

In FY 2016, DoE proposes to spend $12.6 billion overall on its nuclear security missions. These include modernizing the nuclear weapons production complex and stockpile stewardship programs ($8.8 billion), defense nuclear nonproliferation programs ($1.9 billion), and the Navy's nuclear reactor program ($1.4 billion). The 10 percent increase in the budget over FY 2015 funds falls largely on the weapons end of the spectrum. And within those programs, more is being requested for modernization programs than dismantlement of nuclear weapons. A few of the key programs include life extensions for nuclear warheads, and modernization of the uranium and plutonium complexes at Oak Ridge and Los Alamos. The mixed-oxide fuel fabrication plant under construction at Savannah River has been rebranded as a "Nonproliferation Construction" program (the only one in that budget category).

At the State Department, the NADR account (Nonproliferation, Anti-Terrorism and Demining and Related Programs) grew by $21 million but this increase was applied mostly to anti-terrorism programs rather than nonproliferation. In fact, the nonproliferation programs were cut (with the exception of the U.S. contribution to international organizations) between 15 and 20 percent. At just about $275 million, the nonproliferation assistance programs fall far short of the supplemental $390 million that will go into the Counterterrorism Partnerships Fund.

In nonproliferation, the Obama administration seems to have held the line on a few programs that it will need to support important missions -- like funding for the International Atomic Energy Agency that administers inspections at nuclear facilities, for the Comprehensive Test Ban Treaty Organization and for specific weapons-usable material clean-out programs for the 2016 Nuclear Security Summit. Even this zero-growth baseline, however, could be placed in jeopardy by a Congress that may not be inclined to support such internationally-oriented programs.

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