



DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides \$533.7 billion for the Department of Defense base budget in 2010, a four-percent increase over 2009.
- Includes \$75.5 billion in supplemental appropriations for 2009 and \$130.0 billion for 2010 to support ongoing overseas contingency operations, while increasing efforts in Afghanistan and drawing down troops from Iraq responsibly.
- Supports a transparent budget process, which simultaneously and separately requests estimated base budget and overseas contingency operations costs.
- Expands concurrent receipt of military retired pay and Veterans Disability Compensation for those disabled upon retirement from active duty.
- Improves efforts to care for wounded servicemembers and to treat mental health needs.

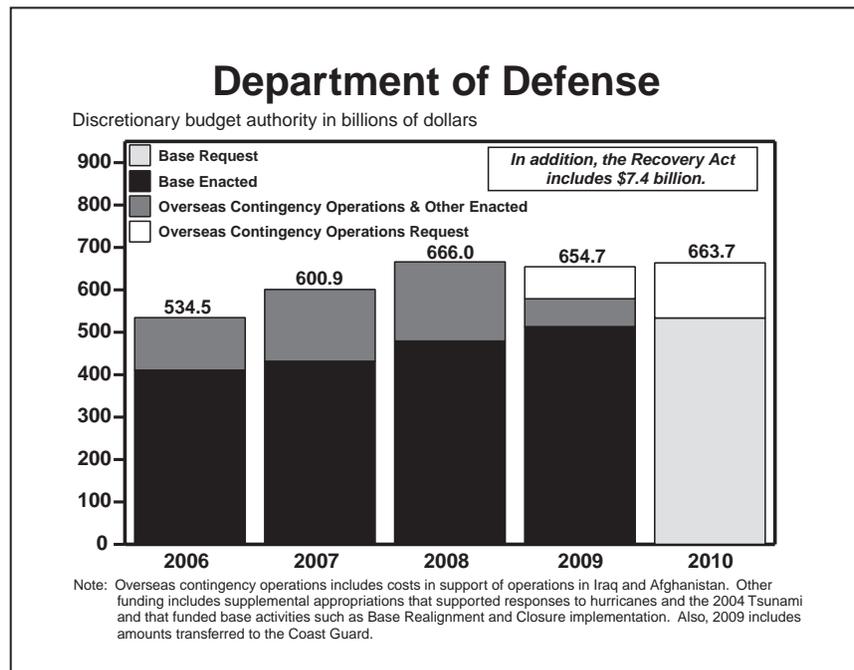
The U.S. military, the strongest and most capable in the world, faces a host of external and internal challenges. Meeting these challenges requires evaluating the country's strategic priorities and aligning scarce resources to accomplish the highest of those priorities efficiently and effectively.

External challenges include undertaking a responsible drawdown of troops from Iraq, and focusing the appropriate resources on achieving U.S. objectives in Afghanistan. In addition, we must leverage allied support to help struggling states such as Pakistan, which are the keystone for regional stability. The military must also vigilantly anticipate and meet threats from asymmetrical and non-conventional attacks, such as those posed by cyber, biological, radiological, and nuclear warfare, whether instigated by nation-states or non-state aggressors.

The military's internal challenges focus on three general areas: continuing to restructure the Nation's forces to better address long-term warfare challenges; continuing to support, care for, and compensate military professionals commensurate with their service while seeking reforms that will improve service and protect a benefit package that is sustainable and affordable; and reforming the costly and inefficient weapon development and acquisition process.

How the country should meet its strategic goals will be addressed in an upcoming Defense Review, which will identify and prioritize goals and assess how best to achieve them within available resources.

Finally, this Budget will transparently present the full costs of providing national security. The Budget will clearly show the costs of the



base defense budget and the incremental costs of ongoing military operations in Iraq and Afghanistan for 2010. For the years beyond, the Budget includes placeholder numbers with the understanding that these should be considered subject to change as policy decisions are made.

2010 Base Funding

The 2010 Budget for the Department of Defense (DOD) requests \$533.7 billion, or an increase of four percent from the 2009 enacted level of \$513.3 billion (excluding funding from the American Recovery and Reinvestment Act of 2009). This funding increase allows DOD to address its highest priorities, such as the President's commitment to meet the military's goal to increase the size of the Army and Marine Corps, to continue to improve the medical treatment of wounded servicemembers, and to reform the acquisition process. In addition, the Budget will incorporate into the base those items previously funded in emergency supplementals that should be considered base or ongoing activities, including certain medical services, family support initiatives, security assistance to foreign governments, and enhancements to intelligence, surveillance, and reconnaissance.

Increases the Size of the Army and Marine Corps. The 2010 Budget supports additional permanent forces in the Army and Marine Corps, which will increase to 547,400 and 202,000, respectively, by the end of 2009. This growth is two to three years ahead of schedule and will reduce stress on servicemembers and their families, while ensuring heightened readiness for a full spectrum of military operations.

Cares for Men and Women in Uniform. The Administration is committed to caring for the servicemembers who protect American freedom and the families who support them. To that end, the Budget proposes pay and benefits that keep pace with or exceed those of the private sector. The 2010 Budget includes funding for a 2.9 percent pay raise for men and women in uniform, an amount that will improve their purchasing power.

The Budget also contains a proposal to expand concurrent receipt of military retired pay and Veterans Disability Compensation to all retirees receiving disability retired pay. Under current law, the prohibition on concurrent receipt means that these benefits offset each other so that disabled military retirees cannot receive full DOD retirement and Veterans disability payments. When

the offset is removed, disabled military retirees would receive additional monthly compensation.

Reforms Acquisition. DOD's new weapons programs are among the largest, most expensive and technically difficult that the Department has ever tried to develop. As a consequence, they carry a high risk of performance failure, cost increases, and schedule delays. The Administration will set realistic requirements and stick to them and incorporate "best practices" by not allowing programs to proceed from one stage of the acquisition cycle to the next until they have achieved the maturity to clearly lower the risk of cost growth and schedule slippage.

Improves Facilities. The Administration is committed to improving the quality of life for American Soldiers, Sailors, Airmen and Marines. Therefore, the Budget continues to sustain and modernize barracks and dormitories housing servicemembers around the world and works to end all inadequate housing for military families. In addition, it builds or renovates base facilities at a level sufficient for safe operation of all structures while meeting the needs of users.

The Administration will request sufficient funding to enable the Department to continue its efforts to meet the requirements of the Base Realignment and Closure 2005 Commission, which will help to align DOD's domestic bases with meeting operational needs.

Cares for Wounded, Ill, and Injured Servicemembers (WII). The Department will continue its efforts to improve the medical care and housing for WII. DOD will complete additional Army wounded warrior complexes at posts throughout the continental United States, as well as sites in Alaska, Hawaii, and Germany. DOD and the Department of Veterans Affairs will expand pilot programs to expedite processing of injured troops through the Disability Evaluation

System. The expedited system substantially reduces the time required to determine disability rating and, more importantly, to alleviate frustration caused by a needlessly complex process.

Addresses Mental Health Issues. The Department is also doing more to address mental health needs. Post-traumatic stress disorder, traumatic brain injury (TBI) and associated ailments are, and will continue to be, the signature military medical challenges facing the Department for years to come. DOD will fully implement a comprehensive TBI registry including a single point of responsibility to track incidents and recovery. The Services will expand the number of integrated mental health professionals with their deployed units to better channel medical attention to those who need help quickly. The National Intrepid Center of Excellence for psychological health and traumatic brain injury will be dedicated in the late fall of 2009. This will serve as the clinical research and educational arm of DOD's Center of Excellence for psychological health and TBI.

Funding for Overseas Contingency Operations

The President is working with his military commanders to increase the number of U.S. troops in Afghanistan while responsibly removing combat forces from Iraq. To address the costs of military operations in Iraq and Afghanistan, the Administration requests \$75.5 billion for the remainder of 2009 and \$130.0 billion for 2010. The Administration will provide the details of the 2009 supplemental appropriations request to the Congress in the next few weeks, and will transmit the detailed 2010 request with the President's 2010 Budget.

The Budget includes placeholder estimates of \$50 billion per year for 2011 and beyond. These estimates do not reflect any policy decisions about specific military or intelligence operations.



DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides \$548.9 billion for the Department of Defense base budget in 2011, a 3.4 percent increase over the 2010 enacted level.
- Includes \$33.0 billion for a 2010 supplemental request and \$159.3 billion for 2011 to support ongoing overseas contingency operations, including funds to execute the President's new strategy in Afghanistan and Pakistan.
- Maintains ready forces and continues efforts to rebalance military forces to focus more on today's wars, and provides capabilities to deter or if necessary engage in future conflicts.
- Continues strong support for our men and women in uniform through a robust benefits package including pay increases that keep pace with the private sector.
- Supports access to medical care to the more than 9.5 million beneficiaries: active military members and their families, military retirees and their families, dependent survivors, and eligible Reserve Component members and families.
- Supports wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers.
- Continues to reform defense acquisition, reducing its use of high-risk contracts related to time-and-materials and labor-hours by 17 percent through the end of 2011, while modernizing key weapons systems to provide our troops with the best technology to meet battlefield needs, and eliminating or reconfiguring lower-priority acquisitions.
- Prioritizes resources by ending or reducing several programs, including the C-17 aircraft, the Joint Strike Fighter Alternate Engine program, the Third Generation Infrared Surveillance program, and the Net-Enabled Command Capability program.
- Supports a reconfigured ballistic missile defense strategy, in line with the President's policy, to better address current threats.

While the U.S. military is addressing ongoing challenges—such as drawing down responsibly in Iraq and carrying out the President's strategy in Afghanistan and Pakistan—the Department of Defense (DOD) is identifying long-term strategic needs and targeting resources toward its highest priorities. These priorities, developed in concert with DOD's Quadrennial Defense Review, include taking care of our men and women in uniform, rebalancing our forces to address

both current and future conflicts, and reforming business practices, such as developing and purchasing weapons.

The 2011 Budget for DOD requests an increase of \$18.2 billion, or 3.4 percent, from the 2010 enacted level of \$530.8 billion. This funding increase allows DOD to address its highest priorities, such as the President's commitment to reform defense acquisition, develop a ballistic missile defense system that addresses modern threats, and continue to provide high quality healthcare to wounded servicemembers. In addition, the Budget will continue to incorporate into the base those items previously funded in emergency supplemental appropriations that should be considered enduring activities that are not driven by specific conflicts.

Supports Missions in Iraq, Afghanistan, and Pakistan (OCO). The President has ordered his military commanders to send an additional 30,000 troops to Afghanistan, which will bring the total number of U.S. forces in Afghanistan to almost 100,000 by 2011. Meanwhile, DOD will continue drawing down its combat forces from Iraq, and all U.S. forces will be withdrawn from Iraq by the end of 2011. To address the costs of increasing military and intelligence operations in Afghanistan and Pakistan and drawing down in Iraq and leaving Iraq's security forces with the minimum essential capabilities to operate after U.S. forces depart, the Administration is requesting \$33.0 billion in 2010 supplemental funding on top of the \$129.6 billion already provided, and a total of \$159.3 billion for its 2011 overseas contingency operations (OCO) activities. In addition to this DOD funding, the supplemental request will also include funding for Department of State activities in 2010. The Budget includes placeholder estimates of \$50 billion per year for 2012 and beyond. These estimates do not reflect any policy decisions about specific military or intelligence operations, but are only intended to indicate that some as-yet unknown costs are anticipated.

Maintains Readiness for Today's Challenges. The Administration is committed to providing its service members with the resources

needed to be ready to respond to the multiple, complex, and sometimes unconventional threats posed by today's security environment. The Budget includes robust funding for operations and maintenance, covering such crucial activities as training and operations, pay for a high quality civilian workforce, upkeep of equipment and facilities, repair parts, fuel, and supplies.

Supports Our Nation's Troops and Their Families. The Budget continues the Administration's commitment to caring for our Nation's men and women in uniform and promoting the well-being of the families who support them. To meet this objective, the Budget includes funding for a 1.4 percent basic pay raise that will keep military pay increases in line with those in the private sector. In addition to this pay raise, the Budget also includes an average housing increase of 4.2 percent, as well as a variety of monthly special skill-based payments, enlistment and reenlistment bonuses, and other benefits.

The strength of our troops relies on the strength and stability of the families that support them, and the Budget supports these military families as our servicemembers answer our country's call to service. Overall, family support programs grow over 3 percent above the 2010 enacted level. Examples include:

- \$1.3 billion, an increase of \$87 million over the 2010 enacted level, to expand availability for affordable, high-quality child care services at over 800 child development centers both in the United States and overseas.
- \$1.9 billion, \$37 million over the 2010 enacted level, for expanded counseling and assistance services, from financial counseling to transition and relocation assistance, to help families meet the challenges brought on by repeated deployments and family separations.
- \$84 million, an increase of \$12 million over the 2010 enacted level, for enhanced career and educational opportunities for military spouses through tuition assistance and Federal internship programs.

Cares for Wounded, Ill, and Injured Servicemembers. The 2011 Budget sustains ongoing efforts to provide high quality medical care to the over 9.5 million servicemembers as well as military family and retiree beneficiaries. This includes support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers, including:

- \$30.9 billion overall for medical care, an increase of 5.8 percent over the 2010 enacted level.
- \$669 million to provide care for traumatic brain injury and psychological health.
- \$250 million for continued support of mental health and traumatic brain injury research, such as the development of tools to detect and treat post-traumatic stress, and enhancements to suicide prevention measures.
- Support for DOD's efforts to update its health information technology infrastructure, while partnering with the Department of Veterans Affairs and the private sector to pursue the Administration's goal of building a Virtual Lifetime Electronic Record to deliver care and benefits to servicemembers and veterans with efficiency and accuracy.

Reforms Acquisition. DOD contracts account for approximately 70 percent of all Federal procurement spending, so DOD reform initiatives are critical to the Administration's efforts to improve Government acquisition. The 2010 Budget took important first steps to reform this process; in 2011, DOD will continue these efforts by terminating or delaying programs that are inadequately justified or not performing well. For

example, the Budget ends the C-17 aircraft program because additional aircraft are not needed, saving \$2.5 billion. It also eliminates the Joint Strike Fighter Alternate Engine program, saving \$465 million, because this program raises logistical, management, and cost concerns. The Budget saves an additional \$73 million by terminating the Third Generation Infrared Surveillance program, and instead procuring upgraded Space Based Infrared System Satellites in the future; it saves \$8.5 million more by eliminating the Net-Enabled Command Capability program, which has been unable to meet its requirements on schedule. The Department will also further reduce its use of high-risk contracts in areas that relate to time-and-materials and labor hours by 17 percent through the end of 2011, and take steps so that military requirements for weapons are reasonable, program costs and schedules are realistic, and acquisition funding is stable.

Provides Ballistic Missile Defense to Address Modern Threats. The Administration is committed to a robust defense against emerging missile threats by deploying technology that is proven, cost-effective, and adaptable for countering an evolving security environment. Starting in 2011, the new Phased Adaptive Approach will guide missile defense architecture. It will feature incremental deployments of increasingly capable sea- and land-based missile interceptors and a range of sensors in Europe to defend against growing ballistic missile dangers. This phased approach will offer more effective defenses against near-term ballistic missile threats and augment the current defense of the U.S. homeland against long-range ballistic missile threats. It will provide for the defense of U.S. deployed forces, their families, and our Allies in Europe sooner and more comprehensively than the previous program, while reaffirming the U.S. commitment to strengthening NATO and integrating U.S. systems with Allied capabilities and networks.

Modernizes Weapon Systems. A major goal of the Administration is to provide the troops with the most effective and modern equipment possible. To accomplish this, the 2011 Budget continues to develop and procure many advanced weapons systems that support both today's wars and future conflicts. These include: the F-35 Joint Strike Fighter, a new family of ground vehi-

cles, new ships such as the next generation ballistic missile submarine, and the P-8 aircraft. The Budget also bolsters capabilities in Unmanned Aerial Vehicles, helicopters, and cyber capabilities and electronic warfare, which are key components in the ongoing task of rebalancing the military to focus on current and emerging threats.

Department of Defense
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
Spending			
Discretionary Base budget authority:			
Military Personnel	125,625	134,968	138,541
Operation and Maintenance	179,103	184,488	200,248
Procurement	100,886	104,803	112,873
Research, Development, Test and Evaluation	79,392	80,097	76,131
Military Construction	21,898	21,022	16,924
Family Housing	3,163	2,259	1,822
Revolving and Management Funds	3,155	3,118	2,380
Subtotal, Discretionary Base budget authority	513,222	530,755	548,919
Discretionary Overseas Contingency Operations (OCO) budget authority:			
Enacted	145,741	129,648	—
Requested (2011 includes \$254 million in U.S. Coast Guard funding)	—	33,014	159,336
Subtotal, Discretionary OCO budget authority	145,741	162,662	159,336
Total, Discretionary budget authority (Base and OCO)	658,963	693,417	708,255
<i>Memorandum: Budget authority from American Recovery and Reinvestment Act</i>	<i>7,435</i>	<i>—</i>	<i>—</i>
Total, Discretionary Outlays (Base and OCO)	633,797	684,436	714,428
<i>Memorandum: Outlays from American Recovery and Reinvestment Act</i>	<i>238</i>	<i>3,991</i>	<i>2,491</i>
Mandatory Outlays:			
Existing law	2,740	3,605	3,959
Legislative proposal	—	—	408
Total, Mandatory outlays	2,740	3,605	4,367
Total, Outlays	636,537	688,041	718,795

Department of Defense—Continued
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
Credit activity			
Total, Direct loan disbursements	172	195	200



DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides \$553 billion for the base budget, an increase of \$22 billion above the 2010 appropriation. This reflects continued investment in national security priorities such as cybersecurity, satellites, and nuclear security. The Budget also includes a series of management and acquisition reforms that will produce a net of \$78 billion in savings through 2016.
- Maintains ready forces and continues efforts to rebalance military forces to focus on both today's wars as well as potential future conflicts.
- Enhances the Administration's commitment to maintaining a reliable nuclear deterrent by increasing investments in the nuclear weapons complex and in weapon delivery technologies, and to nonproliferation by preventing the spread of nuclear materials around the world.
- Supports the Administration's goal to provide the Nation's military with the most effective and modern equipment possible in a cost-efficient manner. Departmental priorities include improving business practices, such as developing and purchasing weapons consistent with improved acquisition policy.
- Continues strong support for servicemembers and military families.
- Supports access to medical care for over 9.6 million servicemembers, retirees, and their families. This includes ongoing support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers.
- Reinvests \$100 billion of expected savings in high-priority areas such as the development or purchase of unmanned intelligence, surveillance, and reconnaissance assets; more ships; a new ground combat vehicle; the Advanced Extremely High Frequency satellite; and the stealthy F-35 Joint Strike Fighter.
- Continues the reform agenda to achieve more efficient business operations.
- Invests in long-term scientific and technological innovation to ensure that the Nation has access to the best defense systems available in the world.
- Invests in new and on-going cybersecurity research and development and improvements to existing cybersecurity capabilities.

The Administration continues to invest in the Nation's military servicemembers and their families and provides them with the training, equipment, and infrastructure needed to maintain military readiness. The President's Budget for the Department of Defense (DOD) reflects that commitment, proposing \$553 billion—an increase of \$22 billion above the 2010 appropriation.

Although not subject to the President's freeze on non-security discretionary spending, DOD is undertaking a series of management efficiency and acquisition reforms that will produce a net of \$78 billion in savings over the years 2012 through 2016 compared to the previous DOD topline funding levels. Cost-cutting measures include the consolidation of several Air Force operation centers, reduced Army construction costs, and the Navy's use of multi-year procurement strategies.

DOD supports the provision of an additional \$2.2 billion for National Nuclear Security Administration weapons activities between 2013 and 2016. These funds will enhance the reliability of the Nation's nuclear weapons complex and support the goals of the Nuclear Posture Review as the United States and Russia implement the New Strategic Arms Reduction Treaty (START).

The incremental costs of funding Overseas Contingency Operations (OCO), including ongoing efforts in Afghanistan and transition activities in Iraq, are funded separately in the Budget at \$118 billion. A full discussion of these costs is presented in the OCO chapter.

Protects Americans and Supports Those Who Serve

Maintains Military Readiness. The Administration is committed to providing servicemembers with the resources needed to respond to the multiple, complex, and sometimes unconventional threats posed by today's security environment. To that end, the Budget provides \$172 billion of Operation and Maintenance funds to support training and readiness. The Adminis-

tration's commitment is to ensure the troops have the equipment they need to train and fight.

Prepares for Emerging Threats. The Administration supports continued improvements in DOD's ability to protect servicemembers and others from emerging threats both in the United States and abroad with several initiatives including full funding of \$31.8 million for the reorganization of a chemical, biological, radiological, nuclear and high-yield explosive (CBRNE) response element and the addition of eight Homeland Response Forces (HRF) (for a cumulative total of 10 HRFs), which will be in place prior to the end of 2012; \$200 million for a public-private partnership of a vaccine manufacturing facility in support of the Administration's new Medical Counter Measure Initiative; and \$138 million to continue building DOD's Institute of Infectious Disease at the new Interagency Bio-defense Campus. This facility will be an important asset to help protect the Nation from public health threats like emerging infectious diseases and deliberate biological attacks.

Sustains Nuclear Deterrent to Protect the Nation and Promote International Stability. As part of its 2010 Nuclear Posture Review and in support of the New START Treaty, the Administration will modernize America's nuclear arsenal and the complex that sustains it. Moreover, the Administration remains dedicated to sustaining and modernizing U.S. strategic delivery systems, thus helping to ensure diverse deterrents in the face of evolving challenges and technological developments. This includes specific commitments to maintain continuous at-sea deployments of ballistic missile submarines in the Atlantic and Pacific Oceans, as well as the ability to surge additional submarines during crises; sustain the Air Force's Minuteman III missile through 2030; and modernize the heavy bomber force so it can serve for the indefinite future. Additionally, the Administration will enhance international stability by reducing the risks of global nuclear proliferation. The Budget continues the President's global lockdown initiative to secure nuclear materials, detect and deter nuclear testing and smuggling,

and support verification and implementation of international nonproliferation treaties. The Administration also promotes stability by supporting ballistic missile defenses that will protect the United States and its allies from attack by nuclear or conventional ballistic missiles.

Supports Allies to Help Fight Terrorism.

Providing assistance to develop foreign countries' security capabilities is an essential element of U.S. strategy in Iraq and Afghanistan and of the overall national security strategy. The Administration is committed to funding these security sector assistance programs in an effort to maintain and develop allies' capability to prevent terrorist threats, to the United States and other countries, which originate from abroad. Further, by assisting the development of other countries' abilities to combat terrorism, these investments reduce the need for greater U.S. involvement in the future.

In addition to these programs, which are directly related to completing the mission in Iraq and combat operations in Afghanistan, the Budget provides \$500 million for DOD's global military "train and equip" assistance programs. DOD uses these programs to fund counterterrorism training in a variety of countries. DOD also uses these programs to develop the internal counterterrorism capability of Yemen, which is critical to the Administration's goal of defeating al Qaeda in the Arabian Peninsula.

Backs the Nation's Troops and Their Families. Today's servicemembers make up the most elite and proficient fighting force in the world, and their strength depends on the strength and stability of their families. Overall, the Budget provides \$8.3 billion to support military families, including \$1.2 billion to expand availability of affordable, high-quality child care; \$4.7 billion to improve servicemembers' quality of life; and \$2.4 billion to sustain and build DOD schools, supporting quality education for military dependents.

The Budget also includes funding for a 1.6 percent pay raise for military service members, as well as a variety of monthly special skill-based payments, enlistment and reenlistment bonuses, and other benefits. In addition, included in the \$8.3 billion, the Budget shifts \$73 million from the OCO budget to the base budget to support stability and adequate resources for important family support programs over the long-term.

Cares for Wounded, Ill, and Injured Servicemembers. The Administration sustains ongoing efforts to provide high-quality medical care to the over 9.6 million servicemembers, retirees, and their families. This includes support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury (TBI), and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers. The Budget provides:

- \$52.5 billion for the overall Military Health System, which includes construction of military hospitals and clinics, pay for military medical staff, as well as accrual contributions for future Medicare-eligible beneficiaries;
- A projected \$677 million to provide care for TBI and psychological health; and
- \$415 million for continued support of wounded, ill, and injured medical research, to include psychological health and TBI/Post Traumatic Stress Disorder.

To ensure that beneficiaries receive treatment in state-of-the-art hospitals and clinics, the Budget plans for completion of the Walter Reed National Military Medical Center, and funds construction of the Fort Bliss hospital replacement, and ambulatory care centers at Andrews Air Force Base and Lackland Air Force Base.

Streamlines the Disability Evaluation and Compensation Process. DOD has also worked to improve and streamline the disability evaluation and compensation process. The Administration funds full implementation of

the new DOD-Department of Veterans Affairs (VA) joint medical exam process, which has been shown to decrease the time between a service-member's separation from DOD and when he or she receives a VA disability check from 180 days to 34 days.

Improves the Way Federal Dollars are Spent

Reforms Acquisition. DOD contracts account for approximately 70 percent of all Federal procurement spending, making DOD reform initiatives critical to broader efforts to improve Government-wide purchasing. Building on efforts begun in 2010, it is vital that DOD continue to implement its acquisition reforms, reduce its use of high-risk contracts related to time-and-materials and labor-hours, modernize key weapons systems to provide servicemembers with the best technology to meet battlefield needs, and eliminate or reconfigure lower-priority acquisitions. In line with its reforms, DOD will begin implementing an innovative satellite acquisition approach in order to reduce costs and strengthen the industrial base. This approach will use advance appropriations to ensure both a full-funding commitment and greater cost transparency.

Eliminates Unneeded Weapons Systems. DOD recognizes the need to develop a portfolio of affordable and versatile military capabilities that can be produced on a reasonable schedule and in sufficient quantities. To that effect, Secretary Gates has recommended for termination several major weapons systems that are experiencing significant development problems, unsustainable cost growth, or are not suited for today's security challenges. These include the Marine Corps Expeditionary Fighting Vehicle, the procurement of the Army Surface Launched Medium Range Air-to-Air Missile air defense system, and the Navy's SM-2 Block IIIB surface-to-air missile. The capabilities that were to be provided by these niche systems will be largely met through the modernization and upgrade of existing systems at a fraction of the cost. The total cost savings

that will be realized from these terminations will exceed \$13 billion.

Improves Departmental Management and Seeks Efficiencies. Secretary Gates is making broad changes to how DOD is managed up and down the organization, from the individual Services to the Office of the Secretary. Altogether, he has proposed changes that will produce net savings of \$78 billion over the course of five years. These improvements focus on creating a more streamlined, agile and effective organization and on freeing up resources currently tied up with activities that are low priorities or even relics from how the U.S. military was organized during the Cold War. Up to \$100 billion in efficiency savings will then be reinvested in higher priorities within DOD. Examples of these efficiency initiatives include the Air Force's consolidating two air operations centers in the United States and two in Europe, the Army's avoiding \$1.4 billion in military construction costs by sustaining existing facilities, and the Navy's saving more than \$1.3 billion by using multi-year procurement strategies to buy new surveillance, jamming, and fighter aircraft. DOD is making itself into a leaner organization by slimming down upper management, for example by dis-establishing the headquarters of the Second Fleet in Norfolk, Virginia, which had distinct responsibilities during the Cold War but which currently has training and mission responsibilities that will be transferred to a different part of the Navy. DOD is further promoting a leaner organization by trimming the number of Generals and Admirals by more than 100 positions out of the roughly 900 currently on the books, and by eliminating or downgrading nearly 200 out of 1,400 senior civil servant positions. While these personnel changes will result in only modest savings, they will contribute to a leaner, more effective DOD.

The Secretary is also proposing to take important steps to tackle burgeoning health care costs that cannot be sustained in the long run without undermining the department's core mission. While DOD is committed to providing its servicemembers, retirees, and their families with quality healthcare, the current system is out of bal-

ance. The Budget proposes a package of health care efficiency and management reforms that are projected to save nearly \$8 billion over the next five years.

Invests in Innovation for National Security

Funds Research and Development for the Military of the Future. The Administration is determined to adequately fund the Nation's long-term scientific and technical needs—including those for national security—even within constrained budgets. Accordingly, the Budget proposes \$76.7 billion for research, development, test and evaluation, including \$12.2 billion for early-stage science and technology programs. These science and technology programs, which include basic and applied research, as well as early technology development, allow the Nation to explore diverse scientific principles and technological applications, including bio-defense, cybersecurity, information access, and cleaner and more efficient energy use. DOD-funded research provides future options for new defense systems and helps the Nation avoid technological surprise by potential adversaries. The funding proposed in the Budget will be awarded through competitive processes, with experts guiding the choices of research topics to be undertaken, and reviewing and selecting projects for funding based on proposals submitted by universities, non-profit organizations, for-profit companies and Government labs.

Modernizes Weapon Systems. A major goal of the Administration is to provide servicemembers with the most effective and modern equip-

ment possible in a cost-efficient manner. To accomplish this, the Budget requests \$113 billion to continue to procure advanced weapons systems and other equipment to support both today's wars and future conflicts. These include: upgraded armored vehicles to better protect the troops (\$593 million), the Virginia class submarine to improve the Navy's ability to operate in coastal waters and support special operations forces (\$4.7 billion), the Advanced Extremely High Frequency satellite to provide secure communications to all branches of the Armed Forces (\$975 million), and the stealthy F-35 Joint Strike Fighter (\$9.7 billion). The Budget also bolsters the capabilities of the key components in the ongoing effort to rebalance the military to focus on current and emerging threats, namely, cyber and electronic warfare, Unmanned Aerial Vehicles, and helicopters.

Secures Information Infrastructure from Intrusion. The Budget provides \$2.3 billion to support improved cybersecurity capabilities within DOD and greater joint planning efforts between DOD and the Department of Homeland Security (DHS) to increase the effectiveness of cybersecurity efforts across the Government. The Administration also requests \$119 million to support full operational capability for U.S. Cyber Command, which was established in 2010 to direct the operation and defense of specific DOD information networks. In addition to bolstering ongoing operational capabilities, the Administration funds new and on-going cybersecurity science and technology; enhances DOD activities to protect core defense information systems; and, in partnership with DHS, supports cybersecurity demonstration and pilot programs to protect critical network information systems.

Department of Defense
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Spending			
Discretionary Base budget authority:			
Military Personnel	134,977		142,829
Operation and Maintenance.....	184,271		204,388
Procurement	104,821		113,029
Research, Development, Test and Evaluation	80,140		75,325
Military Construction	21,030		13,073
Family Housing	2,259		1,695
Revolving and Management Funds	2,612		2,701
Subtotal, Discretionary Base budget authority.....	530,110	549,119	553,040
<i>Memorandum:</i>			
Budget authority from supplementals	-1,906	—	—
<i>Discretionary Overseas Contingency Operations (OCO) budget authority (discussed separately in OCO chapter):</i>			
Enacted.....	162,265	—	—
Requested (2011 excludes \$258 million in U.S. Coast Guard funding)		159,082	117,585
Subtotal, Discretionary OCO budget authority.....	162,265	159,082	117,585
Total, Discretionary budget authority (Base and OCO).....	692,375	708,001	670,625
Total, Discretionary Outlays (Base and OCO)	663,683	733,904	701,643
Mandatory Outlays:			
Existing Law	3,032	5,761	5,774
Legislative proposal	—	—	50
Total, Mandatory outlays	3,032	5,761	5,824
Total, Outlays	666,715	739,665	707,467
Credit activity			
Total, Direct loan disbursements.....	150	258	194



DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides \$525.4 billion in discretionary funding for the base Department of Defense budget, a decrease of 1 percent, or \$5.1 billion, below the 2012 enacted level. This will provide the necessary resources to implement the President's new defense strategy, keep our military the finest in the world by investing in priorities, and help achieve \$486.9 billion in savings by 2021.
- Reprioritizes investments in weapons programs to reflect the new strategy, provide service members with state of the art equipment, and maintain the industrial base. This includes making investments in high-priority programs, such as unmanned surveillance aircraft and upgraded tactical vehicles, while terminating unnecessary and lower-priority programs such as the C-27 airlift aircraft and a new weather satellite and maintaining programs such as the Joint Strike Fighter at a reduced level.
- Maintains ready forces for the full range of contingencies, including sustaining a robust counterterrorism capability, and continues to invest in our critical alliances, including NATO.
- Keeps faith with servicemembers by protecting well-deserved benefits for active duty personnel and their families, provides support for servicemembers returning from war, and at a time of tight discretionary caps, finds the resources to give the military the full pay increase as authorized by law.
- Continues strong support for servicemembers and military families—including access to medical care for over 9.6 million servicemembers, retirees, and their families—and takes steps to modernize military health and retirement systems.
- Enhances the Administration's commitment to maintain a reliable nuclear deterrent by increasing investments in the nuclear weapons complex and in weapon delivery technologies, and to nonproliferation by investing in securing, detecting, and neutralizing nuclear threats around the world.
- Reshapes and resizes military forces to ensure the size, balance, and flexibility to preserve core capabilities and meet future challenges.

- Continues to focus on acquisition reforms and management efficiencies, such as the consolidation of numerous data centers, to achieve savings.
- Invests in long-term scientific and technological innovation to ensure that the Nation has access to the best defense systems available in the world. High-priority research and development areas include: advanced manufacturing, cybersecurity, and autonomous systems.

The United States of America is the greatest force for freedom and security that the world has ever known. In no small measure, that is because we have built the best-trained, best-led, best-equipped military in history. The President, as Commander-in-Chief, is committed to keeping it that way. Over the past three years, we have made historic investments in our troops and their capabilities, military families, and veterans. Now, we are at an inflection point after a decade of war: American troops have left Iraq; we are undergoing a transition in Afghanistan so Afghans can assume more responsibility; and we have decimated al Qaeda's leadership, putting that terrorist network on the path to defeat.

At the same time, we have to renew our economic strength here at home, which is the foundation of our strength in the world, and that includes putting our fiscal house in order. That is why the President directed the Department of Defense (DOD) to undertake a comprehensive strategic review so that our defense budget is driven by a clear strategy that reflects our national interests.

There are several key elements to this strategy. To sustain a global presence, DOD will strengthen its presence in the Asia Pacific region and continue vigilance in the Middle East. The Administration will also invest in critical partnerships and alliances, including NATO, which has demonstrated time and again—most recently in Libya—that it is a force multiplier. Looking past Iraq and Afghanistan to future threats, the force will no longer be sized for large-scale, prolonged stability operations. Instead, DOD will focus modernization on emerging threats, sustaining efforts to get rid of outdated Cold War-era systems so that we can invest in

the capabilities we need for the future, including intelligence, surveillance and reconnaissance. The Administration will continue to enhance capabilities related to counterterrorism and countering weapons of mass destruction. We will also maintain the ability to operate in environments where adversaries try to deny us access. And, we will keep faith with those who serve by giving priority to our wounded warriors, servicemembers' mental health, and the well-being of military families.

With this strategy as a guide, over the 10 years beginning in 2012, DOD will spend \$486.9 billion less than was planned in last year's Budget. The Department will realize these savings through targeted reductions in force structure and modernization; reprioritization of key missions and the requirements that support them; and continued reforms and efficiencies in acquisition, management, and other business practices. From the 2012 enacted level, base defense spending will fall by 1 percent to \$525.4 billion in 2013, while DOD Overseas Contingency Operations funding will fall by 23 percent (these costs are addressed in a separate chapter). However, over the next 10 years, the base budget will grow modestly.

Invests in Critical Areas to Implement New Defense Strategy

Funds Military Readiness and Training. The Administration is committed to providing servicemembers with the equipment and resources they need to respond to the complex and often unconventional threats posed by today's security environment. The Budget provides \$176.2 billion to support the operations, training,

and maintenance needed for our troops to meet current and future threats.

Provides Needed Weapons Systems for Challenges of Today and Tomorrow. The Budget continues to invest in the weapons systems needed by our Armed Forces to meet the challenges laid out by the new defense strategy. For example, the Budget provides \$3.7 billion to fund unmanned air surveillance systems, such as the Predator and Reaper, which provide critical and timely intelligence to our troops on the ground in Afghanistan and other operational areas. In addition, the Budget provides \$2 billion for upgrading tactical vehicles including the newest and most effective version of armor protection, and \$4.1 billion for the Virginia class submarine program that will improve the Navy's ability to operate in coastal waters and support special operations forces.

Secures Defense Information Networks from Intrusion. Preparing for emerging threats includes being able to operate across the full spectrum in cyberspace. The Budget sustains and enhances all aspects of DOD's cybersecurity capabilities. It also funds DOD's support for the Department of Homeland Security's (DHS's) cybersecurity efforts to protect the Federal Government's unclassified civilian information technology networks and improve the security of U.S. critical infrastructure. Funding allows DOD to invest in improving capabilities to implement the DOD Strategy for Operating in Cyberspace; conducting the full spectrum of operations, including defending the Nation's networks as directed by the President; and supporting the defense of infrastructure that is critical to national security.

The Budget sustains funding for U.S. Cyber Command to conduct its cyber mission and lead efforts to secure the Department's networks. The Budget also funds leading edge cybersecurity science and technology efforts, and cybersecurity pilot efforts (in partnership with DHS) to determine how best to protect critical information infrastructures owned and operated by the private sector.

Works to Defeat al Qaeda and Prevent Terrorist Attacks. Building on recent successes against al Qaeda and its leadership, protecting the United States from terrorist attacks and defeating al Qaeda remain the Administration's highest national security priorities. As part of the *National Strategy for Counterterrorism*, the Administration continues to strengthen counterterrorism programs and develop partner capabilities to prevent terrorist attacks on the United States and other countries. The Budget protects resources in this high-priority area and makes necessary investments to protect the homeland; defeat al Qaeda and its affiliates; build partner capacity; and prevent the development, acquisition, and use of weapons of mass destruction by terrorists.

Deters and Counters the Spread of Weapons of Mass Destruction. DOD continues to pursue a comprehensive strategy to reduce the risk of intentional nuclear, biological, chemical, and radiation related attacks. The Budget helps to counter the challenge of weapons of mass destruction by funding improved infrastructure and modernization of detection, neutralization, and treatment capabilities. Additionally, the Administration will enhance international stability by reducing the risks of global nuclear proliferation. The Budget continues the President's global lockdown initiative to secure nuclear materials worldwide within four years, detect and deter nuclear testing and smuggling, and support verification and implementation of international nonproliferation treaties.

Modernizes the Nation's Nuclear Deterrent. Even as we work to reduce the number and role of nuclear weapons in our national security strategy, the Administration remains committed to modernizing the Nation's nuclear weapons complex and supporting the goals of the Nuclear Posture Review (NPR) as the United States and Russia implement the New Strategic Arms Reduction Treaty. DOD and the National Nuclear Security Administration (NNSA) are working together to refine weapons system requirements so that these systems focus on the highest-priority capabilities. While still meeting the NPR goals, DOD

and NNSA are reducing the scope and stretching out the schedule of several warhead weapons life extension programs, and are restructuring plans for maintaining plutonium capabilities to stay within the discretionary spending caps set in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011. Reflecting their close partnership and shared commitment, DOD has included in its outyear budget a portion of future funding for NNSA, with allocations to be made to NNSA within each budget year.

The Administration also continues its commitment to sustaining and modernizing U.S. strategic delivery systems, thus ensuring an effective deterrent in the face of evolving challenges and technological developments. This includes specific commitments to maintain continuous at-sea deployments of ballistic missile submarines in the Atlantic and Pacific Oceans, as well as the ability to surge additional submarines during crises; procure the lead ship for the OHIO Replacement program in 2021; sustain the Air Force's Minuteman III missile through 2030; and modernize the heavy bomber force so it can serve for the indefinite future.

Finally, the Budget includes \$9.7 billion for ballistic missile defense. The Administration is committed to developing and fielding proven capabilities to defend the United States from the threat of limited ballistic missile attack, and to defend against regional ballistic missile threats to U.S. forces and U.S. allies and partners. These capabilities must be flexible enough to adapt as the ballistic missile threats change. In Europe, the United States is focused on addressing near-term threats from short- and medium-range ballistic missiles, and is working with our NATO allies to this end as we continue to implement the European Phased Adaptive Approach.

Cares for Servicemembers and Their Families. Keeping faith with servicemembers—which the President has called a “moral obligation”—is a key component of the new defense strategy. The high quality and readiness of our All-Volunteer Force is the Nation's most

important military advantage, so it is critical that military members and their families receive the compensation and benefits that they deserve. The Budget provides a 1.7 percent increase to basic pay in calendar year 2013, the full increase authorized by current law.

The Administration prioritizes the care of servicemembers and their families by providing \$48.7 billion for the DOD Unified Medical Budget to support the Military Health System, which provides medical care for over 9.6 million eligible beneficiaries. The Budget continues strong programs to support wounded, ill and injured servicemembers and to help servicemembers transition into civilian life and the workforce.

The Administration is committed to improving access to military family programs, integrating services to ensure the highest impact, and pursuing innovations to better reach and serve military families. Key Administration priorities include enhancing the well-being and psychological health of military families, ensuring excellence in military children's education, developing career and educational opportunities for military spouses, and ensuring child care availability and quality for the Armed Forces.

The Budget emphasizes our commitment to honor those who have served the Nation and to maintain the hallowed grounds where they are laid to rest. In 2013, the Army will provide \$128 million for Arlington National Cemetery improvements. These funds will be combined with the \$46 million requested directly for Arlington National Cemetery to almost quadruple support for planning and construction to extend burial availability, strengthen accounting and gravesite accountability systems, and improve service to families.

Funds Research and Development for the Military of the Future. The Administration will continue its strong commitment to funding the Nation's long-term scientific and technical needs, including those for national security. Accordingly, the Budget proposes \$69.4 billion for research, development, test, and evaluation, including \$11.9 billion for early-stage science and

technology programs, focusing our efforts on those projects most likely to enhance our capability to respond to new threats. The Budget invests in the Defense Advanced Research Projects Agency and department-wide basic research slightly above the 2012 enacted levels. Such investments will allow the Nation to explore diverse scientific principles and technological applications, including bio-defense, cybersecurity, information access, and cleaner and more efficient energy use, robotics, and advanced computing. Funding in this area will also capitalize on the role that DOD plays in advanced manufacturing by establishing a number of public-private partnerships in targeted technologies to expedite their development and production. DOD-funded research provides future options for new defense systems, helps the Nation avoid a technological surprise by potential adversaries, results in cost savings by solving technical problems early in the life cycle of acquisition programs, and takes advantage of emerging technical opportunities. The funding proposed in the Budget will be awarded through competitive processes, with experts guiding the choices of research topics to be undertaken, and reviewing and selecting projects for funding based on proposals submitted by universities, non-profit organizations, for-profit companies, and Government laboratories.

Cuts and Reforms Spending to Reflect the New Defense Strategy

Resizes and Reshapes Military Forces. In response to the President's direction to conduct a fresh review of its roles, missions, and capabilities, DOD is resizing and reshaping U.S. military forces to meet future challenges and preserve core assets while retaining the ability to regenerate lower priority capabilities as necessary. The Administration is committed to supporting properly sized, balanced, and flexible forces that will continue to be the core of our dominant and capable military power. The Budget preserves core military capabilities and better integrates active and reserve forces to provide a smaller but more agile military force that will remain a strong deterrent against our adversaries. Re-

flecting this reduced end strength and the new defense strategy, DOD will eliminate several Brigade Combat Teams, as well as 130 transport aircraft and seven cruisers, over the next five years. At the same time, DOD will manage the force in ways that protect its ability to regenerate capabilities that may be needed to address emergent demands, sustaining the intellectual capital and rank structure to facilitate the expansion of key elements of the force if required.

Reassesses Base Structure. The force structure that emerges from the new defense strategy will require a properly aligned infrastructure from which to operate, deploy, and train. The Budget requests the authority for DOD to commence two additional rounds of base realignment and closure (BRAC) and to establish an independent Commission that will provide an objective, thorough, and non-partisan review and analysis of DOD's recommendations. While this is a difficult process, additional rounds of BRAC will enable DOD to align infrastructure to meet the needs of a leaner, more agile, and flexible force.

Adjusts Health Care Benefits and Initiates Retirement Review. DOD has implemented a variety of internal efficiencies within its medical program and continues to seek cost savings, but it is imperative to better manage the health benefit. The Budget introduces new TRICARE copays and fees to help constrain the cost of healthcare while continuing to provide high quality care. The Budget includes additional increases to TRICARE Prime enrollment fees, initiation of Standard/Extra annual enrollment fees, and adjustments to deductibles and catastrophic caps. The Budget also modifies pharmacy copays to encourage the use of less expensive mail-order and military treatment facility pharmacies. Finally, the Budget includes modest annual fees for TRICARE beneficiaries over age 65 when they transition to Medicare coverage. These reforms will reduce DOD costs over five years by an estimated \$12.9 billion in discretionary funding and \$4.7 billion in mandatory savings in the Medicare-Eligible Retiree Health Care Fund.

The Budget also includes the Administration's proposal for a Military Retirement Modernization Commission, which, if enacted, will recommend improvements to the military retirement system. Under the proposal, the President would appoint the Commissioners; DOD would transmit to the Commission initial recommendations to change the military retirement system; the Commission would hold hearings, make final recommendations, and draft legislation to implement its recommendations; the President would review and decide whether to transmit the Commission's recommendations to the Congress; and Congress would vote "up or down" on the legislation. The Administration believes that any major military retirement reforms should include grandfathering for current retirees and those currently serving in the military.

Reprioritizes Investments in Weapons Systems. The Administration is committed to providing our servicemembers with the necessary equipment and support to meet future modernization goals. The Budget reflects continued reevaluation of the magnitude and timing of planned modernization efforts to maintain the finest military in the world—a force capable of deterring conflict, projecting power, and winning wars. For example, expensive programs such as the Joint Strike Fighter, which are designed to counter the potential threat from a sophisticated adversary, will continue but at a reduced level. In support of the new defense strategy, where possible, DOD will continue to rely on proven existing systems rather than developing new ones, and lower-priority programs will be terminated or reduced, including the C-27 airlift aircraft, High Mobility Multi-Purpose Wheeled Vehicle Recapitalization, and a new weather satellite. In addition, the Navy will truncate the Joint High Speed Vessel program after buying 10 ships, sufficient to meet its core requirement. The Administration is committed to maintaining a healthy industrial base and will work to mitigate adverse effects on workers and industry. As these reductions are implemented, the Administration will monitor and manage the industrial base to ensure that the Nation has the ability to develop and produce the future weapons systems it needs.

Reforms Acquisition. DOD contracts account for approximately 70 percent of all Federal procurement. The Budget requests \$280 billion for DOD contracts in 2013. Through its "Better Buying Power" acquisition reform initiative, DOD is charting a new path that will result in greater efficiency and productivity throughout the defense acquisition system. In particular, DOD is: 1) decreasing the use of high-risk contracts based on time-and-materials and labor-hours; 2) continuing to develop the acquisition workforce to provide needed oversight; 3) eliminating or restructuring lower-priority acquisitions; 4) reducing contract spending on management support services; 5) taking full advantage of contract vehicles that reflect the Government's buying leverage; 6) increasing the use of strategic sourcing; 7) increasing small business participation; and 8) improving financial management systems. In addition, DOD has instituted a number of acquisition management best practices: applying lessons learned from past acquisitions; establishing process teams to review qualifications of acquisition professionals; and instituting peer reviews to ensure affordability and effective competition.

Improves Business Processes. The Budget supports DOD's ongoing efforts to upgrade its financial management business processes in several ways. First, to verify its ability to track spending and improve fiscal discipline, DOD will have Statements of Budgetary Resources for general funds "audit ready" by 2014, three years earlier than previously planned. This audit of the Department's Statement of Budgetary Resources will encompass a complete review of how the Department receives and spends its funds. Second, DOD continues to upgrade its logistics management business processes by pursuing initiatives designed to acquire, manage, and deliver cargo and personnel more efficiently and effectively. These Department-wide logistics initiatives build on previously successful business process re-engineering initiatives over many years. Overall, the Budget helps improve Departmental business processes and thus enables DOD to streamline the joint global distribution system, manage inventory in more efficient and cost effective ways, improve

demand forecasting, speed movement of wounded warriors from the battlefield, and manage the return of equipment from Iraq and Afghanistan more responsibly.

Focuses on Management Efficiencies. The Budget creates a balanced approach to funding priorities within spending caps by freeing up resources from lower priorities, eliminating duplication, trimming overhead, and improving competition and management in operating and investment programs. For example, to reduce its information technology footprint—and in turn lower staffing and energy needs—the Department plans to continue consolidating its numerous data centers. In addition, across its global distribution system, DOD continues to pursue initiatives designed to acquire, manage, and deliver cargo and personnel more efficiently and effectively. Finally, as stated above, in lieu of costly new acquisition programs, DOD strives to upgrade existing equipment to provide equivalent capabilities wherever possible.

Conserves Energy. DOD consumes almost three-fourths of all Federal energy resources. To reduce consumption, the Budget includes approximately \$1 billion for energy conservation investments—up from \$400 million in 2010—increasing by two and one-half times the support of DOD’s Priority Goal to Improve Energy Performance. These investments include energy retrofits of existing buildings, meeting energy efficiency standards for new buildings, and developing renewable energy projects. DOD is steadily improving its installation energy performance by reducing the demand for traditional energy and increasing the supply of renewable energy sources, currently at nearly 8.5 percent of DOD energy production and procurement. The request includes \$150 million for the Energy Conservation Investment Program, which improves the energy efficiency of DOD facilities worldwide. In addition, the Budget provides \$32 million, a 7 percent increase compared to 2012, for the Installation Energy Test Bed Program to demonstrate new energy technologies to reduce risk, overcome barriers to deployment, and facilitate wide-scale commercialization.

Department of Defense
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
Spending			
Discretionary Base Budget Authority:			
Military Personnel	137,046	141,819	135,113
Operation and Maintenance.....	192,649	197,198	208,744
Procurement	103,909	104,464	98,823
Research, Development, Test and Evaluation	75,733	71,375	69,408
Military Construction	14,768	11,367	9,572
Family Housing	1,819	1,683	1,651
Revolving and Management Funds	2,348	2,641	2,123
Subtotal, Discretionary base budget authority	528,272	530,547	525,434
Discretionary Cap Adjustment: ¹			
Overseas Contingency Operations (OCO)	158,753	115,083	88,482

Department of Defense—Continued
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
Total, Discretionary budget authority (Base and OCO).....	687,025	645,630	613,916
Total, Discretionary outlays (Base and OCO)	673,848	682,995	666,159
Total, Mandatory outlays	4,226	5,260	6,721
Total, Outlays	678,074	688,255	672,880
Credit activity			
Direct Loan Disbursements:			
Family Housing Improvement Direct Loan Financing Account	309	202	195
Total, Direct loan disbursements	309	202	195

¹ The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act of 2011, limits—or caps—budget authority available for discretionary programs each year through 2021. Section 251(b)(2) of BBEDCA authorizes certain adjustments to the caps after the enactment of appropriations. Amounts in 2011 are not so designated but are shown for comparability purposes.



DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides \$526.6 billion in discretionary funding for the base budget of the Department of Defense, a decrease of \$3.9 billion, or 0.7 percent, below the 2012 enacted level. This level provides sufficient resources to carry out our national defense strategy.
- Responsibly draws down our military presence in Afghanistan and supports the transition to full Afghan responsibility for their country's own security.
- Following the President's National Security Strategy, makes informed choices to achieve a modern, ready, and balanced force to meet the full range of potential military requirements.
- Supports the Administration's efforts to rebalance diplomatic and military resources to the Asia-Pacific region.
- Invests in the Nation's cybersecurity capabilities by expanding the Cyber Forces led by the United States Cyber Command and increasing funding for cybersecurity information sharing.
- Protects investments in long-term capabilities that support our defense strategy, such as the F-35 Lightning II (the Joint Strike Fighter), the Air Force's KC-46 aerial refueling tanker, littoral combat ships, space systems, and transport helicopters.
- Prioritizes upgrades to existing systems such as the C-130 airlift aircraft, the F-15 fighter aircraft, and the Stryker combat vehicle, to enhance their capability to meet emerging threats.
- Supports the Administration's efforts to reform the Department's acquisition process and to achieve auditable financial statements.
- Enhances the Administration's commitment to maintaining a reliable nuclear deterrent by increasing investments in the nuclear weapons complex and weapon delivery systems.
- Sustains investment in science and technology programs, which drives innovation in the Nation's military, and, through the transfer of this technology, feeds innovation in the civilian economy.
- Provides a one percent military pay raise and protects military pay and benefits. Preserves counseling and educational programs that support servicemembers and their families.

- Takes steps to control rising health care costs without sacrificing quality of care and seeks to improve key needs such as mental health services for servicemembers and their families.
- Enables servicemembers to transition more smoothly and effectively to their lives as civilians and veterans through revamped transition assistance programs that provide information and resources, focusing on servicemembers' individual career goals.

The 2014 Budget provides \$526.6 billion for the Department of Defense's (DOD's) base funding in 2014, representing a decrease of \$3.9 billion, or 0.7 percent, below the 2012 enacted level. The Budget continues to pursue strategic priorities that reflect our Nation's renewed commitment to our historical role in the Asia-Pacific region. It also targets resources toward other strategic priorities such as increasing our ability to effectively navigate the security challenges and opportunities of cyberspace, continuing to focus funding on research and development, and combatting terrorism. The Budget maintains our commitment to providing servicemembers with the right mix of equipment, infrastructure, and training. It sustains our commitment to the All-Volunteer Force—the backbone of our modern military—and seeks to better support our servicemembers and their families in particular, by helping separating servicemembers transition more effectively to civilian life. It also continues to support DOD's efforts to reform the acquisition process and to achieve auditable financial statements.

Supports Overseas Contingency Operations

The Budget's Overseas Contingency Operations (OCO) funds will continue to support the incremental costs of military operations in Afghanistan, as well as other activities that primarily support Operation Enduring Freedom (OEF). Looking forward to the responsible end of the war in Afghanistan, U.S. forces will gradually draw down and complete the transition to full Afghan responsibility for their country's security by the end of December 2014. OCO funds will support military operations, incremental personnel costs, force protection, repair and replacement

of damaged equipment, activities to counter and defeat improvised explosive devices, intelligence activities, support for coalition partners, and the training, equipping, and sustaining of the Afghan National Security Forces. Beyond Afghanistan and OEF, small amounts of funding will continue to support Iraq-related costs, including repair and replacement of equipment and munitions damaged or lost in the war and the operation of the Office of Security Cooperation-Iraq. OCO funds will also continue to fund the portion of temporary Army and Marine Corps end strength that supports current operations in Afghanistan and elsewhere, but that will not be required under the Nation's defense strategy.

Final decisions about the pace of the drawdown in Afghanistan have not yet been made. As a result, the Budget includes a placeholder for DOD's 2014 OCO funding, equivalent to the amount provided in the President's 2013 Budget. The Administration continues to propose a multiyear cap that limits Government-wide OCO funding to \$450 billion over the 2013 to 2021 period, including \$96.7 billion for OCO-funded activities in 2013. The Administration will submit a Budget amendment to the Congress updating the OCO request after a determination has been made on required force levels in Afghanistan.

Aligns Resources with Strategic Priorities

Rebalances Asia-Pacific Alliances. The United States and its interests are inextricably linked with Asia's economies and security. After more than a decade of war in Iraq and Afghanistan, DOD and other agencies are devoting greater energy and resources to revitalizing

U.S. alliances and economic ties across the Asia-Pacific region. DOD's overarching objective in the region is to sustain a stable security environment and a regional order rooted in economic openness, peaceful resolution of disputes, democratic governance, and political freedom.

The Budget funds critical investments in the region that further this objective. It provides \$95 million for Guam military infrastructure to bolster Guam's position as a strategic hub in the western Pacific while taking important steps toward establishing fully capable Marine Air-Ground Task Forces in Japan, Guam, and Hawaii with the intent to rotate forces to Australia. It also provides resources to support up to four Littoral Combat Ships that would maintain a rotational presence in Singapore to improve the ability to counter a range of transnational threats in the region. In addition, the Budget supports increased military-to-military cooperation and training, which will help build the capacity of allies and partners to address security challenges. These and other investments, along with increased engagement with the region, are critical to the Government-wide effort to promote regional security and ensure the free flow of commerce and trade throughout the region.

Improves Cyberspace Operations and Cybersecurity Information Sharing. Cyber attacks targeting the financial industry and the Government demonstrate that no sector, network, or system is immune from cyber penetration by those who seek to make financial gain, to perpetrate malicious and disruptive activity, or to steal commercial or Government secrets and property. Cyber threats are constantly evolving and require a coordinated and comprehensive way of thinking about cyberspace activities. The Budget includes improvements to cyberspace activities, such as:

- *Cyber Forces Led by the U.S. Cyber Command.* Cyber investments will grow in response to emerging threats in cyberspace. Teams of cyber experts—including defensive, intelligence, and analytical—will defend the Nation, as well as DOD infrastructure, by

conducting reconnaissance, surveillance, development, maintenance, and analysis.

- *Cybersecurity Information Sharing.* The Comprehensive National Cybersecurity Initiative Five (CNCI-5) seeks to connect cybersecurity centers and other cybersecurity analytics electronically and in real time. The Budget provides an increase in funding for CNCI-5 to develop a comprehensive coordinated cybersecurity information sharing system that will serve as the foundation for cybersecurity information sharing requirements across the Government. This system will also develop and publish machine-readable interoperable technical standards that will allow for automated information sharing. The goal is for relevant pieces of information to make their way to authorized users throughout the Government, to help connect the dots in identifying cybersecurity threats.

Counters Terrorism. Protecting the United States from terrorism remains a national security priority. The United States and its allies have had many successes against terrorist groups, but the priority of fighting terrorism remains, even as the specific threats have changed. The Budget continues to prioritize this mission by funding investments that are consistent with the four principles of the National Strategy for Counterterrorism, including: combatting terrorism in ways that are consistent with core U.S. values; building the capacity of our partners to fight terrorism; developing systems and capabilities to defend American citizens and deny terrorists safe havens; and preventing terrorists from developing, acquiring, or using weapons of mass destruction.

Invests in Current and Future Capabilities

Funds Military Readiness and Training. The budget environment is challenging both because of fiscal considerations and because we are beginning the difficult process of reset-

ting and restoring our force's ability to conduct the full range of military operations in support of the current defense strategy. The Budget meets these transitional challenges even as the force structure and future funding levels are reduced. Training and readiness are the foundation of ensuring a capable military that provides the President with a range of options to deter or defeat aggression or coercion against the United States and its allies, friends, and interests. The Budget provides \$176.2 billion for the operations, training, and supporting activities troops need to defeat current and future threats. The Budget also requests authorization for another Base Realignment and Closure round in 2015 to close or realign excess infrastructure and avoid wasting limited resources maintaining unneeded facilities. The actual closing of any bases would involve a multiyear process that would not start until 2016, after the economy is projected to have more fully recovered.

Provides Needed Weapons Systems for the Challenges of Today and Tomorrow. The Administration is committed to providing service-members with the modern equipment they need to defend the Nation. To this end, the Budget provides \$166.8 billion to develop and buy weapons systems that can meet emerging threats and that support our defense strategy. For example, the Budget includes \$8.4 billion to continue the F-35 Lightning II (Joint Strike Fighter) aircraft program, which is designed to counter threats posed by a sophisticated adversary, and \$5.4 billion for the VIRGINIA class submarine to provide asymmetric capabilities, such as improving the Navy's ability to operate in coastal waters and support special operations forces, that are appropriate to our defense strategy. In addition, the Budget proposes \$653 million to strengthen the Nation's secure communication links in space by procuring additional Advanced Extremely High Frequency satellites.

While the Administration is committed to continuing its investment in new weapons systems needed to ensure that America's military remains the finest in the world, it is also focused on mitigating the adverse impact of budget constraints

on the modernization effort whenever possible by continuing to maintain and upgrade proven existing systems. For example, DOD will continue to use the highly-capable C-130 airlift aircraft rather than procure a new airlifter such as the C-27. In addition, although DOD will also continue to use new Global Hawk Block 30 Unmanned Aerial Vehicles that have already been procured, as well as the proven U-2 reconnaissance aircraft for the critical task of providing intelligence to our troops, it will terminate further procurement of Block 30 Global Hawks. DOD will also retain proven systems such as the F-15 and F-16 fighter aircraft and the B-2 bomber, upgrading them as necessary to enhance their effectiveness, and will field double-v hulls on the Army's Stryker combat vehicles and upgrade the suspension and drive train of Paladin self-propelled howitzers, to improve troop protection, survivability, and mobility.

Modernizes the Nation's Nuclear Deterrent. The Administration remains committed to reducing the number and role of nuclear weapons in support of our national security strategy, to modernizing the Nation's nuclear weapons complex, and to supporting the goals of the Nuclear Posture Review as the United States and Russia implement the New Strategic Arms Reduction Treaty (New START). The Budget proposes \$12 billion for strategic offensive forces, \$600 million or five percent, less than the 2012 enacted level; the principal reason for the decrease was the two-year slip in the funding profile for the OHIO Class replacement. To ensure that the strategic bomber fleet will be able to conduct future missions, DOD is continuing to develop a new long-range bomber.

DOD continues to review possible reductions in delivery systems to ensure that the New START thresholds are met on schedule. Close cooperation between DOD and the National Nuclear Security Administration (NNSA) at the Department of Energy has resulted in modified weapons system requirements that focus on the highest-priority capabilities. DOD and NNSA continue to ensure that plutonium component production and research capabilities are maintained at required levels, and have increased re-

sources for several programs to extend the service lives of nuclear weapons, as well as for one ongoing major capital asset project, the Uranium Processing Facility. Reflecting their close partnership and shared commitment, DOD continues to provide budgetary support to NNSA.

Funds Research and Development for the Military of the Future. The Administration continues to support strong investment in research and development (R&D) for national security. The Budget provides \$67.5 billion for DOD research, development, test and evaluation activities. This funding supports DOD efforts to: evaluate new tactical vehicles; continue to develop the Air Force KC-46 aerial refueling tanker; continue to design the OHIO class ballistic missile submarine replacement; and advance other critical technologies. This research funding also capitalizes on DOD's important role in advanced manufacturing and the development of other forward-looking capabilities, including hypersonics.

The Budget also invests in early-stage science and technology (S&T) programs to support the warfighter. The Administration continues to encourage a strong national investment in R&D, and the Department's R&D activities, especially investments in DOD's S&T program, are a key component of this Government-wide effort. The Budget includes \$12 billion for the S&T program. This funding supports basic research, applied research and advanced technology development. The Budget also provides \$2.9 billion for the Defense Advanced Research Projects Agency and its breakthrough research, an increase of 1.8 percent above the 2012 enacted level.

Conserves Energy. As one of the largest organizations in the world, DOD consumes almost three-fourths of all energy used by the Federal Government. Consuming that much energy—whether fuel for planes, ships, and tanks, or electricity for bases, commissaries, and schools—has budgetary and strategic impacts. To mitigate those impacts, DOD seeks to be more deliberate about how it uses energy, in line with the Administration's overall approach to energy efficiency, such as by improving the fuel efficiency

of existing equipment, developing and fielding innovative energy technologies, expanding renewable energy sources, and improving the energy efficiency of buildings. The Budget provides \$2 billion for initiatives to reduce fuel consumption, and provides \$1.2 billion for initiatives to reduce facility energy consumption, including funds to retrofit existing buildings, meet higher energy efficiency standards for new buildings, and develop renewable energy projects. The Budget also includes \$150 million for the Energy Conservation Investment Program, which improves the energy efficiency of DOD facilities worldwide, and provides \$32 million for the Installation Energy Test Bed Program to demonstrate new energy technologies to reduce risk, overcome barriers to deployment, and facilitate wide-scale commercialization.

Reforms Acquisition Process. The Better Buying Power (BBP) initiative further implements DOD's best practices to strengthen buying power, improve industry productivity, and provide an affordable, value-added military capability to the warfighter. Launched in 2010, BBP encompasses a set of fundamental acquisition principles to achieve greater efficiencies through affordability, cost control, elimination of unproductive processes and bureaucracy, and promotion of competition. Today's constrained funding environment makes it even more important that DOD find effective means to increase its purchasing power for goods and services. New BBP initiatives address current fiscal realities, including enforcing affordability caps, measuring cost performance, and aligning contractor profitability with acquisition goals. DOD has instituted best practices, including applying lessons learned, expanding strategic sourcing, establishing acquisition professional reviews, and instituting peer reviews to ensure effective competition.

Strengthens the All-Volunteer Force

Supports Servicemembers and Their Families. The Administration places a strong focus on military family programs, sustaining funding at \$8.5 billion to ensure consistent and

effective services across military installations. DOD provides a broad spectrum of programs and services for servicemembers and military families including: mental health and counseling services; deployment assistance; child care and youth programs; morale, welfare, and recreation programs; commissaries; DOD-run schools for military dependents; military spouse employment programs; and many other services. DOD is working to improve its support to the All-Volunteer Force by identifying and discontinuing redundant or less effective military family programs, while increasing support for programs that are proven to serve military families well.

For calendar year 2014, consistent with the views of the uniformed military leadership, the Budget provides a 1.0 percent increase to basic pay, a 4.2 percent increase in the Basic Allowance for Housing, and a 3.4 percent increase in Basic Allowance for Subsistence. This compensation level recognizes the sacrifices made by the men and women in our Armed Forces, while adhering to the current budget constraints faced by DOD.

Promotes Health of Servicemembers and Their Families. To provide quality health care for the Nation's 9.6 million eligible military beneficiaries, the Budget provides \$49.4 billion for the DOD Unified Medical Budget that supports the DOD Military Health System. The Budget sustains strong programs that support wounded, ill, and injured servicemembers and their families, and which help servicemembers transition into civilian life and the workforce. In particular, DOD is improving its support for servicemember mental and emotional health by increasing collaboration among suicide prevention programs, working to eliminate the stigma associated with accessing mental health services, and improving the effectiveness of DOD programs. To this end, DOD has started assessing the effectiveness of over 160 DOD psychological health programs and will realign resources by the end of 2014 to support the most effective programs and replace those that are less effective. DOD will sustain funding to improve electronic health record access.

DOD continues to seek efficiencies and cost savings within the Military Health System. The Budget supports adjusted TRICARE cost sharing requirements to address health care cost increases and make the health benefit more sustainable. Survivors of members who died while on active duty and disability retirees and their family members will be exempt from the fee and copay adjustments. DOD and the Department of Veterans Affairs will jointly work on a study to identify best practices and efficiencies within their healthcare systems.

Helps Servicemembers Transition to Civilian Life and Jobs. In the past year and a half, the Administration has worked to make the transition from military to civilian life easier. DOD, along with several other Federal agencies, has focused on creating a "career-ready" military and on increasing veteran employment. The Budget supports the first major redesign of the interagency Transition Assistance Program in over 20 years, which will provide more information and better resources to servicemembers as they begin to navigate civilian life. A new program, entitled Transition GPS (Goals, Plans, Success), will help servicemembers prepare for civilian life by providing pre-separation assessment and individual counseling, a five-day core curriculum, an additional curriculum tailored to the servicemembers' individual career goals, and a capstone event to verify that transitioning servicemembers have met certain standards that show they are ready for their civilian careers. DOD is also working to streamline civilian credentialing for servicemembers and veterans, so that they can better communicate to civilian employers the valuable skills they learned in service to the Nation. For example, the first action of the Military Credentialing and Licensing Task Force, working with manufacturing credentialing agencies, has enabled up to 126,000 servicemembers to gain industry-recognized, nationally-portable certifications for high-demand manufacturing jobs.