Office of the Under Secretary of Defense
(Comptroller)
Chief Financial Officer

United States Department of Defense
Fiscal Year 2016 Budget Request

Overview

February 2015

The estimated cost of report or study for the Department of Defense is approximately $12,000 for the 2015 Fiscal Year.

Generated on 2015Jan20
RefID: 1-A2BB24F

Preface

The Overview Book has been published as part of the President's Annual Defense Budget for the past few years. From FY 1969 to FY 2005, OSD published the "Annual Defense Report" (ADR) to meet 10 USC Section 113 requirements. Subsequently, the Overview began to fill this role.

The Overview is one part of an extensive set of materials that constitute the presentation and justification of the President's Budget for FY 2016. This document and all other publications for this and previous DoD budgets are available from the public web site of the Under Secretary of Defense (Comptroller): www.comptroller.defense.gov. Performance Improvement tables and charts can be viewed at http://comptroller.defense.gov/budgetmaterials/budget2016.aspx.

The Press Release and Budget Briefing, often referred to as the "Budget Rollout," and the Program Acquisition Costs by Weapons System book, which includes details on major DoD acquisition programs (e.g., aircraft, ground forces programs, shipbuilding, space systems, etc.) are especially relevant. Other background information can be accessed at www.defense.gov.

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1. FY 2016 BUDGET SUMMARY

Key Themes
• Seek a Balanced Force • Manage Enduring Readiness Challenges • Continue to Focus on Institutional Reform • Pursue Investments in Military Capabilities • Provide for the People • Support Overseas Contingency Operations

The Fiscal Year (FY) 2016 budget submission sustains the alignment of program priorities and resources with the 2014 Quadrennial Defense Review (QDR) and supports military operations in Afghanistan and other areas of the world to counter threats from terrorists. The QDR makes clear that the updated national defense strategy is right for the Nation, sustaining the global leadership role of the United States and providing the basis for decisions that will help bring the military into balance over the next decade and responsibly position the Department for an era of both strategic and fiscal uncertainty. The geopolitical developments of the last year have only reinforced the need to resource the Department of Defense (DoD) at the President's budget level rather than the current law. The Department's response to recent events, which include the Islamic State of Iraq and the Levant (ISIL) offensive into Iraq, the Ebola virus outbreak, and the Russian Federation's aggressive acts and attempts to constrain the foreign and domestic policy choices of neighboring countries, have placed additional pressures on DoD that would be difficult to resource at the current law's funding levels while sustaining a balanced force. The FY 2016 budget of the DoD is designed to protect capabilities that are most closely aligned to the three pillars of the defense strategy – (1) protect the homeland, (2) build security globally, and (3) project power and win decisively. The budget also maintains a mission ready force, continues to focus on institutional reforms that control costs and support a highly trained workforce, and continues to take care of service members and their families. In developing the FY 2016 budget and planning for future years, the Department seeks to progress toward achieving full spectrum combat readiness by FY 2023 for the Army and the Air Force, the Navy's fleet response plan by 2020, and the Marine Corps' Force Posture Plan by 2020.

It is important to note that the FY 2016 budget request comes after several years of declining defense budgets. The post-Iraq/Afghanistan defense drawdown is the fifth major defense drawdown since the end of World War II (WWII), following those after WWII and the Korean, Vietnam, and Cold wars. This decline began with the FY 2010 budget.

With continuing fiscal and strategic uncertainty, this FY 2016 budget request reflects the Department's attempt to fashion a coherent defense program with the proper balance between capacity, capabilities, and current and future readiness. The FY 2016 funding levels will allow the military to protect and advance U.S. interests and execute the updated defense strategy - but with somewhat increased levels of risk for some missions. The Department will continue to experience gaps in training and maintenance over the near term and will have a reduced margin of error in dealing with risks of uncertainty in a dynamic and shifting security environment over the long term. As a global leader, the United States requires a robust national defense strategy to protect and advance its interests, and ensure the security of its allies and partners, with a military that can implement that strategy effectively. This can only be achieved by the package of balanced reforms and initiatives that the Department is presenting to Congress and will require Congress partnering with DoD to make politically difficult choices. Most importantly, the specter of sequestration needs to be eliminated. The QDR strategy cannot be executed at sequester-levels of funding.

For FY 2016, the Department is requesting funding totaling $585.2 billion, which is $24.9 billion or about 4 percent more than the FY 2015 enacted level of $560.3 billion, to finance both base and overseas contingency operations. The FY 2016 base budget provides $534.3 billion, an

increase of $38.2 billion from the FY 2015 enacted budget of $496.1 billion, and is consistent with Administration-wide efforts to make tough program choices. This budget adjusts programs that support joint force technological superiority, continues to re-size ground forces, slows the growth of compensation and benefit programs, and continues to make better use of defense resources by reducing lower priority programs.

The Department is also requesting that the Congress provide the authority that would enable the Department to conduct another round of Base Realignments and Closure to reduce unneeded facilities and repurpose scarce defense resources from maintaining this unneeded infrastructure to other national security priorities.

The FY 2016 Overseas Contingency Operations (OCO) budget is $50.9 billion, which reflects a decrease of $13.3 billion or about 21 percent from the FY 2015 enacted level of $64.2 billion. This request will enable the Department to continue the drawdown of U.S. forces in Afghanistan, to assist Iraq and other partners to combat terrorist groups such as the Islamic State of Iraq and the Levant (ISIL), and to support European allies in their efforts to counter Russia's aggressive acts.

Figure 1-1. Department of Defense Budget

$ in billions	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	FY15 – FY16 Change
Base	496.3	496.1	534.3	+38.2
War/Non-War Supplementals	85.2	64.3	50.9	-13.3
Total	581.4	560.4	585.3	+24.9

Discretionary budget authority *Numbers may not add due to rounding*

The overall themes developed in this overview are explained in the following chapters:

- Seek a Balanced Force (Chapter 2)
- Manage Readiness Challenges (Chapter 3)
- Continue to Focus on Institutional Reform (Chapter 4)
- Pursue Compensation Changes (Chapter 5)
- Pursue Investments in Military Capabilities (Chapter 6)

In addition, Chapter 7 provides views of each of the Department's Military Services, Chapter 8 summarizes the FY 2016 request to support Overseas Contingency Operations, and Chapter 9 provides performance improvement information.

SEEK A BALANCED FORCE

For much of the past decade, the DoD focused on fighting terrorism and countering violent insurgencies, and the Department will continue to do so as long as these threats exist. But the security environment is evolving. The defense strategy outlined in the 2014 QDR and supported in this budget funds a smaller, more agile, flexible Joint Force that will be prepared to defend U.S. national interests in a rapidly changing security environment.

The FY 2016 budget request continues most of the force reductions proposed in the FY 2015 budget request. The budget continues to make informed choices to achieve a modern, ready, and balanced force to meet the full range of potential military missions. The restructured force

will sustain its technological edge, be capable of deterring and, if necessary, defeating aggression, and improve its readiness to accomplish key missions.

This budget will protect basic and applied research to ensure the United States maintains its technological edge. The Administration emphasizes a strong national investment in research and development, emphasizing science and technology that is vital to our future competitive advantage.

MANAGE ENDURING READINESS CHALLENGES

The 2014 QDR highlights the importance of and commitment to maintaining ready and capable forces. Readiness investments in training technologies, force protection, command and control, and intelligence, surveillance and reconnaissance systems strengthen U.S. standing as the most formidable military force in the world. Today U.S. forces are postured globally, conducting counterterrorism, stability, and deterrence operations, maintaining a stabilizing presence, conducting bilateral and multilateral training to enhance U.S. security relationships, and providing the crisis response capabilities required to protect U.S. interests. This budget continues initiatives started in the FY 2014 budget to transition from a force focused largely on current operations to one capable of meeting a broader mission portfolio. The investments made in full-spectrum readiness will yield a smaller but more ready and capable force. Readiness investment provides the capabilities and enhances the ability of U.S. forces to achieve their missions anywhere at any time required.

CONTINUE TO FOCUS ON INSTITUTIONAL REFORM

The Department achieves a balanced approach by reviewing all areas of the budget for potential savings. This includes reducing management headquarters and overhead, slowing personnel cost growth, enhancing contract competition, terminating or restructuring weapons programs and consolidating infrastructure.

The Department has learned from prior drawdowns that it is impossible to generate all the needed savings just through efficiencies. The Department prioritizes by focusing on key missions relevant to the future security environment. The Department also has learned that excess, unneeded facilities and infrastructure must be eliminated. The Department is wasting scarce defense resources on maintaining facilities that far exceed DoD's needs. The Congress must provide the Department with the authority to pursue another Base Realignment and Closure round beginning in FY 2017. As the Department draws down to a smaller, more capable, agile force, it must eliminate all areas of waste to include maintaining unneeded facilities.

This budget continues the reform agenda advanced in the previous five budgets, with ever-increasing emphasis on enhancing how DoD does business. The Department must continue to reduce the "cost of doing business" to maximize the availability of its constrained resources for the optimum balance of force structure capacity and technological capabilities. This includes divesting lower priority or excess force structure and excess infrastructure as well as compensation changes.

PURSUE INVESTMENTS IN MILITARY CAPABILITIES

In support of the defense strategy, the FY 2016 President's Budget emphasizes the capabilities needed to modernize the force for a wide range of missions, including the ability to project power against advanced adversaries. The Department's investments in technologically advanced weaponry are designed to yield a military force that achieves the nation's security objectives and ensure that the United States remains a technologically superior global force to

promote peace and security. In addition, the Defense Innovation Initiative (DII) is a new Department-wide effort to identify and invest in unique ways to advance U.S. military superiority for the 21st century, including investments in: 1) a long-range research and development program designed to identify new technologies and their uses; 2) innovative leadership; 3) war-gaming; 4) operational concepts; and 5) innovative business practices.

The FY 2016 budget request continues to give prominence to the improved lethality, survivability, sustainability, and affordability of the next generation of weapons systems and military equipment. The budget also protects key capability areas in support of DoD's strategy, including nuclear deterrence; space-based systems; power projection; missile defense; cyber defense; intelligence, surveillance, and reconnaissance; and counter terrorism and special operations.

PROVIDE FOR THE PEOPLE

America asks much of its All-Volunteer Force (AVF) and the civilians who support that force. The Department of Defense (DoD) must preserve the quality of its most prized asset, the AVF, which is comprised of high quality, educated, motivated personnel who are committed to excellence in defense of the Nation. Therefore, this budget keeps faith with the men and women in uniform and their families, because the volunteer force is central to a strong future military.

Personnel costs, including military pay and allowances, military health care, civilian pay, and family support, encompass nearly half of the Department's budget. The FY 2016 budget request continues to take care of DoD's people and their families while addressing costs in a responsible manner. The Department provides a strong package of pay and benefits that is balanced with readiness, capacity, and the capabilities needed to execute the national defense strategy. In fact, the per capita cost of military pay and benefits continues to increase. Given the sharp growth in military compensation, such as medical costs that have more than doubled since 2001, the Department is taking steps in the FY 2016 budget request to slow the rate of growth in military pay and health care costs. However, in recognition of the burdens placed on U.S. military, these changes are disproportionately small compared to other proposed changes in the budget.

SUPPORT OVERSEAS CONTINGENCY OPERATIONS

The FY 2016 President's budget includes $50.9 billion for overseas contingency operations (OCO) to conduct Operation FREEDOM'S SENTINEL (OFS) in Afghanistan, Operation INHERENT RESOLVE (OIR) in Iraq and Syria, and post-Operation NEW DAWN (OND) activities. The FY 2016 OCO budget request also funds Iraqi and Syrian opposition forces training and equipment, provides support to European partners, and supports responses to terrorist threats.

FY 2016 – FY 2020 TOPLINE

The historical funding picture is summarized in Figure 1-2:

Figure 1-2. Department of Defense Topline Since September 11th Attacks

($ in billions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Base	287.4	328.2	364.9	376.5	400.1	410.6	431.5	479.0
OCO	22.9	16.9	72.5	90.8	75.6	115.8	166.3	186.9
Other	5.8	--	--	0.3	3.2	8.2	3.1	--
Total	**316.2**	**345.1**	**437.5**	**467.6**	**478.9**	**534.5**	**600.9**	**665.9**

($ in billions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Base	513.2	527.9	528.2	530.4	495.5	496.3	496.1	534.3
OCO	145.7	162.4	158.8	115.1	82.0	84.9	64.2	50.9
Other*	7.4	0.7	--	--	0.1	0.2	0.1	--
Total	**666.3**	**691.0**	**687.0**	**645.5**	**577.6**	**581.4**	**560.4**	**585.3**

**Other non-war supplemental funding* *Numbers may not add due to rounding*

Figure 1-3 presents the proposed FY 2016 – FY 2020 DoD base budget topline for this year's President's budget, as compared to last year's FY 2015 President's budget.

Figure 1-3. DoD Proposed Outyear Topline for the Base Budget

Current $ in Billions	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY16 – FY20 TOTAL
FY 2015 PB	535.1	543.7	551.4	559.0	567.6	2,756.9
Change	-0.8[1]	+3.5	+5.0	+5.4	+2.4	+15.5
FY 2016 PB	534.3	547.3	556.4	564.4	570.0	2,772.4
FY16 PB % Real Change	**+6.2%**	**+0.8%**	**-0.2%**	**-0.6%**	**-1.0%**	**+1.0%[2]**

Numbers may not add due to rounding.

[1]The FY 2015 President's budget request included plans to allocate $1.4 billion from DoD's FY 2016 topline to the National Nuclear Security Administration in support of DoD's requirements for nuclear weapons and naval reactors. The FY 2016 request reallocates these funds as planned, and this is the cause of DoD's topline decrease in the FY 2016 President's budget request, as compared to the FY 2016 level in the FY 2015 request, after a $0.6 billion increase.

[2]Average annual real growth of the FY 2016 President's Budget for FY 2016 – FY 2020.

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2. SEEK A BALANCED FORCE

Seek a Balanced Force

- Security and Fiscal Environments
- The Defense Strategy
- Rebalancing the Joint Force
- Supporting Personnel

The Secretary of Defense is required by Title 10, United States Code, section 118 to conduct a Quadrennial Defense Review (QDR) that articulates the defense strategy, force structure, modernization efforts, and budget plan. This chapter summarizes the defense strategy developed by the March 2014 QDR and the resulting major program changes.

SECURITY AND FISCAL ENVIRONMENTS

The United States continues to face a rapidly changing security environment, as warfare evolves across all domains. The Department must maintain ready forces with superior capabilities to deter potential adversaries and defeat attacks across the full spectrum of conflict and address a wide range of security challenges.

The Department's fiscal environment remains uncertain. Beginning in Fiscal Year (FY) 2013, the Department began a $487 billion, 10-year reduction in spending, compared to the projections in the FY 2012 budget, to adhere to spending limits established by the Budget Control Act (BCA) of 2011. The subsequent failure of the Joint committee on Deficit Reduction resulted in a sequestration mechanism that triggered annual reductions to the discretionary caps established in the BCA. In FY 2013, as a result of sequestration, the DoD base budget was reduced by $30 billion from the original base budget request. The Bipartisan Budget Act of 2013 amended the BCA to provide modest relief from sequestration in FY 2014 and 2015 but, unless Congress acts, annual sequestration cuts are set to begin once more in FY 2016. To protect the nation's security interests while maintaining the national security imperative of deficit reduction, the President's Budget proposes a Defense budget approximately $36 billion above the sequestration level in FY 2016, and about $155 billion above estimated sequestration levels over a 5-year period, to provide a balanced and responsible path forward. The base budget request is approximately $38.2 billion above the Department's FY 2015 enacted appropriations.

THE DEFENSE STRATEGY

The 2014 QDR outlines three mutually-supporting pillars that shape our defense priorities: *protect the homeland; build security globally; and project power and win decisively*:

- Protect the homeland to deter and defeat threats to the nation and to mitigate the effects of potential attacks and natural disasters. This means making selective investments in missile defense, nuclear modernization, and cyber capabilities. It also means sustaining capacity to protect U.S. airspace and shores, as well as reshaping the ability of the military forces to provide support to civil authorities when needed.
- Build security globally to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges. In practice, this means continuing to rebalance the Department's posture and presence to the Asia-Pacific while maintaining a focus on the Middle East. It also means working closely with European partners to strengthen their capabilities, maximizing the impact of a relatively small U.S. presence in Africa, and working with interagency partners to counter illicit drug trafficking and transnational criminal organization activity.
- Project power and win decisively to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief. Sustaining superior forces remains a top priority for force planning and development, so the following focus

areas will be key: countering anti-access challenges; space; counterterrorism; precision strike; intelligence, surveillance and reconnaissance; and resilience.

The U.S. forces will be capable of simultaneously defending the homeland, conducting sustained, distributed counter-terrorist operations, and deterring aggression as well as assuring allies through forward presence and engagement in multiple regions. If deterrence fails, the military forces will be capable of defeating a regional adversary in a large-scale multi-phased campaign, and denying the objectives of — or imposing unacceptable costs on — a second aggressor in another region. The President's budget provides the resources to build and sustain the capabilities needed to conduct these operations, although at higher levels of risk for some missions, most notably if the military forces are confronted with a technologically advanced adversary or required to respond to more than one major contingency simultaneously. Across each of the three pillars, the Department is committed to finding creative, effective, and efficient ways to achieve U.S. goals. Innovation—within the Department and with interagency and international partners — is a central line of effort.

REBALANCING THE JOINT FORCE

The Department must rebalance the Joint Force to address major changes in the security environment.

Rebalancing for a broad spectrum of conflict. Future conflicts could range from hybrid contingencies against non-state actors to high-end conflicts against states armed with weapons of mass destruction and/or advanced anti-access and area-denial capabilities. To address this diverse range of challenges, the U.S. military will broaden its capabilities to the full spectrum of possible operations. While preserving hard-won expertise in counterinsurgency and stability operations, the Joint Force must also be prepared to battle sophisticated adversaries employing advanced warfighting capabilities, to include space and cyber capabilities. The Department will sustain robust investments in science, technology, research, and development in areas most critical to meeting future challenges or where there is greatest potential for game-changing advances.

Rebalancing and sustaining presence and posture abroad to protect U.S. national security interests. In meeting its priorities, the Department will continue to rebalance and sustain its global posture. The Department will continue its contributions to the Asia-Pacific rebalance, while remaining fully committed to the security of allies and partners in the Middle East. The Department will continue to work with allies and partners in Europe to promote regional security, Euro-Atlantic integration, enhanced military capability, and enhanced interoperability. Across the globe, DoD will ensure that the Joint Force is properly manned, trained, and equipped in the event of a crisis.

Rebalancing capability, capacity, and readiness within the Joint Force. After more than 10 years of conflict and amid ongoing budget reductions, the Joint Force's full spectrum readiness capabilities have atrophied. Taking the prudent steps outlined in the QDR will improve the Department's ability to meet national security needs. Key force structure decisions in this QDR include:

- Sustaining a world-class Army capable of conducting the full range of operations on land including prompt and sustained land combat by maintaining a force structure that it can train, equip, and keep ready. Under the Quadrennial Defense Review (QDR), the Department will rebalance within the Army, across the Active, Guard, and Reserve components. The active component of the Army will reduce its planned post-war end strength from the 490,000 soldiers proposed in the budget for FY 2015 to 450,000 personnel

by the end of FY 2018. The Army National Guard will reduce its planned force structure from 350,200 in FY 2015 to 335,000 soldiers by the end of FY 2017. If the Department returns to the funding levels in the Budget Control Act of 2011, the Army will be forced to downsize to 420,000 Active Component soldiers and 315,000 Reserve Component soldiers. These drawdowns would be detrimental to meeting the defense strategy outlined in the QDR.

- Providing stability in shipbuilding to affordably deliver warfighting requirements. The FY 2016 budget includes construction of 48 ships across the Future Years Defense Program (FYDP), including the steady production of destroyers and submarines; construction of ten ships of each type is funded through FY 2020. The Department of the Navy will build 14 Littoral Combat Ships (LCS) in the FYDP, the last 5 of which will be of the modified LCS configuration. The modified configuration program begins in FY 2019 with no gap from earlier LCS production; it provides improvements in ship lethality and survivability, delivering enhanced naval combat performance at an affordable price. The FYDP shipbuilding construction program also includes one aircraft carrier; one LHA replacement; one Landing Ship, Dock replacement (LX(R)); five T-ATF(X) fleet ocean tugs; one afloat forward staging base platform; and four T-AO(X) fleet oilers. The FY 2016 budget also funds the overhaul/life extension of the *USS GEORGE WASHINGTON* (CVN-73), its Carrier Air Wing, and associated force structure. If the Department returns to sequester-level funding, the Navy will be forced to retire this carrier and air wing, and it will be unable to procure approximately 9 ships and 35 aircraft over the FYDP. These cuts would jeopardize the Navy's modernization and recapitalization plans, threatening both readiness and the industrial base.
- Maintaining the role of the Marine Corps as a vital crisis response force, protecting its most important modernization priorities and ensuring readiness but reducing from 184,100 end strength in FY 2015 to a planned end strength of 182,000 active Marines by the end of FY 2017. If sequester-level cuts return, the Marines would continue their drawdown to an end strength of 175,000 by 2019, which would be detrimental to meeting the defense strategy outlined in the QDR.
- Maintaining an Air Force with global power projection capabilities and modernizing next generation Air Force combat equipment — to include fighters, bombers, and munitions — particularly against increasingly sophisticated air defense systems. To make resources available for these programs and preserve investments in critical capabilities, the Air Force will reduce capacity in some single-role aviation platforms by the end of the FYDP. A return to sequester-level funding would necessitate additional force structure reductions plus cuts to flying hours and weapon sustainment that would delay readiness recovery.
- Achieving the right balance between the Active Component (AC) and the Reserve Component (RC) is critical to the Department's overall efforts to size and shape the future joint force. The RC provides capabilities and capacity that complement those of the AC and bolster the ability of the joint force to execute the national defense strategy. As the Department reshapes the joint force, it will continue to rely on the RC to maintain those complementary capabilities and capacity.

As the joint force rebalances to remain modern, capable, and ready — while reducing end strength—the Department will take the following additional steps that are consistent with the President's Budget submission to protect key capability areas:

- Air/Sea. The Department will increase the joint force's ability to counter advanced anti-access and area-denial capabilities by continuing to invest in fifth-generation fighters

and long-range strike aircraft, survivable persistent surveillance, resilient architectures, and undersea warfare capabilities.

- Nuclear Deterrence. The DoD will continue to invest in modernizing the triad's essential nuclear delivery systems, command and control, and, in collaboration with the Department of Energy, nuclear weapons and supporting infrastructure.
- Space. The DoD will move toward less complex, more affordable, more resilient systems and system architectures and pursue a multi-layered approach to deter attacks on space systems.
- Missile Defense. The DoD will make targeted investments in defensive interceptors, discrimination capabilities, and sensors.
- Cyber. The Department will continue to invest in new and expanded cyber capabilities and forces to operate and defend DoD's networks, enhance its ability to conduct cyberspace operations, support military operations worldwide; and to counter cyber-attacks against the U.S.
- Precision Strike. The DoD will procure advanced air-to-surface missiles that will allow fighters and bombers to engage a wide range of targets and a long-range anti-ship cruise missile that will improve the ability of U.S. aircraft to engage surface combatants in defended airspace.
- Intelligence, Surveillance, and Reconnaissance (ISR). The DoD will rebalance investments toward systems that are effective in highly contested environments while sustaining capabilities appropriate for more permissive environments in order to support global situational awareness, counter-terrorism, and other operations.
- Counter-Terror and Special Operations. The DoD will slightly increase Special Operations Forces growth to an end strength of 69,900 personnel, protecting DoD's ability to sustain persistent, networked, distributed operations to defeat al Qa'ida and other terrorist networks, counter other emerging transnational threats, counter weapons of mass destruction, build the capacity of U.S. partners, and support conventional operations.

If the Department returns to sequester-level funding, the ability to hedge against future risk with these investments in key capability areas would be put at risk. The ability to hedge against near-term risk by bolstering readiness will also be undermined.

Rebalancing tooth and tail. The Department continues to rebalance internally to prioritize spending on combat power. Key ongoing activities include reducing the Department's major headquarters' operating budgets by 20 percent and reducing intelligence analysis and production at Combatant Commands.

The DoD will remain committed to increasing productivity in defense acquisition. The Better Buying Power initiative seeks to achieve affordable programs by incentivizing productivity and innovation in industry and government, eliminating unproductive processes and bureaucracy, promoting effective competition, improving tradecraft in contracted acquisition of services, and improving the professionalism of the total acquisition workforce.

The Department must eliminate unneeded infrastructure; it already has more infrastructure than needed, and the excess will increase as DoD reduces its end strength. The best way to eliminate unneeded infrastructure is through the Base Realignment and Closure (BRAC) process. Congress has denied the Department's request for another BRAC in each of the past 3 years. If the Department is to make more effective use of taxpayer dollars, Congress must approve the Department's request to authorize another BRAC round in 2017. The need to

reduce unneeded facilities is so critical that, in the absence of authorization of a new round of BRAC, the Administration will pursue alternative options to reduce this wasteful spending.

SUPPORTING PERSONNEL

As we rebalance the Joint Force and the Department, the U.S. will maintain its sacred contract with service members: to properly compensate and care for service members and their families both during and after their service, and to provide our troops the best training and equipment possible so they can safely accomplish their missions. We are continuing to expand opportunities for women, working to eliminate sexual assault, and continuing to implement the changes necessary for gay men and women to serve openly and equally in the military. We must also continue to provide the best possible care to those returning from combat ill or wounded and those who require hospitalization or rehabilitation.

In a constrained fiscal environment, the Department cannot afford to sustain the rate of growth in military compensation experienced over the last decade. The Department and the American people have been rightfully supportive of our men and women in uniform over more than a decade of war, providing increases in military pay and benefits well above those experienced in the private sector during this period. These changes have more than closed compensation gaps and have appropriately recognized the sacrifices of those who are serving and have served, and their families. The Department is proposing changes that will ensure we can continue to offer a competitive compensation package to recruit and retain the Joint Force of the future. These reforms include modest annual military pay raises over the next 5 years, slowing the rate of growth in basic housing allowances, creating a single fee-for-service TRICARE plan, and decreasing commissary subsidies. If implemented fully, these proposals would save approximately $25 billion over the next 5 years.

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3. MANAGE ENDURING READINESS CHALLENGES

Key Initiatives

- Generating Service Capabilities
- Generating Joint Capabilities

Introduction

The FY 2016 President's request effectively underpins the Services' plans to continue recovering high-end capability and maintain compliance with strategic objectives. Given the operational priorities in U.S. Central Command (USCENTCOM) since 2001, the Services have had to tailor the readiness profile of their forces to meet their assigned mission requirements at the expense of core competencies and capability. The defense strategy articulated in the 2014 Quadrennial Defense Review (QDR) requires the Services to expand their repertoire of capabilities and recover high-end readiness to counter 21st century threats. The President's Budget request for FY 2016 enables the Services to continue addressing their most severe training and maintenance deficiencies while simultaneously reconstituting the force to become smaller and more capable over the next several years. At $36 billion above the sequester level in the Budget Control Act (BCA) of 2011, the FY 2016 topline affords the Department the opportunity to protect investments and priorities critical to securing U.S. national objectives at home and abroad.

The Services remain postured to achieve their readiness goals under the FY 2016 program. However, cuts in recent years mean they will do so on a longer timeline. Nevertheless, their commitment to fencing the training and maintenance requirements for today's fights remains unchanged, resulting in escalated risk in investment accounts that ensure future readiness. Modernization and installation sustainment funding remains the Department's primary bill payer. While justifiable, these strategic tradeoffs are unsustainable and will eventually erode the Department's status as the most technologically superior military force in the world.

Unlike FY 2014 and FY 2015 when the Department was granted a short-term reprieve from sequester-level funding under the provisions of the Bipartisan Budget Agreement (BBA) of 2013, the Department's FY 2016 funding request is vulnerable to adverse fiscal action if sequestration is not addressed. A return to these sequester-level budgets would render the Services' readiness recovery goals unachievable and the defense strategy unexecutable. Indeed, the President has been very clear that a sequester-level budget would yield a force that is too small and not ready enough to meet the nation's security objectives. In fact, the Services are still recuperating from the sequester-induced cuts imposed in mid-year 2013, which unequivocally exacerbated their existing manning, training, and equipping shortfalls and delayed their ability to restore healthy manning, training, and equipping pipelines. Specific examples at the end of FY 2013 included the following:

- The Army produced just 2 of 43 active duty brigade combat teams fully ready and available to execute a major combat operation. During FY 2013, the Army was forced to cancel full-spectrum training for seven brigade combat teams (BCT). It takes more than one high-end collective training event to fully restore core capability in support of unified land operations.
- The Navy's average global presence was down about 10 percent from normal levels with fewer ships patrolling the waters.
- Only 50 percent of non-deployed Marine units were at acceptable readiness levels.
- The Air Force was forced to stand down 13 combat units for several months due to the FY 2013 sequester. In addition to standing down combat units, the Air Force cancelled Red Flag training events, ultimately affecting 20 U.S. and coalition squadrons.

- Because Special Operations Forces (SOF) depend on conventional forces to provide enabling and logistics support for training and operational force packaging, degraded readiness across the Services began to directly impact SOF training and readiness.

Progress made under the Bipartisan Budget Agreement of 2013

The BBA shielded the Services from further readiness degradation experienced in FY 2013, allowing them to begin addressing their most prominent training and maintenance shortfalls. The FY 2016 budget discussion begins with an understanding of current readiness status and the progress made during the lifecycle of BBA. The enactment of the FY 2015 appropriations that build on the healthy readiness funding in FY 2014 provides the Services with a sound fiscal foundation to continue making progress in readiness recovery. Below are a few examples of readiness advancements made across the Services:

- The Army targeted additional funding under the BBA to maximize Combat Training Center training rotations and home station training, resulting in six more fully-ready BCTs by the end of FY 2014.
- The Navy level-loaded maintenance requirements to consistently provide long-term sustainable presence.
- The Marine Corps fully funded training opportunities for ground units and has fostered an agile and ready crisis response force.
- The Air Force optimized flying hour funding to maximize home station training opportunities. All 13 squadrons that stood down under sequester are now fully executing their flying hours.
- The U.S. Special Operations Command (USSOCOM) increased language and cultural expertise training and continues to enhance SOF support to the Geographic Combatant Commands (GCC).

While the Department has made some real progress in improving readiness levels under BBA, many readiness challenges are immune to a solely monetary solution. The Services also require time to reclaim full-spectrum readiness and recalibrate the force to meet increasingly complex threats globally. Capacity and throughput constraints in shipyards, ranges, and schoolhouses, limit how quickly the Services can accelerate their readiness recovery plans. Increasing operational demands require that the Services continue to generate and deploy forces at a rate that constrains their ability to reset the force and recover full-spectrum readiness. Reduced capacity and force structure compounds this challenge.

Although the Services remain hard-pressed to meet high levels of operational demands worldwide while concurrently rebuilding core capabilities for high-end contingency operations, PB 2016 allows the Department to take calculated risk in balancing today's requirements and those required to counter 21st century threats.

The following sections discuss the Services' and the USSOCOM's force generation and resourcing strategies associated with the FY 2016 President's Budget request that includes funding above the sequester level for FY 2017 through FY 2020. These readiness investments, needed to reliably improve full spectrum capability, cannot be achieved with a sequester-level budget.

GENERATING SERVICE CAPABILITIES

The Services have the legal responsibility to organize, train, and equip units to meet operational requirements. In doing so, each creates a force generation process that combines the basic

inputs of labor and capital to provide the requisite supply of ready forces. These force generation processes naturally differ based on the particulars of the capabilities being produced as well as the demand signal generated by current operations, steady-state activities including assurance of allies and deterrence of adversaries, and the requirement to maintain the ability to respond to crises globally.

The next several sections detail each Service's and USSOCOM's readiness plans and the associated resourcing strategies that comprise the FY 2016 President's Budget submission.

Army

The FY 2016 President's budget request continues the Army's strategy to return to full-spectrum readiness; mitigating the effects of 13 years of war and the decline in Army readiness due to sequestration. The strategy specifically addresses the full-spectrum leadership deficit caused by the focus on counter-insurgency (COIN) in Iraq and Afghanistan. Before 2001, a combat arms officer, non-commissioned officer, or Soldier who had been in the Army for 10 years would have completed numerous full-spectrum Combat Training Center (CTC) rotations prior to assuming key leadership positions. The junior, company, and field grade leaders of today, in many cases, have never experienced a single CTC rotation focused on the "higher" end of combat operations against a near-peer threat as their sole focus has been on COIN operations.

Along with sustained funding at FY 2016 levels, it will take time to restore full-spectrum leadership proficiency. It is not possible to "buy" a seasoned infantry platoon sergeant, a tank platoon leader, or an aviation company commander "off the shelf." That experience is gained through multiple training events and CTC rotations over the course of years. The FY 2016 President's budget request is critical to regaining that experience and proficiency, but recent improvements and the continuing gains offered by the FY 2016 budget are fragile. If forced to return to sequester-level funding in FY 2016 and beyond, any readiness gains achieved in FY 2014 and FY 2015 will be lost and, combined with further force structure cuts, would make it impossible for the Army to recover full-spectrum readiness to execute the defense strategy.

Generating Army Readiness

The Army continues to tailor its force generation model to meet the current demands of an ever-changing world while also balancing modernization, procurement, and manpower accounts to provide full-spectrum readiness by 2020. The Army generates ready forces to satisfy three general categories of requirements: Phase 0 operations, emergent or ongoing requirements, and surge operations. The Army's force generation model provides expeditionary, decisive land power to the Joint Force to help prevent, shape, and win across a variety of environments and against a range of adversaries. As the Army transitions from fixed, forward-stationed forces towards regionally-aligned, rotational forces, the FY 2016 budget emphasizes three key force generation initiatives:

- **Regionally Aligned Forces (RAF)**: Over the past 2 years, the Army has implemented the RAF concept to provide combatant commanders (CCDRs) with tailored, flexible, responsive, and consistently available forces. The FY 2016 President's budget continues to provide funding for this initiative and allows the Army to be proactively engaged in a number of locations. This concept includes the Total Army Force and provides specific direction for home-station training. Regionally aligned forces train for the full range of military operations, but their overall mission is tailored to a specific CCDR need. The Army units increase their overall readiness by enhancing their expeditionary capability and agility, while building on years of experience working with partners and allies. The

FY 2016 budget provides a robust training and execution plan for regionally aligned forces while still working towards full-spectrum readiness by FY 2020.

- **Brigade Restructuring**: In FY 2014, the Army accelerated the Active Component end strength reduction to reduce to 490,000 Soldiers at the end of FY 2015. This included a re-organization and reduction of Active Army BCTs to 32 by the end of FY 2015. The Army National Guard will begin BCT re-organization in FY 2016 with a projected completion date in FY 2017 (from 28 BCTs to 26 BCTs).

- **Aviation Restructure Initiative (ARI)**: The comprehensive restructure is well underway as two combat aviation brigades inactivate in FY 2015. The divestiture of the OH-58D air fleet continues with the inactivation of four Kiowa Warrior squadrons in FY 2015, the conversion of four squadrons in FY 2016, and the last unit converting in FY 2018. The Army also plans to inactivate/transfer four National Guard AH-64 Apache battalions in FY 2016, and begin converting seven RC (6 ARNG and one USAR) aviation brigades into the objective Expeditionary Combat Aviation Brigade (ECAB) structure. Congress has established a commission to conduct a comprehensive study on the structure of the Army related to size and force/capability mix; the commission is due to report to Congress on February 1, 2016. However, in the Joint Explanatory Statement accompanying the National Defense Authorization Act (NDAA) for Fiscal Year 2015, Congress stated an expectation that the Army and Army National Guard will continue planning to execute the ARI. Any delay in the ARI would have secondary and tertiary effects on the overall restructure initiative, increase costs to maintain unprogrammed structure, and prevent combat aviation brigades in all three Army components from reaching required readiness levels.

Training

Training for decisive action (DA) operations continues to be the focal point of the Army's overall strategy to return to full-spectrum readiness by FY 2020. The CTC exercises provide individual, small unit, and collective training events that support synchronized, integrated, and realistic training simulations that help prepare leaders and Soldiers for a variety of possible missions. After 12 years of training for counterinsurgency operations, units are once again training towards DA operations, but it is critical to note that multiple iterations through the CTCs are necessary to reach the prescribed readiness goals. Figure 3-1 provides the number of BCTs planned to rotate through maneuver CTCs each year.

Figure 3-1. Required, Planned, and Executed Rotations through Maneuver Combat Training Centers (Unified Land Operations (ULO) versus Mission Rehearsal Exercises – MRE)

	FY 2014	FY 2015	FY 2016-2021*
CTC Capacity	21 Rotations	19 Rotations	19 Rotations
Planned CTC Rotations	15 x DA/ULO 6 x MRE	16 x DA/ULO 1 x Hybrid MRE/DA 2 x DA Enabler	16 x DA/ULO 1 x Hybrid MRE/DA 2 x DA Enabler
Executed CTC Rotations (DA/ULO vs MRE)	13 x DA/ULO 6 x MRE	DA/ULO: Decisive Action in support of Unified Land Operations MRE: Mission Rehearsal Exercise	

** Beginning FY 2017, the Army will increase to 19 x DA/ULO rotations and incorporate enablers into DA/ULO rotations instead of 1 x MRE rotation and 2 x DA Enabler rotations.*

The FY 2016 budget supports a Total Army training strategy and, while the focus remains on home station training and CTC rotations, there is also increased resourcing for the training

support system that enables home station and institutional training, and training events that support the CCDRs such as Pacific Pathways and Allied Spirit in Europe. The resources dedicated to institutional training support will increase leader development, although there is some risk to Reserve Component individual training. Initial Entry Rotary Wing (IERW) training is programmed for 900 officers (100 percent), and this supports the increased demand for aviation assets across the Army. Overall, there is some near-term risk associated with the programmed training budget, but this funding allows the Army to meet CCDR requirements while also acknowledging that restoring readiness training requires time and long-term commitment to restore full-spectrum readiness by FY 2020.

Manning

The Army's base budget for FY 2016 funds an active Army end strength of 475,000 Soldiers, an Army National Guard end strength of 342,000 Soldiers, and an Army Reserve end strength of 198,000 Soldiers. This maintains the reduction in end strength numbers and helps achieve the 980,000 Total Army Force in FY 2018. This manning strategy maintains Full-Time Support (FTS) ramps in the National Guard and Army Reserve and does not reduce FTS beyond FY 2017. In addition to the overall end strength reductions, all Army Headquarters (two-star and above) actual authorizations are reduced at least 20 percent in FY 2016. The rapid end strength reductions to 980,000 Soldiers by FY 2018 represent a cumulative reduction of almost 130,000 Soldiers between FY 2012 and FY 2018 and present risks in training and health of the force until force structure reductions are complete.

Equipping

Constrained resources have slowed the pace of modernization and the FY 2016 budget sustains legacy systems with limited new efforts until the next decade. The Army equipment modernization strategy is to provide equipment that enhances Soldiers for broad, joint mission support, enables mission command, and ensures that scalable, tailorable, and globally responsive forces are prepared for joint combined arms maneuver. Upgrades in the budget include procuring additional Double-V hull (DVH) Strykers to field a fourth DVH-equipped Stryker BCT, Abrams upgrades for two Armored BCTs, and Bradley Fighting Vehicle upgrades for four Armored BCTs. Aviation continues to modernize the Army's rotary wing fleet, currently undergoing the Aviation Restructure Initiative, by funding the procurement of CH-47F Chinooks, AH-64E Apaches, and H-60 Blackhawks, and by transforming the training fleet with the issuance of LUH-72 Lakota helicopters at the Army's flight school.

With respect to development, the Army is focused on major end items across the spectrum to include ground combat systems, air and missile defense systems, and enhanced cyber capabilities but, due to the current fiscal environment, the majority of these systems are not scheduled to achieve initial operating capability prior to FY 2020. The FY 2016 Army budget protects Science and Technology (S&T) investments to further develop and mature technologies, so that when acquisition budgets recover, S&T will be properly positioned to support the Army's next generation of capabilities. Key S&T efforts are focused on combat vehicle prototyping, assured Position/Navigation/Timing, cyber, future vertical lift capability, and sensor protection.

Sustainment

As the Army transitions to a more globally responsive force, there is an increased emphasis on prepositioned stocks. The FY 2016 President's budget funds brigade-level sets and provides the necessary leases for ships, watercraft, and access fees for overseas staging in foreign ports. Funding is also included for emergency deployment readiness exercises that continue to help units build full-spectrum readiness, as rapid deployment exercises were not a training requirement for the majority of units over the past 12 years. With respect to depot maintenance,

the Army has made a concerted effort to synchronize the recapitalization plans with the equipping plans for the Abrams M-1 Main Battle Tank, the Patriot Missile System, and the UH-60 Blackhawk helicopter. Despite these initiatives to streamline and improve sustainment efforts, moderate risk still remains in the FY 2016 base budget. Risk is mitigated in the near term through an intensive reset program for equipment returning from Afghanistan.

Installations

The FY 2016 budget funds programs that are deemed necessary and critical. The Army remains committed to family programs, especially those that support Army Transition. The Army will continue to accept measured risk in services, as restoration and environmental quality activities are delayed, and day-to-day municipal activities such as ground maintenance will be addressed as needed. The Army continues to place emphasis on programs and services that emphasize Soldier and family care while taking moderate risk in lower priority programs.

Navy

The Navy continues to deploy independently certified, operationally ready units to the CCDRs for named operations and theater campaign plan missions. The Navy forces are frequently re-tasked to new missions during deployment; therefore, to the greatest extent possible, units are fully certified in all mission areas prior to deployment. Like those of the other Services, the Navy's readiness challenges have been percolating for years due to high operational tempo. While the Navy is less impacted by the full-spectrum readiness challenges that the Army and the Air Force face, ship maintenance and extending the service life of some elements of its aviation fleet represent Navy's most acute readiness concerns.

Generating Navy Forces

The Navy has always employed a rotational readiness model, although the events that comprise that model have evolved over time. For the last several years, with extended and surge deployments, the Navy has been challenged to protect maintenance periods while still answering steady state CCDR requirements.

The Navy created the Optimized-Fleet Response Plan (O-FRP) to address the critical need to protect both maintenance and training while maximizing operational availability. The O-FRP streamlines pre-deployment training and certification requirements and increases readiness by putting all of the members of a Carrier Strike Group (CSG) on the same 36-month maintenance and deployment schedule. It also ensures adequate training time and added flexibility for CCDR theater presence, although surge operations above any scheduled deployment will require contingency funding.

Figure 3-2. Programmed Navy Training Throughput (assumes continued OCO funding for steaming days and maintenance activity in support of named operations)

	FY 2016		FY 2017		FY 2018	
	BASIC	INT*	BASIC	INT	BASIC	INT
Carriers	5	3	5	3	5	3
Carrier Air Wings	4	3	3	4	3	3
CG/DDG/FFG/LCS	43	28	54	43	46	35
LHA/LHD/LPD/LSD	17	13	15	9	14	14
SSNs	16	13	21	8	16	11
P-3/P-8 Dets	7	7	8	7	8	8
HSM/L Helo Dets	23	18	32	30	30	29
HSC Helo Dets	11	9	16	11	16	16

*INT = Integrated, refers to aggregated training of all units in a Carrier Strike Group/Amphibious Ready Group (e.g. Airwing training at Naval Air Station Fallon, NV; COMPTUEX (Composite Training Unit Exercise); JTFEX (Joint Force Training Exercise

The key to O-FRP is locking in the training and maintenance period that constitutes the first 13.5 months of the cycle. This provides stable and predictable maintenance and modernization plans; forces trained to a single full-mission readiness standard; fixed CSG composition with continuity of command; and alignment of CSG manning through the cycle. The O-FRP combines several phases of the integrated training period in a logical manner that meets all of the previous requirements in fewer days. It similarly combines inspection requirements within specified periods to enhance, rather than delay, their contribution to force generation. The improved focus on predictably building readiness should improve quality of work and quality-of-life. The Navy is implementing O-FRP now for CSGs and expects to apply the same concepts throughout the fleet across the Future Years Defense Program (FYDP).

Operations and Training

Ship Operations: The FY 2016 President's budget continues the ongoing implementation of the O-FRP. As one part of that process, carrier maintenance is being level-loaded over three O-FRP cycles to deliver a more consistent output. This action achieves the CNO's goal, of an average of 2 deployed + 3 surge-ready CSGs, 2 years early (in FY 2018). In FY 2020, the overlap of the USS GEORGE WASHINGTON and USS JOHN C STENNIS Refueling Complex Overhauls will reduce output to 2 deployed + 2 surge-ready CSGs for much of that year, but the Navy should meet the 2 deployed +3 surge-ready CSGs goal by end of FY 2020. The FY 2016 President's budget also restores the 11th carrier and 10th air wing, which allows the Navy more capacity to maintain presence and enhance surge capability. With Overseas Contingency Operations (OCO) funding, the FY 2016 President's budget also fully funds ship operations (58/24 steaming days + 100 percent Operating Target), including executable post-deployment readiness sustainment for those units available to support contingency surge requirements. Perhaps most importantly, the FY 2016 President's budget fully protects ship maintenance, including surface ship and aircraft carrier maintenance reset. The material condition reset of Navy capital assets will require continuing investment through the FYDP. Protecting the time to

train and maintain, a principal focus of the O-FRP, is also essential to the long-term readiness of the force.

Aviation: To assist in recovering the legacy F/A-18 readiness, Navy reprogrammed flying hour money in FY 2014 to engineering/program related logistics, providing engineering support in the aviation depots, and funding flight line assessments of aircraft to speed the process by which airframes move through repair. The FY 2016 President's budget sustains funding in aviation support and enabler accounts directed at reducing work in process, particularly for the F/A-18 A-D aircraft. It also sustains funding for the flying hour program to T-2.5/2.0 with adjustment for tailored T-rating through the cycle for F/A-18 A-D squadrons for execution ability. All deploying units are funded to T-2.0 in the FY 2016 President's budget. Similar to shipyard hiring actions, Navy stepped up hiring in its Aviation Depots to recover from the sequestration-driven hiring freeze. The FY 2016 President's budget also funds Aviation Depot Maintenance inductions to an executable level, given current level of work in process. A mark for "carryover" would be counter-productive to aviation readiness. As details of extending and repairing legacy F/A-18 A-D Hornets reveal themselves, Navy has adapted these findings to create new high flight hour repair kits that improve efficiency by providing expected parts in a timely fashion.

Continued Reliance on OCO: With OCO, the FY 2016 President's budget remains on target to achieve Navy readiness goals outlined in PB 2015. Importantly, the FY 2016 President's budget retains the carrier/carrier wing (CVN/CVW) force structure and sustains or enhances current execution year actions to address readiness deficiencies in public shipyards, aviation depot maintenance, and readiness enabling accounts. At the same time, readiness accounts are balanced to ensure execution, given ongoing challenges.

Manpower/Personnel

Manning units with the right number and type of properly trained, properly experienced Sailors is a critical element of readiness. To ensure continuing readiness, the Navy tracks how many billets are filled and whether they are filled by individuals with the requisite qualifications. These data sets are closely managed by the Fleets, each warfare community, and individual units to predict future readiness and correct critical shortfalls for deploying units.

Materiel Readiness

Persistent global requirements continue to stress the Navy's surface and aviation platforms. High operational tempo not only causes the Navy to shorten or even postpone maintenance periods, it contributes to further fleet corrosion that has already manifested due to over 13 years of continued deployments. While the Navy is still digging out of its ship maintenance backlog caused by operational and budgetary pressures, the FY 2016 President's budget undergirds maintenance activity required for a healthy balance between presence and surge capability.

The legacy model (F/A-18 A-D) Hornet aircraft were designed for a 6,000-hour service life and were extended to 8,000 and now to 10,000 flight hours to mitigate shortfalls in the total strike-fighter aircraft inventory. As unanticipated repairs and out of production parts have slowed depot production, an increasing number of non-deployed Navy squadrons have fewer aircraft than needed to complete required training in a timely manner. Reductions in aviation support accounts may have exacerbated these challenges, and Navy's depot hiring plan will not be fully implemented until the end of FY 2015. Building the proficiency of these new hires will extend well into FY 2016.

Aging legacy platforms and high operational tempo presents challenges, particularly for the Marine Corps, to maintaining sufficient ready aircraft to support training and operations. This challenge is most pronounced in the FA-18 aircraft community. The FY 2016 President's budget allows the Navy to sustain funding in Marine Corps aviation support and enabler

accounts directed at reducing work in process, particularly for F/A-18 aircraft. This is an area, however, that the Marine Corps will continue to monitor closely for readiness impacts.

Installations

The Navy continues to take calculated risk in funding installations, but is mitigating this risk by focusing investment on capabilities that directly support the operational forces, implementing a force laydown that supports the defense strategy, and arresting degradation of facilities by focusing on the "envelopes" (roof, walls, support structures) of its buildings. As it funds installation operations, the Navy continues to prioritize Fleet Operations, Quality-of-Life Programs, Base Security, and Public Safety while taking increased risk across other base support programs. This budget submission provides infrastructure to support initial operational capability (IOC) for new platforms (e.g., P-8A Poseidon, F-35C Joint Strike Fighter, MH-60 Seahawk, Littoral Combat Ship, and MQ-4C Triton), enhances Nuclear Weapons Security, upgrades utility systems, and renovates housing facilities for the Sailors. The Navy maintains its commitment to meeting the key needs of service members and their families.

Marine Corps

The FY 2016 President's budget supports the Marine Corps' role as the Nation's Expeditionary Force-in-Readiness, a force capable of responding to crisis anywhere around the globe at a moment's notice. Marines are forward deployed, protecting the Nation's security by conducting operations to defeat and deter adversaries, support partners, and create decision space for national-level leaders. Readiness is the critical measure of the Marine Corps' ability to achieve its mission.

Within the FY 2016 President's budget, the Marine Corps continues to protect near-term readiness and Service-level training to maintain a ready, forward-deployed, crisis response force. This budget funds a 184,000 active component end strength in FY 2016 that supports a 1:2 deployment to dwell ratio for major force elements. Modernization and installation readiness continue to be the "bill payers" for crisis response capability.

The Marine Corps manages readiness across five pillars: (1) Capability and Capacity to Meet Requirements; (2) Unit Readiness; (3) High Quality People; (4) Infrastructure Sustainment; and (5) Equipment Modernization. Maintaining balance across these pillars is the key to achieving and sustaining the level of readiness expected of the Marine Corps. This budget reflects hard choices that the Marines made to protect readiness largely at the cost of modernization. The Marine Corps adjusted investments to restore balance in FY 2020 and beyond, largely due to the fact that force structure savings would not be fully realized for several years.

Generating Marine Corps Readiness through Capability and Capacity

Over the last fiscal year, several initiatives rooted in the New Normal have had a dramatic impact in the CCDRs' Areas of Responsibility (AORs). Special Purpose (SP) Marine Air-Ground Task Force (MAGTF)-Crisis Response-Africa (SPMAGTF-CR-AF) expanded its capabilities and reacted to crises for U.S. Africa Command, such as the evacuations of the South Sudan and Libyan embassies. Marine Rotational Force-Darwin (MRF-D) expanded to a battalion-sized unit and the Corps continued its reconstitution of the Unit Deployment Program (UDP) in Okinawa. The Marine Corps also began standing up SPMAGTF-Crisis Response-Central Command (SPMAGTF-CR-CC), expanding the Commander, U.S. Central Command's operational reach. This increased forward presence is captured in the Force Posture Plan, a global distribution of Marine Corps' capabilities that meets what the Secretary of Defense determines are the most critical global force management demands. The President's Budget is designed to achieve the tenets of the Force Posture Plan and sustain it throughout the FYDP.

The SPMAGTF concept has proven its utility in today's environment and the FY 2016 President's Budget supports its maturity and growth. Inherent challenges, such as overflight authorities and freedom of movement, make traditional amphibious Marine Expeditionary Units (MEUs) the preferred crisis response formation to meet CCDR requirements.

The rebalance to the Pacific also remains a top priority and is reflected in the resourcing of the UDP as well as Pacific-based operational units and Marine Expeditionary Units (MEU). Collectively, the Marine Corps' forward postured forces provide scalable, expeditionary units that are capable of functioning as the lead elements of a surge. Additionally, the Corps is reestablishing three permanent Marine Expeditionary Brigade (MEB) command elements (MEB CE). The MEB is light enough for rapid employment, heavy enough to prevail against threats in the littorals, and can command and control operations up to the Marine Expeditionary Force level. The MEB is capable of Joint Forcible Entry Operations and could deploy as the nucleus of a Joint Task Force Headquarters. Regionally aligned SPMAGTFs, forward deployed and forward stationed units (i.e. MEU and UDP), and MEBs provide expeditionary crisis response capability for the nation. The FY 2016 President's Budget enables the Corps to sustain these capabilities efficiently in the near-term.

Unit Readiness

The Marine Corps provides well trained, highly ready forces to meet CCDR requirements. The Marine operating forces depend on funding for training and maintenance of equipment to preserve and enhance their readiness. Although deployed Marine forces are at the highest levels of readiness, this readiness cost often comes at the expense of non-deployed units that frequently provide equipment and personnel in support of deploying units. The FY 2016 President's Budget helps address some of the most acute readiness challenges for non-deployed forces.

Equipment reset: The FY 2016 President's budget adequately resources units throughout the training and deployment cycle and funds ground depot maintenance to 80 percent of the validated requirement.

Training: The FY 2016 President's budget maintains a focus on operational readiness and service-level training. It funds crisis response capabilities in support of the COCOMs, but the ability to meet those requirements begins to degrade in FY 2019 to FY 2020. Furthermore, the lack of available amphibious shipping for training and the time needed to reset equipment, in particular fixed wing aircraft, require other-than-monetary solutions.

The FY 2016 President's Budget continues to support the Marine Corps' Service-level training program by fully funding an Integrated Training Exercise (ITX) program designed to recover full spectrum readiness. During FY 2016, the ITX is funded to provide training for up to 10 infantry battalions, 5 artillery battalions, 5 logistics battalions, 30 flying squadrons, and additional aviation support elements. Figure 3-3 displays the Marine Corps' service training exercise plan.

Figure 3-3. Planned Large Training Exercises

	Annual Exercises for 2016	
	Integrated Training Exercise	Mountain Exercise*
Infantry Battalion	10	2**
Infantry Regiment	0***	0
Artillery Battalion	4.5****	0
Logistics Battalion	5	0
Squadrons	30	0

**Figures represent maximum number of service level funded exercises depending upon global environment*

***FY 2016 MTNEX is funded for 2 infantry battalions, however, due to realized efficiencies, 6 infantry battalions will receive the full training package*

****Zero infantry regimental staffs are funded during FY 2016, however due to realized efficiencies, 5 infantry regimental staffs will receive the full training package.*

*****Two firing batteries per each ITX (10 firing batteries) are funded for during FY 2016. 4.5 artillery battalions (-) will be trained.*

High Quality People

Recruiting and retaining high quality people plays a key role in maintaining the Marine Corps' high state of readiness. Recruiting quality youth ultimately translates into higher performance, reduced attrition, increased retention, and improved readiness for the operating forces.

In 2011, the Marine Corps designed an active component force of 186,800, which is optimally-sized to meet the increasing demands of the global security environment. The FY 2016 budget submission supports the 184,000 active duty and 38,900 reserve end strengths and maintains the PB 2015 10 percent reduction to funding for civilian personnel. It supports a 1:2 deploy-to-dwell ratio using limited and targeted total force solutions. It continues the 20 percent Marine Corps' Headquarters reduction from PB 2015 and assumes compensations savings proposed in the budget. It preserves the minimum end strength necessary to remain a forward deployed and engaged crisis response force that meets CCDR requirements and creates options and decision space for the Nation's leaders. The President's budget supports the Marine Corps' commitment to maintaining high readiness levels across its 184,000 active duty force.

Infrastructure Sustainment

Sustainable readiness is inextricably linked to the availability and condition of real property and infrastructure. Adequately resourcing the sustainment of Marine Corps bases and stations is essential to safeguarding unit readiness, as they provide the means by which units conduct training and deploy. The need to be better stewards of our installations and facilities grows as resources become more constrained.

The Bipartisan Budget Act (BBA) of 2013 helped the Marine Corps restore some funding to ranges and infrastructure in 2014, but there is still risk in these accounts. The Marine Corps is depending on the FY 2016 President's budget to protect today's facilities, users of these facilities, and resultant force generation.

The FY 2016 President's budget allows the Marine Corps to maintain DoD facility maintenance standards at fiscally supportable quality levels, but will require deferment of new construction and restoration projects in the near-term. The Marine Corps will continue to optimize base

operations support and leverage improved training infrastructure to ensure the readiness of its expeditionary forces.

Equipment Modernization

The Marine Corps' equipment must meet the needs of current and emerging security environments. As the Marine Corps maintains its priority on current readiness, it has had to make difficult choices about modernizing and upgrading equipment. The FY 2016 President's budget allows the Marine Corps to focus funding on its top priority programs while accepting risk with legacy platforms.

The Marine Corps is fully committed to funding the Amphibious Combat Vehicle. It remains the Commandant's top priority for ground programs. The FY 2016 President's budget also provides funding for the Joint Light Tactical Vehicle and maintains acquisition profiles for major investment programs. Due to constrained resources, however, the Marine Corps will continue to rely on some legacy programs with minimal funding for the foreseeable future.

The President's budget maintains funding for science and technology at FY 2015 levels. The FY 2016 budget submission accepts risk in other investment programs across all capability areas, but maintains funding to fully support expeditionary energy requirements of the post-Operation ENDURING FREEDOM (OEF) 182,000 active duty force.

Air Force

The FY 2016 President's budget request supports the Air Force's goal of achieving full-spectrum readiness for its service core functions by 2023. Faced with current budget realities, the Air Force continues to make tough budgeting decisions between reversing, and correcting, near-term readiness shortfalls and meeting the demands of full-spectrum operational readiness required by the current strategy. Under the FY 2016 budget proposal, the Air Force made difficult choices between strategy-based modernization and acquisition programs, and the need to halt and repair near-term full-spectrum readiness shortfalls. The FY 2016 President's budget submission builds upon the modest readiness gains attained under the FY 2015 budget.

The FY 2016 President's budget request enables the Air Force to halt, and begin reversing, the erosion of its operational force's full-spectrum readiness. Regaining full-spectrum readiness remains a top priority for the Air Force. To fully support the requirements of the current defense strategy, Air Force operational elements must be postured to respond rapidly anywhere on the globe. The FY 2016 budget supports the Air Force's approach to maintain a smaller but more ready force in order to satisfy those requirements. The Air Force remains committed to building and maintaining a high level of readiness across the total force at all times, while continuing to modernize and acquire the capabilities most critical to meet revised defense strategy. Rotational mission readiness, particularly for the Combat Air Forces (CAF), currently meets CCDR rotational demand. To meet the Air Force's full-spectrum readiness goal by 2023, the CAF would require a return to at least a 1:4 deploy-to-dwell ratio.

Under the Air Force's FY 2016 budget proposal, the Air Force has made targeted strategic management decisions to prioritize capability and modernization, over a larger capacity to sustain full-spectrum readiness under current operational demands. The proposed FY 2016 President's budget will preserve the critical modernization programs needed to ensure the viability of a future force. The current Air Force plans to recover full-spectrum readiness by 2023 will be severely hindered without congressional authority to divest the A-10 aircraft fleet. Without the divestment, many available readiness resources will be diverted towards retaining excessive force structure.

History has demonstrated, and the QDR requires, that the Air Force must retain the full-spectrum capabilities of a fight-tonight force. Going forward, balancing rotational requirements with the full-spectrum training required to meet the QDR will remain a significant element of Air Force strategy.

Generating Air Force Readiness

The Air Force relies on its proven "5-Levers of Readiness Model" to inform its readiness budgeting under PB 2016. These levers are: (1) Flying Hour Program (FHP), which includes the dollars associated with sortie production; (2) Weapons System Sustainment (WSS), which includes dollars associated with aircraft availability production or enabler warfighting systems; (3) Training Resources Availability, which encompasses ranges, live virtual construct, munitions, and dollars to provide capabilities to replicate realistic training; (4) Critical Skills Availability (CSA), which includes specialty level enlisted training, special certifications, and other skills that aid in producing aircraft availability or qualified enabler capabilities; and (5) Deploy-to-dwell, which is affected by force capacity against current tasking. Each of these non-linear variables works together to produce full-spectrum ready forces. Because they are interrelated, funding one of these levers without appropriately funding the others will not produce the desired full-spectrum readiness outcomes.

The FY 2016 President's budget submission addresses all five levers in a balanced fashion. Nevertheless, the current deploy-to-dwell ratio remains the most significant near term challenge to regaining CAF full-spectrum readiness by 2023. Persistently high operational pressures have resulted in the Air Force fracturing whole units to generate piecemeal capability for current mission requirements. Sustaining full-spectrum readiness has been eclipsed by both an unrelenting steady state demand (Phase 0/1) and unexpected contingency missions (the Islamic State in the Levant, Ukraine, Ebola, etc.).

Manpower/Personnel

Under the FY 2016 budget request, the Air Force relies on its new "55/45 construct" between its Active Duty (AC) and Reserve (RC) forces. The FY 2016 budget funds the Title 10, United States Code, section 12304b mobilization authority consistent with FY 2015 levels for increased access to RC fighter forces to ease the deployment burden on AC units. When executed, the "55/45 construct" will help ease some of the high deploy-to-dwell ratios that have been hindering the full-spectrum readiness of AC forces.

Currently, the Air Force is facing a shortage of skilled maintenance personnel, specifically in the "5-level" and "7-level" experienced categories. The PB 2016 program includes the planned divestiture of the A-10 aircraft, which will allow the Air Force to re-purpose A-10 maintenance personnel for use in F-35 aircraft maintenance units and in undermanned legacy fighter maintenance units. This will allow for an increase in sortie generation and aircraft availability, resulting in an improvement in absolute CAF full-spectrum readiness, which will, in turn, help enable the Air Force to remain on the glide path needed to attain its strategy-driven readiness goals by 2023. Should divestment of the A-10 fleet be further delayed, the Air Force has opted

to preserve the readiness of existing legacy CAF units at the expense of F-35 aircraft beddown. Plans to cross-train legacy CAF maintenance personnel to support F-35 aircraft fielding are not currently being pursued as a viable course of action.

Training and Equipment Maintenance

The Flying Hour Program (FHP), Weapons System Sustainment (WSS), and Training Resource Availability (TRA) are intertwined and must be discussed together (e.g., funding flying hours without associated WSS will cause hours to be flown at a pace where WSS no longer supports

aircraft availability and causes an inability to execute the flying hours). The FY 2016 budget fully funds the levels needed to begin improving CAF full-spectrum readiness by increasing the 2016 Flying Hour Program compared to FY 2015. The additional funds will help the Air Force to recover from the specific readiness challenges exacerbated under the FY 2013 sequester and the reduced flying instituted under the first 3 months of FY 2014. To sustain the requested levels of flying, WSS is funded at 91 percent with OCO funding in the FY 2016 request.

The President's FY 2016 budget supports the Air Force's focus on sustaining the Training Resource Availability (TRA) to support the full-spectrum training needed to generate operational readiness. The FY 2016 budget funds critical items needed to replicate realistic threat environments, thereby improving operational full-spectrum readiness, and training ranges, which historically have been funded as low as 21 percent, are funded at approximately 98 percent. With the FY 2016 budget funding, the Air Force now plans for high-end exercises such as Red Flag and Green Flag to be conducted at full strength by Air Force participants.

Figure 3-4. Air Force Historical and Planned Large Force Exercises

	FY 2014	*FY 2015*	*FY2016*
	Executed	***Planned***	***Planned***
RED FLAG	**6**	**7**	**7**
GREEN FLAG	**19**	**20**	**20**

Munitions

The Air Force's FY 2016 budget request sustains funding for preferred munitions, allowing the Air Force to maintain a viable industrial base and continuing the rebalance to the Asia-Pacific. This includes funding to begin addressing known shortfalls in the most critical munitions programs and realigns funds in other programs to accelerate production and reduce unit cost (e.g., fuzes, penetrator bomb bodies, Joint Direct Attack Munition tail kits, Joint Air-to-Surface Standoff Missile).

Modernization

The Air Force remains committed to protecting current readiness and the recapitalization programs that support it. Planned funding protects the Air Force's top three modernization programs: the F-35 Joint Strike Fighter, the KC-46 air-refueling tanker, and the Long Range Strike Bomber. While service-life extension programs and periodic modifications have largely kept the legacy inventory viable for the current environment, emerging threats and technologies require new investments. In sum, the FY 2016 budget supports recapitalization initiatives that will secure the high-end technologies needed to meet future threat capabilities and provide the ability to operate and survive in an anti-access/area-denial environment.

Additionally, the FY 2016 budget builds upon the progress made in the FY 2015 budget across the nuclear enterprise. The Air Force will increase funding for modernization efforts needed for upgrading nuclear command and control systems. Furthermore, the Air Force is increasing its Inter-Continental Ballistic Missile and supporting force by 1,100 personnel.

The Air Force also continues to improve space capabilities by developing Space Fence Site 1, a next generation radar which enhances DoD's ability to track and identify space objects, and continues support of Global Positioning System Enterprise modernization efforts, providing anti-jam/anti-spoof/anti-tamper capabilities. Fielding of Space Based Infrared System (SBIRS) is funded, providing improved overhead persistent infrared detection supporting missile warning, missile defense, technical intelligence, and battle space awareness missions. Finally, the FY 2016 budget provides additional funding for the Joint Space Operations Center Mission

System, accelerates the Space-Based Space Surveillance (SBSS) follow-on, and increases space control funding.

Infrastructure

The Air Force took a balanced approach in sustaining critical infrastructure, and has adjusted installation funding within the portfolio to better address shortfalls and backlogs compounded by sequestration and FY 2015 shortfalls. It has increased facility sustainment to 80 percent and has bolstered Military Construction (MILCON) funding by 47 percent above FY 2015 levels. It also restored the Military Family Housing construction program. All of these installation and construction enhancements directly support the Air Force's priorities associated with the Nuclear Enterprise and New Weapon Systems.

United States Special Operations Command

The U.S. Special Operations Command (USSOCOM) continues to provide trained, equipped, ready and regionally aligned Special Operations Forces (SOF) in support of the geographic combatant commands (GCC). In so doing, USSOCOM leverages the whole of government, allies, and partners to conduct sustained special operations as part of a broader strategy to eliminate threats, buy down risk to U.S. interests, and protect the American people. As such, SOF must preserve a high state of readiness in order to provide persistent and surgical forward presence across the globe.

The USSOCOM has been able to maintain a relatively healthy readiness posture despite over a decade of combat and heavy deployments primarily in USCENTCOM. The changes in the FY 2016 budget request are intended to enhance SOF support to all of the GCCs and allow SOF to remain the United States' on-call and ready force for global engagements. The SOF continues to experience and project an increase in global demand outpacing capacity. Sustained high demand despite an Afghanistan drawdown results in the majority of SOF experiencing high deployment rates. Programs such as the Preservation of the Force and Families (POTFF) have been implemented to address the manifestations of that stress on SOF and their families.

With the increased funding caps provided by the BBA, the USSOCOM was able to protect readiness in FY 2014 and FY 2015 by funding critical flying hours, language training, counter proliferation training, and NAVSPECWAR maritime mobility training. Generous OCO funding and prioritized support to SOF by the four military Services have also contributed to steady and strong levels of readiness. However, SOF's plan to level off end strength at 69,700, coupled with conventional force reductions, presents increased risk as SOF missions become more geographically-diffused under the tenets of the SOF Campaign Plan.

The USSOCOM remains heavily reliant on support from the Services, particularly in terms of enabler capabilities and manpower. Slowed production lines within the conventional Services will have an adverse impact to SOF capability and readiness. Simply put, the conventional Services' readiness management plans under the FY 2016 budget serve as reliable precursors to how SOF readiness will be impacted.

Research, Development, Test & Evaluation (RDT&E) funding continues its downward trend and USSOCOM would be forced to postpone critical facilities recapitalization if the FY 2016 budget reverts to sequester-level funding. The changing global security environment presents the biggest increase in risk to USSOCOM's plan.

Enhancing Capability for Full Spectrum Missions

Under the FY 2016 budget request, USSOCOM is poised to maintain current readiness while striving to adhere to SOF-specific optimal deploy-to-dwell ratios that enable increases in full spectrum readiness and regional alignment, in addition to continuing to man Theater Special Operations Commands (TSOC). The USSOCOM will seek low-cost, low-footprint, unit-level

Figure 3-5. Joint/Combined Exchange Training Events/Personnel

	FY 2014 (Executed)	FY 2015 (Planned)	FY 2016 (Planned)
JCETs (Countries)	176 (67)	174 (65)	180 (68)
Exercises (Participating Countries)	75 (30)	98 (34)	81 (34)

training and engagements, such as Joint Combined Exchange Training events (JCET), that husband the larger force yet foster access and partner capacity. The same venues offer valuable opportunities to support GCCs while enhancing the skills and regional expertise of SOF. The USSOCOM goal of increasing full spectrum readiness and fully manning the TSOCs will better support all GCCs.

The USSOCOM's resolve to prioritize readiness as it transitions into a post-OEF environment is reflected in the $1.4 billion of programmatic enhancements across the FYDP. The FY 2016 budget specifies various readiness initiatives designed to ensure achievement of readiness goals. First, USSOCOM is increasing its Flying Hour Program funding by $206 million over the FYDP to support requisite flying hour requirements to continue building and maintaining full-spectrum proficiency across the SOF aviation enterprise. The FY 2016 request also realigns $36 million across the FYDP for the Enterprise-Wide Training and Education Program that satisfies exercise and training requirements for SOF components.

Training and Engagement

The USSOCOM is actively adapting how it trains, organizes, and manages its force to regain critical skills required to support full-spectrum mission sets. The USSOCOM continues to focus on cultivating its premier global JCET training venue, which allows light footprint SOF detachments to partner closely with host nation countries and gain assess critical for crisis response. Over the past 4 years, there has been a steady increase in the number of requests for SOF JCET participation. The continued uptick in the number of training events and locations in FY 2016 is a testament to USSOCOM's unwavering commitment to assure our allies and deter our aggressors in support of the SOF's global campaign plan (Figure 3-5).

This unique training continues to be instrumental in providing access, and strengthening combined and joint warfighting capabilities. It is critical to preserving SOF's worldwide readiness posture. These deployments are also vital to sustaining SOF's language, culture, combat and combat support, and instructor skills. Exercising these skills improves SOF capabilities and is complementary to the GCC's regional strategy.

In FY 2013, the Secretary of Defense signed the Forces for Unified Commands Memo, directing that USSOCOM will have Combatant Command Authority for the TSOCs and the GCCs will retain Operational Control. This authority enhances USSOCOM's SOF support to the GCCs. The FY 2016 budget guarantees USSOCOM's plans to fully structure TSOCs in accordance with the memorandum that will yield more seamless integration with SOF components and the GCCs.

If forced to return to sequester-level funding, USSOCOM will be unable to migrate portions of its requirements from OCO to base funding in FY 2016, which will certainly impact budget stability

within the Intelligence, Surveillance, and Reconnaissance (ISR) enterprise, flying hours, O6-level commands, and select classified programs. Additional consequences to Operation and Maintenance accounts include deferring the establishment of one Non-Standard Aviation Contract Logistics Support Site and reducing contract planning and design support for GCC, Joint Force, and TSOC exercises.

Aviation and Procurement

The USSOCOM is improving and reconstituting the SOF aviation fleet. Due to sequestration, Air Force Special Operations Command (AFSOC) made the decision to take risk in mobility and strike capacity. Total aircraft inventory for mobility was reduced from 57 to 47 and strike from 37 to 32 across the FYDP. This reduction in AFSOC aircraft capacity will allow for a realignment of assets to increase ISR. Indications of success in this area will be increased ISR capabilities and capacity and an increase in overall readiness Figure 3-6, 3-7, 3-8).

Figure 3-6. AFSOC AC-130 Strike Inventory

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
AC-130H	5	0	0	0	0
AC-130U	17	14	12	8	4
AC-130W	12	12	12	12	12
AC-130J	0	2	5	9	14

Figure 3-7. AFSOC MC-130 Lift Inventory

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
MC-130H	20	18	13	13	10
MC-130P	11	0	0	0	0
MC-130J	19	27	35	37	37

Figure 3-8. AFSOC ISR Inventory

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
MQ-1 (CAPs)	4	3	1	0	0
MQ-9 (CAPs)	6	7	9	11	12

The sequester-level funding cuts to procurement accounts delay AC-130J recapitalization by deferring one Precision Strike Package kit, delay transition from the U-28 to the MC12 by reducing funding for the MC-12 SOF modifications, and defer procurement of the Silent Knight Radar and fielding of the GMV 1.1. Procurement cuts also defer select classified programs. Sequester-level funding affects RDT&E funding, which has persistently been unfunded in light of current budgetary constraints.

Support the Force and Families

A consistently high demand for SOF has exerted significant stress on the force and their families, and therefore jeopardizes readiness. Lack of predictability and difficulty reconnecting and reintegrating into family life are the primary stressors that ultimately degrade unit readiness. The USSOCOM is developing innovative and comprehensive solutions across the SOF

enterprise to improve the well-being of the force and their families. The USSOCOM is developing innovative and comprehensive solutions across the SOF enterprise to improve the well-being of the force and their families.

The FY 2016 budget supports USSOCOM initiatives such as Special Operations Force Generation (SOFORGEN), Defense Ready, and POTFF that are necessary to protect and efficiently employ USSOCOM's most valuable asset, its people. The POTFF funding is essential to ensuring SOF and their families are offered the physical and psychological programs necessary to sustain long and frequent deployments.

The USSOCOM will continue to implement its supply-based force generation model (SOFORGEN) under the FY 2016 budget request to preserve sustainable readiness in a post-OEF environment. Its purpose is three-fold: to increase predictability of deployments for SOF and their families; to align pre-deployment training and deployments with conventional forces to optimize operational effectiveness; and to enable long-term planning in building and procuring SOF capabilities required by the CCDRs. While SOFORGEN broadly explains how SOF units are produced, each component makes use of unique manning, training, and equipping processes that warrant individual attention.

GENERATING JOINT CAPABILITIES

This budget also reflects investments in joint readiness. The operational readiness of units includes proficiency in their Service-specific tasks and the integration of those tasks as part of a cohesive Joint Force. The overall mission success depends on the ability of the U.S. Services to operate seamlessly with one another, interagency organizations, and international partners.

United States Transportation Command

The FY 2016 President's budget allows U.S. Transportation Command (USTRANSCOM) to project and sustain power and execute effective distribution operations — the movement of our forces and sustainment materiel — across the globe. With adversaries posing new and growing challenges to our ability to project power, maintaining the credible ability to deploy and employ military forces over trans-oceanic distances in support of U.S. national interests will remain a top priority for the Department and the Nation.

USTRANSCOM's synchronization and management of the Defense Transportation System (DTS), which consists of military and commercial assets to support the Department's global transportation needs in peace and war, is vital to Joint Logistics success. While the initial transportation surge in response to crisis relies on our DOD organic airlift and sealift assets, substantial portions of wartime sustainment and passenger transportation capacity come from commercial providers, employing programs such as the Civil Reserve Air Fleet (CRAF) and the Voluntary Intermodal Sealift Agreement (VISA). The FY2016 budget enables USTRANSCOM to continue maintaining global transportation readiness primarily by supporting combatant command and Service customers' requirements. The Transportation Working Capital Fund associated with the FY 2016 budget proposal allows USTRANSCOM to provide persistent distribution and mobility operations to the Services and CCDRs while preserving the readiness of its forces.

Much like USSOCOM, USTRANSCOM's readiness is inextricably linked to Service readiness management strategies and fiscal priorities. The Air Force's procurement efforts under the FY 2016 budget secure USTRANSCOM's ability to execute effective airlift and air refueling missions in the outyears. This includes Air Force fielding of the C-5M Super Galaxy strategic airlifter, the C-130J Super Hercules theater airlifter, and the KC-46 Pegasus tanker. These initiatives are key to ensuring USTRANSCOM's strategic agility readiness in the future as older

weapon aircraft, such as the 1950's vintage KC-135 tankers, will need recapitalization. The Navy is applying FY 2016 funds towards procuring the first wave of the updated sealift fleet, beginning with the T-AO(X) platform. Further, the FY 2016 submission provides funding for the most critical installation priorities, and USTRANSCOM will work closely with the Services as they continue to take risk in facility sustainment and Military Construction funding that affects critical enroute infrastructure.

Declining transportation requirements resulting from reductions in Afghanistan will challenge military readiness and the ability to sustain commercial surge capacity. To offset this reduction, the FY 2016 budget helps provide sufficient workload and Airlift Readiness Account (ARA) funding. For example, increased funding to Service field training and exercise programs will have multiple benefits. Funding will contribute to increased service member participation in field training events and exercises. This will help improve Service readiness while simultaneously generating more transportation workload and result in improved transportation readiness. This account provides USTRANSCOM the opportunity to sustain organic readiness beyond the minimum levels, and it also guarantees that commercial providers can maintain healthy levels of readiness and capacity as well as subscription levels to CRAF and VISA programs.

To offset competitive prices offered by commercial entities, USTRANSCOM leverages the Air Force-managed Airlift Readiness Account (ARA) to support USTRANSCOM-assigned unit readiness while simultaneously providing mobility and distribution services for its customers. The USTRANSCOM will continue to prioritize Service and CCDR requirements to remain agile and effective in the movement of U.S. forces worldwide.

Building on Service Capabilities: Joint Training

The Services must regularly train and exercise together in order to operate effectively as a joint force. This includes active participation in combatant command-sponsored large force exercises as well as innovative, low-cost, small-footprint engagements across the globe. Such participation enables the Services to develop regional expertise and build trusting relationships with other Services, U.S. allies, and international partners, all while developing the joint operational experience that is essential for success in today's global security environment.

Each of the Service readiness programs produces a set of building blocks that make up the Joint Force. The Department has allocated $188 million in FY 2016 for joint training enablers through the Commanders Exercise and Engagement Training Transformation (CE2T2) program to cement these building blocks into a ready and cohesive joint force. Building on Service-specific training and readiness capabilities, the CE2T2 program helps close Service training deficiencies that exist in the seam between the tactical and operational levels of war. Additionally, the program funds joint training enablers in the "no man's land" between Service Title 10 training and what is needed to train as a joint operating force.

For example, the CE2T2 program funds the Joint Training Enterprise Network (JTEN), a system that links the geographically-separated live, virtual, and constructive training capabilities of the combatant commands and Services and integrates them into a realistic joint training environment. The JTEN helps bridge the seam between tactical and operational level training and mission rehearsal activities by providing real-time connectivity and simulations of higher headquarter authorities.

Another program funded by CE2T2 is the Joint Training Coordination Program (JTCP). The JTCP enables the live participation of Service assets in the tactical-level exercises of another Service. Specific exercises receiving JTCP funding in FY 2016 include: the Air Force's RED FLAG and GREEN FLAG exercises held at Nellis Air Force Base, NV; the Navy's Fleet Readiness exercise held at Air Wing Fallon, NV; the Marine's Integrated Training Exercise held

at Twenty Nine Palms, CA; and the Army's Mission Rehearsal Exercises held at the National Training Center in Fort Irwin, CA. These joint training venues prepare the Services for the tactics used in ongoing operations in Afghanistan, Libya, Syria, Africa and other theaters across the globe.

Other joint training opportunities funded through the CE2T2 program include: joint individual training that prepares service members to operate in a joint environment; Service-unique training simulations that allow them to operate in a realistic joint environment and with U.S. international partners; replication of robust opposing forces (OPFOR) that optimize training on Service tactical ranges for both the host Service and other Service participants; and development of a virtual training environment that facilitates 24/7 online joint training from the individual to the joint task force level.

Combatant Command Exercise and Engagement

The Department has allocated $456 million for FY 2016 to support the exercises and engagement requirements of the nine combatant commands. These events improve the readiness of the force to conduct joint operations, highlight U.S. capabilities, deter potential adversaries, and build partner capacity. For the combatant commands, exercise and engagement events are a cost-effective way to provide U.S. presence, reassure allies, and hedge against destabilization in high-risk areas. More specifically, this funding supports over 100 major exercises annually that prepare U.S. forces to execute operational plans, train the Combatant Command staffs, provide presence and regional expertise with U.S. allies and partners, and build habitual relationships and trust.

Examples of Combatant Command exercises that are funded using CE2T2 include:

- EPIC GUARDIAN: The USAFRICOM's annual command post and field training exercise focused on testing the staff's ability to react, plan, and execute contingency missions. USAFRICOM conducts this exercise in a three-year profile of increasing complexity. EPIC GUARDIAN is designed to deploy forces forward to coordinate with the U.S. embassy and conduct operations with host nation forces.

- NATIVE FURY: This annual USCENTCOM field training exercise is held in the territorial waters of the United Arab Emirates. NATIVE FURY is designed to rapidly reinforce the Marine Air Ground Task Force, enable crisis response, and to be relevant across the range of military operations. Joint Task Force roles and responsibilities during specified missions such as Humanitarian Assistance, Disaster Relief, and Non-Combatant Evacuation Operations are also exercised.

- AUSTERE CHALLENGE: The USEUCOM's premier Joint Functional Component Command training exercise, AUSTER CHALLENGE is a multi-lateral event designed to increase readiness for the current threats and work the seams between multiple Combatant Commands, Components, and NATO. Additionally, it exercises full spectrum operations as well as existing concept plans.

- VIGILANT SHIELD: An annual Joint, multi-Combatant Command, and combined (U.S. and Canada) exercise within USNORTHCOM, VIGILANT SHIELD is executed as a Command Post Exercise (with integrated field training exercise venues) focusing on core USNORTHCOM homeland defense and homeland security missions and processes.

- KEY RESOLVE/FOAL EAGLE: The USPACOM's annual combined/joint command post and field training exercise is held in the Republic of Korea (ROK). This exercise tests

combined plans to defend the ROK against external aggression, strengthens the readiness of combined forces, and demonstrates commitment to the ROK-U.S. alliance.

- PANAMAX: This annual command post exercise in USSOUTHCOM includes regional partners that form a multi-national force (under a United Nations resolution) to respond to an asymmetric threat on the Panama Canal. The exercise stresses the USSOUTHCOM and Service Component Joint Task Force battlestaff communications across governmental agencies.

- GLOBAL LIGHTNING: This annual cross-functional, multi-domain exercise is designed to test and validate the ability of USSTRATCOM and its component forces to deter a military attack against the United States. It is designed to exercise all USSTRATCOM assigned missions with primary emphasis placed on providing support to another combatant command across all mission sets.

- Joint Logistics Over-the-Shore (JLOTS) Exercise: A USTRANSCOM multi-lateral exercise designed to integrate Army and Navy logistics over the shore (LOTS) capabilities under a single Joint command and control structure, JLOTS exercises the Request for Forces process to airlift unit personnel and sealift unit equipment without an established seaport (i.e., offload forces while still offshore).

- EMERALD WARRIOR: The USSOCOM's annual pre-deployment exercise encompasses multiple Joint Operational Areas to prepare Special Operations Forces, coalition force enablers, partner nations, and interagency elements to integrate within a full-spectrum, complex irregular warfare environment.

Joint Logistics

The Joint Force's ability to support Operation Enduring Freedom during the past 13 years demonstrates the superior capability and flexibility of the Joint Logistics Enterprise (JLEnt). The amalgamation of military and civilian logistics capability has created a logistics system that is unmatched in its global reach and responsiveness. The JLEnt's capability is exemplified by the ability to meet steady state operational requirements while responding to numerous global crises from rising Islamic State in the Levant threats to stemming the spread of the West Africa Ebola outbreak.

Despite success over many years, the Joint Force has traded future logistics capability and capacity for current logistics readiness. The DoD's ability to sustain equipment readiness at its current high operational tempo jeopardizes the readiness of non-deployed equipment and threatens equipment service life because of continued deferred programmed maintenance. Sequestration effects in FY 2013 exacerbated existing shortfalls in sustainment and contributed to higher deferred maintenance levels. Post-combat reset of the Joint Force, which is estimated to require cost of war funding a minimum of 2 to 3 years (up to 7 to 8 years for Navy ship reset) after the majority of forces redeploy, remains a top priority. The FY 2016 budget begins to address these effects and addresses maintenance requirements and shortfalls that support critical aviation, ship, and ground depot maintenance, and procurement of associated spare parts.

Guided by the defense strategy within a resource informed environment, this budget addresses current and future logistics requirements needed to shape Joint Force 2020. The Joint Force will continue to focus on key partnerships and increasing visibility to ensure the continued resilience of U.S. fighting forces across the globe. In addition, the Department continues to

address increasing cyber threats and other potentially disruptive strategies that may impede global access.

Language and Culture Capabilities

The FY 2016 budget supports the importance of language, regional, and cultural understanding in building international partnerships as well as contributing to successful operational outcomes across the entire spectrum of operations. The Department has learned, after more than a decade of war, that a basic understanding of U.S. partners' language and culture is important for the efficacy of the total force and not just for special operations and intelligence forces. For this reason, the FY 2016 budget funds several investments that increase language and cultural competency. These investments are paying off. In FY 2014, there were more than 337,000 DoD personnel with foreign language skills. This is an increase of 1,155 personnel with language skills compared to the previous year, despite an overall reduction of more than 63,000 DoD personnel during that period.

Some of our language and culture investments support all Federal departments and agencies. Specifically, the National Security Education Program is designed in statute to provide a future Federal workforce with skills in languages and cultures critical to national security. The FY 2016 budget request for this program reflects a $26.9 million DoD commitment, $16 million of which is a transfer of funds from the Office of the Director of National Intelligence in accordance with Title 50, United States Code, section 1902. These efforts include partnerships with institutions of higher education, competitive scholarships and fellowships, and the development of recruiting and retention policies to increase the return on these investments. These funds also support the National Language Service Corps that provides language surge capacity across the entire U.S. government, including the DoD. This corps provides an effective hedge against the effects of uncertainty in current and future national security language needs.

The FY 2016 budget supports efforts to increase the capacity of language-enabled personnel, specifically within DoD. The budget includes funding for the Defense Language Institute Foreign Language Center (DLIFLC), the Department's primary training facility for intelligence community military professionals. During FY 2014, more than 2,400 students completed basic courses in 24 languages and dialects. In addition, DLIFLC provided Mobile Training Teams to deliver pre-deployment and familiarization training for over 2,400 general purpose force personnel.

Beyond Mobile Training Teams providing "just-in-time" training for deploying personnel, the FY 2016 budget supports Language Training Centers which work as a partnership between universities and the Department to provide language instruction. In FY 2014, 9 institutions of higher education hosting Language Training Centers provided training in 17 languages at a cost of $9 million and expanded collaborations with the National Guard and Special Forces community. This brings the Language Training Center program's grand total to nearly 7,000 DoD personnel trained since its inception in 2011. The FY 2016 budget also provides for pre-accession language training for military officer candidates enrolled at institutions of higher education.

4. CONTINUE TO FOCUS ON INSTITUTIONAL REFORM

Major Themes
• Improving the Financial Management Workforce • Financial Improvement and Audit Readiness Initiative • Audit and Contract Management Oversight • Better Buying Power: Obtaining Greater Efficiency and Productivity in Defense Spending • Control Costs throughout the Product Life Cycle

The FY 2016 budget continues efforts started in the FY 2012, FY 2013, FY 2014, and FY 2015 budgets to reduce the cost of doing business by identifying opportunities for better use of resources. The Department continues to identify further reductions associated with more effective use of funds, terminating or restructuring weapons programs, restructuring or delaying Military Construction programs, and consolidating infrastructure.

The FY 2016 budget continues the reform agenda advanced in previous budgets, but with greater emphasis on contracting and other efficiencies:

- FY 2010 – FY 2011 budgets: Focused on weapons programs, e.g., terminating F-22 fighter production and the VH-71 Presidential helicopter, ended C-17 production and stopped pursuit of a second engine for the Joint Strike Fighter.
- FY 2012 – FY 2013 budgets: Focus on DoD business operations, overhead activities and support functions, but plans included some changes in weapons programs. Also proposed military health care changes.
- FY 2014 budget: Continued focus on more effective use of resources, with greater emphasis on weapons programs and Military Construction.
- FY 2015 budget: More focus on contracting efficiencies, controlling health care costs, and reducing management headquarters.
- FY 2016 plan: Continued focus on improving the financial management workforce, improving audit readiness, contracting oversight, and improving technological superiority while controlling life cycle costs.

Many of these efficiencies have been reinvested into higher priority military programs. Others have been used to accommodate lower defense budgets.

IMPROVING THE FINANCIAL MANAGEMENT WORKFORCE

The Department requires a well-trained financial management workforce to achieve auditable financial statements and provide strong financial management. The National Defense Authorization Act (NDAA) for Fiscal Year 2012 (Public Law 112-8) provided the authority for DoD to prescribe certification and credentialing standards for the financial management community. The Department initiated a multiyear effort to develop a course-based Financial Management (FM) Certification Program. The Program applies to personnel in the FM workforce and offers training and professional opportunities while establishing a standard financial management body of knowledge throughout the Department.

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), in consultation with the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD(P&R)) and the DoD Components, consolidated multiple FM development efforts across DoD into a cohesive

program to effectively educate, train, and certify civilian and military financial management personnel. This effort has been supported by the House of Representatives, the Senate, and the Government Accountability Office.

The DoD has many FM training programs but it did not have an overarching framework that guided financial management training or emphasized key training in areas such as audit readiness and decision support. The Certification Program aims to move the FM workforce toward a more analytical orientation and helps to ensure the FM workforce has the knowledge necessary to achieve auditable financial statements. It also establishes a DoD FM framework to guide the professional development of approximately 54,000 members of the FM workforce and ensures the workforce has the competencies to adapt to future mission requirements.

All FM positions are coded with an FM Certification Level 1, 2, or 3. Each certification level requires a minimum number of training course hours and years of FM experience. Certified individuals must earn a minimum level of continuing education and training credits every 2 years to sustain their achieved certification level and maintain and improve financial management proficiency and skills.

Twenty-three enterprise-wide financial management competencies, associated proficiency levels, and selected leadership competencies form the foundation of the Certification Program. Training is tied to 17 specific FM technical competencies in accounting, audit, finance, budget, payroll, and specific topics such as audit readiness, fiscal law, ethics, and decision support. The DoD Leadership competencies, adopted from OUSD(P&R)'s enterprise-wide DoD Civilian Leader Development Framework and Continuum, are designed to develop the FM professional's ability to be a leader within the Department and a better strategic partner to commanders and decisionmakers. Identifying and defining key competencies in both FM and leadership enables the Department to assess and close gaps between current capabilities and the competencies required by the future financial management workforce.

The DoD FM Certification Program policy was signed in November 2013. The policy establishes a certification program management structure to ensure the Program objectives are achieved through consistent governance and delineates responsibilities and prescribing procedures for the full implementation by the Military Departments and Defense Agencies.

Prior to the full implementation, the Department carried out a pilot implementation phase, which included 650 FM workforce members in 12 organizations. The pilot focused on the implementation of a commercial off-the-shelf Learning Management System (LMS). Following the pilot, DoD updated policies and procedures to improve efficiency during full Program implementation. The DoD FM LMS is currently used by members to facilitate Program administration, oversight, validation, records management, and auditability. Initial implementation for approximately 50,000 FM members was completed in September 2014. The Air National Guard and Reserve components are currently being incorporated into the Program.

The DoD FM Certification Program is the most innovative and significant change for the Department's FM workforce to date. By providing a consistent framework for development in the DoD Financial Management career field, it advances the professionalism of DoD financial managers while improving the Department's ability to adapt to future requirements. It is designed to develop and maintain a capable workforce that is better able to assist commanders and decisionmakers in using financial information to make fully-informed decisions. Finally, through increased training in key areas such as audit readiness, the Program supports the Department's effort to achieve auditable financial statements by 2017 as directed by the Secretary of Defense and the Congress.

FINANCIAL IMPROVEMENT AND AUDIT READINESS INITIATIVE

As Secretary Hagel reported to Congress and told the men and women serving in the Department of Defense (DoD), "…getting our financial house in order is one of the Department's top priorities." Deputy Secretary Work has echoed Secretary Hagel's message and recently challenged leaders of the Defense Agencies and activities to be champions for Financial Improvement and Audit Readiness (FIAR) – to demand compliant processes and systems, to incorporate audit readiness in employee performance plans, and to be prepared to move out of audit readiness and into the business of being under continuous audit. The message is clear: The DoD leadership team is serious about improving financial management processes and controls over DoD resources.

Audit readiness is critically important for the DoD. "Audit ready" means the Department has strengthened internal controls and financial practices, processes, and systems so there is reasonable confidence the DoD-consolidated financial statements can withstand audit by an independent auditor. Financial statement auditability is not only required by law, but will demonstrate that the Department is a good steward of taxpayer dollars and provide additional credibility to budget justification materials provided to the Congress as part of this submission.

The Department is making substantial progress in FY 2015 despite continuing budget uncertainties and the absence of a stable budget environment. The audit opinions on seven DoD entities' full financial statements were sustained and the Military Departments also asserted audit readiness on their FY 2015 General Funds budgetary data reported on a Schedule of Budgetary Activity (SBA). Independent Public Accounting Firms were awarded SBA FY 2015 General Fund Audit contracts for each Military Department in December 2014. The addition of the Military Departments' FY 2015 General Fund budgetary data increases the total current year General Funds under audit in FY 2015 to 91 percent.

During FY 2015, the Department is also expanding the FIAR priorities beyond budgetary transactions to include proprietary (Balance Sheet) transactions and valuation of assets. The Department developed a consolidated audit strategy and refined its FIAR Guidance to facilitate the completion of audit readiness activities across all DoD Components to meet the FY 2017 audit readiness objective. The audit strategy employs a phased approach, adding audits and validation processes each year between FY 2015 and FY 2017. This strategy allows for continual growth and expansion of the Department's audit infrastructure to support the increasing number of audits.

The DoD Leadership is committed to achieving audit ready financial statements by the end of FY 2017. The following significant steps continue to accomplish this objective:

- Involving the Secretary of Defense, Deputy Secretary of Defense, Service Secretaries, and military leaders through governance processes and providing their active support.
- Engaging Service Chief Management Officers, Other Defense Organizations' Leaders, and senior leaders from both the business and financial communities to manage implementation of process improvements and FIAR activities.
- Integrating Management Internal Control Program criteria into business and financial processes and automated solutions and systems.

AUDIT AND CONTRACT MANAGEMENT OVERSIGHT

The Department provides independent contract audits and management support to the Military Services and Defense Agencies to ensure that the contracts the Department enters into are

priced fairly and that the Department and the taxpayer receive agreed upon products and services. Three agencies provide these services: (1) the Defense Contract Audit Agency (DCAA); (2) the Defense Contract Management Agency (DCMA); and (3) the Office of the Inspector General (OIG). Figure 4-1 provides the funding and civilian manpower for each of these organizations.

The establishment of the DCAA (1965) and DCMA (2000) consolidated the audit and contract management functions, previously performed by the Military Services, into independent organizations that now apply consistent and methodical audit, contract management, and assessment regulations and principles across the Department.

- The DCAA performs contract audit functions for all DoD Components, and other Federal agencies. In FY 2014, the DCAA audited $111 billion of costs incurred on contracts and issued over 1,000 forward pricing proposal audit reports totaling $61 billion. In FY 2014, DCAA achieved approximately $4.5 billion in savings as the result of audit findings.

Figure 4-1. Contract Management and Oversight
(Dollars in Billions, Base Budget only FY 2015/2016, Direct FTEs in whole numbers)

Program	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Defense Contract Audit Agency	$0.6	$0.5	$0.6
DCAA Direct Full-Time-Equivalents	4,052	4,122	4,218
Defense Contract Management Agency	$1.2	$1.3	$1.4
DCMA Direct Full-Time-Equivalents	9,788	10,096	10,286
Office of Inspector General	$0.3	$0.3	$0.3
OIG Direct Full-Time-Equivalents	1,532	1,601	1,570
Total – Audit and Contract Management	**$2.1**	**$2.1**	**$2.3**
Total Civilian Full-Time-Equivalents	**16,446**	**16,978**	**17,221**

Source: FY 2016 President's Budget *Numbers may not add due to rounding*

  - In FY 2016, the DCAA continues efforts to reduce the incurred cost backlog. Reducing this backlog will: (1) assist in achieving auditable financial statements; (2) assist the Department in closing completed contracts; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed).

- The DCMA represents the Military Services, other Federal agencies, and related government buying agencies at defense contractor locations worldwide, prior to and after contract award. The DCMA provides Contract Advisory Services on more than 348,000 prime contracts with a total value of more than $1.96 trillion, which is performed by over 20,000 contractors.
  - In FY 2016, the DCMA continues the Department's efforts to grow the acquisition workforce to mitigate known acquisition oversight workforce shortfalls, primarily in the areas of price costing, earned value, and quality assurance.
- Created by the Inspector General Act of 1978, the DoD OIG is an independent, objective agency within the Department of Defense. The DoD IG is responsible for conducting audits, investigations, and inspections and recommends policy and procedure changes to promote economic, efficient, and effective use of agency resources and programs that

prevent fraud, waste, abuse, and mismanagement. In FY 2014, the DoD IG identified $9.3 billion in potential monetary benefits and recovery.

- In FY 2016 the OIG will continue its efforts in serving the warfighter, and the taxpayer, by conducting audits, investigations, inspections, and assessments that provide guidance and recommendations for both the Department and Congress.

BETTER BUYING POWER: OBTAINING GREATER EFFICIENCY AND PRODUCTIVITY IN DEFENSE SPENDING

Achieving greater efficiencies is a central tenet of the Department's efforts to continuously improve productivity in delivering better value to the taxpayer and warfighter. First introduced in 2010, Better Buying Power (BBP) has evolved from a focus on basic acquisition principles and best practices under the original BBP 1.0, to add a focus on critical thinking and sound professional judgment captured in BBP 2.0, to the latest iteration, BBP 3.0, introduced in September 2014, which incorporates an emphasis on achieving dominant capabilities through technical excellence.

Better Buying Power 3.0 encompasses eight focus areas:

- Achieve affordable programs;
- Achieve dominant capabilities while controlling lifecycle costs;
- Incentivize productivity in industry and government;
- Incentivize innovation in industry and government;
- Eliminate unproductive processes and bureaucracy;
- Promote effective competition;
- Improve tradecraft in acquisition of services; and
- Improve the professionalism of the total acquisition workforce.

Many of the BBP 3.0 initiatives address technical excellence and innovation. Examples include:

- Increase the use of prototyping and experimentation;
- Emphasize technology insertion and refresh in program planning;
- Use Modular Open Systems Architecture to stimulate innovation;
- Provide clear "best value" definitions so industry can respond; and
- Strengthen organic engineering capabilities.

Underpinning BBP 3.0 is the growing concern that the Nation's technological superiority over potential adversaries is being threatened today in a way not seen for decades. The U.S. military today depends on a suite of dominant capabilities that originated in the 1970s and 1980s. These capabilities have been enhanced and upgraded since that time, but have not fundamentally changed. The DoD's technological superiority is not assured and, in fact, it is being challenged very effectively.

This release of BBP does not end DoD's focus on controlling costs, critical thinking, and sound professional management. It shifts the Department's emphasis slightly toward the products that the Department obtains for the Nation's warfighters who need the dominant capabilities on future battlefields. The focus of BBP remains delivering better value to the taxpayer and Warfighter by improving the way the Department does business, while addressing both the fiscal and security challenges that face the Nation.

CONTROL COSTS THROUGHOUT THE PRODUCT LIFE CYCLE

Cost control starts with clear, affordable requirements, followed by buying only the cost-effective performance needed to accomplish the mission. The Department will continue to align the communication between requirements and acquisition communities to ensure a high likelihood of success for programs started and executed. Product life cycles typically last for decades, and requirements and acquisition decisions will influence the Department's costs well into the future. Today's design decisions for systems in development affect tomorrow's costs for sustainment. Management of Operating and Support (O&S) costs is an explicit program objective, with the O&S Cost Key System Attribute a requirement for all new programs.

The Department has implemented a requirement for affordability analysis and constraints on programs as one means of controlling costs throughout the life cycle. Assessing affordability of major systems before and during production establishes the fiscal feasibility of the program, informs the Analyses of Alternatives, guides capability requirements and engineering tradeoffs, and sets realistic program baselines. The analysis includes a quantitative assessment of entire capability portfolios, rather than specific programs, to demonstrate the ability to fund the program over its life cycle within expected budget levels. Affordability analysis looks at the entirety of the program's costs rather than near-term budget years.

As the Department acquires and sustains new capabilities, "Should Cost" management is an approach to cost control that requires our managers to understand and when possible reduce costs under their control. The Department is aggressively employing the use of Should Cost management for acquisition programs during acquisition and sustainment. Program Managers for Acquisition Category 1 programs specifically report Should Cost targets and progress toward achieving them during program reviews. Because Should Cost initiatives are specific to each program, programs execute Should Cost in multiple ways using the flexibility and creativity afforded by this process.

Cost control efforts continue after the production phase. During sustainment, a program executes its Life Cycle Sustainment Plan. This includes conducting a Business Case Analysis (BCA) to assess capabilities, effectiveness, cost, and process efficiencies to identify the best-value product support solution. A near-term focus on cost reduction can significantly impact future readiness and increase long-term cost. The Department's emphasis is on cost control throughout the life cycle.

5. PURSUE INVESTMENTS IN MILITARY CAPABILITIES

Acquisition Summary

The Department maintains a healthy Science and Technology (S&T) program of $12.3 billion to invest in future technologies. The overall Research, Development, Test, and Evaluation (RDT&E) portfolio of $69.8 billion includes an increase of $6.3 billion compared to the enacted FY 2015 appropriations. The procurement portfolio of $107.7 billion includes an increase of $14.1 billion from the enacted FY 2015 appropriations.

Key Initiatives

- Aerospace Innovation Initiative
- Space and Space-Based Systems
- Missile Defense Programs
- Cyberspace Operations
- Science & Technology
- Defense Acquisition Workforce Sustainment
- Reserve Components

Figure 5-1. Investments

Base $ in billions

	FY 2015 Enacted	FY 2016 PB Request	Change
Aircraft and Related Systems	42.1	48.8	6.7
C4I Systems	5.9	7.4	1.5
Ground Systems	6.7	8.2	1.5
Missile Defense Programs	8.7	8.8	0.1
Missiles and Munitions	8.6	11.9	3.3
Mission Support	43.3	47.4	4.1
Science & Technology (S&T)	12.2	12.3	0.1
Shipbuilding and Maritime Systems	23.4	25.6	2.2
Space-Based Systems	7.4	7.1	-0.3
Rescissions	-1.2	-	+1.2
Total	**157.1**	**177.5**	**20.4**

Major Weapons Programs

The Department pursues numerous major weapons programs. Some are described in later portions of this section; others are described in the Military Departments' summaries presented in Section 7 of this document. Figure 5-2 summarizes the top 25 DoD weapon programs as measured by their total procurement and RDT&E funding in the FY 2016 budget. The website displays the Department's "Program Acquisition Costs by Weapons Systems" book (http://comptroller.defense.gov/budgetmaterials/budget2014.aspx#press) that provides more detailed information.

Figure 5-2. Major Acquisition Programs

Base $ in Billions; Includes RDT&E and Procurement funding

		FY 2015		FY 2016	
		Qty	$	Qty	$
Aircraft					
MQ-9	MQ-9 Reaper UAS	24	0.7	29	0.8
C–130J	Hercules	13	1.5	29	2.6
F–35	Joint Strike Fighter	38	8.6	57	11.0
V–22	Osprey	19	1.6	19	1.6
AH–64E	Apache Helicopter	29	0.8	64	1.4
CH–47	Chinook Helicopter	32	1.1	39	1.2
UH–60	Black Hawk Helicopter	86	1.5	94	1.6
MH–60R	Multi-Mission Helicopter	29	1.0	29	1.0
P–8A	Poseidon	9	2.4	16	3.4
E–2D	Advanced Hawkeye	5	1.3	5	1.3
Bombers	Long Range Strike	--	1.5	--	2.0
KC-46A	Tanker	7	2.4	12	3.0
Missile Defense/Missiles					
AEGIS	AEGIS BMD System	49	1.5	40	1.6
THAAD	THAAD BMD System	31	0.7	30	0.7
GMD	GBI Midcourse Defense	--	1.1	--	1.6
Trident II	Trident II Missile Mods	--	1.3	--	1.2
Ships					
CVN 78	FORD Aircraft Carrier	--	2.1	--	2.8
DDG 51	AEGIS Destroyer	2	3.0	2	3.5
LCS	Littoral Combat Ship	3	1.8	3	1.9
SSN 774	VIRGINIA Submarine	2	6.2	2	5.7
OR	SSBN	--	1.2	--	1.4
LPD-17	Amphibious Landing Platform Dock	--	1.1	1	0.6
Space					
AEHF	AEHF Satellite	--	0.6	--	0.6
EELV	EELV Launch Vehicle	4	1.6	5	1.5
GPS	Global Positioning System	1	1.0	1	0.9
SBIRS	SBIRS Satellite	--	0.8	--	0.8

Terminations and Restructures

Navy Joint Standoff Weapon (JSOW) Air-To-Surface Glide Weapon Program Termination. The Department has determined that there are sufficient JSOW C (fixed target) and JSOW C-1 (maritime moving target) weapons in inventory, and that other weapons will provide a much more formidable capability in future near-peer surface warfare engagements. The JSOW is an

air-to-surface glide weapon with a standoff capability. The JSOW C-1 is the only variant in production; it has been limited to Minimum Sustaining Rates since FY 2013.

AEROSPACE INNOVATION INITIATIVE

The Aerospace Innovation Initiative (AII) is intended to reduce lead time and technological risk for the next generation tactical air (TACAIR) capability by advancing key enabling technologies for future systems operation in denied and contested environments. The AII will ultimately transition knowledge and maturing technologies to the Services and the industrial base.

SPACE AND SPACE-BASED SYSTEMS

The FY 2016 President's Budget request includes $7.1 billion for the DoD Space Investment Programs. For FY 2016, the Department modified the space program portfolio based on the recently completed Space Strategic Portfolio Review (SSPR), which recommended strategy goals and capabilities to implement an Assured Space Strategy.

The Air Force increased investment in Space Situation Awareness and Space Control capabilities in the FY 2016 budget, based on the findings and recommendations of the SSPR. These enhancements include funding to accelerate delivery of the Space Based Space Surveillance (SBSS) Follow-On, upgrade and procure the full requirement of operational Counter Communication Systems, enable one-way net-centric data to the Joint Space Operations Center (JSpOC), accelerate delivery of the JSpOC Mission System (JMS) Increment 3, deliver enhanced information to enable rapid visualization/targeting, and other classified efforts.

The Air Force is adjusting the Global Positioning System (GPS) III space vehicle procurement profile to position the program for a potential competition to procure more vehicles than those currently on contract. The budget also adjusts funding within the GPS enterprise to account for updated cost estimates on the Next Generation Operational Control System (OCX) and Military GPS User Equipment (MGUE).

The Air Force continues to explore an alternative architecture for Satellite Communications (SATCOM) and Overhead Persistent Infrared (OPIR). The FY 2016 request also sustains the existing SATCOM and OPIR systems through the transition, maintaining the Advanced Extremely High Frequency (AEHF) capability with vehicles 5/6 through 2027, and the Space-Based Infrared System (SBIRS) geosynchronous orbit (GEO) capability with vehicles 5/6 through 2025.

The Air Force commenced development of the Weather System Follow-On (WSF) in FY 2015 to begin the transition from the Defense Meteorological Satellite Program (DMSP) while preparing to launch and initialize the last DMSP space vehicle (Flight 20). The WSF will take a disaggregated system-of-systems approach to meet specific DoD needs while leveraging near-term civilian and international partnerships.

The Evolved Expendable Launch Vehicle (EELV) program has been aligned with satellite launch schedules in FY 2016 while aggressively pursuing competition. In addition, the Air Force is taking steps to promote the development of two commercially-viable, domestically-sourced space launch service providers with the objective of eliminating reliance on a foreign-made liquid rocket engine.

The budget also includes a new account for Air Force major space procurement programs. The Department's appropriations are specific to a particular domain or function, but there has been no DoD appropriation for space. This new appropriation is limited to major Air Force space procurement programs. Further, a new appropriation presents an opportunity to more closely

match the obligation schedules of major space procurement programs. Since space systems are highly complex and can take a decade to design and build, the Budget requests 5-year availability for the Space Procurement, Air Force account.

MISSILE DEFENSE PROGRAMS

The FY 2016 President's Budget funds the development and deployment of robust ballistic missile defense (BMD) capabilities to support the Administration's priorities: protecting the U.S. homeland, deployed forces, allies, and partners. The budget includes $9.6 billion for missile defense, including $8.1 billion for the Missile Defense Agency.

For homeland defense, the budget request maintains the commitment to increase the number of deployed Ground-Based Interceptors (GBI) to 44 by FY 2017; continue development of the Redesigned Exo-atmospheric Kill Vehicle (REKV); and proceed with the development of the Long-Range Discrimination Radar (LRDR). When combined with the planned GBI reliability and system engineering improvements, these improvements will enable the homeland missile defense system to deal effectively with the maturing Intercontinental Ballistic Missile (ICBM) threat from North Korea and a potential ICBM threat from Iran.

The FY 2016 President's Budget also reflects the Department's commitment to building the regional missile defense forces that are interoperable systems deployed by international partners.

The Department continues to support the European Phased Adaptive Approach (EPAA), which is designed to protect U.S. deployed forces and allies in Europe from ballistic missile attacks from the Middle East. The budget request supports the implementation of Phase 3 of the EPAA, to include the deployment of Aegis Ashore to Poland in the FY 2018 timeframe. The Aegis Ashore will be capable of launching Standard Missile-3 (SM-3) Blocks IA, IB, and IIA (delivery in 2018) variants.

The FY 2016 President's Budget request:

- Provides additional funding for key capabilities to meet the maturing threat from North Korean ICBMs and the potential threat from Iranian ICBMs, including GBI reliability and system engineering enhancements, GBI modifications to address the root causes of recent flight test failures, and operation of the Sea-Based X-band radar.
- Provides funding for advanced technologies to meet the future threat, including discrimination improvements, directed energy research, and multiple kill technologies.
- Provides funding for Terminal High Altitude Area Defense (THAAD) Extended Range concept development; and procures 30 THAAD interceptors in FY 2016.
- Procures 80 new Missile Segment Enhancement (MSE) missiles. The MSE is a significant evolutionary improvement over the Patriot Advanced Capability-3 (PAC-3) missile, and provides greater agility and lethality.
- Continues U.S. contributions to the Iron Dome system to defeat short-range missiles and rockets. Continues support for the Arrow Weapon System and the David's Sling Weapon System.
- Continues conversion of Aegis ships to provide BMD capability and procures 40 SM-3 Block IB missiles to be deployed on Aegis BMD ships and at the Romania Aegis Ashore site.

CYBERSPACE OPERATIONS

This year's budget continues to fully support funds to increase defensive and offensive cyberspace operations capabilities and to develop the Cyber Mission Forces initiated in FY 2013.

The unique attributes of cyberspace operations require trained and ready cyberspace forces to detect, deter, and, if directed, respond to threats in cyberspace. Securing and defending cyberspace requires close collaboration among Federal, state, and local governments; private sector partners; and allies and partners abroad. This year's budget continues the training and implementation of Cyber Mission Force teams to execute the cyber missions: National Mission Forces to focus on specific threat actors and prepare to counter cyber-attacks on the United States in the event of a cyber attack of significant consequence; Combat Mission Forces to support combatant commanders as they plan and execute full-spectrum military missions; and Cyber Protection Forces to secure, operate, and defend the Department's networks and support military operations worldwide.

The FY 2016 President's Budget also:

- Continues to support the construction of the Joint Operations Center for U.S. Cyber Command (USCYBERCOM) at Fort Meade, Maryland. Occupancy is scheduled for FY 2018.
- Continues to support cyberspace operational Science and Technology programs and other research and technology projects to develop the tools required by the cyber workforce to accomplish their mission.
- Continues to support defensive cyberspace operations providing information assurance and cyber security to the Department's networks at all levels.
- Reorganizes and augments personnel within the Combatant Commands to support the integration and coordination of cyberspace operations.
- Supports ongoing investments in the Department's larger Information Technology budget to consolidate and standardize the Department's networks and implement the Joint Information Environment (JIE).

SCIENCE & TECHNOLOGY

The Department's FY 2016 Science and Technology (S&T) Program mission is to invest in and develop capabilities that advance the technical superiority of the U.S. military to counter new and emerging threats.

The FY 2016 President's Budget Request for S&T is $12.3 billion, which is 2.3 percent of the Department's ($534.3 billion) base budget. The FY 2016 request is slightly more than the FY 2015 enacted amount of $12.2 billion for continued S&T focus on the rebalance of forces from Iraq and Afghanistan to the Asia Pacific region (Anti-access/Area-denial), and to implement a new Defense Innovation Initiative (DII) that will help to identify investments in innovations to sustain and advance DoD's military dominance for the 21st century.

The FY 2016 President's budget S&T highlights include:

- Maintaining a robust Basic Research program of $2.1 billion.
- Modestly increasing to $3.0 billion to the Defense Advanced Research Projects Agency budget (from the FY 2015 enacted appropriation of $2.9 billion) to develop technologies for revolutionary, high-payoff military capabilities.

- Providing $137.0 million for the President's National Advanced Manufacturing Initiative at six centers to support the President's National Network for Manufacturing Innovation plan and the National Economic Council's manufacturing goals.

Overall S&T funding for the Army, Navy and Air Force are each approximately $2.2 billion.

Figure 5-3. Science & Technology Program
Base budget $ in billions

Program	FY 2015 Request	FY 2015 Enacted	FY 2016 Request	FY15 Enacted – FY16 Change
Basic Research (6.1)	2.0	2.3	2.1	-0.2
Applied Research (6.2)	4.5	4.6	4.7	0.1
Adv Tech Dev (6.3)	5.0	5.3	5.5	0.2
Total S&T	**11.5**	**12.2**	**12.3**	**0.1**

DEFENSE ACQUISITION WORKFORCE SUSTAINMENT

The FY 2016 budget request of $84.1 million for the Defense Acquisition Workforce Development Fund (DAWDF) supports the strategic objectives and continuous improvement of the defense acquisition workforce. The DAWDF will fund targeted hiring for mission critical needs, acquisition workforce professionalization, training, development, qualifications, and currency. Funded initiatives support the intent of the Defense Acquisition Workforce Improvement Act (DAWIA), the purpose of the Title 10, United States Code (U.S.C.), section 1705, fulfilling strategic workforce planning requirements of Title 10, U.S.C., section 115b, qualification and career path requirements of Title 10, U.S.C., section 1723, and the Better Buying Power objectives of strengthening organic workforce technical capability, increasing professionalism, and achieving greater efficiency and productivity in Defense spending. Continuous improvement and updating the skills of the acquisition workforce throughout the career life cycle is critical to achieving increased buying power while modernizing and resetting the military force, improving acquisition outcomes, and ensuring technological superiority.

RESERVE COMPONENTS

The FY 2016 budget request supports the requirements for the Reserve Components (RC) (National Guard and Reserve) to meet the defense strategy (Figure 5-4). The FY 2016 submission focuses on improving the total force readiness levels, while supporting the transition to a smaller military that is more agile and technologically superior. The RC Selected Reserve (38 percent of the total force) plays an essential, efficient, and cost-effective role in meeting the Nation's strategic defense goals (Figure 5-4). The Services organize, train, equip, resource, and employ the RC to support mission requirements utilizing the same standards as the Active Components via a

Figure 5-4. Reserve Component Funding*
($ in Billions)

Program (Base Budget)	FY 2015 Enacted	FY 2016 Request
Army Reserve	8.2	8.4
Navy Reserve	3.2	3.4
Marine Corps Reserve	1.1	1.1
Air Force Reserve	5.2	5.1
Army National Guard	17.0	17.8
Air National Guard	10.3	10.9
Subtotal Reserve	17.7	18.0
Subtotal National Guard	27.3	28.7
Total	**45.0**	**46.7**

Numbers may not add due to rounding

* Includes base budget Military Personnel, Operation & Maintenance, Military Construction appropriation levels, and estimated Procurement funding excluding National Guard and Reserve Equipment Appropriation (NGREA) funding

"Total Force" perspective. The FY 2016 budget focuses on improving readiness by providing trained, ready, and cost-effective forces that can be employed on a periodic operational basis, while also ensuring strategic surge capabilities for large-scale contingencies or other unanticipated national crises. The FY 2016 funding levels achieve an appropriate balance between the Active and Reserve Components to rebalance the Joint Force for the 21st Century. These resourcing levels required the Department to impose hard choices and implement adjustments in current personnel end strength, force, and investment plans to balance capability, capacity, and readiness within the Joint Force. As a result, the RC will maintain a high level of readiness and achieve proper balance and integration with the Active force. The Department recognizes the importance of effectively utilizing the RC's capabilities to augment the Active Component by enhancing the agility and maximizing the capability of the force. Continued operational integration of the RC into steady-state, routine operations using non-emergency funding offers an opportunity for the RC to sustain and build critical capabilities alongside the Active force. Access authorities have been set in place to facilitate this concept. The RC as provided in the budget is both a strategic and operational asset that:

Figure 5-5. Reserve Component End Strength
(End Strength in Thousands)

Selected Reserve	FY 2015 Enacted	FY 2016 Request
Army Reserve	198.0	198.0
Navy Reserve	57.3	57.4
Marine Corps Reserve	39.2	38.9
Air Force Reserve	67.1	69.2
Army National Guard	350.2	342.0
Air National Guard	105.0	105.5
Total	**816.8**	**811.0**

Numbers may not add due to rounding

- Efficiently maximizes critical capabilities and capacities for meeting national defense strategy;
- Mitigates strategic risk at less cost than a large standing full-time force, while also reducing operational risk;
- Provides cost-effective returns on significant DoD investment and the ability to retain that investment;
- Allows the RC to be part of the operational force as required in peacetime; the RC is part of the Service's force generation models and provides available forces as part of the FY 2016 Global Force Management Allocation Plan; and
- Integrates more closely with, and reduces stress on the Total Force.

During the last decade, RC units and individuals have successfully performed across the full spectrum of military operations, and added significant strategic and operational value to the All-Volunteer Force. Continuing to operationally employ the RC in a non-contingency environment will efficiently maximize capabilities providing an available, trained, and equipped RC force for day-to-day operational utilization, homeland, and Defense Support to Civil Authorities operations – as well as providing traditional strategic surge capacity in the RC for unanticipated events. Total Force capability is significantly enhanced by using the RC in both an operational and strategic capacity. Preventing and deterring conflict will necessitate the continued use of all elements of the Total Force.

The DoD's Ready Reserve totaling about 1.1 million members costs 9 percent of the total base budget. In FY 2016, the Ready Reserve consists of:

- 811,000 Selected Reserve
- 268,896 Individual Ready Reserve
- 2,270 Inactive National Guard

Since the September 11th terrorist attacks, over 900,000 Guard and Reserve members have been mobilized and served on active duty in support of Operations NOBLE EAGLE, ENDURING FREEDOM, IRAQI FREEDOM, and NEW DAWN, and over 900 have been killed in action. Domestically, over 50,000 National Guard responded to Hurricane Katrina. Over 7,000 Guard and Reserve responded to Hurricane Sandy, and the Guard has provided 9 years of presence on the Southwest Border.

In addition to contingency operations, Congress provided enhanced access authorities to order selected reserve component Service members to active duty for any preplanned operation (Title 10, United States Code (U.S.C.), section 12304b) or reserve forces for domestic emergencies (Title 10, U.S.C., section 12304a). These authorities further enable the Services to utilize the RC in more of a day-to-day operational role, including building partners' capacity, and fully utilizing capabilities provided by the RC across a broad range of requirements. Day-to-day operations include the majority of Homeland Defense air patrols, ground missile defense in Alaska, National Capital Region air defense, and support to Theater Security Cooperation missions.

As the Services refine their force generation and rotational employment models, RC units can expect to receive notification of pre-planned missions up to two years in advance. However, as demonstrated in Operation UNITED ASSISTANCE by the Kentucky National Guard, RC units can respond within hours and days to contingency operations. Innovative Force generation models have streamlined mobilization, pre-deployment training, and post deployment processes to better prepare RC units and Service members; as well as support their families and employers' needs.

The FY 2016 budget supports preparation of RC units and individuals to participate in pre-planned missions, across the full spectrum of military operations, in a cyclic or periodic manner. This provides predictability for the combatant commands, the Services, service members, their families and civilian employers, while increasing DoD's capacity and ability to expand and contract forces. Lessons learned from operational use of the RC have been immense and operational integration of the RC over the last 13 years of persistent combat has enhanced our operational capability and sustainability.

Equipping and Basing Operational Reserve Forces

The FY 2016 budget requests $3.1 billion for RC equipment procurement funded by the Military Services as a subset of their procurement budget. The RC and their assigned units will have access to modern equipment to train at home station, for contingency/crisis response, and to react to domestic consequence management requirements. Access to modern equipment will facilitate operational use in non-contingency missions. Fielding and support of Critical Dual Use equipment (those items that are essential for both domestic and warfighting missions) will ensure the nation's RCs can always answer the call.

The FY 2016 RC budget includes $551 million for military construction to meet both current and new mission requirements for RC operations, readiness, and training facilities. The budget also

funds sustainment, which is essential to maintaining facilities at a level that supports readiness and preserves the substantial investment the country has made in infrastructure.

Family Support of the Guard and Reserve

The FY 2016 budget supports Family and Employer Support Programs that enhance the readiness of the Reserve Components. The Yellow Ribbon Reintegration Program, Employer Support of the Guard and Reserve, and Employment Initiative programs provide outreach, services, and career readiness assistance for RC service members and their families. These efforts remain essential support and readiness multipliers for the RC members, their families and employers; funding at about $27 million is adequate to support the ongoing programs.

Homeland Defense and Civil Support

The RC plays a key role in Homeland Defense. The FY 2016 base budget continues requisite support for the National Guard and Reserve's critical role in responding to potential disasters, from terrorist attacks to domestic emergencies – demonstrating that civil authorities continue to rely upon the Department of Defense for support in times of crisis. Local and community-oriented National Guard and Reserve units in every state, territory, and the District of Columbia are well positioned to make a substantive contribution to Homeland Defense and Civil Support missions. The most recent example of Reserve Component response to Defense Support to Civil Authorities request for Title 10 capabilities under the new section 12304(a) authority was exercised during Hurricane Sandy response to meet a Mission Assignment (MA) to provide unique capabilities (dewatering operations).

The Department continues to work with the Department of Homeland Security and other Federal agencies, state governors, and others to define specific military requirements. The budget request funds the Air National Guard Continental U.S. Aerospace Control Alert missions (formerly known as Air Sovereignty), the Civil Support Teams, the Chemical, Biological, Radiological and Nuclear Enhanced Response Forces, and the Homeland Response Forces.

Civil Military Programs

The FY 2016 budget request includes about $160 million for DoD's Civil Military Programs (CMP) to support National Guard Youth Challenge Program and the Individual Readiness Training Program (IRT). Collectively, CMP helps address the Nation's concerns related to the Nation's high school dropout rate, and provides training to improve military skills through engineering and construction support and basic medical support to underserved communities.

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6. PROVIDE FOR THE PEOPLE

Key Initiatives

- Military Compensation
- Military Compensation and Retirement Modernization Commission
- Managing the Military Health System
- Strengthening Military Families
- Supporting DoD Civilians

Government Personnel – Military and Civilian, Active, Reserve, and National Guard – are the foundation of the Department of Defense and constitute its premier asset. As such, they must have the full support of the Nation and the Department to ensure they successfully accomplish their arduous mission of defending the United States of America 24/7.

The Department's commitment to a generous compensation package for those individuals willing to serve their country voluntarily is evidenced in an examination of the annual budget request and demonstrated by the number of initiatives and programs to support their professional development and their personal and family lives.

So given the significant increase in the Department's FY 2016 budget, why are compensation changes still being pursued?

Comprising nearly half of the DoD budget, personnel costs are, and will likely always be, the single largest expense category for the Department. Therefore, the Department must be vigilant that these costs do not grow such that they prevent achieving the Department's strategic goals. Specifically, the Department cannot allow its personnel costs to crowd out investments in the readiness and modernization portions of the budget, which are essential to providing the needed training and equipment for its warriors to carry into combat and accomplish the incredible array of missions undertaken around the globe every day. Balancing resources is particularly important as the Department reshapes the force needed to remain effective in an uncertain future. Providing a robust pay and benefits package is essential and must be sustained to execute the Nation's Defense Strategy. Nevertheless, although adequate compensation is a vital component of readiness and military quality-of-life, it must remain in balance with readiness, capacity, and capabilities needed.

Figure 6-1 displays a summary of the Department's base budget pay and benefit costs since the War on Terror began, as illustrated by FY 2001, FY 2012 through FY 2014 actual costs, and the planned modest growth in FY 2015 and FY 2016. Military pay and benefit costs increased from $99.5 billion in FY 2001 to $183.8 billion in FY 2012 (an 85 percent increase), remaining roughly one-third (34.6 percent) of the total budget due to a similar increase in the Department's base budget authority. However, Figure 6-1 also demonstrates that the average cost per capita of military personnel increased significantly during this period. This is evident in the size (end strength) and composition of the force funded.

The FY 2013 through FY 2015 columns clearly reflect the impacts of the Budget Control Act (BCA) of 2011 and the Bipartisan Budget Act (BBA) of 2013. The nearly $9 billion decrease in FY 2013 base budget military pay and benefit costs includes the shift from base to Overseas Contingency Operations (OCO) funding of non-enduring Army and Marine Corps end strength grown to support wars in Iraq and Afghanistan; it also reflects the slowing of medical growth trends experienced across the Nation in recent years and program delays and one-time reductions taken to meet sequestration funding levels. However, even with these reductions, base budget military pay and benefit costs actually increased as a percentage of the defense budget (34.6 percent to 35.3 percent) due to the size of the overall reduction to the Department's base budget authority.

Military pay and benefit costs in FY 2014 through FY 2016 reflect modest growth achieved through a combination of force structure reductions consistent with the Quadrennial Defense

Review strategy, the continuation of historically low medical inflation trends, numerous efficiencies, and policy changes. These efforts have created a trajectory of growth that puts compensation on a more sustainable path. This started in previous budgets and is continued with the proposals included in the FY 2016 President's budget request, in which military pay and benefit costs decrease to 33.5 percent of the overall DoD budget authority.

The planned increases in the FY 2016 budget are predicated on a responsible alternative to the current budgetary caps in law (BCA/BBA), and are targeted at the training, maintenance, and support needed to restore readiness after 13 years of war and for the investment in recapitalization and modernization needed to ensure DoD's continued technological edge. If an agreement to adjust the budgetary caps is not reached and sequestration-level funding continues, pay and benefit costs will immediately consume a larger portion of the budget as it takes substantial time to appropriately adjust force structure and/or pay and benefit levels.

Figure 6-1. Pay & Benefit Costs [1]

(Dollars in Billions)

Military Pay & Benefit Costs	FY 2001 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Military Personnel Appropriations [2]	77.3	130.8	126.4	128.7	128.0	130.5
Medicare-Eligible Retiree Health Care Accruals	0.0	10.7	8.0	7.3	7.0	6.2
Defense Health Program [3]	13.7	32.3	30.6	33.2	32.5	32.9
DoD Education Activity [4]	1.5	3.3	3.2	3.6	3.0	3.1
Family Housing	3.7	1.7	1.5	1.4	1.1	1.4
Commissary Subsidy	1.0	1.4	1.4	1.3	1.3	1.2
Other Benefit Programs [5]	2.4	3.7	4.0	3.5	3.5	3.5
Military Pay & Benefit Costs	**99.5**	**183.8**	**175.0**	**179.0**	**176.3**	**178.9.**
Civilian Pay & Benefits Costs [6]	**39.8**	**69.6**	**68.4**	**68.4**	**70.4**	**71.0**
Total Pay & Benefits Costs	**139.3**	**253.4**	**243.5**	**247.2**	**246.5**	**249.8**
DoD Base Budget Authority (BA)	287.4	530.4	495.5	496.3	496.1	534.3
Mil. Pay & Benefits as % of BA	**34.6%**	**34.6%**	**35.3%**	**36.1%**	**35.5%**	**33.5%**
Total Pay & Benefits as % of BA	**48.5%**	**47.8%**	**49.1%**	**49.8%**	**49.7%**	**46.8%**
End Strength - Active Component [7]	**1,385,116**	**1,399,622**	**1,329,745**	**1,314,016**	**1,309,280**	**1,305,200**
End Strength - Reserve Component [7]	**868,534**	**840,320**	**834,651**	**824,378**	**816,800**	**811,000**
Civilian FTEs [8]	**687,305**	**800,052**	**772,741**	**755,692**	**776,841**	**772,672**

[1] Base Budget only -- excludes OCO funding. *Numbers may not add due to rounding*

[2] Includes pay & allowances, PCS move costs, retired pay accruals, unemployment compensation, etc.

[3] DHP funding includes O&M, RDT&E, and Procurement. It also includes construction costs funded in Military Construction, Defense-Wide.

[4] DoDEA funding includes all O&M, Procurement, & Military Construction costs.

[5] Includes Child Care & Youth Programs, Warfighter & Family Programs, MWR, Tuition Assistance and other voluntary education programs.

[6] Civilian Pay & Benefits amounts exclude costs in funded in the DHP, DoDEA, Family Housing and Commissary Subsidy programs.

[7] Total number of active and reserve component military personnel funded in the Base Budget as of September 30.

[8] Total Civilian FTEs Direct/Reimbursable and Foreign Hires

MILITARY COMPENSATION – BACKGROUND

The Department believes providing competitive pay and benefits is a necessity to attract and retain the highly qualified people needed in today's military. Additionally, it is generally viewed by the public as a national obligation to the small percentage of the population who choose to serve this nation in this capacity. While there is no perfect benchmark or comparison to determine the adequate level of compensation for recruiting and retaining the Force, for more than a decade, the work of the Ninth Quadrennial Review of Military Compensation (9th QRMC) has been the primary measuring stick and justification for many improvements that have occurred in military pay. In the final report, the 9th QRMC asserted that –

> *Military and civilian pay comparability is critical to the success of the All-Volunteer Force. Military pay must be set at a level that takes into account the special demands associated with military life and should be set above average pay in the private sector. Pay at around the 70th percentile of comparably educated civilians has been necessary to enable the military to recruit and retain the quantity and quality of personnel it requires*.

In the late 1990s, even though the trajectory of military compensation was slightly upward, it had sunk to an unsatisfactory level relative to the rest of the working population. The 9th QRMC's analysis noted that in 2000, regular military compensation (RMC) (defined as basic pay, housing and subsistence allowances, and the Federal tax advantage associated with these tax-free allowances) for mid-grade enlisted personnel (E5 – E7s) and mid-grade officers (O4s) only placed in the 50th and 58th percentiles, respectively, compared to similarly educated and experienced workers in the United States. To address this and with the help of the Congress, substantial targeted and overall increases to the basic pay table were enacted, well above the level of growth in private industry wages and salaries as measured by the Employment Cost Index (ECI).

In addition to increasing basic pay, during the same period, the Department also began increasing housing allowance rates to bring them in line with actual rental market housing costs across the country and to reduce members' out-of-pocket housing costs. Prior to this initiative, a military member's housing allowance covered only about 80 percent of their full housing costs, leaving an out-of-pocket cost of up to 20 percent. By 2005, housing allowance rates were increased enough so that the median out-of-pocket "off-base" housing cost was completely eliminated for members by pay grade, location, and dependency status. As a further quality-of-life initiative, the Military Services also entered into numerous public-private ventures (PPVs) designed to eliminate inadequate government housing by leveraging private sector financing, expertise, and innovation to provide necessary housing faster and more efficiently than traditional Military Construction processes would allow. The PPV process significantly increased the Department's Basic Allowance for Housing (BAH) program costs due to an increased number of military personnel receiving a housing allowance but it quickly enhanced the quality-of-life for members and their families through revitalized family housing in many military locations.

By the late 2000's, the increased trajectory of compensation designed to close the gap with the private sector had overshot the mark – understandably so during a decade of war. By 2009 and as a direct result of these improvements, the 11th QRMC reported in June 2012 that average officer and enlisted RMC had climbed to the 83rd and 90th percentile of comparable civilian pay, respectively. It should be noted that while RMC is the foundation, it is by no means the totality of military pay and benefits available to members, a summary of which is provided in Figure 6-2.

Figure 6-2. Military Pay and Benefits Summary

- The foundation of military pay is Regular Military Compensation (RMC). Every member receives the following pay or in-kind entitlement:
  - Basic Pay
  - Basic Allowance for Housing (BAH) with the advantage of being tax-free.
  - Basic Allowance for Subsistence (BAS) with the advantage of being tax-free.
- Members may also receive a series of other allowances to offset the costs they incur because of official travel and relocation, family separation, uniform replacement, and the greater than normal living expenses associated with assignments to high-cost locations.
- Every member receives:
  - 30-days paid vacation annually;
  - Free health, dental, and vision care; and automatic survivor coverage in event of death on active duty. For members on active duty, free health care is also available for their dependents.
- Members who qualify, may receive in addition to the above universal benefits, additional compensation in the form of Special and Incentive (S&I) pays, which are used to target specific occupations, specialties, and segments of the force to:
  - Attract and retain members in certain occupations or specific skills (e.g., enlistment and reenlistment bonuses, critical skills retention bonuses, medical special pays)
  - Motivate attainment of specific skills (e.g., language proficiency pay, dive pay)
  - Recognize hardships, danger, or arduous duty (e.g., hardship duty pay, parachute duty pay, imminent danger pay, firefighting crew member pay)
  - Incentivize hard to fill assignments or those of special responsibility (e.g., assignment incentive pay, special duty assignment pay).
- Members, as well as their dependents, are offered many other non-monetary benefits such as:
  - Subsidized child care
  - Subsidized life insurance
  - Education and tuition assistance
  - Child, youth, and family support programs
  - Discounted retail shopping (Commissary and Exchange)
  - Spiritual health and support
  - Access to a wide range of welfare and recreation offerings (e.g., club, golf, pool, other sports and recreation facilities, commercial discount tickets, internet cafes)
- Members who qualify receive a retirement:
  - Lifetime defined benefit after 20 years of service
  - Lifetime defined benefit upon occurrence of significant disability
  - Most of the same non-monetary benefits as while serving
  - Subsidized health care for self and family
  - Subsidized survivor protection

MILITARY COMPENSATION CHANGES – RECENT SUCCESSES

Against this backdrop of a healthy and competitive military compensation package, the Department has done a significant amount of work to explore how we can slow the rate of growth in military pay, benefit costs, and individual compensation incentives in a way that is both responsible and fair. The Department has submitted numerous proposals in recent years to do just that, and some portions of which have been accepted and acted upon by the Congress. Authorized adjustments include --

- **FY 2012**
  - Allowed a modest increase in TRICARE Prime enrollment fees ($5 per month per retiree family plan) and indexed the fees to the annual retiree cost-of-living (COLA) increase
  - Required retirees in the Uniformed Services Family Health Plans (USFHP) to transition to the TRICARE-for-Life (TFL) plan upon becoming Medicare-eligible like all other military retirees

- **FY 2013**
  - Permitted some increases in pharmacy co-pays structured to provide incentives to use generic drugs and the lower cost mail order program over retail pharmacies
- **FY 2014**
  - Accepted an alternative basic pay raise of 1.0 percent vice the 1.8 percent increase equal to the Employment Cost Index (ECI)
- **FY 2015**
  - Again accepted an alternative basic pay raise of 1.0 percent vice the 1.8 percent increase equal to the ECI
  - Approved General Officer/Flag Officer (GO/FO) pay freeze for FY 2015
  - Authorized the monthly Basic Allowance for Housing (BAH) rates to be set at 99 percent (vs. 100 percent) of the median rental housing costs
  - Allowed a $3 increase to retail and mail order pharmacy co-pays and required refills for maintenance drug prescriptions (e.g., cholesterol, blood pressure) to be filled through lower cost mail order or Military Treatment Facility (MTF) pharmacies

The Department has also taken other actions to improve efficiencies and to reduce the overall costs for health care. For instance, with the support of Congress, the Department championed changes in law (known as Federal Ceiling Price (FCP)) that required pharmaceutical manufacturers to provide discounts for drugs for TRICARE beneficiaries through retail network pharmacies. As a result, the FCP discounts for drugs are at least 24 percent less than the average manufacturer's price for its non-Federal customers. To further reduce costs, the Department also changed the way it buys medical products by leveraging the bulk buying power of the military health system (MHS). Additional examples are provided in the *Managing the Military Health System* section of this chapter.

These have been important steps in controlling costs. However, given the long-term fiscal realities faced within defense budget funding levels, the Department must continue to explore proposals that promote slower growth in pay and benefits costs.

MILITARY COMPENSATION PROPOSALS – GOING FORWARD

The Department made hard decisions in the FY 2015 President's Budget submission to slow the growth of military pay and compensation. They were and remain necessary initiatives.

The FY 2015 pay and compensation proposals were intended to slow the growth of basic pay and housing allowances, reduce commissary subsidies, and modernize the military health care system to rebalance the Department's resources within a declining topline. Congress supported a number of individual pieces of the FY 2015 initiatives, but the authorized changes allow only roughly 25 percent of the savings to be realized over the next 5 years.

As the Department prepared to submit the FY 2016 President's Budget, neither the defense strategy, articulated in 2012 Defense Strategic Guidance and informed by the 2014 Quadrennial Defense Review (QDR), nor the fiscal environment changed. Therefore, the Department is submitting the majority of the FY 2015 proposals again in FY 2016. Modifications have been made based on feedback from various internal and external organizations and groups to improve/refine the proposals.

To be clear, no new pay or compensation initiatives have been added. To support resubmission of the proposals, the Department has revalidated the assumptions and potential savings, and found them to be consistent with the Department's resourcing strategy. The FY 2016

President's budget resubmits largely the same compensation package as FY 2015 with some modifications as outlined in this chapter.

Figure 6-3 displays the estimated savings from the military compensation proposals included in the FY 2016 President's Budget. These proposals decrease military pay and benefit costs by $1.7 billion in FY 2016 and over $18 billion through FY 2020. Outyear basic pay raise planning factors assume that modest pay raises, likely below future Employment Cost Index (ECI) increases, will continue through FY 2020 -- maintaining a slow, steady growth in pay but creating additional risk in future budgets if higher pay raises are ultimately approved.

Figure 6-3. FY 2016 PB Military Compensation Proposals [1]
(Dollars in billions)

Proposal	FY 2016 Savings	FY16 – FY20 Savings
FY 2016 Pay Raise of 1.3% (vice 2.3%)	0.7	4.3
Slow BAH Growth	0.4	3.9
Reduce Commissary Subsidy	0.3	4.4
Consolidated TRICARE Health Plan	-0.1	3.1
Pharmacy Co-Pay Adjustments	0.3	2.0
TRICARE-for-Life Enrollment Fee	0.1	0.4
Total Military Compensation Proposal Savings	**1.7**	**18.2**
FY17 - FY20 Pay Raises - Additional Risk [1]	--	7.2
Total Savings/Risk	**1.7**	**25.4**

Numbers may not add due to rounding

[1] *Assumes FY17 – FY 20 basic pay raises of 1.3%/1.5%/1.5%/1.8% versus an annual ECI increase of 2.3% each year*

- **Basic Pay Raises**
  - The FY 2016 President's budget proposes a 1.3 percent increase in military basic pay. This is less than the 2.3 percent increase under the formula in current law, which calls for a military pay raise to equal the annual increase in the wages and salaries of private industry employees as measured by the ECI. The FY 2016 proposed increased is 0.3 percent above the FY 2015 military pay increase of 1.0 percent.
  - In addition, outyear pay raise planning factors currently assume limited pay raises will continue through FY 2020, with increases of 1.3 percent in FY 2017, 1.5 percent in FY 2018 and FY 2019, and 1.8 percent in FY 2020. Because Congress sets the military pay raise 1 year at a time, the outyear pay raise assumptions are notional planning factors that the Department believes are necessary to live within current budgetary environment while maintaining a balanced force fully capable of executing its national security missions.
- **Slow BAH Growth to Achieve a 5 percent out-of-Pocket Cost** – Building on the 1 percent out-of-pocket adjustment authorized in the FY 2015 National Defense Authorization Act, the FY 2016 proposal gradually slows the annual BAH increases by an additional 4 percent over the next 2 to 3 years until rates cover 95 percent of housing rental and utilities costs. Overall, this change results in an out-of-pocket cost of 5 percent on average, which is far less than the 20 percent out-of-pocket experienced in the 1990s.
  - In areas where average rates increase, DoD will slow the growth of that increase until the 5 percent target is reached. The actual percentage will vary by area, because it would be unfair to those who live in high rental cost areas to make this change on a strict percentage basis. Rather, service members in the same pay grade but living in different areas should see the same dollar amount of out-of-pocket cost. This is done so the individual member will know the amount they will contribute toward housing and can make informed trades in their own budgets.
  - The rate protection feature will also remain in effect. In other words, no one who is currently living in a particular area will see their BAH decrease. If the survey data in an

area indicates that the BAH rate should decrease, *only* members moving into the area will receive the lower rate, consistent with the current rules.

- The Department expects that the out-of-pocket target of 5 percent will take several years to achieve because the Department is just slowing the growth of future increases.

- **Reduce Commissary Subsidy** – The Defense Commissary Agency (DeCA) operates 241 stores around the world, including 178 domestic locations, providing groceries at cost plus a 5 percent surcharge to service members and retirees. The surcharge generally covers the cost of commissary facility sustainment, modernization, and store equipment. The Department subsidizes DeCA's operations with appropriated funds to pay overhead and employee wage expenses. The FY 2014 subsidy was $1.4 billion.
  - The FY 2016 DeCA budget request reflects a reduction to the operating cost subsidy.
    - Two modifications have been made to the FY 2015 proposal: (1) The subsidy reduction profile has been re-scoped to create added flexibility in FY 2016, and (2) FY 2016 savings will not be predicated on price increases with the exception of the minimal effect associated with including second destination transportation as a factor in the cost computation.
    - The FY 2016 budget proposes subsidy savings that will largely come from efficiencies and operating changes that do not require legislative changes. The most visible impact to Commissary patrons will be a reduction in operating days and hours with most stores remaining open 5 or more days a week.
    - The FY 2016 budget also proposes additional savings that will require legislative changes to enable second destination transportation charges to be included in the cost of goods and to allow the cost of supplies and materials to be funded through the current 5 percent surcharge revenues rather than the operating cost subsidy.
  - The Department is committed to further reducing the subsidy provided to the commissaries in subsequent years by seeking legislative changes to allow the Department the flexibility to operate the commissary system more like a business. These legislative changes will include initiatives to expand the types of goods that can be bought and sold by the commissaries and allow the variable pricing of goods. This will allow goods to be priced above cost to increase revenues on certain items, while providing more savings to a market basket of goods that affect junior members with families the most. While these legislative changes will be requested in the FY 2016 legislative package, they are not intended to go into effect until FY 2017.

- **Consolidated TRICARE Health Plan**
  - Proposal will streamline the current TRICARE managed care and fee-for-service options (Prime, Standard, and Extra) into a simplified structure of Military Treatment Facility (MTF), in-network and out-of-network cost sharing that provides incentives for wellness, decreases overutilization of services, and provides beneficiaries with open access to providers. Through modestly higher deductibles and co-pays, this simplified structure is designed to encourage members to use more affordable means of care.
  - ***Active duty members will remain exempt from co-pays or fees.***
  - ***One modification made to the FY 2015 proposal was to ensure that active duty family members have a "no cost" option for care no matter of their location or availability/access to an MTF.*** Under the previous proposal, Active Duty Family Members (ADFM) unable to use an MTF would have been required to pay network co-

pays and deductibles for care. This would apply to situations where there was a lack of appointment availability or a specific type of care at an MTF, or for those living in remote locations without access to an MTF. The FY 2016 proposal addresses this complaint and provides ADFMs a "no cost" care option in all locations.

- In an effort *to encourage beneficiaries to seek care in the most appropriate setting and improve the overall continuity of care*, the FY 2016 proposal includes fees for ADFMs that misuse emergency department care.
- When fully implemented, the Consolidated TRICARE Health Plan will remain a generous benefits package. By FY 2020, the average retiree family will pay about 10 percent of total health care costs – well below the original 27 percent when the program was established in the mid-1990s.

- **Implement Enrollment Fee for New Tricare-for-Life Beneficiaries and Increase Pharmacy Co-Pays**
  - In conjunction with the Consolidated Plan changes, the Department again seeks to adjust pharmacy co-pay structures and *establish a modest annual enrollment fee for the TRICARE-for-Life* coverage for Medicare-eligible retirees.
  - Additional details of the Consolidated TRICARE Health Plan and other proposed health benefit changes are provided in the *Managing the Military Health System* section of this chapter.

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

The National Defense Authorization Act for Fiscal Year 2013 directed the establishment of a more expansive Military Compensation and Retirement Modernization Commission to review the compensation and retirement systems and make recommendations to modernize the systems to:

- Ensure the long-term viability of the All-Volunteer Force
- Enable the quality-of-life for service members and their families that fosters successful recruitment, retention and military careers
- Modernize and achieve fiscal sustainability for the compensation and retirement systems for the 21st century

Over time, the world and generally accepted compensation practices in the United States have changed, but the military compensation and retirement systems have remained essentially the same. The Department embraces the Commission's goals and believes it is appropriate to conduct a comprehensive review of the military compensation and retirement systems to ensure the right mix of pay and benefits to maintain the All-Volunteer Force. The Commission has been given an extraordinarily important and complex task, especially with regards to military retirement. Now that the Commission has submitted its report to the President and the Congress, the Department looks forward to fully reviewing the Commission's findings and recommendations and giving them serious consideration in providing input to the President.

The Department anticipates working closely and transparently with the Administration over the coming weeks to determine the recommendations, which the President will send to the Congress, to provide for the best possible future force. The service men and women, who choose every day to serve this great Nation and to go in harm's way when necessary, deserve

nothing less than the Department's best effort in ensuring that they will receive a competitive pay and benefits package now and in the future.

The Department believes it is prudent to make further recommendations on key areas of the current military compensation system (other than retirement) in the FY 2016 budget to slow the growth in military pay and benefit costs to balance readiness, capacity, and capabilities needed to execute the national defense strategy as it reshapes the force in an uncertain budget environment. The Department does not anticipate that the FY 2016 budget proposals will conflict with the Commission's report.

MANAGING THE MILITARY HEALTH SYSTEM

The FY 2016 budget includes $47.8 billion for the DoD Unified Medical Budget to support the Military Health System (MHS). The MHS currently has 9.2 million eligible beneficiaries, which includes active military members and their families, military retirees and their families, dependent survivors, and certain eligible Reserve Component members and their families.

In this constrained fiscal environment, growing health care costs will limit the Department's ability to fund readiness and modernization requirements. From a historical perspective, the Department has seen health care costs grow from 4 percent of the Department's base budget in 1990 to nearly 10 percent in 2014. Since the original establishment of TRICARE, Congress has also dramatically limited beneficiary contributions and expanded benefits.

Figure 6-4. Military Health Care Costs[1]
(Dollars in Billions)

Program	FY 2016 Request
Defense Health (DHP)	32.2
Military Personnel [2]	8.6
Military Construction [2]	0.7
Health Care Accrual [3]	6.2
Unified Medical Budget	**47.8**
Treasury Receipts for Current Medicare-Eligible Retirees [4]	*10.0*

Numbers may not add due to rounding

[1] Excludes OCO funds and other transfers. FY 2016 amounts include $70 million additional DHP costs and $386 million Health Care Accrual savings from TRICARE benefit proposals.
[2] Funded in Military Personnel & Construction accounts.
[3] Includes health care accrual contributions into the Medicare-Eligible Retiree Health Care Fund to provide for the future health care costs of personnel currently serving on active duty – and their family members – when they retire.
[4] Transfer receipts in the year of execution to support 2.4 million Medicare-eligible retirees and their family members.

The MHS Quadruple Aim:

The Quadruple Aim forms a strategic construct that drives MHS planning.

- **Readiness:** Ensuring that the total military force is medically ready to deploy and that the medical force is ready to deliver health care anytime, anywhere in support of the full range of military operations, including humanitarian missions.
- **Population Health:** Reducing the causes of poor health, encouraging healthy behaviors, and decreasing the likelihood of illness through focused prevention and the development of increased resilience.
- **Experience of Care:** Providing a care experience that is patient- and family-centered, compassionate, convenient, equitable, safe, and always of the highest quality.

- **Responsibly Managing the Total Cost of Health Care:** Creating value by focusing on quality, eliminating waste, and reducing unwarranted variation; considering the total cost of care over time, not just the cost of an individual health care activity.

The Quadruple Aim drives an integrated continuum of preventive and curative services to eligible beneficiaries and establishes accountability for health outcomes and cost while supporting the Services' warfighter requirements. Key initiatives support the Quadruple Aim:

- Promote more effective and efficient health care operations through enhanced enterprise-wide shared services.
- Deliver more comprehensive primary care and integrated health services using advanced patient-centered medical homes.
- Coordinate care over time and across treatment settings to improve outcomes in the management of chronic illness, particularly for patients with complex medical and social problems.
- Match personnel, infrastructure, and funding to current missions, future missions, and population demand.
- Establish more inter-Service standards and metrics and standardize processes to promote learning and continuous improvement.
- Create enhanced value in military medical markets using an integrated approach specified in 5-year business performance plans.
- Align incentives with health and readiness outcomes to reward value creation.
- Improve population health by addressing health determinants.

Health Care Costs:

Controlling health care costs is a priority for the Department. In recent years, additional emphasis was placed on achieving savings and efficiencies within the operational environment of the MHS. This has been a success story, with roughly $3 billion in savings per year achieved through programs like Federal Ceiling Pricing (a discount drug program), the Outpatient Prospective Payment system (a transition to more favorable Medicare rates for private hospitals), implementation of Patient-Centered Medical Homes, and the Defense Health Agency's Shared Services (reducing redundancy and improving coordination among the Services).

However, these internal savings initiatives are not enough to curb the projected increase in health care costs for the Department in the coming years. Therefore, DoD must pursue reasonable health benefit reform now as part of a balanced approach. Congress permitted small increases in the TRICARE Prime enrollment fees for working age retirees and made some adjustments to retail and mail order pharmacy co-pays in the FY 2012, FY 2013, and FY 2015 budget and legislative cycles. The pharmacy co-pay changes allowed in the National Defense Authorization Act (NDAA) for FY 2015, in particular, are estimated to save $777 million in FY 2016 and $4.3 billion over 5 years. But these changes are not enough to control the overall projected increase in costs in the long-term. For example, when TRICARE was fully implemented in 1996, a working age retiree's family of three who used civilian healthcare contributed on average roughly 27 percent of the total cost of their health care. Today that percentage has dropped to less than 9 percent. While health care costs have doubled or tripled over this time frame, a family's out-of-pocket expenses, including enrollment fees, deductibles and cost shares, have grown by only 30 to 40 percent.

Health Benefit Reform:

The Department has submitted several reform plans since 2005, largely to control health care costs. These plans have generally been met with resistance in Congress and opposition from military and veteran service organizations.

In the FY 2016 President's Budget submission, the DoD seeks to leverage proven utilization management controls by building a shared commitment to health care while offering beneficiaries more flexibility and choice. The Department is proposing streamlining the current TRICARE managed care and fee-for-service options (Prime, Standard, and Extra) into a simplified structure of Military Treatment Facility (MTF), in-network, and out-of-network cost sharing that provides incentives for wellness, decreases overutilization of services and provides beneficiaries with alternatives to managing their care. Through modestly higher deductibles and co-pays, this simplified structure is designed to encourage members to use more affordable means of care. Following are key elements of the consolidated health plan:

- A Simpler System – provides beneficiaries with alternatives to managing their care and less complexity in their health plan.
- No Change for Active Duty – who would maintain priority access to health care without any cost sharing but would still require authorization for civilian care.
- Cost shares – will depend on beneficiary category (excluding active duty) and care venue and are designed to minimize overutilization of costly care venues, such as emergency departments. Cost shares would be the lowest in MTFs, higher in the network, and highest out of network, which will facilitate the effective use of military clinics and hospitals and thereby improve the efficiency of DoD's fixed facility cost structure.
- Participation Fee – for retirees (not medically retired), their families, and survivors of retirees (except survivors of those who died on active duty). They would pay an annual participation fee or forfeit coverage for the plan year.
- Open Season Enrollment – similar to most commercial plans, participants must enroll for a 1-year period of coverage or lose the opportunity.
- Catastrophic Caps – which have not gone up in 10 years would increase slightly but still remain sufficiently low to protect beneficiaries from financial hardship. The participation fee would no longer count towards the cap.
- Medically retired members and their families and survivors of those who died on active duty would be treated the same as Active Duty Family Members with no participation fee and lower cost shares.
- To ensure equity among Active Duty Family Members (ADFMs), the proposal offers all ADFMs a no cost care option regardless of assignment location.
- To encourage beneficiaries to seek care in the most appropriate setting and improve the overall continuity of care, the proposal includes fees for ADFMs who misuse emergency department care and co-pays/cost shares for retirees and their family members.
- Tables 1 – 4 in Figure 6-5 provide additional details on the Consolidated TRICARE Health Plan.

In addition to consolidating TRICARE Prime, Standard, and Extra, the Department proposes to:

- **Increase co-pays for pharmaceuticals** (excludes active duty service members). Although the NDAA for FY 2015 included some adjustments to the TRICARE pharmacy

co-pay structure and initiated a program requiring the use of mail order to refill maintenance medications, the Department believes additional adjustments are needed to fully incentivize the use of mail order and generic drugs. The proposed pharmacy changes in the FY 2016 budget are phased-in over a 9-year period, and prescriptions will continue to be filled at no cost to beneficiaries at MTFs. Table 5 of Figure 6.5 displays the proposed co-pays for prescriptions filled through the TRICARE retail and mail order pharmacy programs.

- **Implement an enrollment fee for new TFL beneficiaries** (grandfathers those already Medicare-eligible at enactment). Like almost all Americans, upon reaching age 65, TRICARE beneficiaries must enroll in Medicare and begin paying Medicare Part B (outpatient care coverage) premiums. With Part B coverage, Medicare typically covers 80 percent of normal health care costs and most people choose to be covered by "Medigap" or employer-sponsored retiree health insurance to cover the additional costs and provide some prescription drug coverage. Enacted in 2001, the TFL program acts as a second payer plan for TRICARE beneficiaries, covering the costs not paid by Medicare. Although the average "Medigap" plan with comparable coverage carried premiums of $2,200 per individual in 2010, there are currently no annual fees for TFL coverage. As part of the FY 2016 President's Budget, the Department is again proposing to implement modest annual fees for TFL coverage, but the proposal will grandfather TFL beneficiaries in the program prior to enactment. The TFL enrollment fees will be phased in over a 4-year period and will be based on a percentage of the beneficiary's military gross retired pay up to an annual fee ceiling with indexing to the retiree Cost of Living Adjustment after FY 2019. There will be a separate fee ceiling specifically for General/Flag Officers. Table 7 of Figure 6.5 displays the proposed TFL fee structure by fiscal year.

The DoD offers a comprehensive health benefit at a lower cost than most other employer sponsored health benefits plans. Even after the proposed changes, TRICARE will remain one of the best health benefits in the United States, with lower out-of-pocket costs compared to other employers. The scope of benefits is not changing, and the Department will continue to invest in those programs and services, like medical readiness and support to wounded warriors and their families, that are critical to sustaining a strong Military Health System and the All-Volunteer Force.

FIGURE 6-5. TRICARE PROPOSAL TABLES

Table 1 – Consolidated TRICARE Health Plan Participation Fee Rates (Plan Year)

Consolidated TRICARE Health Plan Participation Fee (inflated annually by cost of living adjustment (COLA) percentage)	
Non-Medicare eligible beneficiary	$289 individual/ $578 family (as of 1 January 2017)
Medicare eligible beneficiary (TRICARE for Life)	See Table 7

Note 1. Retirees (not medically retired), their families, and survivors of retirees.

Table 2 – Outpatient Cost Sharing for Consolidated TRICARE Health Plan effective January 1, 2017

Services	TRICARE Network and Military Treatment Facility: Active Duty Family Members E4 & below/ E5 – O3 (inc WOS)/O4 and above		TRICARE Network and Military Treatment Facility: Retirees and Family	Out-of-Network: Active Duty Family Members	Out-of-Network: Retirees and Family
	PCM MANAGED[c]	SELF-MANAGED			
Clinical preventive services [a]	$0	$0	$0	$0	$0
Primary care visit	$0/0/0 MTF $0/0/0 network referral	$0/0/0 MTF $10/15/20 network	$10 MTF $20 network	20% [b]	25% [b]
Specialty care visit (including PT, OT, speech)	$0/0/0 MTF or network BH group visit $0/0/0 network referral	$0/0/0 MTF $20/25/30 network	$20 MTF or network BH group visit $30 network	20% [b]	25% [b]
Urgent care center	$0/0/0 MTF visit $0/0/0 network referral	$0/0/0 MTF $25/40/50 network	$30 MTF $50 network	20% [b]	25% [b]
Emergency department – emergency care	$0/0/0 MTF visit $0/0/0 network	$0/0/0 MTF $30/50/70 network	$50 MTF $75 network	20% [b]	25% [b]
Emergency department –non emergency care	$30/50/70 MTF for misuse $30/50/70 network fee for misuse	$30/50/70 MTF fee for misuse $30/50/70 network	$50 MTF $75 network	20% [b]	25% [b]
Ambulance regardless of destination (MTF or network)	$0/0/0 trip	$10/15/20 trip	$20 trip	20% [b]	25% [b]
DME, prosthetics, orthotics, & supplies	$0/0/0 MTF $0/0/0 network referral	10% of negotiated network fee	20% of MTF cost or network negotiated fee	20% [b]	25% [b]
Ambulatory surgery	$0/0/0 MTF $0/0/0 network referral	$0/0/0 MTF $25/50/75 network	$50 MTF $100 network	20% [b]	25% [b]

a. No cost for clinical preventive services as selected by the Affordable Care Act

b. Percentage of TRICARE maximum allowable charge after deductible is met

c. If a PCM managed beneficiary obtains care without a referral, Point of Service charges will apply: 50% of the allowed charge after the $300 individual/$600 family deductible is met.

Note: MTF – military treatment facility; PT – physical therapy; OT – occupational therapy; DME – durable medical equipment.

Table 3 – Inpatient Cost Sharing for Consolidated TRICARE Health Plan effective January 1, 2017

	TRICARE Network and Military Treatment Facility			Out-of-Network	
Services	**Active Duty Family Members E4 & below/ E5 – O3 (inc WOs)/O4 and above**		**Retirees and Family**	**Active Duty Family Members E4 & below/ E5 –O3 (inc WOs)/O4 and above**	**Retirees and Family**
	PCM MANAGED	Self-Managed			
Hospitalization	$0 MTF $0 network referred	$0 MTF per day $50/80/110/day network	$17.35 MTF per day $200 network per admission	20% [a]	25% [a]
Inpatient skilled nursing / rehabilitation [b]	$0 network referred	$17/25/35 network per day	$25 day	$25/35/45 day	$250 per day or 20% [a] of billed charges for institutional services, whichever is less, plus 20% for separately billed services

a. percentage of TRICARE maximum allowable charge after deductible is met
b. Inpatient skilled nursing / rehabilitation is generally not offered in MTFs for anyone other than service members.

Table 4 – Deductible and Catastrophic Cap for Consolidated TRICARE Health Plan effective January 1, 2016

General Deductible (out-of-network care)	
E1–E4 active duty family	$150 individual/$300 family
E5–O3 (inc WOs) active duty family	$300 individual/$600 family
O4 and above active duty family	$450 individual/$900 family
Catastrophic Cap (per fiscal year)	
Active duty family (PCM & Self-Managed)	$1,500 network/$2,500 combined
Retiree Family	$3,000 network/$5,000 combined

[a] Point of Service (POS) fees do not apply to the Catastrophic Cap

Table 5 – Pharmacy Co-Pays effective January 1, 2016

Retail Rx (1 month fill)	**FY 14**	**FY 15 [a]**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**FY 22**	**FY 23**	**FY 24**	**FY 25**
Generic	$5	$8	$8	$8	$8	$9	$10	$11	$12	$13	$14	$14
Brand	$17	$20	$28	$30	$32	$34	$36	$38	$40	$43	$45	$46
Non-Formulary	$44	Available only on a limited basis										
Mail-Order Rx (3 month fill)												
Generic	$0	$0	$0	$0	$0	$9	$10	$11	$12	$13	$14	$14
Brand	$13	$16	$28	$30	$32	$34	$36	$38	$40	$43	$45	$46
Non-Formulary	$43	$46	$54	$58	$62	$66	$70	$75	$80	$85	$90	$92
Military Treatment Facilities	**No change -- still $0 co-pay**											

[a] Increase of $3 per prescription authorized by FY 2015 National Defense Authorization Act

Table 6 – Cost-Sharing Impact on Beneficiary Families (CY 2017)

		Current TRICARE Triple Option	Consolidated TRICARE Health Plan
Active Duty Family [a] (3 members not including service member)	DoD cost	$ 13,448	$ 13,396
	Family cost	$ 166	$ 188
	Total	$ 13,615	$ 13,584
	% borne by family	1.2%	1.4%
Non-Medicare eligible Retiree Family [b] (3 members, all under age 65)	DoD cost	$ 15,339	$ 14,636
	Family cost	$ 1,377	$ 1,666
	Total	$ 16,715	$ 16,302
	% borne by family	8.2%	10.2%

Note 1. The analysis assumes an average mix of MTF and civilian care within each beneficiary category, and a weighted average of Prime and Non-Prime users for the current TRICARE triple option (or former Prime and Non-Prime users), for the consolidated TRICARE health plan. For those using all civilian care, the percent borne by the family is slightly higher.

Note 2. The annual employer health benefits survey published by Kaiser Family Foundation (KFF)/Health Research & Educational Trust (HRET) offers a useful benchmark for comparison (*http://kff.org/health-costs/*).

a. Active duty family cost-sharing structure also applies to transitional survivors, TRICARE Young Adult beneficiaries with an active duty sponsor, the Transitional Assistance Management Program, and TRICARE Reserve Select.

b. Retiree cost-sharing structure also applies to survivors, TRICARE Young Adult beneficiaries with a retired sponsor, and TRICARE Retired Reserve.

Table 7 – TRICARE-for-Life Annual Family (Two Individuals) Enrollment Fees*

Retired Pay	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Percentage of Gross Retired Pay	N/A	0.50%	1.00%	1.50%	2.00%	2.00%
Ceiling	$0	$150	$300	$450	$600	$614
Flag Officer Ceiling	$0	$200	$400	$600	$800	$818

* Individual fees are 50 percent of family fees (e.g., 1 percent of GRP in FY 2019 and after). Ceilings indexed to retiree COLA after FY 2019

STRENGTHENING MILITARY FAMILIES

The Department of Defense will keep faith with its service members and their families, who have borne the burden of a decade of war, by providing Military Family Assistance programs designed to improve military life, including child care, non-medical counseling, and Morale, Welfare, and Recreation (MWR) programs. The Department recognizes the demands that continue to be placed on the All-Volunteer Force and their families, and remains committed to providing assistance. The Military Services recognize the need to continue their investments in family assistance programs by funding vital family assistance to military members and their families on more than 300 installations worldwide.

All of the major initiatives to improve the quality-of-life of service members and their families are designed to mitigate the demands of military life — especially the challenges of deployments and frequent relocations. The Spouse Education and Career Opportunities program supports

spouse educational and career development, recognizing that spouses' lives are disrupted when they relocate every few years with their service member. Military OneSource, a 24/7 information and assistance line, links service members and their families with a non-medical counselor in their community for up to 12 free sessions per issue (no limits on financial issues) to address relationship issues or other stressful situations before they escalate. The MWR program provides much needed recreational and fitness resources for all members of the family to promote overall well-being. These are just a few examples of the web of support designed to ensure that service members can confidently attend to the larger Defense mission, knowing that their family is able to thrive.

The FY 2016 base budget includes $8.0 billion (Figure 6-6) for military family support programs. The request exceeds the funding level from the FY 2015 enacted level and the FY 2015 President's Budget request for military family support programs.

Figure 6-6 displays a summary of the Department's FY 2014 – FY 2016 base budget for these programs. Key programs are:

- Child Care and Youth Programs: Includes funding for child care providers, which serve over 200,000 children, and child and youth development programs, which serve over 500,000 children.
- Morale, Welfare, and Recreation programs: Includes funding for mission sustaining programs such as fitness centers, libraries, and single service member programs, voluntary education, tuition assistance, and recreation programs such as outdoor recreation and auto skills centers.
- Warfighter and Family Services: Includes funding for Family Support Centers, Armed Forces Exchanges, transition assistance, and for non-medical counseling support services for Active Duty, National Guard, and Reserve members and their families.
- Commissary: Includes funding for the Defense Commissary Agency to operate 241 commissary stores on military installations worldwide, employing a workforce of over 14,000 civilian full-time equivalents.
- Department of Defense Education Activity (DoDEA) Schools: Includes funding to support the education of 80,415 students in 175 schools (52,548 students in 114 schools in 12 countries and 27,867 students in 61 schools in 7 states, Puerto Rico, and Guam).
- Spouse Employment program: Provides funding for the Spouse Employment and Career Opportunities Program, which includes funding tuition assistance for eligible military spouses through the My Career Advancement Accounts program, employment counseling, and assistance to all military spouses to obtain employment and career opportunities through the Military Spouse Employment Partnership.

Figure 6-6. Military Family Support Programs
(Dollars in Billions, Base Budget only)

Program	FY 2014 Actual	FY 2015 Request	FY 2015 Enacted	FY 2016 Request
Child Care and Youth Programs	1.2	1.1	1.1	1.2
Morale, Welfare and Recreation	1.6	1.4	1.3	1.5
Warfighter and Family Services	1.6	1.6	1.6	1.6
Commissary	1.3	1.1	1.3	1.2
DoDEA Schools	2.8	2.3	2.3	2.4
Military Spouse Employment	0.1	0.1	0.1	0.1
Total	**8.5**	**7.6**	**7.8**	**8.0**

As the Department continues to reshape its forces for current and future missions, it is committed to sustaining a balanced portfolio of family assistance programs that are fiscally sustainable and continue to promote service member and family readiness. The overall funding for family assistance programs was determined strategically, based on the number of service members and families served, but without degradation in the quality of the programs provided.

SUPPORTING DOD CIVILIANS

The FY 2016 budget supports a properly sized and highly capable civilian workforce that is aligned to mission and workload, and sized and shaped to reflect changes to the Department's reduced force structure. Civilian personnel perform key functions for the Department that directly support the military forces and readiness. Civilians perform critical functions in intelligence, equipment maintenance, medical care, family support, base operating services, and other areas. While maintaining training and readiness levels to support the All-Volunteer Force and providing services to their families, the civilian workforce recognizes evolving critical demands like cyber and guards against an erosion of organic skills and an overreliance on contracted services.

Civilian workforce reductions in the FY 2016 budget reflect an analytically based workforce-to-workload review designed to preserve mission essential skills and capabilities. Changes reflect Component-identified opportunities for reshaping the civilian workforce through realignments and workload reductions consistent with Departmental strategies, and with due consideration of statutory total force management and workload sourcing mandates.

The Department estimates the number of civilian Full-Time Equivalents (excluding Cemeterial Expense and Foreign National Indirect Hire FTEs) will decline 0.4 percent from 744 thousand in FY 2015 to 742 thousand in FY 2016. The Military Services and Defense Agencies will begin to shape the workforce to reflect the changing post-Afghanistan needs and a declining military force. The need for some skills, such as cyber, ship maintenance, disability evaluation, and auditing, will increase. Other skillsets directly related to the war, such as skills supporting depot maintenance and base support for military end strength, will decrease over time. Actions may include offering early out incentives and temporary suspension of recruitment actions to allow the Military Services and Defense Agencies to more fully assess the impact of mission changes and the introduction of process efficiencies on the workforce composition.

The Department will continue to support the civilian workforce as skills are reshaped. The FY 2016 request includes a modest civilian pay raise of 1.3 percent. The Department remains concerned about its ability to attract and retain a highly qualified civilian workforce after 3 years

of a pay freeze and 1 year with only a 1 percent pay raise. Emphasis will be placed on civilian education, training, and leadership development. Efficiencies and flexibilities for employees will be promoted through flexible work schedules and the use of telework. The Department continues to value not only its military personnel, but also the civilians who support the military and deploy with the military.

Figure 6-7. Civilian FTEs[1]

Program	FY 2015 Estimate	FY 2016 Request	Percent Change
Army	197.4	193.6	-1.9%
Navy	187.3	190.0	1.4%
Air Force	164.3	165.1	0.5%
Defense Wide	195.4	192.9	-1.3%
Total DoD	**744.5**	**741.6**	**-0.4%**
U.S. Direct Hires	729.2	726.2	-0.4%
Foreign Direct Hires	15.3	15.4	0.9%

1/ a. Excludes 32,576 of Foreign National Indirect Hire (FNIH) FTEs in FY 2015 and 31,767 in FY 2016
b. Excludes Cemeterial Expense and Foreign National Indirect Hire FTEs
c. Includes OCO FTEs

7. OVERSEAS CONTINGENCY OPERATIONS (OCO)

SUMMARY

The FY 2016 President's budget request includes $50.9 billion for overseas contingency operations (OCO) to conduct Operation FREEDOM'S SENTINEL (OFS) and other missions outside of Afghanistan (e.g., Horn of Africa (HOA), Philippines), Operation INHERENT RESOLVE (OIR), and post-Operation NEW DAWN (OND) activities. The FY 2016 OCO budget request also funds Iraqi and Syrian opposition forces training and equipment, provides support to European partners, and supports responses to terrorist threats. Figure 7.1 displays requested OCO funding by Military Operation.

The request supports activities including:

- Continuing the final phases of the drawdown of forces in Afghanistan;
- Sustaining personnel forward deployed to the Middle East to conduct a range of operations including ongoing operations and to provide training, advice, and assistance to partner security forces engaged in the fight against the Islamic State of Iraq and the Levant (ISIL);
- Building the capacity of the Iraqi and Syrian opposition forces to degrade and defeat ISIL capability in Iraq and Syria in support of the United States comprehensive regional strategy;
- Carrying out support activities, such as intelligence support to military operations and support to partner nations.

Effective January 1, 2015, Operation ENDURING FREEDOM (OEF) for Afghanistan transitioned to Operation FREEDOM'S SENTINEL (OFS) to signify the end of U.S. combat operations in Afghanistan. The United States will execute OFS to support the NATO Resolute Support (RS) mission with a focus on training, advising, and assisting the Afghan forces and carrying out counterterrorism operations against the remnants of al Qaeda in

Supporting the Afghan Transition and Eliminating Terrorist Threats

- Summary
- Force Level Budget Assumptions
- Overseas Contingency Operations Budget Request
- Iraq Train and Equip Fund
- Syria Train and Equip Fund
- Counterterrorism Partnerships Fund
- European Reassurance Initiative

Figure 7.1 OCO and Emergency Supplemental Funding by Activity

(Dollars in Billions)

Operation/Activity	FY 2015 Enacted[1]	FY 2016 Request
Operation FREEDOM'S SENTINEL (OFS) and Related Missions	55.5	42.5
Post-Operation NEW DAWN (OND) Activities	0.3	0.3
Operation INHERENT RESOLVE (OIR)	5.1	5.3
Counterterrorism Partnerships Fund (CTPF) and European Reassurance Initiative (ERI)	2.3	2.9
Military Readiness, National Guard and Reserve Equipment[2]	2.2	--
Sub-Total	**65.4**	**50.9**
Prior-Year Rescissions[3]	-1.2	--
Adjusted Total	**64.2**	**50.9**
Ebola[4]	0.1	**--**
Grand Total	**64.3**	**50.9**

1/ FY 2015 Enacted includes base budget amounts transferred by the Congress
2/ Includes congressional adds for military readiness and NGR equipment
3/ From FY 2013 Other Procurement, Army ($8.2M), FY 2014 Afghanistan Security Forces Fund ($764.4M), and FY 2014/16 Aircraft Procurement, Army for CH-47 Chinook and Kiowa Warrior ($464.0M)
4/ Includes $112 million in emergency supplemental funding for Ebola response and preparedness

Numbers may not add due to rounding

coordination with Afghan forces. By the end of calendar year 2016, the U.S. forces in Afghanistan will be reduced to an embassy security presence of approximately 1,000 troops.

The OCO request includes funding to train and equip Iraqi and vetted Syrian opposition forces to counter ISIL. The Iraq Train and Equip Fund (ITEF) provides funding and authority to assist military and other forces associated with the Government of Iraq (including Kurdish and tribal security forces) with a national security mission to counter the ISIL. The Syria Train and Equip Fund (STEF) provides funding and authority to assist appropriately vetted elements of the Syrian opposition and other appropriately vetted Syrian groups or individuals to counter ISIL. Both funds are critical to the success of Operation INHERENT RESOLVE (OIR), the campaign against ISIL.

In addition, the OCO request continues two presidential initiatives. The Counterterrorism Partnerships Fund (CTPF) will continue the President's initiative to support a transition to a more sustainable and partnership-focused approach to counterterrorism. The European Reassurance Initiative (ERI) will continue the President's initiative to provide temporary support to bolster the security of NATO allies and partner states in Europe. The CTPF is requested as a dedicated transfer fund while ERI is requested in the applicable Component accounts, as directed by Congress.

FORCE LEVEL BUDGET ASSUMPTIONS

The President directed the drawdown of U.S. forces in Afghanistan to approximately 5,500 by then end of calendar year (CY) 2015 and to further drawdown to an embassy security presence of about 1,000 by the end of CY 2016. Figure 7.2 displays the force levels assumed in the Department's FY 2016 OCO budget, expressed as annual average troop strength. In FY 2016, the average annual troop strength of 5,853 in Afghanistan is consistent with the President's drawdown plan.

Figure 7.2. U.S. Force Level Assumptions in DoD OCO Budget
(Average Annual Troop Strength)

Force	FY 2014 Actual	FY 2015 Request	FY 2016 Request
Afghanistan	34,813	11,661	5,853
Iraq (OIR)[1]	--	4,077	4,077
In-Theater	59,738	63,309	59,768
In CONUS[2]/Other Mobilization	20,367	16,093	10,644
Total Force Levels	**114,918**	**95,140**	**80,342**

[1] *Includes additional forces for counter-ISIL operations*

[2] *In-CONUS = In the Continental United States*

OVERSEAS CONTINGENCY OPERATIONS BUDGET REQUEST

Funding in the FY 2016 OCO request by operational support category is captured in Figure 7.3, followed by brief explanations.

The Department's costs in FY 2016 to maintain forces in Afghanistan will fall more slowly than forces themselves due to expenses (including contractor costs) associated with closing bases, returning equipment, and resetting the force. Overall, the decline in the number of U.S. troops in Afghanistan is not proportional to the decline in some war-related support costs, including:

- Continued costs to support a significant portion of DoD's forward presence around the Middle East – the bases, ships and aircraft outside Afghanistan that support OEF and other important missions – which will not substantially diminish in FY 2016;
- Oversight, logistics support (including contractor costs), base closure activities and associated environmental remediation, disposal of unexploded ordnance, and returning/retrograding equipment to the United States;
- Costs to repair and replace equipment and munitions as DoD resets the force; and
- Continued high demand for higher-end Intelligence, Surveillance, and Reconnaissance (ISR) assets.

Figure 7.3. OCO Functional/Mission Category Breakout
(Dollars in Billions)

OCO Budget	FY 2015 Enacted[1/]	FY 2016 Request
Operations/Force Protection (in Afghanistan)	11.9	7.7
In-Theater Support (outside of Afghanistan)	20.1	16.4
Joint Improvised Explosive Device (IED) Defeat	0.4	0.5
Afghanistan Security Forces Fund (ASFF)	4.1	3.8
Commander's Emergency Response Program (CERP)	<0.1	<0.1
Support for Coalition Forces	1.7	1.7
Unexploded Ordnance Removal	0.3	--
Task Force for Business Stability Operations (TFBSO)	<0.1	--
Office of Security Cooperation – Iraq (OSC-I)	0.1	0.1
Iraq Train and Equip Fund (ITEF)	1.6	0.7
Syria Train and Equip Fund (STEF)[/2]	0.5	0.6
Investment/Equipment Reset and Readiness	10.1	7.9
Temporary Military End Strength	2.3	<0.1
DoD Classified Activities	3.4	3.5
Non-DoD and Other Classified Activities[/3]	4.9	5.1
Counterterrorism Partnerships Fund (CTPF)[/2]	0.8	2.1
European Reassurance Initiative (ERI)	1.0	0.8
National Guard and Reserve Equipment/Military Readiness/Ebola	2.3	--
Total OCO	**65.5**	**50.9**
Prior-Year Cancellation	-1.2	--
Total OCO including Prior-Year Cancellation	**64.3**	**50.9**

[1/] Reflects Total Obligation Authority provided in the Consolidated Appropriations Act, 2014 (PL 113-76)
[2/] The FY 2015 CTPF total of $1.3 billion included $500 million for Syria Train and Equip
[3/] Includes non-war amounts provided by Congress and certain classified activities

Numbers may not add due to rounding

Operations/Force Protection in Afghanistan ($7.7 billion): This category of incremental cost includes the full spectrum of military operations requirements for U.S. personnel operating in Afghanistan:

- Personnel special pays and subsistence for deployed forces;
- Personnel pay for mobilized forces;
- Operating tempo (ground vehicles/equipment, combat aviation, Special Operations Forces);
- Communications;
- Pre-deployment training;
- Transportation cost to sustain and support the forces, to include the retrograde of U.S. equipment from Afghanistan;
- Various classes of supplies;
- Deployment and redeployment of combat and support forces;
- Life support and sustainment; and
- Additional body armor and personal protective gear.

In-Theater Support ($16.4 billion): Funds requested in this category provide for critical combat and other support for personnel in Afghanistan that comes from units and forces operating outside Afghanistan, including the Horn of Africa (HOA) and the Philippines.

- This category also includes funding to support other operations conducted outside Afghanistan.
- The types of cost incurred for in-theater operations are similar to those outlined in the "Operations/Force Protection" category. However, this category also includes incremental costs for afloat and air expeditionary forces, engineers, fire support, and other capabilities located elsewhere in the U.S. Central Command region, which support operations in Afghanistan and other important missions. It also includes support for some activities operating from the United States (such as remote piloted aircraft and reach back ISR).

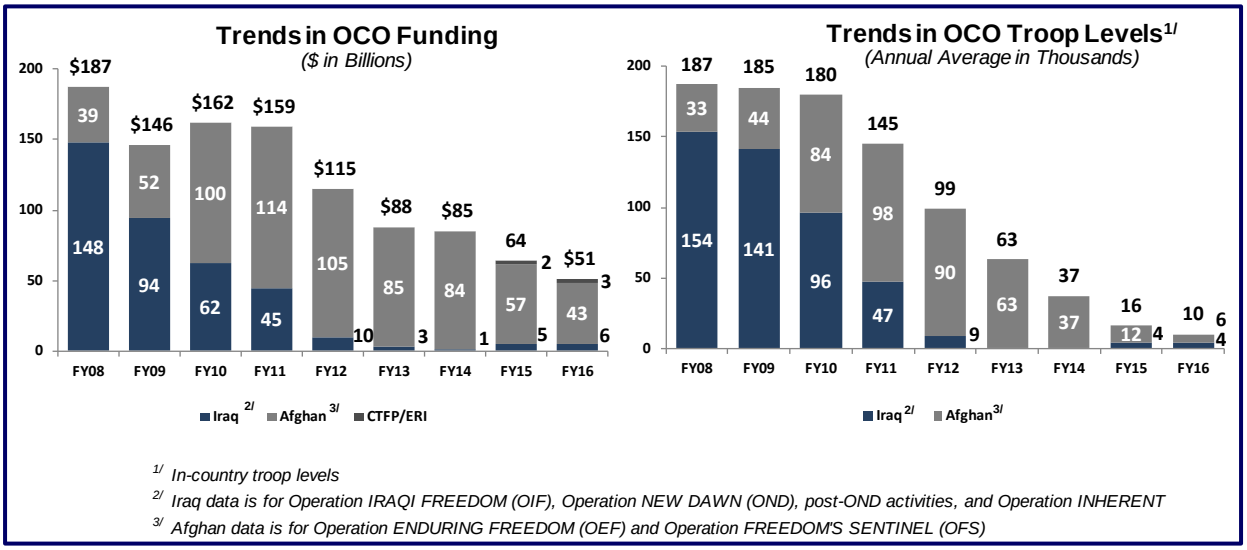
Joint Improvised Explosive Device (IED) Defeat ($0.5 billion): These funds will be used to develop, procure, and field measures to defeat IEDs threatening U.S. and coalition forces, closing the gap between the enemy's innovation cycles by developing and delivering counter-IED as quickly as possible for use by the Joint and Coalition Forces.

Afghanistan Security Forces Fund (ASFF) ($3.8 billion): This request funds the sustainment, operations, and professionalization of the 352,000-strong Afghan National Security Force (ANSF), including 195,000 members of the Afghan National Army (ANA), 157,000 Afghan National Police (ANP), and up to 30,0000 Afghan Local Police (ALP). The request funds sustainment of the ANA, ANP, ALP, and the Afghan Air Force (including the Special Mission Wing). The request also supports further developing the capacity of the Afghan Ministries of Defense and Interior to sustain and command and control their forces.

Commander's Emergency Response Program (CERP) ($0.010 billion): This program provides military commanders with an important tool for the continuing counterterrorism mission in Afghanistan. The funds requested will enable DoD to enhance force protection through the use of small-scale, good-will measures near U.S. forces and locations, and condolence payments for loss of life or property damage.

Support for Coalition Forces ($1.7 billion): Amounts requested finance coalition, friendly forces, and a variety of support requirements for key foreign partners who wish to participate in

Figure 7.4. OCO Funding and Troop Level Trends



1/ In-country troop levels
2/ Iraq data is for Operation IRAQI FREEDOM (OIF), Operation NEW DAWN (OND), post-OND activities, and Operation INHERENT
3/ Afghan data is for Operation ENDURING FREEDOM (OEF) and Operation FREEDOM'S SENTINEL (OFS)

U.S. military operations but lack financial means. Such support reduces the burden on U.S. forces and is critical to overall mission success.

Office of Security Cooperation – Iraq (OSC-I) ($0.14 billion): The situation in Iraq remains highly volatile, and the OSC-I is DoD's cornerstone for achieving the long-term U.S. goal of building partnership capacity in the Iraqi Security Forces (ISF). The OSC-I conducts the full range of traditional security cooperation activities such as joint exercise planning, combined arms training, conflict resolution, multilateral peace operations, senior level visits and other forms of bilateral engagement. Additionally, the OSC-I conducts security cooperation activities in support of the ISF to include providing: counterterrorism training, institutional training; ministerial and service level advisors; logistic and operations capacity building; intelligence integration; and interagency collaboration. The OSC-I is the critical Defense component of the U.S. Mission Iraq and a foundational element of the long-term strategic partnership with Iraq.

Investment/Equipment Reset ($7.9 billion): The request funds the replenishment, replacement, and repair of equipment and munitions expended, destroyed, damaged, or worn out due to prolonged use in combat operations. The replacement of major reset items that will be repaired or replaced include helicopters, fixed wing aircraft, trucks, other tactical vehicles, MRAP vehicles, radios, and various combat support equipment. Munitions that will be replenished include missiles, such as the Laser Maverick, Standoff Precision Guided Munitions (SOPGM), and Hellfire, and ammunition for all the Military Services. Upon returning from war zones, units restore their equipment to a condition that enables them to conduct training exercises, achieve required readiness levels, and prepare for future deployments. As personnel and equipment return from theater to their home stations, the need for Equipment Reset will continue for 2-3 years beyond FY 2016.

The FY 2016 OCO request for $50.9 billion is down substantially from requests in recent years, and reflects a 23 percent reduction from the FY 2015 enacted OCO level of $64.2 billion (Figure 7.4).

IRAQ TRAIN AND EQUIP

The Department is working closely with the Department of State (DoS) and other U.S. agencies to ensure that Iraq Security Forces (ISF) have the capability to counter the terrorist organization, the Islamic State of Iraq and Levant (ISIL), in Iraq. The focus of DoD's efforts is to work with, by, and through the Government of Iraq to build the necessary military capability to counter ISIL. To build the required capacity, U.S. assistance is focused on bridging the most critical near-term equipment requirements to enable the ISF to be an effective counter-offensive military force. The program includes three lines of effort: (1) equip units appropriately for their assigned missions; (2) increase ISF readiness by redistributing current on-hand equipment; and (3) assess and repair existing equipment to reduce the need for new equipment.

Equipping the various Iraqi forces is dependent on Iraq's ability to resource forces at the local, provincial, and national level. Equally important in avoiding past problems is the need for adequate logistical and maintenance support for the three legs of the GOI military: (1) Government of Iraq Forces (Iraqi Army); (2) Kurdish Forces; and (3) Tribal Security Forces.

The funding requested for the Iraq Train and Equip program addresses the immediate training and equipping issues brought on by the rapid expansion of ISIL into Iraq and the force requirements for counter-offensive operations. The Government of Iraq has the lead and will share in the cost burden of creating these necessary forces; U.S. assistance levels are limited and focus on bridging the most critical near-term capabilities consistent with countering ISIL. Coalition participation and financial support will be actively sought to share costs.

Military Achievements and Challenges

Beginning in FY 2015 with $1.6 billion appropriated to the Iraq Train and Equip Fund (ITEF), the goal of the fund is to build an ISF that is professional, self-reliant, and capable of conducting independent operations, defeating current threats, and providing for the long-term security of Iraq. The FY 2016 funding request of $0.7 billion will continue efforts begun with the FY 2015 funding. Additionally, with the Government of Iraq's inability to achieve its oil revenue goals and attendant decline in its cash reserves, the Ministry of Defense (MoD) and Ministry of the Interior (MoI) will at best realize limited funding increases over the next few years.

SYRIA TRAIN AND EQUIP

The Department is working with the U.S. interagency and partner nations to cooperate on a program to recruit, screen, train, equip, employ, and sustain the supported Syrian opposition forces. The focus of this DoD effort is to provide a program of support for vetted Syrian opposition forces to: (1) defend the Syrian people from attacks by the Islamic State of Iraq and the Levant (ISIL) and secure territory controlled by the Syrian opposition; (2) protect the United States, its friends and allies, and the Syrian people from the threats posed by terrorists in Syria; and (3) promote the conditions for a negotiated political settlement to end the conflict in Syria.

The program addresses the immediate need to build capacity of a partner on the ground in Syria to combat ISIL. The absence of a national military or civilian partner in Syria, and the lack of a cohesive Syrian opposition, has slowed progress in the counter-ISIL campaign. Therefore, the Department's strategy involves training and equipping appropriately vetted Syrian opposition forces, especially from areas most threatened by ISIL. The FY 2016 request of $0.6 billion will help accomplish this.

COUNTERTERRORISM PARTNERSHIPS FUND

The FY 2016 request of $2.1 billion for the Counterterrorism Partnerships Fund (CTPF) will continue the President's initiative to support a transition to a more sustainable and partnership-focused approach to counterterrorism with a flexible mechanism that allows DoD and the Federal Government as a whole to respond more nimbly to evolving terrorist threats from South Asia to the Sahel. The CTPF will build on existing tools and authorities to respond to a range of terrorist threats and crisis response scenarios. The CTPF will provide counterterrorism (CT) support, including direct support to partner nations and augmenting U.S. capability to support partners in CT operations.

The CTPF is set up to permit DoD – consistent with guidance from an interagency process and appropriate notification to Congress – to transfer funds to other accounts for execution. The CTPF will provide the flexibility to respond to a range of terrorist threats and crisis response scenarios.

Counterterrorism Support

Direct Partner Support. This category of support focuses on direct partner support in order to establish and maintain a network of partners on the front lines of the terrorist threat. This assistance could include near-term training, equipping, advising, operational support, and longer-term capacity-building efforts in coordination with the Department of State.

Augmenting U.S. Capability to Support Partners in CT Operations. The Department would enhance selected DoD capabilities, which provide essential support to partner force operations, including improved ISR capacity and capabilities.

Figure 7.5 CTPF Funding Request

(Dollars in Billions)

	FY 2014 Request	FY 2015 Enacted/1	FY 2016 Request/2	△ FY15 - FY16	%△ FY15 - FY16
Counterterrorism Partnerships Fund	–	1.3	2.1	+0.8	+61.5%
TOTAL	**–**	**1.3**	**2.1**	**+0.8**	**+61.5%**

1/ In FY 2015, $500 million of the $1.3 billion for CTPF was allocated for Syria Train and Equip

2/ The FY 2016 CTPF request excludes funding for Syria Train and Equip

Numbers may not add due to rounding

EUROPEAN REASSURANCE INITIATIVE

This budget supports the President's European Reassurance Initiative (ERI), which was originally proposed in Warsaw on June 3, 2014. The FY 2016 funding request of $789 million for ERI will continue efforts started in FY 2015 to reassure allies of the U.S. commitment to their security and territorial integrity as members of the NATO Alliance, provide near-term flexibility and responsiveness to the evolving concerns of U.S. allies and partners in Europe, especially Central and Eastern Europe, and help increase the capability and readiness of U.S. allies and partners.

The DoD would continue several lines of effort to accomplish the purposes of this initiative, including: (1) increased U.S. military presence in Europe; (2) additional bilateral and multilateral exercises and training with allies and partners; (3) improved infrastructure to allow for greater responsiveness; (4) enhanced prepositioning of U.S. equipment in Europe; and (5) intensified efforts to build partner capacity for newer NATO members and other partners. Funding for ERI is requested in the applicable Component's accounts. Figure 7.6 provides the allocation of ERI by categories.

Increasing the presence of U.S. forces in Europe through stepped-up rotations and continued deferral of some previously-planned force reductions or potential force restructuring initiatives. These actions would continue efforts to provide a tangible measure of reassurance to NATO allies and partners and demonstrate through unambiguous actions that the U.S. security commitment to Europe remains unshakable. The Army would continue augmenting presence through the rotation of U.S.-based units from an Armored Brigade Combat Team. The Air Force would continue sustaining its current air superiority force structure in Europe and augmenting NATO's Baltic Air Policing mission. The Navy would continue its expanded presence in the Black and Baltic Seas. The DoD allocated approximately $471 million in the Components' traditional accounts for these activities.

Additional U.S. forces in Europe enable more extensive U.S. participation in exercises and training activities with NATO and non-NATO partner countries, improving readiness and interoperability as well as highlighting the determination of participants to resist coercive or provocative measures from any source. The DoD proposes continued increased levels of U.S. forces taking part in various European-based exercises. The DoD also seeks funding to enable allies and partners to fully participate and benefit from these exercises. The DoD allocated approximately $108 million in the Components' traditional accounts for these activities.

A key enabler for training and combat operations is sufficiently robust infrastructure at key locations to support military activities. The DoD would pursue, subject to final agreement with host nations, selective improvements that would expand NATO's flexibility and contingency options and give concrete expressions of support to U.S. allies and partners. The DoD allocated approximately $89 million in the Components' traditional accounts for these activities. No military construction funding is requested for these initiatives.

The DoD would use ERI funds to continue enhancing prepositioning of U.S. equipment in Europe, including added air equipment in Eastern European nations and Army weapons/ammunition storage capabilities. The DoD allocated approximately $58 million in the Components' traditional accounts for these activities.

Another important focus in Europe would be efforts to build partner capacity in some of the newer NATO allies and with non-NATO partners such as Georgia, Moldova, and Ukraine. Providing these countries with the capability and capacity to defend themselves and to enable their participation as full operational partners within NATO is an important complement to other U.S. lines of effort. More formidable defense capabilities will also strengthen deterrence against aggressive actions by Russia or from other sources. The DoD efforts, along with State Department contributions, would focus on filling critical operational gaps, such as border security and air/maritime domain awareness, as well as building stronger institutional oversight of the defense establishments in these countries. The DoD allocated approximately $63 million in the Components' traditional accounts for these activities.

Figure 7.6 Allocations for European Reassurance Initiative Categories
(Dollars in Millions)

Categories	FY 2015 Enacted	FY 2016 Request
Increased U.S. military presence in Europe	423.1	471.4
Additional bilateral and multilateral exercises and training with allies and partners	40.6	108.4
Improved infrastructure to allow for greater responsiveness	196.5	89.1
Enhanced prepositioning of U.S. equipment in Europe	136.1	57.8
Intensified efforts to build partner capacity for newer NATO members and other partners	13.7	62.6
ERI Transfer Fund[1/]	175.0	--
Total	**985.0**	**789.3**

[1/] The Consolidated and Further Continuing Appropriations Act, 2015 (PL 113-235) provided $175 million in the ERI transfer fund to support the Governments of Ukraine, , Estonia, Lithuania, and Latvia.

TRANSITIONING FUNDS FOR OVERSEAS CONTINGENCY OPERATIONS

Since 2001, the Nation has financed the incremental costs of overseas conflicts, primarily in Iraq and Afghanistan, outside of the base budget. These funds were designated for the Global War on Terror (GWOT) from 2001 to 2009, and from 2009 to the present these funds have been designated for Overseas Contingency Operations (OCO).

Following the institution of statutory budget caps in the Budget Control Act of 2011, funding designated as OCO/GWOT has remained flexible and separate from base budget constraints, which has enabled the United States to fully fund wartime costs principally associated with these major combat operations. As the U.S. combat mission in Afghanistan ends, it is time to reconsider the appropriate financing mechanism for costs of overseas operations that are enduring. The Administration's transitions in Iraq and Afghanistan have resulted in a $129 billion, or 69 percent, reduction in OCO costs, from their peak of $187 billion in 2008 to the Administration's 2016 request for $58 billion.

Beyond 2016, some costs currently funded in the OCO budget will endure. The United States will continue to provide support to its Afghan partners, maintain a strong forward presence in the Middle East region, counter terrorism abroad, and ensure U.S. military forces are ready to respond to a wide range of potential crises. The Nation's fiscal and defense policies must fully plan and account for these costs, and the transition must be accomplished in a manner that protects the defense strategy.

Accordingly, early this year the Administration will propose a plan to transition all enduring costs currently funded in the OCO budget to the base budget beginning in 2017 and ending by 2020. This plan will describe which OCO costs should endure as the United States shifts from major combat operations, how the Administration will budget for the uncertainty surrounding unforeseen future crises, and the implications for the base budgets of DOD, the Intelligence Community, and State/OIP. This transition will not be possible if the sequester-level discretionary spending caps remain in place. The Administration continues to support the replacement of sequestration with a balanced package of deficit reduction as described elsewhere in the Budget.

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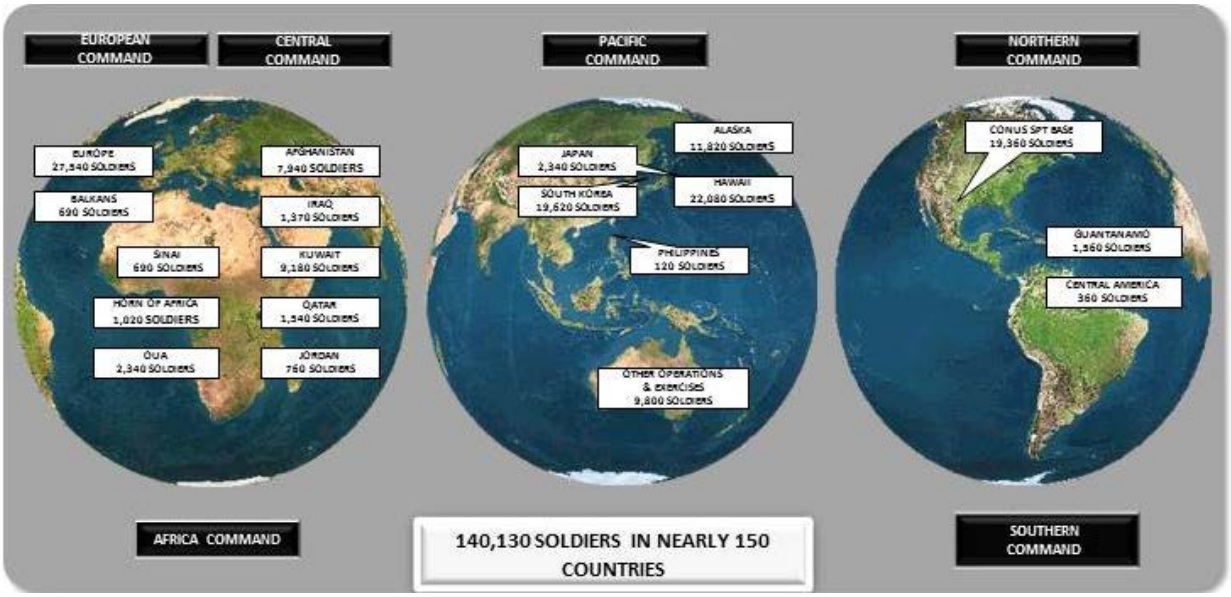
8. MILITARY DEPARTMENTS

The Military Departments generally use several means to report to the Congress on their activities. Consistent with Title 10 Section 113 (c)(1)(A) each of the Military Departments is providing a summary of their FY 2015 Budget submission for inclusion in the OSD Budget Overview. Additional data are contained in Appendix A, Resource Exhibits.

DEPARTMENT OF THE ARMY OVERVIEW

The U.S. Army stands at a pivotal point in history. Challenged to reshape into a leaner force, yet more capable of meeting national defense priorities, the Army has close to 45,000 Soldiers actively engaged in named operations around the world and approximately 140,000 Soldiers regionally aligned or deployed in nearly 150 countries.



The U.S. Army remains indispensable to national defense as the world experiences an increased velocity of instability. The Army prevents conflicts by using expeditionary land forces that send an unmistakable signal about our Nation's resolve; shapes the strategic environment by stabilizing areas wrought by epidemics, manmade disasters, or natural catastrophes; preempts strategic threats before they evolve into crisis; and, when necessary, wins decisively with expeditionary, strategically adaptive, and campaign-quality forces. In 2014 and now in 2015, contingency operations against the Islamic State in the Levant and in Iraq, Europe, and West Africa continue to place demand on U.S. forces as resourcing and end strength levels continued to decline, yet the Army must still achieve and maintain a capacity to respond to the unknown. The Bipartisan Budget Act (BBA) of 2013, while capping Defense funding well below previously programmed levels for FY 2014 and FY 2015, provided the necessary funding level predictability for 2 years and temporary relief from sequestration-level spending cuts. The FY 2016 President's Budget supports the Army's plan to balance existing and projected requirements necessary to maintain a ready and modern force while adapting to this increasingly uncertain environment.

The Budget Control Act of 2011 and the pending legislation and implementation of necessary fiscal reforms proposed by the Army increase the risk of the Army being able to execute the current defense strategy. The Army's portion of DoD's FY 2016 budget request is higher than the sequestered amount. Sequestration funding levels will have a negative impact on both near-term readiness and modernization. The FY 2013 funding reductions required by

sequestration directly and aggressively affected readiness of non-deploying units; the BBA subsequently provided some relief. In FY 2014 and FY 2015, the Army focused funding on assigned missions and a contingency force comprising of Brigade Combat Teams (BCT), Combat Aviation Brigade (CAB), and enablers. The FY 2014 and FY 2015 appropriations funded 19 annual Combat Training Center (CTC) rotations, and increased the readiness of non-contingency units.

The Army addressed budget reductions by fully funding operational readiness while taking risk in near-term modernization, and installation and sustainment readiness. The balance in readiness and modernization will be achieved when force structure reductions are completed in FY 2018 – FY 2020.

While working toward reduced funding levels, the Army must maintain its strategic and operational flexibility, capable of engaging in multiple operations simultaneously and remaining always ready to fight and win a major war. The Army will decrease end strength to 475,000 Active Soldiers and 540,000 Army National Guard and Army Reserve Soldiers by the end of FY 2016. This represents a slowdown of the drawdown ramp of previously planned reductions. However, the Army will still achieve its target end strength of 450,000 Active Soldiers by the end of FY 2018 and 530,000 total Soldiers for the Army National Guard and Army Reserve by the end of FY 2017. At 980,000 total end strength, the Army is at the edge of its ability to meet the current strategy. By the end of FY 2016, the Army will have reorganized 30 BCTs in the Active Component and 28 BCTs in the Army National Guard, with 47 percent of the affected units undergoing change during FY 2016.

The Aviation Restructure Initiative (ARI), introduced in the FY 2015 President's Budget and planned in the FY 2016 budget request, will position Army aviation assets where they can best meet the combatant command requirements and strategic priorities. The congressionally-mandated study notwithstanding, the Army remains steadfast that ARI is the Total Army enterprise solution given the mounting costs of aging aircraft, growing operational requirements, and increasing fiscal pressures. In FY 2015, the Army began to divest the oldest, least capable aircraft while retaining the best, more capable airframes. When fully implemented, this initiative uses the aviation forces more efficiently, increases the Army National Guard's domestic response capacity, and optimizes the Army's capability to meet the combatant commanders' requirements.

The Army is the backbone of the Joint Force, providing ground forces, operational leadership, and critical enablers such as mission command, aviation, missile defense, intelligence, engineers, logistics, medical, signal and special operations. These enabler capabilities are essential as the nation rebalances to the Asia Pacific Region, while maintaining a critical presence in the Middle East and sustaining alliances and partnerships in Europe and the Americas.

Over the last decade and a half, the Army relied on Global War on Terrorism (GWOT)/Overseas Contingency Operations (OCO) funding to resource the wars in Iraq and Afghanistan. Although most OCO funding was used in direct support of combat operations, it also enabled the reset of equipment returning from the war. Additionally, OCO funding also supports key enduring theater enablers in Southwest Asia across the U.S. Central Command Area of Responsibility and to train and equip Syrian opposition forces.

Priorities for 21st Century Defense Strategy

The Army continues to support the priorities in the Defense strategy with a trained and ready Army while transitioning to a smaller, more lethal fighting force. The FY 2016 President's Budget request promotes the All-Volunteer Army that is uniquely organized to provide

expeditionary, decisive land power to the Joint Force while maintaining the flexibility to perform across the range of military operations to Prevent, Shape, and Win in support of combatant commanders.

The Army continues to participate with its partners and allies in Prevent and Shape operations that deter conflict, project power, and defeat aggression. A ready Army can defeat or destroy enemy forces, control land areas, protect critical assets and populations, and prevent the enemy from gaining a position of operational or strategic advantage. To accomplish these priorities, the FY 2016 budget request supports four capabilities to defeat and deter aggression. First, it sustains Army Special Operations Forces (SOF) capabilities and regionally aligns trained and ready conventional forces to prepare for future contingencies. Second, the Army continues to build decisive action capability in support of strategic missions. Third, the Army resources expeditionary units that are task-organized, scalable, and deployable from the platoon to corps levels. Finally, the Army continues to ensure its leadership in a Chemical, Biological, Radiological and Nuclear (CBRN) environment, providing trained and equipped forces to support DoD Chemical Weapons of Mass Destruction (CWMD) efforts in the homeland and overseas in response to joint and interagency requirements.

The Army performs an array of support roles. Internally, the Army provides cyberspace capabilities to aligned-combatant commands. The U.S. Army Cyber Command and its assigned forces, in collaboration with the Cyber Center of Excellence and key Army Headquarters staff, remain in the forefront and are developing the Army's cyberspace capacity as well as a resourcing and acquisition strategy to meet the unique demands of maintaining a competitive advantage in cyberspace. Externally, the Army provides support to civil authorities for a variety of complex missions ranging from serving as Defense Coordinating Officers in support of the Federal Emergency Management Agency to leading and coordinating missions in support of civil authorities through the U.S. Army North. Additionally, the Army provides support to national, state, and local authorities in Defense support of civil authorities. The Army provides the preponderance of the DoD CBRN response capabilities, especially in large-scale complex catastrophes, contributing a unique force multiplier for Defense support of civil authorities operations.

The Army maintains a stabilizing regional presence, building and strengthening partner capacity and providing essential enabling capabilities to the Joint Force. Forward-stationed Army forces in the Republic of Korea, Japan, Europe, and the Persian Gulf Region, along with Army units based in the U.S. formally aligned with combatant commands, provide a unique capability to respond to a crisis while building and maintaining relationships with allies and partner nations. Due to emerging and resurging threats around the world to include those in the U.S. Africa Command (Operation UNITED ASSISTANCE (OUA), the U.S. Central Command (Operation SPARTAN SHIELD (OSS) and Operation INHERENT RESOLVE (OIR), the U.S. European Command (Operation ATLANTIC RESOLVE (OAR), and European Reassurance Initiatives (ERI)), and the U.S. Pacific Command areas of responsibility, rotational forces become increasingly critical. Providing flexible options to combatant commands, forward positioned Army ground forces provide customized capability packages to U.S. allies. Support to combatant commands includes security cooperation engagements designed to develop partner nations' capacity for self-defense and participation in multinational operations, security force assistance, and joint/bilateral exercises. The FY 2016 budget request funds continued support to these unique missions that shape the environment through military-to-military and, more importantly, people-to-people engagements.

Department of the Army Objectives

The FY 2016 President's Budget supports the priorities established by the Secretary of the Army and the Chief of Staff of the Army and provides the framework for cultural change and focus on the future in preparing and sustaining land forces capable of preventing conflict, shaping the strategic environment, and, when called upon, fighting to win decisively. The topical discussions that follow highlight specific details on the strategies that the Army incorporated in its FY 2016 budget request to produce results necessary to achieve senior leader priorities and objectives.

Adaptive Army Leaders for a Complex World

Implementing the Army's Operating Concept (AOC) 2025 in today's uncertain world requires military and civilian leaders who can adapt their thinking to myriad complex situations. The FY 2016 budget request invests in leader development as a priority to ensure availability of leader capacity to meet the demands of an uncertain future. The FY 2016 budget also resources Army civilian leader training, focused on leader development. Improvements to the civilian education system and continued maturity of the Senior Enterprise Talent Management Program are designed to build a more professional and competency-based civilian workforce.

A Globally Responsive and Regionally Engaged Army

Fewer resources translate to a smaller Army, which is changing to build increased combined arms capabilities and the agility to support a wide range of combatant command requirements. The FY 2016 budget request supports continued reorganization of Army capabilities. The Infantry, Armor, and Stryker BCTs, are adding a third maneuver battalion, while reducing the number of BCTs from 32 to 30 and eliminating excess headquarters infrastructure in the active force.

The Army's Regionally Aligned Forces (RAF) provide combatant commanders with headquarters capabilities up to the level of Joint Task Force requirements, with scalable, customized capabilities to support shaping the environment. The RAF are Army units assigned to combatant commands, allocated to a combatant command, and capabilities Service-retained, combatant command aligned, and prepared by the Army for combatant command regional missions.

In the Department's rebalance to the Pacific and support to the European Reassurance Initiative (ERI), the Army plays critical roles in shaping the strategic environment. The Secretary of the Army made bolstering Army activities in the Asia-Pacific region a top priority, recognizing that Army opportunities are natural given that seven of the world's ten largest armies are located in the Asia-Pacific Region. The Pacific Pathways initiative leverages training opportunities and exercises with allies in this region to promote and strengthen partnerships. Pacific Pathways meets the Army's partner-demand for increased engagement and saves $17.6 million vice conducting three independent exercises. In Europe, Army forces reassure allies of the U.S. solemn commitment to their security and territorial integrity as members of the NATO Alliance. The Strong Europe framework encompasses only 5 percent of Army force structure yet provides broad strategic effects through access and global force projection and cooperation with partner nations.

In the Pacific and other geographic theaters, the Army will employ the Total Force capabilities to influence the security environment, build trust, and gain access through the employment of rotational forces, multilateral exercises, military-to-military engagements, coalition training, and other opportunities. Army forces engage regionally to ensure interoperability, build relationships

based on common interests, enhance situational awareness, assure partners, and deter adversaries.

Scalable Forces/Leader Development

The Army is committed to retaining the extensive experience among leaders and Soldiers from more than a decade and a half of war and investing in military and civilian professional education. Adaptive leader development, with the goal of retaining tactical competence while cultivating strategic perspective, is a top priority of the Secretary of the Army and the Chief of Staff, Army. The Army will grow the intellectual capacity among Soldiers and civilians to understand the complex contemporary security environment.

A Ready and Modern Army

A Ready Army

The Army is committed to providing the Nation with the best trained and equipped Soldiers to meet changing demands. The balance required to build a ready and modern Army is challenged by the fiscal constraints in declining budgets. In prior years, the Army prioritized near-term readiness at the expense of modernization efforts. The FY 2016 budget request enables progress toward achieving balance as end strength reductions are carefully programmed to reduce manpower costs. People — military and civilians — are the largest cost driver in the Army budget.

The FY 2016 budget request focuses resources to rebuild the Army's combined arms maneuver and wide area security capabilities validated through Combat Training Center exercises, by shifting the focus of training from security assistance to rebuilding warfighting core competencies, with greater emphasis on the ability to rapidly deploy, fight, sustain, and win against complex state and non-state threats in austere environments. The Army will leverage multi-echelon joint and multinational command post exercises, staff rides, simulations, and increased home station training to optimize readiness outcomes under fiscal constraints. Tough, realistic multi-echelon home station training using a mix of live, virtual, and constructive methods efficiently and effectively builds Soldier, leader, and unit competency over time.

A Modern Army

To meet the strategic vision and improve global responsiveness and regional engagement, the Army will develop and field new capabilities or sustain, improve, or divest current systems based on operational value, capability shortfalls, and available resources. The Army's modernization efforts will prioritize Soldier-centered development, cyber tools, and procurement of proven technologies to ensure that Soldiers and teams have the best weapons, equipment, and protection to accomplish every mission, including a robust, integrated tactical mission command network. To ensure readiness, the budget request does not invest fully in longer term modernization, but will maintain science and technology investments at FY 2014 levels to support the development of breakthrough technologies, counter rapidly emerging threats, and provide Army formations with a decisive advantage and tactical overmatch across the full range of military operations. The Army will employ a resource-informed approach to materiel innovation to support the enduring relevance of land power.

The Army budget request includes limited OCO investments to continue the reset and transition of the previous generation of rapidly deployed, non-standard items into the base force while continuing the replacement, integration and standardization of equipment recently returned from Afghanistan.

The Army is involved in operations around the world against adaptive threats able to take advantage of the ever-increasing pace of technological change. Science and technology efforts will be a key contributor to enabling strategic land power and serves as a hedge against an uncertain future. Science and technology efforts will foster innovation, maturation, and demonstration of technology-enabled capabilities that empower, unburden, and protect the Soldier of the future while exploiting opportunities to transition increased capability to the current force. Army science and technology efforts continue the strategic investments and the shifts implemented in FY 2015 and are aligned with DoD direction and rebalance towards the Pacific. Areas of emphasis include efforts associated with congested/contested environments (Assured Position, Navigation, and Timing, Cyber, and Long Range Precision Fires); and future programs of record (Joint Multi-Role Demonstrator, Degraded Visual Environment, Next Generation Future Fighting Vehicle, and Red Teaming/Vulnerability Analysis).

To meet the demands of the future strategic environment and win in a complex world, the Army must make formations leaner while retaining capability, become more expeditionary, and preserve overmatch. Increasing lethality, agility and expeditionary capacity in the Army of 2025 will result from targeted science and technology investment, agile acquisition, and rapid integration of commercial off-the-shelf technologies to provide modernized Army units to the Nation. Force 2025 will harness scientific innovations in order to identify and develop the most promising new technologies and solutions.

While the Army will delay some new system development and invest in the next generation of capabilities, the FY 2016 budget request also provides for incremental upgrades to increase capabilities and modernize existing systems. In addition to Aviation Restructure Initiative-informed investments in Apache AH64E and Blackhawk UH60M, the Army will sustain investments for Integrated Air and Missile Defense Battle Command System, Patriot Missile Segment Enhancement, and Indirect Fire Protection Capability. The FY 2016 budget request will allow the Army to fund tactical mission command network integration as well as survivability, lethality, mobility and protection improvements to the Abrams tank, Bradley Infantry Fighting Vehicle, and Paladin self-propelled howitzer fleets. The FY 2016 budget also funds development of the Armored Multi-Purpose Vehicle to replace the obsolete M113 family of vehicles, and the Joint Light Tactical family of vehicles. The Army continues to lead DoD's transition to advancing enterprise network infrastructure and services, employing enhanced security, capacity, and capability to modernize the network from the tactical edge to the installation. Through scalable modernization, the Army will reduce network gaps to support global mission reach back demands and envisioned end states, such as distributed operations and live/virtual/constructive training.

Soldiers Committed to Our Army Profession

Nowhere is readiness more critical than with the Soldiers and civilians responsible for carrying out the Army's missions in support of national defense. The Army supports the total force of Soldiers, civilians, and families, providing programs that build comprehensive physical, mental, emotional and spiritual resiliency, and enforcing an environment that respects the individual dignity of all Soldiers and civilians and affords an environment free of harassment. The Ready and Resilient Campaign, launched in March 2013, serves as the focal point for all Soldier, civilian, and family programs and promotes an enduring, holistic and healthy approach to improving readiness and resilience in units and individuals. The campaign seeks to influence a cultural change in the Army by directly linking personal resilience to readiness and emphasizing the personal and collective responsibility to build and maintain resilience at all levels.

The Army is an organization strengthened by shared professional values. Sexual harassment/ assault in any form is abhorrent to every one of those values. Prevention of sexual assault is a

Secretary of the Army top priority. The FY 2016 budget request sustains resources for prosecutors, investigators, and special victim paralegals at multiple installations around the world. Efforts are synchronized in the Army's top priority Sexual Harassment/Assault Response and Prevention Program.

The Premier All-Volunteer Army

The strength of the Army rests on the diversity, courage, and voluntary service of the Nation's men and women. The Army strives to honor the service and sacrifice of Veterans, retirees, Wounded Warriors, and families by preserving the highest possible quality-of-life. The FY 2016 budget supports a level of military compensation that assures the highest quality Soldiers and civilians, and provides benefits and high quality-of-life services such as Morale, Welfare and Recreation, education assistance, and child care programs that are components of a professional force dedicated to the Army for the long term.

The Army is defined by the quality of the Soldiers it recruits and retains. The need to recruit and retain high quality Soldiers and leaders experienced in the challenge of war will only grow in importance as the size of the Army is reduced.

Unfortunately, natural attrition alone will not achieve the Army's reduced end strength requirements. Inevitably, the Army will lose some good Soldiers, who have served their Nation honorably, on active duty. The Army must responsibly balance force shaping across accessions, retention, and promotions, as well as voluntary and involuntary separations. The Army also reduced accessions to the minimum level needed to sustain force structure, achieve end strength reductions, and reestablish highly competitive but predictable promotion opportunity rates.

Women continue to play an important role in making the Army the best in the world. The Army is validating occupational standards for integrating women into all career fields, reinforcing universal standards that allow for qualification based on performance, not gender, across the profession. The Army anticipates opening to women an additional 33,000 previously closed positions in future years. The Army 2020 initiative ensures best qualified Soldiers have the opportunity to serve in any position and complete special skills training, to include attending Ranger School. Commencing January 2015, a total of 160 female Soldiers will enter four separate Ranger school assessment courses.

The Chief of Staff, Army formed the Soldier for Life (SFL) program in July 2012, chartering it to accomplish several objectives. The SFL assists transitioning Active, Reserves, and National Guard Soldiers and their families by aiding in their reintegration to communities nationwide, connecting them with the employment, education, and health resources that they need. The SFL will help the Army achieve the Chief of Staff, Army's strategic imperative of sustaining the premier All-Volunteer Army through these positive transitions, ensuring that the retired Soldier and Veteran populations advocate Army service to future generations of Americans and enhance the effectiveness of Army Reserve component by focusing on a continuum of service for transitioning active members. The SFL also works to curb the cost of high unemployment among our OCO-era Soldiers. Since its inception, the SFL developed relationships with transition stakeholders in Army, interagency, and community organizations, and key private industry partners who are stepping forward to employ Veterans.

Installations and the Environment

The Army will take a balanced approach to managing installations to ensure base operating services provide for Soldier, family and civilian quality-of-life and operational Warfighter

readiness. The Army will manage risk and safeguard facility investments while focusing on high priority installation services tailored to the transformation and downsizing of the force.

The Army's FY 2016 strategy for base operating support prioritizes funding for Life, Health, and Safety programs and services ensuring Soldiers are trained and equipped to meet the demands of the Nation. The Army remains committed to its Army Family Programs and continues to evaluate these service portfolios to maintain relevance and effectiveness.

The Army continues to refine its enterprise Facility Investment Strategy (FIS), with SRM, unspecified minor military construction, and the facility reduction program investments under one umbrella, reserving the Military Construction (MILCON) investment for the Army's most critical requirements. The FIS also addresses command priorities in focus areas such as Energy/Utilities, Industrial Base, Organizational Vehicle Maintenance, Ranges/Training Support Systems, Reserve Component Readiness Facilities, and Trainee Barracks.

The Army will manage its installations in a sustainable and cost-effective manner, preserving resources for the operational Army to maintain readiness and capability across the range of military operations. Institutional energy savings will be leveraged to generate more resources that can be used to train, move, and sustain operational forces and enhance Army mobility and freedom of action. To take advantage of private sector efficiencies, Army installations are privatizing utilities and entering into public-private energy-saving performance contracts. Since partnering with experienced local providers, the Army privatized 144 utilities systems, avoiding about $2 billion in future utility upgrade costs while saving approximately 6.6 trillion British Thermal Units a year.

Net Zero is the foundation of the Army strategy for achieving long-term sustainability and resource security goals. Net Zero also supports compliance with a variety of Federal mandates and statutes such as those contained in Executive Order 13514, the Energy Policy Act of 2005, and the Energy Independence and Security Act of 2007. Net Zero allows the Army to continue climate change adaptation and mitigation efforts and develop a strategy for all Army installations.

Operational Energy

Operational Energy initiatives encompass business process improvements and environmental stewardship. The Army seeks to achieve a lasting capability to use energy to the greatest benefit through a synchronized campaign of performance initiatives, business process changes, and education and training opportunities. This campaign includes efforts focused on both the energy required for military operations (operational energy) and the energy required by power-projection installations around the world.

Operational energy improvements to contingency bases, surface and air platforms and Soldier systems will increase overall combat effectiveness. Improved efficiencies in energy, water, and waste at contingency bases reduce the challenges, risks and costs associated with the sustainment of dispersed bases. Next generation vehicle propulsion, power generation, and energy storage systems can increase the performance and capability of surface and air platforms and help the Army achieve its energy and mobility goals. Advances in lightweight flexible solar panels and rechargeable batteries enhance combat capabilities, lighten the Soldier's load, and yield substantial cost benefits over time. Emergent operational energy capabilities will enable Army forces to meet future requirements and garner efficiencies in a fiscally constrained environment.

Business Transformation

In more traditional efforts to garner efficiencies, the Army continues to transform its business operations to achieve efficiencies, greater effectiveness, and accuracy. The Army is working to reduce business portfolio costs by almost 10 percent annually by capitalizing on eliminating legacy systems that are replaced by fielding Enterprise Resource Planning systems. The Army continues to realize significant financial and operational benefits from business process reengineering and continuous process improvement efforts. Through focus area reviews, the Army developed plans to reduce headquarters overhead, consolidate and streamline contracting operations, and improve space allocation on installations. The Army will improve efficiency and reduce costs as core processes in acquisition, logistics, human resources, financial management, training, and installations are re-engineered. Over the long-term, the Army will improve its strategic planning, performance assessment, and financial audit readiness so that commanders can make better- informed resource decisions to improve readiness.

The Army continues work to balance workforce requirements across military, civilian, and contracted labor categories, the cost of which comprises the largest portion of the Army's budget. The Army will continue to leverage workforce shaping tools in FY 2016 to incentivize reductions, enable a smooth, integrated ramp, designed to enhance workforce planning efforts, and reduce turmoil in the civilian workforce. The Army will comply with directed headquarters reductions and will continue manpower reductions resulting from sequestration-reduced funding; these efforts include an overall reduction to headquarters' strength of 20-25 percent by FY 2019. Civilian reductions will be conducted in concert with overall end strength cost savings. The Army is committed to reducing service contractor spending at least to the same degree as, if not more than, reductions borne by the civilian workforce. While the Army must make prudent decisions during this period of transition, the uncertainty has impacted the morale of the Army's dedicated workforce.

Enhanced Audit Readiness and Stewardship

The Army remains committed to making progress in executing its Financial Improvement Plans to achieve auditable financial statements, which is a top priority receiving the support and commitment of senior leadership, Soldiers, and civilians. This commitment has enabled the Army to achieve several critical milestones, including the assertion of audit readiness on the Schedule of Budgetary Activity for FY 2015 and to the existence and completeness the of asset categories of Real Property, and Operating Materials and Supplies at the conclusion of FY 2014. The Army also received a favorable audit opinion in the recent FY 2015 report from the DoD Office of the Inspector General regarding the audit of the existence and completeness of Army General Equipment. These accomplishments are key milestones as the Army progresses toward the challenging goal of full financial statement audit readiness by the conclusion of FY 2017.

The Army has increased its enterprise-wide focused review of its internal resourcing process and procedure and is working on institutionalizing a more robust and timely review and analysis program that seeks to refine the alignment of requirements to funding and reduce the level of reprogramming and lost opportunities during the current year. Started in FY 2014, this process has already started to net real benefits, and the Army will further mature this capability over time to help enhance the stewardship of the dwindling resourcing levels and ensure optimization of the value of the Army's funding.

CONCLUSION

The FY 2016 budget request reflects Army priorities and difficult decisions to ensure near-term readiness in support of the defense strategy despite declining budgets. The budget reflects a

direction for the Army to enhance combat capability in smaller forces while enhancing access to forces for combatant commands. The budget supports Army Soldiers, civilians, families, and Veterans, adapting from more than a decade at war with programs that build resilience and uphold Army values that characterize the Army profession. Resources are allocated to prioritize near-term readiness building through training, minimally upholding facilities and equipment sustainment, while not losing sight of modernization initiatives necessary to retain a technical edge in the future.

DEPARTMENT OF THE NAVY OVERVIEW

The United States (U.S.) is a maritime nation with major security and economic interests far from its shores. The U.S. Navy and Marine Corps team stand watch over those interests around the globe, operating forward where it matters when it matters. In today's dynamic and dangerous security environment, this team provides key capabilities to win the Nation's wars, deter conflict, rapidly respond to crises and natural disasters, and ensure the maritime security on which the U.S. economy depends. The Navy/Marine Corps team executes these missions by using the sovereign maneuver space of the sea for simultaneous and seamless operations on and below the surface, ashore, in the air, and in space, and across the range of military operations.

In a challenging fiscal environment, the Department of the Navy (DoN) Fiscal Year (FY) 2016 President's Budget (PB) supports the priorities of the President's Defense Strategic Guidance, as amplified by the Quadrennial Defense Review, and the priorities of the Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps. The Department prioritized investments to provide a credible, modern, and safe strategic deterrent; global forward presence of combat ready forces; asymmetrical advantages to defeat and deny adversaries; and a sufficient industrial base.

As the Nation's forward deployed expeditionary force, the Navy and Marine Corps provide the Nation's most responsive capability for emergent security threats. The FY 2016 President's budget funding level reflects the resources required in today's security environment featuring sustained pressure to rapidly respond to a diverse scope of requirements spanning extremist organizations, pandemic diseases and natural disasters, while continuing to deter assertive actors across the globe through our expeditionary presence and dominant warfighting capability.

To maintain this force, the DoN balances the required force structure with proper training. The FY 2016 President's budget request balances current readiness needed to execute assigned missions while sustaining a highly capable fleet, all within a tough fiscal climate. This budget reflects a DoN Future Years Defense Program (FYDP) from 2016 to 2020 of $828.4 billion, $5.1 billion higher than the FYDP presented with the FY 2015 budget; the FY 2016 budget is $161.0 billion, an increase of $1.5 billion.

The FY 2016 budget includes construction of 48 ships across the FYDP. Providing stability in shipbuilding to deliver warfighting requirements affordably, the budget supports steady production of destroyers and submarines; 10 of each are constructed through FY 2020. The DoN will build 14 Littoral Combat Ships (LCS) in the FYDP, the last five of which are of the modified LCS configuration. The modified configuration program begins in FY 2019 with no gap from earlier LCS production. The modified LCS provides improvements in ship lethality and survivability, delivering enhanced naval combat performance at an affordable price. The FYDP shipbuilding construction program also includes one aircraft carrier, one LHA replacement, one LX(R), five T-ATS(X) fleet towing, salvage, and rescue vessels, one afloat forward staging base platform, and four T-AO(X) fleet oilers. The FY 2016 budget also funds *USS GEORGE WASHINGTON (CVN-73)*, its Carrier Air Wing, and associated force structure.

The budget supports a balanced manned and unmanned aviation procurement plan of 492 aircraft over the FYDP. The successful underway testing of the carrier variant (CV) of the Joint Strike Fighter (JSF) on *USS NIMITZ* (CVN-68) in 2014 continues the JSF program progression; 121 JSF aircraft are procured across the FYDP. The Marine Corps invests heavily in rotary wing aircraft, accelerating the procurement of the final 109 AH-1Z-1/UH-1Y helicopters, and procures 37 MV-22 Ospreys. The first 24 Navy V-22 Carrier Onboard Delivery (COD) aircraft will be procured starting in FY 2018. Investment in unmanned systems includes 18 MQ-4 Triton Unmanned Aircraft Systems through FY 2020, with the first deployment to the Pacific in FY 2017, and the procurement of 10 MQ-8C Vertical Takeoff Unmanned Aircraft Systems. Aviation investments also include procurement of airborne early warning aircraft (24 E-2D), multi-mission helicopters (29 MH-60R), presidential helicopters (12 VXX), heavy lift helicopters (26 CH-53K), aerial refueling tankers (10 KC-130J), and the final 47 P-8A Poseidon multi-mission maritime aircraft.

The FY 2016 budget includes a fleet of 282 Battle Force Ships. This baseline budget maintains Navy/Marine Corps flying hours at a T-2.5/2.0 rating, with the exception of the F/A-18 A-D aircraft that are constrained by depot level throughput. Baseline funding for ship and aviation depot maintenance meets 80 and 77 percent of the requirements, and Marine Corps ground equipment maintenance is funded at 84 percent of requirement. Facility sustainment levels for Navy are funded to 84 percent of the sustainment model and the Marine Corps funded to 81 percent in this baseline budget.

To provide the required ability to deter aggression, respond to emerging security threats - including extremist organizations, and providing humanitarian assistance during pandemic diseases, and natural disasters — the U.S. must maintain the proper force capacity. The Navy will grow to 329,200 and while the Marine Corps will remain at 184,000 in FY 2016. The Marines will continue returning to their expeditionary roots, with an enhanced ability to operate from sea. Civilian personnel levels will remain steady, strongly supporting the force as engineers, scientists, medical professionals, and skilled laborers.

The Department has been challenged to meet combatant commander demand for forces, and associated higher-than-planned operational tempo, while dealing with the reality of reduced resources. Forces available for surge requirements have decreased due to increased maintenance on aging platforms, a reduction in aircraft and weapons procurement, and risks taken against support infrastructure. This budget continues to put a priority on readiness while maintaining the minimum investment necessary to maintain an advantage in advanced technologies and weapons systems. While the Department has accepted some risk in weapons capacity and delayed certain modernization programs, this budget provides the DoN with a plan to keep the Navy and Marine Corps as a ready, balanced force.

The FY 2016 President's Budget funds the priority findings in the Nuclear Enterprise Review, including shipyard capacity, infrastructure, and training, and nuclear weapons support manning. The Department's budget submission added approximately $2.2 billion across the FYDP for these efforts. Key elements include increasing shipyard capacity by funding a total end strength of 33,500 Full-Time Equivalents by FY 2018; accelerating investments in shipyard infrastructure and Nuclear Weapons Storage facilities; funding additional manpower associated with nuclear weapons surety at the Strategic Weapons Facilities, Strategic Systems Program Office, and at both East and West Coast Type Commander Headquarters; and funding key nuclear weapon training systems to include another missile tube simulator and associated sustainment to ballistic missile submarine sailors.

Overall, the Department's investments in readiness and infrastructure in the FY 2016 budget request are essential to generating the combat ready forces that support the DoD rebalance to

the Asia-Pacific, and enable critical presence in the strategic maritime crossroads spanning the Middle East, Europe, Africa, the Western Pacific, and South America.

STRATEGIC GUIDANCE

The hard choices made in balancing the FY 2016 President's Budget are based on the priorities directed in the 2014 Quadrennial Defense Review (QDR), which built on the 2012 Defense Strategic Guidance (DSG). The QDR identifies 2020 as the benchmark year for the Department in executing the ten DSG missions, arranged under three objective areas — protect the homeland, build security globally, and project power and win decisively.

In addition to these objectives and ten missions, the QDR also directs the Department to prepare for 21st century conflicts and to maintain the strength of the All-Volunteer Force. In support of this strategic direction, the Marine Corps returns to a middle weight, agile sea-based force, as outlined in "Expeditionary Force 21." The DoN will evaluate innovative new ways to integrate Marine Corps operations with Navy, Coast Guard, Special Forces, and international partners. The Navy continues to invest in science, technology, and other research to find new approaches to fight conflicts. The Department will continue to rebalance its forces to the Asia-Pacific region, increasing the ship presence there by 8 percent; maintain its ballistic missile defense capability in Europe; and strengthen its cyber presence. To empower the force, the Department will continue to research reforms in pay and benefits and develop career paths more suitable to families. The DoN will further enhance safety, security, and the quality-of-life for Sailors and Marines. Additional information on how the Navy will reach these goals will be released in the 2015 revision of "A Cooperative Strategy for 21st Century Seapower."

PEOPLE, PLATFORMS, POWER, AND PARTNERSHIPS

Four key factors sustain the DoN's warfighting advantage and global presence; these factors are the Secretary of the Navy's priority areas:

- **People** provide the critical asymmetric advantage in today's complex world. The DoN will continue to prioritize investments that ensure the proper training, readiness and mental and physical well-being of Sailors and Marines.
- **Platforms** span the ships, aircraft, submarines, tactical vehicles and unmanned vehicles that provide the capability and capacity underpinning the DoN's global combat-ready presence. The budget supports fielding Navy and Marine Corps equipment at the best value, working with industry and procuring platforms through competition, multiyear buys, and driving harder bargains for the taxpayer. This approach is essential to providing the platforms needed to execute our missions.
- **Power** and energy get the platforms where they need to be and keep them there. The DoN continues to make progress toward greater energy security, building on a long record of energy innovation from sail to coal to oil to nuclear and now to alternative fuels.
- **Partnership** development initiatives, spanning exercises, actual operations, and broad leadership engagement have created a more interoperable force better prepared and more widely available to prevent and respond to crises.

FORWARD PRESENCE AND PARTNERSHIP

Naval forces operate forward to shape the security environment, signal U.S. resolve, and promote global prosperity by defending freedom of navigation in the maritime commons. By expanding the U.S. network of allies and partners and improving the Department's ability to operate alongside them, naval forces foster the secure environment essential to an open economic system based on the free flow of goods, protect U.S. natural resources, promote stability, deter conflict, and respond to aggression. During crises, forward naval forces provide the President immediate options to defend U.S. interests, de-escalate hostilities, and keep conflict far from the Nation's shores. During wartime, forward naval forces fight while preserving freedom of access — and action — for follow-on forces.

The Navy's budget submission will provide a forward presence of about 115 ships by 2020, up from an average of 97 in 2014, to be "where it matters, when it matters." This includes forward-based naval forces overseas in places like Guam, Japan, and Spain; forward-operating forces deploying from overseas locations such as Singapore; and rotationally-deployed forces that operate from the United States. To provide forward presence more efficiently and effectively, the DoN will adopt the following force employment innovations:

- Increase forward-basing of forces abroad to reduce costly rotations and deployments, while boosting in-theater presence.
- Provide globally distributed and networked expeditionary forces in concert with allies and partners to increase effective naval presence, strategic agility, and responsiveness.
- Employ modular designed platforms to allow mission modules and payloads to be swapped instead of entire ships, saving time and money.
- Take advantage of adaptive force packages to enable persistent engagements that build the capacity of allies and partners to respond to future crises. This budget funds the procurement of one additional afloat staging base (AFSB) for a total of three. These ships will be able to flow between theaters in support of combatant commanders requirements while also having the capability to support Special Operations Forces (SOF). In addition the funding provided for enhanced SOF capabilities for all AFSB is included in this budget.

CONCLUSION

The expeditionary Navy and Marine Corps team, strongly executing the Nation's strategy through steady forward presence that deters aggression and provides rapid response, will continue to be called on as the Nation's first responder to emergent national security needs, as seen repeatedly in 2014. In a turbulent world, the sea services provide the Nation with credible, flexible, and scalable options to respond rapidly to crises, deter and defeat aggression, and sustain economic lifelines through freedom of the seas. This budget addresses a series of geopolitical, military, and fiscal challenges in balancing investment in the naval forces to continue the legacy of more than two centuries. American seapower—forward, engaged, and ready.

DEPARTMENT OF THE AIR FORCE

Introduction

In the FY 2015 President's Budget, the Air Force had to make tough choices and trade-offs to balance capability, capacity, and readiness. The FY 2016 President's Budget request also reflects tough choices but seeks to return the Air Force to readiness, modernization and recapitalization funding levels required to execute the defense strategy. The FY 2016 budget

request is informed by current geopolitical conditions with some capacity restoral, sustained readiness gains, and additional investments in nuclear; space; cyber; command and control; and Intelligence, Surveillance, and Reconnaissance (ISR) capabilities.

The FY 2016 President's Budget request seeks to build and maintain an Air Force that is capable of executing its core missions against future high-end threats and is ready for the full range of military operations. Airmen bring to the Nation's military portfolio five interdependent and integrated core missions: (1) air and space superiority; (2) ISR; (3) rapid global mobility; (4) global strike; and (5) command and control. While the methods for executing these missions have changed over time, the core missions have remained the same since the Air Force's inception. For more information on these core missions, read the Air Force strategic framework document *Global Vigilance, Global Reach, Global Power for America* (www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA602197).

FY 2016 INITIATIVES BY AIR FORCE CORE MISSION

AIR AND SPACE SUPERIORITY

Air Superiority

The Air Force maintains air superiority by investing in legacy fleet service life sustainment and modernization efforts, fifth generation aircraft upgrades (F-22A), recapitalization for the Personnel Recovery helicopter mission, and enhanced munitions.

Legacy Aircraft: The average age of the F-15C/D fleet is over 27 years and requires modernization to remain viable. The fleet will be reduced by 31 aircraft across the Future Years Defense Program, 10 of these in FY 2016. The remaining 214 will undergo offensive and defensive improvements including Active Electronically Scanned Array (AESA) radars and initial development of the Eagle Passive/Active Warning Survivability System (EPAWSS), improving mean time between failure and survivability. Also in initial development is an Infra-Red Search and Track system, which will give the Eagle a search and track capability vital to operations in a contested environment. These efforts extend operability of the Eagle for the long term.

Fifth Generation Aircraft: To stay ahead of threats, modernization of the F-22A's combat capabilities is a major area of interest with continued emphasis on Increment 3.1 with Aircraft General (APG)-77 radar air-to-ground and electronic attack improvements. Increment 3-1 includes hi-resolution synthetic aperture radar, geo-location and Small-Diameter Bomb-I capability.

Combat Rescue Helicopter (CRH): The FY 2016 budget fully funds recapitalization of the legacy HH-60G fleet under the CRH program with a projected Initial Operational Capability in 2021.

Munitions: The FY 2016 budget funds Air Intercept Missile (AIM)-9X Block 2 and AIM-120D development, integration, and production. The AIM-9X gives pilots the ability to release the missile without having the target "locked" at the time of launch, decreasing the time required from target identification to firing. The AIM-120D is the next iteration of the Advanced Medium Range Air-to-Air Missile (AMRAAM) missile with increased range and radar capabilities. Air Superiority AIM-9 and AIM-120 munition quantities increased from 503 in FY 2015 to 768 in FY 2016.

Space Superiority

Space continues to be a contested environment. As more commercial and government entities take advantage of space, the Air Force remains committed to improving space situational

awareness and command and control advantage, and modernizing/recapitalizing key space capabilities central to the joint fight.

Space Situational Awareness (SSA) and Space Control: The Air Force increased investment in SSA and Space Control capabilities to address growing threats while enhancing the ability to identify, characterize and attribute all threatening actions, supporting the recommendations of DoD's Space Strategic Portfolio Review. These enhancements accelerate delivery of the Space-Based Space Surveillance follow-on; upgrade and procure the full requirement of operational Counter Communication Systems; enable one-way net-centric data to the Joint Space Operations Center (JSpOC); accelerate delivery of the JSpOC Mission System Increment 3; and deliver enhanced information to enable rapid visualization/targeting.

Global Positioning System (GPS): The Air Force is adjusting the GPS III space vehicle procurement profile to position the program for a potential competition to procure SV11+. The FY 2016 budget procures one GPS III satellite, SV-10, and adjusts funding within the GPS enterprise to account for updated cost estimates on the Next Generation Operational Control System (OCX) and Military GPS User Equipment (MGUE) programs.

Satellite Architecture: The Air Force continues to explore an alternative architecture for the aging Satellite Communications (SATCOM) and Overhead Persistent Infrared (OPIR) technologies. The FY 2016 request sustains the existing SATCOM and OPIR systems through the transition, maintaining the Advanced Extremely High Frequency (AEHF) capability with vehicles 5/6 through 2027 and Space Based Infrared System (SBIRS) geosynchronous orbit capability with vehicles 5/6 through 2025.

Space-Based Environmental Monitoring: The Air Force commenced development of Weather System Follow-on (WSF) in FY 2015 to begin the transition from the Defense Meteorological Satellite Program (DMSP) while preparing to launch and initialize the last DMSP space vehicle (Flight 20). The WSF will provide timely, reliable, and high quality space-based remote sensing capabilities to meet global environmental observations of atmospheric, terrestrial, oceanographic, solar-geophysical and other validated requirements.

Assured Access to Space: The Evolved Expendable Launch Vehicle (EELV) program has been aligned with satellite launch schedules in FY 2016 while fostering reduced prices through a rate and quantity commitment with the current certified provider and by nurturing competition between certified vendors. Five launch services are being procured in FY 2016. In addition, the Air Force is beginning development to provide two commercially-viable, domestically-sourced space launch services with the objective of eliminating reliance on a foreign-made liquid rocket engine.

Cyberspace Superiority

The concept of Cyberspace Superiority hinges on the idea of preventing prohibitive interference to joint forces from opposing forces, which would prevent joint forces from creating desired effects. The Air Force delineates the funds it spends on Cyberspace Superiority according to three lines of operation: DoD Information Network Operations (DoDIN Ops), Defensive Cyberspace Operations (DCyO), and Offensive Cyberspace Operations (OCyO). As the Combatant Command Support Agency for the U.S. Cyber Command (USCYBERCOM), the Air Force Cyberspace Superiority budget includes a fourth category for combatant command support. The Air Force remains committed to improving the capabilities and increasing the availability of Air Force operational cyberspace capabilities.

DoD Information Network Operations (DoDIN Ops): In the DoDIN Ops line of operation, the Air Force continues to plan and influence development of the DoD Joint Information Environment (JIE). Air Force personnel are working with their Service counterparts,

USCYBERCOM, the Defense Information Systems Agency, the DoD Chief Information Office, and other DoD Agencies and combatant commands to shape the strategy, planning, and implementation of this overarching DoD initiative and supporting the standup of the new security layer for JIE under the Joint Regional Security Stacks initiative.

Defensive Cyberspace Operations (DCyO): The Air Force will increase the operational capacity of the Cyberspace Vulnerability Assessment and Cyberspace Hunter mission capability in the Active and Reserve Components by standing up Cyber Protection Teams.

Offensive Cyberspace Operations: The Air Force is continuing to work with the Joint Staff and USCYBERCOM to provide forces required for the National and Combat Cyber Mission Teams, supporting national level and combatant commands.

INTELLIGENCE, SURVEILLANCE AND RECONNAISSANCE

The FY 2016 budget request represents the Air Force's commitment to medium altitude manned and unmanned capabilities, ensures viability of high-altitude conventional assets to fulfill designated wartime requirements, and continues the ISR enterprise-wide investment in intelligence analysis and end-to-end automation through dissemination. The FY 2016 budget request sustains focus on enhancing ISR capabilities against high-end threats while increasing investment in medium-altitude, permissive ISR to increase capacity for ongoing combatant command operations.

The total number of combat air patrols (CAP) funded in the President's budget is 76, which includes 60 Air Force MQ-1/MQ-9 CAPs and 16 Army MQ-1C CAPs. The Air Force CAPs sustain MQ-1 Predator and MQ-9 Reaper medium-altitude, permissive ISR capacity through FY 2016. This normalizes the ISR capacity to better align with ongoing and enduring operations tempo.

In its high-altitude ISR portfolio, the Air Force retains the U-2 reconnaissance aircraft and sustains RQ-4 Global Hawk Block 30 and Block 40, including investment in the RQ-4 Block 30 to extend platform viability beyond 2023, improve reliability, and enhance sensor performance.

RAPID GLOBAL MOBILITY

Airlift Modernization: The FY 2016 budget request continues the long-standing Air Force objective to modernize the C-130 Hercules fleet. The Air Force-led joint multiyear procurement (MYP) effort continues the acquisition of 78 C-130J Super Hercules aircraft and saves 9.5 percent over annual contracts. This FY 2014 - FY 2018 effort includes 43 HC/MC-130J Air Force Special Operations aircraft and 29 C-130J Air Force aircraft, which replace older C-130s. The remainder of the MYP contract recapitalizes other Services' C-130 aircraft.

The Air Force's FY 2016 budget request also cuts costs by reducing the scope of its legacy C-130H Avionics Modernization Program. The 2016 budget request continues to address aircraft obsolescence issues, Federal Aviation Administration mandates, and global airspace access requirements beyond 2020.

The FY 2016 budget request continues funding the replacement of the C-5 Core Mission Computer (CMC) and Weather Radar to mitigate obsolescence of the existing system. This effort centers on upgrading the existing CMC to obtain sufficient capability and capacity for future requirements resulting in greater reliability and simplified fleet-wide training.

The Air Force also ramps up research and development efforts to recapitalize the 1980's era VC-25 ("Air Force One" Presidential Aircraft). The principal mission of the VC-25 is to provide

the President safe, comfortable and reliable air transportation with the same level of security and communications capability available at the White House.

Tanker Replacement: The KC-46 tanker recapitalization program remains one of the Air Force's top three acquisition priorities, and the FY 2016 budget request continues to support the tanker fleet recapitalization effort. The KC-46 will perform multi-point refueling of joint and coalition aircraft, carry more cargo and/or passengers than the aged KC-135 fleet, conduct aeromedical evacuation, and self-deploy to any theater. The current program plan will deliver 70 aircraft by end of CY 2020 and procure a total of 179 KC-46 aircraft.

GLOBAL STRIKE

While the United States and coalition team have had a distinct precision attack advantage in recent operations, such as Afghanistan, potential adversaries are leveraging technologies to improve existing airframes with advanced radars, jammers, sensors, and more capable surface-to-air missile systems. Increasingly sophisticated adversaries and highly contested environments will challenge the ability of Air Force legacy fighters and bombers to engage in heavily defended areas. To stay ahead of these challenges, the Air Force's FY 2016 budget balances needed precision strike capabilities with fiscal constraints. It funds modernization of legacy fighters, the B-1B Lancer, F-35 Joint Strike Fighter development and procurement, development of a new Long Range Strike Bomber (LRS-B) capability, and continued investment in preferred air-to-ground munitions.

Nuclear Deterrence: Strengthening the nuclear enterprise remains the number one mission priority within the Air Force. The Air Force continues its actions to deliver safe, secure, and effective nuclear capabilities within its Nuclear Deterrence Operations (NDO) portfolio. The Air Force's intercontinental ballistic missiles and heavy bombers provide two legs of the Nation's nuclear TRIAD. Dual-capable fighters and bombers extend deterrence and provide assurance to allies and partners. The Air Force continues its efforts to further the skills and leadership of its NDO-Airmen and institutionalize improvements and capitalize on gains made since the Air Force began reinvigorating the nuclear enterprise in 2008.

Intercontinental Ballistic Missile (ICBM): The FY 2016 budget funds additional investments to sustain and modernize the ICBM force. These investments include: ICBM Fuze replacement, Ground Based Strategic Deterrent (GBSD) flight system development, the addition of officer Assignment Incentive Pay and enlisted Special Duty Assignment Pay, and various security upgrades to include replacement of the nuclear warhead Payload Transporter Van and the addition of Remote Visual Assessment II to the missile fields.

Manpower Supporting the Nuclear Enterprise: The FY 2016 budget funds 1,120 additional military and civilian billets across the nuclear enterprise as part of the Secretary of the Air Force directed Force Improvement Program. Additionally, 158 technical and engineering staff positions at Hill Air Force Base, Utah, were added in support of the Ground Based Strategic Deterrence initiative to recapitalize the Minuteman III infrastructure.

Nuclear Helicopter Support: The FY 2016 budget fields a replacement for the Vietnam era UH-1N fleet to address U.S. Strategic Command's (USSTRATCOM) validated nuclear security gaps. This program purchases U.S. Army UH-60A Black Hawk models and converts them to UH-60L models using existing government contractor services.

Legacy Aircraft/Weapons: The Air Force continues to modernize global strike fighter aircraft to support long-range interdiction capabilities. The FY 2016 budget funds the F-15E Strike Eagle radar replacement with Active Electronically Scanned Area (AESA) radars and improves access in contested environments with a modern Eagle Passive/Active Warning Survivability

System (EPAWSS). The EPAWSS includes a digital radio frequency memory jammer, an advanced radar warning receiver, and an improved chaff and flare dispenser with towed decoy to promote aircraft survivability against modern threats.

The Air Force continues to modernize its bomber fleet to extend the life of the B-52, B-1, and B-2 aircraft until the Long Range Strike Bomber recapitalization program is complete. In FY 2016, the Air Force will upgrade the B-52 aircraft to the Combat Network Communication Technology (CONECT) system, upgrade the internal weapons bay to allow internal carriage of smart weapons, and add smart weapon decoy-jammer and stand-off missile technologies to the external pylons. Additionally, the Air Force will replace the Global Positioning System (GPS) Interface Unit to enhance GPS-aided navigation, advanced targeting pod display and control, cryptographic key handling, route screen generation, and operation of the CONECT computer.

The FY 2016 budget continues funding for the B-2 Defensive Management Systems-Modernization (DMS-M), the Common Very Low Frequency/Low Frequency Receiver (CVR) and Flexible Strike programs. The DMS-M will enable penetration of dense threat environments while CVR adds survivable communications capability to the platform. The FY 2016 budget funds the continuation of the B-1 Integrated Battle Station contract, which concurrently procures and installs Vertical Situation Display Upgrade (VSDU), Central Integrated Test System (CITS) and Fully Integrated Data Link (FIDL) to address obsolescence, diminishing manufacturing sources, and enhance line-of-sight/beyond line-of-sight Link 16 communications.

The FY 2016 budget funds sustainment of Nuclear Command, Control, Communication and upgrades. Specifically, the Air Force will upgrade the Strategic Automated Command and Control System and Very Low Frequency cabling upgrades to ICBM systems. Additional funding items include Global Aircrew Strategic Network Terminal increments 1 and 2, and B-2 AEHF.

Fifth Generation Aircraft: To counter the challenge of highly contested environments, the Air Force is procuring the F-35A Lightning II aircraft, one of the top three acquisition priorities for the Air Force. The FY 2016 budget includes funding for Block 4 of the F-35 program, in addition to research and development funds for nuclear dual capability for the aircraft.

Long Range Strike Bomber (LRS-B): The LRS-B aircraft is also one of the Air Force's top three acquisition priorities and is currently in the development phase. The LRS-B aircraft must be able to penetrate highly contested environments, have top-end low observability characteristics, and loiter capability. The Air Force's FY 2016 budget request includes funding to continue the development of an affordable, long range, penetrating aircraft that incorporates proven technologies. This follow-on bomber represents a key component to the joint portfolio of conventional and nuclear deep-strike capabilities.

Munitions: The FY 2016 budget request for Global Strike weapons capabilities reflects the need to win today's fight, while investing in systems to address the challenge of highly contested environments; however, shortfalls remain. The FY 2016 budget procures the GBU-53B Small Diameter Bomb Increment II (SDB II). The GBU-53B provides a capability to hold moving targets at risk in all weather and at stand-off ranges. The SDB II is a key part of the solution for future conflicts and will be integrated onto the F-22 and F-35, as well as other current operational platforms. The procurement of 260 AGM-158B Joint Air-to-Surface Standoff Missile-Extended Range (JASSM-ER) is also included with the FY 2016 budget request. The JASSM-ER is an upgraded version of the baseline JASSM that can fly a much greater distance, providing excellent stand-off range in highly contested environments and increasing the flexibility and lethality of the force. In FY 2015, the Air Force bought 412 SDB and 260 JASSM-ER global strike munitions and in FY 2016 will purchase 1,942 SDB II and

360 JASSM-ERs. The FY 2016 budget procures 6,256 AGM-114 Hellfire missiles. The AGM-114 is the primary weapon for Predator and Reaper systems directly supporting Joint Force Commanders in finding and prosecuting time-sensitive targets. The FY 2016 Overseas Contingency Operations (OCO) budget includes additional Hellfire missiles in support of Operation INHERENT RESOLVE.

B61 Tail kit: The Air Force's FY 2016 budget continues funding for the B-61 Tail Kit Assembly. This program is a joint venture with the National Nuclear Security Administration's life extension program and combines four older variants into the B-61-12. This investment will allow the Air Force to field a modernized weapon to meet operational requirements and provide nuclear assurance to U.S. allies in Europe.

Long Range Stand-Off (LRSO) Weapon: The FY 2016 budget accelerates the LRSO program by 2 years. The LRSO effort will develop a weapon system to replace the Air Launched Cruise Missile, which has been operational since 1986. The LRSO weapon system will be capable of penetrating and surviving advanced Integrated Air Defense Systems from significant stand-off range to prosecute strategic targets in support of the Air Force's global attack core function.

Air Launched Cruise Missile (ALCM): The FY 2016 budget requests funds procurement of the remaining ALCM Service Life Extension Program kits. It also replaces impact sensors and ordnance cables, which are required to maintain and assess ALCM reliability, safety, and effectiveness.

Military Construction (MILCON) and Facilities Sustainment, Restoration and Modernization (FSRM): The FY 2016 budget request for MILCON continues to support construction for combatant commands (e.g., U.S. European Command's Joint Intelligence Analysis Center Phase 2, USCYBERCOM Joint Operations Center Increment 3), weapon system bed downs (e.g., F-35A, KC-46A Pegasus), Asia-Pacific Resiliency, and "Quality-of-Life" (e.g., basic military training and airmen dormitories). It also strengthens the prime mission priority within the Air Force, the nuclear enterprise, by constructing a new Weapons Storage Facility, a tactical response force alert facility, and consolidated stealth operations/nuclear alert facility. The FY 2016 MILCON budget request also includes projects to recapitalize aging infrastructure (e.g., air traffic control towers, fire stations, and communications facilities). Finally, the Air Force also increased funding for maintenance and repair of its facilities and other infrastructure.

Command and Control (C2)

In the FY 2016 budget request, the Air Force maintained capacity, increased investment in the Nuclear C2 enterprise, and pursued modernization critical to ensure a technologically dominant C2 capability in the current fight and future conflicts. This includes a refined acquisition strategy for the E-8 JSTARS recapitalization efforts, delaying the divestiture of seven E-3 aircraft from FY 2016 to FY 2019, investing $90.7 million in a new low-frequency transmission system for the E-4 National Airborne Command Center (NAOC), and allocating $109.4 million to outfit Red Switch and other communications upgrades to meet current nuclear technical performance criteria for the new USSTRATCOM Headquarters building.

The Air Force retains modernization funding for the remaining Airborne Warning and Control System (AWACS) fleet, continuing to field the E-3G variant, enhancing the electronic protection capability of the E-3 radar, and equipping the platform with advanced tactical data links.

Force Structure Actions

The Air Force FY 2016 President's Budget submission is higher than the projected FY 2016 budget level constrained by the Budget Control Act. The President's Budget funding level is necessary in order to resource Air Force core missions required by the defense strategy. However, even at the higher budget level, difficult choices, such as divesting the A-10 fleet, had to be made to maintain the balance of a ready force today and a modern force tomorrow while also recovering from the impacts of sequestration and reduced funding levels.

Air and Space Superiority: The FY 2016 budget retires seven aircraft (six EC-130Hs and the TC-130H) and transitions the newest converted C-130 to a much needed test platform, NEC-130H.

Intelligence, Surveillance, Reconnaissance (ISR): The FY 2015 budget request divested the U-2 aircraft in favor of the RQ-4 Block 30 Global Hawk unmanned aerial vehicle (UAV) due to projected lower operating costs. In the FY 2016 budget, the Air Force delays the planned U-2 aircraft retirement from 2016 to 2019 in response to current operational requirements and to reduce risk by aligning U-2 divestitures with anticipated fielding of enhanced RQ-4 Block 30 sensors.

Rapid Global Mobility: The FY 2016 improves the match of intra-theater airlift requirements to capabilities by retiring 10 C-130H aircraft in FY 2017 and 18 aircraft in FY 2019 to reduce excess capacity, while fully supporting defense strategy and direct support requirements. The C-130 enterprise reduces to 300 total aircraft by FY 2019. In accordance with FY 2013 National Defense Authorization Act language and the DoD's submission of the 2018 Mobility Capabilities Assessment to Congress, the Air Force will continue retiring C-5A aircraft.

Global Strike: In the first Gulf War, the A-10 aircraft was the primary Air Force Close Air Support (CAS) airframe. As weapon systems, smart munitions, and tactics evolved over the last 20 years, several other platforms are now capable of providing CAS. During Operations ENDURING FREEDOM and IRAQI FREEDOM, the A-10 aircraft accomplished only 20 percent of all CAS missions. Additionally, the A-10 does not possess the necessary survivability to remain viable in anti-access environments. Due to budget limitations and to better protect ground forces against high-end threats, the Air Force will begin retiring the A-10 Thunderbolt fleet in FY 2016 to focus available funding on more survivable, multi-role platforms better capable of providing CAS to ground forces in future conflicts. The retirement is phased across 4 years in parallel with the F-35 procurement plan. In FY 2016, 164 A-10s will be retired.

Command and Control: In FY 2016, the Air Force continues funding E-8C Joint Surveillance Target Attack Radar System (JSTARS) recapitalization. The draft acquisition strategy was refined, restructuring the Technology Maturation Risk Reduction acquisition phase. Although this refinement addresses the program's top integration risks earlier in the program's life-cycle, it pushes the Initial Operational Capability out to FY 2023. To fund JSTARS recapitalization, the Air Force divested the E-8C test capability, including the T-3 test aircraft, and placed the E-8C on a force management to sunset profile with a retirement between FY 2025 - FY 2026.

Additionally, the Air Force will re-phase the E-3 AWACS divestiture of seven aircraft and AWACS Reserve Association Group from FY 2016 to FY 2019. This Total Force Continuum re-phase increases near-term capacity to meet highest-priority combatant commander needs while preparing for future fights.

Personnel: The Air Force will re-size the force to address key capability gaps in the nuclear enterprise, cyber, and ISR while matching manpower to force structure decisions. In FY 2016, the Air Force requests an end strength of 317 thousand active duty, 69 thousand Air Force Reserve, and 105 thousand Air National Guard military personnel. This represents a 4 thousand increase in Air Force active end strength from FY 2015 enacted levels (313 thousand). These increases comprise the addition of 900 military personnel to bolster the nuclear enterprise and an increase of 200 military personnel in cyber operations and cyber warfare positions to counter growing worldwide cyber threats. Additional force structure enhancements strengthen the Air Force's ISR and C2 capabilities with the addition of 800 personnel for MQ-9 Reaper UAV, and 1,900 personnel to support the institutional and training pipeline programs that will enable the Air Force to transition and shape its workforce to meet future mission and skill requirements. Additionally, 600 F-15C positions were restored to support the European Reassurance Initiative.

Readiness: The Air Force continues to invest in Operation and Maintenance activities that will help aid the road to readiness recovery by 2023. In FY 2016, the Air Force continues to fund the Flying Hour requirement to 100 percent of capacity. Weapon System Sustainment is funded at 79 percent in the baseline and 91 percent with OCO, and Facility Sustainment is funded at 80 percent in FY 2016, which is a significant improvement over the emergency-only work order funding level of 65 percent in the FY 2015 President's Budget.

CONCLUSION

The Air Force's FY 2016 budget submission maintains the delicate balance between capability, capacity, and readiness. It continues the path to full-spectrum readiness by 2023 while preserving top recapitalization and modernization programs to be prepared for a potential high-end fight in the future. Informed by current geopolitical conditions and ongoing operations, this budget also restores some planned force structure divestitures and makes additional investments in nuclear, space, cyber, ISR, and command and control capabilities. Finally, this budget funds the Air Force's greatest asset — Airmen — by halting the active duty manpower drawdown and reinvesting pay and compensation savings in Airmen's quality-of-life and quality of work.

The Budget Control Act (BCA) of 2011 is still law and remains in effect for FY 2016. Without relief from sequester-level funding, the Air Force will be forced to operate at budget levels that are insufficient to support the strategy. The Air Force has survived the past 3 years by delaying or cancelling planned modernization programs, reducing end strength by 5 percent, and taking short-term risk in installation operations and facility maintenance and sustainment. Operating at a sequestered level in the future will result in an Air Force that is less ready, less capable, less viable, and unable to fully execute the defense strategy.

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9. PERFORMANCE IMPROVEMENT

9.1 INTRODUCTION

Purpose

This chapter satisfies the requirements of the Government Performance and Results Act of 1993 (GPRA), the GPRA Modernization Act (GPRAMA) of 2010, and Office of Management and Budget (OMB) Circular A-11 – all of which call for integration of annual performance goals and results with congressional budget justifications. This chapter complements the appropriation-specific budget justification information that is submitted to Congress by providing:

- A performance-focused articulation of the Defense Department's strategic goals and objectives; and
- A limited number of Department-wide performance improvement priorities for senior-level management attention in the current and budget year.

The Department looks forward to working with the Administration and Congress to meet the challenge of creating more effective and efficient operations while delivering a high-value return for the American taxpayer's investment in the Defense Department.

DoD Mission and Organizational Structure

The mission of the Department of Defense (DoD) is to provide the military forces to deter war, to win wars if needed, and to protect the security of the United States. Since the creation of America's first army in 1775, the Department and its predecessor organizations have evolved into a global presence of over 3 million individuals stationed in more than 140 countries and dedicated to defending the United States by deterring and defeating aggression and coercion in critical regions. Details on major operating components, Military Departments, and DoD geographic spread can be found on *www.defense.gov/osd*. The Department is also one of the Nation's largest employers, with approximately 1.4 million personnel on active duty, 782,000 civilians, and 835,000 men and women in the Selected Reserve of the National Guard and Reserve forces. In addition, more than 2 million military retirees and family members receive benefits.

DoD Performance Governance

Ultimate responsibility for performance improvement in the Defense Department rests with the Deputy Secretary of Defense as the Chief Management Officer (CMO) and Chief Operating Officer, pursuant to the GPRAMA of 2010. Principal Staff Assistants (PSAs) within the Office of the Secretary of Defense (OSD) are responsible for recommending performance goals and achieving results for their respective functional oversight areas.

OMB Circular A-11 characterizes a performance budget as a hierarchy of goals that aligns to an agency's strategic plan. The hierarchy indicates that every level of the DoD is accountable for measuring performance and delivering results that support the DoD-wide strategic goals and objectives. Performance accountability cascades to various management levels (DoD-wide to DoD Component to program level) with personnel accountability at all management echelons.

Title 5, United States Code, section 4312 and Office of Personnel Management (OPM) implementing instructions require performance evaluations for DoD's Senior Executive Service members and Senior Level/Scientific and Technical professionals to be based on both individual and organizational performance. The OPM further requires that each agency describe, at the end of the performance rating period, how it assessed organizational performance and how it

communicated that performance to rating and reviewing officials and members of Performance Review Boards to inform individual performance decisions. The Department uses its Annual Performance Report, along with other PSA and DoD Component-specific performance results, as the basis for DoD-wide organizational assessment and senior level personnel evaluations.

DoD Strategic Plan

In Fiscal Year (FY) 2014, the Department's Annual Performance Plan (APP), which includes the goals, objectives, and performance measures that are updated annually to reflect changes to strategic direction or management priorities, was informed by several DoD strategic documents and activities to include the Quadrennial Defense Review (QDR), the Defense Strategic Guidance (DSG), and the results of the Strategic Choices and Management Review (SCMR).

Throughout FY 2014, the Department remained dedicated to obtaining, investing, and effectively using its financial resources to ensure the security of the United States and meet the needs of both the warfighter and the ever-changing battlefield. Taking care of the Department's people, reshaping and modernizing the force in the current fiscal environment, and supporting the troops in the field remain the highest priorities for the Department.

DoD Performance Plan and Report

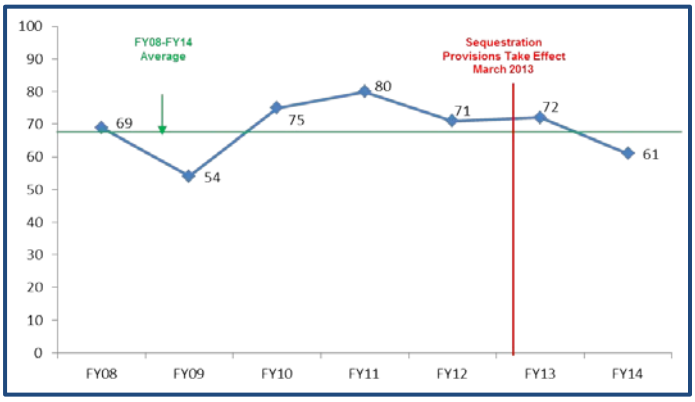
The FY 2014 DoD Annual Performance Report (APR) (Section 8.2) provides a summary of the Department's prior year performance. The FY 2015 DoD Annual Performance Plan, which provides an update of the Department's strategic objectives and performance goals for the current and budget year, based on results of the APR, will be provided in separate/supplemental documentation.

9.2 FY 2014 DOD ANNUAL PERFORMANCE REPORT

Executive Summary

In FY 2014, the Department continued to demonstrate resilience in the face of challenging fiscal constraints. The Budget Control Act of 2011 sought to reduce the annual Federal deficit by $1.2 trillion by the end of 2021 through budget cuts split equally between defense and domestic discretionary spending. Because military pay and benefits were excluded from the FY 2013 sequestration reductions, other budget areas in DoD absorbed larger percentage cuts to meet the Department's mandatory reduction.

Figure 9-1. Percentage of Performance Goals Met or Exceeded since FY 2008



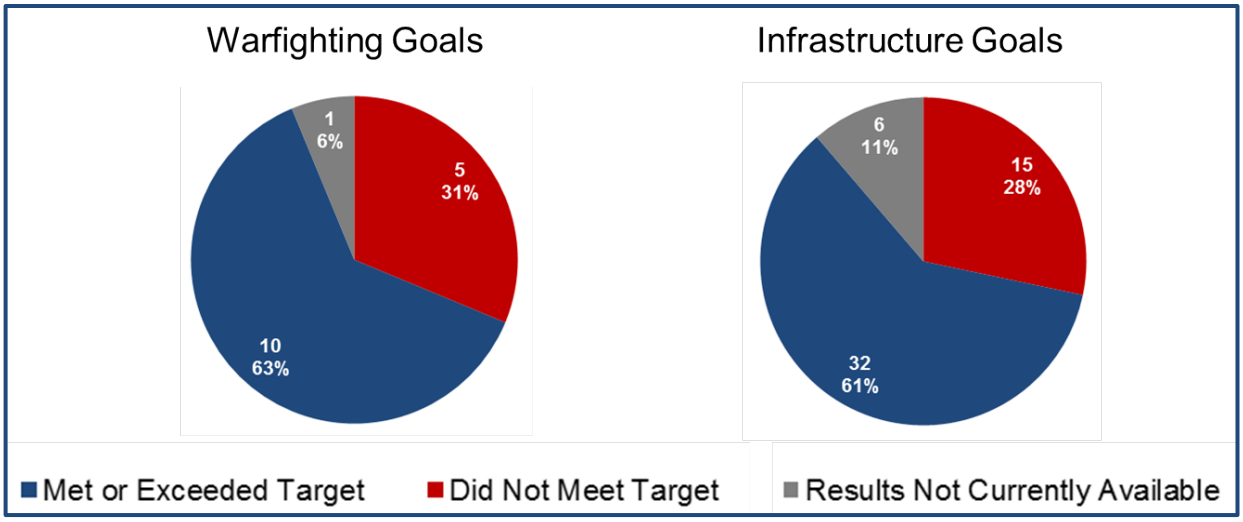
For the FY 2014 APP, the Department used 69 enterprise-wide performance goals and measures to assess progress towards achieving the Department's strategic goals and objectives. Performance results are not yet available for 7 of the 69 performance goals. The Department met or exceeded the annual targets by DoD strategic goal area for 61 percent (42 of 69) of the performance goals and did not meet the targets for 29 percent (20 of 69). Of the 69 total performance goals, 11 are

associated with Agency Priority Goals (APGs). The Department met or exceeded targets for 55 percent (6 of 11) of these goals; performance results are not yet available for one goal.

Figure 8-1 shows the percent of performance measures that met or exceeded target performance in each year from FY 2008 to FY 2014. The Department's performance in FY 2014 was below historical averages dating back to 2008.

In FY 2014, the Department achieved success in some areas; other areas present opportunities for continued improvement. Figure 8-2 compares the Department's FY 2014 performance results in terms of warfighting and infrastructure goals. The DoD met or exceeded targets for 63 percent and 61 percent, respectively, of its warfighting and infrastructure goals. Performance results were not available for ten warfighting and seven infrastructure performance measures at the time of this report.

Figure 9-2. FY 2014 Performance Measure Results



Summary of Results

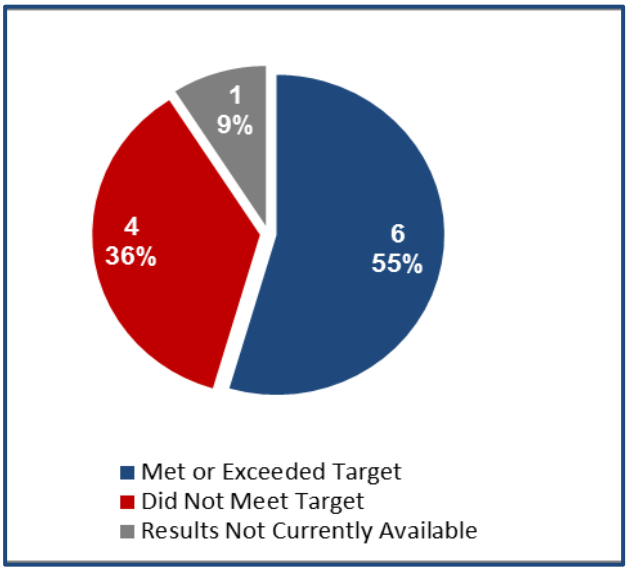
Successes: The Department has been successful in meeting several of its most critical measures in FY 2014, including those related to mission readiness, providing high quality care to wounded warriors, and achieving audit readiness. The Department maintained its commitment to taking care of its people and made considerable improvements in timely and effective processes for its wounded warriors. In addition to these mission-critical goals, the Department has continued its efforts towards achieving audit readiness. Details of the Department's success can be found within the Strategic Objectives "Areas of Significant Improvement" narratives in this section.

Improvement Areas: The Department successfully achieved 61 percent of its annual performance goals in FY 2014, with 10 percent of the results not available at the time of the report. The Department did not meet 29 percent of the annual performance goals and acknowledges the need for improvement in training the human intelligence community, reducing Fund Balance with Treasury reconciliation errors, reducing data centers, and enhancing veterans' transition programs. Details of the Department's improvement opportunities can be found within the Strategic Objectives "Areas of Challenges" and "Mitigation Strategies" narratives in this section.

FY 2014 Agency Priority Goal (APG) Results

Pursuant to the GPRA Modernization Act of 2010, the Department established four APGs for FY 2014 – FY 2015 that were used to track the Department's progress toward achieving priorities throughout FY 2014. Each of the four APGs is provided in its entirety, as follows:

Figure 9-3. FY 2014 APG Summary of Performance



- **APG One:** By September 30, 2015, DoD will improve the career readiness of Service Members' transitioning to Veteran status by: 1) ensuring at least 85 percent of eligible Service Members complete new required transition activities prior to separation: pre-separation counseling, a Department of Labor (DoL) employment workshop, and Veterans Affairs' (VA) benefits briefings; 2) verifying that at least 85 percent of separating service members meet newly-established Career Readiness Standards prior to separation; 3) accelerating the transition of recovering Service Members into Veteran status by reducing disability evaluation processing time; and 4) supporting the seamless transition of recovering Service Members by sharing active recovery plans with the VA.
- **APG Two:** By September 30, 2015, DoD will improve its acquisition process by ensuring that the median cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 2 percent from the previous year; the average rate of acquisition cost growth for MDAPs will not exceed 3 percent from the previous year; the annual number of MDAP breaches--significant or critical cost overruns for reasons other than approved changes in quantity--will be zero; and DoD will increase the amount of contract obligations that are competitively awarded from 58 percent in FY 2014 to 59 percent in FY 2015.
- **APG Three:** By September 30, 2015, DoD will improve its facility energy performance by achieving 30 percent reduction in average facility energy intensity from the 2003 baseline of 117,334 British thermal units (BTU) per gross square foot, and producing or procuring renewable energy equal to 12 percent of its annual electric energy usage; and improve its operational energy performance by establishing operational energy metrics and performance targets based on the operational capability/operational energy relationship. The Department will revisit the scope of APG 3 in FY 2015.
- **APG Four:** By FY 2015, DoD will validate 82 percent of its mission critical assets for existence and completeness; validate audit readiness for 99 percent of the Funds Balance with Treasury (FBwT) for DoD components financed with General Funds; and validate audit readiness for all material Schedules of Budgetary Activity (SBA) for DoD components financed with General Funds.

The Department uses 11 of its 69 performance measures to track progress towards achieving its priority goals. As shown in Figure 8-3, in FY 2014, the Department met or exceeded 55 percent (6 of 11) of its APG performance measures. The annual results and detailed narratives for ten APG performance measures may be found in the "Summary of DoD Performance by Strategic

Objective" section. The annual results were not available for one measure related to the Department's use of energy.

Figure 9-4. FY 2014 Performance Results by Agency Priority Goal

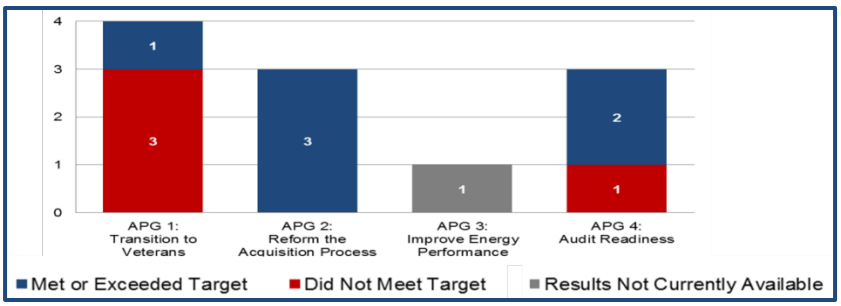


Figure 8-4 reflects FY 2014 performance results by APG. For FY 2014, the DoD met its Acquisition reform goals, while achieving less progress towards its Veterans transition goals. Annual results for the energy performance APG measure were not available at the time of publication.

Please refer to *http://goals.performance.gov/agency/dod* for the Department's contributions to the APGs and its progress.

Cross-Agency Priority Goals

In addition to APGs, the GPRA Modernization Act also requires the identification of Cross-Agency Priority (CAP) Goals in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. In accordance with the GPRA Modernization Act, interim CAP Goals were published concurrent with the President's Second Term Management Agenda (PMA) and are addressed in the agency Strategic Plan, the Annual Performance Plan (APP), and the Annual Performance Report (APR). Please refer to *www.Performance.gov* for the Defense Department's contributions to these goals.

The DoD, in partnership with OMB, currently leads the following CAP Goals:

- Cybersecurity
- Strategic Sourcing

In addition, the DoD contributes to the following CAP Goals:

- Climate Change – Federal Actions
- Insider Threat and Security Clearance
- Infrastructure Permitting and Modernization
- STEM Education
- Service Members and Veterans Mental Health
- Smarter IT Delivery
- Shared Services
- Benchmark and Improve Mission Support Operations
- Open Data
- Lab-to-Market
- People and Culture

High Risk Areas

To drive increased accountability and efficiencies in the Federal government, the Government Accountability Office (GAO) determines high risk areas across the Federal government based

on vulnerability to fraud, waste, abuse, or mismanagement; and changes required to address major economic, efficiency, or effectiveness challenges. The GAO has published biennial high-risk series updates since 1990 (see *http://www.gao.gov/highrisk/overview*). The Defense Department shares responsibility for the following cross-agency areas on the GAO high risk list:

- Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks;
- Managing Strategic Human Capital;
- Managing Federal Real Property;
- Mitigating Gaps in Weather Satellite Data;
- Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland;
- Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures;
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests; and
- Improving and Modernizing Federal Disability Programs.

The GAO also designates the following seven DoD-specific functional areas as high risk:

- DoD Support Infrastructure Management (since 1997 with scope reduced in 2011);
- DoD Supply Chain Management (since 1990);
- DoD Contract Management (since 1992);
- DoD Weapon Systems Acquisition (since 1990);
- DoD Approach to Business Transformation (since 2005);
- DoD Business Systems Modernization (since 1995); and
- DoD Financial Management (since 1995).

DoD Major Management Challenges

The Office of the Inspector General (IG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. The DoD IG identified the following areas as presenting the most serious management and performance challenges:

- Financial Management;
- Acquisition Processes and Contract Management;
- Joint Warfighting and Readiness;
- Cyber Security;
- Health Care;
- Equipping and Training Iraq and Afghan Security Forces; and
- The Nuclear Enterprise.

Detailed information regarding these challenges, the IG's assessment of the Department's progress, and the Department's management response can be found with the report at *http://comptroller.defense.gov*.

A. RESOURCE EXHIBITS

Table A-1. Combat Force Structure Overview

Service	FY 2015	FY 2016	Delta FY15- FY16
Army Active			
Brigade Combat Teams (BCTs)	32	30	-2
Combat Aviation Brigades (CABs)	13	11	-2
Army National Guard			
BCTs	28	27	-1
CABs/Aviation Restructure Initiative	8	8	--
Navy			
Number of Ships	271	282	+11
Carrier Strike Groups	10	11	+1
Marine Corps Active			
Marine Expeditionary Forces	3	3	--
Infantry Battalions	23	24	+1
Marine Corps Reserve			
Marine Expeditionary Forces	--	--	--
Infantry Battalions	9	8	-1
Air Force Active			
Combat Coded Squadrons	40	37	-3
Aircraft Inventory (TAI)	3,895	3,882	-13
Air Force Reserve			
Combat Coded Squadrons	3	3	--
Aircraft Inventory (TAI)	337	332	-5
Air National Guard			
Combat Coded Squadrons	21	20	-1
Aircraft Inventory (TAI)	1,056	1,071	+15

Table A-2. Active Component End Strength – Base Budget (in Thousands)

Service	FY 2015 Estimate[1/]	FY 2016	Delta FY15 - FY16
Army	490.0	475.0	-15.0
Navy	327.7	329.2	+1.5
Marine Corps	182.7	184.0	+1.3
Air Force	315.3	317.0	+1.7
TOTAL	**1,315.7**	**1,305.2**	**-10.5**

Numbers may not add due to rounding

Table A-3. Active Component End Strength – OCO Budget (in Thousands)

Service	FY 2015 Estimate[1/]	FY 2016	Delta FY15 - FY16
Marine Corps	1.4	--	-1.4
TOTAL	**1.4**	**--**	**-1.4**

Numbers may not add due to rounding

Table A-4. Active Component End Strength – Base + OCO Budget (in Thousands)

Service	FY 2015 Estimate[1/]	FY 2016	Delta FY15 - FY16
Army[2/]	490.0	475.0	-15.0
Navy	327.7	329.2	+1.5
Marine Corps	184.1	184.0	-0.1
Air Force	315.3	317.0	+1.7
TOTAL[2/]	**1,317.1**	**1,305.2**	**-11.9**

Numbers may not add due to rounding

Source: FY 2016 President's Budget and OCO Request

[1/] FY 2015 projected end strength levels

[2/] President's invoking of emergency authorities permits end strength to vary from authorized levels

Table A-5. Reserve Component End Strength (in Thousands)

Service	FY 2015 Estimate[1/]	FY 2016	Delta FY15 - FY16
Army Reserve	198.0	198.0	--
Navy Reserve	57.3	57.4	+0.1
Marine Corps Reserve	39.2	38.9	-0.3
Air Force Reserve	67.1	69.2	+2.1
Army National Guard	350.2	342.0	-8.2
Air National Guard	105.0	105.5	+0.5
TOTAL	**816.8**	**811.0**	**-5.8**

Source: FY 2016 President's Budget *Numbers may not add due to rounding*
* Authorized end strengths are shown for all Services except the Army Reserve.

Table A-6. DoD Base Budget by Appropriation Title

$ in Thousands Base Budget	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	134,962,072	136,734,676	1,772,604
Operation and Maintenance	195,364,038	209,833,926	14,469,888
Procurement	93,587,399	107,734,794	14,147,395
RDT&E	63,500,433	69,784,963	6,284,530
Revolving and Management Funds	2,134,480	1,786,732	-347,748
Defense Bill	**489,548,422**	**525,875,091**	**36,326,669**
Military Construction	5,431,265	7,024,439	1,593,174
Family Housing	1,126,735	1,413,181	286,446
Military Construction Bill	**6,558,000**	**8,437,620**	**1,879,620**
Total	**496,106,422**	**534,312,711**	**38,206,289**

Note: Reflects Discretionary Budget Authority *Numbers may not add due to rounding*

Table A-7. DoD Base Budget by Military Department

$ in Thousands Base Budget	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Army	119,455,435	126,458,180	7,002,745
Navy	149,174,943	160,987,271	11,812,328
Air Force	136,911,500	152,884,464	15,972,964
Defense-Wide	90,564,544	93,982,796	3,418,252
Total	**496,106,422**	**534,312,711**	**38,206,289**

Note: Reflects Discretionary Budget Authority *Numbers may not add due to rounding*

Table A-8. DoD OCO Budget by Appropriation Title

$ in Thousands **Base Budget**	**FY 2015 Enacted**	**FY 2016 Request**	**Delta FY16 - FY15**
Military Personnel	5,031,927	3,204,758	-1,827,169
Operation and Maintenance	50,980,977	40,207,249	-10,773,728
Procurement	7,685,955	7,257,270	-428,685
RDT&E	322,373	191,434	-130,939
Revolving and Management Funds	91,350	88,850	-2,500
Defense Bill	**64,112,582**	**50,949,561**	**-13,163,021**
Military Construction	221,000	--	-221,000
Family Housing	--	--	--
Military Construction Bill	**221,000**	**--**	**-221,000**
Total	**64,333,582**	**50,949,561**	**-13,384,021**

Note: Reflects Discretionary Budget Authority *Numbers may not add due to rounding*

Table A-9. DoD OCO Budget by Military Department

$ in Thousands **Base Budget**	**FY 2015 Enacted**	**FY 2016 Request**	**Delta FY16 - FY15**
Army	28,110,654	20,685,013	-7,425,641
Navy	9,619,961	7,011,931	-2,608,030
Air Force	15,526,465	14,442,163	-1,084,302
Defense-Wide	11,076,502	8,810,454	-2,266,048
Total	**64,333,582**	**50,949,561**	**-13,384,021**

Note: Reflects Discretionary Budget Authority *Numbers may not add due to rounding*

Table A-10. DoD Total Budget by Appropriation Title

$ in Thousands **Base Budget**	**FY 2015 Enacted**	**FY 2016 Request**	**Delta FY16 - FY15**
Military Personnel	139,993,999	139,939,434	-54,565
Operation and Maintenance	246,345,015	250,041,175	3,696,160
Procurement	101,273,354	114,992,064	13,718,710
RDT&E	63,822,806	69,976,397	6,153,591
Revolving and Management Funds	2,225,830	1,875,582	-350,248
Defense Bill	**553,661,004**	**576,824,652**	**23,163,648**
Military Construction	5,652,265	7,024,439	1,372,174
Family Housing	1,126,735	1,413,181	286,446
Military Construction Bill	**6,779,000**	**8,437,620**	**1,658,620**
Total	**560,440,004**	**585,262,272**	**24,822,268**

Note: Reflects Discretionary Budget Authority *Numbers may not add due to rounding*

Table A-11. DoD Total Budget by Military Department

$ in Thousands **Base Budget**	**FY 2015 Enacted**	**FY 2016 Request**	**Delta FY16 - FY15**
Army	147,566,089	147,143,193	-422,896
Navy	158,794,904	167,992,202	9,204,298
Air Force	152,437,965	167,326,627	14,888,662
Defense-Wide	101,641,046	102,793,250	1,152,204
Total	**560,440,004**	**585,262,272**	**24,822,268**

Note: Reflects Discretionary Budget Authority *Numbers may not add due to rounding*

Table A-12. DoD Base Budget by Military Department and Appropriation Title

Department of the Army *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Base Delta FY16 - FY15
Military Personnel	56,157,614	56,330,157	172,543
Operation and Maintenance	40,643,653	44,726,144	4,082,491
Procurement	14,348,081	16,849,514	2,501,433
RDT&E	6,668,146	6,924,959	256,813
Military Construction	969,629	1,083,768	114,139
Family Housing	429,585	493,206	63,621
Revolving and Management Funds	238,727	50,432	-188,295
Total Department of the Army	**119,455,435**	**126,458,180**	**7,002,745**

Numbers may not add due to rounding

Department of the Navy *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Base Delta FY16 - FY15
Military Personnel	45,037,846	46,046,534	1,008,688
Operation and Maintenance	45,262,340	50,000,785	4,738,445
Procurement	40,956,594	44,347,890	3,391,296
RDT&E	15,812,877	17,885,916	2,073,039
Military Construction	1,249,833	1,862,405	612,572
Family Housing	370,441	369,577	-864
Revolving and Management Funds	485,012	474,164	-10,848
Total Department of the Navy	**149,174,943**	**160,987,271**	**11,812,328**

Numbers may not add due to rounding

Table A-12. DoD Base Budget by Military Department and Appropriation Title

Department of the Air Force *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Base Delta FY16 - FY15
Military Personnel	33,766,612	34,357,985	591,373
Operation and Maintenance	44,302,286	48,580,527	4,278,241
Procurement	33,814,251	41,260,156	7,445,905
RDT&E	23,593,474	26,473,669	2,880,195
Military Construction	1,045,413	1,657,499	612,086
Family Housing	327,747	491,730	163,983
Revolving and Management Funds	61,717	62,898	1,181
Total Department of the Air Force	**136,911,500**	**152,884,464**	**15,972,964**

Numbers may not add due to rounding

Defense-Wide *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Base Delta FY16 - FY15
Military Personnel	--	--	--
Operation and Maintenance	65,155,759	66,526,470	1,370,711
Procurement	4,468,473	5,277,234	808,761
RDT&E	17,425,936	18,500,419	1,074,483
Military Construction	2,166,390	2,420,767	254,377
Family Housing	-1,038	58,668	59,706
Revolving and Management Funds	1,349,024	1,199,238	-149,786
Total Defense-Wide	**90,564,544**	**93,982,796**	**3,418,252**

Numbers may not add due to rounding

Grand Total Budget	**496,106,422**	**534,312,711**	**38,206,289**

Note: Reflects Discretionary Budget Authority

Table A-13. DoD OCO* Budget by Military Department and Appropriation Title

Department of the Army *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	3,510,764	2,018,918	-1,491,846
Operation and Maintenance	23,440,802	16,545,411	-6,895,391
Procurement	1,120,088	2,119,184	999,096
RDT&E	2,000	1,500	-500
Military Construction	37,000	--	-37,000
Family Housing	--	--	--
Revolving and Management Funds	--	--	--
Total Department of the Army	**28,110,654**	**20,685,013**	**-7,425,641**

Numbers may not add due to rounding

Department of the Navy *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	768,760	438,176	-330,584
Operation and Maintenance	8,161,219	6,119,220	-2,041,999
Procurement	653,962	418,788	-235,174
RDT&E	36,020	35,747	-273
Military Construction	--	--	--
Family Housing	--	--	--
Revolving and Management Funds	--	--	--
Total Department of the Navy	**9,616,961**	**7,011,931**	**-2,608,030**

Numbers may not add due to rounding

Table A-13. DoD OCO* Budget by Military Department and Appropriation Title

Department of the Air Force *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	752,403	747,664	-4,379
Operation and Maintenance	10,176,777	9,168,019	-1,008,758
Procurement	4,444,519	4,506,880	62,361
RDT&E	14,706	17,100	2,394
Military Construction	133,060	--	-133,060
Family Housing	--	--	--
Revolving and Management Funds	5,000	2,500	-2,500
Total Department of the Air Force	**15,526,465**	**14,442,163**	**-1,084,302**

Numbers may not add due to rounding

Defense-Wide *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	--	--	--
Operation and Maintenance	9,202,179	8,374,599	-827,580
Procurement	1,467,386	212,418	-1,254,968
RDT&E	269,647	137,087	-132,560
Military Construction	50,940	--	-50,940
Family Housing	--	--	--
Revolving and Management Funds	86,350	86,350	--
Total Defense-Wide	**11,076,502**	**8,810,454**	**-2,266,048**

Numbers may not add due to rounding

Grand Total Budget	**64,333,582**	**50,949,561**	**-13,384,021**

Note: Reflects Discretionary Budget Authority

*** $112M for Ebola Response and Preparedness included in this total.**

Table A-14. DoD Total* Budget by Military Department and Appropriation Title

Department of the Army *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	59,668,378	58,349,075	-1,319,303
Operation and Maintenance	64,084,455	61,271,555	-2,812,900
Procurement	15,468,169	18,968,698	3,500,529
RDT&E	6,670,146	6,926,459	256,313
Military Construction	1,006,629	1,083,768	77,139
Family Housing	429,585	493,206	63,621
Revolving and Management Funds	238,727	50,432	-188,295
Total Department of the Army	**147,566,089**	**147,143,193**	**-422,896**

Numbers may not add due to rounding

Department of the Navy *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	45,806,606	46,484,710	678,104
Operation and Maintenance	53,423,559	56,120,005	2,696,446
Procurement	41,610,556	44,766,678	3,156,122
RDT&E	15,848,897	17,921,663	2,072,766
Military Construction	1,249,833	1,862,405	612,572
Family Housing	370,441	369,577	-864
Revolving and Management Funds	485,012	474,164	-10,848
Total Department of the Navy	**158,794,904**	**167,999,202**	**9,204,298**

Numbers may not add due to rounding

Table A-14. DoD Total* Budget by Military Department and Appropriation Title

Department of the Air Force *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	34,519,015	35,105,649	586,634
Operation and Maintenance	54,479,063	57,748,546	3,269,483
Procurement	38,258,770	45,767,036	7,508,266
RDT&E	23,608,180	26,490,769	2,882,589
Military Construction	1,178,473	1,657,499	479,026
Family Housing	327,747	491,730	163,983
Revolving and Management Funds	66,717	65,398	-1,319
Total Department of the Air Force	**152,437,965**	**167,326,627**	**14,888,662**

Numbers may not add due to rounding

Defense-Wide *$ in Thousands*	FY 2015 Enacted	FY 2016 Request	Delta FY16 - FY15
Military Personnel	--	--	--
Operation and Maintenance	74,357,938	74,901,069	543,131
Procurement	5,935,859	5,489,652	-446,207
RDT&E	17,695,583	18,637,506	941,923
Military Construction	2,217,330	2,420,767	203,437
Family Housing	-1,038	58,668	59,706
Revolving and Management Funds	1,435,374	1,285,588	-149,786
Total Defense-Wide	**101,641,046**	**102,793,250**	**1,152,204**

Numbers may not add due to rounding

Grand Total Budget	**560,440,004**	**585,262,272**	**24,822,268**

Note: Reflects Discretionary Budget Authority

*** $112M for Ebola Response and Preparedness included in this total.**

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APPENDIX B: Acronym List

NOTE: This is not a comprehensive list of all acronyms used in the Overview.

Acronym	Definition
A2/AD	Anti-Access/Area Denial
AC	Active Duty
ACAT	Acquisition Category
ACF	Army Contingency Force
ADFM	Active Duty Family Members
AEHF	Advanced Extremely-High Frequency
AESA	Active Electronically Scanned Array
AFSOC	Air Force Special Operations Command
AIM	Air Intercept Missile
ALCM	Air Launched Cruise Missile
ALP	Afghanistan Local Police
AMRAAM	Advanced Medium Range Air-to-Air Missile
ANA	Afghanistan National Army
ANP	Afghanistan National Police
ANSF	Afghan National Security Forces
AOC	Air Operations Concept
AORs	Areas of Responsibility
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ARCYBER	Army Cyber Command
ARI	Aviation Restructuring Initiative
ASFF	Afghanistan Security Forces Fund
ASEAN	Association of Southeast Asian Nations
AVF	All-Volunteer Force
AWACS	Airborne Warning and Control System
BAH	Basic Allowance for Housing
BAS	Basic Allowance for Subsistence
BBA	Bipartisan Budget Act of 2013
BBP	Better Buying Power
BCA	Budget Control Act of 2011
BCP/TCS	Battery Command Post/Tactical Command System
BCT	Brigade Combat Team
BMD	Ballistic Missile Defense
BRAC	Base Realignment and Closure
BSFR	Black Sea Rotational Force
BTU	British Thermal Units
C2	command and control
C4I	Command, Control, Communications, Computers and Intelligence
CAB	Combat Aviation Brigades

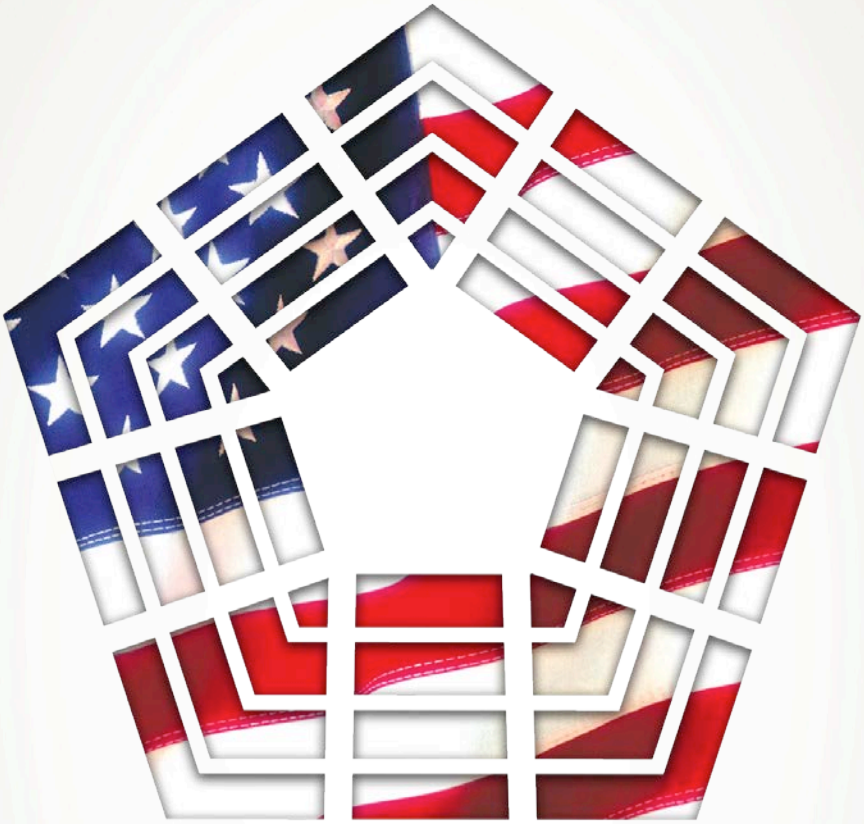
CAF	Combat Air Forces
CAP	Cross-Agency Priority
CAP	combat air patrols
CAPES	Combat Avionics Programmed Extension
CAS	Close Air Support
CBRN	Chemical, Biological, Radiological and Nuclear
CCDRs	Combatant Commanders
CDU	Critical Dual Use
CE2T2	Combatant Commander's Exercise Engagement and Training Transformation
CERF	CBRN Enhanced Response Forces
CERP	Commanders Emergency Response Fund
CITS	Central Integrated Test System
CMC	Core Mission Computer
CMP	Civil Military Programs
CMO	Chief Management Officer
CNO	Chief of Naval Operations
COCOM	Combatant Command
COD	Carrier Onboard Delivery
COLA	Cost-Of-Living Allocation
COIN	Counter-insurgency
CONECT	Combat Network Communication Technology
CONUS	Contiguous United States
CPI	Consumer Price Index
CRH	Combat Rescue Helicopter
CRAF	Civil Reserve Air Fleet
CRC	Control and Reporting Center
CRE	Chemical, Biological, Radiological, and Nuclear (CBRN) Response Enterprise
CRH	Combat Rescue Helicopter
CRS	Career Readiness Standards
CSA	Critical Skills Availability
CSG	Carrier Strike Group
CST	Civil Support Teams
CT	Counterterrorism
CTC	Combat Training Center
CTPF	Counterterrorism Partnerships Fund
CV	Carrier Variant
CVN/CVW	Carrier/Carrier Wing
CVR	Common Very Low Frequency/Low Frequency Receiver
CWMD	Chemical Weapons of Mass Destruction
DA	Decisive Action
DAWDF	Defense Acquisition Workforce Development Fund
DAWIA	Defense Acquisition Workforce Improvement Act
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency

DCO	Defensive Cyberspace Operations
DeCA	Defense Commissary Agency
DES	Disability Evaluation System
DHP	Defense Health Program
DII	Defense Innovation Initiative
D-ILS	Deployable Instrument Landing System
DLIFLC	Defense Language Institute Foreign Language Center
DMS-M	Defensive Management Systems-Modernization
DMSP	Defense Meteorological Satellite Program
DoD	Department of Defense
DoDEA	Department of Defense Education Activity
DoDIN Ops	DoD Information Network Operations
DoL	Department of Labor
DoN	Department of the Navy
D-RAPCOM	Deployable Radar Approach Control
DSCA	Defense Support of Civil Authorities
DSG	Defense Strategic Guidance
DVH	Double-V Hull
EAM	Emergency Action Message
ECAB	Expeditionary Combat Aviation Brigade
ECI	Employment Cost Index
EELV	Evolved Expendable Launch Vehicle
EISA	Energy Independence and Security Act
EO	Executive Order
EOD	Explosive Ordnance Disposal
EPAA	European Phased Adaptive Approach
EPAct05	Energy Policy Act of 2005
EPAWSS	Eagle Passive/Active Warning Survivability System
EPS	Enhanced Polar System
ERP	Enterprise Resource Planning
ERI	European Reassurance Initiatives
ESGR	Employer Support of the Guard and Reserve
FBwT	Funds Balance with Treasury
FCP	Federal Ceiling Price
FHP	Flying Hour Program
FIAR	Financial Improvement and Audit Readiness
FIDL	Fully Integrated Data Link
FIS	Facility Investment Strategy
FM	Financial Management
FRP	Fleet Response Plan
FSM	Facilities Sustainment Model
FSRM	Facilities Sustainment, Restoration and Modernization
FTE	Full-Time Equivalent
FTS	Full-Time Support

FY	Fiscal Year
FYDP	Future Years Defense Program
GAO	Government Accountability Office
GBI	Ground-Based Interceptors
GBSD	Ground Based Strategic Deterrent
GCC	Geographic Combatant Commands
GCV	Ground Combat Vehicle
GEO	Geosynchronous Orbit
GMD	Ground-based Midcourse Defense
GO/FO	General Officer/Flag Officer
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
GPS	Global Positioning System
GW	Gigawatt
GWOT	Global War on Terrorism
HRET	Health Research & Educational Trust
HRF	Homeland Response Forces
ICBM	Intercontinental Ballistic Missile
IDES	Integrated Disability Evaluation System
IED	Improvised Explosive Device
IERW	Initial Entry Rotary Wing
IG	Inspector General
ILE	Intermediate Level Education
IOC	initial operational capability
IRT	Individual Readiness Training Program
ISR	Intelligence, Surveillance, and Reconaissance
ITX	Integrated Training Exercise
JASSM-ER	Joint Air-to-Surface Standoff Missile-Extended Range
JCET	Joint Combined Exchange Training
JDAM	Joint Direct Attack Munition
JIE	Joint Information Environment
JIEDDO	Joint Improvised Explosive Device Defeat Organization
JLEnT	Joint Logistics Enterprise
JLOTS	Joint Logistics Over-the-Shore
JMS	JSpOC Mission System
JSF	Joint Strike Fighter
JSpOC	Joint Space Operations Center
JSTARS	Joint Surveillance Target Attack Radar System
JTCP	Joint Training Coordination Program
JSOW	Joint Standoff Weapon
JTEN	Joint Training Enterprise Network
KFF	Kaiser Family Foundation
KV	Kill Vehicle
LCS	Littoral Combat Ship

LMS	Learning Management System
LRDR	Long Range Discriminating Radar
LRS	Long Range Strike
LRS-B	Long Range Strike-Bomber
LRSO	Long Range Stand-Off
LVC	Live Virtual Construct
MA	Mission Assignment
MAGTF	Marine Air-Ground Task Force
MALD-J	Miniature Air Launched Decoy-Jammer
MCESG	Marine Corps Embassy Security Group
MDAP	Major Defense Acquisition Program
MEB	Medical Evaluation Board
MEB	Marine Expeditionary Brigade
MEB CE	Marine Expeditionary Brigade command elements
MEU	Marine Expedicationary Unit
MGUE	Military GPS User Equipment
MHS	Military Health System
MilCon	Military Construction
MISO	Military Information Support Operations
MRE	Mission Rehearsal Exercises
MRF-D	Marine Rotational Force-Darwin
MSE	Missile Segment Enhancement
MTF	Military Treatment Facility
MWR	Morale, Welfare, and Recreation
MYP	Multi-Year Procurement
NAOC	National Airborne Command Center
NATO	North Atlantic Treaty Organization
NC3	Nuclear Command, Control, and Communication
NDAA	National Defense Authorization Act
NDO	Nuclear Deterrence Operations
O&S	operating and support
OAR	Operation Atlantic Resolve
OCO	Overseas Contingency Operations
OCX	Operational Control System
OEF	Operation Enduring Freedom
O-FRP	Optimized FRP
O-FRP	Optimized-Fleet Response Plan
OFS	Operation Freedom’s Sentinel
OGS	Opportunity, Growth, and Security
OIG	Office of the Inspector General
OIR	Operation Inherent Resolve
OMB	Office of Management and Budget
OPFOR	Opposing Forces
OPIR	Overhead Persistent Infrared

OPM	Office of Personnel Management
OPTEMPO	Operating Tempo
OSC-I	Office of Security Cooperation - Iraq
OSD	Office of the Secretary of Defense
OSS	Operation Spartan Shield
OUA	Operation United Assistance
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(P&R)	Office of the Under Secretary of Defense (Personnel and Readiness)
PAC-3	Patriot Advanced Capability-3
PB 2014	President's Budget 2014
PEB	Physical Evaluation Board
PMA	President’s Second Term Management Agenda
PMET	PATRIOT Multi-Echelon Training
POS	Point of Service
POTFF	Preservation of the Force and Families
PPV	Public-Private Ventures
PSA	Principal Staff Assistant
QDR	Quadrenniel Defense Review
QRMC	Quadrennial Review of Military Compensation
RAF	Regionally Aligned Forces
RAM	Reliability/Availability/Maintainability
RC	Reserve Components
RDT&E	Research, Development, Test, and Evaluation
RECAP	Recapitalization
REKV	Redesigned Exo-atmospheric Kill Vehicle
RMC	Regular Military Compensation
ROK	Republic of Korea
S&I	Special and Incentive
S&T	Science and Technology
SAMS	School of Advanced Military Studies
SATCOM	Satellite Communication
SBA	Schedule of Budgetary Activity
SBIRS	Space Based Infrared System
SBR	Statements of Budgetary Resources
SBSS	Space-Based Space Surveillance
SCMR	Strategic Choices and Management Review
SDB II	Small Diameter Bomb Increment II
SFL	Soldier for Life
SLEP	Service Life Extension Program
SM-3	Standard Missile-3
SMI	Space Modernization Initiative
SOF	Special Operations Forces
SOFORGEN	SOF generation model
SP	Special Purpose

SPMAGTF	Special Purpose Marine Air Ground Task Force
SPMAGTF-CR	SPMAGTF Crisis Response
SPMAGTF-CR-AF	SPMAGTF-CR-Africa
SPMAGTF-CR-CC	SPMAGTF-CR-Central Command
SRM	sustainment, restoration, and modernization
SSA	space situational awareness
S&T	Science and Technology
STEM	Science, Technology, Engineering and Mathematics
SV	Space Vehicle
TAP	Transition Assistance Program
TBI	Traumatic Brain Injury
TDY	Temporary Duty
TFBSO	Task Force Business Stability Operation
TFL	TRICARE-for-Life
THAAD	Terminal High-Altitude Area
TRA	Training Resources Availability
TSOC	Theater Special Operations Commands
UDP	Unit Deployment Program
ULO	Unified Land Operations
U.S.	United States
USAFRICOM	United States Africa Command
USASOC	United States Army Operations Command
USCENTCOM	United States Central Command
USCYBERCOM	United States Cyber Command
USFHP	Uniformed Services Family Health Plans
USMC	United States Marine Corps
USPACOM	United States Pacific Command
USSOCOM	United States Special Operations Command
USSTRATCOM	United States Strategic Command
USTRANSCOM	United States Transportation Command
VA	Department of Veterans Affairs
VISA	Voluntary Intermodal Sealift Agreement
VSDU	Vertical Situation Display Upgrade
WII	Wouded, Ill, and Injured
WIN-T	Warfither Inofrmation Network – Tactical
WSF	Weather System Follow-On
WSS	Weapons System Sustainment
YRRP	Yellow Ribbon Reintegration Program

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