

SUMMARY OF THE DOD FISCAL 2012 BUDGET PROPOSAL

PRINCIPAL OBJECTIVES

The fiscal 2012 budget supports the department's security strategy and builds on the changes introduced by the fiscal 2010 defense budget and the fiscal 2011 budget. As in recent years, the budget for fiscal 2012 is organized around four major themes:

1. Reaffirming and strengthening the nation's commitment to care for the all-volunteer force, the military's greatest strategic asset.
2. Balancing America's defense posture, between capabilities to prevail in current wars and preparing for future conflicts.
3. Continuing the department's support for troops in the field.
4. Advancing Gates' agenda to reform the way DoD does business and shifting resources from the defense tail to tooth.

Taking Care of People

The fiscal 2012 budget includes \$142.8 billion in military personnel funding for the pay and allowances of 2.3 million servicemembers. The budget request also supports personnel through the \$204.4 billion operation and maintenance (O&M) funding for readiness, training, support for base operating costs, and administrative and headquarters costs. The request reflects the department's highest priority, which is to provide support for DoD people, whose service ensures the security of the United States and its interests.

The President's Budget for fiscal 2012 includes the following personnel-related highlights:

Pay Raise. The fiscal 2012 budget includes a military basic pay increase of 1.6 percent. The pay raise is equal to the full increase in the Employment Cost Index, as prescribed by law, and it will keep military pay in line with raises in the private sector.

BAH / BAS. Under the budget, Basic Allowance for Housing (BAH) will increase 4.2 percent, and Basic Allowance for Subsistence (BAS) will increase 3.4 percent.

Military Healthcare. The fiscal 2012 budget request includes \$52.5 billion to fully fund the military health system (including \$32.2 billion for the Defense Health Program), which currently serves 9.6 million eligible beneficiaries -- active duty service members and their families, military retirees and their families, dependent survivors, and certain eligible reserve component members and their families. The proposed budget continues to fund the highest quality care and service, while supporting the department's ongoing effort to manage costs responsibly.

Care for Wounded Warriors. Recognizing that the department has no greater concern than to care for wounded, ill, and injured (WII) servicemembers, the fiscal 2012 budget includes

\$2.3 billion for ongoing initiatives for the care and support of WII and their families. Of this amount, \$415 million provides for continued support of vital research involving psychological health, Post Traumatic Stress Disorder, and traumatic brain injuries, as well as prosthetics, vision and hearing loss, and other conditions resulting from current conflicts.

Military Family Support Programs. Recognizing the unprecedented demands that have strained the All-Volunteer Force and military families since 2001, the department supports the “President’s Initiative Supporting Military Families,” announced on Jan. 14, 2011. DoD is requesting \$8.3 billion (base) for a variety of family support programs that are critical to morale and the well-being of servicemembers and their families. Funds are included for child care and youth programs, community support activities, family support centers, spouse employment, and DoD Education Activity (DoDEA) schools that educate the children of service members in 12 countries and 7 states, Puerto Rico, and Guam.

Build and Sustain Excellent Facilities. The fiscal 2012 budget requests \$12.5 billion for military construction, \$0.6 billion for BRAC-related caretaker and environmental restoration expenses, and \$1.7 billion for family housing. The fiscal 2012 budget also continues the department’s plan begun in fiscal 2011 to replace and recapitalize more than half of the 194 DoD schools. For fiscal 2012, the military construction investment for DoD schools is \$550 million, which will replace or modernize 15 schools.

Support Current Wars and Modernize for the Future

The fiscal 2012 budget continues the effort to seek a better balance in the U.S. defense posture -- between the risks America faces and limited resources, and between capabilities needed for current conflicts and those needed for future wars. To that end, the administration has acted decisively to prioritize the weapons and systems that DoD buys. The objective has been to end troubled programs and to achieve a better balance between capabilities needed to succeed in the current or most likely conflicts and capabilities needed to prepare for possible future conflicts.

The President’s Budget for fiscal 2012 includes \$113.1 billion for procurement and \$75.3 billion for research, development, test, and evaluation (RDT&E). Among the highlights:

Focus on Current War Efforts:

Unmanned Aerial Systems. The fiscal 2012 budget continues strong funding for unmanned aerial vehicles (UAVs) that enhance intelligence, surveillance, and reconnaissance (ISR) capabilities. The base budget includes \$4.8 billion to develop and procure additional Global Hawk Class (RQ-4), Predator Class (MQ-1/9), and other less expensive, low-altitude systems.

Rotary Wing Aircraft. The fiscal 2012 budget contains more than \$10 billion to modernize the rotary wing aircraft crucial to U.S. military operations. Included are continued procurement of Chinook CH-47s and Blackhawk UH-60s for the Army; MH-60R, MH-60S, and MV-22 Osprey aircraft for the Navy and Marine Corps; and CV-22 Ospreys for the Air Force. The budget also supports development of a more advanced Apache AH-64 attack helicopter, a replacement for Presidential helicopters, and a future search and rescue helicopter.

Cyber. The Budget includes \$2.3 billion for fiscal 2012 to improve cyber capabilities. Funds would continue to strengthen the new U.S. Cyber Command (CYBERCOM), including planning and design funds to create the Joint Operations Center for CYBERCOM at Ft. Meade, Md. \$0.5 billion in cyber technologies; and funds for training and improved situational awareness.

Chem-Bio Defense. The fiscal 2012 budget includes \$1.5 billion for the Chemical and Biological Defense Program (CBDP), including measures to better understand potential threats, secure and reduce dangerous materials, and prevent potential attacks.

Global Train and Equip (1206). The fiscal 2012 budget includes \$500 million to train and equip partner nations to conduct counterterrorism operations or to take part in military and stability operations where U.S. forces are participating. The program has been a key tool in improving the effectiveness and survivability of countries fighting alongside U.S. troops in Afghanistan and has provided critically needed support to countries – such as Yemen and the Philippines – confronting terrorist groups that pose a threat to U.S. national security interests.

Counternarcotics. The fiscal 2012 budget requests \$1.2 billion to fund the military's counternarcotic efforts. Included are funds to support efforts of combatant commanders against drug trafficking; to collect, process, analyze, and disseminate information; and to support domestic counternarcotic efforts. Also included in the OCO request are funds to support counternarcotic efforts in Afghanistan.

Modernizing for Future Conflicts:

Restructure JSF. The fiscal 2012 budget request includes \$9.7 billion to continue implementing the long-term acquisition plan for the F-35 Joint Strike Fighter (JSF) and supports continued development and production of three variants. Due to cost and development problems, the JSF program has been restructured for fiscal 2012, adding more than \$4 billion over the future years defense program for system design and development and limiting procurement to 32 aircraft. Also, because of technical issues, the short take-off and vertical landing (STOVL) model has been placed on probation for two years, pending further successful development. To compensate for unanticipated JSF delays, DoD plans to procure an additional 41 F/A-18s in the fiscal 2012- 2016 timeframe.

Robust Shipbuilding Plan. The fiscal 2012 budget includes \$24.6 billion to support a realistic, executable shipbuilding portfolio. The request includes \$19.9 billion for procurement and \$4.7 billion for RDT&E. This budget will support procurement of 11 ships – one DDG 51 destroyer, two Virginia class submarines, four littoral combat ships (LCS), two joint high speed Vessels (JHSVs) (one Army and one Navy), one Mobile Landing Platform (MLP), and one LPD-17 amphibious transport dock ship. The requested amount will also support procurement of an oceanographic ship and fund advance procurement for a new aircraft carrier (CVN 79), additional Virginia Class submarines, and the fiscal 2013 DDG 51 class destroyer.

Long-Range Strike (LRS) Family of Systems (FoS). The fiscal 2012 budget includes funding to begin development of a new bomber able to operate effectively in future threat environments. The new bomber will be the key element of a long-range strike family of systems

portfolio for power projection. The new aircraft would augment and eventually replace the nation's current bomber fleet. It would be long-range, carry precision-guided conventional weapons, and be nuclear-capable. It would also be optionally manned which will provide enhanced mission flexibility.

Missile Defense. The fiscal 2012 budget advances the administration's missile defense approach. It includes \$10.7 billion for ballistic missile defense programs – including \$8.6 billion for the Missile Defense Agency (MDA). This funding includes an additional \$780 million to increase regional radars, continue MDA's flight test program, add additional ground-based interceptors (GBI), and hedge capabilities against potential threats. It also includes more than \$2 billion for missile defense systems required to implement the European Phased Adaptive Approach, which will field its initial phase in the 2011 timeframe.

SSBN(X). The fiscal 2012 budget continues the research and development program for the next generation ballistic missile submarine, a vital part of the nation's nuclear triad which also includes aircraft and land-based ballistic missiles.

KC-X Tanker. Funds are included in the fiscal 2012 budget to continue progress towards a contract award for 179 new KC-X aerial refueling tankers. The new tanker aircraft will replace one third of the U.S. tanker fleet. Tankers will be produced at a maximum rate of 15 aircraft per year. The contract is valued at approximately \$35 billion.

Science and Technology. The fiscal 2012 budget includes robust funding of \$12.2 billion for science and technology programs. To enable our forces to sustain their technological superiority, Gates directed DoD to fund two percent real growth in basic research and to maintain stable funding in the rest of S&T for the fiscal 2012 – fiscal 2016 period. In real terms, the fiscal 2012 S&T budget request is almost 29 percent greater than the request in fiscal 2000.

Nuclear Modernization. The fiscal 2012 budget supports the close partnership between DoD and the National Nuclear Security Administration (NNSA) by including \$2.2 billion over fiscal 2012-fiscal 2016, primarily for modernization of the nuclear weapons complex and sustainment of the stockpile.

Supporting Our Troops in the Field

In addition to the department's base budget, the fiscal 2012 request includes \$117.8 billion to support troops engaged in Overseas Contingency Operations (OCO) primarily in Afghanistan and Iraq. The request includes:

- \$79.7 billion to support operations continuing in Afghanistan and an orderly withdrawal from Iraq.
- \$10.1 billion for counter-IED efforts and other force protection.
- \$11.9 billion for reconstituting equipment -- repairing and replacing equipment lost and damaged as a result of ongoing operations.
- \$12.8 billion to train and equip Afghanistan Security Forces.

- \$1.9 billion to support temporary increases in Army end strength.
- \$0.4 billion for the Commander's Emergency Response Program (CERP).
- \$0.5 billion for the Afghanistan Infrastructure Fund (AIF).
- \$0.5 billion to assist in Iraq transition.

Reforming Departmental Operations

To make the most of taxpayer dollars and to fulfill its vital mission most effectively, the Department of Defense is continuing to reform the way it does business.

The fiscal 2010 and fiscal 2011 budgets ended a number of major programs that were no longer needed or that were troubled by cost or execution problems. During preparation of the fiscal 2012 budget, DoD continued a comprehensive search for efficiencies, focusing on its business operations. This far-reaching effort resulted in savings totaling \$178 billion in fiscal 2012 to 2016.

The military services themselves developed savings of about \$100 billion. These savings were achieved through improvements in business practices, reorganizations, and streamlining of lower-priority programs. The military services also restructured or terminated some programs. The Army, for example, will terminate procurement of the SLAMRAAM surface-to-air missile and the Non-Line-of-Sight Launch System, while the Marine Corps will terminate the Expeditionary Fighting Vehicle (EFV) which would have consumed \$12 billion in future procurement budgets.

The military services will reinvest this \$100 billion in savings, as they occur, to meet important requirements. About \$28 billion will be used over the next five years to deal with higher-than-expected operating expenses, including costs for sustainment of weapon systems, depot maintenance, base support, flight hours and other training. In the absence of the efficiency initiatives, these higher costs would have led to cuts in investment. The remaining savings of about \$70 billion will be devoted to high priority warfighter capabilities – including initiation of a new long-range bomber program in the Air Force; accelerated modernization of the Army's Abrams tanks, Bradley Fighting Vehicles, and Strykers; acquisition of six additional Navy ships; and repair and refurbishment of Marine equipment.

The department has also developed additional efficiencies and other changes, which result in a \$78 billion topline reduction from the fiscal 2011 budget plan. These savings were achieved through DoD-wide personnel changes, including holding the civilian workforce at or below fiscal 2010 levels and a two-year freeze on civilian salaries, a reduction in the number of contractors, and a cut in both flag and general officer billets and the number of civilian senior executives. Other reforms involved military healthcare and streamlining of the DoD organization by disestablishing organizations that are no longer needed, including the Joint Forces Command and the Business Transformation Agency.

The President's Department of Defense fiscal 2012 budget request continues Gates' reform agenda, which is designed to change the way the department operates. The proposed budget continues the focus on improving capabilities to fight today's wars while also investing substantially in capabilities to counter the full range of potential threats the United States is facing today or may face in the future. Above all, the proposed budget takes care of DoD's people – our highest priority.

Attached Summary Charts:

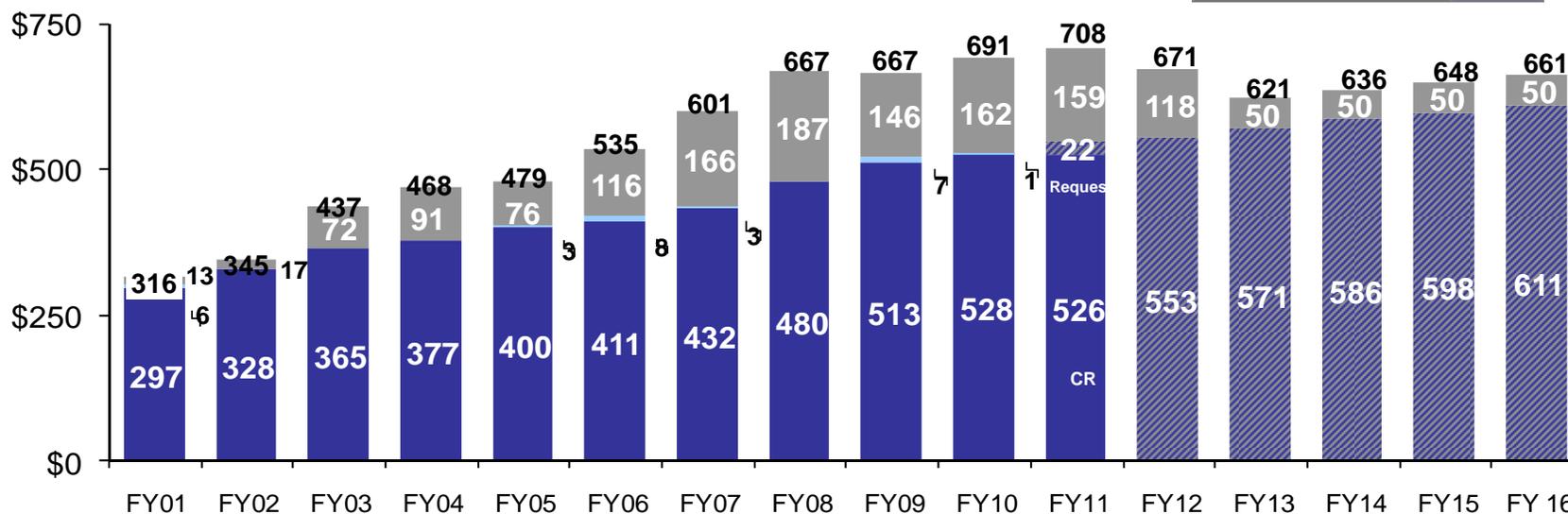
- Department of Defense Topline Bar Graph FY 2001 – FY 2012
- Summary By Appropriation Title
- Summary By Component
- FY 2012 OCO Budget Request Pie Chart

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 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

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

FY 2012 Overseas Contingency Operations Budget Request

(Dollars in Billions)

