

FISCAL YEAR 2013 BUDGET REQUEST



UNITED STATES
DEPARTMENT OF DEFENSE



February 2012

OFFICE OF THE UNDER SECRETARY OF DEFENSE
(COMPTROLLER) / CHIEF FINANCIAL OFFICER

President's Commitment

“The fiscal choices we face are difficult ones, but there should be no doubt – here in the United States or around the world – we will keep our Armed Forces the best-trained, best-led, best-equipped fighting force in history.”

**President Barack Obama
January 2012**



Guiding Principles

1. More disciplined use of defense dollars
2. Apply strategic guidance to force structure and investment
3. The All-Volunteer Force is foundation of our military
4. Fully support deployed warfighters

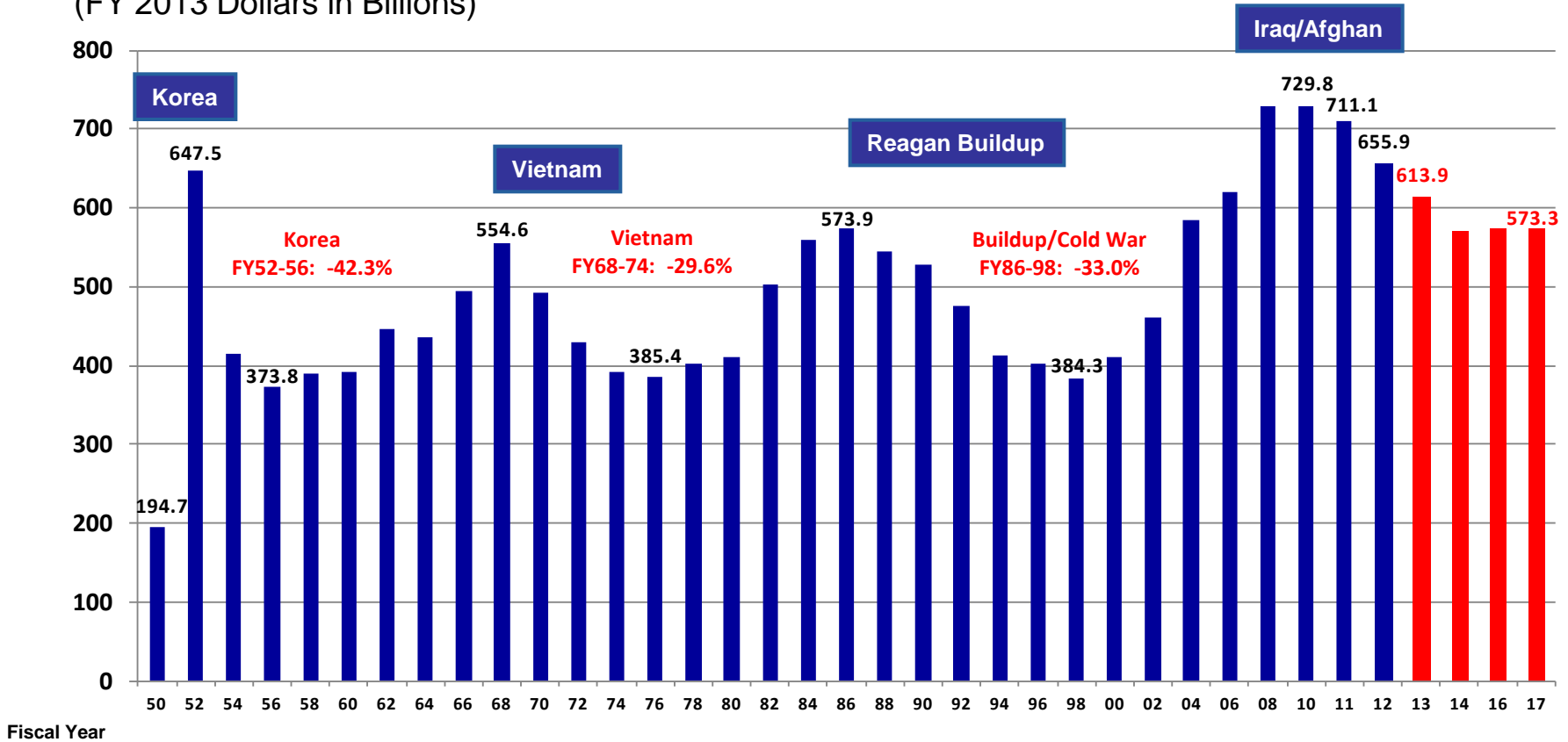
Formulated New Strategy to Guide Budgetary Decisions

Total Budget Trends

(Including supplemental and OCO funding)

**FY10 – 17:
-21%/- \$156B**

(FY 2013 Dollars in Billions)



Projections (red bars) assume FYDP plus \$44.2 billion annual placeholders for OCO in years beyond FY 2013

Base Budget Dollar Trends

(Dollars in Billions)

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	Total FY13 – 17	Total FY12 – 21
DoD FY12 PB	\$528.2	\$553.0	\$570.7	\$586.4	\$598.2	\$610.6	\$621.6	\$2,987.5	\$6,140.6
Delta FY12-FY13	--	-\$22.4	-\$45.3	-\$52.8	-\$52.3	-\$54.7	-\$54.3	-\$259.4	-\$486.9
DoD FY13 PB	\$528.2	\$530.6	\$525.4	\$533.6	\$545.9	\$555.9	\$567.3	\$2,728.1	\$5,653.7
Real Growth	-1.9%	-1.4%	-2.5%	0.0%	+0.8%	+0.2%	+0.2%	-0.3%/yr*	-0.1%/yr*

* Average per year

Numbers may not add due to rounding

PB13 Accommodates Budget Control Act

Accommodating Budget Realities

More Disciplined Use of
Defense Dollars

**Apply Strategic
Guidance to Force
Structure and
Investment**

**Fully Support
All-Volunteer Force**

**Fully Support Deployed
Warfighters
(OCO)**

Changes Based on New Strategy and Better Management

More Disciplined Use of Defense Dollars

- FY 2013 President's Budget Initiative (*About \$60 billion in savings across FYDP*)
 - Reduce OSD and Defense Agency expenses (*\$-10.7 billion*)
 - Rephase military construction (*\$-8.2 billion*)
 - Travel and printing savings (*\$-0.5 billion*)
 - Enterprise IT savings (*\$-4.1 billion*)
 - Strategic sourcing (*\$-2.2 billion*)
 - Better buying practices (*\$-5.3 billion*)
 - Streamline installation support (*\$-5.3 billion*)
 - Improve financial information and achieve audit readiness
- Implement FY 2012 President's Budget Proposals
 - Implementation plans in place
 - Components focused and serious
 - OSD conducting periodic reviews

Accommodating Budget Realities

**More Disciplined Use of
Defense Dollars**

**Apply Strategic
Guidance to Force
Structure and
Investment**

**Fully Support
All-Volunteer Force**

**Fully Support Deployed
Warfighters
(OCO)**

Changes Based on New Strategy and Better Management

Strategic Goals

- Create a force that is smaller and leaner, but also agile, ready, flexible, and technologically advanced
- Rebalance our global posture toward Asia-Pacific/Middle East
- Build innovative partnerships and strengthen alliances
- Protect and prioritize investments in new capabilities



Ensure That We Can Quickly Confront and Defeat Aggression From Any Adversary – Anytime, Anywhere

Force That is Smaller and Leaner, Agile and Ready

(Reductions to FY 2012 Enacted End Strength)

Reduce active end strength (down 103k)

- Army to 490,000 by FY 2017 (down 72k)
- Marine Corps to 182,100 by FY 2017 (down 20k)
- Navy to 319,500 by FY 2017 (down 6.2k)
- Air Force end strength to 328,600 by FY 2017 (down 4.2k)

Reduce reserve end strength (down 22k)

- Navy Reserve to 57,100 by FY 2017 (down 9.1k)
- Air Force National Guard/Reserve to 170,700 by FY 2017 (down 7.4k)
- Army National Guard/Reserve to 558,200 by FY 2017 (down 5k)
- No reductions to Marine Corps Reserves

Force That is Smaller and Leaner, Agile and Ready

- Force structure reductions (saves roughly *\$50 billion over FYDP*)
 - Army eliminating minimum of 8 BCTs (pending further review)
 - USMC eliminating 6 combat battalions, 4 TACAIR squadrons
 - Air Force eliminating 7 TACAIR squadrons
 - Also mobility aircraft: 27 C-5A's, 65 C-130's and 38 C-27's
 - Navy retiring 7 older cruisers and 2 Landing Ship Docks (LSDs)
- Ready and agile force
 - O&M up (FY 2013, \$209 billion, up 6%)
 - Retain agile forces

Force Structure Cuts Lead To Request For BRAC Authority

Rebalance Toward Asia-Pacific/Middle East

Maintain key capabilities

- Aircraft carrier fleet at long-term level of 11 Ships/10 Air Wings
- Big-deck amphibious fleet
- Current bomber fleet
- Sustain Army/Marine Corps Pacific force structure
 - Also persistent presence in Middle East
- Forward station littoral combat ship in Singapore/patrol craft in Bahrain



Selected investments

- Funding for new bomber (FY 2013, \$0.3 billion)
- New Afloat Forward Staging Base (FY 2014, \$0.6 billion)
- Increase cruise missile capability on submarines (FY 2013, \$0.1 billion)
- Upgrade tactical sensors/Electronic Warfare/Comms (FY 2013, \$1.8 billion)

Innovative Partnerships, Stronger Alliances

Selected investments

FY 2013

- NATO Alliance Ground Surveillance \$0.2 billion
- National Guard State Partnership Program \$0.01 billion
- COCOM Exercise & Engagement Program \$0.8 billion
- Security Force Assistance Program \$0.4 billion
- Global Security Contingency Fund with State Dept.
 - Authority up to \$200 million

Organizational changes

- Two fewer European BCTs
 - Rotate U.S. based forces for training
- Move Special Operations Forces to other regions
- Align Army BCT with each Regional COCOM
- Forward deploy 4 DDGs to Rota

Invest in High-Priority Initiatives

	<u>FY 2013</u>
• Special Operations Forces (Base + OCO)	\$10.4 billion
• Unmanned Air Systems	\$3.8 billion
• Cyber	\$3.4 billion
• Ballistic Missile Defense	\$9.7 billion
• Space	\$8.0 billion
• Tanker (KC-46) Program	\$1.8 billion
• Science and Technology	\$11.9 billion
– Basic Research (\$2.1 billion)	



Prioritize Among Investments

	<u>FY 2013-2017</u>
•Joint Strike Fighter	<i>\$-15.1 billion</i>
•Reduced shipbuilding	<i>\$-13.1 billion</i>
•Delay SSBN-(X)	<i>\$-4.3 billion</i>
•Army Ground Combat Vehicle	<i>\$-1.3 billion</i>
•Global Hawk Block 30	<i>\$-2.5 billion</i>
•Defense Weather Satellite System	<i>\$-2.3 billion</i>
•HMMWV Recapitalization	<i>\$-0.9 billion</i>

Savings of about \$75 billion over FYDP

Accommodating Budget Realities

**More Disciplined Use of
Defense Dollars**

**Apply Strategic
Guidance to Force
Structure and
Investment**

**Fully Support
All-Volunteer Force**

**Fully Support Deployed
Warfighters
(OCO)**

Changes Based on New Strategy and Better Management

Wounded Warriors, Families and Transitioning Veterans

FY 2013

- Military Healthcare System \$48.7 billion
- Family Support Programs \$8.5 billion
 - DoD Schools, Commissaries, Counseling, Child Care
 - Transition Assistance Program
- Yellow Ribbon Reintegration Program \$0.2 billion
 - Funded primarily in OCO Request



Implement Military Compensation Changes (Guiding Principles)

- Maintain compensation system that is:
 - Commensurate with stress of military life
 - Sufficient to attract and retain needed personnel
 - Ensure no one's pay is cut
- Must make some changes to avoid overly large cuts in force structure and modernization
- Savings from military compensation disproportionately small
(*Saves about \$30 billion over FYDP*)
 - Roughly 1/3 of budget, about 10% of savings

Implement Military Compensation Changes (Specific Proposals)

- Basic pay raises (*Saves \$16.5 billion over FYDP*)
 - Full ECI raise in FY 2013 (1.7%)
 - Lower raises starting in FY 2015
- Military Healthcare (*Saves \$12.9 billion over FYDP*)
 - Increase TRICARE enrollment fees
 - Tiered approach for retirees under 65 for Prime
 - New enrollment fees/higher deductibles for Standard/Extra
 - New TRICARE-for-Life enrollment fee
 - Tiered approach for retirees 65 and over
 - Increase Pharmacy co-pays
 - Incentivize generics/mail order prescriptions
- Military retirement
 - No changes proposed
 - Retirement Modernization Commission
 - Recommend full grandfathering

Fully Supported By Uniformed Military

Accommodating Budget Realities

**More Disciplined Use of
Defense Dollars**

**Apply Strategic
Guidance to Force
Structure and
Investment**

**Fully Support
All-Volunteer Force**

**Fully Support Deployed
Warfighters
(OCO)**

Changes Based on New Strategy and Better Management

Ensure Full Support of Warfighters in Combat

(Dollars in Billions)

	FY 2011	FY 2012	FY 2013
Operation Enduring Freedom	\$114.0	\$105.5	\$85.6
Operation New Dawn/Iraq	\$45.0	\$9.6	\$2.9
Total	\$159.0	\$115.1	\$88.5

- Overseas Contingency Operations (OCO) budget is reduced by \$26.6 billion, 23% below FY 2012
- Support ongoing operations in Afghanistan
- Assume Afghan force levels remain at 68,000 troops (pending further decisions)
- Train and equip Afghan National Security Forces (ANSF)
- Support Office of Security Cooperation-Iraq (OSC-I)
- Continue reset of equipment used/destroyed in Iraq and Afghanistan
- Fund non-enduring Army/Marine Corps end strength

Accommodating Base Budget Limits

(Dollars in Billions)

By Category	FY 2013	FY 13-17
More Disciplined Use Of Resources	-10	-61
Force Structure	-9	-53
Modernization	-18	-76
Military Compensation	-2	-29
Other	-6	-40
Total	-45	-259

Numbers may not add due to rounding

(Dollars in Billions)

By Appropriation	FY 2013	FY 13-17
Procurement	-18	-94
RDT&E	-6	-17
Military Construction/Family Housing	-5	-19
Military Personnel	-11	-69
Operation and Maintenance	-6	-60
Total	-45	-259

Numbers may not add due to rounding

Budget Trends By Title

(Base Budget)

(Dollars in Billions)

	FY 2011 Actual	FY 2012 Enacted	FY 2013
Military Personnel	137.8	141.8	135.1
Operation and Maintenance	194.1	197.2	208.8
Procurement	102.1	104.5	98.8
RDT&E	75.3	71.4	69.4
Military Construction	14.8	11.4	9.6
Family Housing	1.8	1.7	1.7
Revolving & Management Funds	2.4	2.6	2.1
Total	528.3	530.6	525.4

Numbers may not add due to rounding



A Budget Based On Strategy

- A military smaller and leaner, but agile, flexible, ready and technologically advanced
- Rebalanced global posture to emphasize Asia-Pacific and Middle East
- Build innovative partnerships and strengthen key alliances
- Protect/prioritize key investments in technology and new capabilities, as well as our capacity to grow, adapt and mobilize as needed

Ensure That We Can Quickly Confront and Defeat Aggression From Any Adversary – Anytime, Anywhere

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 2013 Budget Request*



Backup Charts

Summary By Military Department

(Dollars in Billions)

	FY 2011 Actual	FY 2012 Enacted	FY 2013
Army	136.2	133.9	134.6
Navy	156.0	156.8	155.9
Air Force	145.4	144.9	140.1
Defense-Wide	90.7	95.0	94.9
Total	528.3	530.6	525.4

Numbers may not add due to rounding

OCO Summary By Category

(Dollars in Billions)

	FY 2011 Enacted	FY 2012 Enacted	FY 2013 OCO Request
Operations	84.6	60.2	48.2
Equipment Reset and Readiness	21.5	13.0	9.3
JIEDDO	2.8	2.4	1.7
Force Protection	11.7	6.5	5.1
Military Intelligence Program	7.0	5.8	4.5
Military Construction	1.2	0.3	--
Army End Strength	1.9	1.9	4.9
Marine Corps End Strength	--	--	1.2
Navy IA's	0.4	0.3	--
CERP	0.5	0.4	0.4
Afghan Security Forces	11.6	11.2	5.7
Afghanistan Infrastructure Fund	0.4	0.4	0.4
Iraq Security Forces	1.5	--	--
Pakistan Counterinsurgency Capability Fund	0.8	--	--
Support for Coalition Forces	2.0	2.1	2.2
Non-DoD Classified Programs	5.5	5.4	4.9
Other	5.6	5.8	--
Total	159.0	115.1*	88.5

*Include rescission of \$0.6 billion

Numbers may not add due to rounding

Summary of Major Program Terminations and Restructuring

(Consistent with strategy and good management)

- Terminations (*Save \$9.6 billion over FYDP*)
 - Global Hawk Block 30
 - C-27J Joint Cargo Aircraft
 - HMMWV recapitalization
 - Defense Weather Satellite System (DWSS)
 - C-130 Avionics Modernization Program (AMP)
 - Medium Range Maritime UAS
- Major restructurings (*Save \$41.8 billion over FYDP*)
 - Joint Strike Fighter
 - Shipbuilding
 - Ground Combat Vehicle (GCV) Program
 - Family of Medium Tactical Vehicles (FMTV)
 - Ohio Class Replacement-SSBN(X)
 - Joint Air-to-Ground Missile (JAGM)
 - Rephased Aircraft Procurement
 - MV-22 Osprey
 - P-8A Poseidon
 - E-2D Advanced Hawkeye

