

FEBRUARY 2011



UNITED STATES DEPARTMENT OF DEFENSE



FISCAL YEAR 2012 BUDGET REQUEST

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO



COMPTROLLER

Agenda

- Challenges
- FY 2012 Budget trends
- Key themes and priorities
- FY 2011 Continuing Resolution crisis
–“The crisis at our doorstep”

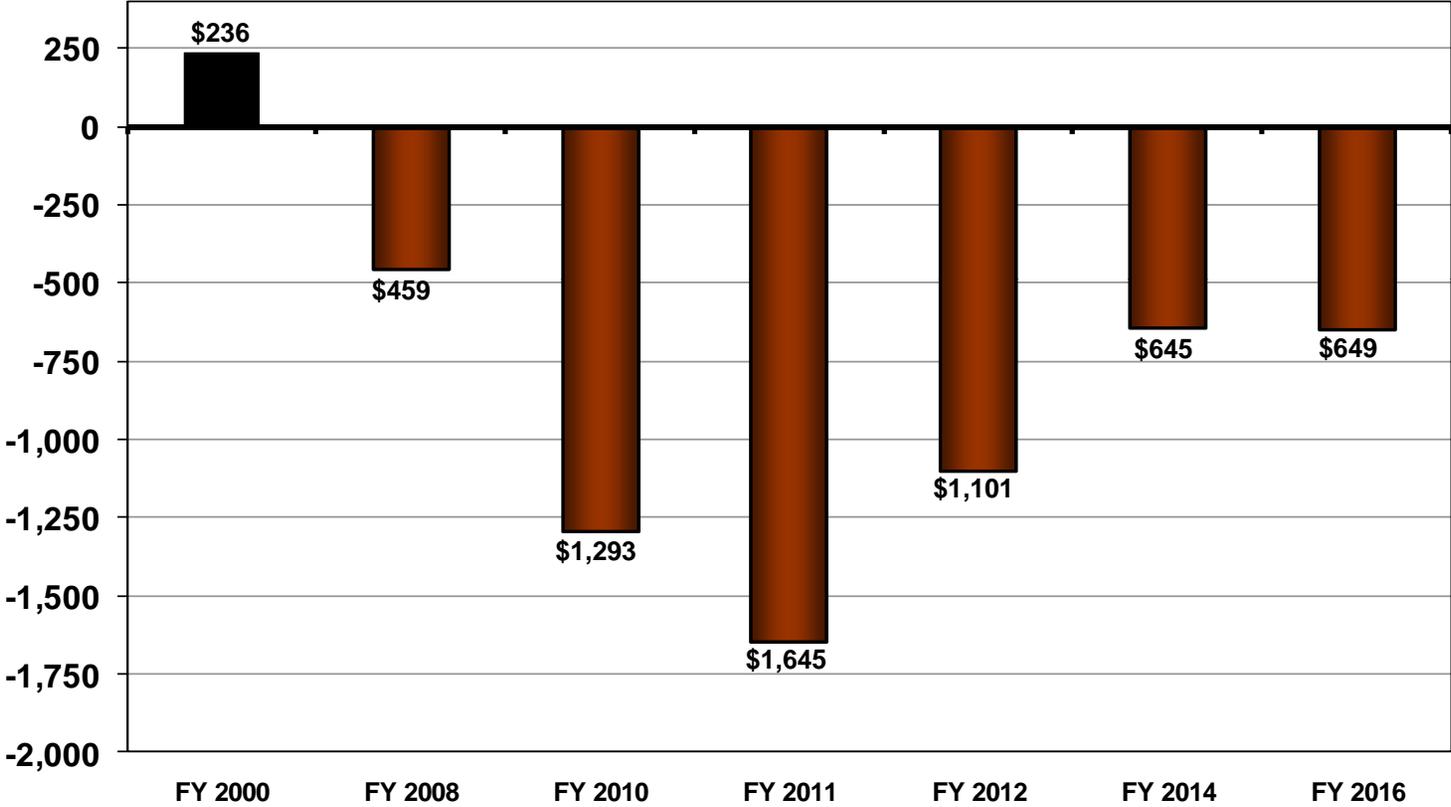
Strategic Challenges

- **U.S. Troops Remain Deployed**
- **WMD Proliferation**
- **Violent Extremists ↔ Non-State Actors**
- **Rising Peer Competitors**
- **Security of Global Commons (Piracy / Cyber)**
- **World-Wide Natural Disasters**

An uncertain and dynamic environment that spans the Range of Military Operations

Economic Challenges

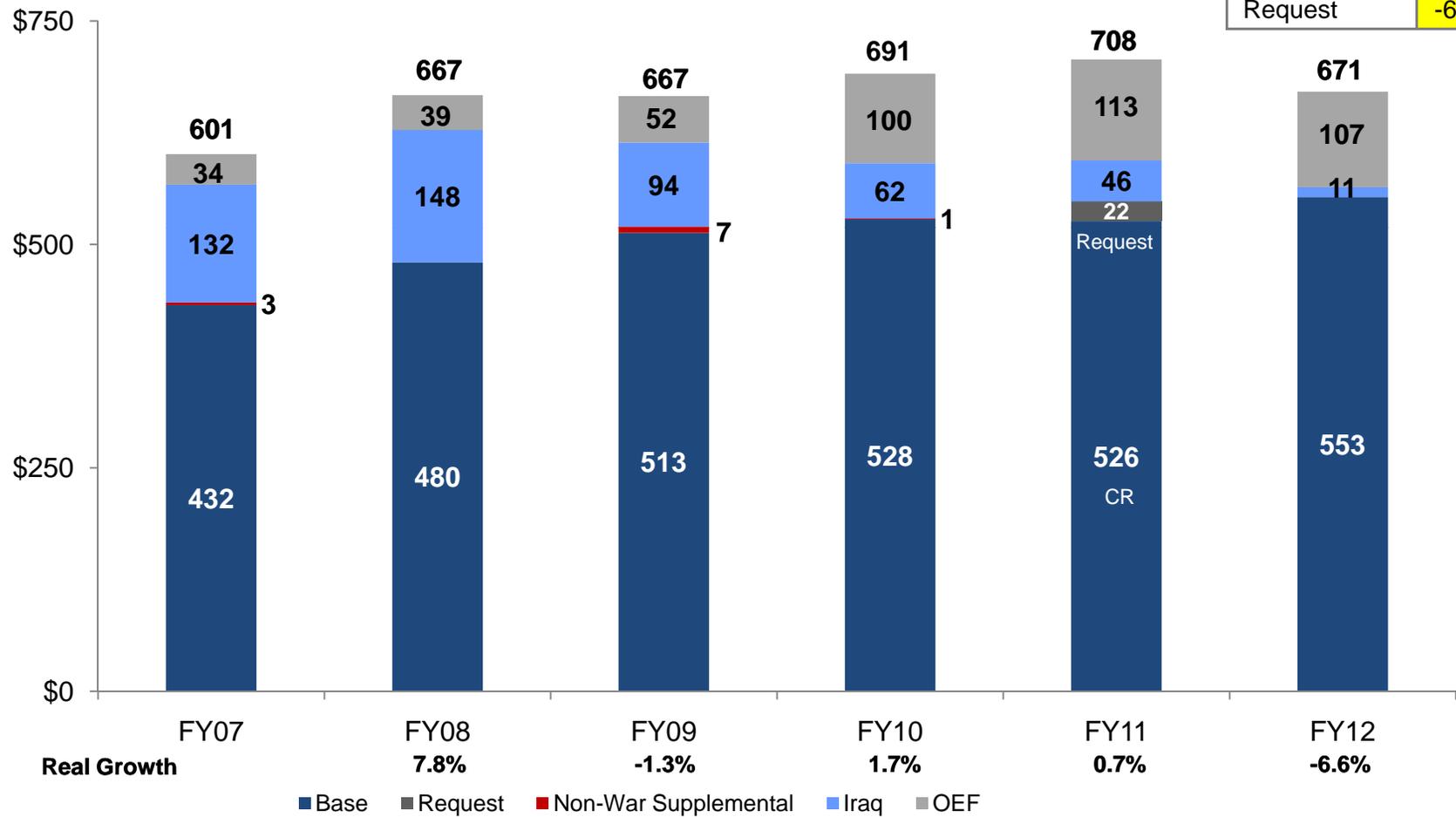
(Federal Deficit in Billions of Dollars)



Total Defense Spending Declines from FY 2011 to FY 2012

(Current Dollars in Billions)

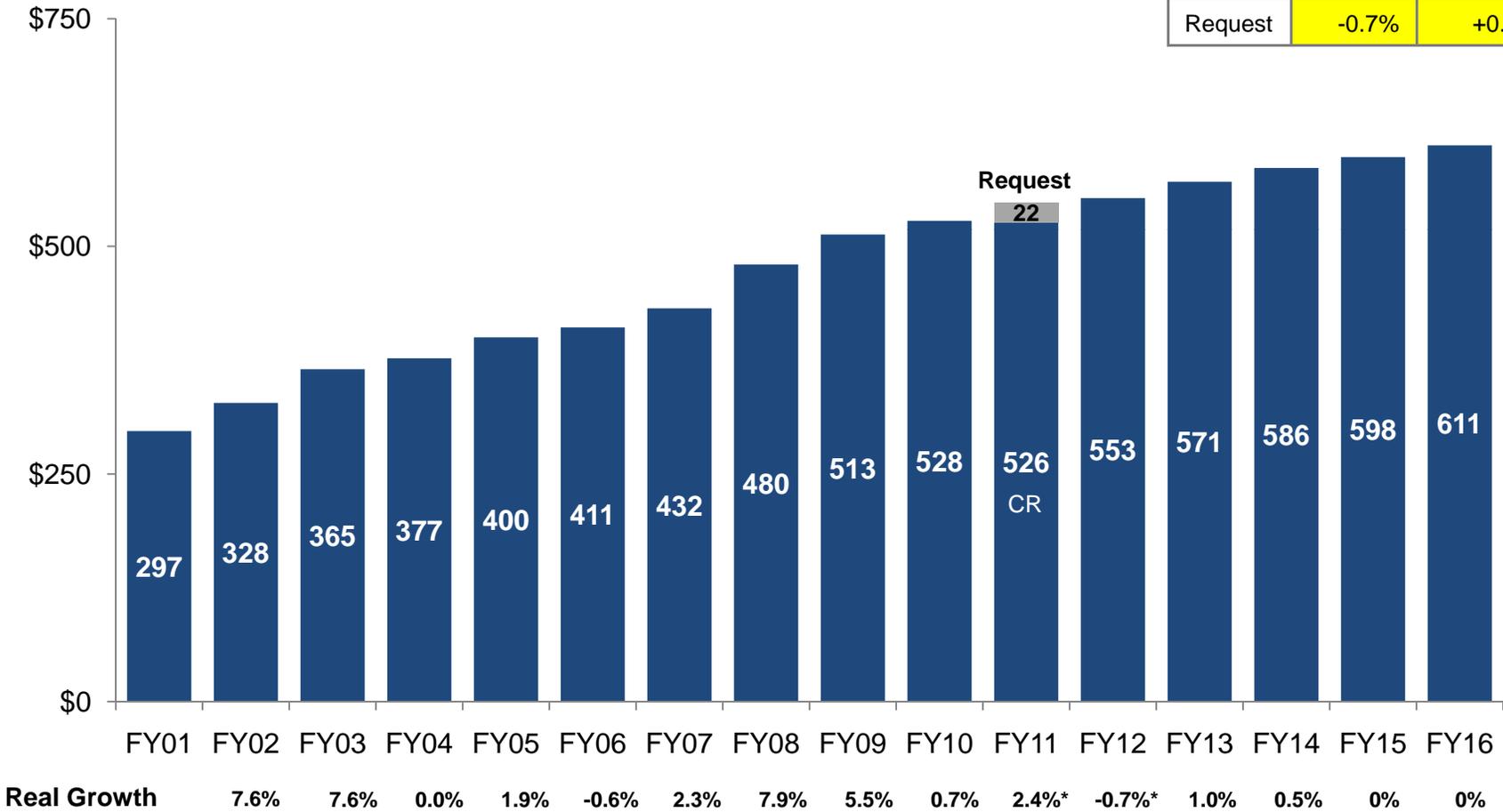
Real Growth FY11-12	
CR	-3.5%
Request	-6.6%



Base Budget Grows Modestly FY 2011 – FY 2016

(Current Dollars in Billions)

Real Growth	FY11-12	FY11-16 Average
CR	+3.6%	+1.0%
Request	-0.7%	+0.2%



* Real Growth based on the Request Amount.

FY 2012 Budget Themes

Themes

- Take care of people
- Focus on current war
- Modernize for possible future conflicts
- Support deployed troops

Reform Agenda

- Save \$178 billion in FY 2012 – FY 2016
 - Reinvest \$100 billion
 - \$78 billion for topline reductions

“Budget represents a reasonable, responsible and sustainable level of funding” - Secretary Gates (1/6/2011)

Take Care of People

- Military pay raise of 1.6%
 - Matches the Employment Cost Index (ECI)
 - Civilians under a pay freeze
- Family Support Initiatives (\$8.3 billion)
 - Child care and youth programs
 - Provides over 200,000 school-age children with child care
 - MyCAA and military spouse intern program
 - DoDEA Schools
 - Supporting over 100,000 students in 194 schools
 - 15 new/modernized school projects
 - Morale, welfare, and recreation
 - i.e., Provide mobile internet technology to deployed troops
 - Commissary operations
 - Over 90 million customer transactions per year
 - Warfighter services
 - Includes Yellow Ribbon Reintegration Program



Take Care of People

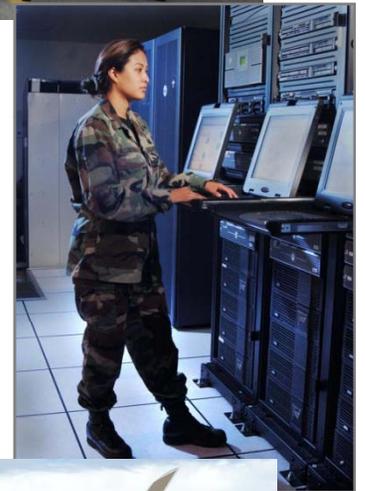
(Continued)

- Medical Care (\$52.5 billion)
 - Defense Health Program
 - Traumatic Brain Injury & Psychological Health Care
 - Wounded, Ill and Injured Medical research
 - New hospital at Ft. Bliss
- New quality of life-related construction (\$1.9 billion)
 - 41 new barracks
 - 6 new physical fitness centers
 - 4 new child development centers
 - 4 chapels



Focus on Current Wars

- Maintain combat readiness and training (\$84.4 billion)
 - Shift additional funding from OCO budget to base budget
- Invest in increased intelligence, surveillance and reconnaissance capabilities (ISR) capabilities (\$4.8 billion)
 - Procure additional Global Hawks (RQ-4)
3 aircraft/\$1.7 billion
 - Maximum Reaper (MQ-9) production
48 aircraft/\$1.4 billion
 - Maximum Gray Eagle (MQ-1) production
36 aircraft/\$1.0 billion
 - Accelerate unmanned maritime UAV (MQ-8)
12 aircraft/\$0.3 billion
 - Other UAVs: Shadow, Raven, STUAS
\$0.3 billion
 - Procure/sustain MC-12 aircraft
12 aircraft/\$0.3 billion
- Improved cyber capabilities (\$2.3 billion)



Focus on Current Wars

(Continued)

- Chemical Biological Defense Program (\$1.5 billion)
 - New vaccines/antibiotics
 - Medical counter measure initiative
 - Non-traditional agents
- Rotary aircraft recapitalization (\$10.6 billion)
- Global Train and Equip funding (section 1206) (\$0.5 billion)
 - Emphasis on Yemen
- Counterdrug activities (\$1.2 billion)
 - Increased support for activities in Mexico



Focus on Current War Needs

Modernize for Future Conflicts

- Restructured the Joint Strike Fighter Program (\$9.4 billion)
 - Increase research and development funding
 - Deferred procurement (FY 2012 quantity: 32 aircraft)
 - STOVL on 2-year probation
- Extended F/A-18 procurement through FY 2014
 - FY 2012 F/A-18E/F (28 aircraft/\$2.4 billion)
 - FY 2012 EA-18G (12 aircraft/\$1.1 billion)
- Stabilized shipbuilding with a 11-ship program
 - Virginia Class submarine 2
 - DDG-51 destroyer 1
 - Littoral Combat Ship (LCS) 4
 - LPD-17 amphibious ship 1
 - Joint High Speed Vessel 2
 - MLP 1



Modernize for Future Conflicts

(Continued)

- Long Range Strike (\$2.0 billion)
 - New Bomber
 - Minuteman III missile sustainment
 - Trident II Life Extension Program
- KC-X Tanker (\$0.9 billion)
- Additional F-15 radar improvements (\$0.2 billion)
- A new family of armored vehicles (\$0.8 billion)
- Joint Light Tactical Vehicle (\$0.2 billion)
- Continued development of SSBN(X) (\$1.0 billion)
- Ballistic Missile Defense (\$10.7 billion)
 - Phased Adaptive approach
- Defense Weather Satellite Systems (DWSS) (\$0.5 billion)
- Funded 2% real growth in basic research and maintained stable funding in remainder of science and technology (\$12.2 billion)



Substantial Investment in Current/Future Conflicts

Support Our Deployed Troops

- Total FY 2012 OCO budget request \$117.8 billion
- Troop assumptions:
 - Iraq: transition from military to civilian mission; no troops after Dec 2011
 - Afghanistan: 98,250 troops on average
- Cost of operations \$79.8 billion
- Reset of damaged and destroyed equipment \$11.9 billion
- Counter IED/force protection needs \$10.1 billion
- Continue to train and equip Afghan Security Forces \$12.8 billion
- Temporary Army end strength \$1.9 billion
- Commanders Emergency Response Fund (CERP) \$425 million
- Afghan Infrastructure Fund \$475 million
- Assist in Iraq transition \$524 million

Overseas Contingency Operations Fully Funded

FY 2012 Budget Themes

Themes

- Take care of people
- Focus on current war
- Modernize for possible future conflicts
- Support deployed troops



Past Reforms



Current Reform Agenda

Reform Agenda

- FY 2010: Focus on weapons
- FY 2011: Focus on weapons

- FY 2012 – FY 2016: Focus on business operations
- Save \$178 billion
 - Reinvest \$100 billion
 - \$78 billion for topline reductions

Save and Reinvest \$100 Billion

(\$ Billions) By Military Department

	FY 2012	FY 2012 - FY 2016
Army	-2.7	-29.5
Navy	-4.3	-35.1
Air Force	-3.4	-33.3
SOCOM	-0.4	-2.3
Total	-10.7	-100.2

(\$ Billions) By Category

	FY 2012	FY 2012 - FY 2016
Better Business Practices	-3.9	-45.5
Reorganizations	-3.5	-25.0
Program Reductions/Terminations	-2.6	-21.5
Streamline Lower Priority Programs	-0.7	-8.2
Total	-10.7	-100.2

Examples of Efficiency Savings

Army Savings (\$29.5 billion)

- Reduce infrastructure civilian and military manning and reduce support processes (\$3.7 billion)
- Save on military construction costs by sustaining existing facilities (\$1.5 billion)
- Cancel procurement of SLAMRAAM surface to air missile (\$1.1 billion)
- Terminate Non-line of Sight Launch System (\$3.2 billion)
- Reduce recruiting and retention incentives (\$5.3 billion)

Air Force Savings (\$33.3 billion)

- Reorganizations (\$4.2 billion), e.g., consolidate four operations and three numbered Air Force staffs, and streamline installation support
- Improve depot and supply chain business processes (\$3.0 billion)
- Reduce/terminate programs (\$3.7 billion), e.g., terminate Infrared Search and Track Program
- Reduce facility sustainment (\$1.6 billion)
- Reduce cost of information technology (\$1.3 billion)

Navy Savings (\$35.1 billion)

- Reduce ashore manpower, reassign personnel to operational ships and air units (\$4.7 billion)
- Increase use of multiyear procurement contracts for ships and aircraft (\$5.3 billion)
- Disestablish Second Fleet headquarters; staffs for submarine, patrol aircraft and destroyer squadron staffs (\$1.2 billion)
- Terminate Expeditionary Fighting Vehicle (\$2.8 billion)
- Reduce energy consumption (\$2.3 billion)

SOCOM (\$2.3 billion)

- Terminate the Joint Multi-Mission Submersible program (\$0.8 billion)
- Consolidate into single Special Operations Forces Info Technology Contract (\$0.4 billion)
- Reduce programs where Service-common equipment meets requirements (\$0.2 billion)

Achieving \$78 Billion for Topline Reductions in FY 2012 – FY 2016

- Freeze civilian billets (limited exceptions) \$13 billion
- Two-year federal civilian pay freeze \$12 billion
- Healthcare reform \$8 billion
- Defense Agency/OSD Staff Baseline Review \$11 billion
- Disestablished Joint Forces Command/BTA \$2.3 billion
- Reduce staff augmentee contracts \$6 billion
- Restructure the Joint Strike Fighter program \$4 billion
- Reduce the size of ground forces in FY 2015/FY 2016 \$6 billion
- Decrease reports, studies, boards and commissions \$1 billion
- Reduce senior leadership positions \$.1 billion
- Lower economic assumptions \$4 billion
- Many smaller efforts across the enterprise \$11 billion

Key Take Aways

**Total defense spending
decreases**

**Base budget increases
modestly**

Priorities

- **Take care of people**
- **Focus on current war**
- **Modernize for possible future conflicts**
- **Support deployed troops**

**Reform seeks to
stretch defense dollars**

- **Save \$100 billion and reinvest**
- **Save \$78 billion and reduce topline**

Reasonable, Responsible, Sustainable

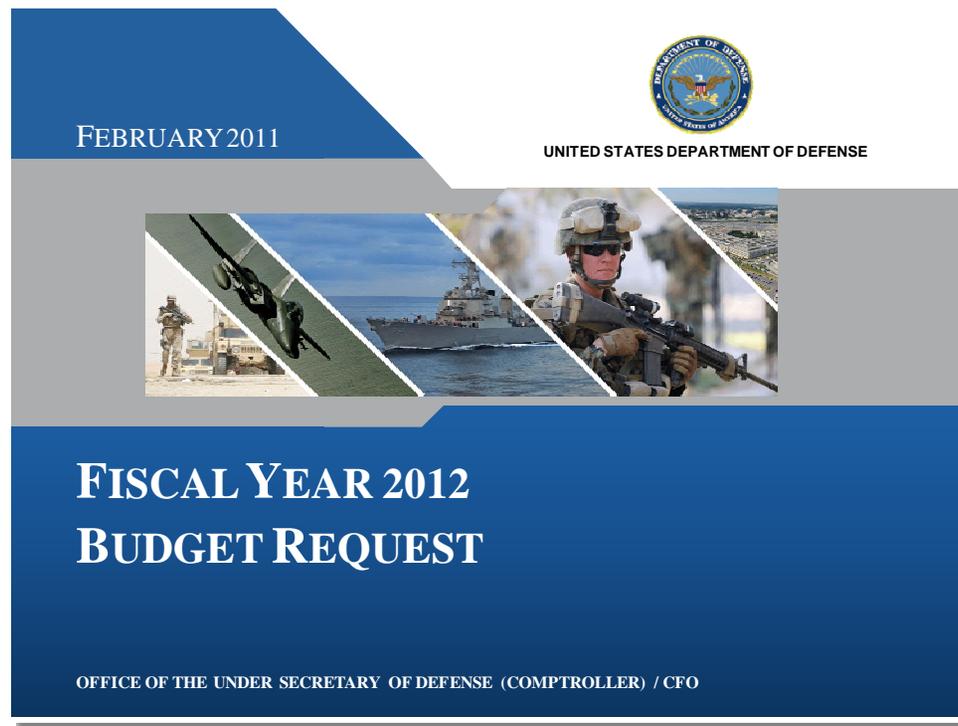
FY 2011 Budget Crisis

- Operating under Continuing Resolution (CR) at least through March 4th
- CR does not provide enough funds
 - Cut exercises, maintenance, people support
- CR does not provide enough flexibility
 - No new starts, no procurement rate increases
- CR results in inefficient management
 - Reopening contracts, delays, work arounds

“I want them [Congress] to deal with the crisis on my doorstep before we start arguing about the levels in FY 12” – Secretary Gates

For More Information

- For more information, visit the website for the Office of the Under Secretary of Defense (Comptroller) at
 - www.budget.mil
 - Download the Department's *FY 2012 Budget Request*



Backup Slides

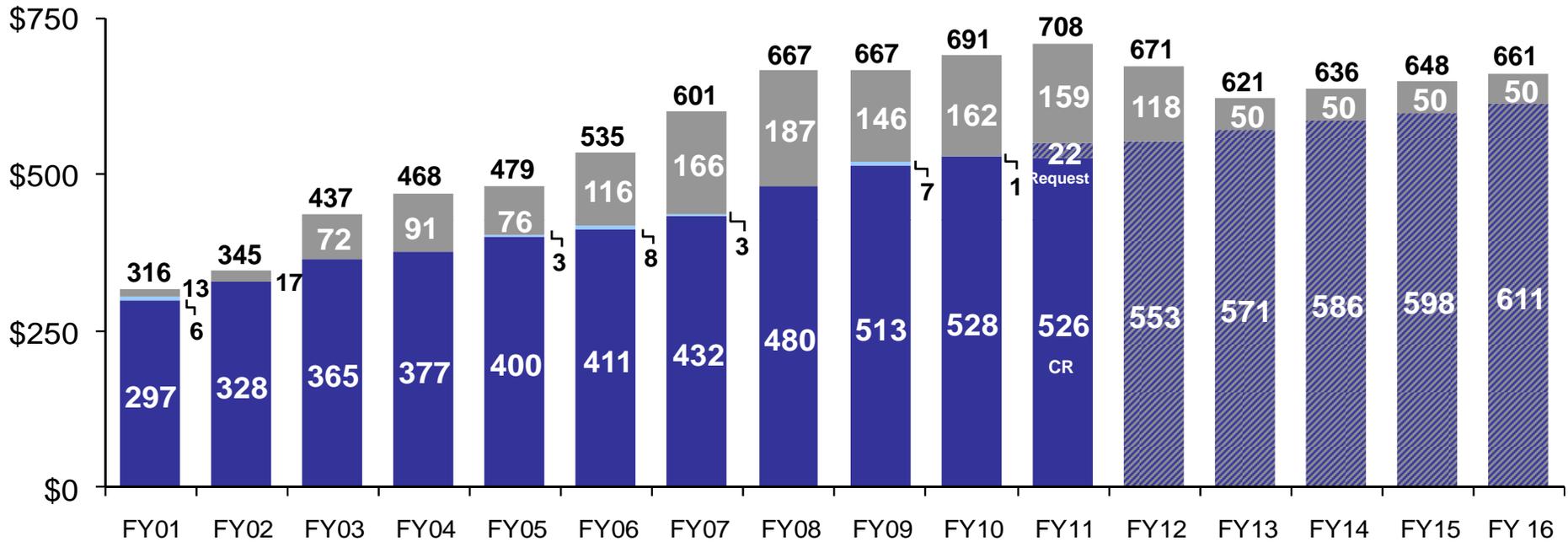


Department of Defense Topline

FY 2001 – FY 2016

(Current Dollars in Billions)

FY 2010 – FY 2016	
Base Growth	
Nominal Growth	2.5%
Real Growth	0.5%



Numbers may not add due to rounding

■ Base Budget
 ■ OCO Funding
 ■ Non-War Supplemental
 ■ Base Budget Position

Notes: • FY 2012 – FY 2016 reflects levels included in the President's FY 2012 Budget Request; FY 2009 Non-War Supplemental was appropriated through the American Recovery and Reinvestment Act of 2009

• FY 2011 reflects the addition of the annualized 2011 Continuing Resolution and an adjustment to the Presidents FY2012 Budget Request

Source: Department of Defense Appropriation Acts FY 2001 – FY 2010, FY2011 Continuing Resolution, FY 2011-FY2012 President's Budget documents

Summary By Component

(\$ in Billions)

Component	FY 2010	FY 2011 CR	FY 2012
Army	138.8	136.8	144.9
Navy	155.3	155.6	161.4
Air Force	142.4	143.2	150.0
Defense-wide	91.5	90.5	96.8
Total	527.9	526.1	553.1

Numbers may not add due to rounding

Summary By Appropriation Title

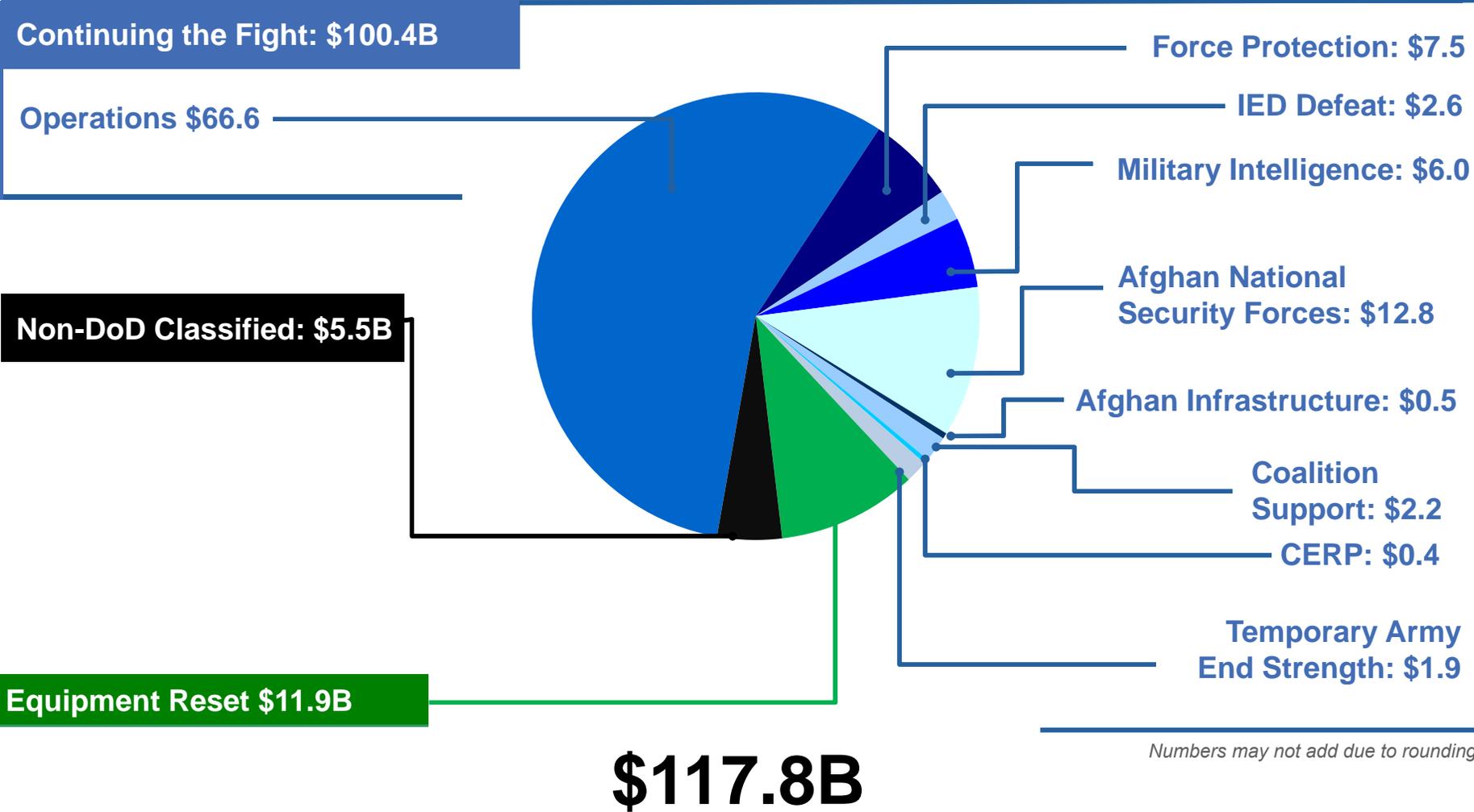
(Dollars in Billions)

Appropriation Title	FY 2010	FY 2011 CR	FY 2012
Military Personnel	\$135.7	\$135.2	142.8
Operation and Maintenance	183.9	184.5	204.4
Procurement	103.2	104.8	113.0
RDT&E	79.3	80.4	75.3
Military Construction	20.5	15.9	13.1
Family Housing	2.3	2.3	1.7
Revolving and Management Funds	3.1	3.1	2.7
Total	527.9	526.1	553.1

Numbers may not add due to rounding

FY 2012 Overseas Contingency Operations Budget Request

(Dollars in Billions)



OCO Trends

(\$ in Billions)

	FY 2009	FY 2010	FY 2011	FY 2012
OEF	52	100	113	107
OIF	94	62	46	11
Total	146	162	159	118

Numbers may not add due to rounding

OIF funding reflects withdrawal in first quarter FY 2012
OEF funding continues support of ongoing operations

Savings Achieved by Military Departments

(\$ in Billions)

Component	FY 2012	FY 2012 – FY 2016
Army	-2.7	-29.5
Navy	-4.3	-35.1
Air Force	-3.4	-33.3
SOCOM	-0.4	-2.3
Total	-10.7	-100.2

Numbers may not add due to rounding

Army Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
Better Business Practices	-0.2	-10.3
Reorganizations	-0.8	-5.4
Program reduction/terminations	-1.3	-11.0
Reduced lower priority programs	-0.4	-2.8
Army Total	-2.7	-29.5

Numbers may not add due to rounding

Navy Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
Better Business Practices	-1.5	-14.1
Reorganizations	-2.2	-15.4
Program reduction/terminations	-0.6	-5.5
Reduced lower priority programs	--	--
Navy Total	-4.3	-35.1

Numbers may not add due to rounding

Air Force Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
Better Business Practices	-2.2	-20.6
Reorganizations	-0.5	-4.2
Program reduction/terminations	-0.6	-3.7
Reduced lower priority programs	-0.1	-4.8
Air Force Total	-3.4	-33.3

Numbers may not add due to rounding

SOCOM Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
Better Business Practices	-0.1	-0.4
Reorganizations	--	--
Program reduction/terminations	-0.2	-1.3
Reduced lower priority programs	-0.1	-0.6
SOCOM Total	-0.4	-2.3

Numbers may not add due to rounding

Military Healthcare Proposals

- Efficiencies
 - Patient Centered Medical Home staffing efficiencies
 - Consolidation of initial outfitting and transition responsibilities
 - Centralize procurement of medical equipment and devices
 - Service support contractor reductions and streamlined headquarters operations
 - Expanded use of urgent care and nurse advice line
- Tricare Prime Enrollment Fees
 - Modest increase in fees (\$5 mo./family & \$2.50 mo./individual)
 - Indexing to Medicare starting in FY 2013
- Pharmacy co-pays
 - Provide incentives to use generic and mail order prescriptions
- U.S. Family Health Plan
 - Phase out enrollment of Medicare-eligible retirees to avoid unique payments
- Sole Community Hospitals
 - Comply with law mandating Medicare rates

Total savings: \$340 million in FY 2012; \$7.9 billion in FY 2012 – FY 2016



UNITED STATES DEPARTMENT OF DEFENSE

