

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO
March 2014



FISCAL YEAR 2015
BUDGET REQUEST

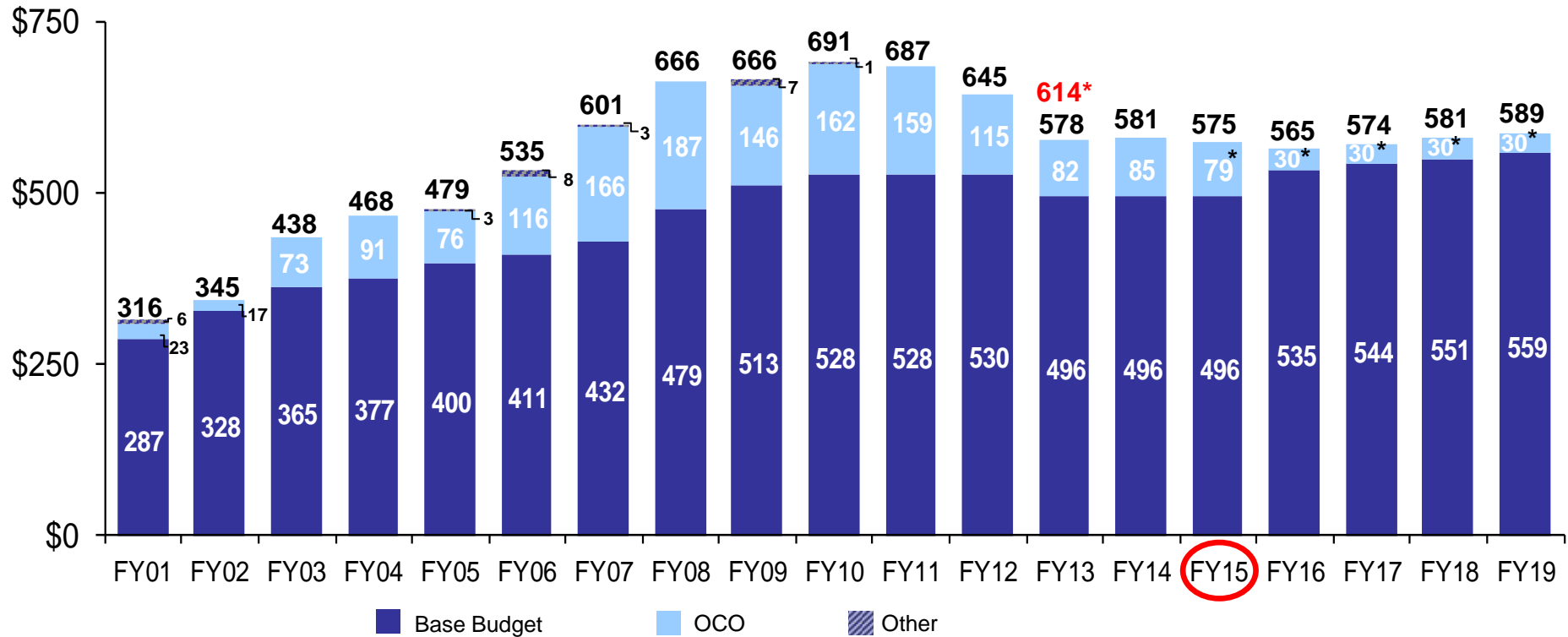
Strategy

- 2014 QDR being submitted with budget
- 2014 QDR updates strategy, focusing on:
 - Defending homeland against all strategic threats
 - Build security globally by projecting U.S. influence and deterring aggressors
 - Project power and win decisively
- 2014 QDR embodies key elements of January 2012 defense strategy
 - Rebalance to Asia-Pacific
 - Sustaining commitments to key allies in Middle East
 - Aggressively pursue global terrorist network
 - Emphasis on key threat areas (e.g., cyber, special ops)
 - No longer size forces for large, prolonged stability operations
 - Others

Budget Totals in President's FY 2015 Budget Request

DoD Topline, FY 2001 – FY 2019

(Current Dollars in Billions)

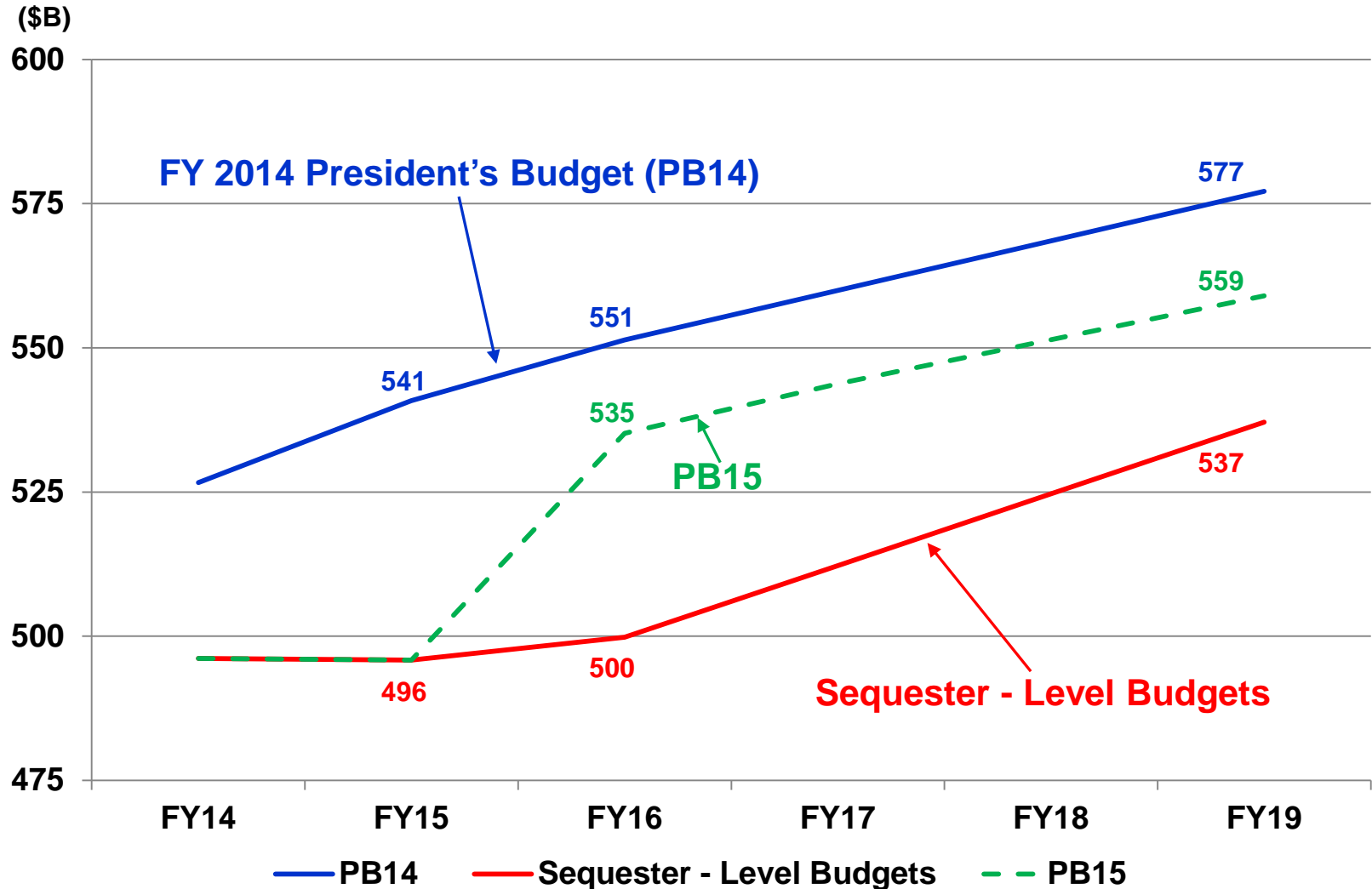


* Reflects FY13 Enacted level excluding Sequestration

* Placeholders only

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

PB15 DoD Base-Budget Topline



What FY 2015 President's Budget Seeks to Accomplish

- Seek a balanced force
 - Balance readiness, capability, and capacity
- Prepare for prolonged readiness challenges
 - Recover from sequestration
 - Meet today's demands
 - Prepare to surge for contingencies
- Continue to focus on institutional reform
 - Headquarters reduction, others
- Pursue compensation changes
- Pursue investments in emerging military capabilities
- Reduce infrastructure



Achieve Efficiencies

- 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



Slow Growth in Military Compensation

- Principles we 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

Modernization: Targeted and Streamlined

- 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



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

Reduce Numbers of Personnel

	Planned End FY 2014	Planned End FY 2015	Goals w/o Sequester End FY 2019	$\Delta\%$ 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%



Selected Force Structure Changes (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



Goals For Forces and End Strength

	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*

*Level of end strength shown in PB15 FYDP

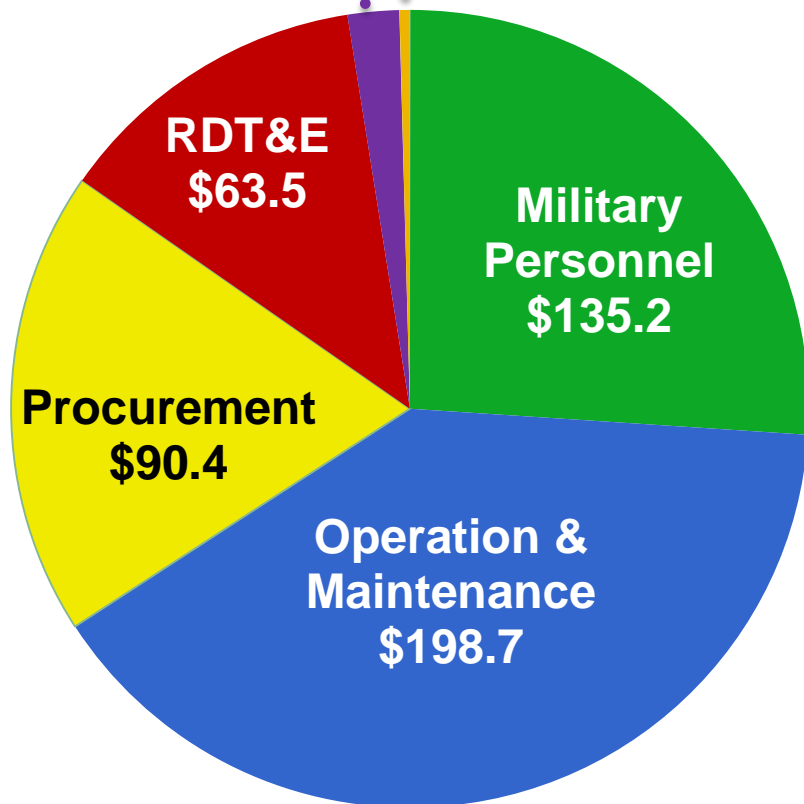
FY 2015 President's Budget

(Dollars in Billions)

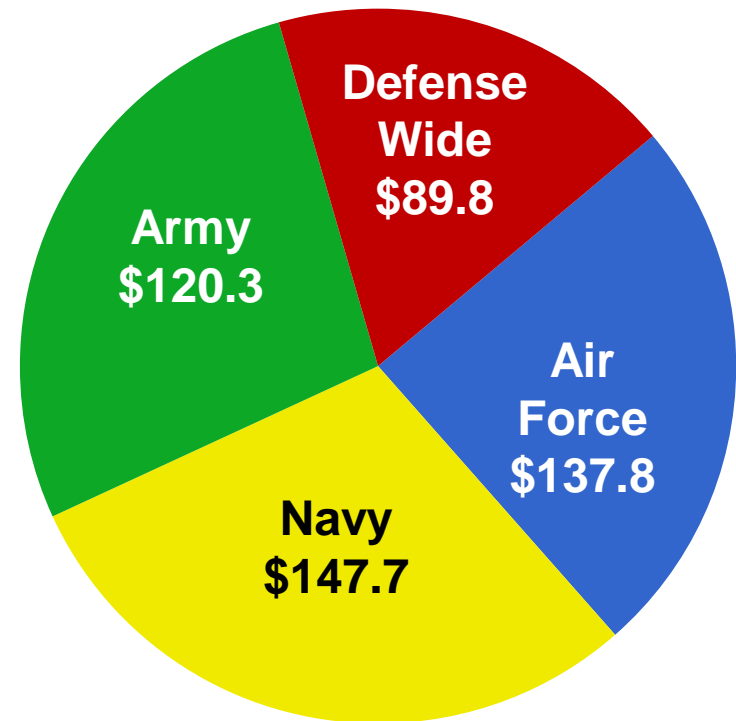
Base Budget

Military Construction
Family Housing \$6.6

Others \$1.2



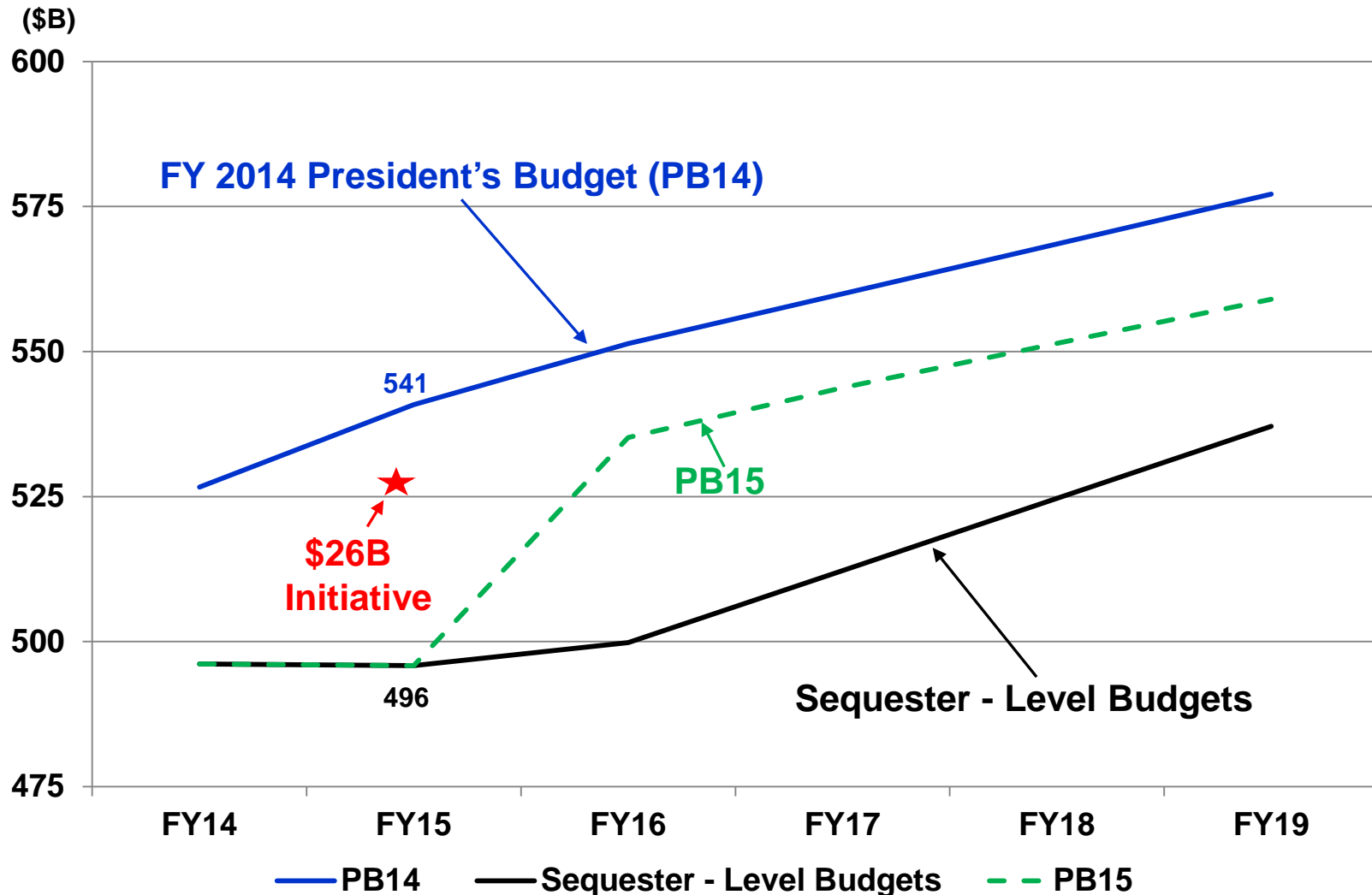
Budget By Military Department



Budget Request: \$495.6 Billion

PB15 DoD Base-Budget Topline

(Opportunity, Growth, and Security Initiative)



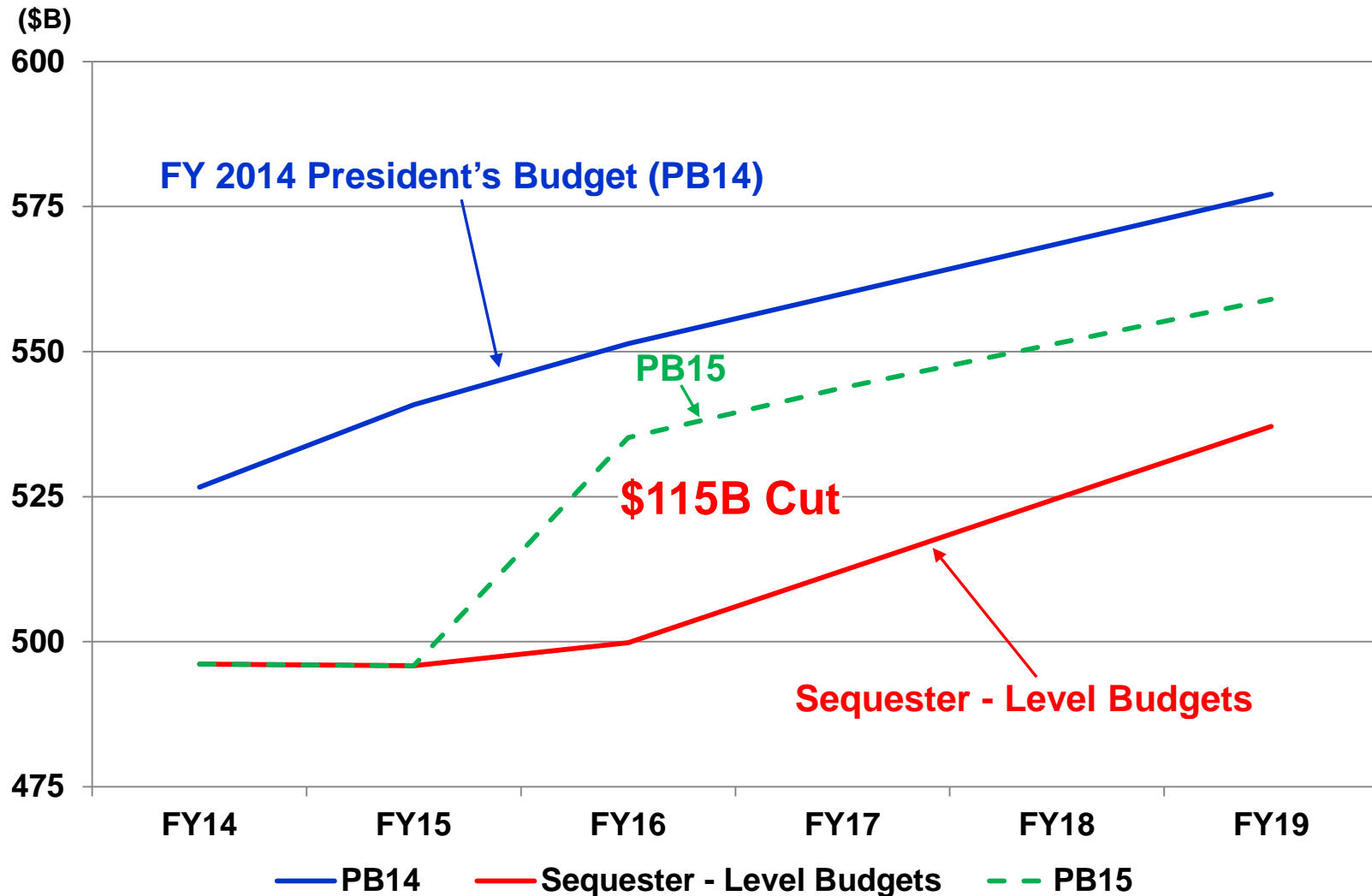
FY 2015 Opportunity, Growth, and Security Initiative

- 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



PB15 DoD Base-Budget Topline

(Effects Of Sequester-Level Budgets)



Reduced Capability At Sequester-Level Budgets

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



Summary

- President's Budget requests \$496 billion in FY 2015, rising to \$559 billion in FY 2019
 - Near term gaps in training and maintenance diminish readiness
 - Opportunity, Growth, and Security Initiative would mitigate
 - Longer term: risk due to deferred modernization and smaller U.S. force
 - PB force can fulfill strategy but with some added risk
- Sequester-level budgets
 - Risk grows significantly



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 2015 Budget Request*



Back Up

Focus on FY 2015 Base Budget

(Dollars in Billions)

	FY 2013 Enacted w/Sequester	FY 2014 Enacted	FY 2015 PB Request
Military Personnel	135.4	135.9	135.2
Operation and Maintenance	194.0	192.8	198.7
Procurement	91.1	92.4	90.4
Research, Development, Test and Evaluation	63.3	62.8	63.5
Military Construction	8.1	8.4	5.4
Family Housing	1.5	1.4	1.2
Revolving Funds	2.2	2.2	1.2
Total	495.5	496.0	495.6

Numbers may not add due to rounding

Shifts in Base Budget

(Dollars in Billions)

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