IMMEDIATE RELEASE

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DoD Releases Fiscal 2015 Budget Proposal and 2014 QDR

President Barack Obama today sent Congress a proposed defense budget of $495.6 billion in discretionary budget authority to fund base defense programs in fiscal year 2015.

The request is $0.4 billion less than the enacted FY 2014 appropriation and is consistent with the current budget caps. The Opportunity, Growth, and Security Initiative -- a government-wide initiative -- requests an additional $26 billion in FY 2015 to address significant readiness and modernization challenges. In the years from FY 2016 to FY 2019, the Department of Defense (DoD) is asking for funding that exceeds the current budget caps by a total of approximately $115 billion in order to meet defense requirements.

This DoD budget request supports the strategy in the 2014 Quadrennial Defense Review (QDR), which is being released in conjunction with the budget request. The 2014 QDR builds upon and updates the strategy submitted in January 2012, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," preparing for the future by rebalancing our defense efforts in a period of fiscal challenges.

The DoD budget request reflects a balance between readiness, capacity, and capability. It seeks efficiencies, including another round of base realignment and closure, and slower growth in military compensation in order to free up funds to minimize cuts in force size and readiness. Even with these initiatives, the force gets smaller and modernization programs are streamlined under this budget – with changes made in a manner that reflects the new QDR. The net result is a military force that can fulfill the defense strategy, but with some increased levels of risk. The department can manage these risks under the President's 2015 Budget plan, but risks would grow significantly if as current law requires sequester-level cuts return in 2016, if proposed reforms are not accepted, or if uncertainty over budget levels continues.

Commenting on the DoD request for FY 2015, Defense Secretary Chuck Hagel said, "This is a budget that recognizes the reality of the magnitude of our fiscal challenges, the dangerous world we live in, and the American military's unique and indispensable role in this country and in today's volatile world."

For Overseas Contingency Operations (OCO) operations in FY 2015, the budget only includes a placeholder of $79 billion, an amount equal to the request for FY 2014. Once conditions permit a decision about the scope of the enduring U.S. presence in Afghanistan, a formal budget amendment will be proposed to specify and fund OCO needs in FY 2015.

The QDR advances a broader strategic framework emphasizing three pillars - protect the homeland, to deter and defeat threats to the United States and to mitigate the effects of potential attacks and natural disasters; build security globally, to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges; and project power and win decisively, to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief.

The QDR highlights the imperative for institutional reform to implement this strategy. Controlling cost growth and generating greater efficiencies will allow the DoD to maximize its readiness and combat power over the long term.

"This QDR defines the historic transition unfolding throughout our defense enterprise. As we move off the longest continuous war footing in our nation's history, this QDR explains how we will adapt, reshape, and rebalance our military for the challenges and opportunities of the future," said Hagel.

"Today's world requires a strategy that is neither budget driven nor budget blind. We need a strategy that can be implemented with a realistic level of resources, and that is what this QDR provides," said Hagel.

The QDR establishes DoD's force planning construct to ensure U.S. forces are sized to conduct key types of operations in overlapping timeframes.

"We have throughout my 40-year career always adapted to changes in the security environment and changes in the budget environment," said Chairman of the Joint Chiefs of Staff, Gen. Martin Dempsey.

"This QDR is a pragmatic reflection of who we can and must be for the nation. We must do more than talk about institutional reform. We must do more than seek innovation in organizational designs, concepts, strategies, and plans. We must do more than prioritize our commitment to the development our people. We must actually achieve these things," said Dempsey.

Given the major changes in our nation's security and fiscal environment, the QDR requires that DoD rebalance the joint force in several important areas to prepare for the future, specifically shifting the focus toward greater emphasis on the full spectrum of possible operations; sustain our presence and posture abroad to better protect U.S. national security interests; and adjust the balance of capability, capacity, and readiness with the joint force.

Highlights of the proposed DoD budget are outlined below and in the attached chart. The entire fiscal 2015 budget proposal is available at www.budget.mil. The department's "FY 2015 Budget Request Overview Book," can be downloaded there as well. Key highlights of the DoD 2014 QDR are outlined in the attached summary and fact sheets. For more information and to view the entire fiscal 2014 QDR and budget proposal, please visit www.defense.gov.

SUMMARY OF THE DOD FISCAL 2015 BUDGET PROPOSAL

PRINCIPAL OBJECTIVES

The Fiscal Year (FY) 2015 budget proposal supports the Department's 2014 Quadrennial Defense Review (QDR) that is being released in conjunction with the budget. The 2014 QDR updates the Defense Strategic Guidance released in January 2012. This updated strategy focuses on defending the homeland against all strategic threats including violent extremism, building security globally, and remaining prepared to project power to win decisively against any adversary should deterrence fail.

This budget seeks $495.6 billion in funding for the Department of Defense (DoD) in FY 2015, an amount consistent with the current discretionary budget caps. In addition, the budget for FY 2015 includes a fully paid-for Opportunity, Growth, and Security Initiative that totals $56 billion government wide. Of that amount $26 billion is for DoD and will be used to address readiness and modernization challenges and to increase base sustainment and military construction. In the years beyond FY 2015, funding under this request grows from $535 billion in FY 2016 to $559 billion in FY 2019. During these years, the requested funds exceed the current discretionary budget caps by a total of approximately $115 billion in order to meet defense requirements.

Balancing Readiness, Capability, and Capacity

The FY 2015 request places a priority on balancing readiness, capability, and capacity in both the short and long term. The objective is to ensure that no matter their size, America's Armed Forces are properly trained, equipped, compensated, and prepared to accomplish their mission.

Approximately two-thirds of the requested budget ($336.3 billion) pays for the Department's day-to-day operations, including pay and benefits for 1.3 million active military personnel, 0.8 million Reserve and Guard personnel, and 0.7 million civilian personnel, as well as healthcare benefits for over 9 million beneficiaries, both active and retired. Also included are funds for training, logistics, fuel, maintenance, service contracts, administration, family housing, and much more.

The remaining third of the budget ($159.3 billion) pays for investments in future defense needs, including modernization and recapitalization of equipment and facilities. The budget includes $90.4 billion for procurement, $63.5 billion for research and development, and $5.4 billion for military construction.

Organizationally, most of the funding is divided between the military departments: 24.2 percent ($120.3 billion) for the Army, 29.8 percent ($147.8 billion) for the Navy/Marine Corps, and 27.8 percent ($137.8 billion) to the Air Force. The rest of the requested budget – 18.1 percent ($89.8 billion) – funds the Defense-Wide account, which includes the Defense Health Program, intelligence agencies, Missile Defense Agency, Defense Advanced Research Projects Agency, and the many smaller DoD agencies.

In addition to the base budget request, the Department seeks $26.4 billion in FY 2015 under the government-wide initiative known as the Opportunity, Growth, and Security Initiative. These added funds would be used to improve readiness (including additional funding for Army operating tempo, Navy aviation logistics, and Air Force training). Modernization would be enhanced through programs such as the purchase of additional Joint Strike Fighters and P-8 aircraft and more spending on the Army Blackhawk program. Base sustainment and military construction funding would also be increased. The initiative will be paid for with a balanced package of mandatory spending reductions and tax reforms.

Being More Efficient

To free up funds for defense mission needs, the FY 2015 budget continues the recent emphasis on improved efficiency across DoD. Institutional reforms in the budget will save $18.2 billion in FY 2015 and an estimated $94 billion through FY 2019. Efficiency actions include a 20 percent cut in headquarters operating budgets, reduced contractor funding, targeted reductions in civilian personnel, reductions in funding for defense support agencies, savings in military health care, and savings from deferred military construction projects and family housing.

The Department will also continue to monitor ongoing cost-savings efforts that were launched in recent years. Anticipated savings by 2017 or before include $150 billion in cost reductions from the FY 2012 budget, $60 billion in the FY 2013 budget, and $35 billion in the FY 2014 budget. In addition, DoD will continue to make progress towards auditability, with a goal of being fully audit-ready by 2017 and achieving audit-ready budgets by this fall. DoD will also aggressively pursue its Better Buying Power initiatives aimed at increasing acquisition efficiency.

The FY 2015 budget also includes a request for another round of Base Realignment and Closure (BRAC) to begin in FY 2017. Delays in approving this request will mean that funds needed for investments in readiness and modernization will be spent instead on unneeded infrastructure.

Compensation Changes

In another effort to free up funds to support high-priority readiness and modernization needs, this budget proposes slowing the growth of military compensation. Men and women in uniform certainly deserve the best support possible, and taxpayers have provided substantial increases in military compensation in recent years. Now there is a need to slow that growth to free up funds for training and modernization.

Slowing military compensation must be governed by several core principles – full support for the All-Volunteer Force, assurance that compensation is and will remain generous enough to recruit and retain needed personnel, and a guarantee that current Service Members will not see their pay and benefits cut. All of the savings realized will be used to close shortfalls in training, maintenance, and equipment, helping to ensure that our troops are well-equipped and well-trained.

Based on these principles, and with the full consent of the Secretary of Defense and the Joints Chiefs of Staff, DoD makes several specific proposals in this budget. For most military personnel the increase in basic pay in FY 2015 will be limited to 1 percent, with some limits in future years as well. General and Flag Officer basic pay will not increase at all in FY 2015.

The FY 2015 request also slows the growth in the Basic Allowance for Housing (BAH) until out-of-pocket costs average 5 percent. In addition, the budget eliminates reimbursement for renters insurance from BAH rates.

The budget reduces DoD's commissary subsidies, saving $200 million in FY 2015, $600 million in FY 2016, and $1 billion a year thereafter. The remaining subsidy of about $400 million will go to overseas commissaries and those in remote locations. It is important to note that no commissaries will be directed to close. They will continue to be exempt from rent or taxes and so should be able to provide shoppers with discounts.

The FY 2015 request simplifies and modernizes the TRICARE healthcare plans. The three largest plans are to be consolidated into one plan. Modest increases to deductibles and co-pays will be used to guide beneficiaries to the most affordable and effective health care. The Department is also resubmitting changes proposed last year affecting pharmacy co-pays and military health care enrollment fees for retirees age 65 and older in the TRICARE-for-Life program.

Sustaining a Ready and Capable Force – Now and in the Future

Despite efforts to become more efficient and to slow growth in compensation, the current budget limits require that the military get smaller and streamline its modernization programs. The military must also seek to recover from readiness problems caused by 13 years at war and exacerbated by last year's sequestration cuts. As indicated below, each of the military services is confronting these significant challenges.

Air Force

Under the President's budget, the Air Force will receive funding to support 59 Active, Reserve, and Guard combat-coded air squadrons, with an emphasis on meeting emerging threats. The Air Force emphasizes its modernization program in this budget request. Budget requests include $4.6 billion for 26 Joint Strike Fighters in FY 2015 and $31.7 billion for 238 planes over the Future Years Defense Program (FYDP). The Long Range Strike Bomber is funded at $0.9 billion for FY 2015 and $11.4 billion over the FYDP. The budget requests $2.4 billion for seven KC-46 Tankers in FY 2015 and $16.5 billion for 69 aircraft over the FYDP. In addition, the budget invests $1 billion over the next five years in a next-generation jet engine.

These investments required tradeoffs. The A-10 Warthog is being phased out. The 50-year-old U-2 is being retired in favor of the unmanned Global Hawk system. The growth of Predator/Reapers forces is being slowed, and plans for the new combat rescue helicopter are being reviewed.

Navy

Under the President's budget, the Navy will have funds to support a fleet of 288 ships in FY 2014, rising to about 309 ships by FY 2019. The President's budget plan protects investments in attack submarines, guided missile destroyers, and afloat staging bases to confront emerging threats.

The budget includes $5.9 billion for two Virginia-class attack submarines in FY 2015 and $28 billion for two submarines a year through FY 2019. Also requested is $2.8 billion in FY 2015 and $16 billion over the FYDP to acquire two DDG-51 guided-missile destroyers per year through FY 2019. The budget also includes a request for $1.5 billion in FY 2015 to buy 3 Littoral Combat Ships and $8.1 billion over the FYDP to buy 14 LCS.

The Navy is also requesting $3.3 billion in FY 2015 for 8 Joint Strike Fighters – 2 for the Navy and 6 for the Marine Corps – and $22.9 billion for 105 aircraft over the FYDP.

Offsets are, however, required. The Navy will put 11 cruisers in long-term phased modernization. These ships will be placed in reduced operating status while they are modernized; they will eventually be returned to service with greater capability and a longer lifespan. The Navy will also re-examine its Littoral Combat Ship program.

Marine Corps

The budget requests $22.7 billion to support end strength of 182,700 Marines for FY 2015, including funds to support 900 Marines for increased security at American embassies overseas. Funds will also support a geographically distributed force posture in the Asia-Pacific, which will be increasingly important as U.S. forces are rebalanced to that region.

Army

The FY 2015 request will support 32 Active Army brigade combat teams and 28 Army National Guard brigade combat teams. Since DoD strategy will no longer size the force for large and prolonged stability operations, the Army will accelerate the pace of its post-war drawdown, attaining a range of 440,000 to 450,000 Active Duty soldiers. When combined with the Marine Corps, these end strength numbers will be sufficient to meet the needs of the President's defense strategy, including capability to decisively defeat aggression in one theater, while defending the homeland and supporting air and naval forces in a second theater. There will, however, be somewhat higher risks at these force levels, particularly for missions involving multiple and simultaneous conflicts.

To maintain a balanced force, the Army National Guard and Reserves will also draw down, reducing to 335,000 Guardsmen and 195,000 Reservists.

The Army's Ground Combat Vehicle program has been terminated and alternative options are being evaluated. Changes are also planned for the helicopter force. Aging Kiowas will be retired and replaced with National Guard Apaches and Lakotas. In return, the National Guard will receive the more versatile Blackhawks.

Defense-Wide

The FY 2015 request includes $7.5 billion for the Missile Defense Agency and $5.1 billion to fully fund cyber operations, which will enable both offensive and defensive capabilities across the full range of cyber contingencies.

U.S. Special Operations Command is allocated $7.7 billion, a 10 percent increase over the appropriated level in FY 2014, which will support a Special Operations force of 69,700 personnel. At this level, SOCOM will have the resources for full-spectrum training, global capabilities, and regional expertise.

Effects of Sequester-Level Budgets

Prolonged funding at sequestration levels would starve the Department of funds needed for maintenance and training and for support of cutting-edge capabilities that provide the U.S. military with its technological edge. Taken together, the impact of further sequestration-level funding would hollow the force. Overall our ability to carry out the defense strategy would be significantly reduced.

Under sequester-level cuts, the Navy would need to eliminate one aircraft carrier starting in 2016, and the Air Force would have to retire 80 more aircraft, including the entire KC-10 tanker fleet and Global Hawk Block 40 fleets. Flying hours would also be reduced, and F-35 buys necessarily would be cut. The Army would decline in size to 420,000 active duty troops and about 500,000 Guard and Reserve personnel. The Marines would shrink to 175,000 active-duty personnel.