

OFFICE OF THE UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CFO
FEBRUARY 2015



FISCAL YEAR 2016
BUDGET REQUEST

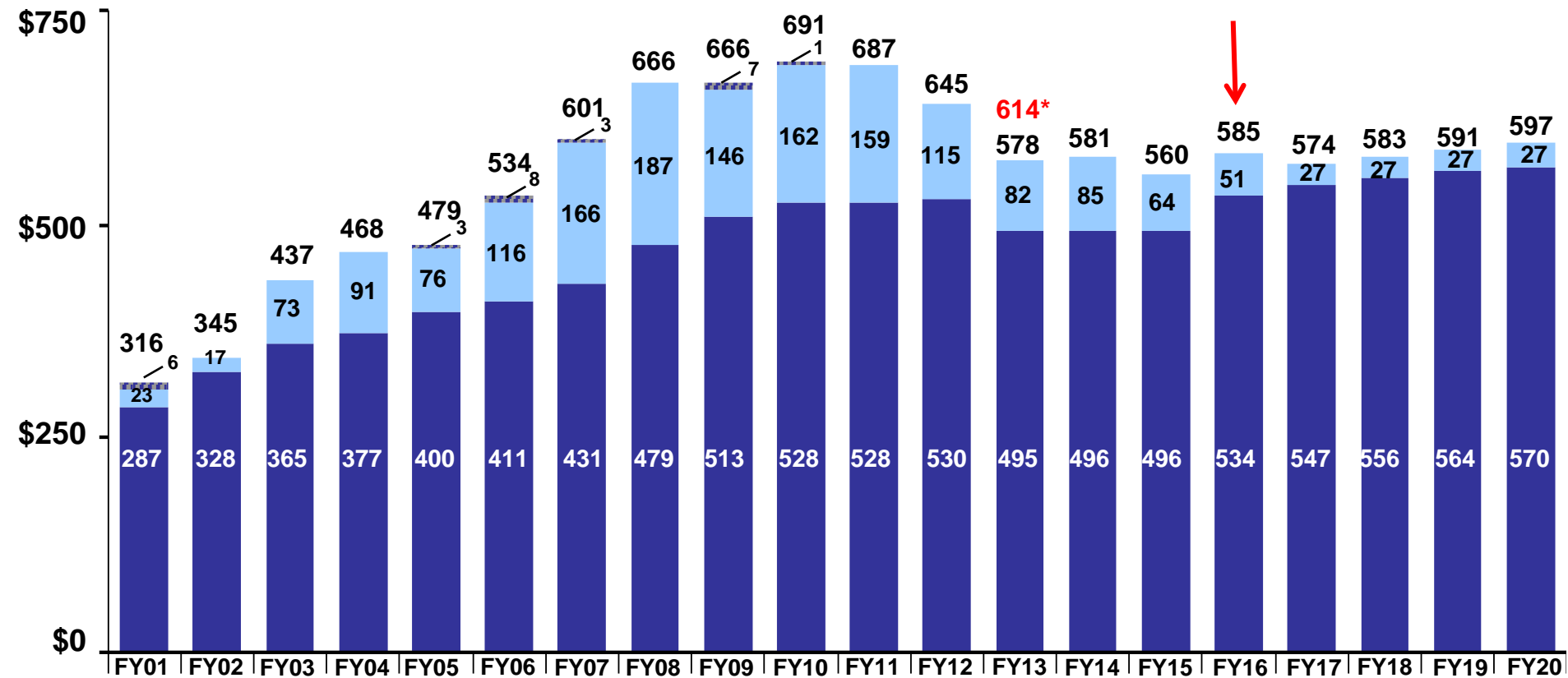
The FY 2016 PB Request is Guided by the 2014 QDR Strategy

- The FY 2016 PB Request is shaped by the three pillars of the 2014 QDR strategy...
 - Protect the homeland
 - Build security globally
 - Project power and win decisively
- ...and reflects the five key Priorities:
 - Rebalance to the Asia-Pacific
 - Maintain a strong commitment to security and stability in Europe and the Middle East
 - Sustain a global approach to countering violent extremists
 - Prioritize and protect key investments in technology
 - Reinvigorate efforts to build innovative partnerships



Obtaining PB 2016 funding levels is essential to executing the defense strategy

The FY 2016 President's Budget is a Strategy-Driven, Resource-Informed Budget



* Reflects FY 2013 Enacted level excluding Sequestration

Numbers may not add due to rounding

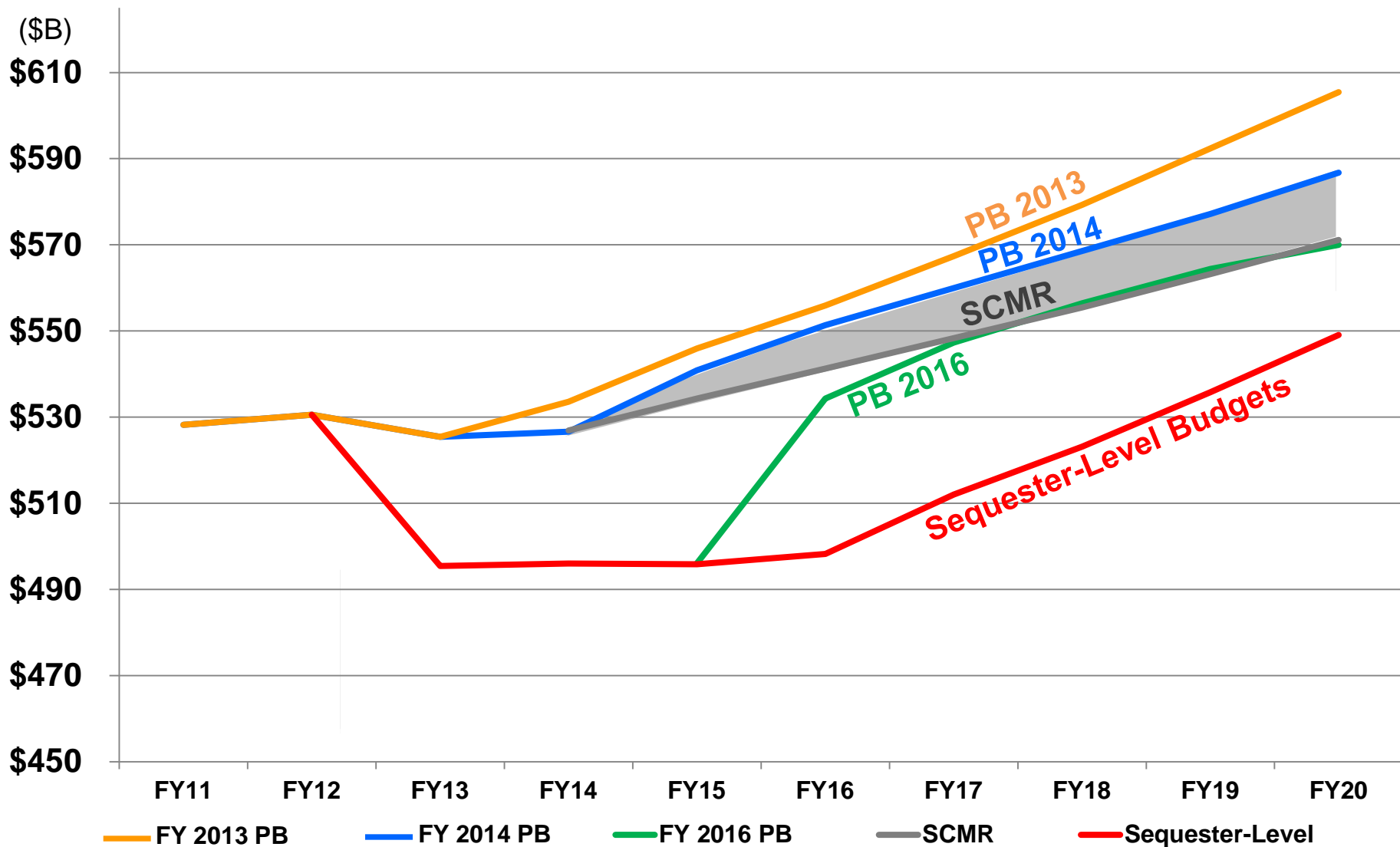
DoD Topline, FY 2001 – FY 2020

(Current Dollars in Billions)

■ Base Budget ■ OCO ■ Other

PB 16 Base Budget Supports the 2014 QDR Strategy

Sequester-Level Budgets Do Not



SCMR = Strategic Choices and Management Review

FY 2016 President's Budget

(Dollars in Billions)

By Appropriation Title	FY 2015	FY 2016	Dollar Change
Military Personnel	135.0	136.7	+1.8
Operation and Maintenance	195.4	209.8	+14.5
Procurement	93.6	107.7	+14.1
RDT&E	63.5	69.8	+6.3
Military Construction/Family Housing	6.6	8.4	+1.9
Other	2.1	1.8	-0.3
TOTAL	496.1	534.3	+38.2

Numbers may not add due to rounding

By Military Department	FY 2015	FY 2016	Dollar Change
Army	119.5	126.5	+7.0
Navy	149.2	161.0	+11.8
Air Force	136.9	152.9	+16.0
Defense Wide	90.6	94.0	+3.4
TOTAL	496.1	534.3	+38.2

Numbers may not add due to rounding

Base Budget Request: \$534.3 Billion

PB 2016 Resource Levels Still Require Difficult Tradeoffs

- The U.S. Military remains deeply engaged around the world
 - Currently responding to three emergent geopolitical challenges: Russian activities in the Ukraine; rise of ISIL; Ebola
- The Department must address both current and emerging challenges
 - Cyber attacks
 - Rising China
 - Threats to space assets
- Achieving the right balance among capacity, capability, and readiness is increasingly difficult
 - The Joint Force faces severe deployment demands without full reset from war
 - U.S. technological edge is eroding
 - Recovering full spectrum readiness remains a challenge
 - Congressional opposition to Departmental reforms complicates our efforts
 - Uncertainty over future resource levels overhangs all program decisions

Can support 2014 QDR strategy, unless sequester-level cuts return in FY 2016 or our proposed efficiencies and reforms are not accepted

PB 2016 Force Structure Closely Mirrors PB 2015 Decisions

- Force structure assessed sufficient to execute the strategy
- Major elements include:
 - 14 SSBNs, 450 ICBMs
 - 96 Operational Bombers (154 total)
 - 304 Ship Navy with 11 Carriers
 - 49 Tactical fighter squadrons
 - 980k Army Total End Strength (by FY 2018)
 - 221k Marine Corps Total End Strength (by FY 2017)



PB 2016 Resubmits Key Reform Proposals in the PB 2015 Budget

- Army aviation restructure
- Navy Cruiser/LSD phased modernization program
- Air Force A-10 divestiture
- Base Realignment and Closure
- Compensation Reforms



PB 2016 Significant Modernization Programs

- 57 Joint Strike Fighters (\$10.6 billion)
- 16 P-8 aircraft (\$3.4 billion)
- 5 E-2D aircraft (\$1.3 billion)
- KC-46 tanker (\$3.0 billion) and Long Range Strike development (\$1.2 billion)
- 9 ships (\$11.6 billion)
- George Washington (CVN) overhaul (\$678 million)
- Ohio replacement strategic submarine development (\$1.4 billion)
- Littoral Combat Ship capabilities improvements (\$55 million)
- Cyber capabilities enhancements (\$5.5 billion)
- Ground Based Interceptor reliability (\$1.6 billion)
- Army helicopter modernization (e.g., Light Utility Helicopter) (\$4.5 billion)
- Reaper (MQ-9) procurement (\$821 million)



PB 2016 Makes Additional Investments in Key Capabilities

- Funds nuclear enterprise improvements
 - Improve nuclear weapons facilities
 - Enhance ICBM operations with improved manning and safety procedures
 - Accelerate technology improvements
- Invests in space capabilities
 - Space control development
 - Space launch initiatives
 - Develop alternative domestic launch capability
- Improves base resiliency
- Includes additional investment in advanced sensors, communications, and munitions for power projection
- Funds science and technology to manage technological risk



PB 2016 Reflects an Increased Emphasis on Innovation

- Defense Innovation Initiative
 - Developing 21st century leaders
 - Implementing a new Long-range Research and Development Planning Program (LRRDPP)
 - Reinvigorating Departmental wargaming
 - Developing new operational concepts
 - Implementing 21st century business practices
- Examples of technological emphasis areas
 - Assured positioning, navigation and timing
 - High speed strike weapons
 - Aerospace Innovation Initiative
 - Railgun
 - High energy laser

PB 2016 Sustains the Path to Full Spectrum Readiness

- **Army:**
 - Maximize high-end collective training exercises and home station training, resulting in 6 additional fully ready Brigade Combat Teams at the end of FY 2014
 - PB 2016 training plan that allows Army to regain full-spectrum training proficiency by FY 2020
- **Navy:**
 - Level-loaded maintenance requirements in order to ensure consistent and long-term sustainable maritime presence
 - PB 2016 supports maintenance periods required for a healthy balance between presence and surge capability in the outyears
- **Marine Corps:**
 - Fully funded crisis response activities required to provide rapid and agile support to Combatant Commanders
 - PB 2016 continues to grow Marine Corps' crisis response operational concept and capabilities, and addresses readiness issues of its non-deployed forces over the next 5 years

PB 2016 Sustains the Path to Full Spectrum Readiness

- **Air Force:**
 - PB 2016 fully funds executable flying hours and weapon system sustainment to support full-spectrum readiness by FY 2023, although time is needed to regain combat readiness
 - Increases investment in range infrastructure and capabilities, simulators, and critical skills training such as Red Flag exercises
- **SOCOM:**
 - Reinstated language and cultural expertise training and continues to enhance Special Operations Forces (SOF) support to the Geographic Combatant Commanders
 - PB 2016 increases Flying Hour Program funding for SOF aviation, optimizes training and engagement opportunities, and fully mans SOF components at the Combatant Commands

PB 2016 request allows Services to continue building on progress made over the last year, but readiness gains are fragile

PB 2016 Continues to Pursue Compensation Reform

- The Department continues to take action to slow the growth rate of personnel costs
- Guiding Principles
 - Continue to recruit and retain high quality All Volunteer Force
 - Continue to support service member families
 - Use any savings to “keep our Armed Forces the best-trained, best led, and best-equipped fighting force” – (President Obama)
- Due to the timing of its release, DoD proposals were not informed by work of independent Military Compensation and Retirement Modernization Commission (MCRMC)
 - DoD will provide an analysis of MCRMC recommendations as required by law



PB 2016 Continues to Pursue Compensation Reform (II)

- **FY 2016 Budget request savings (FY16, \$1.7B; FYDP \$18.2B)**
 - **FY16 Basic Pay raise 1.3%** (FY 2016, \$0.7B; FYDP, \$4.3B)
 - **Slow growth in Basic Allowance for Housing** – an additional 4% out-of-pocket above 1% authorized by Congress in FY 2015 (FY 2016, \$0.4B; FYDP, \$3.9B)
 - **Reduce Commissary Operating costs and subsidy** through efficiencies and revenue generating opportunities gained through legislative changes (FY2016, \$0.3B; FYDP, \$4.4B)
 - **Consolidate TRICARE healthcare plans** with altered deductibles/co-pays to encourage beneficiaries to seek care in the most appropriate setting and improve the overall continuity of care. (FY 2016, -\$0.1B; FYDP, \$3.1B)
 - **Implement modest annual fees for TRICARE-For-Life** coverage for retirees 65 and over (FY 2016, \$0.1B; FYDP, \$0.4B)
 - **Additional changes to pharmacy co-pay structure** for retirees and active duty family members above the FY 2015 authorized level to further incentivize the use of mail order and generic drugs (FY 2016, \$0.3B; FYDP, \$2.0B)

PB 2016 Continues to Support Broad Institutional Reform

- Seeks BRAC authority to reduce excess base infrastructure
- Supports a full review of Business and Management Systems
- Sustains financial auditability improvements
- Sustains Better Buying Power 3.0
- Supports an improved healthcare system
- Sustains sexual assault prevention and response programs
- Supports reorganization of missing personnel programs and offices



Overseas Contingency Operations

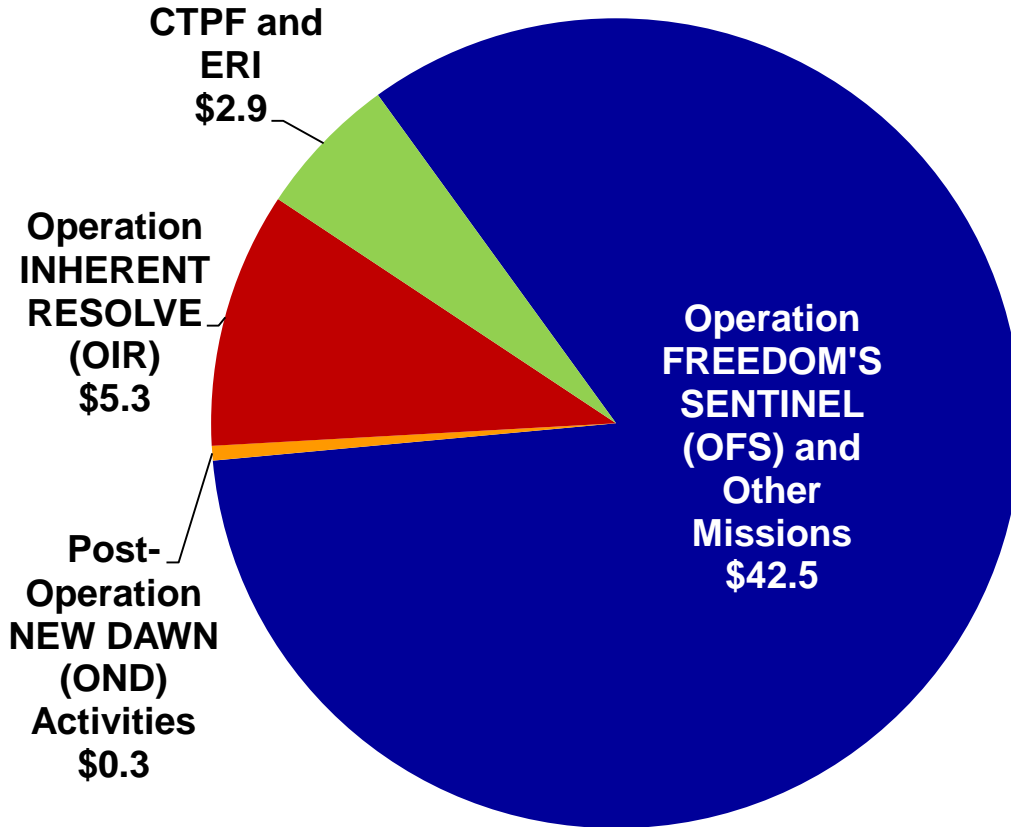
- Included with this Budget Request
 - \$50.9 billion
 - Continues decline since FY 2010
 - Reflects continued operational demands on U.S. forces
- Continues responsible transition in Afghanistan
 - Includes training and equipping of Afghan security forces (\$3.8 billion)
- Funds Counter-ISIL Operations (\$5.3 billion)
 - Includes training and equipping of Iraqi forces and vetted moderate Syrian opposition (\$1.3 billion)
- Includes Counterterrorism Partnerships Fund (\$2.1 billion)
- Continues European Reassurance Initiative (\$789 million)
- Funds International support (\$1.7 billion)
 - Coalition Support Fund
- Resets/retrogrades equipment (\$7.8 billion)
- If sequestration lifted, plan to transition enduring costs currently funded in the OCO budget to the base budget beginning in 2017 and ending by 2020



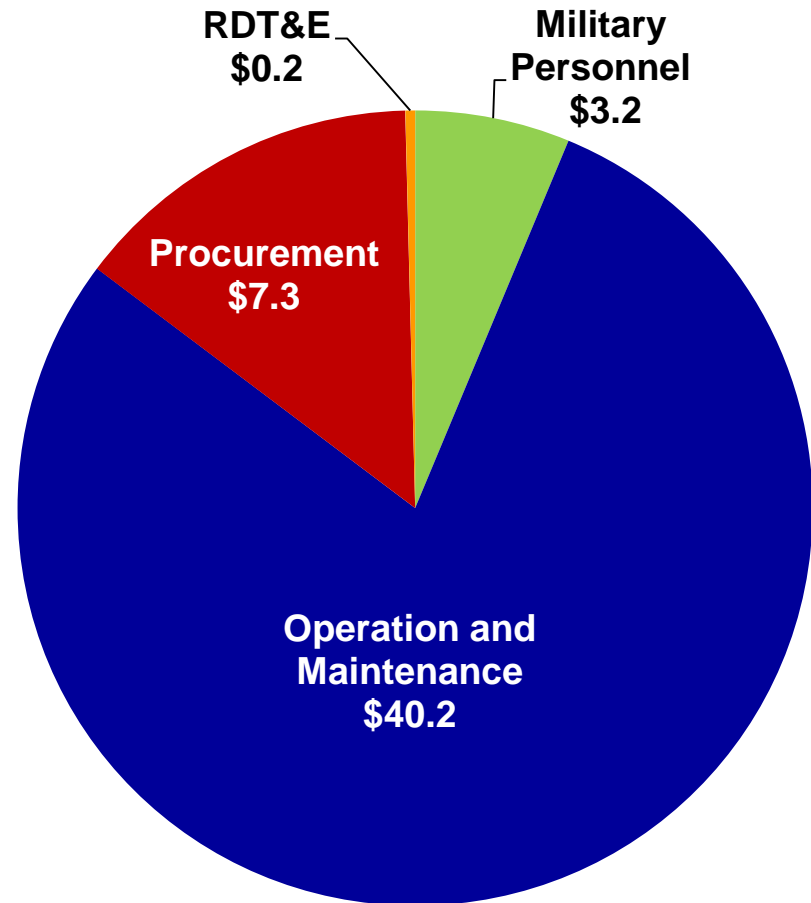
FY 2016 OCO Funding

(Dollars in Billions)

By Operation



By Appropriation



OCO Request: \$50.9 billion

CTPF: Counterterrorism Partnerships Fund
ERI: European Reassurance Initiative

Summary

- Resource informed, strategy-driven budget
 - Addresses current and future operational challenges
 - Retains major elements of PB 2015 force structure
 - Sustains return to full spectrum readiness after sequestration and 13 years of war
 - Invests in the future
 - Nuclear enterprise
 - Space
 - Power projection
 - Cyber
 - Innovative platforms and capabilities
 - Maintains our commitment to our people and families
- Need support from Congress
 - Support key investments in modernization
 - Support force structure adjustments
 - Support compensation reforms
 - Support BRAC 2017
 - Remove threat of sequestration



Can Support 2014 QDR Strategy with Manageable Risk – with Elevated Risk in Selected Areas

For More Information

- For more information, visit the website for the Office of the Under Secretary of Defense (Comptroller) at:
 - www.budget.mil
 - Download the Department's *FY 2016 Budget Request*



Back Up

FY 2016 President's Budget

Force Structure Details

FY 2014 - FY 2020 Base + OCO Budget (Active Duty End Strength in Thousands)

Total Program (Base + OCO)	FY 2014 ^{1/}	FY 2015 ^{2/}	FY 2016	Δ FY15-16	FY 2017	FY 2018	FY 2019	FY 2020
Army	508.2	490.0	475.0	-15.0	460.0	450.0	450.0	450.0
Navy	325.6	323.6	329.2	+5.6	326.5	328.2	329.8	330.0
Marine Corps	188.1	184.1	184.0	-0.1	182.0	182.0	182.0	182.0
Air Force	316.3	313.0	317.0	+4.0	314.3	313.0	311.2	311.2
TOTAL	1,338.2	1,310.7	1,305.2	-5.5	1,282.8	1,273.2	1,273.0	1,273.2

Source: FY 2016 President's Budget

Numbers may not add due to rounding

1/ FY 2014 actuals

2/ FY 2015 Authorized end strength levels

Reserve Component End Strength - Actual & Authorized (End Strength in Thousands)

Program	FY 2014 Actual	FY 2015 Estimate	FY 2016	Δ FY15-16	FY 2017	FY 2018	FY 2019	FY 2020
Army Reserve	195.4	198.0	198.0	--	195.0	195.0	195.0	195.0
Navy Reserve	59.3	57.3	57.4	+0.1	58.0	58.9	58.9	58.9
Marine Corps Reserve	39.5	39.2	38.9	-0.3	38.5	38.5	38.5	38.5
Air Force Reserve	69.8	67.1	69.2	+2.1	66.8	66.8	66.5	66.5
Army National Guard	354.1	350.2	342.0	-8.2	335.0	335.0	335.0	335.0
Air National Guard	106.4	105.0	105.5	+0.5	104.2	104.0	104.1	104.1
TOTAL	824.4	816.8	811.0	-5.8	797.5	798.2	798.0	798.0

Source: FY 2016 President's Budget

Numbers may not add due to rounding

FY 2016 President's Budget

Force Structure Details

Continued

Total Civilian Full-Time Equivalents (U.S. and Foreign Nationals Hires)

Program (Base + OCO)	FY 2014*	FY 2015	FY 2016**	Δ FY15-16
Army	207,116	209,252	205,416	-3,836
Navy	172,591	178,051	180,780	+2,729
Marine Corps	20,869	20,420	20,264	-156
Air Force	166,597	169,559	169,888	+329
Defense Wide	188,913	199,559	196,998	-2,561
TOTAL FTEs	756,086	776,841	773,346	-3,495
TOTAL CIV PAY \$ Million ***	76,001	78,540	79,483	+943

Source: FY 2016 President's Budget

Numbers may not add due to rounding

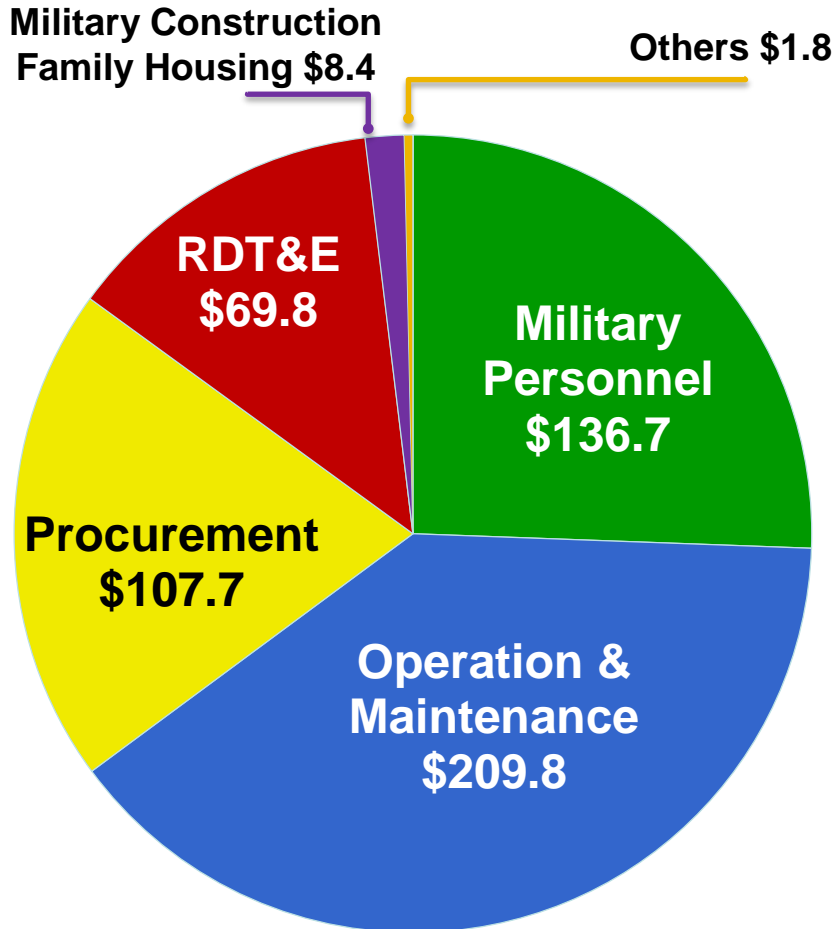
* FY2014 actuals

**FY 2016 FTEs include 674 OCO FTEs

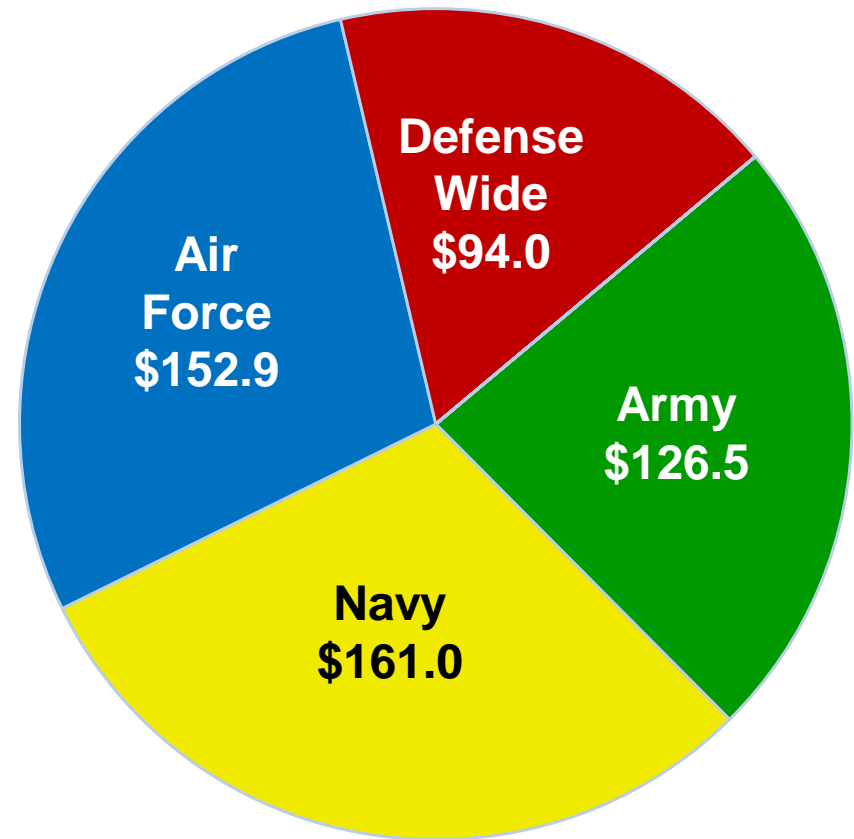
FY 2016 President's Budget

(Dollars in Billions)

Base Budget



Budget By Military Department



Budget Request: \$534.2 billion

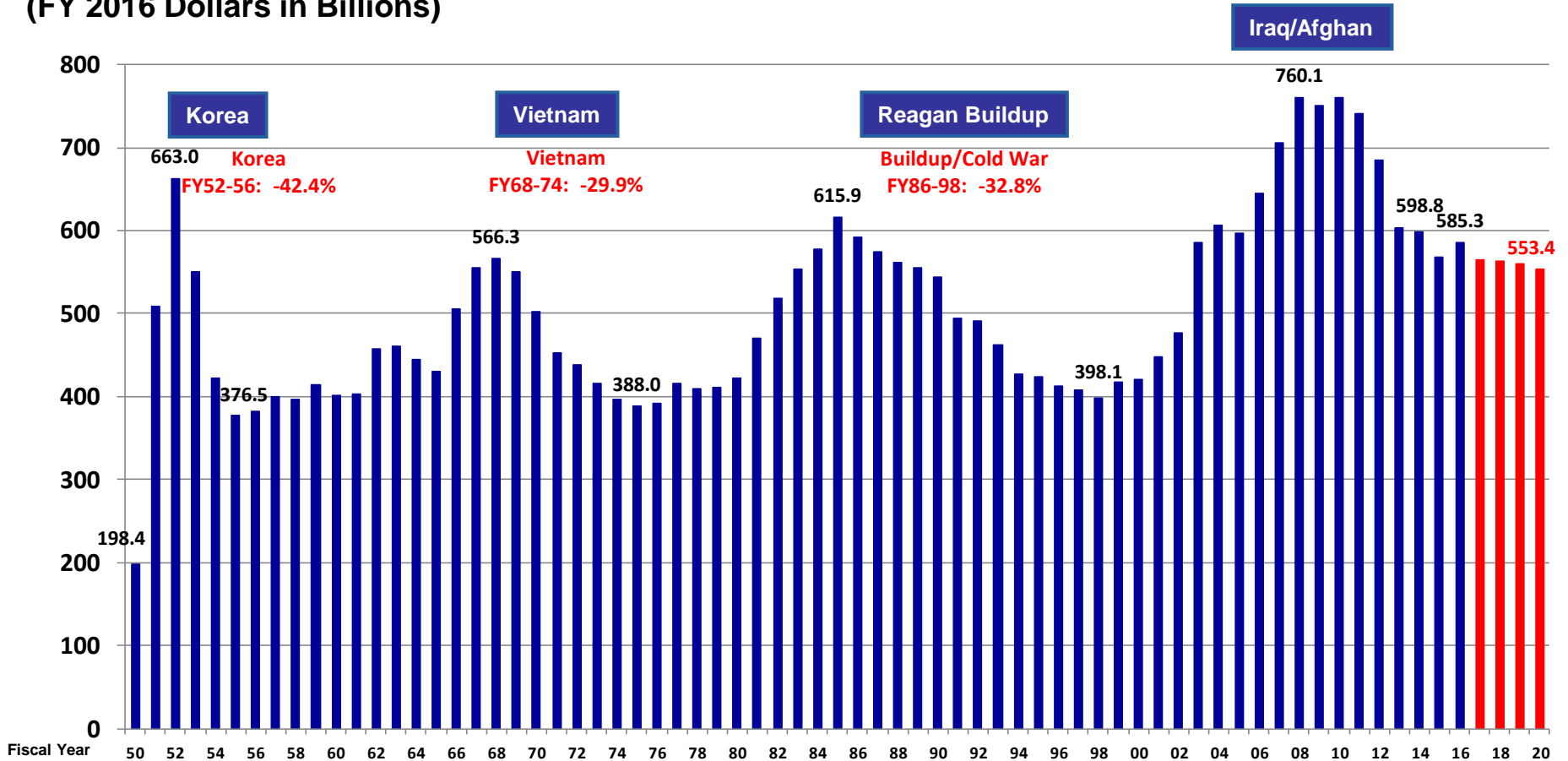
Ship Modernization

- 2 Virginia Class Submarines (\$5.4 billion)
- 2 DDG – 51 Destroyers (\$3.2 billion)
- 3 Littoral Combat Ships (\$1.6 billion)
- 1 LPD Amphibious Transport Dock Ship (\$0.7 billion)
- 1 T-AO Fleet Replenishment Order (\$0.7 billion)
- Total = 9 New Construction Ships

Total Budget Trends

(Including supplemental and OCO funding)

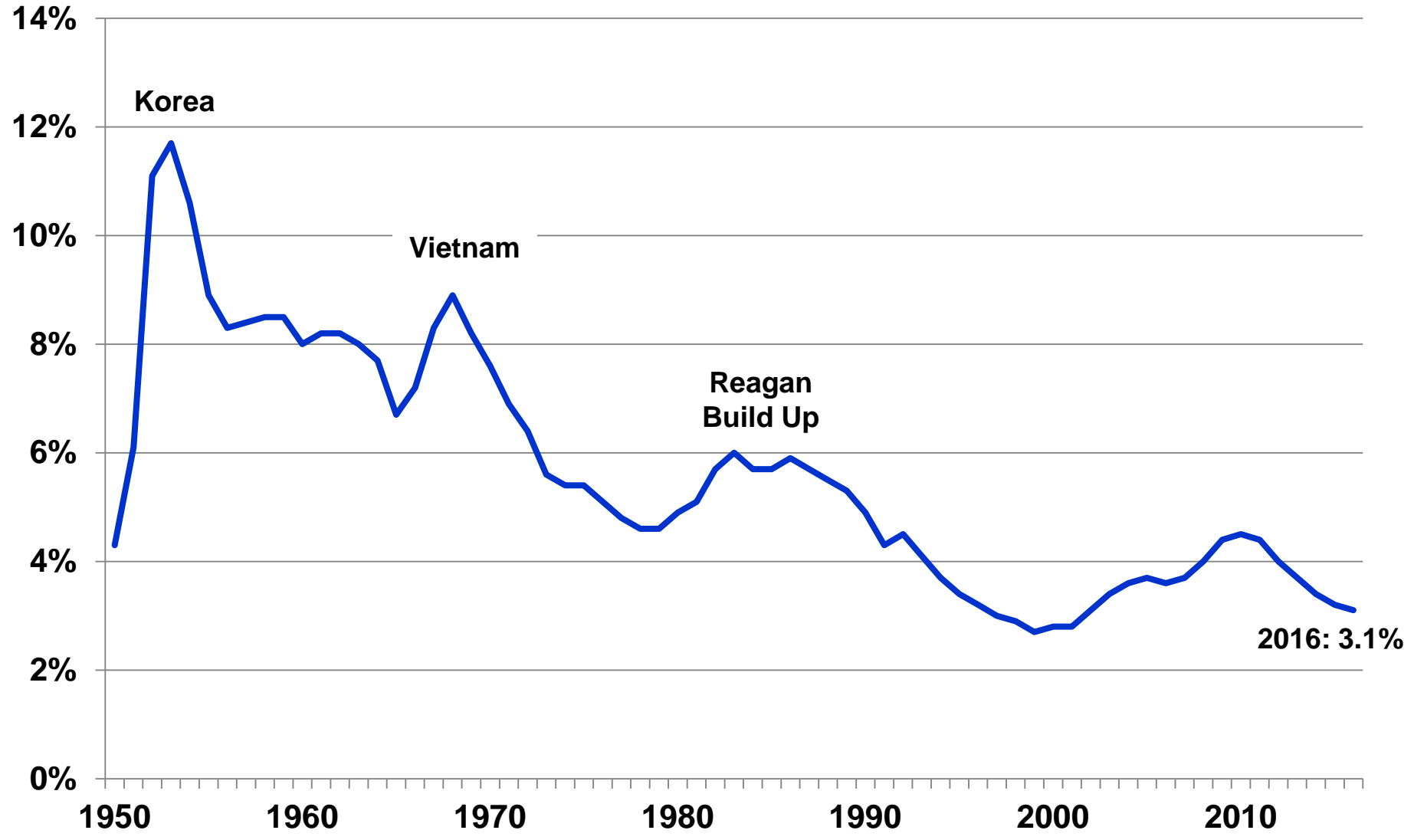
(FY 2016 Dollars in Billions)



Projections (red bars) assume FYDP plus \$26.7 billion annual placeholders for OCO in years beyond FY 2016

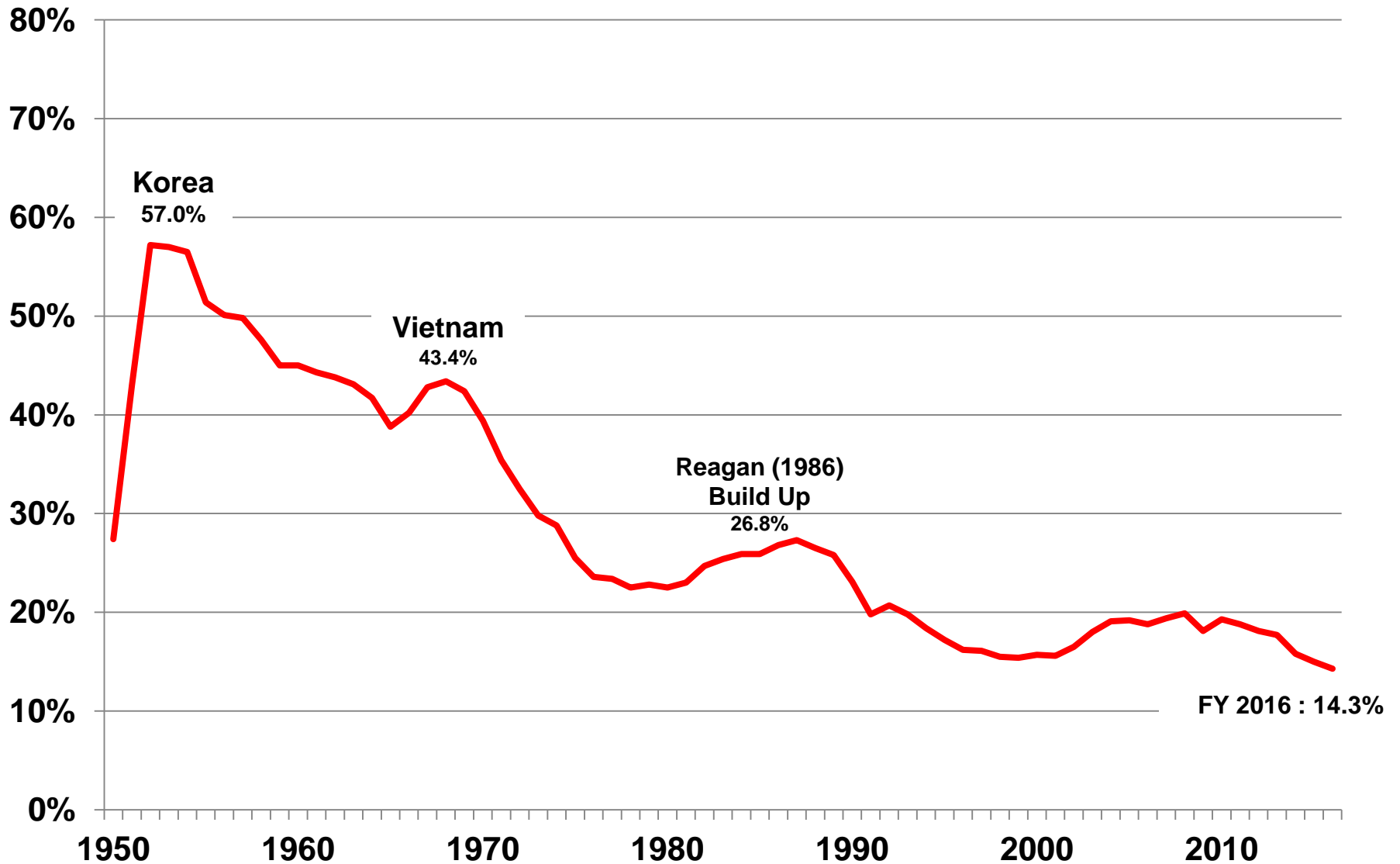
DoD Outlays as a Percentage of Gross Domestic Product

FY 1950 – FY 2016



DoD Outlays as a Percentage of Federal Spending

FY 1950 - FY 2016



PB 16 Base Budget Supports the 2014 QDR Strategy

Sequester-Level Budgets Do Not

