

IMMEDIATE RELEASE

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DoD Releases Fiscal Year 2016 Budget Proposal

President Barack Obama today sent Congress a proposed Fiscal Year (FY) 2016 Department of Defense budget request of \$585.3 billion in discretionary budget authority to fund both base budget programs and Overseas Contingency Operations (OCO).

The FY 2016 base budget of \$534.3 billion includes an increase of \$38.2 billion over the FY 2015 enacted budget of \$496.1 billion. DoD's FY 2016 OCO budget of \$50.9 billion is \$13.3 billion – or about 21 percent – lower than the FY 2015 enacted level of \$64.2 billion, reflecting the end of the combat mission and the continued drawdown of forces in Afghanistan. The combined request represents an increase of \$24.9 billion or about four percent, reflecting the need to modernize the force for the future and respond to emerging security challenges.

The FY 2016 budget supports the 2014 Quadrennial Defense Review (QDR) strategy, beginning with its three pillars: protect the homeland, build security globally, and project power and win decisively. The budget also reaffirms the five key priorities identified in the QDR. These include the rebalance to the Asia-Pacific region, a strong commitment to security and stability in Europe and the Middle East, a global approach to countering violent extremists, key investments in technology, and strengthening alliances and partnerships around the world.

The budget proposes investments in the modernization of key capability areas, including nuclear deterrence, space, missile defense, cyber security, and power projection. The budget also resubmits a number of critical reforms proposed in the FY 2015 budget, including improvements to DoD business operations, force structure modifications, streamlining our base infrastructure, strengthening sexual assault prevention and response programs, and providing for service members and their families. The budget maintains a prudent balance among Joint force capacities, capabilities, and readiness, and continues to keep faith with service members and their families.

As the department rebalances the joint force after 13 years of war, it confronts an uncertain fiscal environment in the absence of congressional action to reverse sequestration. The geopolitical events of the past year only reinforce the need to resource DoD at the president's requested funding level as opposed to current law. As the budget makes clear, a return to sequester-level funding would be irresponsible and dangerous, resulting in a force too small and ill equipped to respond to the full range of potential threats to the nation.

Highlights of the proposed DoD budget are outlined below and in the attached chart. The entire FY 2016 budget proposal is available at www.budget.mil. The department's "FY 2016 Budget Request Overview Book" can be downloaded there as well. For more information, visit http://www.defense.gov/home/features/2015/0215_budget/.

Summary of the DoD Fiscal Year 2016 Budget Proposal

The FY 2016 budget reaffirms the 2014 QDR strategy while taking account of recent destabilizing developments globally, including Russia's aggressive actions in Europe and the threat posed by the Islamic State of Iraq and the Levant (ISIL).

The budget request seeks \$534.3B in base funding and \$50.9 billion to fund Overseas Contingency Operations to combat diverse terrorist groups, to ensure a responsible transition in Afghanistan, and to balance today's challenges with those we may face tomorrow at a time when potential competitors are developing advanced technologies and weapons to counter our traditional military strengths and our preferred ways of operating – particularly our ability to project power to any region of the world.

The request also takes into account the strain that the military services have been under and the need to divest excess force structure in order to focus resources on high priority capability areas.

Modernizing to Meet Emerging Requirements and Capabilities Shortfalls

The department's investments in new technologies are designed to yield a force that achieves the nation's security objectives and makes key investments to address challenges to U.S. technological superiority. The FY 2016 request continues an emphasis on improved lethality, survivability, sustainability, and affordability of next-generation weapons systems and equipment. The budget also invests in the vital capabilities highlighted in the QDR, including nuclear deterrence, space-based systems, power projection, missile defense, cyber security, intelligence, surveillance, and reconnaissance (ISR), and counterterrorism and special operations. Funding is requested for improved base resiliency, for space launch initiatives to develop an alternative domestic launch capability, and for advanced sensors, communications, and munitions.

The FY 2016 request includes funding to purchase 57 Joint Strike Fighters (\$10.6 billion), 16 P-8 aircraft (\$3.4 billion), five E-2D aircraft (\$1.3 billion), and development of the KC-46 tanker (\$3.0 billion) and long range strike capacity (\$1.2 billion).

Funding is also sought for nine new ships (\$11.6 billion), the overhaul of the USS George Washington (CVN-73) (\$678 million), Ohio replacement strategic submarine development (\$1.4 billion), and improved littoral combat ship capabilities (\$55 million).

Additional funding is sought for investments in cyber security (\$5.5 billion), for missile defense ground based interceptor reliability (\$1.6 billion), for Army helicopter modernization (\$4.5 billion), and for Reaper (MQ-9) procurement (\$821 million).

Innovation and Reform

To promote continued innovation and reform and ensure that our forces can continue to operate anywhere, anytime, against any potential adversary, the FY 2016 budget request will also fund

the Defense Innovation Initiative and its Long-Range Research and Development Planning Program -- including high speed strike weapons; an aerospace innovation initiative; railgun development; assured positioning, navigation, and timing; and high energy laser technology.

Funds will also be devoted to a full review of DoD business and management systems and to improvements in financial auditability. During 2015, 90 percent of Defense resources will have budget statements under audit. Funding will also support Better Buying Power 3.0 to improve defense acquisition.

Force Structure

The FY 2016 request preserves the major elements of the department's force structure, which we assess as sufficient to execute the strategy. The budget proposes a modest reduction of 11,300 in total force military end strength in FY 2016 from current levels. The FY 2016 force structure is 1.3 million active duty end strength, 811,000 reserve component end strength, and 773,000 civilian full-time equivalents. The objective force remains 49 tactical fighter squadrons, 54 Army Brigade Combat Teams, 14 ballistic missile submarines, 450 ICBMs, 96 operational bombers (for a total of 154 overall), and a 304-ship Navy with 11 carriers.

Organizationally, most of the requested funding for DoD is divided among the military departments: 23.7 percent (\$126.5 billion) for the Army, 30.1 percent (\$161.0 billion) for the Navy/Marine Corps, and 28.6 percent (\$152.9 billion) for the Air Force. The rest of the proposed budget – 17.6 percent (\$94.0 billion) – funds defense-wide programs and activities, which include the Defense Health Program, SOCOM, the intelligence agencies, the Missile Defense Agency, the Defense Advanced Research Projects Agency, and smaller DoD agencies.

Readiness

The president's request will enable America's military services to continue their measurable – though fragile – progress in restoring full-spectrum readiness. The budget continues initiatives begun in the FY 2014 budget to transition from a force focused largely on current operations to one capable of meeting a broader set of missions. Investments in full-spectrum readiness will yield a more ready and capable force, one prepared to achieve mission objectives at any time or place.

- For the Army, this means having the resources for a training plan that includes six additional fully ready brigade combat teams and full-spectrum training proficiency.
- For the Navy, the FY 2016 budget will support maintenance periods that will make possible a healthy balance between presence and surge capability.
- For the Marine Corps, the FY 2016 request will continue to grow crisis response capability and begins to address readiness issues of its non-deployed forces.

- For the Air Force, the FY 2016 budget request will fully fund the Combat Air Force's Flying Hours Program, which will support that service's goal of achieving full-spectrum readiness for 80 percent of its combat forces by FY 2023.
- For Special Operations Command (SOCOM), the FY 2016 budget increases flying hours program funding for Special Operations Forces (SOF) aviation, optimizes training and engagement opportunities, and fully mans SOF components at combatant commands.

Continued Reform

The PB 2016 budget request resubmits important reform proposals from the PB 2015 budget. To make the most of limited resources, we are driving down the cost of doing business. Proposals include divestiture of the Air Force's A-10 aircraft, a restructuring of Army aviation, authority for a new round of Base Realignment and Closure (BRAC), and compensation reform.

Compensation

Recognizing that the volunteer force is central to a strong U.S. military, the FY 2016 request keeps faith with the men and women in uniform and their families by continuing to provide a strong package of pay and benefits. The budget includes \$0.7 billion in FY 2016 to fund a basic raise of 1.3 percent. The president's budget also proposes a pay raise of 1.3 percent for federal civilians, including DoD civilians.

In addition, the budget request acknowledges that personnel costs – including military pay and allowances, military healthcare, civilian pay, and family support -- account for half of the department's budget. Those costs must be kept under control to allow the department to fund the required balance of force size, modernization, and readiness and training needed to meet the needs of today and tomorrow. As a result, the department is proposing steps in the FY 2016 request to slow the growth in military pay and health costs.

The request proposes to slow growth in the basic allowance for housing by requiring an additional four percent in out-of-pocket costs above the one percent authorized by Congress in FY 2015. Also proposed is a reduction in commissary operating costs and subsidy. Modest annual fees are recommended for TRICARE-for-Life coverage for retirees age 65 or older. Consolidation of TRICARE healthcare plans is also recommended with altered deductibles and co-pays to encourage greater efficiency. Additional changes are sought for the pharmacy co-pay structure to encourage use of mail order and generic drugs. These DoD proposals are similar to those submitted in the president's FY 2015 budget proposal.

It should be noted that these DoD proposals are entirely separate from, and were not informed by the work of, the recommendations of the independent Military Compensation and Retirement Modernization Commission (MCRMC).

Overseas Contingency Operations

The budget requests an additional \$50.9 billion to support DoD's Overseas Contingency Operations (OCO) in FY 2016. The amount requested is well below the FY 2015 enacted OCO

budget of \$64.2 billion. It continues the decline in OCO funding needs that began after FY 2008, while reflecting continued operational demands on U.S. forces.

Funding will support the continuing responsible transition in Afghanistan, including \$3.8 billion for training and equipping of Afghan security forces to help sustain political, economic, and security gains in that country.

Funds will also support continuing operations against ISIL, including \$1.3 billion for the training and equipping of Iraqi forces and properly vetted members of the moderate Syrian opposition.

Funding of \$2.1 billion is requested for the Counterterrorism Partnerships Fund and \$789 million for the European Reassurance Initiative, both of which were introduced in the FY 2015 OCO request and support urgent priorities.

Another \$7.8 billion is requested to fund the reset and retrograde of equipment used in military actions. With the end of the U.S. combat mission in Afghanistan, the administration will develop a plan to transition all enduring costs currently funded in the OCO budget to the base budget beginning in FY 2017 and ending by FY 2020. However, this transition will not be possible if the sequester-level discretionary spending caps remain in place.