OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER



UNITED STATES DEPARTMENT OF DEFENSE
FISCAL YEAR 2015 BUDGET REQUEST

OVERVIEW

MARCH 2014

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Preface

The Overview Book has been published as part of the President's Annual Defense Budget for the past few years. This continues for FY 2015, but with modifications as proposed by congressional staff. From FY 1969 to FY 2005, OSD published the "Annual Defense Report" (ADR) to meet 10 USC Section 113 requirements. Starting with the President's FY 2006 Budget, this report was no longer produced. 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 2015. 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/budget2015.aspx.

Especially relevant is the Press Release and Budget Briefing often referred to as the "Budget Rollout." Also key is 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. Other background information can be accessed through www.defense.gov.

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The estimated cost of report or study for the Department of Defense is approximately $14,000 for the 2014 Fiscal Year.

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1. FY 2015 BUDGET SUMMARY

Key Themes

- Seek a Balanced Force
- Prepare for Prolonged Readiness Challenges
- Continue to Focus on Institutional Reform
- Pursue Compensation Changes
- Pursue Investments in Military Capabilities
- FY 2015 – FY 2019 Topline
- Opportunity, Growth, and Security Initiative

The Fiscal Year (FY) 2015 budget submission aligns program priorities and resources with the 2014 Quadrennial Defense Review (QDR). The QDR makes clear that our 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 our military into balance over the next decade and responsibly position us for an era of both strategic and fiscal uncertainty. The FY 2015 budget of the Department of Defense (DoD) is designed to protect capabilities that are most closely aligned to the pillars of the defense strategy – defend the homeland, build security globally, and project power and win decisively. The budget also maintains a mission ready force, continues to emphasize efficiencies by being even better stewards of taxpayer dollars, and continues to take care of our people and their families. In developing the FY 2015 budget and planning for future years, the Department is seeking to rebalance the Joint Force. It will be reduced in size but will become more modern and more ready to confront a broad range of future defense challenges, while also ensuring full support for our All-Volunteer Force.

Throughout this year's budget review, key determinations were made to achieve even more efficiencies, to establish more effective procurement reforms, and to initiate a review of compensation practices. All of those areas are part of the Department's budget plan to achieve strategic ends, balancing the ways and means.

The FY 2015 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 strategic balance of reforms and reductions that the Department is presenting to Congress and will require Congress partnering with DoD in making politically difficult choices.

Figure 1-1. Department of Defense Budget

DoD Budget *$ in billions*	FY 2013 Actual*	FY 2014 Enacted	FY 2015 Request	FY14 – FY15 Change
Base	495.5	496.0	495.6	-0.4

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

* Includes the sequestration of funds under the Budget Control Act of 2011.

The FY 2015 base budget provides $495.6 billion, a reduction of $0.4 billion from the FY 2014 enacted budget of $496.0 billion, and is consistent with Administration-wide efforts to make tough program choices within current funding constraints. This budget adjusts programs that develop and procure military equipment, re-sizes ground forces, slows the growth of

compensation and benefit programs, continues to make better use of defense resources by reducing lower priority programs, and makes more disciplined use of defense dollars.

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

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

SEEK A BALANCED FORCE

For much of the past decade, the Department of Defense (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 developed in this budget creates 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 2015 budget request continues most of the force reductions made in the FY 2014 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 despite a significantly constrained fiscal environment to ensure our 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.

PREPARE FOR PROLONGED 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 counter-terrorism, 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 seeks to restore readiness levels affected by sequestration cuts in FY 2014. It also 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 achieving new efficiencies, eliminating duplication, reducing management headquarters and overhead, tightening personnel costs, 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.

This budget continues the reform agenda advanced in the previous four budgets, but with more emphasis on enhancing how DoD does business. The Department must continue to reduce the "cost of doing business" as a means of protecting future funding for our highest priority programs. A share of the savings is reinvested in higher priority military programs.

PURSUE COMPENSATION CHANGES

America asks much of its All-Volunteer Force (AVF) and the civilians who support that force. The AVF is DoD's most prized asset – it enables the Department to have high quality, educated, motivated personnel who are committed to excellence in defense of the nation. Therefore, the Department must preserve the quality of our All-Volunteer Force. 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.

The cost of military pay and allowances, combined with military health care, comprises about one-third of the Department's budget. These costs have been growing rapidly in recent years, about 40 percent faster than growth in the private sector, while active duty end strength has grown by only 1 percent. The FY 2015 budget for the Department of Defense continues to take care of its people and their families while addressing costs in a responsible manner. The Department continues to provide a strong package of pay and benefits that is commensurate with the stress of military life. Yet in order to build the force needed to defend the country under existing budget constraints, the Department recognizes the need to make tough choices to achieve a balanced and responsible budget. 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 2015 budget request to slow the growth in military pay and health care costs. However, in recognition of the burdens placed on U.S. military, these changes are disproportionately small to those for other budget categories.

Civilian personnel also play a key role in performing key functions that directly support DoD's military and readiness, including critical functions such as equipment maintenance, medical care, family support, and base operating services. Civilians also have a primary role in intelligence and cyber mission requirements. The budget request supports a civilian workforce appropriately sized, shaped, and compensated to reflect changes to the Department's reduced force structure.

PURSUE INVESTMENTS IN MILITARY CAPABILITIES

In support of the defense strategy, the FY 2015 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 weapons program investments are designed to yield a military force that achieves the nation's security objectives and ensure that the United States remains a global force to promote peace and security.

The FY 2015 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 cyber; missile defense; nuclear deterrence; space; precision strike; intelligence, surveillance, and reconnaissance; and counter terrorism and special operations.

FY 2015 – FY 2019 TOPLINE

The historical funding picture is summarized here:

Figure 1-2. Department of Defense Topline Since September 11th Attacks
(Dollars in billions)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Base	287.4	328.2	364.9	376.5	400.1	410.6	431.5	479.0	513.2	527.9	528.2	530.4	495.5	496.0	495.6
OCO	22 9	16.9	72.5	90.8	75.6	115.8	166.3	186.9	145.7	162.4	158.8	115.1	82.0	85.2	79.4*
Other	5.8	--	--	0.3	3.2	8.2	3.1	--	7.4	0.7	--	--	0.1	--	--
Total	**316.2**	**345.1**	**437.5**	**467.6**	**478.9**	**534.5**	**600.9**	**665.9**	**666.3**	**691.0**	**687.0**	**645.5**	**577.6**	**581.2**	**575.0**

Numbers may not add due to rounding

Discretionary budget authority. FY 2013 includes the sequestration of funds under the Budget Control Act of 2013.
**The FY 2015 OCO figure is a placeholder pending submission of a final OCO request.*

Figure 1-3 presents the proposed FY 2015 – FY 2019 DoD topline for this year's President's Budget, as compared to last year's FY 2014 President's Budget.

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

Current $ in billions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY15 – FY19 TOTAL
FY 2014 PB	540.8	551.4	560.0	568.6	577.1	2,797.9
FY 2015 PB	495.6	535.1	543.7	551.4	559.0	2,684.9
Delta	-45.2	-16.2	-16.2	-17.2	-18.1	-113.0
Real Growth		**+6.3%**	**-0.1%**	**-0.5%**	**-0.6%**	**+1.3%***

Numbers may not add due to rounding

**Average annual real growth of the FY 2015 President's Budget for FY 2015 – FY 2019.*

OPPORTUNITY, GROWTH, AND SECURITY INITIATIVE

For FY 2015, the President's Budget includes a separate, fully paid-for Opportunity, Growth, and Security (OGS) Initiative. The OGS Initiative, which is split evenly between defense and non-defense funding, shows how additional discretionary investments in 2015 can spur economic progress, promote opportunity, and strengthen national security. For the Department of Defense, the OGS Initiative proposes additional funding of $26.4 billion in FY 2015.

The budget documents issued by the Office of Management and Budget provide additional detail on the OGS initiative and the balanced package of mandatory spending cuts and tax loophole closers that will offset its discretionary spending increases. This section summarizes the funding proposed for DoD under this Initiative. The OGS Initiative includes FY 2015 DoD funding in three key areas:

Making Faster Progress toward Restoring Readiness

Sequestration degraded readiness throughout the Joint Force by requiring sharp cuts to training, maintenance, and support. More than a decade of war contributed to readiness problems. Although the base budget provides the resources needed to gradually restore readiness and balance, it does not provide funds to accelerate readiness improvements in

FY 2015. The OGS Initiative provides the resources needed in FY 2015 to make faster progress by supporting increased activity at depot maintenance facilities around the country; greater training support; and increases in funding for fuel, spare parts, and transportation costs. Some specific examples include increased readiness and training range support for the Air Force; increased training and base support for the Army; increased aviation depot maintenance funding for the Navy; and increased training and Intelligence, Surveillance, and Reconnaissance operations for U.S. Special Operations Command.

Accelerating Modernization of Key Weapons Systems:

Consistent with the reductions in discretionary spending required by the Budget Control Act of FY 2011 and the Bipartisan Budget Act of FY 2013, DoD has reduced or slowed down planned purchases of a variety of weapons systems and equipment in recent years. The OGS Initiative would allow DoD to accelerate the schedules for developing and buying new or upgraded systems in order to ensure that the United States maintains technological superiority over any potential adversaries. For example, the OGS Initiative provides enhanced resources for procurement of manned and unmanned aircraft, helicopters, ground vehicles, and communication systems. Some specific examples include the procurement of eight P-8, one E-2D, and three C-40 aircraft for the Navy; procurement of two H-1, one KC-130, and one C-12 aircraft for the Marine Corps; two F-35 aircraft, 10 C-130s, and 12 MQ-9 Reapers for the Air Force; and modernization of the Army's helicopter and the Air Force's C-130 programs.

Improving DoD Facilities Around the Country

Sequestration required significant cuts to funding for DoD facilities, forcing the Department to defer some sustainment, restoration, and modernization (SRM) costs as well as some military construction projects. The base budget provides the funds necessary to keep DoD bases, housing, and other facilities safe, secure, and operational in the near term but not enough to keep up with long-term deterioration. The OGS Initiative adds additional resources for SRM and construction at DoD installations across the country that will generate jobs and avoid some larger than necessary future costs to replace buildings, roads, runways, and other facilities.

Highlights of items funded under the OGS Initiative, by Component, include:

- Army
  - Increase OPTEMPO, training, and Training Support System operations and services ($1.8 billion)
  - Increase base support and facility sustainment ($1.6 billion)
  - Procure 26 AH-64 Apache helicopters ($0.6 billion)
  - Procure 28 UH-60 Blackhawk helicopters ($0.5 billion)
  - Increase depot maintenance capabilities ($0.4 billion)
  - Procure 2 CH-47 Chinook helicopters ($0.1 billion)
- Navy
  - Increase demolition and facility sustainment, recapitalization and modernization ($2.3 billion)
  - Procure 8 P-8A Poseidon aircraft ($1.1 billion)
  - Increase Military Construction ($1.2 billion)
  - Increase aviation logistics and maintenance ($0.3 billion)

  - Increase Permanent Change of Station (PCS) funding ($0.2 billion)
- Marine Corps
  - Increase Military Construction ($0.3 billion)
  - Improve infrastructure readiness ($0.1 billion)
  - Increase field logistics support ($0.1 billion)
- Air Force
  - Increase facilities sustainment, maintenance, and repair ($1.6 billion)
  - Increase Military Construction ($1.4 billion)
  - Procure 10 C-130J series aircraft ($1.1 billion)
  - Increase readiness and training range support ($0.4 billion)
  - Procure 2 F-35 aircraft and associated modernization ($0.3 billion)
  - Procure 12 MQ-9 Reaper unmanned air systems ($0.2 billon)
- United States Special Operations Command (USSOCOM)
  - Increase training, readiness and Intelligence, Surveillance and Reconnaisance (ISR) operations ($0.3 billion)
  - Recapitalize Command, Control, Communications, Computers and Intelligence (C4I) ($0.1 billion)
- Missile Defense Agency
  - Procure additional radar spares ($0.2 billion)

2. SEEK A BALANCED FORCE

Seek a Balanced Force

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

This chapter summarizes the defense strategy developed by the 2014 Quadrennial Defense Review (QDR) and major changes to the defense program resulting from this strategy. The Secretary of Defense is required by 10 U.S.C. section 118 to conduct a QDR that examines the defense strategy, force structure and modernization, infrastructure, and budget plan. The Department released the 2014 QDR in March 2014.

The 2014 QDR was a strategy-driven and resource-informed planning effort focused on preparing the Department of Defense for the future and prioritizing our efforts in a period of fiscal austerity. The QDR advances three important initiatives. First, it builds on the 2012 Defense Strategic Guidance to continue protecting and advancing U.S. interests and sustaining American leadership. Second, the QDR describes how the Department is responsibly and realistically taking steps to rebalance major elements of the Joint Force given the changing fiscal environment. Third, the QDR articulates our intent to rebalance the Department itself as part of our effort to control internal cost growth that is threatening to erode our combat power in this period of fiscal austerity. We will protect the health of the All-Volunteer Force as we undertake these reforms.

SECURITY AND FISCAL ENVIRONMENTS

The United States faces a rapidly-changing security environment. We are repositioning to focus on the strategic challenges and opportunities that will define our future: new technologies, new centers of power, and a world that is growing more volatile, more unpredictable, and, in some instances, more threatening to the United States.

Challenges to our many allies and partners around the globe remain dynamic and unpredictable, particularly from regimes in North Korea and Iran. Unrest and violence persist elsewhere, creating a fertile environment for violent extremism and sectarian conflict stretching from the Sahel to South Asia, and threatening American citizens abroad. Meanwhile, modern warfare is evolving rapidly, leading to increasingly contested battlespace in all domains in which our forces enjoyed dominance in our most recent conflicts.

At the same time, the Department of Defense is facing a changing and equally uncertain fiscal environment. Beginning with the Fiscal Year (FY) 2013 budget, the Department began implementing a $487 billion, 10-year cut in spending consistent with caps instituted by the Budget Control Act of 2011. The Budget Control Act also instituted a sequestration mechanism requiring additional cuts of about $50 billion annually, although the American Taxpayer Relief Act provided some relief in FY 2013. The Bipartisan Budget Act of 2013 provided modest immediate relief from sequestration but, unless Congress acts, annual sequestration cuts are set to begin once more in FY 2016. To protect the security interests of the United States while recognizing the fiscal security imperative of deficit reduction, the President's Budget reduces projected defense budget by about $113 billion over 5 years compared to levels in the FY 2014 budget. The FY 2015 President's Budget provides a balanced and responsible path forward, given continuing fiscal uncertainty. It reflects the strict constraints on discretionary funding required by the Bipartisan Budget Act in FY 2015. It does not accept sequestration levels thereafter and funds the Department at about $116 billion more than projected sequestration levels over the 5-year period.

THE DEFENSE STRATEGY

The 2014 QDR embodies the 21st century defense priorities outlined in the 2012 Defense Strategic Guidance. These priorities include rebalancing to the Asia-Pacific to preserve peace and stability in the region; maintaining a strong commitment to security and stability in the Middle East; sustaining a global approach to countering violent extremists and terrorist threats, with an emphasis on the Middle East and Africa; continuing to protect and prioritize key investments in technology while our forces overall grow smaller and leaner; and invigorating efforts to build innovative partnerships and strengthen key alliances and partnerships. The 2014 QDR builds on these priorities and incorporates them into a broader strategic framework.

The Department's defense strategy emphasizes three pillars and, particularly in an era of reduced resources, the Department will redouble its efforts to protect capabilities that are most closely aligned to these pillars:

- Protect the homeland, to deter and defeat threats to the United States and to support civil authorities in mitigating 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, shores, and borders, as well as reshaping the ability of U.S. 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 our posture and presence to the Asia-Pacific while maintaining a focus on the Middle East. This also means working closely with our European partners to strengthen their capabilities, maximizing the impact of a relatively small U.S. presence in Africa, and working with our interagency partners as appropriate 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 will remain a top priority for force planning and development, so the following focus areas will be key: air/sea investments to counter anti-access challenges; space; counterterrorism and Special Operations; precision strike; intelligence, surveillance and reconnaissance; and resilience.

These pillars are mutually reinforcing and interdependent, and all of the Military Services play important roles in each of the three pillars. Across each of the three pillars of the defense strategy, the Department is committed to finding creative, effective, and efficient ways to achieve our goals and assist us in making hard strategic choices. Innovation – within our own Department and in our interagency and international partnerships – is a central line of effort.

Going forward, the U.S. Armed Forces will be capable of simultaneously defending the homeland, conducting sustained, distributed counter-terrorist operations, and in multiple regions, be able to deter aggression and assure allies through forward presence and engagement. If deterrence fails at any given time, U.S. forces could defeat a regional adversary in a large-scale multi-phased campaign, and deny the objectives of – or impose unacceptable costs on – an aggressor in another region.

The President's Budget provides the resources to build and sustain the capabilities to conduct these operations, although at somewhat increased levels of risk for some missions. Budget reductions inevitably reduce the military's margin of error in dealing with risks, and a smaller

force strains our ability to simultaneously respond to more than one major contingency at a time. But with the President's Budget, our military will still be able to defeat any aggressor. The Department can manage these risks under the President's FY 2015 budget plan, but the risks would grow significantly if sequester-level cuts return in FY 2016, if reforms are not accepted, and if uncertainty over budget levels continues.

REBALANCING THE JOINT FORCE

Given major changes in our nation's security environment – including geopolitical changes, changes in modern warfare, and changes in the fiscal environment – our updated defense strategy requires that the Department rebalance the Joint Force in several key areas to best prepare for the future.

Rebalancing for a broad spectrum of conflict. Future conflicts could range from hybrid contingencies against proxy groups using asymmetric approaches to a high-end conflict against a state power armed with weapons of mass destruction or technologically advanced anti-access and area-denial capabilities. Reflecting this diverse range of challenges, the U.S. military will shift focus in terms of what kinds of conflicts it prepares for in the future, moving toward greater emphasis on the full spectrum of possible operations. Although our forces will not be sized to conduct large-scale prolonged stability operations, we will preserve the expertise gained during the past 10 years of counterinsurgency and stability operations in Iraq and Afghanistan. We will protect the ability to regenerate capabilities to meet future demands.

Our Joint Forces must also be prepared to battle increasingly sophisticated adversaries who could employ advanced warfighting capabilities while simultaneously attempting to deny U.S. forces the advantages they currently enjoy in space and cyberspace. We will sustain robust investments in science, technology, research, and development both within the defense sector and beyond. The Department is taking steps to ensure that progress continues in areas most critical to meeting future challenges such as full-spectrum cyberspace capabilities and where the potential for game changing breakthroughs appears most promising. We will actively seek innovative approaches to how we fight, how we posture our force, and how we leverage our asymmetric strengths and technological advantages. Innovation is paramount given the increasingly complex warfighting environment we expect to encounter.

The United States will maintain a worldwide approach to countering violent extremists and terrorist threats, using a combination of economic, diplomatic, intelligence, development, and military tools. The Department of Defense will rebalance our counter-terrorism efforts toward greater emphasis on building partner capacity, especially in fragile states, while still retaining robust capability for direct action, to include intelligence, precision strike, and Special Operations Forces. We will remain focused on countering the proliferation of weapons of mass destruction, which continues to undermine global security. We will sustain efforts to adapt key alliances and partnerships, placing more focus on deepening existing cooperation as well as building new and innovative partnerships. Finally, our Combatant Commanders will invigorate efforts to adjust contingency planning to better reflect the changing strategic environment.

Rebalancing and sustaining our presence and posture abroad to better protect U.S. national security interests. In striving to achieve our pillars, the Department will also continue to rebalance and sustain our global posture. We will continue our contributions to the U.S. rebalance to the Asia-Pacific, seeking to preserve peace and stability in a region that is increasingly central to U.S. political, economic, and security interests. Faced with North Korea's pursuit of long-range missiles, and weapons of mass destruction—particularly nuclear weapons—the United States is committed to maintaining peace and security on the Korean Peninsula. As part of our broader efforts for stability in the Asia-Pacific, the United States will

maintain a robust footprint in Northeast Asia while enhancing our presence in Oceania and Southeast Asia. The United States also has enduring interests in the Middle East, and we will remain fully committed to the security of our allies and partners in the region. We will continue to maintain a strong military posture in the Gulf region – one that can respond swiftly to crisis, deter aggression, and assure our allies – while making sure that our military capabilities evolve to meet new threats. Given our deep and abiding interests in a Europe that is whole, free and at peace, we will work with allies and partners to continue promoting regional security, Euro-Atlantic integration, and enhanced capacity and interoperability for coalition operations. As we end all combat operations in Afghanistan, our commitment to the Afghan National Security Force will endure, transitioning from a U.S.-led counterterrorism and counterinsurgency mission to a more normalized U.S.-supported security assistance and cooperation role. Across the globe, we will assure the access needed to rapidly surge forces in the event of a crisis.

Rebalancing capability, capacity, and readiness within the Joint Force. After more than 12 years of conflict and amid ongoing budget reductions, the Joint Force is currently out of balance. Readiness further suffered due to the implementation of sequestration in FY 2013 and the force has not kept pace with the need to modernize. We will need time and funding to reset and reconstitute the Joint Force as we end all combat operations in Afghanistan. The President's FY 2015 Budget proposal outlines a range of realistic and responsible adjustments in specific areas the Department believes must be taken in the near term to restore balance in the Joint Force. The force will become smaller in the next 5 years, but will gradually become more modern as well, with readiness gradually improving. Taking the prudent steps outlined in the 2014 QDR in the near term will improve the Department's ability to meet the nation's national security needs should the fiscal outlook not improve. The longer critical decisions are delayed in the hope that the budget caps will be raised, the more difficult and painful those decisions will be to implement, and the more damaging they will be to our ability to execute the strategy if no additional resources are made available. Key force structure decisions in the 2014 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. To sustain this force, the Department will rebalance within the Army, across the Active, Guard, and Reserve components. The active Army will reduce its end strength from a war-time high of 570,000 to 440,000 to 450,000 personnel. The Army National Guard will continue its downsizing from a war-time high of 358,000 to 335,000 Soldiers, and the U.S. Army Reserve will reduce from 205,000 to 195,000 Soldiers. If sequestration-level cuts are imposed in FY 2016 and beyond, all components of the Army would be further reduced.
- Preserving the Navy's capacity to build security globally and respond to crises. While prioritizing day-to-day presence demands, the Navy will decommission some assets and modernize its fleets of surface ships, aircraft, and submarines to meet 21st Century threats. Current Littoral Combat Ship (LCS) production plans will either transition to a future LCS Flight or new-design small surface combatant with capabilities tailored to the emerging security situation.
- Maintaining the role of the Marine Corps as a vital crisis response force, protecting its most important modernization priorities and ensuring readiness, but planning for an end strength of 182,000 active Marines. This end strength includes an increase of about 900 Marines for the Embassy Security Guard program, which will protect U.S. interests and installations abroad. If sequester-level cuts return, the Marines would be further reduced.

- Maintaining an Air Force with global power projection capabilities crucial for this updated defense strategy. Modernizing next generation Air Force combat equipment – to include fighters and bombers – particularly against advancing modern air defense systems. To free resources for these programs as well as to preserve investments in critical capabilities, the Air Force will reduce or eliminate capacity in some single-mission aviation platforms.

As the Joint Force rebalances so that it remains modern, capable, and ready, the Department will take the following additional steps that are consistent with the President's Budget submission to protect key capability areas in support of our strategy:

- Cyber. We will invest in new and expanded cyber capabilities and forces to enhance our ability to conduct cyberspace operations, and support military operations worldwide; to support Combatant Commanders as they plan and execute military missions; and to counter cyber-attacks against the United States.
- Missile Defense. We are increasing the number of Ground-Based Interceptors and deploying a second radar in Japan to provide early warning and tracking. DoD will make targeted investments in defensive interceptors, discrimination capabilities, and sensors; and is studying the best location for an additional missile defense interceptor site in the Eastern United States if additional interceptors are needed.
- Nuclear Deterrence. We will continue to invest in modernizing our essential nuclear delivery systems, warning, command and control, and, in collaboration with the Department of Energy, nuclear weapons and supporting infrastructure.
- Space. We 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, while retaining the capabilities to respond should deterrence fail.
- Precision Strike. We 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 Joint ability of U.S. aircraft to engage surface combatants in defended airspace.
- Intelligence, Surveillance, and Reconnaissance (ISR). We will rebalance investments toward systems that are operationally responsive and effective in highly contested environments while sustaining persistent capabilities appropriate for more permissive environments in order to support global situational awareness, counter-terrorism, and other operations.
- Counter Terrorism and Special Operations. We will maintain overall Special Operations Forces end strength at more than 69,700 personnel, protecting our ability to sustain persistent, networked, distributed operations to defeat Al Qaeda, counter other emerging transnational threats, counter weapons of mass destruction, build the capacity of our partners, and support conventional operations.

Rebalancing tooth and tail. Finally, the Department itself will rebalance internally to control cost growth and generate greater efficiencies to prioritize spending on combat power. The DoD has previously submitted three packages of proposals aimed at achieving efficiencies and now the Department plans to implement an additional $93 billion in efficiencies. Key ongoing activities include reducing the Department's major headquarters' operating budgets by 20 percent and decreasing the number of direct reports to the Secretary of Defense. These activities will reduce the Department's operating costs by $5 billion over the next 5 years and by

more than twice that amount over the next decade. The Department is also improving its financial management, in part to achieve auditable financial statements.

We are continuing to implement acquisition reform efforts, most notably through the Better Buying Power initiative that seeks to achieve affordable programs by controlling costs, 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 DoD will remain committed to continuously increasing productivity in defense acquisition.

Substantial long-term savings will be realized if the Department is permitted to eliminate unneeded infrastructure. We estimate that we already have more infrastructure than we need, and this will grow as we reduce end strength. The most effective 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 2 years. If the Department is to make more effective use of taxpayer dollars, it is imperative that Congress authorize another BRAC round in 2017.

REBALANCING THE DEFENSE INSTITUTION

As we restore balance to the Joint Force and the Department, America will maintain its two-fold sacred contract with U.S 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, seeking to eliminate sexual assault, and implementing changes needed to fully realize the decision to allow gay and lesbian people to serve openly in the Military Services. 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 pay and benefits that we experienced over the last decade. The Department and the American people have rightfully been very supportive of our men and women in uniform over more than a decade of war, providing increases in military pay and benefits that 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 our Joint Force of the future. These changes include: limiting the size of the annual military pay raise over the next 5 years; slowing the rate of growth in basic housing allowances; creating a consolidated TRICARE plan with modestly higher co-pays and deductibles; adjusting pharmacy co-pay structure; establishing a modest fee for the TRICARE-for-LIFE coverage for Medicare-eligible retirees; limiting travel; and decreasing commissary subsidies. If implemented fully, these proposals would save approximately $12 billion over the next 5 years and considerably more by the end of 10 years.

3. PREPARE FOR PROLONGED READINESS CHALLENGES

Key Initiatives
• Generating Service Capabilities
• Generating Joint Capabilities

Maintaining Ready Forces

The FY 2015 budget submission reflects the Department's continued effort to transition from a force predominantly capable of counterinsurgency to one capable of meeting a broader mission portfolio. More than a decade of demanding operations in Iraq and Afghanistan forced the Services to generate forces suitable for those missions at the expense of maintaining the full spectrum of capabilities required by the defense strategy. The President's Budget request for FY 2014 proposed defense spending that reflected the Services' plans for recovering these full-spectrum capabilities over the next 5 years. The sequester-imposed cuts of $37 billion in FY 2013, operating under a 6-month continuing resolution, and increased war costs all contributed to degraded readiness and hindered those initial readiness recovery plans. In addition, sequestration impacted DoD's ability to generate the ready forces necessary to meet the requirements of a rapidly evolving and complex security environment. The Secretary of Defense has been very clear that sequestration-level funding limits would yield a force that is too small and not ready enough to meet the nation's security objectives. The FY 2015 budget begins to restore some of the training and maintenance shortfalls that resulted from sequestration cuts in FY 2013. However, this level of funding still poses significant readiness and modernization challenges in FY 2015. The FY 2015 President's Budget request complies with the Bipartisan Budget Agreement (BBA) for FY 2015 and contains a new budget plan for FY 2016 – FY 2019 that projects more in defense spending than the current law would allow. This plan re-balances the military's readiness, capability, and capacity, favoring a smaller-but-more-capable ready and modern force.

Training and readiness are the foundation of ensuring a capable military that provides the President with a range of options to deter or defeat aggression or coercion against the United States and its allies, friends, and interests. The FY 2015 President's Budget request fills the most critical readiness gaps but still leaves readiness and modernization challenges in FY 2015. The additional $7 billion over sequester levels for FY 2015 provided by the BBA does not provide adequate funding for aircraft modernization, increased training, and facility sustainment needed to fully resolve the Department's readiness challenges. As Secretary Hagel indicated, this budget responsibly positions the Department for an era of both strategic and fiscal defense uncertainty. The budget will allow the military to protect the nation and fulfill the President's defense strategy, but with some increased levels of risk. Over the near-term, the military will continue to experience gaps in training and maintenance, putting stress on the force and diminishing the Department's global readiness even while the Department sustains heightened alert posture in regions like the Middle East and North Africa.

As noted in the 2014 Quadrennial Defense Review (QDR), the Department is rebalancing capability, capacity, and readiness across the Joint Force. As a result, the force will become smaller across the Future Years Defense Program (FYDP) but will gradually become more modern with readiness gradually improving.

Challenges in Creating Full-Spectrum Readiness

The FY 2015 budget begins with an understanding of current readiness status and the force generation plans afforded in FY 2014. With the enactment of the FY 2014 appropriations, the readiness levels are trending positive, but the fiscal year began with relatively low readiness levels. The Services face a series of challenges in simultaneously broadening their operational focus and reducing force capacity in an era of diminishing resources. However, sequester exacerbated these challenges. Specific examples at the end of FY 2013 include 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. It takes 1 year to build full readiness for 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.
- 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. It will take at least 3 to 6 months to recover to already low readiness levels and will inflict lasting institutional impacts.
- 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.

The FY 2014 enacted appropriations at the BBA spending levels begin to mitigate the readiness erosion caused by sequester in FY 2013. Capacity and throughput constraints in pipelines, such as shipyards, ranges, and schoolhouses, limit how quickly the Services can "catch up" to the FY 2014 President's Budget 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. Unless legislation is changed for FY 2016 and beyond, this brief reprieve will not be sufficient to rebuild readiness and mitigate the security risks.

The sections below discuss the Services' and the United States Special Operations Command (USSOCOM) force generation and resourcing strategies associated with the FY 2015 President's Budget request that includes funding above the current law projections for FY 2016 through FY 2019. These readiness investments needed to reliably improve readiness for full spectrum operations cannot be achieved at BCA spending levels. The force generation and resourcing strategies are also dependent on Overseas Contingency Operations (OCO) funding that will be submitted in a later budget request.

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 derived from current operations and strategic guidance.

The next several sections detail each Service's and USSOCOM's readiness plans and the associated resourcing strategies that comprise the FY 2015 President's Budget submission.

Army

The FY 2015 President's Budget request arrests recent declines in Army readiness and enables reinvestment in the core warfighting competencies of both combat units and enablers. The strategy provides an Army Contingency Force (ACF) ready to deploy in support of Combatant Commander needs worldwide that include various Brigade Combat Teams (BCT), aviation and enabler units to sustain the fight until full mobilization is practical. This budget provides

mitigation for the readiness shortfalls that were inflicted by sequestration in FY 2013; however, accelerated end strength reductions and continued demand for the force require sustainable resourcing and time to restore the balance of end strength, modernization, and readiness. If forced to return to sequestration-level funding in FY 2016 and beyond, any readiness gains achieved in FY 2014 and 2015 will be temporary and cause readiness recovery to be further delayed. The details of this strategy are described below.

Generating Army Readiness

The Army is fundamentally changing the organization and management of its forces. Its focus is on building rapidly deployable contingency capabilities in support of the Combatant Commanders while at the same time reducing its end strength across all components. These adaptations are informed by wartime experiences since 2001, which include operations in an increasingly joint, interagency, intergovernmental, and multinational environment. Key initiatives include:

Army Contingency Force (ACF): In the near-term, the Army is rebuilding readiness from FY 2013 sequester shortfalls while facing the challenges of limited funding and continued demand for Army forces. The FY 2015 budget enables the Army to realize the Chief of Staff's intent to develop a contingency response force which provides Combatant Commanders an initial response capability that can achieve early objectives for most contingency plans. This force consists of a mix of infantry, armor, and Stryker BCTs, an aviation task force, and associated enabling units. This budget funds the highest training level for the ACF BCTs and sustains or improves the readiness in critical enabling formations.

Regionally Aligning Forces: As the Army transitions, it must restore and even increase its level of commitment to Combatant Commanders to better provide presence, shape the environment, and win decisively. Regional alignment aids in deterring aggression and provides increased responsiveness to and focus on specific regional requirements, while preserving the strategic flexibility necessary to respond to emergent requirements. In FY 2013, the Army began to align forces regionally with the goal of increasing both the quantity and quality of forces available to Combatant Commanders. Simply described, the Army aligns units with specific geographic Combatant Commands (GCC) based on existing assignments, State Partnership Program, or anticipated demand. In doing so, the Army establishes operational and planning associations between aligned units and the combatant commands. Training is tailored to include an understanding of the languages, cultures, geography and militaries of the countries where the units are most likely to be employed. The Army's initial regionally-aligned force began its relationship in 2013 with the assignment of a BCT to the U.S. Africa Command (USAFRICOM). The Army estimates by the end of 2015, GCCs will be able to plan for increased use of their assigned forces.

BCT Re-organization: The Army is continuing its comprehensive re-organization of Army units to provide more lethal, better aligned force structure with increased capability. This action serves to provide a fiscal situation that requires a more economical force structure driven by current and future fiscal reality. The centerpiece of this re-organization will be the enhancement of BCTs by adding maneuver, fires, and engineer organizations. Over half of the Active Component units will be directly impacted by this re-organization, either through realignment, unit moves, conversion, or inactivations. The BCT re-organization and inactivation combined with the effects of fiscal reductions and continued global demand for Army forces reduces the opportunity to build readiness in FY 2014 and FY 2015. However, only by quickly changing force structure can the Army once again begin to achieve balance among force structure, modernization, and readiness. The FY 2015 budget continues to support this transition by

funding the movement of Soldiers and equipment, providing sustainment services, continuing reset, redistribution of equipment from Afghanistan, and funding logistics readiness centers.

Aviation Restructure: The Army is also undertaking a comprehensive Aviation restructure that optimizes the aviation force to better respond to contingencies at home and abroad. The Army must at once reduce its legacy fleet, modernize its primary aircraft, maintain readiness to meet operational demand, and balance active and reserve structure. The Kiowa Warrior will be divested, and the armed aerial scout mission will be assumed by the AH-64 Apache teamed with unmanned aerial vehicles. This comprehensive restructure not only ensures the timely modernization of the National Guard's existing aircraft, but also provides additional UH-60L Blackhawk helicopters that enable both Title 32 and Title 10 missions. The training fleet will be replaced with aircraft the Army already owns – the LUH-72, and aviation brigades will be streamlined into a single configuration. This approach will ensure Soldiers on the ground, and the entire Joint Force, continue to benefit from world-class aviation support.

Training

The most important element of the Army's updated training strategy is the return to BCT decisive action operations. The Army's training process is based on units progressively improving their proficiency beginning with individual soldier skills training, progressing through small unit (squad, platoon, and company) live fire and maneuver training, and culminating in a battalion/brigade-level Combat Training Center (CTC) event conducted in either a live or constructive environment that integrates all capabilities into a synchronized exercise. For the last 11 years, the majority of Army collective unit training focused on generating units in preparation for counterinsurgency operations in Iraq and Afghanistan. This budget supports the transition to decisive action training at CTCs and training readiness improvement over the next several years. 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 2013**	FY 2014***	FY 2015
CTC Capacity	21 Rotations	21 Rotations	21 Rotations
Planned CTC Rotations	14 x DA/ULO 7 x MRE	15 x DA/ULO 6 x MRE	17 x DA/ULO 2 x MRE
Executed CTC Rotations (Decisive Action (DA) /ULO vs MRE)	7 x DA/ULO 7 x MRE	13 x DA/ULO 6 X MRE	--

** Rotations train units to meet their designed mission sets. MRE rotations train units for the actual, assigned Security Force Assistance missions they will perform in Afghanistan. The Army essentially stopped DA training between 2004 and 2011*

*** FY 2013 the Army intended to refocus on decisive action/unified land operations. However, given sequestration pressures the Army was forced to cancel 7 advanced training opportunities.*

**** FY 2014 Defense Appropriations Act does not enable the Army to fully execute planned CTCs. As a result of budget reductions, the Army is expected to cancel 2 CTC training opportunities.*

The FY 2015 budget also funds professional military education and the institutional training necessary for Army leaders to operate effectively in a joint and combined environment. This budget will provide for leader development by funding 8,900 officers to attend Intermediate Level Education; 7,500 Warrant Officers to attend professional developmental schools; and 61,000 Non Commissioned Officers to attend the required professional military education. Additionally, the FY 2015 budget increases Army Civilian leader development and funds over 150 officers to attend the School of Advanced Military Studies.

Proficiency lost due to lack of training resources and opportunities from previous years has accumulated and becomes more difficult to recover over time, compounding the risks to support National Military Strategy objectives. Restoring training readiness requires time, consistent investment, and additional training days to make up for collective training and leader development shortfalls.

Manning

The Army's base budget for FY 2015 funds an active Army end strength of 490,000 soldiers and Army National Guard end strength of 350,200 soldiers. The Army Reserve remains unchanged.

The FY 2015 budget contains authorizations to retain soldiers with critical skills and combat experience, and transition medically non-available soldiers to the Department of Veterans Affairs through the Disability Evaluation System (DES). Soldiers in the DES remain on active duty until their status is adjudicated, thereby reducing the Army's ability to fill operational units to authorized strength.

Equipping

The FY 2015 budget allows continued funding of the Army's high priority efforts to upgrade/replace aging fleets and increase soldier capabilities in the following areas: advanced command and control capabilities; soldier/squad program upgrades (M4 improvements, body armor, sights, etc.); and armored multi-personnel vehicle to replace the M113. The Army has continued to see small improvements in the equipping levels of units due to previous resourcing decisions. The mid- to long-term equipping goals are clearly at risk as near-term procurement decisions impact long-term equipping capability. The clearest examples are in major end items, particularly aviation and ground combat systems. The Army is examining options to divest equipment including airframes and rebalance structure across the components, and reviewing the viability of modernization plans. The FY 2015 budget provides some temporary relief, but does not fully mitigate risk to equipment modernization over the long term. Investment will focus on Science and Technology and incremental improvements to existing systems with very few new start programs.

Sustainment

Recovering and reconstituting Army equipment after more than a decade of intensive use will continue for several years after the cessation of significant combat operations in Afghanistan. This budget is part of a multiyear plan to reset equipment, and is highly dependent on the OCO portion of the budget to accomplish this mission. This budget partially addresses four key areas in that regard: the retrograde and reset of equipment from contingency operations, overhaul of equipment deferred maintenance due to depot capacity that was consumed by higher OCO priorities, the added challenges of sustaining digital technologies, and the incorporation of non-standard equipment procured since 9/11. The Army's FY 2015 budget for depot maintenance allows support to critical requirements and core capability in aviation, communications and electronics systems, embedded software systems, general purpose items, and combat and tactical power.

Installations

The FY 2015 budget reflects the Army's measured facility investment strategy that focuses on restoration, modernization, and limited new construction resourcing towards capabilities and facilities that support the readiness of an expeditionary Army. The Army will continue to accept measured risk in the base operations accounts commensurate with the reduction of Army end strength over the next several years.

The Army continues to resource high-priority soldier/family programs, to include the Army Substance Abuse Program, Sexual Harassment Response and Prevention Program, Suicide Prevention and Soldier Family Assistance Centers, and maintains an overall moderate level of base operations support services at its installations world-wide.

Navy

The FY 2015 President's Budget request makes the best use of available resources to deliver a ready Fleet, prepared to operate forward to deter and defeat aggression and provide a stabilizing forward-deployed presence, able to secure the global maritime commons. This has been achieved by striking an affordable balance across readiness, modernization, and force structure while ensuring strategic objectives, such as supporting the rebalance to the Asia-Pacific region, are met. This "balancing the force" approach is necessary to ensure that today's Force is mission ready but not at the expense of future readiness which requires, for example, support for planned modernization, weapons procurement, and sustainment of a viable industrial base.

Over the course of the past year, there were a growing number of indications that the combined effect of consistently operating the Fleet at a level that exceeds the intent of the supporting force generation process and budget sequestration in FY 2013 were stressing the readiness of the Fleet. Extended operations, with resulting uncertain maintenance schedules and disrupted planning, increased the time required to complete maintenance and caused additional deployment extensions and schedule perturbations across the force. Combined with sequester-driven training reductions, the Navy was forced to delay and reduce some deployment commitments in FY 2013 and FY 2014, and significantly reduce capacity to surge forces for contingency operations. Navy readiness will improve during FY 2014 with funding made available in the FY 2014 Consolidated Appropriations Act. This budget continues that trend by rebuilding surge capacity and enhancing critical warfighting capabilities, but at the expense of slowed modernization, weapons procurement, and less total capacity.

This balance was achieved by viewing current and future requirements through the lens of the three guiding principles outlined in the Chief of Naval Operations' (CNO) Navigation Plan:

Warfighting First: The core responsibility of the Navy and its joint partners is to deter aggression and, if deterrence fails, fight and win the Nation's wars. This budget submission sustains the primary commitment to provide ready forces to the Combatant Commanders, and to provide Navy men and women with the resources and tools they need to fight and win.

Operate Forward: The Navy forward presence reassures U.S. partners, ensures joint operational access, and supports global freedom of action. The resulting security of the global commons also protects the Nation's economic strength and enables a stable global economy. A combination of rotational deployments, forward bases, temporary and austere facilities, and partner nation ports are leveraged to provide forward presence. This budget also supports the employment of new, innovative platforms, such as Littoral Combat Ship, Joint High Speed Vessel, Mobile Landing Platform, and Afloat Forward Staging Base vessels to meet Combatant Commander requirements, enhancing the optimal employment of the entire Fleet.

Be Ready: The Navy must ensure its people are personally and professionally ready and proficient in the operation of their weapons and systems. In this budget submission, compensation savings are re-invested to enhance the "Quality of Service" of all Sailors. The Navy defines quality of service in terms of quality of work (Sailors possess the training, tools and resources necessary to effectively accomplish their duties) and quality of life (Sailors and

families are supported with adequate barracks, Sailor and family support programs, and other support facilities and capabilities).

Generating Navy Forces

The Navy force generation model, Fleet Response Plan (FRP), was designed to deliver certified, ready forces to meet projected global presence requirements and additional surge capacity to address the most likely contingency requirements. In today's environment, the FRP cycle time has proved incapable of adapting to increased operational requirements, accommodating an executable maintenance schedule, allowing full time to train, or providing a degree of schedule certainty for Sailors and families. In FY 2015, the Navy will initiate transition to an optimized FRP (O-FRP), employing a 36-month cycle, and beginning with the phase-in of Carrier Strike Groups (CSG) over the course of several years. Adoption of the O-FRP will stabilize maintenance schedules, ensure adequate time for training, and support predictable theater presence for Combatant Commanders. It has the additional advantage of aligning all elements of each CSG, enhancing continuity of command, and training all deploying units to a single, high certification standard. Furthermore, the post deployment readiness and overall operational availability of Navy forces will be optimized through recurring and predictable investment in cyclic maintenance and training.

The O-FRP will continue to include time to conduct deep maintenance and modernization followed by a progressive training plan designed to produce forces ready for rotational deployment. Forces will progress through basic and integrated training phases leading to final deployment certification. Basic phase events focus on core mission capabilities at the unit level for ships and submarines, and individual aircrew skills for aviation squadrons while integrated training milestones focus on multiple unit, group, and joint war fighting skills.

Operations and Training

The FY 2015 budget request provides the resources to support the FRP and transitional O-FRP training progression. Within the FRP/O-FRP framework, ship operations and flying hour programs are funded to complete the live training requirements for deployment certification and sustain readiness for surge when not deployed. These programs also provide the funding for deployed operations to meet the requirements of the Combatant Commanders. These operation and maintenance programs also fund the repair parts necessary to sustain Fleet operations following initial outfitting. The Navy tracks supply effectiveness to ensure overall performance, and also executes special protocols for critical or troubled systems to enhance readiness.

The Navy budget submission includes separate funding for the operation of Fleet schools, the Fleet Synthetic Training program and the associated Navy Continuous Training Environment network, training and certification teams, training ranges, procurement of range systems and necessary targets to complete pre-deployment and sustainment training. As part of the Quality of Service initiative, funds are invested in improved training capabilities for both live and synthetic training.

Manpower/Personnel

Manning Fleet units with the right number and type of properly trained, properly experienced Sailors is a critical element of readiness. To ensure continuing readiness, Navy tracks not only how many billets are filled, but whether they are filled by individuals with the requisite qualifications. These data sets are closely managed by the Fleets, each warfare community, and by individual units to predict future readiness and correct critical shortfalls for deploying units.

Materiel Readiness

Navy manages the materiel readiness of its capital-intensive force through a three tier system: depot, intermediate and organizational-level maintenance. Depot-level maintenance is performed in Navy public and privately-owned shipyards, Fleet Readiness Centers, and other DoD depots. Intermediate-level maintenance is conducted by Regional Maintenance Centers for ships and submarines, and Aviation Intermediate Maintenance activities for aircraft. Organizational (unit level) maintenance is performed by trained enlisted technicians assigned to ships, submarines and squadrons. Each tier contributes to completing the maintenance necessary to achieve the expected service life of all platforms.

The Navy's maintenance plans for ships, aircraft, and expeditionary squadrons are outlined below:

Ships: Ship and submarine maintenance requirements are based upon Class Maintenance Plans, and they are informed by the individual unit's maintenance history. The Navy programs the required number of depot maintenance periods (called "availabilities") for each fiscal year by unit type (carriers, submarines and surface units) to ensure these critical evolutions are scheduled and funded. In FY 2015, this requires 6 carrier availabilities, 11 submarine availabilities and 54 surface ship availabilities. Approximately 80 percent of the requirement is funded in the base budget. Much of this reset work must be accomplished during dry-docking availabilities, but this budget allows a portion of the reset (approximately 40 percent to be accomplished during non-docking availabilities. The Navy estimates reset of backlogged maintenance must continue through at least FY 2018 to complete all the impacted ships. To sustain future readiness, availability planning now reflects all known deferred maintenance. The Navy has relied in recent years on OCO funds for ship maintenance and reset activities, and will address any OCO requirements in a subsequent budget request for OCO funding.

Aircraft: Aviation depot maintenance requirements are categorized by the number of airframes and engines/engine modules requiring depot repair. Naval Aviation successfully employed reliability-centered maintenance concepts to define and control airframe depot maintenance requirements, focusing on systems, corrosion, and safety assessments. Engine maintenance requirements are based on predicted failure rates and high time component repairs.

The Navy funded aviation depot maintenance to 80 percent in the base budget, supporting presence requirements and the most likely contingencies, with an anticipated backlog of 70 airframes and 641 engines/engine modules awaiting induction at the end of FY 2015. The Navy feels the effects of the high operational tempo on aging aircraft in rising levels of work-in-process at the aviation depots, including high-time inspection workload and service life extension requirements for legacy strike fighters.

Expeditionary Combat Units: For each Navy Expeditionary Combat unit (Naval Mobile Construction battalions, Explosive Ordnance Disposal platoons, Coastal Riverine squadrons, etc.), material readiness is measured by assessing the state of the equipment included in each unit's Table of Allowances. Sustainment for this equipment is 50 percent funded in FY 2015 baseline.

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 and implementing a force laydown that supports the defense strategy. 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 for new platforms (e.g., P-8A Poseidon, F-35C Joint Strike

Fighter, MH-60 Seahawk, Littoral Combat Ship, and the Ohio replacement submarine), enhances Nuclear Weapons Enterprise Support (Training & Security), upgrades utility systems, and provides training facilities for Sailors (to include a facility at the U.S. Naval Academy for the emerging cyber warfare mission area). The Navy maintains commitment to meeting the key needs of service members and their families.

Marine Corps

The Marine Corps is committed to remaining the nation's expeditionary force: 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 do just that.

While the FY 2014 budget request included significant cuts for the Marine Corps, it was underpinned by a readiness management strategy to recover readiness over time. That strategy was derailed by sequester during FY 2013 that impacted institutional readiness. From that severely constrained position, the FY 2015 President's Budget request (above BCA funding limits) helps to put the Marine Corps on a better trajectory to reconstitute its full spectrum combat capability but still contains risk. The FY 2015 budget continues the transition to a post-Operation ENDURING FREEDOM Marine Corps that complies with strategic guidance and is capable across the range of military operations. Within this budget, the Marine Corps is able to reduce risk in readiness and infrastructure sustainment while continuing to accept risk in long-term equipment modernization.

The FY 2015 budget provides additional funds for enduring, rotational deployments, to include Special Purpose Marine Air Ground Task Force (SPMAGTFs), as well as unit-level training and readiness. This budget reflects tough choices in balancing readiness with the requirement to responsibly redesign force levels. The consequences of these choices, to include investments in modernization, infrastructure, and force capacity, will be carefully monitored over the next several years as part of an effort to quickly mitigate unintentional degradations.

The FY 2015 budget will allow the Marine Corps to resource emergent near-term requirements that were unknown in the FY 2014 President's Budget request. Specifically, the Special Purpose Marine Air Ground Task Force – Crisis Response (SPMAGTF-CR) and Marine Corps Embassy Security Group (MCESG) expansion initiatives are funded in the FY 2015 budget, leveraging the Corps' crisis response capability through lighter, agile, forward-deployed forces to meet congressional intent. The rebalance to the Pacific also remains a top priority and is reflected in the resourcing of the Unit Deployment Program (UDP) as well as Pacific-based operational units. The FY 2015 budget also provides support to other areas that will enhance overall institutional readiness, to include base operating support and depot maintenance.

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 following paragraphs describe the Marine Corps' approach for generating ready forces today and informing an investment strategy that will ensure the future readiness of the Marine Corps.

Generating Marine Corps Readiness through Capability and Capacity

A confluence of events – namely, the promulgation of New Normal directives coupled with the continued need to transition the Marine Corps to meet requirements of the defense strategy –

brought about an operational transition in the Corps. The Marine Corps saw this requirement as an opportunity to generate "other-types" of capabilities. These additive capabilities to meet New Normal assigned missions will, in time, improve the readiness and responsiveness of the Marine Corps.

Overall, the Corps received added personnel for the New Normal mission. Specific Corps-provided capabilities brought about by the New Normal will be sourced from standing units and newly assembled task organized units. Such units include SPMAGTF-Africa and SPMAGTF Black Sea Rotational Force (BSRF), both of which have been permanently operating in the African and European areas. These units assist Combatant Commanders in executing Theater Security Cooperation plans by providing military-to-military engagement such as bi/multilateral training, thereby building partner confidence and deterring would-be adversaries. Moreover, these Marine units are capable of rapid crisis response to seize the initiative and defeat those who threaten U.S. interests.

The New Normal posture also initiated the creation of another additive capability, the SPMAGTF-CR. Originally built around a Marine Expeditionary Unit (MEU) command element, this unit was deployed to land bases in the northern Mediterranean and employed elements to protect designated U.S. diplomatic facilities in northern Africa. The Corps intends to aggregate SPMAGTFs Africa and BSRF into the SPMAGTF-CR, to generate a ready force capable of simultaneously conducting theater security cooperation events, security force augmentation, and responding to crises in support of the USAFRICOM and the U.S. European Command. The Corps is also considering similar capabilities where regionally aligned SPMAGTFs are provided to other GCCs. These additive capabilities provide training opportunities through force generation and employment periods that produce ready units capable of responding to other military operations. These units are already formed (i.e., manned and equipped) and have trained together. Such units may mitigate the risk of sending less ready units to major contingencies simply to meet established time lines. Forward presence of Marines ashore and afloat reduces response times and enables the Marine Corps to better shape the security environment for appropriate crisis response or follow-on Joint Force operations.

Force providers may be challenged to meet the prescribed timeline demands of major contingencies. However, SPMAGTFs that are regionally aligned and rotational units are ready and, therefore, could constitute the lead elements of a surge. Additionally, the Corps is reestablishing three permanent Marine Expeditionary Brigade 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 be part of the Global Response Force. The MEB CE 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 will provide scalable, expeditionary units that are capable of functioning as the lead elements of a surge. The FY 2015 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 the Combatant Commanders' requirements. The Marine operating forces depend on funding for training and equipment maintenance to preserve and enhance their readiness. Although deployed Marine forces are at the highest levels of readiness, this level of readiness often comes at the expense of non-deployed units that provide equipment and personnel to support deploying units. The FY 2015 budget provides some help to improve the readiness of non-deployed units, although improvements will be temporary if the post-sequester BCA levels are maintained.

The Marine Corps' much needed comprehensive effort to reset and reconstitute equipment that has been employed in Iraq and Afghanistan continues in earnest. Reset is the subset of reconstitution that is comprised of the actions taken to restore units to a desired level of combat capability commensurate with future missions. After more than a decade of combat, reset will require an unprecedented level of effort. The reset of the Corps' equipment is expected to extend 2 to 3 years after the last Marines leave the Afghanistan theater due to the time it will take to bring all of the equipment back to the U.S. and move it through depot-level maintenance.

The Marine Corps reviews and refines life-cycle sustainment strategies and depot maintenance requirements for its ground equipment annually through a deliberate requirements determination process. The most recent review, conducted in August 2013, was guided by the Commandant of the Marine Corps' direction to "determine the minimum possible funding level to preclude long-term degradation to material readiness." That review resulted in a $544 million reduction in previously identified FY 2014 baseline depot maintenance requirements across the FY 2015 outyear budget period. Despite these cost savings and the relief provided by the FY 2015 budget, depot maintenance challenges will require several years to fix.

Aviation depot maintenance is equally critical to maintaining readiness. The Marine Corps has consistently registered its concern about the impact that aging platforms, high demand/use, and constrained depot funding is having on aircraft availability and squadron readiness. The FY 2015 budget allows the Navy to restore some much-needed funding into the depot programs. This is an area, however, that the Marine Corps will continue to monitor closely for readiness impacts.

The FY 2015 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. Figure 3-3 lays out the Marine Corps' service training exercise plan over the next several years.

Figure 3-3. Planned Large Training Exercises

	Annual exercises for 2015	
	Integrated Training Exercise	Mountain Exercise*
Infantry Battalion	10	2
Infantry Regiment	--	--
Artillery Battalion	4.5	--
Logistics Battalion	5	--
Squadrons	30	--

** Figures represent maximum planned exercises depending upon global environment.*

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 end strength. However, the FY 2014 budget, in line with the defense strategy, proposed further end strength reductions to 182,100. This effectively postures the Marine Corps to preserve forward presence and crisis response capabilities, but takes acceptable risk in major combat operations and large, long-term stability operations.

Infrastructure Sustainment

Readiness also depends on 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 installations and facilities grows as resources become more constrained. The Marine Corps is depending on the FY 2015 budget to protect today's facilities, users of these facilities, and resultant force generation.

The Marine Corps continues to accept risk in this pillar, reducing funding for several programs that will affect long-term installation readiness including Military Construction and restorations and modernization. The FY 2015 budget funds facilities sustainment with limited impact on capability to perform missions and provides required family housing operations and construction funding. The enactment of the FY 2015 budget will help decrease, but not eliminate, risk in this pillar. Given readiness priorities, the Marine Corps' FY 2015 investment in facilities sustainment only reaches 75 percent while reducing risk in base operating support.

Equipment Modernization

The Marine Corps' ground and aviation equipment must meet the needs of current and emerging security environments. As the Marine Corps explores options to adjust to changing fiscal realities, there is a clear imperative to upgrade and modernize portions of legacy equipment used in Operation ENDURING FREEDOM and Operation IRAQI FREEDOM. Aging aviation platforms are becoming simultaneously more expensive to operate and less available, especially for non-deployed training. Aging ground platforms, such as the nearly 40-year-old Amphibious Assault Vehicle, underscore the need for investment in modernization and service-life extensions to guarantee dominance over future threats. The Marine Corps accepted the greatest amount of risk in its equipment modernization budget to support investments in personnel and unit readiness.

The Marine Corps is fully committed to funding the Amphibious Combat Vehicle. It remains the Commandant's number one priority for ground programs. The FY 2015 budget addresses limited shortfalls in the Ground Combat Tactical Vehicle modernization strategy and maintains sustainable acquisition profiles for other major investment systems. It further reduces critical maneuver capabilities, net-centric, interoperable, persistent ground surveillance capability and command and control capabilities. The FY 2015 budget also continues to accept risk in reduced funding for both equipment sustainment and service life extensions that sustain legacy equipment until modernization can be achieved.

Air Force

The FY 2015 President's Budget request supports the Air Force's efforts to provide trained and ready forces for operations ordered by the Secretary of Defense by improving near-term readiness. The Air Force budget reality is that it continues to increase the risk in executing the full range of operations required by the defense strategy but it represents difficult choices between strategy-based modernization/acquisition programs and the need to correct near-term readiness shortfalls to slow the Air Force's adverse readiness trend. The FY 2015 budget allows the Air Force to begin recovering readiness.

Readiness remains a concern for the Air Force. To support the defense strategy, the Air Force must be postured to respond rapidly anywhere on the globe and thrive in a highly contended environment. The FY 2015 budget supports the Air Force's ability to maintain a smaller, more technologically advanced, but force better prepared to generate the forces required to satisfy anticipated warfighting 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 the new strategy. Rotational mission readiness, particularly for the Combat Air Forces, meets Combatant Commander rotational demand but limits forces available for surge or emerging requirements. Force presence comes at a cost; forward-deployed units are not fully capable of attaining requisite full-spectrum training, which degrades readiness rates.

Given FY 2015 President's Budget funding levels and the need to preserve critical modernization programs that ensure a future viable force, the Air Force has made targeted strategic management decisions in prioritizing capability over capacity to build sustainable readiness. A critical element of this strategy is divesting single mission weapon systems (A-10) in favor of multimission systems that enable the Air Force to thrive in anti-access/area denial (A2/AD) environments. Without the authority to divest low priority/less relevant weapon systems, the Air Force plans to recover readiness will fall apart quickly, as available resources will be diverted towards retaining excessive force structure. In refocusing to an A2/AD environment, the Air Force plans to retire the entire fleet of A-10 tactical fighters, a number of older F-15C aircraft along with significant upgrades in its Intelligence, Surveillance, and Reconnaissance (ISR) systems by replacing the U-2 with a composite of next generation Global Hawks and other ISR systems.

In addition to funding, Air Force readiness is heavily influenced by ongoing operations as time and resources consumed in supporting current operations limit opportunities to train for the full spectrum of potential operations. Operational demands over the last 12 years have eroded the Air Force's ability to conduct missions involving A2/AD, Weapons of Mass Destruction, and other complex threats. To better meet the Combatant Commanders' demands, the Air Force has adopted longer standard deployment lengths for their personnel, which subsequently increases the reconstitution time when they return. These operational demands are unlikely to decrease following the planned withdraw of land forces in Afghanistan. Balancing these rotational requirements with the full-spectrum training required to meet the defense strategy will be an important element of Air Force strategy going forward.

Generating Air Force Readiness

The Air Force's FY 2015 budget submission addresses adverse readiness trends using five main levers of readiness that can be used to produce ready forces. Each of these non-linear variables work together to produce ready forces; since they are interrelated, funding one of these levers without appropriately funding the others will not produce the readiness outcome desired. The 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 war-fighting systems; (3) Training Resources Availability (TRA), 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 tasks.

Manpower/Personnel

Realizing fiscal limitations, the Air Force continues to implement its force shaping efforts and divest force structure and associated manpower in the FY 2015 budget.

The FY 2015 budget request will assist the Air Force in attempting to realize its goal of adjusting CSA. While government-wide initiatives seek to constrain travel expenditures, the Air Force must leverage its critical operation and maintenance resources to facilitate essential training that

requires the utilization of temporary duty (TDY) training. This supports the Joint Force, as well as the Air Force, to train the force to fulfill joint missions. However, CSA concerns remain, specifically in planned force shaping and potential impacts to the Air Force's maintenance career fields.

Training and Equipment Maintenance

The FHP, WSS, and 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). In particular, the FY 2015 budget increases flying hours in the Operation and Maintenance accounts, which greatly assists the Air Force to fly at levels that are needed to begin improving readiness. The additional funds will help the Air Force recover flying hour-related readiness due to FY 2013 sequester and reduced flying in the first 3 months of FY 2014 to produce a small readiness increase in FY 2014 and FY 2015. The President's Budget request supports adding more hours to the FHP in FY 2016–FY 2019 to return the program to the total force requirement (100 percent FHP) as much as possible to meet the minimum training requirements, but this will require adjustments in the other levers.

To sustain the higher levels of flying, WSS must also increase. The Air Force had approximately $260 million in unaccomplished depot level repairs in FY 2013. The enacted FY 2014 WSS program goes from approximately 70 percent to 83 percent funded in FY 2014 with OCO and to 70 percent with base funding in FY 2015.

The FY 2015 budget request supports the Air Force's focus on sustaining the TRA to support readiness. The FY 2015 budget assists the Air Force in funding Live Virtual Construct, exercises, training munitions, and other TRA items critical to replicating threat environments and required to improve readiness. This funding is essential to funding ranges to approximately 98 percent, which historically have been as low as 21 percent. The additional funding will begin to bring ranges back up to requirements. The Air Force now plans for all exercises such as Red Flag and Green Flag to be conducted at full strength by Air Force participants, given the

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

	FY 2013		FY 2014	FY 2015	FY2016 – FY2019
	Planned	Executed in Full	Planned	Planned	Planned per FY
RED FLAG	6	4	6	6	6
GREEN FLAG	20	13	20	20	20
Total	**26**	**17**	**26**	**26**	**26**

FY 2015 budget funding levels.

Munitions

The FY 2015 budget includes $4.5 billion to begin to address shortfalls in the most critical munitions programs and realigns funds in others 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), though critical shortfalls in preferred munitions still exist. These investments maintain the industrial base and support the rebalance to the Asia-Pacific.

Modernization

The need for modernization spans the Air Force. The FY 2015 budget keeps the Air Force's top three modernization programs (F-35, KC-46 and LRS-B) on track. While service life extension programs and periodic modifications have largely kept the inventory viable for the current environment, emerging threats and technologies require new investments. The FY 2015 budget allows for progressive recapitalization of the fighter fleet with the F-35 and continues development of the long-range-strike bomber as a requirement to meet forecasted future threat assessments and provide the ability to operate/survive in an A2/AD environment. It funds legacy fleet service life extensions and critical capability upgrades, and preserves the KC-46 as the Service's highest acquisition priority, recapping a tanker fleet that averages 49 years in age. The budget also begins procurement of MQ-9/Block 5 aircraft, a new configuration that provides robust communication, encryption and power for next generation sensors, and continues production for the E-3G (Airborne Warning and Control System) Block 40/45 program.

Additionally, the FY 2015 budget focuses on reinvigorating the nuclear enterprise by undertaking platform modernization efforts (e.g., B-2 defensive management system, B-52 digital connectivity, Inter Continental Ballistic Missile fuzes) and upgrading nuclear command and control systems.

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 GPS 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 Air Force budget funds the Advanced Extremely High Frequency and the Enhanced Polar System capabilities, providing protected communications (anti-jam, low probability of detection/intercept) at higher bandwidth and capacity for the warfighter.

These investments will help sustain forward momentum in capability and capacity for the future and contribute to meeting requirements derived from the defense strategy. However, the Air Force has identified additional modernization and acquisition requirements, such as recapitalizing our advanced training aircraft, which remain unfunded.

Infrastructure

The Air Force took a balanced approach in sustaining critical infrastructure by increasing funding to $1.05 billion in FY 2015 before adjusting to an average level of $1.3 billion in total Air Force Military Construction resources in FY 2016 – FY 2017. Furthermore, the budget provides sufficient funding for environmental requirements at Air Force installations to ensure compliance with statutory guidance. As part of the rebalance to the Asia-Pacific, base resiliency is critical to overall readiness and will drive further Military Construction requirements in future years.

Special Operations Command

The USSOCOM continues to provide trained, equipped, ready and regionally aligned Special Operations Forces (SOF) in support of GCCs. In so doing, USSOCOM will leverage the whole of government, allies and partners, to conduct sustained special operations as part of a broader strategy to eliminate threats and buy down risk to U.S. interests and protect the American people.

The USSOCOM maintains a healthy readiness level despite over a decade of combat and heavy deployments primarily in the U.S. Central Command's (USCENTCOM) area of responsibility. Current high readiness is largely due to OCO funding and the continued support

to SOF by the four military Services. This state of readiness is critical to ensure SOF remains 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, has initiated a downward trend in SOF readiness in FY 2014. The FY 2015 budget, however, offers sufficient near-term resources to arrest much of the downward trend by enabling USSOCOM to buy back investments in readiness programs such as aviation flying hour training, language training, and unit/institutional level training.

The FY 2015 President's Budget request positions USSOCOM for a realignment of SOF force structure to best respond to global demands while maintaining a high level of readiness. This budget preserves key initiatives where specific investments are made to regain SOF critical full-spectrum mission skills, and organize to expand the global SOF network. Lastly, while USSOCOM prepares to reduce select SOF capacity to preserve readiness, the FY 2015 budget reflects increased investments in important areas, to include the preservation of the force and families, SOF education, and unit level training.

To protect USSOCOM's readiness and resource SOF engagements around the globe, USSOCOM will carefully manage its future force generation process. The force has become stressed and vulnerable to reduced readiness after 12 years of a high operational tempo. Programs such as the Preservation of the Force and Families have been implemented to address the manifestations of that stress on SOF and their families.

The USSOCOM relies heavily on Service-provided capabilities for both training and contingency operations. Additionally, SOF relies on the Services for much of its qualification pipeline training and training infrastructure such as ranges and support facilities. Uninterrupted Service-provided capability will require close collaboration to ensure SOF continues to receive critical enablers.

Enhancing Capability for Full Spectrum Missions

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 Joint Combined Exchange Training events (JCET), which are its premier global training venue. Over the past 4 years, there has been a steady increase in the number of requests for SOF JCET participation (Figure 3-5). This unique training continues to be instrumental in providing access, strengthening combined and joint warfighting capabilities and is critical to preserving SOF's worldwide readiness posture. These deployments are also vital to

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

	FY 2013	FY 2014	FY 2015
Event/Requested	154/300	172/275*	175/299
Personnel	3510	4400**	4500
Countries	63	98	103

** Current requests as of January 2014 (emergent requests are expected to continue throughout the year)*

*** FY 2014 estimated number of SOF Personnel required for all currently requested JCETS for FY 2014.*

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. The USSOCOM is forecasting increased JCET requests in FY 2015 as the drawdown in Afghanistan allows for a more global dispersal of SOF assets – the FY 2015 budget allows USSOCOM to continue prioritizing these events.

With respect to the air domain, USSOCOM is improving and reconstituting the SOF aviation fleet. The Air Force Special Operations Command (AFSOC) decided 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 increasing ISR. Indications of success in this area will be increased ISR capabilities and capacity and an increase in overall readiness.

The Army Special Operations Command (USASOC) will invest in Civil Affairs and Military Information Support Operations (MISO), better positioning SOF forces for the global demand of Phase "0" shaping activities. The FY 2014 enacted funding level allowed USASOC to resource aviation readiness levels. The FY 2015 budget is expected to follow the enacted FY 2014's prioritization for readiness by funding expected training requirements.

Lastly, the transformation of the sea domain is evident with a renewed emphasis on SOF maritime capabilities contributing to the strategic rebalancing of military capability throughout the

Figure 3-6. AFSOC AC-130 Strike Inventory

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
AC-130H	8	5	1	--	--	--
AC-130U	17	17	14	12	12	10
AC-130W	12	12	12	12	12	12
AC-130J	--	--	2	4	8	10

Figure 3-7. AFSOC MC-130 Lift Inventory

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
MC-130H	20	20	18	13	13	10
MC-130P	14	11	--	--	--	--
MC-130J	15	17	27	35	37	37

Figure 3-8. AFSOC ISR Inventory

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
MQ-1 (CAPs)	6	6	2	2	--	--
MQ-9 (CAPs)	3	6	7	8	12	12
U-28	25	26	16	--	--	--
MC-12	--	--	43	43	43	43

maritime domain, specifically in the Asia-Pacific and Africa regions. These investments will become increasingly critical to both expanding the Global SOF Network and winning the current fight. Indications of success in this area will be increased maritime capabilities and engagements with partner nations.

In FY 2013, the Secretary of Defense signed the Forces for Unified Commands Memo, directing that USSOCOM will have Combatant Command Authority for the Theater Special Operations Commands (TSOCs) and the GCCs will retain Operational Control. This authority enhances USSOCOM's SOF support to the GCCs. The FY 2015 budget enables USSOCOM to remain committed to providing the GCCs with forces organized, trained, educated and equipped to rapidly or persistently address regional contingencies and threats to stability. This is best accomplished through USSOCOM's TSOCs. The USSOCOM will continue its ongoing effort to fully man the TSOCs as a part of the over-riding priority to best support GCCs.

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, which 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 taking action to fund two specific actions.

First, USSOCOM continues implementing a holistic wellness program that is being developed and resourced to integrate prevention, resiliency, and rehabilitative services throughout the readiness/deployment cycle designed to improve the physical, psychological, and spiritual health of our SOF warriors.

Second, USSOCOM will complete implementation of an enhanced SOF generation model (SOFORGEN), which is designed to improve predictability and better manage the operational tempo and readiness of SOF. Additionally, SOFORGEN provides the Services with more accurate and predictable information on requested support for SOF. This improves the total force package SOF presents to the GCCs by institutionalizing habitual training relationships.

GENERATING JOINT CAPABILITIES

This budget also reflects investments in joint readiness. The operational readiness of units not only includes proficiency in their Service-specific tasks, but also includes in the integration of these tasks as part of a cohesive Joint Force. Overall mission success is dependent on U.S. forces ability to operate seamlessly with other Services, interagency partners, and international partners.

The last 12 years have reinforced the importance of the Services operating harmoniously as a Joint Force, specifically in terms of combined effects, intelligence, reconnaissance and surveillance, cyber operations, unmanned aerial vehicles, and the agile and surgical application of fires on the battlefield. There is an ever-growing interdependency between the Services as some organic capabilities have been divested in lieu of that capability being provided by another Service. Operational trends include the increasingly significant roles of interagency and international partners as well as the provision of essential supporting and logistical capabilities that enable the deployment and sustainment of forward operations.

To this end, the Office of the Secretary of Defense (OSD) has resourced Joint Force integrated training through an open, transparent, and collaborative resourcing program in close partnership with the Services, the Combatant Commands and the Joint Staff. This partnership has served the Department well over the last 12 years of conflict, providing timely capabilities that bridged the training gap between Service training and what is needed to function as a joint task force. It has assisted the Combatant Commanders in the readiness assessment of their staffs, and addressed their regional engagement requirements. The Department is committed to sustaining this hard fought proficiency through continued investments in joint readiness. These investments include joint training coordination programs between the Services, unit regional familiarization through engagement with partner nations, enterprise wide technologies focusing on network connectivity between Service training venues, networking Combatant Command exercises to other each and with their Service Components, joint simulations and emulations that improve joint training capabilities at home station, and language and culture programs.

Recognizing the importance of the joint training and exercise resources, the Secretary of Defense has issued guidance that protects the Combatant Commander's Exercise Engagement and Training Transformation (CE2T2) program from further efficiency cuts; he has directed

continued programming, oversight and management through OSD and has asked to be briefed biennially on the alignment of joint exercises with defense strategy. This renewed emphasis on major exercises is consistent with the new requirement from section 331 of the National Defense Authorization Act for Fiscal Year 2014 to provide exercise assessments to Congress.

Building on Service Capabilities: Joint Training

The Services must regularly train and exercise together to operate effectively as a Joint Force. They must also actively participate in Combatant Command-sponsored large Joint Force exercises as well as innovative, low-cost, and small-footprint engagements across the globe. Such participation enables the Services to develop regional expertise and build trust and relationships with other Services, U.S. allies, and potential partners, while developing the joint operational experience that is essential for success in the 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 $196 million in FY 2015 for the joint training enablers through the CE2T2 program to cement these Service building blocks into a cohesive joint ready force. Building on Service-specific training and readiness capabilities, the CE2T2 program fills the gaps between Service and joint capabilities with joint training opportunities and enablers.

As a specific example, the CE2T2 program funds the Joint Training Enterprise Network (JTEN), that links geographically-separated Service and Combatant Command live, virtual, and constructive training capabilities into a realistic joint training environment. The JTEN also helps bridge the seam between the tactical and operational level of war training and mission rehearsal activities by providing real-time connectivity, which emulates higher headquarters authorities such as a joint task force command element.

The CE2T2 program also funds the Joint Training Coordination Program (JTCP) that enables live participation of Service assets in the tactical-level exercises of another Service. The Air Force's Red Flag and Green Flag exercises at Nellis Air Force Base; the Navy's Fleet Readiness exercise at Air Wing Fallon Naval Air Station, Fallon, Nevada; the Marines' Integrated Training Exercise at Twentynine Palms; and the Army's Mission Rehearsal Exercises at the Joint Readiness Training Center and National Training Center are specific examples of exercises covered within the JTCP. Through this joint training, the Services prepare for combined tactical operations, including operations in Afghanistan, Libya, Africa and other contingencies.

Other joint training opportunities funded through CE2T2 program include: joint individual training that prepares service members to operate in a joint environment; Service-unique training simulations that allow them to interoperate realistically in a joint environment and with U.S. international partners; replication of robust opposing forces 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.

Exercises and Engagement and Building Partner Capacity

The Department invests $474 million a year 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 Combatant Commands, exercise and engagement events are a cost-effective method to provide U.S. presence, reassure allies, and hedge against destabilization. More specifically, this funding supports approximately 160 exercises and engagement events 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 the Combatant Commander exercises that are funded over the next few years include:

- AUSTERE CHALLENGE, a biennial exercise conducted by the USEUCOM, designed to increase readiness for the current threats and work the seams between multiple Combatant Commands; in 2012, this exercise strengthened the U.S.-Israeli relationship, while improving cooperative ballistic missile defense
- KEY RESOLVE/FOAL EAGLE, an annual exercise, with U.S. Pacific Command (USPACOM) participation, that tests combined plans to defend the Republic of Korea (ROK) against external aggression, strengthens the readiness of combined forces, and demonstrates commitment to the ROK-U.S. alliance
- Association of Southeast Asian Nation Exercises, multilateral exercises with Association of Southeast Asian Nations partners, with USPACOM as a participant, with the following objectives: preparing for humanitarian assistance and disaster relief missions; emphasizing defense cooperation; and building mutual trust and confidence
- GLOBAL LIGHTNING, an annual exercise designed to test and validate the ability of United States Strategic Command (USSTRATCOM) and its component forces to deter a military attack against the United States
- International Mine Countermeasures Exercise, an annual, multilateral defense exercise near the Straits of Hormuz, conducted by USCENTCOM, that trains U.S. and partner nations' forces to defeat naval mines, to protect maritime infrastructure, and to protect commerce in this critical region. In 2013, more than 40 nations participated in this exercise, demonstrating international solidarity and resolve
- Joint Logistics Over the Shore Exercise, an event designed to increase the Joint Forces' ability to deploy without an established seaport (i.e., offload forces while still offshore)
- Baltic Operations, an annual multinational exercise focused on maritime operations with Russia and multiple other partner nations from the Baltic Sea region
- Global Response Force Exercise, an event that tests all facets of "alert" forces designated to response on short notice to a range of crises (from armed conflict, to natural disaster response, to homeland defense missions)
- CYBER FLAG, a joint operations exercise designed to enhance DoD readiness to operate and defend DoD networks.

Language and Culture Capabilities

The FY 2015 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 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 2015 budget funds several investments that increase language and cultural competency. These investments are paying off. Currently, there are more than 336,000 DoD personnel with foreign language skills, which is an increase of 12,884 personnel with language skills since last year.

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 2015 budget request for this program reflects a $26.2 million commitment from DoD as well as $16 million from the Office of the Director of National Intelligence. These efforts include public-private partnerships, 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 which 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 2015 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 2013, more than 2,500 students completed basic courses in 24 languages. In addition, DLIFLC provided Mobile Training Teams to deliver pre-deployment and familiarization training for over 3,400 general purpose force personnel.

Beyond the Mobile Training Teams providing "just-in-time" training for deploying personnel, the FY 2015 budget supports Language Training Centers to provide advanced language instruction and work as a partnership between universities and the Department. In FY 2014, the Department expanded the Language Training Center Program from five to nine institutions of higher education at a cost of $7 million. In FY 2013, over 5,400 military service members, a majority of who were Special Operations and Guard and Reserve personnel, benefited from alternative training delivery systems provided by these centers in 10 languages.

Joint Logistics

The Joint Force's ability to support OEF during the past 12 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 rapidly adjust to Afghanistan retrograde network disruptions while remaining on target to achieve the President's drawdown goals.

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 already 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 up to 3 years after the majority of forces redeploy, remains a top priority. The FY 2015 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 increase the resiliency of key operational bases in the Asia-Pacific region and improve critical infrastructure associated with crisis response and force sustainment (such as Military Ocean Terminal Concord in California). In addition, the Department continues development of critical information technology tools to enhance visibility of logistics commodities while addressing increasing cyber threats and other impediments to global access.

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4. CONTINUE TO FOCUS ON INSTITUTIONAL REFORM

Major Themes

- More Disciplined Use of Resources
- 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 2015 budget continues efforts started in the FY 2012, FY 2013, and FY 2014 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 2012 budget proposed more than $150 billion in 5-year savings through efficiencies; the FY 2013 budget proposed another $60 billion in reductions, and the FY 2014 budget identified an additional $35 billion in reductions. The FY 2015 budget proposes another $93.6 billion in reductions for the years FY 2015 to FY 2019.

The FY 2015 budget continues the reform agenda advanced in the previous five budgets, but with greater emphasis on contracting and other efficiencies:

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

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

MORE DISCIPLINED USE OF RESOURCES

This section summarizes the substantial reductions the Military Departments, Combatant Commands, Defense Agencies, and Office of the Secretary of Defense staff will be able to achieve as a result of more effective use of funds (including better business practices) in FY 2015 to FY 2019. Specifically, the Department will:

- Control health care costs by taking advantage of lower prices for private-sector care and reducing infrastructure and research funding.
- Implement contracting efficiencies and reductions consistent with force structure.
- Modify weapons programs and reprioritize military construction projects to focus on the most critical capabilities.

- Reduce management headquarters staff and consolidate duplicative efforts.
- Consolidate infrastructure with authorization for a Base Realignment and Closure (BRAC) round in 2017.

A summary of the Future Years Defense Program (FYDP) savings follows:

Headquarters Reductions ($5.3 billion)

- Implementation of the Department's institutional reform efforts to consolidate duplicative efforts and reduce management headquarters staffs. ($5.3 billion)

More Effective Use of Resources ($38.3 billion)

- Health care cost savings and efficiencies, including reductions in projected health care costs to slow growth in the Private Sector Care program ($10.3 billion), reduction in medical facility sustainment and restoration/modernization (including military construction) funding to better scope projects ($3.0 billion), and savings achieved by reducing redundancy and consolidating key functional and business support areas ($4.0 billion). ($17.3 billion)
- Funding reductions across all Defense-wide agencies and field activities to promote more efficient and effective management of resources, including reducing training by promoting more web-based training solutions, reducing travel through increased use of video teleconferencing capabilities, reducing the procurement of supplies and materials, and reducing printing costs. ($15.0 billion)
- The Air Force's reduced training and education based on force structure changes and taking risk in support areas as well as funding reductions beyond Department-wide headquarters reductions from intermediate and headquarters level. ($3.5 billion)
- Funding reductions in the Navy's procurement and research and development programs to reflect underexecution and to promote more efficient and effective use of resources. ($2.5 billion)

New Contracting Efficiencies ($29.9 billion)

- Reduction in the Navy and Marine Corps funding for research and development, knowledge-based, and communication services contracts and implementation of better buying power initiatives in procurement. ($17.8 billion)
- Savings from the Army's reduced contract funding commensurate with reductions in force structure. ($8.4 billion)
- Savings from the Air Force's reduced contract costs, largely for the Evolved Expendable Launch Vehicle Program and the KC-46 Aircrew Training System. ($3.7 billion)

Manpower or Force Restructuring ($8.0 billion)

- Reduction in the Army's civilian manpower consistent with its military end strength reduction, including managing civilian workforce levels to retain net attrition in the prior year resulting from hiring freeze and reducing depot manpower according to reduced depot maintenance needs. ($4.9 billion)
- Reduction in the Air Force's military manpower, including reducing C-130H excess to need aircraft to reach a C-130 aircraft inventory of 316 by FY 2015, changes to Mobility Air Force aerial port manpower standards, and Air Mobility Command crew ratio

changes. ($3.1 billion)

Weapons Programs Terminations and Deferment ($9.5 billion)

- The Army terminates Ground Combat Vehicles (GCV) and continues development efforts toward a future infantry fighting vehicle. ($3.4 billion)
- The Army will continue to invest in the development and procurement of increments of the Warfighter Information Network Tactical (WIN-T) capability, to include completing development of the Network Operations (NetOps) software enhancement for both WIN-T Increments 1 and 2. The WIN-T Increment 3 program, envisioned to add more robust connectivity with increased network access via an Air Tier, has been significantly descoped to a software-only program. ($3.4 billion)
- In pursuing resiliency and affordability in Space Architectures, the Air Force divests funding for the procurement for Advanced Extremely High Frequency (AEHF) Space Vehicles (SV)-7/8. Some of the related funds reductions ($2.1 billion across the FYDP) are re-invested into the evolved Space Based Infrared Systems (SBIRS) and evolved strategic and tactical protected Satellite Communication (SATCOM) systems. Additionally, the Air Force defers two Global Positioning System (GPS) III satellites beyond FY 2019 as Global Positioning Satellites are lasting longer than previously forecasted, with reductions of $560 million across the FYDP. ($2.7 billion)

Military Construction Restructuring and Delays ($4.2 billion)

- Provides funding of the most critical facility requirements and allows for the rebalancing of resources to higher DoD priorities, such as operations and readiness. The military construction FYDP funds the Secretary of Defense's strategic choices/capabilities and administration priorities while considering Congressional action and fiscal constraints.
- Defers most recapitalization projects, increasing the requirement for sustainment and base operating funds, to ensure that new construction only supports enduring capabilities after infrastructure consolidations.
  - Programmatic reduction to Army military construction projects. ($1.3 billion)
  - Requirements changes to multiple Department of Navy construction projects. ($0.6 billion)
  - Funding of minimal essential Air Force military construction requirements in FY 2015 and restoration of some Air Force military construction investment over the future years. ($-0.6 billion)
  - Programmatic reduction to Defense Agencies' military construction projects ($2.9 billion) Note: Medical investments, including Medical Military Construction changes, are included under more effective use of resources for the Defense Health Program.

Infrastructure Consolidation ($-1.6 billion)

- The Department proposes a FY 2017 BRAC round to accomplish reductions in civilian workforce levels and garner future multiyear savings. This proposal results in cost increases of $1.6 billion through FY 2019, but generates multiyear savings starting in FY 2020. ($-1.6 billion)

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) provides DoD with the authority 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, has consolidated multiple FM development efforts across DoD into a cohesive program to effectively educate, train, and certify financial management personnel (civilian and military). This effort has been supported by the House of Representatives, the Senate, and the Government Accountability Office.

While DoD has many FM training programs, it did not have an overarching framework that guided financial management training or emphasized key types of 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 to ensure the FM workforce has the knowledge necessary to achieve auditable financial statements. It also establishes the DoD framework to guide professional development of approximately 54,000 members of the DoD FM workforce and to ensure the workforce has the competencies to adapt to future mission requirements.

Similar to the Defense Acquisition Workforce Improvement Act Program, all FM positions will be coded with an FM Certification Level 1, 2, or 3. Each certification level requires a minimum number of training course hours and FM experience. Members 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.

The foundational framework for the Certification Program is the set of 23 enterprise-wide financial management competencies, associated proficiency levels, and selected leadership competencies. Training is tied to 17 specific FM technical competencies in categories such as 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 to be a better strategic partner to commanders and decision makers. Identifying and defining key competencies in both FM and leadership enables us to assess and close the gaps between current capabilities and the competencies required by the future financial management workforce.

The policy for the DoD FM Certification Program was signed in November 2013. The policy establishes a certification program management structure to provide governance and ensure the Program objectives are achieved, as well as delineating responsibilities and prescribing procedures for the full implementation of Military Departments and Defense Agencies.

Prior to the full implementation, the Department carried out a pilot implementation phase which included 650 members from the FM Community from 12 different 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.

The Program began a full phased implementation of DoD Military Departments and Defense Agencies in June 2013. Throughout the implementation, the Department provides virtual training on Program policies, procedures, and navigation of the DoD FM LMS. Additional tools and resources are provided through the *FM Online* Web site, a central repository of information related to the Program. The *FM Online* is also the gateway to *FM myLearn*, which serves as an electronic catalog of training mapped to financial management and leadership competencies, aligned to Program requirements. Initial implementation of approximately 50,000 FM members is projected to be complete in September 2014. Following initial implementation, Air National Guard and Reserve components will be incorporated into the Program.

The DoD FM Certification Program represents an innovative and significant change for the Department's FM workforce. It provides the framework to advance 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 decision makers 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 of the Secretary of Defense and Congress.

FINANCIAL IMPROVEMENT AND AUDIT READINESS INITIATIVE

The Department is committed to achieving audit readiness on all financial statements by September 30, 2017. Achieving audit readiness means the Department has reliable financial management practices, systems, and internal controls that are capable of producing accurate and complete financial information.

Financial statement auditability is important to the Department for many reasons. It is required by law, but will also confirm that the Department is properly and effectively managing and executing the resources entrusted to it by Congress and the public. The Financial Improvement and Audit Readiness (FIAR) initiative carries out the Department's strategy to achieve audit ready financial statements.

Focusing first on improving the information most often used to manage DoD operations, the FIAR Initiative has targeted two priorities: Budgetary information validated as audit ready by September 30, 2014, and the existence and completeness of mission critical assets validated as audit ready by June 30, 2016. Meeting these priorities will ensure the Department makes the best use of every dollar while supporting its national security mission.

The Department tracks audit readiness progress through financial statement audit opinions, audit readiness validated by DoD Office of the Inspector General (OIG) or Independent Public Accounting firm examinations, and audit readiness assertions. Substantial progress is being made. Today, $235 billion or 19 percent of total budgetary resources have an opinion or are under audit. Six DoD organizations received unqualified audit opinions on their FY 2013 financial statements, and one DoD organization received a qualified opinion.

To achieve full audit readiness by September 30, 2017, and begin full financial statement audits in FY 2018, the DoD Components that have not achieved a financial statement audit opinion are employing a mandatory, comprehensive strategy comprising four waves:

- Wave 1 – Appropriations Received Audit has been validated as audit ready.
- Wave 2 – Statement of Budgetary Resources Audit is currently being worked to achieve audit readiness.
- Wave 3 – Mission Critical Asset Existence and Completeness Audit is also currently being worked to achieve audit readiness by type of assessable unit and must be completed prior to achieving Wave 4.
- Wave 4 – Full Financial Statement Audit has been started, as discussed below.

In March 2013, the Department validated audit readiness of Appropriations Received and completed Wave 1. Additionally, for both budgetary resources and mission critical assets existence and completeness, 26 examinations have been completed or are in sustainment, and 30 examinations are underway, pending or have found that additional corrective actions are needed.

In December 2014, the DoD OIG announced the successful audit of the U.S. Marine Corps (USMC) FY 2012 Schedule of Budgetary Activity (SBA). This was a significant achievement for the USMC and the Department, because it validates the approach the Department is employing to achieve auditable Statements of Budgetary Resources (SBR). As currently planned, most Defense organizations will begin SBA audits in FY 2015, which will lead to auditable SBR audits within several years.

The Department is committed to achieving auditable financial statements and has taken significant steps to accomplish this goal. These include:

- Involving the Secretary of Defense, Service secretaries, and military leaders by keeping them informed of progress and challenges and seeking their active support;
- Engaging the Service Chief Management Officers and senior leaders from both business and financial communities; and
- Integrating the Enterprise Resource Planning (ERP) system deployments with FIAR activities and performing incremental audit readiness testing at ERP sites.

The ultimate goal of this important initiative is to provide accurate, reliable, and relevant financial information to decision makers and achieve audit ready DoD financial statements no later than September 30, 2017. Improving the quality of DoD's financial information provides additional value in potential improvements in cost management and higher quality budget justification materials by leveraging more modern, better integrated tools within or related to ERPs. Achieving this goal is more important than ever as the Department winds down the war in Afghanistan and maintains a global presence to defend the Nation and conduct peacekeeping and contingency operations, while still facing challenging economic times and reduced budgets.

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).

Establishment of the DCAA and DCMA consolidated audit and contract management functions, previously performed by the Military Services, into independent organizations that now apply

Figure 4-1. Contract Management and Oversight
(Dollars in Billions, Base Budget only FY 2013/2014, Direct Full-Time Equivalents (FTEs) in whole numbers)

Program	FY 2013 Actual	FY 2014 Request	FY 2015 Request
Defense Contract Audit Agency	$0.5	$0.6	$0.6
DCAA Direct FTEs	4,043	4,205	4,205
Defense Contract Management Agency	$1.2	$1.2	$1.3
DCMA Direct FTEs	8,801	9,942	9,999
Office of Inspector General	$0.3	$0.3	$0.3
OIG Direct FTEs	1,555	1,614	1,614
Total – Audit and Contract Management	**$2.0**	**$2.1**	**$2.2**
Total FTEs	**15,509**	**16,881**	**16,977**

Source: FY 2015 President's Budget *Numbers may not add due to rounding*

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. The DCAA was established in 1965 as an independent agency. In FY 2013, they audited $50 billion of costs incurred on contracts and reviewed over 1,300 forward pricing proposals totaling $100 billion. In FY 2013, DCAA achieved approximately $4.4 billion in savings as the result of audit findings.
  - In FY 2015, 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 was established as an independent agency in March 2000. The DCMA provides Contract Advisory Services on more than 350,000 prime contracts with a total value of more than $1.8 trillion, which is performed by over 19,900 contractors.
  - In FY 2015, 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 U.S. Department of Defense. The DoD OIG is responsible for conducting audits, investigations, and inspections and recommends policies and procedures to promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse, and mismanagement. In FY 2013, the DoD Inspector General achieved $2.8 billion in savings and $2.1 billion in recovery.
  - In FY 2015 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 increase productivity in defense spending to deliver better value to the taxpayer and Warfighter. Introduced in 2010, Better Buying Power (BBP) encompasses a set of initiatives intended to move the Department toward this goal. In November 2012, the Under Secretary of Defense (Acquisition, Technology & Logistics) introduced the next phase of BBP: The BBP 2.0 reflects the Department's commitment to continuous improvement, and it is made up of 34 initiatives organized into 7 areas:

- Achieve affordable programs;
- Control costs throughout the product life cycle;
- Incentivize productivity and 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.

The 34 initiatives include a broader array of efficiency efforts that places increased emphasis on innovation, technology, best value, and professionalism of the workforce. This last area recognizes that people are essential to changing the way the Department provides critical capabilities to the Warfighter and thus seeks to establish higher standards for key leadership positions, implement stronger professional qualification (and not just certification) requirements for all acquisition specialties, increase the recognition of excellence in acquisition management, and continue to increase the cost consciousness of the acquisition workforce by changing the culture.

The BBP 2.0 also continues work begun under the original BBP effort. Mandating affordability as a requirement, instituting a system of investment planning, and enforcing affordability caps remain essential elements of achieving greater efficiencies. Similarly, controlling cost throughout the product life cycle through a combination of implementing "should cost"-based management, eliminating redundancy within warfighter portfolios, and building stronger partnerships with the requirements community, among other key initiatives, remains an important priority in BBP 2.0.

Industry is a vital partner to the Department in the defense acquisition enterprise; without the industrial base, DoD cannot equip and support the warfighter. A healthy industrial base means a profitable industrial base, but it also means a lean, efficient base that provides good value for the taxpayers' defense investments and increases in productivity over time. BBP 2.0 addresses this requirement by incentivizing productivity and innovation in industry and the Government. It seeks to do so through a combination of efforts, to include aligning profitability more tightly with Department goals, employing appropriate contract types, increasing the use of Fixed Price Incentive contracts in Low Rate Initial Production, better defining value in "best value" competitions, defining technical acceptability to ensure needed quality when lowest price technically acceptable contracts are used, instituting a superior supplier incentive program, increasing the effective use of Performance-Based Logistics, reducing the backlog of Defense Contract Audit Agency audits without compromising effectiveness, and expanding programs to leverage industry's independent research and development programs. Through these collective

efforts, the Department and industry can achieve a win-win relationship that results in greater rewards for superior performance.

As the Department seeks additional ways to generate greater value for the taxpayers within a fiscally-constrained environment, BBP 2.0 is continuing to eliminate unproductive processes and bureaucracy by reducing the frequency of senior-level reviews; re-emphasizing acquisition executive, program executive officer, and program manager lines of responsibility and accountability; eliminating requirements imposed on industry where the costs outweigh the benefits; and reducing cycle times while ensuring sound investment decisions. These collective efforts aim to reduce overhead costs that burden the Department and enable the savings generated to be spent on efforts that directly support the Warfighter.

Another area of continued focus in BBP 2.0 is the promotion of effective competition. Within this area, the Department is emphasizing competition strategies and creating and maintaining competitive environments, enforcing open system architectures and effectively managing technical data rights, increasing small business roles and opportunities, and using the Technology Development phase of the acquisition system for true risk reduction. Competition, when applied effectively, results in lower costs to the Government, greater innovation from industry, and added savings for the taxpayer.

Improving tradecraft in the acquisition of services is integral to achieving greater efficiencies in BBP 2.0. Service contracts comprise over 50 percent of the Department's contract funding and opportunities exist for DoD to improve the manner in which it competes and awards service contracts. BBP 2.0 continues to emphasize the role of senior managers for the acquisition of services and the use of market research and small business participation, while also strengthening contract management outside of the normal acquisition chain, such as at military installations and expanding the use of requirements review boards and tripwires.

As the nation enters a new era of emerging security challenges and fiscal austerity in FY 2014 and beyond, it is more important than ever that the Department remain an effective steward of the investment dollars entrusted to us. We will have to provide essential products and services that our warfighters require and protect the taxpayers' interests by obtaining as much value as possible through a reduction in unproductive overhead costs, reinvesting should-cost savings to fund higher Service priorities, promoting effective competition by creating and maintaining competitive environments, and pursuing other cost-controlling measures as detailed in the Department's Better Buying Power initiative.

The initiatives introduced in BBP and continuing in BBP 2.0 demonstrate the Department's long-term commitment toward continuous process improvement in the acquisition system. More importantly, they address both the fiscal and security challenges that face our nation. The focus of BBP remains delivering better value to the taxpayer and warfighter by improving the way the Department does business.

CONTROL COSTS THROUGHOUT THE PRODUCT LIFE CYCLE

As the Department continues to provide the world's best military capabilities, we know that we must do so at lower costs. Controlling cost throughout the life cycle is a focus that deserves continued emphasis; proactive cost control is everyone's business.

As the Department acquires and sustains new capabilities, Should Cost management is an approach to cost control that will enable the Department to meet the needs of a ready force within the budget. At its core, Should Cost management means not accepting what has been budgeted as a foregone conclusion. The Department has mandated the use of Should Cost management for acquisition programs; managers at all levels must be innovative in continually

initiating concrete measures that drive cost from their programs. Program Managers for Acquisition Category 1 programs specifically report Should Cost targets and progress in achieving them during programmatic reviews. Specific Should Cost training and a best practices reference repository have been implemented through the Defense Acquisition University. The Department has seen programs implement Should Cost in multiple ways, among them contract incentives for suppliers to reduce operating and support (O&S) costs through more reliable designs.

Cost control starts with clear requirements, avoiding redundant capabilities, and not buying more than necessary to accomplish the mission. The Department will continue to align the communication between requirements and acquisition communities to ensure we start and execute programs that have the best likelihood of success. 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 and the need to enable foreign sales. In the past, management of operations and support cost was not an explicit program objective; now the operations and support Cost Key System Attribute is a requirement for all new programs.

The Department has learned from past drawdowns that a near-term focus on cost reduction can significantly impact future readiness and increase long-term cost. Our emphasis on cost control throughout the life cycle is grounded in the lessons of the past and the strategic imperatives of the future.

5. PURSUE COMPENSATION CHANGES

Key Initiatives

- Military Compensation
- Military Compensation and Retirement Modernization Commission
- Managing the Military Health System
- Strengthening Military Families
- Transitioning from Service Member to Veteran
- 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 full support of its people extends far beyond just providing competitive pay and benefits to ensure there are enough highly qualified men and women to fill the ranks of the All-Volunteer Force. It also means providing the best possible training and equipment for these selfless warriors to carry into combat and accomplish the incredible array of missions they undertake around the globe each and every day. While providing full support in each of these areas is relatively straight-forward in an era of increasing budgets, finding the appropriate balance in the current fiscal and political environment is a monumental challenge for both the Department and the Nation. However, this balance must be found if the Department is to maintain the highest quality, ready, and modern military force the United States has today far into the future.

Throughout the on-going budgetary dialogue, much has been made of the cost of personnel relative to the overall defense budget. Frequent statements such as "military and civilian personnel costs now make up nearly half of the defense budget" or "military personnel costs are about one-third of the budget" are routinely bandied about and are accurate and interesting data points. However, the exact percentage is not the main point in the debate as personnel costs have always consumed a large portion of the defense budget. The more important point is that because military and civilian personnel costs are such a large portion of the budget, if this area does not take a reduction when the overall defense budget decreases, these costs can quickly eat into the training and equipping portions of the budget (readiness and modernization efforts) – particularly in the short-term as it takes substantial time to properly adjust personnel levels.

Figure 5-1. Pay & Benefit Costs [1]
(Dollars in Billions)

Military Pay & Benefit Costs	FY 2001 Actual	FY 2012 Actual	FY 2015 Request
Military Personnel Appropriations [2]	77.3	130.8	129.0
Medicare-Eligible Retiree Health Care Accruals	--	10.7	6.2
Defense Health Program [3]	13.7	32.3	32.5
DoD Education Activity [4]	1.5	3.3	3.0
Family Housing	3.7	1.7	1.2
Commissary Subsidy	1.0	1.4	1.1
Other Benefit Programs [5]	2.4	3.7	3.6
Total Military Pay & Benefit Costs	**99.5**	**183.8**	**176.6**
Civilian Pay & Benefit Costs [6]	**39.8**	**69.6**	**69.8**
Total Pay & Benefit Costs	**139.3**	**253.4**	**246.4**
DoD Base Budget Authority (BA)	287.4	530.4	495.6
Mil. Pay & Benefits as % of BA	**34.6%**	**34.6%**	**35.6%**
Total Pay & Benefits as % of BA	**48.5%**	**47.8%**	**49.7%**
End Strength (Active & Reserve) [7]	**2,253,650**	**2,239,942**	**2,128,000**

Numbers may not add due to rounding

[1] Base Budget only – excludes OCO funding.
[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 account.
[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.

Figure 5-1 displays a summary of the Department's base budget military pay and benefit costs in FY 2001, FY 2012, and in the current FY 2015 request. Although military pay and benefit costs increased from $99.5 billion in FY 2001 to $183.8 billion in FY 2012 (an 85 percent increase), they remain at roughly one-third (34.6 percent) of the total budget due to a similar increase in the Department's base budget authority. However, as Figure 5-1 also shows, the base budget funded active and reserve component end strength from FY 2001 to FY 2012 has remained relatively stable in size and composition, which indicates that the average cost of military personnel has increased during this period.

The FY 2015 Request column of Figure 5-1 shows that military pay and benefit costs decrease by $7.2 billion from FY 2012 but actually increase as a percentage of the defense budget (34.6 percent to 35.6 percent) due to the size of the overall reduction to the Department's base budget authority. This reduction in military pay and benefits costs is primarily driven by planned force structure reductions consistent with adjustments to defense strategy necessitated by the fiscal realities faced under the Budget Control Act (BCA) of 2011 and the Bipartisan Budget Act (BBA) of 2013. However, the reduction to military pay and benefit costs also reflects a slowing of medical growth trends experienced across the Nation in recent years as well as numerous efficiencies and efforts to slow the growth in these costs, both in previous budgets and with the current proposals included in the FY 2015 President's Budget request and addressed within this chapter.

MILITARY COMPENSATION (INCLUDING TRAVEL BENEFITS)

Providing competitive pay and benefits is clearly a necessity to attract and retain the highly qualified people needed in today's military, and it is also generally viewed as a national obligation to the small percentage of the population who choose to serve this nation. While there is no perfect benchmark or comparison to determine the adequate level of compensation military members should receive, 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 their 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 non-taxable 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 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,

Figure 5-2. 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 non-taxability
  - Basic Allowance for Subsistence (BAS) with the advantage of non-taxability.
- 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

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 5-2.

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 and benefit costs and individual compensation responsibly, fairly, and effectively. The Department has provided several proposals in recent years to do just that, some of which have been accepted by the Congress.

- Congress has modestly increased TRICARE enrollment fees and indexed them to inflation as well as permitted increases in pharmacy co-pays that are structured to provide incentives to use generic drugs and the lower cost mail order program over retail pharmacies.
- For FY 2014, Congress accepted a 1.0 percent annual across-the-board basic pay raise, even though the ECI called for an increase of 1.8 percent.

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 under the BCA and the BBA, the Department must continue to explore proposals that promote slower growth in pay and benefits costs.

In a January 28, 2014, Senate Armed Services Committee hearing on Recent Changes to the U.S. Military Retirement System, the Acting Deputy Secretary of Defense and Vice Chairman of the Joint Chiefs of Staff articulated the Department's overall approach to military compensation in this challenging fiscal environment –

> *Slowing the growth of compensation must be one element in a larger approach to preparing a future force that is balanced and ready to meet challenges seen and unforeseen. Yet pay and benefits are an area where we must be particularly thoughtful, as we weigh commitments made, ensure we are able to recruit and retain the force needed for tomorrow, and make certain those we send into harm's way have all they need to accomplish their mission.*

Whereas in recent years the Secretary of Defense worked closely with military and civilian leaders through the budget process to review and recommend adjustments to military pay and allowances and health care, as a follow-on to the Strategic Choices and Management Review (SCMR) process, the Joint Staff led the FY 2015 military compensation review with the Joint Chiefs and their senior enlisted advisors as the primary driving force. With a clear focus on reinvesting any savings in warfighting capability and personnel readiness, the review again concluded that savings realized from military pay and benefit changes should be disproportionately small compared to those for other budget categories, simple and easy to explain. Though growth in pay would be slowed, no member would experience a cut in pay. In terms of Regular Military Compensation, which includes basic pay, housing and subsistence

allowances, and tax advantage, indeed the package of changes will still result in an increase but at a slower rate than inflation.

Figure 5-3 displays the estimated savings from the military compensation proposals included in the FY 2015 President's Budget as compared to the FY 2014 program. These proposals decrease military pay and benefit costs by $1.6 billion in FY 2015 and by almost $23 billion through FY 2019 and are critical to achieving a balanced drawdown in the defense budget. However, the net additional savings available to maintain warfighting capability and personnel readiness is $11.9 billion through FY 2019, as significant savings were already assumed for the TRICARE benefit change proposals that were not enacted as part of the FY 2014 budget and are not being resubmitted in the FY 2015 budget.

Figure 5-3. FY 2015 PB Military Compensation Proposals [/1]
(Dollars in billions)

Proposal	FY 2015 Savings	FY15 – FY19 Savings
Modest Military Pay Raises through FY 2019	0.0	3.8
FY 2015 General Officer/Flag Officer Pay Freeze	<0.01	<0.01
Slow BAH Growth	0.4	5.0
Reduce Commissary Subsidy	0.2	3.9
Consolidated TRICARE Health Plan [/2]	0.8	9.3
Total Compensation Proposal Savings	**1.5**	**22.1**
Travel Efficiencies	0.1	0.7
Total Reform Savings	**1.6**	**22.8**
Less PB14 TRICARE Proposal Savings	-1.7	-10.9
Net Savings[/1]	**-0.1**	**11.9**

Numbers may not add due to rounding
[/1] Savings compared to PB14 program estimates
[/2] Includes previously submitted pharmacy co-pay and TRICARE-for-Life (TFL) enrollment fee proposals. Savings compared to current plan costs.

- **Limits on basic pay raises through FY 2019 –**
  - As part of the FY 2014 President's Budget, the Department had already planned on limiting basic pay raises through FY 2017 to levels likely below those called for under the formula in current law, which calls for a raise to equal the annual increase in the wages and salaries of private industry employees as measured by the ECI. This FY 2014 plan called for pay raises of 1.0 percent in FY 2015 and FY 2016, 1.5 percent in FY 2017, and then returned to more likely ECI levels of 2.8 percent in FY 2018 and beyond.
  - Similar to FY 2014, the FY 2015 President's Budget again seeks a 1.0 percent basic pay raise for military members in FY 2015, which is less generous than the 1.8 percent increase in ECI as of September 30, 2013. Outyear pay raise planning factors assume limited pay raises continue through FY 2019 with increases of 1.0 percent in FY 2016 and FY 2017, 1.5 percent in FY 2018, and 1.8 percent in FY 2019. It should be emphasized here the military pay raise is set only 1 year at a time by Congress. Therefore, the outyear pay raise assumptions beyond FY 2015 are notional planning factors that the Department believes are necessary to live within current budgetary caps while maintaining a balanced force fully capable of executing its national security missions.
- **FY 2015 General Officer/Flag Officer (GO/FO) Pay Freeze** – The FY 2015 request seeks a pay freeze for GO/FOs; a 1.0 percent basic pay raise is recommended for the rest of the ranks. While this proposal provides only limited savings of about $1 million in FY 2015 and $8 million through FY 2019, the Joint Chiefs believe that if they ask our young men and women to accept a slower growth in pay, then the most senior leadership ought to accept an even lower level.

- **Slow BAH Growth to Achieve a 5 percent out-of-Pocket Cost and Eliminate Renters Insurance** – The proposal gradually slows annual BAH increases until rates cover 95 percent of housing rental and utility costs on average and eliminates renter's insurance from the housing rates. Overall, this results in an out-of-pocket cost of 6 percent on average, which is far less than the 20 percent out-of-pocket in the 1990s. In areas where average rates increase, DoD will slow the growth of that increase until the 6 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, which already happens under the current rules. We expect that the out-of-pocket target of 6 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 243 stores around the world, including 178 domestic locations, providing groceries at cost plus a 5 percent surcharge to service members and retirees. The DeCA reports that commissary shoppers save about 30 percent on average worldwide compared to major retail and discount grocers in the private sector. The Department subsidizes DeCA's operations to pay overhead and employee wage expenses in the amount of $1.4 billion per year.

The Department intends to reduce by $1 billion, over a 3-year period, the subsidy paid by the Federal government to the commissaries. This will leave DeCA with an annual operating appropriation of approximately $400 million starting in FY 2017 to continue subsidies to fund shipping goods to commissaries overseas and subsidizing about 25 commissaries in remote and isolated locations in the U.S. The Department proposes applying the successful post and base exchange business model to the commissaries. Under this plan, the commissaries would continue to provide a valuable and convenient benefit to the military community. The plan includes expanding the variety of products sold in stores, reducing transportation costs, and raising prices to cover the cost of operating commissaries. The shoppers at commissary facilities should continue to enjoy significant savings on grocery purchases (about 10 percent or more) compared to high priced private grocery stores, and modest savings over discount grocery chains. The Department will not direct any commissary to close. In the end, patron usage of the commissaries will determine the savings and their competitive advantage.

- **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, and active duty family members will experience only limited co-pays for TRICARE Network and out-of-network care. When fully implemented, the Consolidated TRICARE Health Plan will remain a generous benefits package. By FY 2019, a retiree family will pay about

11 percent of total health care costs – well below the original 27 percent back when the program was established in the mid-1990s.

  - 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.

- **Travel Efficiencies** – For the last several years, the Department has made significant efforts to reduce travel costs. Specific actions were taken to reduce conferences, provide training programs online, strengthen internal controls over travel approval and execution, and, wherever possible, substitute the use of technology such as video teleconferencing. In a continued effort to manage spending effectively, the Department plans to implement further changes to simplify travel policies to reimburse for costs that are more reflective of modern day expenditures and incentivize both military and civilian personnel to make more prudent, smarter choices in travel management. In addition to compensation changes, the FY 2015 budget request includes pursuing changes in travel benefits such as eliminating payments for separate "incidental" expenses such as laundry services, bottled water, etc., reducing *per diem* for extended travel and pursuing changes in travel legislation and benefits.

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 in order 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 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. However, the Congress must be willing to take action on the recommendations; otherwise the important work of the Commission will simply be relegated to the ever growing list of esoteric compensation studies and reports.

The recently enacted change to the military retirement cost-of-living adjustment (COLA) formula included in the BBA has shined a spotlight on military retirement system and likely made the work of the Commission more challenging but even more critical to the debate. The "CPI-minus-one" provision reduces the annual COLA adjustment for working age military retirees by one-percentage point each year until age 62, at which time their retired pay is recomputed based on full past Consumer Price Index (CPI) increases, and all increases after age 62 are based on the full CPI. Initially, the change applied to all current and future retirees under age 62 without any exceptions or grandfathering. However, the FY 2014 Omnibus Appropriations Act

subsequently modified the provision to exempt military disability retirements, and payments to survivors of those who died while on active duty and the survivors of disability retired members. Then, on February 15, 2014, the President signed S. 25, which grandfathers all military members and retirees who entered Service prior to January 1, 2014, from the reduced COLA formula. As this legislation was passed too late for inclusion in the FY 2015 President's Budget, the Department's retired pay accrual payments in FY 2015 will be $500 million more than budgeted.

Due to the complexity of the military retirement system, the Department believes that further changes should not be made in this area until the Commission completes it work. The Department also believes there is sufficient information already available to make recommendations on key areas of the current military compensation system (other than retirement), and that immediate action is necessary in the FY 2015 budget to slow the growth in military pay and benefit costs in order to permit a balanced drawdown in defense spending. The FY 2015 proposals outlined in this chapter will be shared with the Commission and explained by DoD senior leaders as part of the ongoing dialogue, so they can be fully integrated in the Commission's deliberations. The Department has also shared with them its views on "options" for modernizing military retirement. The DoD will continue to work with the Commission as it considers this important topic and completes its report to President and the Congress by February of 2015.

MANAGING THE MILITARY HEALTH SYSTEM

The FY 2015 budget includes $47.4 billion for the DoD Unified Medical Budget to support our Military Health System (MHS). The MHS currently has 9.6 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 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 almost 10 percent in 2012[1]. Since TRICARE's original establishment, Congress has also dramatically limited beneficiary contributions.

Figure 5-4. Military Health Care Costs[1/]
(Dollars in Billions)

Program	FY 2015 Request
Defense Health (DHP)	32.0
Military Personnel [2/]	8.6
Military Construction [2/]	0.5
Health Care Accrual [3/]	6.2
Unified Medical Budget	**47.4**
Treasury Receipts for Current Medicare-Eligible Retirees [4/]	*9.3*

Numbers may not add due to rounding

1/ Excludes OCO funds and other transfers. FY 2015 DHP and Health Care Accrual amounts include estimated savings from TRICARE benefit proposals of $92 million and $727 million, respectively.

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 our personnel currently serving on active duty – and their family members – when they retire.

4/ Transfer receipts in the year of execution to support 2.3 million Medicare-eligible retirees and their family members.

The MHS Quadruple Aim:

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

[1] Congressional Budget Office Report: Approaches to Reducing Federal Spending on Military Health Care, January 2014

- **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) and the Outpatient Prospective Payment system (a transition to more favorable Medicare rates for private hospitals).

However, these internal savings initiatives are not enough to curb the expected increase in health care costs the Department expects to experience in the coming years. Therefore, DoD must pursue reasonable health benefit reform now as part of a balanced approach to cost containment. Congress permitted small increases in the TRICARE Prime enrollment fees for

working age retirees and some adjustments to retail and mail order pharmacy co-pays in the FY 2012 and FY 2013 budget and legislative cycles, but these changes are not enough to sustain the benefit in the long-term. For example, when TRICARE was fully implemented in 1996, a working age retiree's family of three who used civilian care contributed on average roughly 27 percent of the total cost of its health care. Today that percentage has dropped to less than 11 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, has 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 2015 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 choices. The Department is proposing a consolidated TRICARE health plan to replace the TRICARE Prime, Standard, and Extra health insurance-like plans. Following are key elements of the consolidated health plan:

- A Simpler System – provides beneficiaries with open access to providers and less complexity in their health plan.
- No Change for Active Duty – who would maintain priority access to health care without any cost sharing and 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 our 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 and lower cost shares.
- Tables 1 – 4 in Figure 5-5 below 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). While the FY 2013 National Defense Authorization Act included some adjustments to the TRICARE pharmacy co-pay structure and initiated a pilot program requiring the use of mail order to refill maintenance medications for TRICARE-for-Life (TFL) beneficiaries,

the Department believes additional adjustments are necessary to fully incentivize the use of mail order and generic drugs. The proposed pharmacy changes in the FY 2015 budget are phased-in over a 10-year period, and prescriptions will continue to be filled at no cost to beneficiaries at MTFs. In addition, the proposal requires that all prescriptions for long-term maintenance medications (e.g., blood pressure, cholesterol) must be filled through the MTFs or the TRICARE mail order pharmacy. Table 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 only 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 as well as providing 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 $2,100 per individual in 2009, there are currently no annual fees for TFL coverage. As part of the FY 2015 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 retiree COLA after FY 2018. There will be a separate fee ceiling specifically for General/Flag Officers. Table 7 displays the proposed TFL fee structure by fiscal year.

Despite these changes, DoD still 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 than other employers. It is important to note that the scope of benefits is not changing, and the Department will continue to invest in those programs and services critical to sustaining a strong Military Health System, like Medical readiness and support to wounded warriors and their families.

Figure 5-5. 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	$286 individual/ $572 family (as of 1 January 2016)
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, 2016

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

a. No cost shares for services received by TFL beneficiaries that are covered by both Medicare and TRICARE.
b. No cost shares for clinical preventive services as selected by the Affordable Care Act
c. percentage of TRICARE maximum allowable charge after 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, 2016

	TRICARE Network and Military Treatment Facility		Out-of-Network	
Services	Active Duty Family Members E4 & below/ E5 & above [a]	Retirees and Family [a]	Active Duty Family Members E4 & below/ E5 & above [a]	Retirees and Family [a]
Hospitalization	0 admission MTF $50/80 network per admission	$17.35 MTF per day $200 network per admission	20% [b]	25% [b]
Inpatient skilled nursing / rehabilitation [c]	$17/25 network per day	$25 day	$25/35 day	$250 per day or 20% [a] of billed charges for institutional services, whichever is less, plus 20% for separately billed services

a. No cost shares for services received by TFL beneficiaries that are covered by both Medicare and TRICARE
b. percentage of TRICARE maximum allowable charge after deductible is met
c. 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 and others	$300 individual/$600 family
Catastrophic Cap (per fiscal year)	
Active duty family	$1,500 network/$2,500 combined
	$3,000 network/$5,000 combined

Table 5 – Pharmacy Co-pays effective January 1, 2015

Active Duty Family Members/Retirees and Family Members

Retail Rx (1 month fill)	Current Fee	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
Generic	$5	$5	$6	$7	$8	$9	$10	$11	$12	$13	$14
Brand	$17	$26	$28	$30	$32	$34	$36	$38	$40	$43	$45
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
Brand	$13	$26	$28	$30	$32	$34	$36	$38	$40	$43	$45
Non-Formulary	$43	$51	$54	$58	$62	$66	$70	$75	$80	$85	$90
Military Treatment Facilities	**No change -- still $0 co-pay**										

Table 6 – Cost-Sharing Impact on Beneficiary Families (CY2016)

		Current TRICARE Triple Option	Consolidated TRICARE Health Plan
Active Duty Family [a] (3 members not including service member)	DoD cost	$ 11,301	$ 10,588
	Family cost	$ 158	$ 364
	Total	$ 11,459	$ 10,952
	% borne by family	1.4%	3.3%
Non-Medicare eligible Retiree Family [b] (3 members, all under age 65)	DoD cost	$ 13,435	$ 12,626
	Family cost	$ 1,378	$ 1,526
	Total	$ 14,813	$ 14,152
	% borne by family	9.3%	10.8%

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 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
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 2017 and after). Ceilings indexed to retiree COLA after FY 2018

STRENGTHENING MILITARY FAMILIES

The Department of Defense will keep faith with our 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, 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, can link 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 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 mission, knowing that their family is able to thrive.

The FY 2015 base budget includes $7.9 billion (Figure 5-6) for military family support programs. The request reflects a reduction from the FY 2014 enacted level, driven primarily by three factors: (1) the slowdown in the recapitalization of DoD schools to improve execution; (2) reductions in commissary subsidies, consistent with the Department's compensation reform proposal, and (3) one-time increases in the FY 2014 enacted bill, which were not carried forward in the FY 2015 request. With the exception of the funding reductions for DoD schools and commissaries, the FY 2015 request maintains level funding from the FY 2014 President's Budget request for military family support programs.

Figure 5-6 displays a summary of the Department's FY 2013 – FY 2015 base budget for these programs. Key programs are:

- Child Care and Youth Programs: Includes funding for child care providers, child and youth development programs, serving over 200,000 children.
- Morale, Welfare, and Recreation: 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. Funding decrease for these services results from the planned drawdown and projected reductions in military end strength.
- Commissary: Includes funding for DeCA to operate 243 commissary stores on military installations worldwide, employing a workforce of over 14,000 civilian full-time equivalents (FTEs).
- Department of Defense Education Activity (DoDEA) Schools: Includes funding to support the education of 86,175 students in 182 schools (54,588 students in 119 schools in 12 countries and 31,587 students in 63 schools in 7 states, Puerto Rico, and Guam). The DoDEA reductions to infrastructure investments, accounting for nearly 90 percent of the overall reduction in FY 2015, allow for additional force structure changes, a slowdown in the recapitalization of DoD schools to improve execution, and increased efforts to repair instead of replace schools where more economically prudent.
- Spouse Employment: 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 5-6. Military Family Support Programs

(Dollars in Billions, Base Budget only)

Program	FY 2013 Actual	FY 2014 Request	FY 2014 Enacted	FY 2015 Request
Child Care and Youth Programs	1.2	1.2	1.3	1.1
Morale, Welfare and Recreation	1.8	1.3	1.5	1.4
Warfighter and Family Services	1.9	1.7	2.0	1.9
Commissary	1.4	1.4	1.4	1.1
DoDEA Schools	2.5	2.8	2.8	2.3
Military Spouse Employment	0.1	0.1	0.1	0.1
Total	**8.8**	**8.5**	**9.0**	**7.9**

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 made strategically, based on the number of service members and families served, but without degradation in the quality of the programs provided.

TRANSITIONING FROM SERVICE MEMBER TO VETERAN

The redesigned Transition Assistance Program (TAP) provides information and training to ensure service members leaving military service are prepared for their next step, whether pursuing additional education, finding a job in the public or private sector, or starting a private business. The TAP includes an outcome-based curriculum on goals, plans, and success (GPS) known as Transition GPS that transforms the way the Department prepares service members who are transitioning to civilian life. Career Readiness Standards (CRS) are at the heart of the

TAP redesign. Just as Service members must meet military mission readiness standards while on Active Duty, Service members meet CRS before their transition to civilian life. The Departments of Defense, Veterans Affairs and Labor, and the Small Business Administration, advised by the Department of Education, deliver services to enable service members to be "career ready." Shortly before they depart the military, service members demonstrate these standards through a verification process called Capstone that includes an opportunity to connect service members with agency partners who provide them support as veterans.

One of the biggest changes included in the TAP redesign is that participation in specific training sessions to prepare for separation, which are the Pre-Separation Counseling session, the VA Benefits Briefings, and the DOL Employment Workshop, is now mandatory for all Service members including reservists and Guardsmen separating after 180 days of continuous Title 10 active duty, per the VOW to Hire Heroes Act of 2011, codified in Chapter 58, Title 10, U.S. Code.

Due to the rapid pace of implementation, the Department is supporting the increased resource requirements of the redesigned program within existing resources.

SUPPORTING DOD CIVILIANS

The FY 2015 budget supports a properly sized and highly capable civilian workforce that is aligned to mission and workload. Civilian personnel perform key functions for the Department that directly support our military and readiness. Some of the critical functions performed by civilians include equipment maintenance, medical care, family support, and base operating services. Civilians also play a primary role in intelligence and the expanding cyber requirements. The budget request supports a civilian workforce appropriately sized and shaped to reflect changes to the Department's reduced force structure. While maintaining training and readiness levels to support the All-Volunteer Force and provide services to their families, this workforce recognizes evolving critical demands like cyber and guards against an erosion of organic skills and an overreliance on contracted services.

Figure 5-7. Civilian FTEs[1/]

FTEs in Thousands	FY 2014 Estimate	FY 2015 Request	Percent Change
Army	249.5	245.1	-2%
Department of Navy	201.3	203.5	+1%
Air Force	168.4	167.5	-1%
Defense-wide	136.1	133.0	-2%
Total DoD	**755.4**	**749.1**	**-1%**
U.S. Direct Hires	742.3	733.8	-1%
Foreign Direct Hires	13.0	15.3	+18%

Numbers may not add due to rounding

1/ Excludes 35,517 of Foreign National Indirect Hire (FNIH) FTEs in FY 2014 and 32,419 in FY 2015.

Civilian workforce reductions in the FY 2015 budget reflect an analytically based workforce-to-workload review designed to preserve mission essential skills and capabilities. Changes reflect Component-identified opportunities for reshaping their civilian workforces 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 FTEs* will decline from 755 thousand in FY 2014 to 749 thousand in FY 2015, a 1 percent decrease. The Military Services and Defense Agencies will begin to shape the workforce to reflect the changing post-Afghanistan needs and

* *Excludes Cemeterial Expense and Foreign National Indirect Hire FTEs.*

a declining military force. The need for some skills, such as cyber, 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 2015 request includes a modest civilian pay raise of 1 percent. The Department remains concerned about its ability to attract and retain a highly qualified civilian workforce after 3 years of a pay freeze. 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 the military personnel who keep us safe, but also the civilians who support the military and deploy with the military.

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6. PURSUE INVESTMENTS IN MILITARY CAPABILITIES

Acquisition Summary

The Department maintains a healthy Science and Technology (S&T) program of $11.5 billion to invest in future technologies, and an overall Research, Development, Test, and Evaluation (RDT&E) portfolio of $63.5 billion, an increase of $0.7 billion over FY 2014 enacted; the procurement portfolio of $90.4 billion, a decrease $2.0 billion from FY 2014 enacted, reflects the difficult trades-offs that were necessary in the current fiscal climate but continues to fund the critical weapons systems needed to enhance warfighting capability.

Key Initiatives

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

Figure 6-1. Investments

$ in billions

Weapons Category	FY 2014 Enacted	FY 2015 PB Request	Change
Aircraft and Related Systems	42.4	40.0	-2.4
C4I Systems	6.2	6.6	0.4
Ground Systems	7.4	6.3	-1.1
Missile Defense Programs	8.7	8.2	-0.5
Missiles and Munitions	9.5	9.0	-0.5
Mission Support	48.5	44.4	-4.1
Science & Technology (S&T)	12.0	11.5	-0.5
Shipbuilding and Maritime Systems	23.0	22.0	-1.0
Space-Based Systems	6.2	6.2	--
Sub-Total	163.9	154.2	-9.7
Rescissions	-8.7	-0.3	8.4
Total	**155.2**	**153.9**	**-1.3**

Numbers may not add due to rounding (Includes: Procurement, RDT&E, and the NDSF accounts)

The FY 2015 President's Budget includes recommendations to terminate or restructure weapons systems acquisition programs that are experiencing significant developmental problems, unsustainable cost growth, and inefficient or ineffective operations, and realign the funding to higher priority national security requirements. This includes the termination of the Army Ground Combat Vehicle (GCV) program, divestiture of the Army Kiowa Warrior Helicopter as part of Army's restructure of its aviation force, and the Air Force's delay of the Combat Rescue Helicopter (CRH) program.

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. The following table (Figure 6-2) summarizes the top 20 DoD weapon programs as measured by their total procurement and RDT&E funding in the FY 2015 budget. The website, http://comptroller.defense.gov/budgetmaterials/budget2014.aspx#press,

displays the Department's "Program Acquisition Costs by Weapons Systems" book that provides more detailed information.

Figure 6-2. Major Acquisition Programs

$ in Billions; Includes RDT&E and Procurement funding; includes OCO funds in FY 2014

		FY 2014		FY 2015	
		Qty	$	Qty	$
Aircraft					
MQ-9	Reaper UAS	20	0.5	12	0.6
C–130J	Hercules	17	1.8	14	1.4
F–35	Joint Strike Fighter	29	7.5	34	8.3
V–22	Osprey	23	1.8	19	1.6
AH–64E	Apache Helicopter	46	1.0	25	0.8
CH–47	Chinook Helicopter	38	1.3	32	1.1
UH–60	Black Hawk Helicopter	70	1.3	79	1.4
MH–60R	Multi-Mission Helicopter	19	0.8	29	1.1
MH–60S	Fleet Combat Helicopter	18	0.4	8	0.2
P–8A	Poseidon	16	3.7	8	2.4
E–2D	Advanced Hawkeye	5	1.3	4	1.2
Bombers	Strategic Bombers	--	0.6	--	0.7
F-22	Raptor	--	0.6	--	0.5
KC-46A	Tanker	--	1.6	7	2.4
Missile Defense					
AEGIS	AEGIS BMD System	52	1.5	30	1.4
THAAD	THAAD BMD System	33	0.8	31	0.8
GMD	GBI Midcourse Defense	1	0.9	--	1.0
Missiles and Munitions					
AMRAAM	AMRAAM Missile	227	0.5	200	0.5
SM-6	Standard Missile	81	0.5	110	0.5
Trident II	Trident II Missile Mods	--	1.5	--	1.5
Ships					
CVN 78	FORD Aircraft Carrier	--	1.7	--	2.1
DDG 51	AEGIS Destroyer	1	2.3	2	3.1
LCS	Littoral Combat Ship	4	2.4	3	2.1
SSN 774	VIRGINIA Submarine	2	6.7	2	6.3
OR	SSBN	--	1.1	--	1.3
Space					
AEHF	AEHF Satellite	--	0.6	--	0.6
EELV	EELV Launch Vehicle	5	1.4	3	1.4
GPS	Global Positioning System	2	1.2	1	1.0
SBIRS	SBIRS Satellite	--	0.8	--	0.8

Terminations and Restructures

Army Ground Combat Vehicle (GCV) Program Termination

The Department determined that the GCV design concepts were not optimized for the future Army, and cancelled the program following Technology Development efforts in FY 2014. To mitigate some of the capability gaps left by the GCV cancellation, the Army funded additional capability enhancements for Bradley Infantry Fighting Vehicles, Abrams Tanks and Stryker Vehicles. The Army also funded technology maturation and preliminary design efforts for a Future Infantry Fighting Vehicle.

Army Aviation Force Restructure

In the FY 2015 budget, the Army restructures its aviation force to simplify training and maintenance requirements by reducing aircraft types from 7 to 4, to improve overall fleet efficiency and mission effectiveness, and to optimize roles and missions for the Army National Guard and Army Reserve. The plan is cost neutral across the Future Years Defense Program (FYDP), but yields significant savings in operations and sustainment and avoids future fleet modernization costs. The Army's restructure of its aviation plan:

- Divests the aging OH-58 Kiowa Warrior over the next few years, beginning with the termination of the Cockpit and Sensor Upgrade Program and the discontinuation of all major modifications. Replaces the lost capacity with former Guard and Reserve AH-64 Apaches and Unmanned Aerial Vehicles in the Active force.
- Performs the armed reconnaissance mission with upgraded AH-64 Apaches transferred from the National Guard and Army Reserve teamed with Unmanned Aerial Vehicles in the Active force.
- Redistributes all AH-64 Apaches from the National Guard and Army Reserve to the Active force to better align with needed training, availability, and operating tempo (OPTEMPO) demand. The FY 2015 request includes 25 AH-64E(A) Remanufacture aircraft.
- Increases UH-60 Blackhawks in the National Guard and Army Reserve for homeland defense and theater missions. The FY 2015 request includes 72 aircraft and supports the continuation of the 5-year multi-year contract (FY 2012 – FY 2016).
- Divests single-engine legacy aircraft in the training fleet and replace with UH-72 Lakota Light Utility Helicopters (LUH) from Active and Guard forces. To restore the training base with UH-72 Lakota LUHs, 100 additional aircraft will be procured over the next 2 years. The FY 2015 budget request is for 55 aircraft.

Air Force Combat Rescue Helicopter (CRH) Delay

Due to the funding constraints of the BBA, the FY 2015 budget delays the CRH program for 2 years to fully investigate lower cost options. There is no funding in the FY 2015 request for CRH; however, the development program is funded beginning in FY 2016.

MISSILE DEFENSE PROGRAMS

The FY 2015 President's Budget funds the development and deployment of robust ballistic missile defense capabilities to support the Administration's priorities: protecting the United States homeland, deployed forces, allies, and partners. The budget includes $8.5 billion for missile defense, including $7.5 billion for the Missile Defense Agency.

For homeland defense, the Department maintains its commitment to build out homeland defenses to 44 Ground-Based Interceptors (GBIs) by 2017. The next intercept test is planned for the 3rd Quarter of 2014 and will focus on Ground-based Midcourse Defense (GMD) system reliability and GBI performance.

As the United States focuses on threats from the Asia-Pacific region and the Middle East, the Department continues to support the European Phased Adaptive Approach (EPAA), which is designed to protect U.S. deployed forces and European North Atlantic Treaty Organization (NATO) Allies forces from ballistic missile attacks. The Department met its objectives for EPAA Phase I by deploying Aegis Ballistic Missile Defense (BMD) ships in the Mediterranean Sea; a land-based radar in Turkey; and Command, Control, Battle Management and Communications system at Ramstein Air Force Base in Germany in 2011. Phases 2 and 3 include deploying four BMD-capable Aegis ships to Rota, Spain (2014-2015), and deploying Aegis Ashore capabilities to Romania in 2015 and Poland in 2018. Aegis ashore will be capable of launching Standard Missile-3 (SM-3) Blocks IA, IB, and IIA (delivery in 2018) variants.

Changes in the FY 2015 President's Budget request include:

- Begins a program to develop a new Kill Vehicle (KV) for the GBI. The President's Budget request includes $99.5 million to design a common KV that will be built with a modular, open architecture and designed with common interfaces and standards, making upgrades easier and broadening the vendor and supplier base. The KV will improve reliability, be more producible and cost-effective, and will eventually replace the KV on the current GBI fleet.
- Begins development of a Long Range Discriminating Radar (LRDR), with the first capability increment planned for deployment in 2020. The President's Budget request includes $79.5 million for this new long-range, mid-course tracking radar, which will provide persistent coverage and improved discrimination capabilities against threats to the homeland from the Pacific theater.
- Invests in discrimination initiatives to address ballistic missile threats that are expected to increase in numbers and complexity.

The FY 2015 President's Budget request also:

- Procures an additional Terminal High-Altitude Area Defense (THAAD) battery, bringing the total number of batteries to seven; and procures 31 THAAD interceptors in 2015.
- Procures 70 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.
- Completes U.S. contributions to the Israeli 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 30 SM-3 Blk IB interceptors to be deployed on Aegis BMD ships and at the Romania Aegis Ashore site.
- Procures Patriot Modifications, including: Reliability/Availability/Maintainability Modifications, Recapitalization, Battery Command Post/Tactical Command System, PATRIOT Multi-Echelon Training.

SPACE-BASED SYSTEMS

The FY 2015 President's Budget request includes $7.2 billion for the DoD Space Investment Programs. For FY 2015, the Department modified and re-phased a number of space programs that are reflected in several key program initiatives that leverage planning for future follow-on systems, develop a more resilient space architecture in the face of emerging threats, and take advantage of operational benefits associated with support to the warfighter.

In keeping with Departmental strategic guidance, the Space Based Infrared System (SBIRS), Advanced Extremely-High Frequency (AEHF), and Global Positioning System (GPS) are utilizing Space Modernization Initiative (SMI) investments to improve affordability and capability for these mission areas in order to remain competitive in the strategic environment. The SBIRS, AEHF, and GPS have developed SMI strategies to invest in program efforts that create trade space for future acquisition decisions through investments to sustain or improve their current Programs of Record and to plan for the future by exploring affordable technology alternatives and architectures. Depending on several factors such as the health of the constellation, number of satellite builds, parts obsolescence, and technology breakthroughs, each SMI investment plan addresses program-specific challenges and threats to ensure continued United States dominance in space.

The Department is delaying the GPS-III space vehicle procurement timeline to reflect the on-orbit constellation's increasing operational service life. Although this action moves the procurement of three GPS-III satellites outside the FYDP, the new constellation profile will not impact DoD's ability to maintain 24 on-orbit GPS satellites to provide worldwide Positioning, Navigation, and Timing (PNT) coverage. The FY 2015 President's Budget request includes $1.0 billion for the procurement of GPS satellite # 9, advance procurement of GPS satellite #10, and the development of capabilities for the Operational Control System and the Military GPS User Equipment.

The Department also requests funding for programs such as Space Fence, Weather Satellite Follow-on, and numerous other classified initiatives. The Department is also investing in sustainment of critical space technology development and critical elements of the space industrial base.

The FY 2015 President's Budget request includes $1.4 billion for the Evolved Expendable Launch Vehicle (EELV) program, which includes the procurement of 3 launch vehicles. The request has been adjusted to reflect the substantial savings realized from the December 2013 firm fixed price contract, which locks in costs through FY 2017 for 36 launches of Atlas 5 and Delta 4 rockets (including four heavy rockets), and associated launch services. The Department also adjusted the profile for the EELV program based on the adjustments mentioned above in the GPS-III procurement schedule and the removal of planned funding for dual-launch capability. Finally, the Department is leveraging economic order purchasing to reduce costs and stabilize the United States space industrial base and has also established a process for new entrants into the marketplace to obtain more competition in space launch.

CYBERSPACE OPERATIONS

The FY 2015 President's Budget request of $5.1 billion continues to fully support 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 contingency; 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.

Other cyberspace operations highlights in the FY 2015 President's Budget are:

- Continues to support the construction of the Joint Operations Center for U.S. Cyber Command 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 Defense networks at all levels.
- Reorganizes and augments personnel within the Combatant Commands to support the integration and coordination of cyberspace operations within their all-domain operations.
- Supports ongoing investments in the Department's larger Information Technology budget to consolidate and standardize the Department's networks.

RESERVE COMPONENTS

The FY 2015 budget request supports the requirements for the Reserve Components (RC) (National Guard and Reserve) to meet the defense strategy (Figure 6-3). The FY 2015 submission focuses on restoring the total force readiness levels impacted by sequestration in FY 2013, while supporting the transition to a smaller military that is more agile and technologically superior. The RC plays an essential, efficient, and cost effective role in meeting our nation's strategic defense goals. The Services organize, train, equip, resource, and employ the RC to support mission requirements utilizing the same standards as the Active Components via a "Total Force" perspective. The FY 2015 budget focuses on restoring 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 2015 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

Figure 6-3. Reserve Component Funding*
($ in Billions)

Program (Base Budget)	FY 2014 Enacted	FY 2015 Request
Army Reserve	8.2	8.0
Navy Reserve	3.4	3.2
Marine Corps Reserve	1.1	1.1
Air Force Reserve	5.7	5.2
Army National Guard	18.0	16.4
Air National Guard	10.1	10.0
Subtotal Reserve	18.4	17.4
Subtotal National Guard	28.1	26.4
Total	**46.5**	**43.9**

Numbers may not add due to rounding

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

with the Active force. The Department recognizes the importance of effectively utilizing the RC's capabilities to capitalize on the Total Force and enhance our agility and maximize our capability. 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:

- 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 2015 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 utilizing 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.

Figure 6-4. Reserve Component End Strength
(End Strength in Thousands)

Selected Reserve	FY 2014 Enacted	FY 2015 Request
Army Reserve	202.0	202.0
Navy Reserve	59.1	57.3
Marine Corps Reserve	39.6	39.2
Air Force Reserve	70.4	67.1
Army National Guard	354.2	350.2
Air National Guard	105.4	105.4
Total	830.7	**820.8**

Numbers may not add due to rounding

The DoD's Ready Reserve totaling about 1.1 million members contributes 45 percent of total military end strength (Figure 6-4) at a cost of 12 percent of the total base budget. In FY 2015, the Ready Reserve consists of:

- 820,800 Selected Reserve
- 260,000 Individual Ready Reserve
- 2,400 Inactive National Guard

Since the September 11th terrorist attacks, over 890,000 Guard and Reserve members have been mobilized/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 and more recently more than 7,000 Guard and Reserve to Hurricane Sandy.

In addition to contingency operations, Congress provided enhanced access authorities to order selected reserve component Service members to active duty for any preplanned operation (10 U.S.C. 12304b) or reserve forces for domestic emergencies (10 U.S.C. 12304A). These authorities further enable the Services to utilize the RC in more of a day-to-day operational role, including by building partners' capacity, and fully utilize capabilities provided by the RC across a broad range of requirements.

As the Services refine their force generation and rotational employment models, RC units will receive notification of pre-planned missions up to two years in advance. 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 2015 budget supports preparation of RC units and individuals to participate in 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 12 years of persistent combat has enhanced our operational capability and sustainability.

Equipping and Basing Operational Reserve Forces

The FY 2015 budget requests $3.3 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 2015 RC budget includes $427 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 2015 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 our RC members, their families and employers, and at about $41 million for headquarters funding is adequate to support the ongoing programs.

Homeland Defense and Civil Support

Homeland Defense is the number one mission of the Department, and the RC plays a key role in it. The FY 2015 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 authority 12304(a) 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 2015 budget request includes about $120 million for DoD's Civil Military Programs (CMP) to support National Guard Youth Challenge Program and the Individual Readiness Training Program (IRT). The DoD STARBASE Program is being terminated in FY 2015 in order to support the Administration's Science, Technology, Engineering and Mathematics education initiative. Collectively, CMP helps address the nation's defense concerns related to the nation's high school dropout rate, and application of military skills to assist remediation of the country's infrastructure and basic medical support to underserved communities.

SCIENCE & TECHNOLOGY

The mission of the Department's FY 2015 Science and Technology (S&T) Program 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 2015 President's Budget overall request for S&T is $11.5 billion, which is 2.3 percent of the Department's budget. Although the FY 2015 request is slightly lower than the FY 2014 enacted amount of $12.0 billion, the Department's S&T program remains strong and continues the focus on Anti-access/Area-denial, and the rebalance to the Asia Pacific region.

The FY 2015 President's Budget includes:

- Maintaining a robust Basic Research program at $2 billion
- A modest increase to the Defense Advanced Research Projects Agency budget, now $2.9 billion (FY 2014 enacted, $2.8 billion), to develop technologies for revolutionary, high-payoff military capabilities.
- Additional funding for the President's National Advanced Manufacturing Initiative at five 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 billion.

Figure 6-5. Science & Technology Program
($ in billions)

Program	FY 2014 Enacted	FY 2015 Request	FY14 – FY15 Change
Basic Research (6.1)	2.2	2.0	-0.2
Applied Research (6.2)	4.6	4.5	-0.1
Adv Tech Dev (6.3)	5.2	5.0	-0.2
Total S&T	**12.0**	**11.5**	**-0.5**

A strong S&T investment enables the Department to focus on and align content to meet the defense strategy. This strategy will emphasize several missions with strong technology dimensions, including:

- Project Power Despite Anti-access/Area-denial Challenges ($2.0 billion)
- Counter Weapons of Mass Destruction ($1.0 billion)
- Operate Effectively in Cyberspace and Space ($0.9 billion)
- Electronic Warfare ($0.5 billion)
- High-speed Kinetic Strike ($0.3 billion)

DEFENSE ACQUISITION WORKFORCE SUSTAINMENT

The FY 2015 budget request of $212.9 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 the remaining new hires under the original initiative to rebuild workforce capacity from the 1990's downsizing and help create a sufficiently sized future workforce for mission critical acquisition functions. The funding levels will support acquisition workforce professionalization, training, development, qualifications, and currency. Funded initiatives support the intent of the Defense Acquisition Workforce Improvement Act, the purpose of the 10 U.S.C. 1705 DAWDF, fulfilling strategic workforce planning requirements of 10 U.S.C. 115b, qualification and career path requirements of 10 U.S.C. 1723, and strategic workforce objectives under the DoD Better Buying Power (BBP) initiative to achieve greater efficiency and productivity in Defense spending. Implementation of the 34 BBP initiatives, are dependent on a qualified and professional acquisition workforce. Continuous improvement and currency of the acquisition workforce throughout the career life cycle is critical to achieving increased buying power while modernizing and resetting our military force, improving acquisition outcomes, and for ensuring technological superiority for the future.

7. MILITARY DEPARTMENTS

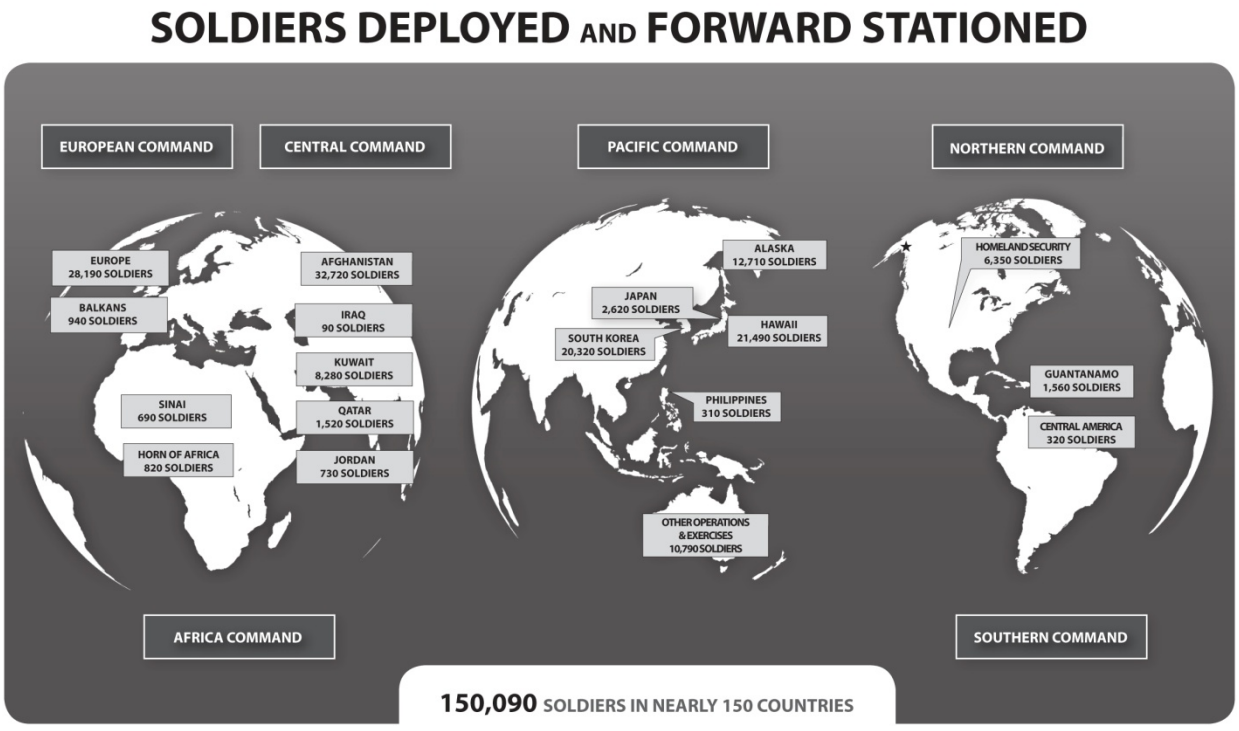
The Military Departments generally use several means to report to the Congress on their activities. Consistent with Title 10 Section 113 (c)(1)(A) each of the Military Departments is providing a summary of their FY 2015 Budget submission for inclusion in the OSD Budget Overview. Additional data are contained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

DEPARTMENT OF THE ARMY OVERVIEW

Introduction

America's Army stands at a pivotal point in history, challenged to reshape the force into one that is leaner, yet more capable of meeting national defense priorities while 32,000 Soldiers are actively engaged in Afghanistan and 115,000 Soldiers are regionally aligned or deployed in nearly 150 countries throughout the world. The Fiscal Year (FY) 2015 President's Budget resources the Army's plans for adapting to an increasingly uncertain environment while remaining the most professional and proficient land force in the world. America's Army remains indispensable to the defense of the Nation – Preventing conflicts with expeditionary land forces that send an unmistakable signal of the Nation's resolve; Shaping the strategic environment by returning stability to unstable environments or preempting strategic threats before they evolve into crisis; and Winning decisively when necessary with expeditionary, strategically adaptive and campaign-quality forces.

As the Army shapes a force focused on meeting the Nation's strategic land power requirements in an uncertain strategic environment, the reality of current and potential budget reductions continues to challenge the optimal path for balancing the requirements of a ready and modern Army. The Bipartisan Budget Act (BBA) of 2013, while capping Defense funding well below previously programmed levels for FY 2014 and FY 2015, provided predictability in funding levels



for 2 years and relief from sequestration-level spending cuts. However, the funding levels represent a $7.7 billion reduction from the FY 2014 President's Budget request, which documents the Army's requirements. The FY 2015 budget continues a trend of decline from FY 2013 and FY 2014. The FY 2013 funding was abruptly reduced by sequestration that directly impacted readiness in units not directly deployed or preparing to deploy in support of the war in Afghanistan, stationed in Korea, or the Global Response Force. Budget cuts forced the Army to cancel seven Combat Training Center (CTC) exercises, and ended the year with only two Brigade Combat Teams (BCT) ready to meet a non-assigned mission requirement. In FY 2014, the Army focuses funding on assigned missions and a contingency force comprised of BCTs, Combat Aviation Brigade(s), and enablers. The FY 2014 appropriation funds 19 CTC rotations, and increases the readiness of non-contingency units.

Although there is a decrease in funding in FY 2015, the Army has prioritized BCT and Combat Aviation Brigade (CAB) readiness, maintained the number of CTC rotations and continued the rebuild of readiness from FY 2014 into FY 2015. However, due to the decrease in topline funding and a decrease in the number of units deploying and supported by Overseas Contingency Operations (OCO), the Army has taken risk in multi-functional Brigade and theater brigade readiness below FY 2014 levels in order to support BCT and CAB training. Additionally, other support activities such as facility readiness cannot be maintained at FY 2014 levels – facility sustainment drops back from 77 percent in FY 2014 to 63 percent in FY 2015, which is roughly equal to the levels in the FY 2013 sequester.

The Army's approach to budget reductions is to resource near-term readiness under affordability constraints, with deliberate risk taken in modernization efforts and other dimensions of near-term readiness, including equipment and facilities sustainment. The Army cannot adjust manpower fast enough to achieve balance across readiness, force structure, and modernization in the near-term. The uncertainty of potential sequestration resuming in FY 2016 poses the possibility that balance will not be achieved until FY 2019, and full readiness not restored until FY 2023 – after substantial reductions to force structure and end strength are realized.

Guided by the Secretary of the Army's priority for balance and transition of the Army, several decisions are leading to change that will sustain land power in new ways, expending fewer resources. To meet budget reductions, the Army accelerated end strength reductions, projecting that the end of FY 2015 will find the Active component at 490,000 and the reserve component at 552,200, two years earlier than planned. Reduced end strength necessitates force structure changes in order to preclude hollow forces. By the end of FY 2015, the Army will have reorganized 32 BCTs in the Active Component and 28 BCTs in the Army National Guard, with 47 percent of the affected units undergoing change during the year

The Aviation Restructure Initiative (ARI), introduced in the FY 2015 President's Budget will best position aviation assets to meet Army component and national needs under budget reductions. The ARI is an enterprise solution to the reality of increasing costs in aging aircraft and decreasing budgets to support increasing requirements. In FY 2015, the Army will begin to divest the oldest, least capable aircraft and retain the best, most capable aircraft. Restructuring increases the Army National Guard's domestic response capability and optimizes the Army's capacity to meet most COCOM 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, the Army has relied on OCO funding for operational support directly related to the wars in Iraq and Afghanistan. Although most OCO funding was consumed in combat, some OCO funding enabled the reset of equipment returning from the war, with projections for OCO funding to complete the reset after full drawdown (estimated to be 3 years after the return of equipment).

To restore a balanced force over time, the Army will reduce all of its components. The Active Army will continue to reduce from its war-time high of 570,000 to between 440,000 and 450,000 Soldiers. The Army National Guard will continue its downsizing from a war-time high of 358,000 to 335,000 Soldiers, and the Army Reserve will reduce from 205,000 to 195,000 Soldiers. Depending on the fiscal and security environment, the Department will face a decision point in the near-term on whether or not to continue to reduce the size of the Army.

Priorities for 21st Century Defense Strategy

The Army is transitioning to a smaller, more lethal fighting force that continues to contribute vital land forces trained in full spectrum operations; this transition shifts readiness focus from counterinsurgency that was critical in support of war to the capability to win decisively, if called upon to do so. The All-Volunteer Army remains the most highly trained and professional land force in the world--uniquely organized with the capability and capacity to provide expeditionary, decisive land power to the Joint Force, and ready to perform across the range of military operations to Prevent, Shape and Win in support of Combatant Commanders (COCOMs).

During this transition to a smaller, more lethal land force, the Army will continue to support the priorities in the defense strategy with a trained and ready force. The following section outlines the Army's contribution to key military missions.

Counter Terrorism and Irregular Warfare

The Army will continue to participate with its partners and allies in Prevent and Shape operations that deter conflict. Enhanced BCT capabilities and military leaders experienced in war deliver critical capabilities to COCOMs in support of joint operations to counter terrorist activities and organizations around the globe. The FY 2015 budget supports this strategic priority by increasing Army Special Operations Forces (SOF) capabilities and regionally aligning and training of forces to prepare for future contingencies.

Deter and Defeat Aggression

The Army possesses a lethal combination of capability and agility that strengthens U.S. diplomacy and represents one of America's most credible deterrents against hostility. If necessary, 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. In the FY 2015 budget, the Army continues to invest in building decisive action capability in support of strategic missions, from power projection to deterring and defeating aggression. The dynamic combined arms capability upon which the Army is built strengthens credibility as a deterrent force and ensures defeat of any enemy once engaged.

Project Power Despite Anti-Access/Area Denial Challenges

To support this strategic priority, the Army's FY 2015 budget resources the provision of expeditionary units that are task-organized, scalable, and deployable from the platoon to corps levels. Mission-tailored forces are Army units manned, trained and equipped for conducting specified missions as directed by the COCOM. The Army maintains a responsive force posture through an effective mix of Total Force (Active Army, Army National Guard, and Army Reserve) capabilities and network of installations at home and abroad. Prepositioned Army equipment

strategically dispersed around the world enables rapid air deployment of Army combat and support forces in response to short or no notice missions.

Counter Weapons of Mass Destruction

The Army continues to ensure preparedness for operations world-wide in a Chemical, Biological, Radiological and Nuclear (CBRN) environment. A leader of Chemical Weapons of Mass Destruction (CWMD) missions in the land domain, the Army provides the preponderance of trained and equipped forces to support Department of Defense (DoD) CWMD efforts in the homeland and overseas as part of joint and interagency requirements. The CBRN forces, along with integrated conventional forces, SOF, specialized Explosive Ordnance Disposal and missile forces provide the support for joint CWMD operations, including planning and regional support though all phases of COCOM Theater Campaign Plans.

Operate Effectively in Cyberspace

To meet the increasingly complex cyber threat, the Army is adapting to the increasing convergence between land and cyberspace operations at all levels of war. The Army, in increasing its capability through the cyber teams dedicated to defend military networks, provides operational support to regional commanders and assistance to civil authorities. The U.S. Army Cyber Command (ARCYBER) will reach full operational end strength by the end of FY 2015 by developing forces needed to support COCOMs and the Nation, integrate within the Joint Information Environment (JIE), and integrate cyberspace operations with Army units down to the tactical edge.

Defend the Homeland and Provide Support to Civil Authorities

The Total Force defends the Homeland and provides support to civil authorities for a variety of complex missions. Soldiers from both the active and reserve components are actively engaged in the Homeland on a daily basis, in capacities ranging from serving as Defense Coordinating Officers in support of the Federal Emergency Management Agency to U.S. Army North leading and coordinating Army missions in support of civil authorities. The Army stands ready to conduct a no-notice response in support of civil authorities, particularly for a complex catastrophe requiring employment of a significant Army force. The Total Force provides the preponderance of forces for the DoD's Chemical, Biological, Radiological and Nuclear Response Enterprise. Army National Guard air and missile defense units protect the Nation's Capital and provide manning for Ground-Based Midcourse Defense (GMD) systems deployed in Alaska, California, and Colorado that deter and defeat missile attacks on the Nation.

Provide a Stabilizing Presence

The Army maintains a stabilizing regional presence, building and strengthening partner capacity and providing essential enabling capabilities to the Joint Force. Regionally aligned forces, bolstered by the unique, adaptable capabilities provided in mission-tailored forces, directly address this proactive engagement. Regionally aligned forces provide scalable, tailored capabilities to COCOMs in meeting Joint requirements. Forward-stationed Army forces in the Republic of Korea, Japan, Europe and the Persian Gulf Region, along with Army units based in the United States formally aligned with COCOMs, provide a unique capability to maintain relationships with allies and partners and respond to crises.

Army forces build trust, foster long-term relationships through people-to-people engagements, gaining operational access through a wide variety of activities that include bilateral and multilateral exercises, theater security cooperation, and training. The Army's Special Forces Groups provide unique and extraordinary regional expertise, as well as years of experience, to

the COCOMs. The Army National Guard, through the State Partnership Program, maintains long-term partnerships worldwide.

Conduct Stability and Counterinsurgency Operations

The Army, subject to Department of State approval, conducts military engagements with foreign partners to promote specific U.S. security interests. The Army reinforces alliances, ensures or solidifies relationships with allies and partners, and supports shaping operations or training that are routine military and interagency activities performed to dissuade or deter potential adversaries. Support to COCOMs includes security cooperation requirements designed to develop partner nations' military capabilities for self-defense and multinational operations through military-to-military engagements, security force assistance, security assistance, and exercises. The FY 2015 budget request funds continued support to unique missions that shape the environment through people-to-people engagements.

Conduct Humanitarian, Disaster Relief, and Other Operations

Within the U.S. and its territories, the Army provides support to national, state, and local authorities in Defense Support of Civil Authorities (DSCA). One of the most important elements of this support is the CBRN Response Enterprise (CRE). The Army provides a significant portion of the DoD CBRN response capabilities, especially in large-scale complex catastrophes, contributing a unique force multiplier for DSCA operations.

Department of the Army Objectives

The Secretary of the Army's top ten priorities and the Army Chief of Staff's five strategic priorities frame the 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 more specific details on the strategies that the Army incorporated in its FY 2015 budget request to produce results to achieve senior leader priorities.

Adaptive Army Leaders for a Complex World

As discussed above, today's environment requires the education and further development of Army military and civilian leaders to grow the intellectual capacity for understanding the complexities of the contemporary security environment. The FY 2015 budget request invests in leader development as a priority to ensure availability of leader capacity to meet uncertain future demands: 8,900 officers will attend Intermediate Level Education (ILE); 7,500 Warrant Officers and 61,000 Non-Commissioned Officers (NCO) will attend professional developmental schools; 150 officers will attend the School of Advanced Military Studies (SAMS); and increased resources fund Army civilian leader development. Focused leader development, improvements to the Civilian Education System and continued maturity of the Senior Enterprise Talent Management Program are all 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 undergoing change to build increased combined arms capabilities and the agility to support a wide range of COCOM requirements. The FY 2015 budget supports continued reorganization of the Infantry, Armor, and Stryker BCTs, adding a third maneuver battalion, while reducing from 38 to 32 BCTs and eliminating excess headquarters infrastructure in the active force.

In the Department's rebalance to the Pacific, the Army plays a critical role 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. The Pacific Pathways initiative leverages training opportunities and exercises with allies in this region to promote and strengthen partnerships. 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 rotational forces, multilateral exercises, military-to-military engagements, coalition training, and other opportunities.

Forward stationed Army forces in the Republic of Korea, Japan, Europe, and the Persian Gulf Region, along with Army units based in the United States that are aligned with COCOMs, provide a unique capability to maintain relationships with allies and partners and respond to crises.

Scalable Forces/Leader Development

The Army is committed to retaining the deep experience among leaders and Soldiers from more than a decade at war and investing in civilian and professional military education to enhance the intellectual capacity throughout the Army. 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.

The Army's concept for regionally aligned forces directly supports the provision of tailored, scalable unit packages in support of the COCOM. Aligning BCTs with geographic COCOMs enhances the depth of regional language and cultural knowledge so important to readiness at a regional level. Exercises that draw upon scalable forces build capability within budget constraints.

A Ready and Modern 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. The Army will prioritize near-term readiness building while giving due consideration to necessary modernization efforts. The FY 2015 Budget enables progress toward achieving balance as end strength reductions are accelerated to reduce manpower costs, the largest spending category in the Army budget.

The FY 2015 budget request will allow the Army to rebuild the Army's combined arms maneuver and wide area security capabilities validated through CTC exercises, 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.

Modernization efforts will prioritize Soldier-centered modernization and procurement of proven technologies to ensure that Soldiers have the best weapons, equipment and protection to accomplish every mission, including a robust, integrated tactical network. The Army's investment in Science and Technology will maximize the potential of emerging game-changing land power technologies to counter emerging threats and ensure that Army formations retain a decisive materiel edge and tactical overmatch across the range of military operations. The

FY 2015 budget maintains investment in Science and Technology at FY 2014 levels, reprioritizing portfolio funding distribution to focus on efforts associated with Cyber Security/Science, Counter Anti-access/Area-denial, and Combat Vehicle Prototyping and Active Protection.

Equipment Modernization will support the implementation of the resource-saving Army Aviation restructure, which reduces complexity by retiring the outdated Kiowa, utilizes the Light Utility Helicopter (LUH) for the training base and the Army National Guard, and centralizes the Apache in the Active component. The Army will terminate development of the Ground Combat Vehicle (GCV) when the Technology Demonstration phase is completed in FY 2014. Research and development of associated technologies will be pursued toward a Future Infantry Fighting Vehicle. The FY 2015 budget will allow the Army to fund network integration as well as survivability, lethality, mobility and protection improvements to the Abrams tank, and Bradley Infantry Fighting Vehicle, and Paladin self-propelled howitzer fleets. The FY 2015 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 is advancing network infrastructure and services, employing flexibility and versatility to modernize the network from the tactical edge to the installation. Through scalable modernization, the Army will reduce network gaps to support global mission 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 across all components, 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. As part of the Army's Ready and Resilient Campaign, the Army's Performance Triad program encourages a culture shift through a robust education campaigns that are intertwined with technology. The audience is every professional Soldier, family member, retiree and civilian to change and sustain good health behaviors of optimal sleep, activity, and nutrition that can improve health, readiness and resilience. The operational approach is through the Performance Triad (Sleep, Activity, and Nutrition) that illustrates how investing in these tenets and technology positively impacts the health of the force. The campaign leverages and expands existing programs, synchronizing efforts to eliminate or reduce harmful and unhealthy behaviors such as suicide and suicide attempts, sexual harassment and assault, bullying and hazing, substance abuse and domestic violence. Perhaps most importantly, the campaign promotes positive, healthy behaviors while working to eliminate the stigma associated with asking for help.

The Army is an organization strengthened by shared professional values. Sexual harassment/ assault in all its forms are abhorrent to every one of those values. Prevention of sexual assault is a Secretary of the Army top priority. The FY 2015 budget increases 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 our 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 2015 budgets 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. In 2013, 96 percent of the Army's recruits were high school graduates, exceeding the goal of 90 percent. The Army was also on track to achieve the highest retention rate of the past three years. 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. There will inevitably be good Soldiers, who have served their Nation honorably, that the Army will not be able to retain on active duty. The Army must responsibly balance force shaping across accessions, retention, and promotions, as well as voluntary and involuntary separations. In FY 2013, the Army executed Selective Early Retirement Boards (SERB) for Lieutenant Colonels and Colonels and a Qualitative Service Program for Master Sergeants and Sergeants Major, all aimed at achieving 490,000 end strength by 2015. In FY 2014, the Army will also execute Officer Separation Boards and Enhanced SERBs for qualified Majors and Captains. 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. Building on positions already opened in BCTs and combat arms specialties, the Army anticipates opening an additional 33,000 previously closed positions in future years.

Installations and the Environment

The Army has a fundamental obligation and 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, safeguarding facility investments while focusing on high priority installation services, that take into account the transformation and downsizing of the force.

The Army's 2015 strategy for base operating services 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 in order to maintain relevance and effectiveness. Ensuring resilience across the Total Force requires prioritizing programs such as Army Substance Abuse Program, Soldier Family Assistance Centers, Suicide Prevention, Sexual Harassment, and the Veterans Opportunity to Work to Hire Heroes Act of 2011.

The Army continues to refine its enterprise Facility Investment Strategy (FIS), which combined Sustainment, Restoration and Modernization (R&M), Unspecified Minor Military Construction, Army (UMMCA), and the Facility Reduction Program investments under one umbrella, reserving the Military Construction (MILCON) investment for the Army's most critical deficit requirements. The FIS also fully supports command priorities along with focus areas in Energy/Utilities,

Industrial Base, Organizational Vehicle Maintenance, Ranges/Training Support Systems, Reserve Component Readiness Facilities, and Trainee Barracks.

Large-scale renewable energy initiatives are a high priority critical activity. To meet the Presidential mandate and promote development of large-scale renewable energy projects on Army lands, the Army will continue pursuing private sector investments in renewable energy generation capacity to enhance energy security and meet the Army's stated goal to deploy 1 gigawatt (GW) of renewable energy production capacity by 2025. Privately financed projects are the most fiscally prudent and expedient way to acquire power from large scale renewable energy sources. Investments in renewable and alternative energy reduce the Army's exposure to utility price volatility and reliance on increasingly unstable energy sources.

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. Through a synchronized campaign of performance initiatives, business process changes and education and training opportunities, the Army seeks to achieve a lasting capability to use energy to the greatest benefit. 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.

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. By partnering with experienced local providers, the Army has privatized 144 utilities systems, avoiding about $2 billion in future utility upgrade costs while saving approximately 6.6 trillion British thermal units a year.

The Army is also exploring opportunities to expand public-public partnerships (Intergovernmental Support Agreements) with municipalities and states. These partnerships can result in significant near and long-term savings, efficiencies and cash revenues; enhancing or sustaining basic benefits and resiliency services for service members and their families.

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. Business process reengineering and continuous process improvement efforts continue to confer significant financial and operational benefits. 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 decisions on the utilization of resources to improve readiness.

The Army developed an Army-wide Workforce Shaping Group to oversee the balanced workforce requirements across military, civilian and contracted labor categories, the cost of which comprises the largest portion of the Army's budget. The Work Group seeks to analyze workload and balance labor provisions within affordability constraints and legislation, while ensuring a workforce to meet the Army's mission requirements. The Army will continue to leverage workforce shaping tools in FY 2015 to incentivize reductions, enabling a smooth, integrated ramp, designed to enhance workforce planning efforts and reduce turmoil on the civilian workforce. The Army will comply with directed headquarters reductions and will continue manpower reductions resulting from sequestration-reduced funding. Military end strength reductions have been assessed and implemented. 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 being borne by the civilian workforce. While the Army must make prudent decisions during this period of transition, the uncertainty has impacted the morale of our dedicated workforce.

Conclusion

The FY 2015 Budget reflects Army priorities and difficult decisions to ensure near-term readiness in support of the defense strategy under the reality of declining budgets. The budget reflects a direction for the Army to enhance combat capability in smaller forces, while enhancing access to forces for COCOMs. The budget supports Army Soldiers, Civilians, and Families 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 is a maritime nation with major security and economic interests far from its shores. The United States Navy and Marine Corps team stand watch over those interests around the globe, operating forward where it matters when it matters. In today's changing 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) 2015 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. This book summarizes the DoN's allocation of constrained resources to provide this balanced force and align with the defense strategy. The Department of Defense (DoD) budget provides further details.

This budget reflects a DoN Future Years Defense Program (FYDP) from FY 2015 to FY 2019 that is $38 billion less across the FYDP than the FY 2014 President's Budget request. Changes in the Navy force structure mix, delay of capability delivery, and readiness challenges due to reduced funding and expected demand for naval forces are the principal sources of the execution risk under this funding level. The Marine Corps drawdown of Active Component end strength preserves readiness with reduced resources but similarly increases risk and, if continued to an end strength of 175,000, would result in an average dwell ratio of 1:2.

The FY 2015 budget includes construction of 44 ships across the FYDP. The DoN will build 14 Littoral Combat Ships (LCS) and sustain steady production of destroyers and submarines, with ten of each being constructed through FY 2019. The FYDP shipbuilding construction program also includes one aircraft carrier, one LHA replacement, four T-ATF(X) fleet ocean tugs, one afloat forward staging base platform, and three T-AO(X) fleet oilers.

The budget supports a balanced manned and unmanned aviation procurement plan of 470 aircraft over the FYDP. The first Marine Corps Short Takeoff Vertical Lift (STOVL) variant Joint Strike Fighter (JSF) squadron was established in 2013 and the Navy's carrier variant continues testing; 105 JSF aircraft are procured across the FYDP as JSF development and fielding accelerates. The Marine Corps also invests heavily in rotary wing aircraft, with the addition of 133 AH-1Z-1/UH-1Y helicopters and 64 MV-22 Ospreys. Investment in unmanned systems will bring the first Small Tactical Unmanned Aircraft System (STUAS) aircraft and MQ-4 Triton Unmanned Aircraft System to the Fleet with the procurement of 24 systems through FY 2019. Aviation investments also include procurement of airborne early warning aircraft (25 E-2D), multi-mission maritime aircraft (56 P-8A), multi-mission helicopters (29 MH-60R, 8 MH-60S), presidential helicopters (6 VXX), heavy lift helicopters (13 CH-53K), aerial refueling tankers (6 KC-130J), and logistics aircraft (1 C-40A).

The Navy and Marine Corps team maintain a presence where it matters when it matters with a fleet of 283 Battle Force Ships in FY 2015, reflecting the delivery of 8 new ships and decommissioning of 13 ships. Cruisers and dock landing ships will undergo an innovative modernization program that extends the service life of each beyond 40 years. The base budget provides funding for 45 underway days per quarter for deployed forces and 20 days per quarter

for non-deployed forces; funds Ship and Aviation depot maintenance to 80 percent of the requirement; funds Navy/Marine Corps flying hours to a T-2.5/2.0 rating; and funds Marine Corps ground equipment maintenance to 83 percent of the requirement. Facility sustainment levels are slightly less than the FY 2014 President's Budget, with Navy funded to 70 percent of the sustainment model and the Marine Corps funded to 75 percent.

As operations in Afghanistan continue to wind down, the Marine Corps will draw down end strength while maintaining a focus on forward presence and crisis response. The Marines will decline to 182,000 end strength. Depending on the fiscal and security environment, the Department will have to determine whether or not to continue further reductions beyond this level. The Navy maintains a nearly stable end strength profile from 323,600 in FY 2015 to 323,200 by the end of the FYDP, optimizing the level of Sailors trained for sea and shore duty requirements. Although the budget slows the cost growth for military compensation, it maintains a robust compensation and benefits program for DoN personnel and their families. Civilian personnel full-time equivalents of 215,014 in FY 2015 reflect a slight increase for shipyard workers and firefighters.

Investments in readiness and infrastructure are essential to generating combat ready forces at home; they support the DoD rebalance to the Asia-Pacific, and enable critical presence in strategic maritime crossroads spanning the Middle East, Europe, Africa, the Western Pacific, and South America.

QUADRENNIAL DEFENSE REVIEW (QDR)

The 2014 Quadrennial Defense Review emphasizes protection of the homeland, building security globally, and projecting power with the ability to win decisively. These QDR priorities are supported across the full scope of the DoN budget submission, including investments in sustaining today's sea-based strategic deterrent submarines, Trident D5 Life Extension, and nuclear command, control and communications; Ohio SSBN(X) Replacement Program; overall ship presence levels in 2020 the same as in last year's budget; and ongoing investments in asymmetric advantages spanning undersea warfare to strike.

The QDR also calls for rebalancing for the 21st Century, to include:

- Rebalancing for a broad spectrum of conflict – supported by DoN investments countering Anti-Access Area Denial challenges, maintaining the Navy edge in science and technology with strong Research and Development investment, and emphasizing investments in undersea dominance, cyber, and in the Arctic.
- Rebalancing and sustaining presence and posture abroad – supported by increased forward-deployed and forward-stationed naval forces, introduction of the Optimized Fleet Response Plan, the rebalance to the Asia-Pacific region, and sustaining ship deployment numbers across the FYDP.
- Rebalancing capability, capacity and readiness – supported with an innovative Cruiser (CG) and Dock Landing Ship (LSD) modernization program; sustained investments in ship and aircraft procurement and readiness; investments in cyber, missile defense, nuclear deterrence, space, precision strike and special operations; and investments in fleet manning, maintenance, and shore infrastructure.
- Rebalancing of tooth and tail – supported with a 20 percent management headquarters reduction, reduced administrative and headquarters costs, and reduced contracted services funding.

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.

DON FINANCIAL STEWARDSHIP

The DoN continues to develop and expand the scope of its Business Transformation efforts. The DoN is examining business processes for acquiring services to look for ways to reduce costs in three areas: Contractual Services, Better Buying Power in Procurement, and More Efficient Uses of Research and Development. Additionally, the DoN continues to reduce unobligated growth across all programs, achieve savings in military construction bids due to increased competiveness, and reduce headquarters staffs. Cost reductions in these areas are expected to produce FYDP savings of about $22 billion, as shown in Figure 7-1.

Figure 7-1 – Department of the Navy More Disciplined Use of Resources

Dollars in Millions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FYDP
Contractual Services	-2,535	-3,143	-3,015	-3,366	-2,743	-14,802
Better Buying Power in Procurement	-445	-494	-532	-681	-616	-2,768
More Efficient Use of R&D	-124	-43	-22	-16	-17	-221
Unobligated Balances	-1,320	-285	-350	-269	-266	-2,490
MILCON Restructure & Delays	-805	21	296	-26	-68	-582
Headquarters Operational Reductions	-114	-171	-236	-312	-399	-1,233
Total	**-5,343**	**-4,114**	**-3,859**	**-4,671**	**-4,109**	**-22,096**

The DoN year-to-year spending for contractual services has grown by about $10 billion since 2000 after adjusting for inflation. Contractual services spending was reviewed first for savings by the acquisition community, with conscious decisions made to challenge stated requirements in those areas and to accept higher levels of risk in services spending before additional reductions were made in force structure, modernization, or readiness. The DoN FY 2015 budget request reduces contractual spending in four principal areas: Knowledge Based Services; Research, Development, Test, and Evaluation; Equipment-Related Services; and

Communications-Related Services. The other initiatives realize savings within programs through contracting, competition, or execution.

Given the current fiscal environment, the Department will continue to aggressively pursue opportunities to drive down the cost of doing business. To this end, the Navy/Marine Corps team is continually assessing existing business systems, evaluating dated organization structures, optimizing the force mix, and seeking bold ideas to maximize the use of taxpayer dollars. The goal is to drive innovative enterprise transformation to reduce spending on unnecessary overhead so as to preserve critical naval capabilities, presence requirements, and operational readiness.

DEPARTMENT OF THE AIR FORCE OVERVIEW

The 2014 Quadrennial Defense Review embodies the defense priorities outlined in the 2012 Defense Strategic Guidance and incorporates them into a broader strategic framework. The Department's defense strategy emphasizes three pillars—protecting the homeland, building security globally, and projecting power and winning decisively. In support of these pillars, Airmen bring to the Nation's military portfolio five interdependent and integrated core missions: (1) air and space superiority; (2) intelligence, surveillance, and reconnaissance (ISR); (3) rapid global mobility; (4) global strike; and (5) command and control.

Through these core missions, the Air Force provides *Global Vigilance, Global Reach,* and *Global Power* for America. Each of these core missions is, in its own right, vitally important to the defense of U.S. national interests; however, no single core mission functions independently. Airpower is maximized when Airmen leverage its unique characteristics – speed, range, flexibility, precision, lethality, and persistence – to harness the integrated power of the air, space, and cyber forces. The Air Force is effective precisely because its interdependent operations are synchronized to provide an unparalleled array of airpower options, giving America the ability to respond quickly anywhere in the world.

Alignment to Department of Defense Priorities

As the Department looks toward 2023, the Air Force intends to stay on the flight path to building the most capable and affordable Air Force that will prevail against high-end threats. The Air Force's FY 2015 budget submission represents its effort to develop and retain the capabilities the Nation expects of its Air Force within the constraints of an extremely challenging fiscal environment. In developing the FY 2015 budget, the Air Force took a bold, but realistic approach. To support the defense strategy, the Air Force had to make difficult trades between force structure (capacity), readiness, and modernization (capability). As a result, the Air Force established four guiding principles to steer the strategy and budget process:

1. Remain ready for the full-spectrum of military operations;
2. When forced to cut capabilities (tooth), also cut the associated support structure and overhead (tail);
3. Maximize the contribution of the Total Force; and
4. Focus on the unique capabilities the Air Force provides the Joint Force, especially against a full-spectrum, high-end threat.

To best support the defense strategy and comply with the Air Force's fiscal guidance, the Air Force leadership chose to preserve the minimum capabilities necessary to sustain current warfighting efforts, while investing in capabilities needed to ensure the Air Force stays viable in the battle space of the future. Moving forward, the Department seeks to maintain a force ready for a full range of military operations while building an Air Force capable of executing their five core missions against future high-end threats.

Air and Space Superiority

Overview

Securing the high ground is a critical prerequisite for any military operation to ensure freedom of action for the Joint Force and the Nation. For approximately six decades, Air Force investments, expertise, and sacrifice in achieving air superiority have ensured that friendly ground forces operate without threat of attack from enemy aircraft. While the United States has enjoyed this freedom for the last 60 years, there is no guarantee of air superiority in the future. Airspace control remains vitally important in all operating environments to ensure the advantages of rapid global mobility, ISR, and precision strike are broadly available to the Combatant Commander. Currently the United States benefits from the only operational fifth-generation fighter aircraft, the F-22 Raptor, but several countries are rapidly developing competitive fifth-generation fleets. Global and regional competitors are working towards fifth-generation fighter aircraft and advanced surface-to-air missile systems that present an area denial capability that may challenge U.S. air superiority. Additionally, improvements to non-U.S. fourth-generation fighters may put them on par with legacy F-15C/D aircraft that constitute a significant component of U.S. air superiority capability and further threaten the U.S. ability to ensure air superiority. Given these realities, the Air Force's FY 2015 budget request includes initiatives to address current and future air superiority needs.

America's freedom to operate effectively across the spectrum of conflict rests not only on the Air Force's ability to dominate in the air, but also on its ability to exploit space. Space Superiority is the ability to provide the degree of access and freedom of action necessary to create military effects in, through, and from space, enabling operations by the U.S. and allied forces. Space capabilities are important to warfighting abilities and citizens' daily lives. Through the Space Superiority Core Function, Airmen provide Joint Force Commanders with Global Access, Global Persistence, and Global Awareness. These aspects are critical to the lethality, precision, flexibility, and responsiveness required to deter aggression, win America's wars, and conduct missions such as humanitarian and disaster relief operations. The Air Force is the DoD's steward of space, offering vital capabilities to support the warfighter. These space capabilities include nuclear survivable communications; launch detection/missile tracking; positioning, navigation, and timing; space situational awareness (SSA); space control; military satellite communications; access to space for all National Security Space missions; and weather data. Rapid technology advancements and the long-lead time for developing new space technology result in an ongoing need to plan, design, and implement space advancements. In addition, the U.S. and global economy rely on space systems and space operations to enable such vital activities as transportation, commerce, and agriculture.

FY 2015 Initiatives

The Combat Air Force is constantly assessed in relation to the dynamic security environment and Joint Force needs, but is necessarily shaped by current fiscal climate. Balancing the force requires legacy fleet service life sustainment and modernization efforts as well as F-22A upgrades to increase air superiority capabilities and operational effectiveness.

F-15C/D: The F-15C/D fleet averages over 26 years old and is in need of modernization to remain viable. As we reduce the fleet by 51 aircraft across the FYDP, the remaining 197 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). The AESA radars outperform older radars and have a greatly improved mean time between failures. The EPAWSS vastly improves F-15 survivability through installation of a new radar warning receiver, internal jammer, and an integrated

countermeasures dispenser system. These efforts enable the "Long-Term Eagle Fleet" to operate effectively for decades to come.

F-22A: The F-22A Raptor is the most advanced operational fighter aircraft in the world. While the F-22A's primary role is air superiority, continuous improvements ensure its ability to dominate in every environment. Similar to other weapons systems in America's inventory, the Air Force re-phased F-22A upgrades while maintaining a positive glide path toward sustaining air dominance within highly-contested environments.

To stay ahead of evolving threats and remain the world's premiere air dominance fighter, modernization of the F-22's combat capabilities is a major area of emphasis. Modernization increment 3.1 capabilities continue to be fielded, including APG-77 radar air-to-ground and electronic attack improvements. Also in FY 2013, the Air Force prudently responded to the new fiscal environment by segmenting follow-on modernization increment 3.2 capabilities into two separate deliveries: increments 3.2A and 3.2B. Continuing investment in increment 3.2B research, testing, and development efforts will eventually incorporate the most advanced air-to-air weapons in the inventory to include the AIM-120D Advanced Medium-Range Air-to-Air Missile (AMRAAM) and the AIM-9X Sidewinder.

EC-130H: The EC-130H Compass Call provides vital airborne electronic warfare capabilities with continuous upgrades in response to emerging threats. The FY 2015 budget allows the Air Force to operate the 15 aircraft fleet through 2015.

Air Superiority Munitions: The Air Force continues to enhance development, production, and integration of modern munitions for air superiority. The FY 2015 budget request includes AIM-9X Block 2 and AIM-120D development, integration, and production. The AIM-120D is the next iteration of the AMRAAM missile with increased range and radar capabilities.

Satellite Architecture: The Air Force is exploring an alternative architecture for Satellite Communications (SATCOM) and Overhead Persistent Infrared (OPIR), pursuing greater flexibility and responsiveness to the warfighter at a lower unit cost while replacing obsolete technology to meet emerging threats. The FY 2015 budget 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. This request supports efforts such as the AEHF Capabilities Insertion Program and Protected Tactical demonstration contract award. For SBIRS in FY 2015, the Air Force plans to initiate detailed design studies and hardware/software risk reduction efforts to implement approved recommendations from previous design trade studies.

Space-Based Environmental Monitoring: The FY 2015 budget commences development of the Weather System Follow-On (WSF) in FY 2015 to begin the transition from the Defense Meteorological Satellite Program. The WSF will take a disaggregated system-of-systems approach to meet specific DoD needs while leveraging near-term civilian and international partnerships. The WSF will be comprised of a group of systems to provide timely, reliable, and high quality space-based remote sensing capabilities that meet global environmental observations of atmospheric, terrestrial, oceanographic, solar-geophysical and other validated requirements.

Evolved Expendable Launch Vehicle: The Evolved Expendable Launch Vehicle (EELV) program has been aligned with satellite launch schedules in FY 2015. The Department's new acquisition strategy allowed the Air Force to achieve significant savings with the latest EELV contract, which the Air Force has leveraged to deliver increased warfighter readiness and capability.

Space Fence: The Space Fence will be a system of two land-based radars to detect, track, identify, and characterize orbiting objects such as commercial and military satellites, smaller objects, maneuvering satellites, break-up events, and lower inclination objects. Site I will be located at Kwajalein Atoll in the Marshall Islands and will be the most accurate, high-capacity radar in the Space Surveillance Network (SSN). In concert with existing and planned SSA assets, it will provide the critical SSN capability to maintain a full and accurate orbital catalog, ensure orbital safety and characterize potential threats. The Space Fence data will be fed to the Joint Space Operations Center at Vandenberg Air Force Base where it will be integrated with other SSN data to provide a comprehensive SSA and integrated space picture needed for the warfighter. The FY 2015 request re-phases funding following a delay to contract award from FY 2013 into FY 2014, with initial operational capability (IOC) planned for FY 2018.

Intelligence, Surveillance and Reconnaissance

Overview

Intelligence, Surveillance and Reconnaissance includes conducting and synchronizing surveillance and reconnaissance across all domains for producing essential intelligence to achieve decision superiority through planning, collecting, processing, analyzing, and rapidly disseminating critical information to decision makers across the spectrum of worldwide military operations at all levels of warfare. Through the ISR core mission, Airmen provide timely and actionable intelligence to Joint Force Commanders. The FY 2015 budget request remains committed to providing full-spectrum ISR of all-source collection to the Nation's deployed military forces. The FY 2015 budget request supports the goal of Global Integrated ISR operations. The FY 2015 budget request represents the Air Force's restructuring of 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.

FY 2015 Initiatives

Platforms: The FY 2015 budget request realigns and reprioritizes capability and capacity across the ISR portfolio. For medium-altitude, permissive ISR, the Air Force intends to sustain the current capability of 50 steady state MQ-1/MQ-9 Combat Air Patrols (CAPs) with the ability to support 65 surge MQ-1/MQ-9 CAPs until the full transition to an all-MQ-9 fleet is made later in the FYDP. The FY 2015 budget intends to fully resource 55 steady state MQ-9 CAPs by FY 2019. Under BCA-level funding, the Air Force would expect to further reduce the overall MQ-9 capacity beginning in FY 2016.

In the FY 2015 budget request, the Air Force alters its high-altitude ISR capacity through the restoral of the RQ-4 Block 30 and subsequent planned retirement of the U-2 in FY 2016. Investment funds are added to RQ-4 Block 30 to ensure platform viability beyond 2023, improve reliability, and improve sensor performance to close the gaps with the U-2.

Finally, in accordance with the FY 2014 National Defense Authorization Act, the Air Force will divest the MC-12W manned medium-altitude ISR capability and transfer this capability to the U.S. Army and Air Force Special Operations Command.

Infrastructure: The Air Force continues to invest in improved automated applications at the Air Force Targeting Center to support deliberate planning requirements. The FY 2015 budget also requests military construction investments to meet force structure changes directed in the National Defense Authorization Act for Fiscal Year 2013 for an Air National Guard (ANG) Joint MQ-9 and Targeting facility at Des Moines, Iowa, a new ANG MQ-9 facility at Kellogg Airport,

Michigan, and military construction at Horsham Air Guard Station (Willow Grove), Pennsylvania, for an MQ-9 mission transition.

Rapid Global Mobility

Overview

Rapid Global Mobility consists of a responsive mobility system that delivers and sustains combat forces and provides humanitarian assistance around the globe in support of joint, coalition, and civilian partners, helping the Nation achieve its security objectives, both locally and abroad.

Based on the Secretary of Defense-directed Mobility Capability Assessment (MCA) analysis and DoD strategy, the Air Force reduced portions of the airlift fleets congruent to reductions in force structure across the Department while continuing modernization efforts to ensure the remaining aircraft are capable to meet strategy requirements. The MCA analysis also validated the Air Force plan to address the tanker replacement as its number one recapitalization priority and sustain airlift capacity through modernization, reliability, and efficiency upgrades.

FY 2015 Initiatives

Tanker Replacement: The FY 2015 budget request continues to support the tanker fleet recapitalization effort. The KC-46 tanker recapitalization program remains an Air Force top priority; without tankers, the Air Force is not global. More than a mere replacement for aged KC-135s, the KC-46 will provide a significant increase in mobility and air refueling capability. The KC-46 will be able to multi-point refuel joint and coalition aircraft, carry significantly more cargo or passengers, conduct aeromedical evacuation, and self-deploy to any theater. The FY 2015 budget request funds the first production lot of KC-46s. The current program plan will deliver 55 aircraft by FY 2019 and procure a total of 179 KC-46 aircraft.

Airlift Modernization: The FY 2015 budget request continues the long-standing Air Force objective to modernize its C-130 fleet. The Air Force-led joint multiyear procurement effort continues procurement of 79 C-130J variant aircraft for the Department plus 1 for the U.S. Coast Guard, and saves 9.5 percent over an annual contract.

In accordance with the Institute for Defense Analysis study regarding C-130H Avionics Modernization efforts, the Air Force's FY 2015 budget request cuts costs by reducing the scope of its legacy C-130H Avionics Modernization Program. The FY 2015 budget request continues to address aircraft obsolescence issues, Federal Aviation Administration mandates, and global airspace access requirements beyond 2020 while reducing over $1 billion in costs across the FYDP.

The FY 2015 budget request continues to fund 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. An upgraded, common fleet offers life cycle cost benefits including greater reliability and simplified fleet-wide training.

Force Structure Changes: The FY 2015 budget request seeks to balance modernization and recapitalization. The FY 2015 request retains the KC-10 fleet through 2015 and begins recapitalization of the KC-135 while reaching the required fleet size of 479 total tankers. However, if constrained by the limitations of the Budget Control Act in future years, the Air Force will be forced to divest the entire KC-10 fleet, beginning in FY 2016, to allow the Air Force to retain critical core capabilities, avert significant KC-10 sustainment and modernization costs, and preserve investment priorities such as the KC-46A, F-35, and Long Range Strike-Bomber

(LRS-B). In accordance with the Intra-theater Airlift Working Group Proposal, the FY 2015 budget request right-sizes the Air Force's intra-theater airlift fleet by retiring C-130H aircraft to reduce excess capacity within the fleet while still fully supporting strategy and direct support requirements. The C-130 enterprise reduces to 318 total aircraft in FY 2015 but grows to 328 as the final J-models arrive within the FYDP. Lastly, the FY 2015 budget request remains consistent with the FY 2014 position by reducing the strategic airlift fleet size to 275 total aircraft by the end of FY 2017 (223 C-17s and 52 C-5Ms). In accordance with FY 2013 NDAA language and the DoD submission of the 2018 Mobility Capabilities Assessment to Congress, the Air Force began retiring 26 C-5A aircraft.

Global Strike

Overview

Global strike, a significant portion of America's deterrence capability, projects military power more rapidly than other military options, with increased flexibility and a lighter footprint. Global Strike describes the Air Force's ability to hold any target at risk across the air, land, and sea domains. This is primarily accomplished with the B-2, B-52, F-15E, F-16, and B-1B aircraft as well as the land-based Intercontinental Ballistic Missile (ICBM) arsenal. While the U.S. and coalition partners have a distinct precision attack advantage in Afghanistan today, several countries are leveraging technologies to improve existing airframes with advanced radars, jammers, sensors, and more capable surface-to-air missile systems. Increasingly sophisticated weapon systems and the proliferation of anti-access and area-denial (A2/AD) capabilities will challenge the ability of Air Force legacy fighters and bombers to engage in heavily defended areas. In response to these challenges, the Air Force's FY 2015 budget request encompasses a balanced approach to precision strike capabilities within fiscal constraints to influence, manipulate, or dismantle an opponent's capacity to deny access. It funds modernization of legacy fighters, the B-1B, F-35 development and procurement, development of a new Long Range Strike-Bomber (LRS-B), and continued investment in preferred air-to-ground munitions.

FY 2015 Initiatives

Nuclear Deterrence: Strengthening the nuclear enterprise remains a top 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 U.S. allies and partners. The Air Force continues its efforts to further the skills and leadership of its NDO-Airmen at all levels and to further institutionalize improvements and capitalize on gains made since the Air Force began reinvigorating the nuclear enterprise in 2008. The Air Force Global Strike Command, the Air Force Nuclear Weapons Center, and the Assistant Chief of Staff for Strategic Deterrence and Nuclear Integration continue to support the Airmen, equipment, and processes that achieve nuclear deterrence every day.

B-52: The FY 2015 budget continues funding for the completion of a fleet-wide upgrade of the B-52 with the Combat Network Communication Technology (CONECT) system, provision of secure line-of-sight and beyond line-of-sight communications, situational awareness upgrades, and machine-to-machine conventional retargeting capabilities for all 76 aircraft. The B-52 1760 Internal Weapons Bay Upgrade continues to develop and procure kits to upgrade the B-52 internal weapons bay and aircraft integration to allow carriage of "smart" weapons internally and adds Laser Joint Direct Attack Munition, Miniature Air Launched Decoy-Jammer, and critical Joint Air-to-Surface Standoff Missile-Extended Range (JASSM-ER) capability to the external pylons.

B-2: The FY 2015 budget continues funding several initiatives for the B-2 to include the Defensive Management Systems-Modernization (DMS-M), the Common Very Low Frequency/Low Frequency Receiver (CVR), and Flexible Strike programs. The DMS-M will enable the B-2 to penetrate dense threat environments via improved threat location and identification capabilities, real-time re-routing, and improved survivability against enemy advanced integrated air defenses. The CVR will add survivable communications capability to the platform. Finally, the B-2 Flexible Strike program will continue integration of the "System 2" digital nuclear interface onto the platform, allowing future carriage of the B61-12.

B61 Tailkit: Sustained funding for the B61 Tailkit Assembly is critical in the FY 2015 budget request. This program is the Air Force's portion of a joint venture with the National Nuclear Security Administration's life extension program, which combines four older variants into the B61-12. Investing $1.2 billion in the program will allow the Air Force to field the modernized weapon to meet operational requirements, and provide nuclear assurance to U.S. allies around the world.

Intercontinental Ballistic Missile: The FY 2015 budget request funds additional investments to sustain the ICBM weapon system through 2030 for Minuteman guidance and propulsion system life extension, Ground and Communication Sustainment, and test launch components. In addition, the budget includes funding for aircrew and missile crew survivability upgrades, such as: crashworthy seats for the fleet of UH-1N helicopters that provide ICBM security; and oxygen regeneration units and weapon system printers to ensure Emergency Action Message receipt for missile crews.

A-10C: The A-10C was the primary Air Force Close Air Support (CAS) airframe in the more permissive environments of past conflicts, but it does not possess the necessary survivability to remain viable in anti-access environments. Fiscal constraints required the Air Force to prioritize multi-role legacy platforms. The Air Force will begin retiring the A-10 fleet in FY 2015 to focus available funding on more survivable multi-role platforms better capable of providing CAS in future conflicts. In consultation with the leadership of the Air National Guard and Air Force Reserve, the Air Force identified new missions for the affected units to maintain necessary capabilities at reduced costs.

F-15E: The Air Force continues to support the long-range interdiction capabilities of the dual-role Strike Eagle by replacing mechanically-scanned radars of the F-15E with AESA radars. Current projections supported by fatigue testing indicate that the Strike Eagle will be available through the 2040s. To improve access in contested environments, the Air Force will improve F-15E electronic warfare capabilities against advanced threats. Like the F-15C, F-15E modernization includes EPAWSS, which includes a new radar warning receiver, internal jammer, and improved countermeasures dispense system to promote aircraft survivability against modern threats.

F-16: The FY 2015 budget request terminates the Combat Avionics Programmed Extension Suite (CAPES) and reduces the level of effort for the structural Service Life Extension Program (SLEP). The SLEP activities include a full scale durability test and structural modifications to add 8 to 10 years of service life to each airframe.

F-35A: To counter the A2/AD challenge the United States faces in many potential theaters, the Air Force is procuring the F-35A Lightning II. The aircraft benefits from stealth technology and advanced sensor capabilities. The FY 2015 budget request includes funding for the continued development and procurement of 26 F-35A aircraft. The F-35A will eventually perform Global Precision Attack functions and will complement the F-22A Raptor for Air Superiority functions.

Long Range Strike: The Air Force is committed to modernizing bomber capacity and capabilities to support LRS military options. Development of the next steps to advance the family of systems critical to LRS capability is ongoing. These steps include the platforms, ISR, electronic warfare, communications, and weapons that make up this critical national capability. The future bomber, LRS-B, must be able to penetrate the increasingly dense A2/AD environments developing around the world. To this end, the Air Force FY 2015 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.

B-1B Modernization: In addition to the development of LRS-B, the Air Force will continue to modernize the B-1B to ensure the fleet remains viable until recapitalization can be accomplished. The FY 2015 budget request includes 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). The VSDU and CITS each address obsolescence and diminishing manufacturing sources for the B-1 fleet. The FIDL provides both the electronic backbone for VSDU and CITS, as well as a capability enhancement of line-of-sight/beyond line-of-sight Link 16 communications. In addition, the FY 2015 budget request includes upgrades to flight and maintenance training devices to ensure continued sustainability and common configuration with the aircraft fleet. These initiatives will help sustain long-range strike capabilities for decades.

Global Precision Attack Munitions: The FY 2015 budget request includes procurement for 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 A2/AD solution for future conflicts and will be integrated onto the F-22 and F-35, as well as current operational platforms.

The procurement of 104 JASSM-ER, AGM-158B, in addition to 120 baseline variants is also included with the FY 2015 budget request. The JASSM-ER is an upgraded version of the baseline JASSM that can fly a much greater distance providing excellent stand-off ranges in an A2/AD environment, increasing the flexibility and lethality of the force.

The FY 2015 budget request for Global Precision Attack capabilities reflect the need to win today's fight, while investing in systems to address the A2/AD challenge faced by the United States. It also continues to modernize the current operational fighter and bomber fleet to maintain sufficient capability and capacity as the Air Force transitions to new capabilities.

Command and Control

Overview

Air Force command and control (C2) provides commanders the ability to conduct highly coordinated joint operations, providing commanders unequaled shared understanding, speeding the decision-cycle, and enabling seamless communication from command to shooter. Air Force C2 operates at all levels from national decision-makers to the tactical edge. Strategic C2 consists of strategic national and nuclear command, control, and communication (NC3) systems, and service support to the command and control systems of U.S. Combatant Commanders worldwide. Strategic C2 includes critical NC3 systems such as the E-4B National Airborne Operations Center and strategic warning, secured networks, and command centers. Homeland Defense C2 is provided by Battle Control Centers (Air Defense Squadrons) in the continental U.S., Alaska, and Hawaii through the Battle Control System-Fixed.

Theater command and control consists of the Theater Air Control System (TACS), the

Air Force's primary mechanism for theater C2 of joint and coalition air and space power comprised flexible airborne elements and persistent ground elements. The senior element of the TACS is the Air Operations Center (AOC). The AOC is the primary tool used by the Joint or Combined Forces Air Component Commander to plan, execute, monitor and assess operations in air, space, and cyberspace. Other primary TACS weapons systems are the Control and Reporting Center (CRC), the E-3 B/C/G Airborne Warning and Control System (AWACS), the E-8C Joint Surveillance Target Attack Radar System (JSTARS), and the Air Support Operations Center. These weapon systems provide critical battle management, sensors, and communications necessary to execute air and ground operations.

The battle management command and control experts employing these weapon systems provide commanders the ability to detect, decide, and direct forces to find, fix, and finish enemy targets inside their ability to react across the range of military operations. Air Force C2 also includes development and sustainment of enterprise C2 communications and data-link systems enabling rapid communication across the range of C2. Enterprise C2 encompasses asset management and control systems such as the Global Command and Control System, the Mission Planning System and the Deliberate Crisis Action Planning and Execution Segments. It also includes tactical data links such as Link-16 and future capabilities such as the Joint Aerial Layer Network. Air Force C2 also consists of air traffic control systems, which are required to support safety of flight missions in the U.S. and deployed locations.

FY 2015 Initiatives

In the FY 2015 budget request, the Air Force reduces capacity in key areas to retain the modernization critical to ensure a smaller but technologically dominant C2 capability supporting both the current fight and future conflicts. The Air Force is investing in must-have capabilities that ensure decision superiority in an A2/AD environment for the foreseeable future.

E-8C: Based on the outcome of the 2011 Synthetic Aperture Radar, Moving Target Indicator JSTARS Analysis of Alternatives, the Air Force is investing funding to recapitalize the E-8C JSTARS. The Next Generation JSTARS uses an affordable business class aircraft, reducing operation and sustainment costs by 27 percent compared to the E-8C. It yields a smaller logistics footprint and improves operational capability with an advanced ground surveillance radar and on-board battle management suite. With a planned fleet of 16 aircraft, Next Generation JSTARS is slated for initial operational capability in FY 2022.

The new aircraft will have much greater operational flexibility than the E-8C, able to operate out of 70 percent more airfields. With on-board battle managers, the Next Generation JSTARS provides C2 mission assurance at the tactical edge in an A2/AD environment. This system assures affordable joint air C2 dominance in the counter-land and counter-maritime missions through the 2040s. To fund JSTARS recapitalization, the Air Force will divest the E-8C test capability including the T-3 test aircraft and place the E-8C on a force management to sunset profile. The Air Force is also preparing for near-term right sizing of the JSTARS enterprise to prepare for fielding of the Next Generation JSTARS.

E-3G: The Air Force reduces AWACS capacity by seven aircraft in FY 2015. In addition, the Air Force terminates the AWACS reserve association and adjusts the Reserve mission at Tinker Air Force Base by adding 4 KC-135s, bringing the total number of KC-135s at Tinker Air Force Base to 12. Though AWACS capacity is reduced, the Air Force assures future C2 relevancy in A2/AD by retaining modernization funding for the remaining AWACS fleet, continuing to field the E-3G variant, and enhancing the electronic protection capability of the E-3 radar. The Air Force also plans to fund the stand-up of the E-3G Organic Software Depot Maintenance Facility at Tinker Air Force Base.

Three Dimensional Expeditionary Long-Range Radar: With source selection underway, the Air Force will fully fund development and low rate initial production of the Three Dimensional Expeditionary Long-Range Radar (3DELRR) in preparation for a key milestone in 2014. The 3DELRR will replace the legacy TPS-75 radar and be the principal Air Force expeditionary 5th generation long-range radar, improving aircraft warning.

Deployable Radar Approach Control: The Deployable Radar Approach Control (D-RAPCON) program was reduced by four systems saving $95 million. The D-RAPCON system will replace 40-year old Airport Surveillance Radar and Operations Shelter subsystems with state-of-the-art digital systems. It will provide both a terminal and en-route aircraft surveillance capability, and will be used with the Deployable Instrument Landing System (D-ILS) and a fixed or mobile control tower to provide a complete air traffic control capability. It also supports tactical military operations and provides a capability to support domestic disaster relief. In conjunction with the reduction in D-RAPCON units, the Air Force reduced the number of associated D-ILS to 28.

Finally, the Air Force enhances Homeland Defense by fully funding sustainment over the FYDP. The Air Force also fully funds sustainment of the Alaskan air defense radar system in FY 2015 while the Alaskan radar system requirements are reassessed.

Conclusion

The United States has the best Air Force in the world because of its Airmen. The Department will continue to attract, recruit, develop, and train Airmen with strong character and commitment to its core values. The budgetary constraints in FY 2014 and beyond force the Air Force to become smaller. However, as it shrinks, the Air Force must continue to recruit and retain the men and women with the right balance of skills to meet its mission requirements, and maintain a ready force across the full-spectrum of operations.

When building the FY 2015 budget, there were no easy choices. The Air Force divested fleets and cut manpower that it did not want to lose in order to ensure that the Air Force can field an effective force against a high-end threat in 2023. The Air Force focused on future capabilities that emphasized global, long-range, multi-role, and non-permissive capabilities and kept recapitalization programs on track. The Air Force leadership made these choices because while failing to meet national objectives in the next counter-insurgency conflict would be distressing, losing to a high-end adversary would be catastrophic.

The Air Force's FY 2015 budget submission remains strategy-based, but it is also greatly shaped by fiscal realities. Regardless of the strategic tradeoffs made, it is not possible to budget for an Air Force at the BCA-level that is capable of performing all of the core missions the Nation expects. Making the tough choices today set the Air Force on a path to produce a ready and modernized force that is smaller, but lethal against potential adversaries in the future while ensuring the United States Air Force will always provide *Global Vigilance*, *Global Reach*, and *Global Power* for America.

8. PERFORMANCE IMPROVEMENT

8.1 INTRODUCTION

Purpose

This chapter satisfies certain 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 to focus on over 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 needed 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. There are also more than 2 million military retirees and family members receiving 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.

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) 2013, the 2010 Quadrennial Defense Review (QDR) served as the agency strategic plan. The QDR forms the basis for 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. Performance measures must be supported by accurate and reliable data and computation methodologies before they are approved, with results verified by the accountable senior-level DoD officials.

In FY 2013, the Department began implementing the Defense Strategic Guidance (DSG) issued by the President and the Secretary of Defense in 2012. Entitled *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, this guidance revised the Department's strategy from the 2010 QDR. The DSG addressed emerging strategic and fiscal circumstances, including the drawdown from Iraq and the planned transition in Afghanistan and budget cuts mandated by the Budget Control Act of 2011 (BCA). The DSG was built around four overarching principles: (1) Maintain the world's finest military; (2) Avoid hollowing out the force; (3) Take needed reductions in a balanced strategic manner; and (4) Preserve the quality of the All-Volunteer Force by keeping faith with men and women in uniform and their families.

The DSG called for a future military force that is smaller and leaner, but also agile, flexible, rapidly deployable, and technologically advanced. As a result, the Department took steps to implement force structure reductions (including ground forces and tactical air), while decreasing the risks of a smaller force by emphasizing readiness across the Military Services and missions.

Despite the continuing fiscal uncertainty, the Department will adhere to its institutionalized future budget process. In March 2013, Secretary Hagel directed Deputy Secretary Ashton Carter to conduct a Strategic Choices and Management Review (SCMR), with the support of the Chairman of the Joint Chiefs of Staff, General Martin Dempsey, and the Department's civilian and military leadership. The SCMR developed a menu of choices for aligning Defense strategy with a range of budget scenarios.

The SCMR focused on both strategic and managerial choices, ranging from options for future force structure needs to institutional reform, efficiencies, and compensation. The SCMR sought to preserve the key tenets of the President's 2012 DSG and to optimize savings gained from reducing overhead and structural costs with minimal impact on the capability and readiness of the force. The SCMR guided the Services and Defense Agencies in developing the budget for FY 2015. It served as an input to the 2014 QDR, which will determine the Department's strategic course in the years ahead.

Throughout FY 2013, 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 our people, reshaping and modernizing the force in the current fiscal environment, and supporting our troops in the field remain the highest priorities for the Department.

DoD Performance Plan and Report

The FY 2013 DoD Annual Performance Report (APR), presented in Section 8.2, provides a summary of the Department's prior year performance. The FY 2014 DoD Annual Performance Plan (APP), which is the update of the Department's strategic objectives and performance goals for the current and budget year based on the results of the APR, is presented on the web at *http://comptroller.defense.gov/budgetmaterials/budget2015.aspx* (Section 8.3). These documents are ultimately part of the congressional budget justification that is forwarded to the

President for approval. The Department will align the FY 2015 APP with the QDR and submit it at a later date.

8.2 FY 2013 DOD ANNUAL PERFORMANCE REPORT

Executive Summary

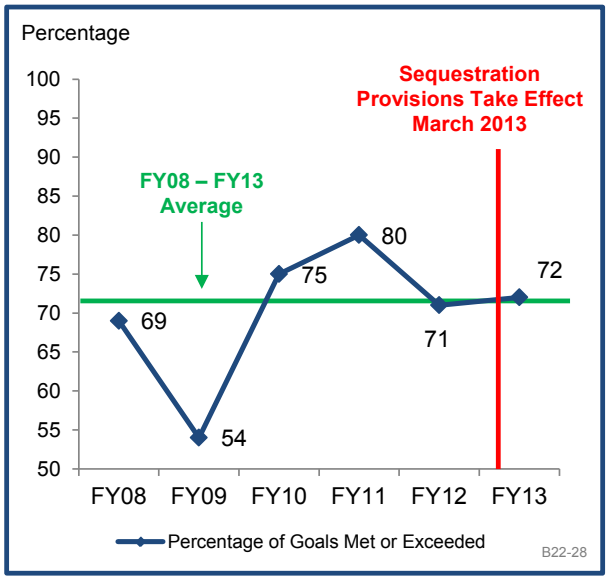
In FY 2013, the Department demonstrated its resilience in the face of challenging fiscal constraints. The BCA sought to reduce the long-term growth of Federal spending by enacting strict caps on discretionary funding through FY 2021. In addition, it tasked Congress to enact an additional $1.2 trillion in deficit reduction through what was called the "Joint Committee" process. When that process failed, it triggered further reductions in discretionary funding caps, split equally between defense and non-defense programs. Because military pay and benefits were excluded from the reductions, other budget areas absorbed larger percentage cuts to meet the Department's mandatory reduction.

In March 2013, the triggering of sequestration resulted in a $37 billion reduction that impacted the last 6 months of the fiscal year. The Department also experienced an unexpected shortfall in wartime Overseas Contingency Operations (OCO) funding. Together, sequestration and the shortfall caused damaging and far-reaching impacts on the Department's operations. Major cuts in training and maintenance seriously damaged overall military readiness. The Air Force curtailed exercises and grounded all flights in 13 combat-coded fighter and bomber squadrons. The Army cancelled seven combat training center rotations and five brigade-level exercises that were essential to preparation for deploying units. The Navy delayed deployment of the USS TRUMAN carrier strike group to the Persian Gulf, curtailed the sailing of the USNS COMFORT to Latin America, and cancelled other ship deployments. The Department furloughed approximately 650,000 civilians for six days. Despite these fiscal challenges, the Department made significant progress towards achieving its strategic goals and objectives in FY 2013.

For the FY 2013 APP, the Department presented 74 enterprise-wide performance goals/measures to assess progress towards achieving the Department's strategic goals and objectives. Performance results are not yet available for six of the 74 performance goals. Of the 68 goals assessed, 72 percent (49 of 68) met or exceeded the annual performance targets by DoD strategic goal area; 28 percent (19 of 68) did not meet their annual goals. Of the 74 total performance goals, 12 are associated with Agency Priority Goals (APGs). Performance results are not yet available for two performance goals associated with APGs, but 70 percent (7 of 10) of the available performance goals associated with APGs met or exceeded targets.

Figure 8-1 shows the percent of performance measures that met or exceeded target performance in each year from FY 2008 to FY 2013. The Department's performance in FY 2013 was above historical averages dating back to 2008, which is an impressive accomplishment given the sequestration challenges the Department faced in 2013.

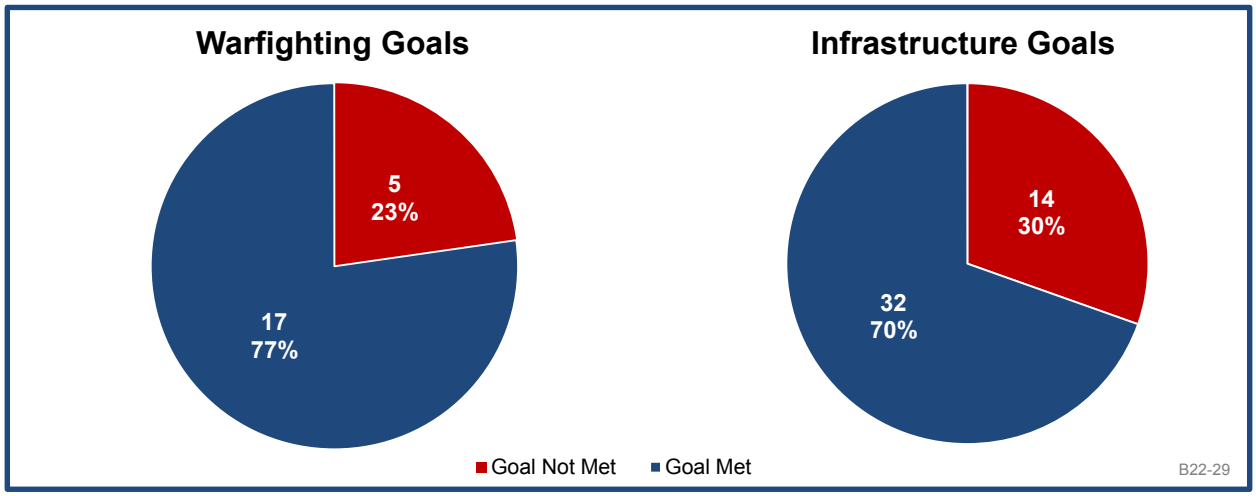
Figure 8-1. Percentage of Performance Goals Met or Exceeded since FY 2008



In FY 2013, the Department achieved success in some areas. Other areas present opportunities for continued improvement. The Department ensured that each Combatant Command (COCOM) was equipped with the manpower and materiel required to execute today's missions and prevail in today's wars. Additionally, the Department demonstrated its commitment to caring for its people by making continued improvements to its health care system. The Department must continue to focus on driving improvements in the Integrated Disability Evaluation System (IDES) and identifying ways to reduce energy use at DoD facilities.

Figure 8-2 compares the Department's FY 2013 performance results in terms of warfighting and infrastructure goals. The DoD met or exceeded targets for 77 percent and 72 percent, respectively, of its warfighting and infrastructure goals. Performance results are not available for three warfighting and three infrastructure performance measures at the time of this report.

Figure 8-2. FY 2013 Performance Measure Results



Summary of Results

Successes: In FY 2013, the Department met or exceeded performance targets for some of its most critical performance goals and demonstrated its commitment to caring for its people. The Department's focus on mission readiness resulted in readiness levels to execute current operations, although the Department is facing challenges in other mission readiness areas due to continued sequestration reductions. In the face of these challenges, the Department has maintained its commitment to its people and has made considerable improvements to the psychological care and health of Service members. In addition to these mission critical goals, the Department's efforts towards improving audit readiness and inventory management have been very successful in supporting the warfighter as the Department continues to reset equipment as part of the drawdown from Afghanistan and generating savings for the Department.

Despite budget reductions, the Department is committed to ensuring that our nation's military remains ready to prevail in today's wars. Activities tied to current operations include transitioning security responsibilities to Afghan National Security Forces (ANSF), conducting Joint and Coalition exercises and engagements, and maintaining capable and ready forward-deployed and forward-stationed units and capabilities.

Caring for our nation's Wounded, Ill, and Injured (WII) is a top priority. In FY 2013, the Department made significant improvements in streamlining services provided to our WII Service members. By the end of FY 2013, every WII Service member was assigned a Recovery Care Coordinator who administered an active recovery plan within 30 days of enrollment in a Service recovery coordination plan. This is a 32 percent improvement from FY 2012.

A comprehensive post-deployment health assessment is a critical tool in assessing the health of Service members and identifying potential injuries, both physical and emotional. Emerging science and DoD programs and policies have supported the early detection of non-visible injuries such as Traumatic Brain Injury (TBI) and Post-Traumatic Stress Disorder which could lead to prompt treatment. To incorporate improvements into post-deployment health assessments, the Military Health System (MHS) now uses a more comprehensive post-deployment health assessment instrument that is designed to facilitate early identification and referral for care to ensure that those with post deployment injuries as a result of service to the nation receive the treatment they need.

The Department also conducted an enterprise-wide review of all psychological health programs in FY 2013 to identify programs that are producing measurably effective results and areas where improvement is needed. This review identified best practices that the Department can implement to continue improving the psychological and TBI care provided to service members and their families.

Improving audit readiness across the Department is a critical step in achieving sustained cost savings and improving business outcomes. A key component of the Department's audit readiness goal is validating the existence and accountability of mission critical assets such as real property, military equipment, and inventory. The Department's improved validation and accountability have played a critical role in identifying and reducing excess inventory, and resulted in significant savings from the Department's approximately $30 billion of secondary inventory (defined as inventory supplied by a different Military Service/Agency or residual inventory not transferred to the General Services Administration). At mid-year in FY 2013, the Department reduced excess inventory from 9.9 percent to 7.8 percent of on-hand secondary inventory, generating real savings. The Department's continued improvement in accountability of mission critical assets will drive further reductions in excess secondary inventory.

Improvement Areas: While the Department is improving its overall care to wounded warriors, the Department will focus on decreasing the IDES processing time in support of its commitment to provide top-quality care to wounded warriors. The Department can also improve facility energy performance, which will reduce overhead and headquarters costs and preserve mission readiness.

The Department of Defense and the Department of Veterans Affairs (VA) share responsibility for processing wounded warriors through IDES. While DoD has made considerable improvements in providing top-quality physical and psychological care to its wounded warriors, the percent of Service members who are processed through IDES within 295 days (Active) or 305 days (Reserve) needs additional focus. In the fourth quarter of FY 2013, 32 percent of Service members were processed through IDES within the given timeframe, which is below the target of 70 percent. This is primarily due to delays in the completion of the transition, proposed rating, and benefits decision portions of the process, of which two are outside of DoD's control. Over the past year, the time to complete DoD-specific IDES activities (referral, Medical Evaluation Board (MEB), Informal Physical Evaluation Board (PEB), and Transition) improved from an average of 188 days to 147 days; the DoD-specific goal was 105 days. The Department also provided, and will continue to provide, personnel to assist operations in a Seattle VA site to expedite IDES case processing.

In December 2012, DoD assumed responsibility to download information from the Defense Personnel Records Information Retrieval System and upload it into Virtual VA to assist VA in completing IDES final benefit determinations sooner. The VA processes and practices have impacted the Department's ability to achieve the intended results. The Department will continue to work with the VA in FY 2014 to improve the processes, practices, and interfaces that support

our shared desire to ensure relevant, timely, and quality outcomes for our warriors and veterans.

The Department manages a global property portfolio on 28 million acres with more than 563,000 facilities and a replacement value of nearly $828 billion. The DoD is the largest consumer of energy in the Federal government, spending approximately $4 billion annually to power these facilities. This infrastructure is critical to maintaining military readiness, and the importance of sustaining these facilities cannot be overstated. The Department's goal is to fund facilities sustainment at a minimum of 90 percent of the Facilities Sustainment Model (FSM) requirement. The FSM has been used since 2003 to estimate the annual sustainment funds the Services need to budget to perform maintenance and repair activities needed to keep their buildings and structures in good working order to maximize facility service life. The DoD budgeted for 84 percent of the sustainment requirement in FY 2013 but, due to sequestration reductions, it only obligated funding equal to 70 percent of the FSM requirement by the end of FY 2013. The Department will require marked improvement in order to accomplish its goals in this area.

Facilities maintenance supports the Department's efforts to improve energy conservation and efficiency, reduce operating costs and greenhouse gas emissions, and improve mission effectiveness. The Department's goal is to improve the average energy intensity of its buildings by 30 percent in FY 2015 compared to the FY 2003 baseline. While the Department has made significant improvements towards meeting the goal over the last two years, sequestration reductions may make it difficult for the Department to achieve the FY 2015 goal.

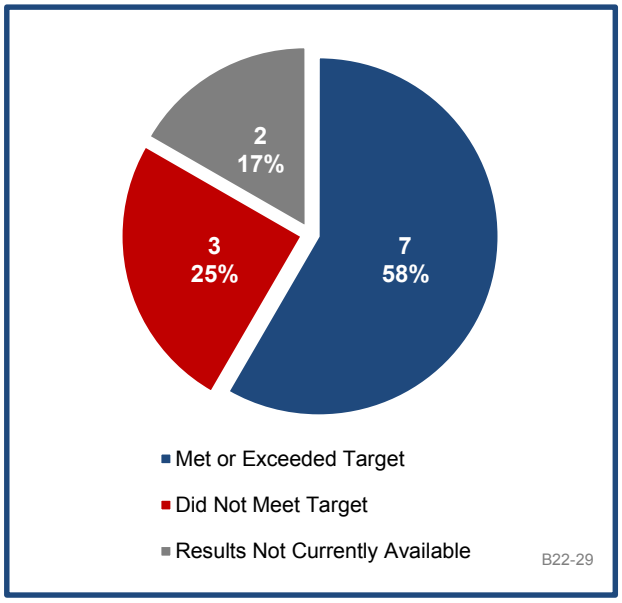
FY 2012 - FY 2013 Agency Priority Goal (APG) Results

Pursuant to the GPRA Modernization Act of 2010, the Department established five APGs in FY 2012, which were used to track the Department's progress toward achieving priorities throughout FY 2012 and FY 2013. Each of the five APGs is provided in its entirety, as follows:

- **Agency Priority Goal One:** By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense.
- **Agency Priority Goal Two:** By September 30, 2013, the DoD will improve the care and transition of WII Warriors by: (1) increasing the use of Recovery Care Coordinators and ensuring WII service members have active recovery plans; (2) improving effectiveness of behavioral health programs and ensuring all service members complete quality post-deployment health screenings; and (3) accelerating the transition of WII service members into veteran status by reducing the disability evaluation processing time.
- **Agency Priority Goal Three:** By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 117,334 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency.
- **Agency Priority Goal Four:** By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1

programs, going through Milestone A decision reviews, present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DoD will increase the amount of contract obligations that are competitively awarded to 60 percent in FY 2013.

Figure 8-3. FY 2013 APG Summary of Performance

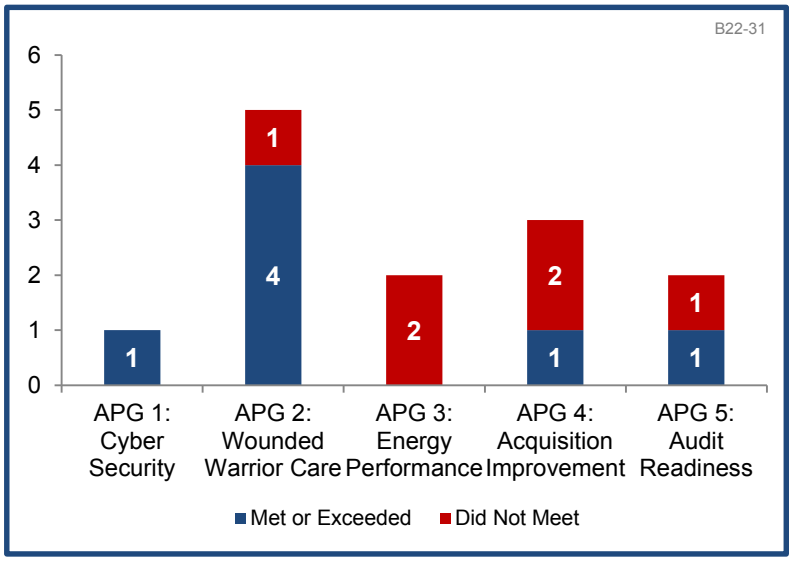


Agency Priority Goal Five: By September 30, 2014, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.

The Department uses 12 of its 74 performance measures to track progress towards achieving its priority goals. As depicted in Figure 8-3, in FY 2013, the Department met 58 percent (7 of 12) of its APG performance measures. The results for two APG performance measures were not available at the time of this report, but detailed narratives for the remaining ten APG performance measures are found in the "Summary of DoD Performance by Strategic Objective" section. The two remaining APG performance measures relate to the Department's use of energy and are assessed on an annual basis at the end of the calendar year. The final results are not yet available.

Figure 8-4 reflects FY 2013 APG performance results by APG. For FY 2013, the DoD met its cyber security and the majority of its wounded warrior care goals, while achieving less progress in Acquisition Improvement and audit readiness. The energy performance APG measures are assessed on an annual basis. For the Defense Department's contributions to the APGs and its progress, please refer to http://goals.performance.gov/agency/dod.

Figure 8-4. FY 2013 Performance Results by Agency Priority Goal



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 FY 2013 President's Budget and are addressed in the agency Strategic Plan, the Annual Performance Plan (APP), and the Annual Performance Report (APR). Please refer to *http://goals.performance.gov/agency/dod* for the Defense Department's contributions to those goals and progress, where applicable. The DoD currently contributes to the following CAP Goals:

- Entrepreneurship and Small Business
- Veteran Career Readiness
- Data Center Consolidation
- Cyber security
- Sustainability
- Real Property
- Improper Payments
- Closing Skills Gaps
- Strategic Sourcing

High Risk Areas

In an effort 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;
- Strategic Human Capital Management;
- 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;
- 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).

All seven DoD-specific high risk areas are under the Department's Strategic Goal Five, focused on reforming DoD business and support functions. Performance achieved under DoD's Strategic Goal Five and the GAO's high risk areas for DoD are correlated.

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;
- Information Assurance, Security, and Privacy;
- Health Care;
- Equipping and Training 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/*.

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A. RESOURCE EXHIBITS

Table A-1. Combat Force Structure Overview

Service	FY 2014	FY 2015	Delta FY14 - FY15
Army Active			
Brigade Combat Teams (BCTs)	38	32	-6
Combat Aviation Brigades (CABs)	13	11	-2
Army National Guard			
BCTs	28	28	--
CABs/Aviation Restructure Initiative	8	8	--
Navy			
Number of Ships	288	283	-5
Carrier Strike Groups	10	10	--
Marine Corps Active			
Marine Expeditionary Forces	3	3	--
Infantry Battalions	25	23	-2
Marine Corps Reserve			
Marine Expeditionary Forces	--	--	--
Infantry Battalions	9	8	-1
Air Force Active			
Combat Coded Squadrons	40	36	-4
Aircraft Inventory (TAI)	3,746	3,563	-183
Air Force Reserve			
Combat Coded Squadrons	3	3	--
Aircraft Inventory (TAI)	357	337	-20
Air National Guard			
Combat Coded Squadrons	21	20	-1
Aircraft Inventory (TAI)	1,091	1,056	-35

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

Service	FY 2014 Estimate [1/]	FY 2015	Delta FY14 - FY15
Army	490.0	490.0	--
Navy	323.9	323.6	-0.3
Marine Corps	182.1	182.7	+0.6
Air Force	322.2	310.9	-11.3
TOTAL	**1,318.2**	**1,307.2**	**-11.0**

Numbers may not add due to rounding

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

Service	FY 2014 Estimate [1/]	FY 2015	Delta FY14 - FY15
Army	20.4	--	-20.4
Marine Corps	6.7	1.4 [2/]	-5.3
TOTAL	**27.1**	**1.4**	**-25.7**

Numbers may not add due to rounding

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

Service	FY 2014 Estimate [1/]	FY 2015	Delta FY14 - FY15
Army [3/]	510.4	490.0	-20.4
Navy	323.9	323.6	-0.3
Marine Corps	188.8	184.1	-4.7
Air Force	322.2	310.9	-11.3
TOTAL [4/]	**1,345.3**	**1,308.6**	**-36.7**

Numbers may not add due to rounding

Source: FY 2014 President's Budget and OCO Request

[1/] FY 2014 projected end strength levels

[2/] Anticipated OCO-funded strength for Marine Corps

[3/] FY 2015 the Army funds a baseline ES of 490K with no OCO-funded end strength

[4/] 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 2014 Estimate*	FY 2015	Delta FY14 - FY15
Army Reserve	202.0	202.0	--
Navy Reserve	59.1	57.3	-1.8
Marine Corps Reserve	39.6	39.2	-0.4
Air Force Reserve	70.4	67.1	-3.3
Army National Guard	354.2	350.2	-4.0
Air National Guard	105.4	105.0	-0.4
TOTAL	**830.7**	**820.8**	**-9.9**

Source: FY 2015 President's Budget
* Authorized end strengths are shown for all Services except the Army Reserve.

Numbers may not add due to rounding

Table A-6. DoD Base Budget by Appropriation Title

$ in Thousands ***Base Budget***	FY 2014 Enacted	FY 2015 Request	Delta FY14 - FY15
Military Personnel	135,924,801	135,193,685	-731,116
Operation and Maintenance	192,822,692	198,726,096	5,903,404
Procurement	92,439,558	90,358,540	-2,081,018
RDT&E	62,805,956	63,533,947	727,991
Revolving and Management Funds	2,222,427	1,234,468	-987,959
Defense Bill	**486,215,434**	**489,046,736**	**2,831,302**
Military Construction	8,392,244	5,366,912	-3,025,332
Family Housing	1,415,764	1,190,535	-225,229
Military Construction Bill	**9,808,008**	**6,557,447**	-3,250,561
Total	**496,023,442**	**495,604,183**	**-419,259**

Note: Reflects Discretionary Budget Authority, FY 2014 includes $4,205938 in prior year rescissions

Numbers may not add due to rounding

Table A-7. DoD Base Budget by Military Department

$ in Thousands ***Base Budget***	FY 2014 Enacted	FY 2015 Request	Delta FY14 - FY15
Army	121,686,104	120,330,929	-1,355,175
Navy	147,324,539	147,685,630	361,091
Air Force	134,708,938	137,781,235	3,072,297
Defense-Wide	92,303,861	89,806,389	-2,497,472
Total	**496,023,442**	**495,604,183**	**-419,259**

Note: Reflects Discretionary Budget Authority, FY 2014 includes $4,205938 in prior year rescissions

Numbers may not add due to rounding

Table A-8. DoD Budget by Military Department and Appropriation Title

Department of the Army *$ in Thousands*	FY 2014 Enacted Total	FY 2014 Enacted OCO	FY 2014 Enacted Base	FY 2015 Base Request	Base Delta FY14 - FY15
Military Personnel	62,014,049	5,845,115	56,168,934	56,123,601	-45,333
Operation and Maintenance	78,201,289	37,460,114	40,741,175	41,963,050	1,221,875
Procurement	17,739,267	2,434,402	15,304,865	14,313,643	-991,222
RDT&E	7,090,081	13,500	7,076,581	6,593,898	-482,683
Military Construction	1,679,112	--	1,679,112	893,425	-785,687
Family Housing	540,279	--	540,279	429,585	-110,694
Revolving and Management Funds	219,890	44,732	175,158	13,727	-161,431
Total Department of the Army	**167,483,967**	**45,797,863**	**121,686,104**	**120,330,929**	**-1,355,175**

The FY 2015 request for Overseas Contingency Operations (OCO) funding will be submitted later.

Numbers may not add due to rounding

Department of the Navy *$ in Thousands*	FY 2014 Enacted Total	FY 2014 Enacted OCO	FY 2014 Enacted Base	FY 2015 Base Request	Base Delta FY14 - FY15
Military Personnel	46,135,833	1,401,998	44,733,835	44,971,530	237,695
Operation and Maintenance	55,196,355	11,908,857	43,287,498	46,488,320	3,200,822
Procurement	42,191,814	593,022	41,598,792	38,424,012	-3,174,780
RDT&E	14,921,498	34,426	14,887,072	16,266,335	1,379,263
Military Construction	1,791,278	--	1,791,278	1,164,992	-626,286
Family Housing	452,851	--	452,851	370,441	-82,410
Revolving and Management Funds	573,213	--	573,213	--	-573,213
Total Department of the Navy	**161,262,842**	**13,938,303**	**147,324,539**	**147,685,630**	**361,091**

The FY 2015 request for OCO funding will be submitted later.

Numbers may not add due to rounding

Department of the Air Force *$ in Thousands*	FY 2014 Enacted Total	FY 2014 Enacted OCO	FY 2014 Enacted Base	FY 2015 Base Request	Base Delta FY14 - FY15
Military Personnel	35,857,845	835,813	35,022,032	34,098,554	-923,478
Operation and Maintenance	55,813,446	12,801,473	43,011,973	45,148,610	2,136,637
Procurement	34,193,262	2,868,740	31,324,522	33,357,810	2,033,288
RDT&E	23,541,991	9,000	23,532,991	23,739,892	206,901
Military Construction	1,290,731	--	1,290,731	1,046,905	-243,826
Family Housing	464,958	--	464,958	327,747	-137,211
Revolving and Management Funds	150,231	88,500	61,731	61,717	-14
Total Department of the Air Force	**151,312,464**	**16,603,526**	**134,708,938**	**137,781,235**	**3,072,297**

The FY 2015 request for OCO funding will be submitted later.

Numbers may not add due to rounding

Table A-8. DoD Base Budget by Military Department and Appropriation Title (cont'd)

Defense-Wide *$ in Thousands*	FY 2014 Enacted Total	FY 2014 Enacted OCO	FY 2014 Enacted Base	FY 2015 Base Request	Base Delta FY14 - FY15
Military Personnel	--	--	--	--	--
Operation and Maintenance	73,294,496	7,512,450	65,782,046	65,126,116	-655,930
Procurement	5,340,326	1,128,947	4,211,379	4,263,075	51,696
RDT&E	17,387,520	78,208	17,309,312	16,933,822	-375,490
Military Construction	3,631,123	--	3,631,123	2,261,590	-1,369,533
Family Housing*	-42,324	--	-42,324	62,762	105,086
Revolving and Management Funds	1,544,003	131,678	1,412,325	1,159,024	-253,301
Total Defense-Wide	**101,155,144**	**8,851,283**	**92,303,861**	**89,806,389**	**-2,497,472**

The FY 2015 request for OCO funding will be submitted later. *Numbers may not add due to rounding*

Grand Total Budget	**581,214,417**	**85,190,975**	**496,023,442**	**495,604,183**	**-419,259**

Note: Reflects Discretionary Budget Authority

* The FY 2014 Defense-Wide Family Housing appropriated amount was $57,625 thousand. This was offset by a $99,949 thousand rescission to the Homeowners Assistance Fund.

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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
ACAT	Acquisition Category
ACF	Army Contingency Force
AEHF	Advanced Extremely-High Frequency
AESA	Active Electronically Scanned Array
AFSOC	Air Force Special Operations Command
ANSF	Afghan National Security Forces
AOC	Air Operations Center
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ARCYBER	Army Cyber Command
ARI	Aviation Restructuring Initiative
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
BCT	Brigade Combat Team
BMD	Ballistic Missile Defense
BRAC	Base Realignment and Closure
BSFR	Black Sea Rotational Force
C2	command and control
CAP	Cross-Agency Priority
CAPES	Combat Avionics Programmed Extension
CBRN	Chemical, Biological, Radiological and Nuclear
CDU	Critical Dual Use
CE2T2	Combatant Commander's Exercise Engagement and Training Transformation
CERF	CBRN Enhanced Response Forces
CITS	Central Integrated Test System
CMC	Core Mission Computer
CMP	Civil Military Programs
CNO	Chief of Naval Operations
COCOM	Combatant Command
CONECT	Combat Network Communication Technology
CONUS	Contiguous United States
CPI	Consumer Price Index

Acronym	Definition
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
CST	Civil Support Teams
CTC	Combat Training Center
CWMD	Chemical Weapons of Mass Destruction
DAWDF	Defense Acquisition Workforce Development Fund
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DeCA	Defense Commissary Agency
DES	Disability Evaluation System
D-ILS	Deployable Instrument Landing System
DLIFLC	Defense Language Institute Foreign Language Center
DMS-M	Defensive Management Systems-Modernization
DoD	Department of Defense
DoDEA	Department of Defense Education Activity
D-RAPCOM	Deployable Radar Approach Control
DSCA	Defense Support of Civil Authorities
EAM	Emergency Action Message
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
ESGR	Employer Support of the Guard and Reserve
FHP	Flying Hour Program
FIAR	Financial Improvement and Audit Readiness
FIDL	Fully Integrated Data Link
FM	Financial Management
FRP	Fleet Response Plan
FSM	Facilities Sustainment Model
FTE	Full-Time Equivalent
FY	Fiscal Year
FYDP	Future Years Defense Program
GAO	Government Accountability Office
GBI	Ground-Based Interceptors

Acronym	Definition
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
GPS	Goals, Plans, and Success
GW	Gigawatt
HRF	Homeland Response Forces
IDES	Integrated Disability Evaluation System
IG	Inspector General
ILE	Intermediate Level Education
IRT	Individual Readiness Training Program
ISR	Intelligence, Surveillance, and Reconnaissance
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
JLEnT	Joint Logistics Enterprise
JSTARS	Joint Surveillance Target Attack Radar System
JTCP	Joint Training Coordination Program
JTEN	Joint Training Enterprise Network
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
LVC	Live Virtual Construct
MA	Mission Assignment
MALD-J	Miniature Air Launched Decoy-Jammer
MCESG	Marine Corps Embassy Security Group
MDAP	Major Defense Acquisition Program
MEB	Medical Evaluation Board
MEB CE	Marine Expeditionary Brigade command elements
MEU	Marine Expeditionary Unit
MHS	Military Health System
MilCon	Military Construction
MISO	Military Information Support Operations
MSE	Missile Segment Enhancement

Acronym	Definition
MTF	Military Treatment Facility
MWR	Morale, Welfare, and Recreation
MYP	Multiyear Procurement
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
OCO	Overseas Contingency Operations
O-FRP	Optimized FRP
OGS	Opportunity, Growth, and Security
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPIR	Overhead Persistent Infrared
OPM	Office of Personnel Management
OPTEMPO	Operating Tempo
OSD	Office of the Secretary of Defense
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
PEB	Physical Evaluation Board
PPV	Public-Private Ventures
PSA	Principal Staff Assistant
QDR	Quadrennial Defense Review
QRMC	Quadrennial Review of Military Compensation
RC	Reserve Components
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
SCMR	Strategic Choices and Management Review
SLEP	Service Life Extension Program
SMI	Space Modernization Initiative
SOF	Special Operations Forces
SOFORGEN	SOF generation model
SPMAGTF	Special Purpose Marine Air Ground Task Force
SPMAGTF-CR	SPMAGTF Crisis Response
SRM	Sustainment, Restoration, and Modernization

Acronym	Definition
SSA	Space Situational Awareness
STEM	Science, Technology, Engineering and Mathematics
SV	Space Vehicle
TAP	Transition Assistance Program
TBI	Traumatic Brain Injury
TDY	Temporary Duty
THAAD	Terminal High-Altitude Area
TRA	Training Resources Availability
TSOC	Theater Special Operations Commands
UDP	Unit Deployment Program
USAFRICOM	United States Africa Command
USASOC	United States Army Special Operations Command
USCENTCOM	United States Central Command
USMC	United States Marine Corps
USPACOM	United States Pacific Command
USSOCOM	United States Special Operations Command
USSTRATCOM	United States Strategic Command
VA	Department of Veterans Affairs
VSDU	Vertical Situation Display Upgrade
WII	Wounded, Ill, and Injured
WIN-T	Warfighter Information Network – Tactical
WSF	Weather System Follow-On
WSS	Weapons System Sustainment
YRRP	Yellow Ribbon Reintegration Program

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