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FY2018 Defense Budget: Issues for Congress

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Agenda

- **Strategic Context / U.S. Role in the World**
- **The FY2018 Defense Budget Overview**
- **The FY2018 Budget in Historical Context**
- **Military Personnel Matters**
- **Weapons Procurement Matters**
- **Talk to the Experts**





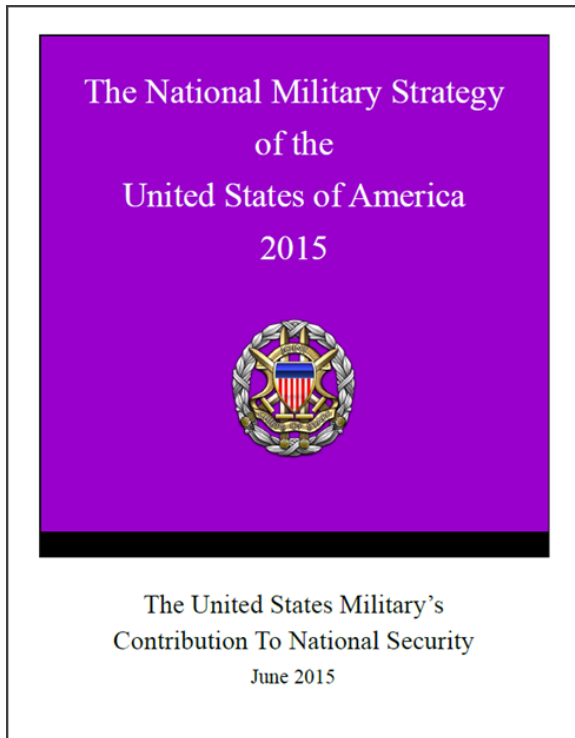
FY2018 Defense Budget: Strategic Context

Kathleen McInnis
Analyst in International Security





2015 National Military Strategy



- **Revisionist States**
- **Violent Extremist Organizations**

“..[G]lobal disorder has significantly increased, while some of our comparative military advantage has begun to erode.”

**-The Chairman's Foreword to the
2015 National Military Strategy**

Possible Oversight Questions for Congress

- Are DOD's priorities right, strategically and programmatically?
- Can programmatic decisions enable DOD to meet current & emerging challenges?
- Is DOD appropriately configured to meet current and emerging security challenges?
- Is the interagency appropriately resourced to meet national objectives?





The FY2018 Defense Budget Overview

Pat Towell

Specialist in Defense Policy and Budget



**Unless otherwise specified,
all funding amounts in this briefing
refer to Budget Authority**



FY2018 President's Budget Request

**National Defense
Budget Function 050**

\$677.1B



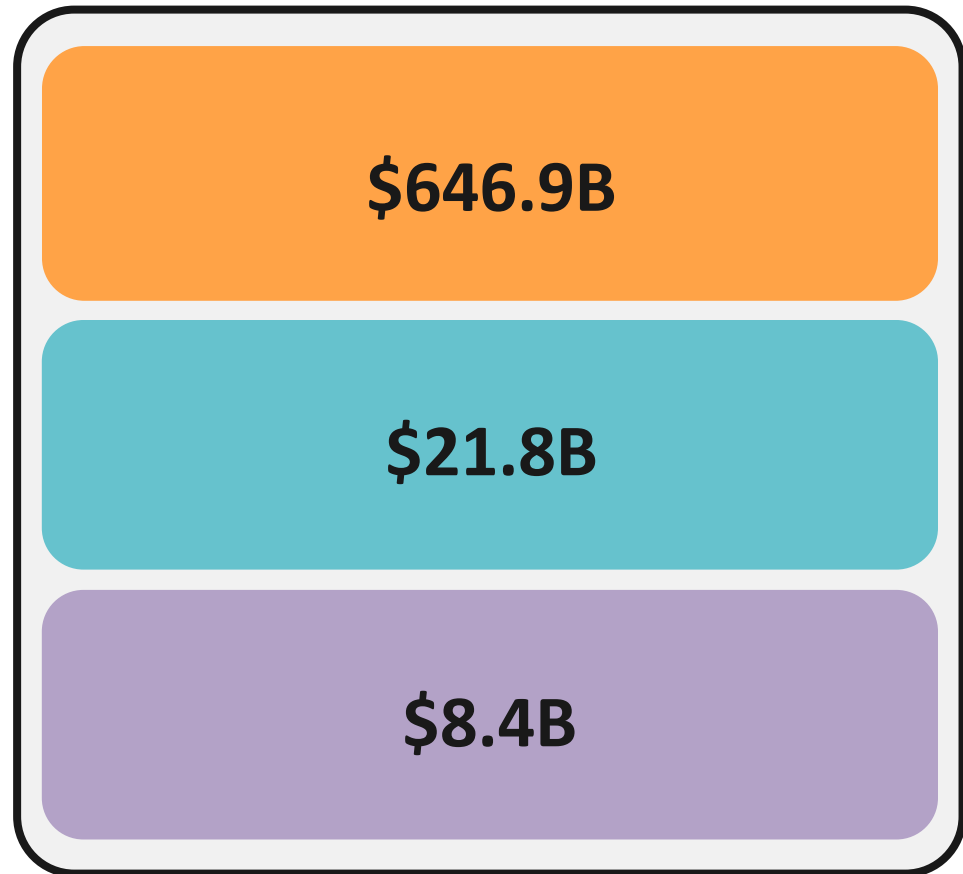
FY2018 Defense Budget Request

\$677.1B =

**DOD Military
(051)**

**Atomic Energy
Defense Activities (053)**

**Other Defense-
related (054)**



Totals may not reconcile due to rounding.



FY2018 Defense Budget Request

\$677.1B =

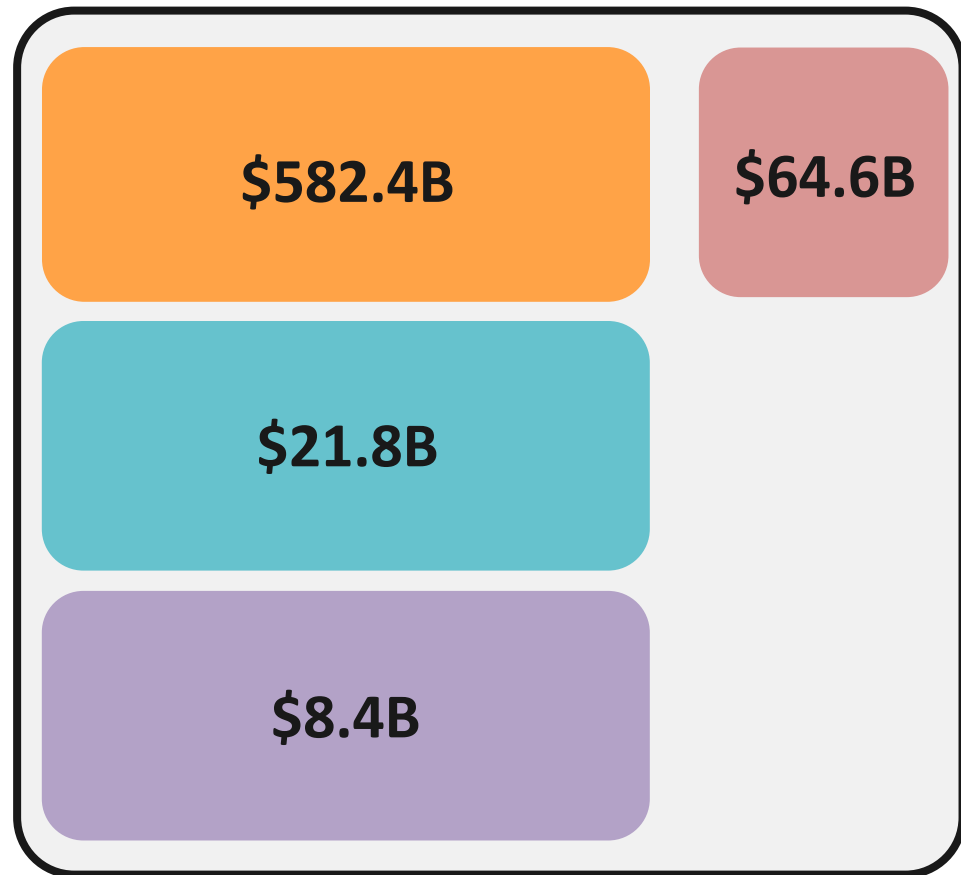
Base Budget

OCO

**DOD Military
(051)**

**Atomic Energy
Defense Activities (053)**

**Other Defense-
related (054)**



Totals may not reconcile due to rounding.



FY2018 Defense Budget Request

\$677.1B =

Base Budget

Discretionary *Mandatory* **OCO**

**DOD Military
(051)**

**Atomic Energy
Defense Activities (053)**

**Other Defense-
related (054)**

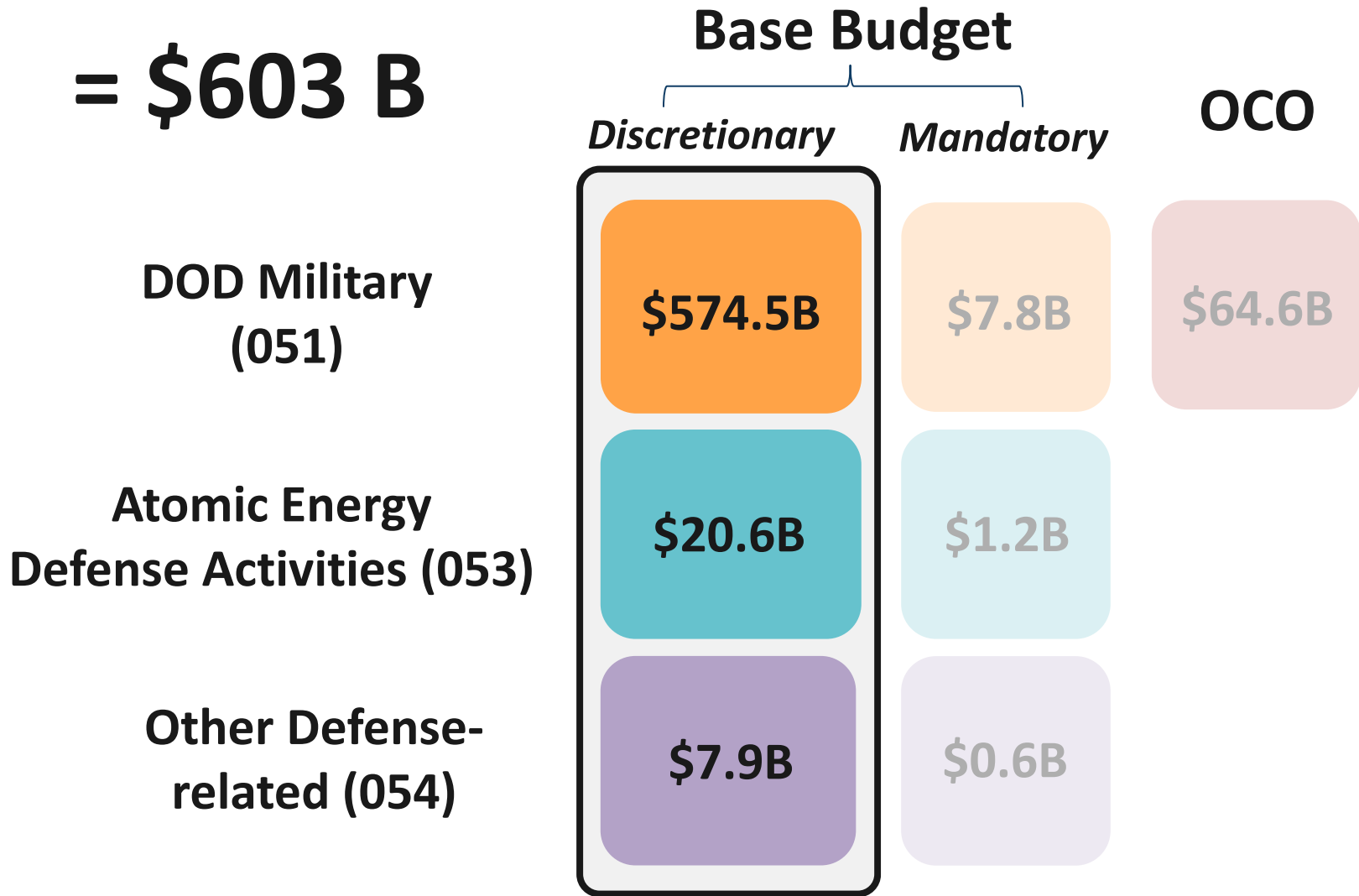
\$574.5B	\$7.8B	\$64.6B
\$20.6B	\$1.2B	
\$7.9B	\$0.6B	

Totals may not reconcile due to rounding.



FY2018 Defense Discretionary Budget Request

= \$603 B

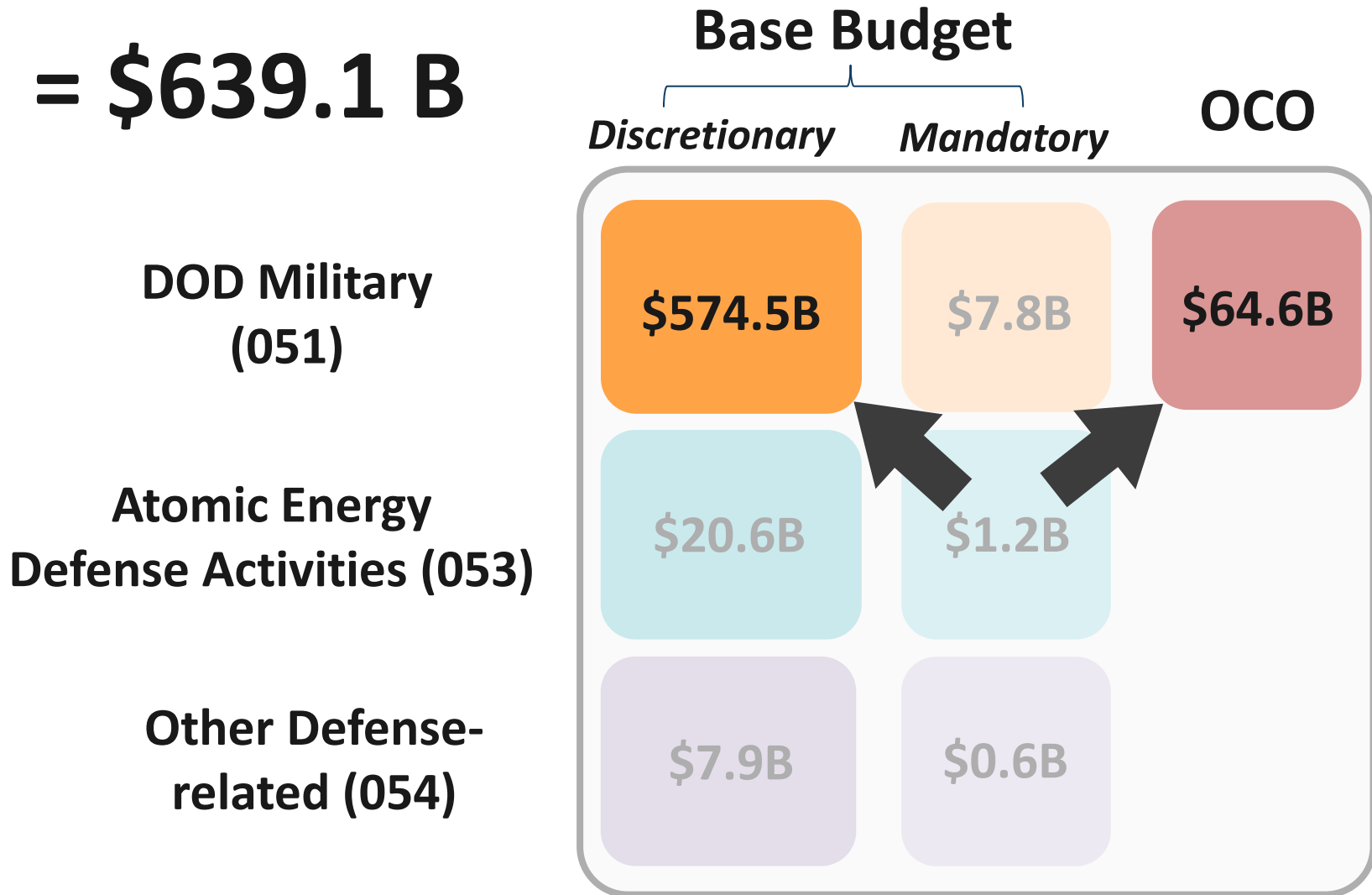


Totals may not reconcile due to rounding.



DOD Military Discretionary Budget

= \$639.1 B



Totals may not reconcile due to rounding.



BCA Effects on DOD Military Funding

DOD accounts for about
95.5% of the base
discretionary
National Defense Budget
Function 050

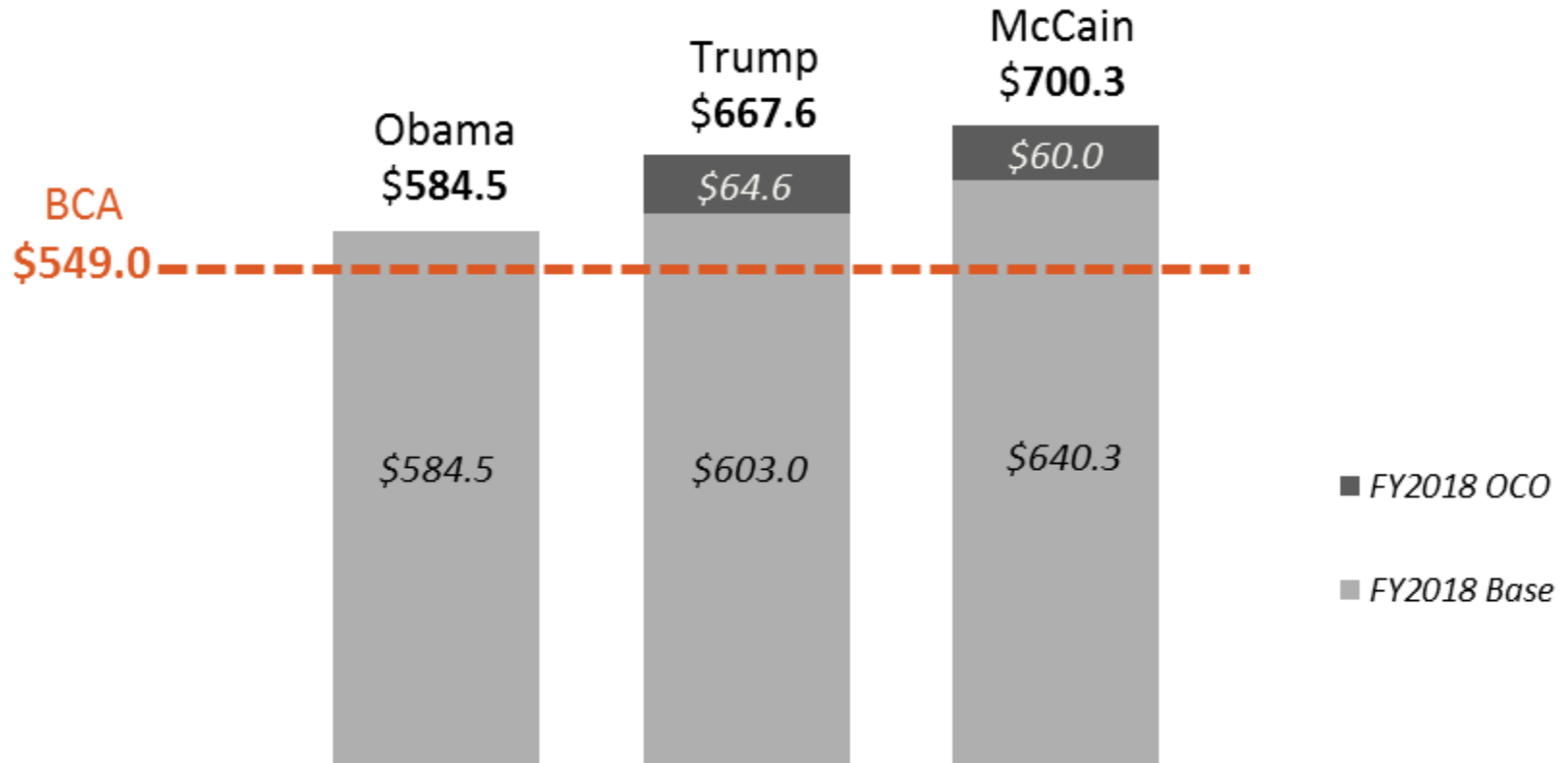
DOD Military
Base
Discretionary
\$574.5B



A treemap visualization showing the relative size of DOD Military Base Discretionary funding compared to other budget categories. The largest block is orange, representing DOD Military Base Discretionary at \$574.5B. Other categories are represented by smaller colored blocks: a large pink block, a small orange block, a teal block, a purple block, a small cyan block, and a very small purple block.

Selected FY2018 Defense Funding Proposals

Discretionary billions of dollars



FY2018 DOD Request By Title/Account

Discretionary billions of dollars

Title/Account	FY2018 Request		
	Base	OCO	Total
Military Personnel	\$141.7	\$4.3	\$146.0
Operations & Maintenance	\$223.3	\$48.7	\$271.9
Procurement	\$115.0	\$10.2	\$125.2
Research, Development, Test & Evaluation	\$82.7	\$0.6	\$83.3
Revolving & Management Funds	\$2.1	\$0.1	\$2.2
Military Construction	\$8.4	\$0.6	\$9.0
Family Housing	\$1.4	\$0.0	\$1.4
TOTAL	\$574.5	\$64.6	\$639.1



Administration's Budget Guidance

Focus on Readiness

1. FY2017 budget amendment request: address “immediate and serious readiness challenges”
2. FY2018 budget request: “focus on balancing the program... while continuing to rebuild readiness”
3. FY2019 budget request: “inform our targets for force structure growth.”

James Mattis, “Implementation Guidance for Budget Directives in the National Security Presidential Memorandum on Rebuilding the U.S. Armed Forces,” Department of Defense, January 31, 2017, emphasis added.



“Readiness” Often Used in Two Ways

Broadly: “Readiness is the capability of our forces to conduct a full range of military operations to defeat all enemies.... It is generated through manning, training and equipping our units and leader development.”

Lieutenant General Joseph Anderson, HASC hearing on *The Current State of U.S. Army Readiness*, March 8, 2017.

Narrowly: “...current budget levels require...making difficult tradeoffs between force structure, readiness, and modernization.”

General Stephen Wilson, HASC hearing on *The State of the Military*, February 8, 2017.



“Readiness” in FY2017 Additional Appropriations

by Select Accounts

Compared to appropriated base funding

Activity	Army	Navy	Air Force
Operations & Maintenance	+2.6%	+4.4%	+3.1%
Operations & Maintenance, Budget Activity I: Operating Forces	+3.8%	+5.6%	+5.0%
Procurement	+11.5%	+1.9%	+6.0%
Total	+2.8%	+2.1%	+3.1%

Source: Explanatory statement for [H.R. 244](#), p. 26, as posted on the House Rules Committee website.

Notes: DOD distinguished in its request between additional appropriations for base and OCO funding. The omnibus designates all of Title X, Additional Appropriations, as OCO funding. This table assumes all Title X funding save the Counter-ISIL Train and Equip Fund and Counter-ISIL OCO Transfer Fund are for base activities. These accounts are not included in the Army numbers.



“Readiness” in the FY2018 Request

by Select Accounts

Compared to FY2017 Final Appropriations

	Army	Navy	Air Force
Operations & Maintenance	+14.6%	+17.3%	+4.8%
Operations & Maintenance, Budget Activity I: Operating Forces	+21.9%	+21.8%	+22.2%
Procurement	+4.3%	+0.3%	+4.3%

Source: DOD Budget Overview Table A-10 and CRS compilation of HR 244.

Notes: Figures do not include rescissions from HR 244, Title VIII save for \$336 million rescinded from the Army’s O&M accounts.





The FY2018 Budget in Historical Context

Lynn Williams

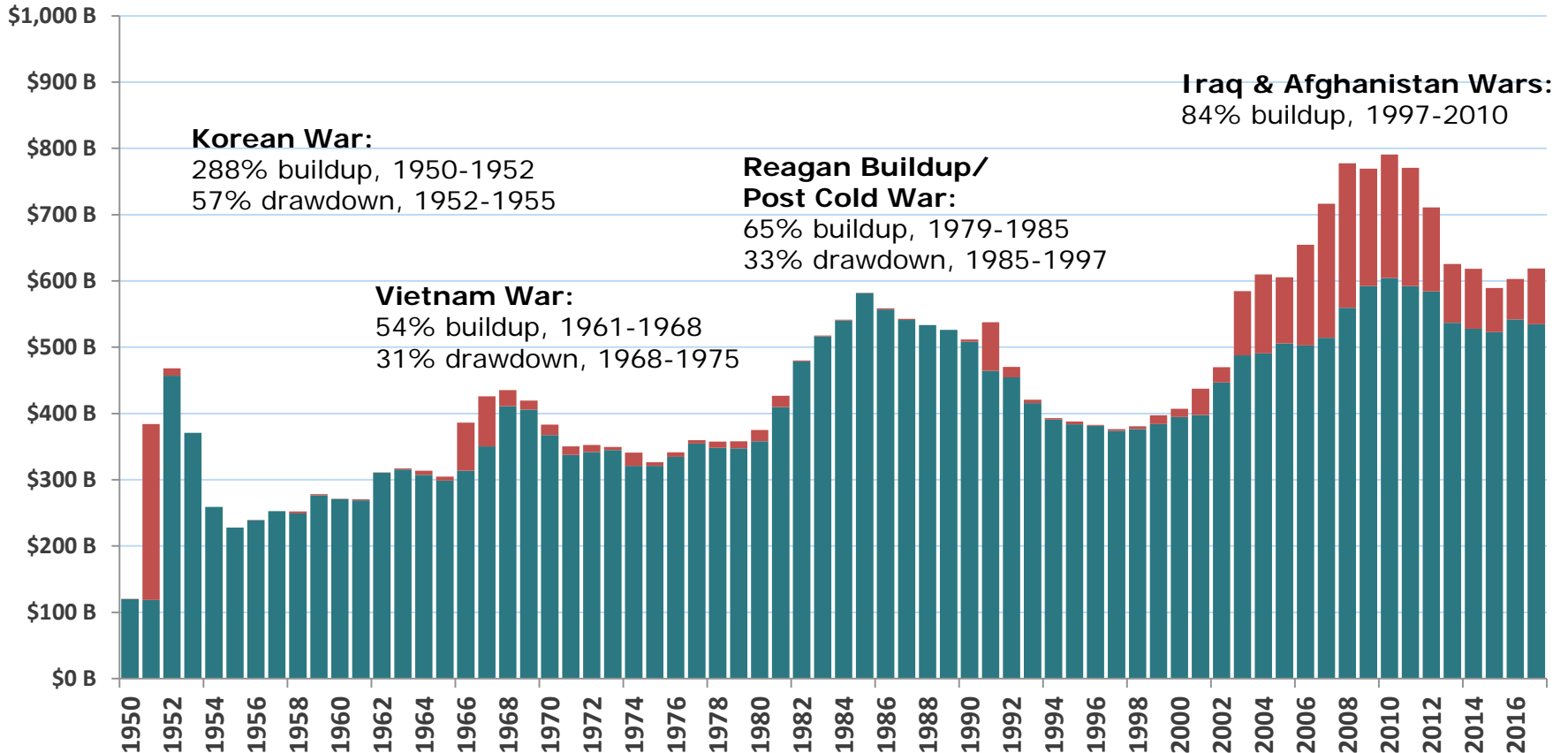
Analyst in U.S. Defense Budget Policy



DOD Spending in a Historical Perspective

FY1950-2017

Billions of FY2018 Dollars

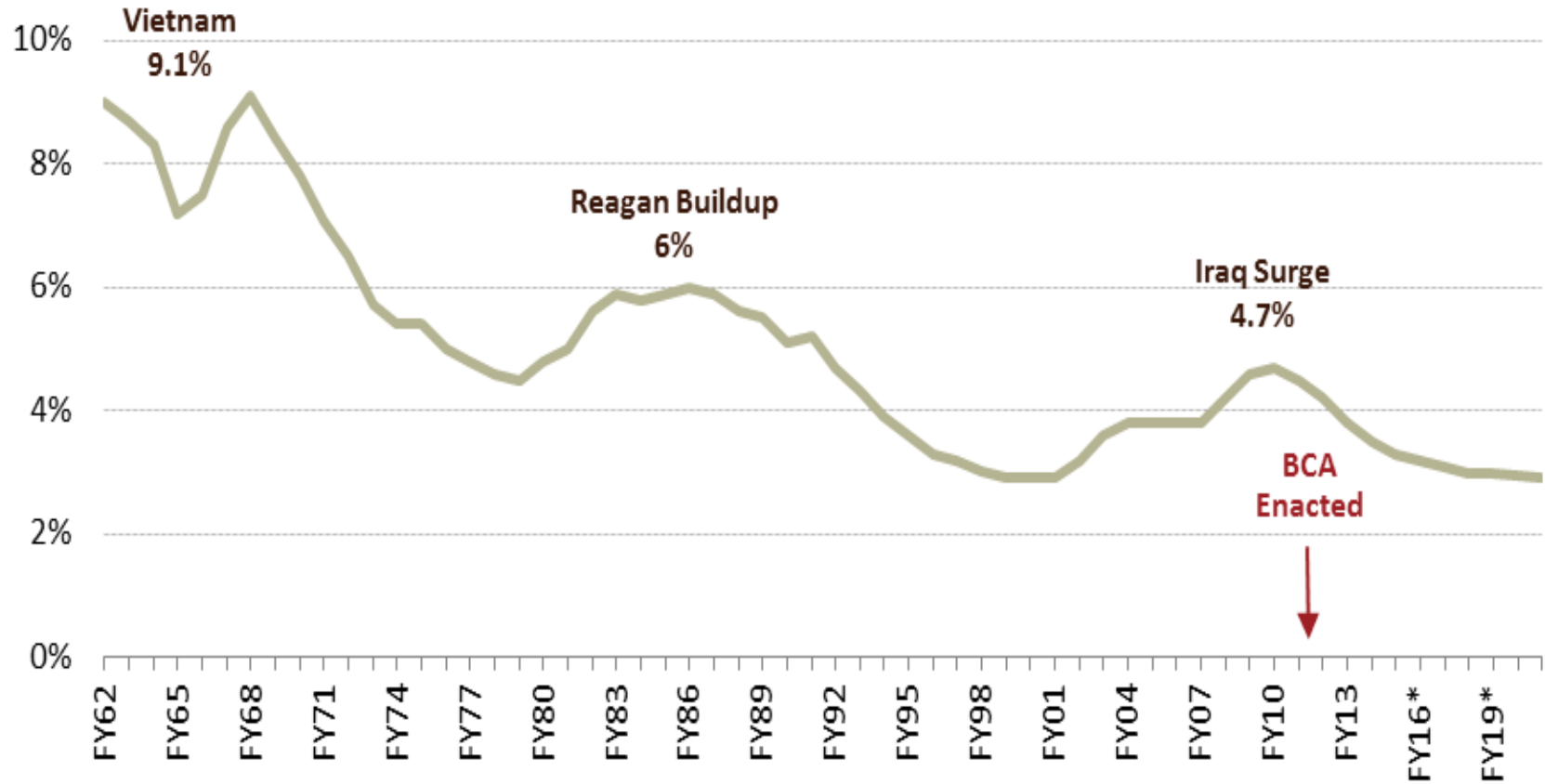


Sources: CRS estimates based on OMB and DOD data

 *Dedicated funding outside DOD "base budget"*



National Defense Outlays as % of GDP



FY62-FY15 Historical; *FY16-FY21 from Jan 2017 CBO baseline projections



Budget Control Act of 2011 Statutory Limits

Discretionary billions of dollars

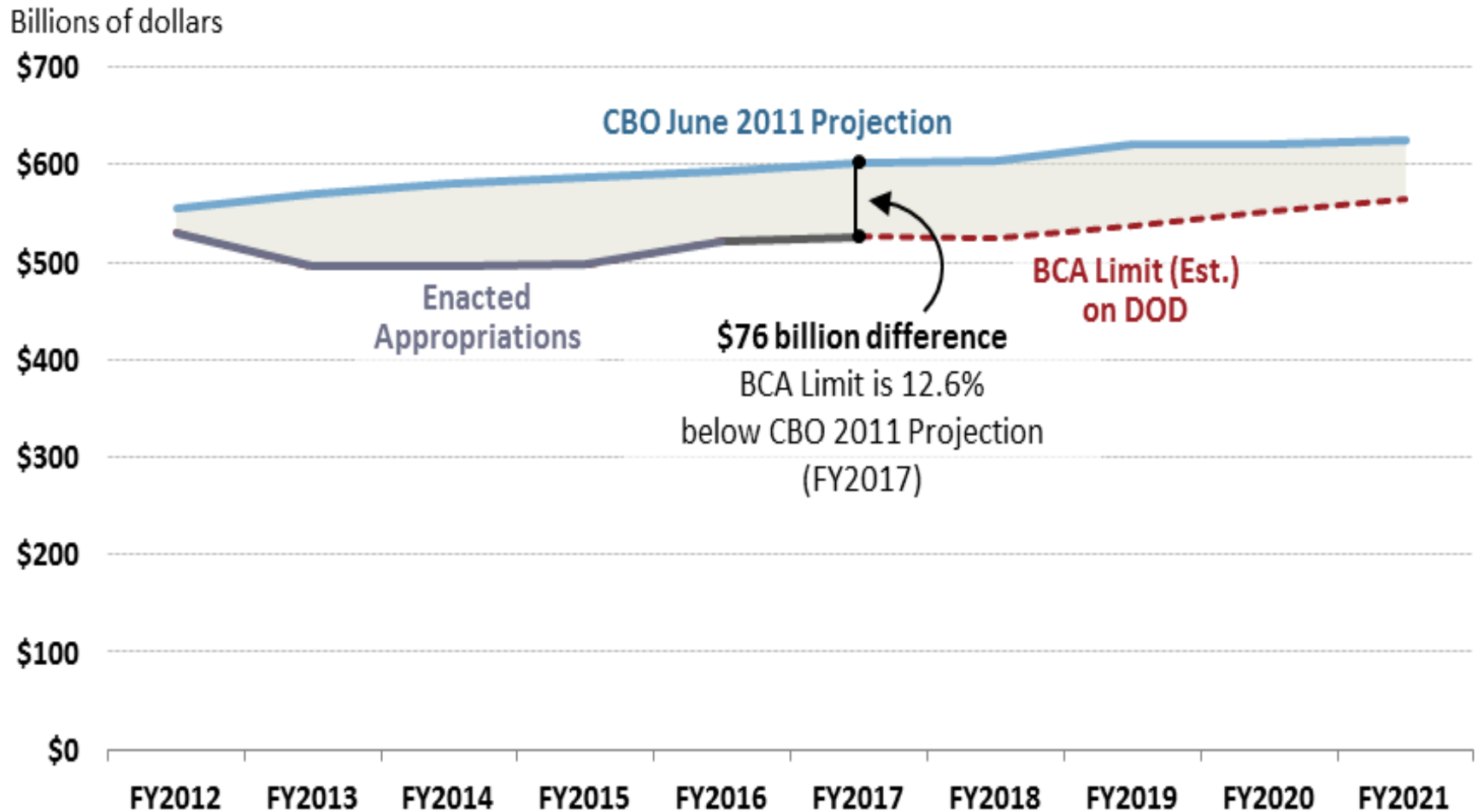
National Defense (050)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Budget Control Act of 2011	555	546	556	566	577	590	603*	616	630	644
Budget Control Act of 2011 after revision	555	492	502	512	523	536	549	562	576	590
American Taxpayer Relief Act of 2012		+ 26 518	- 4 498							
Bipartisan Budget Act of 2013			+ 22 520	+ 9 521						
Bipartisan Budget Act of 2015					+ 25 548	+ 15 551				

603 – 549
= \$54 B

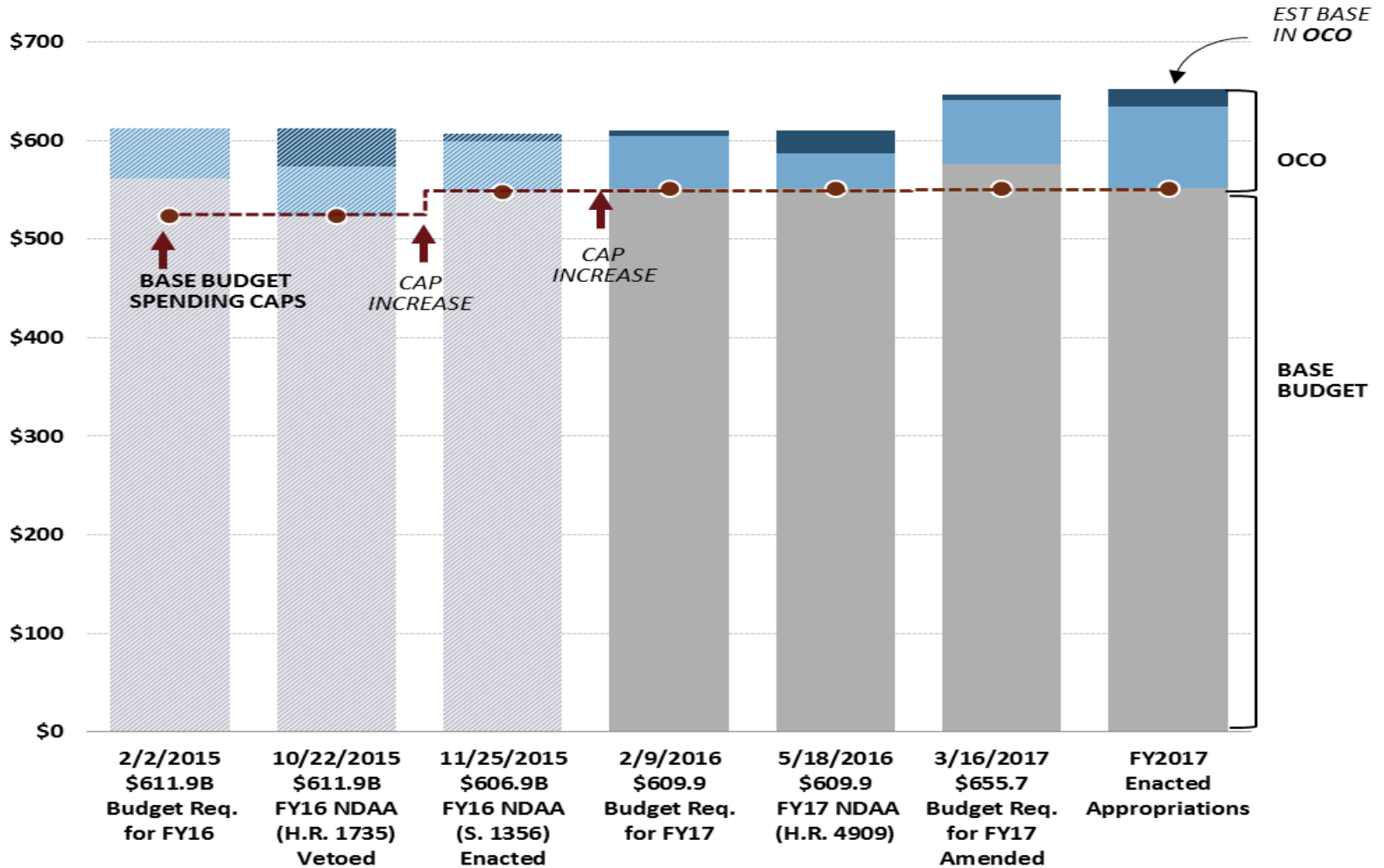
*Equal to the administration's FY2018 Defense Budget Request



Effect of the BCA on DOD Budget Authority



Recent Legislative Action





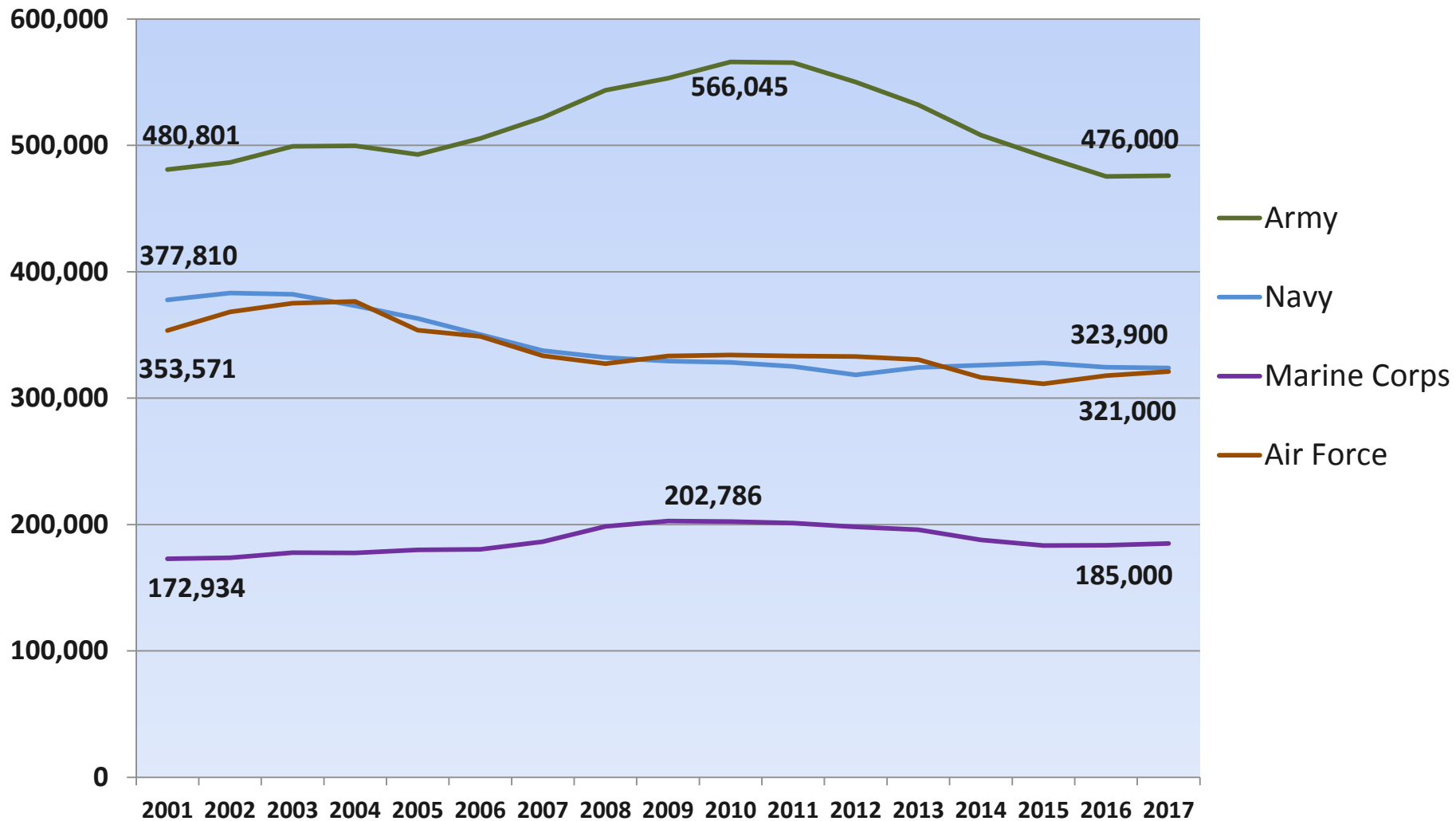
Military Personnel Matters

Kristy Kamarck

Analyst in Military Personnel



Active Component End Strength (FY2001-17)



Army Active Component Personnel Strength

FY2017 requested end-strength = 460,000
FY2017 authorized end-strength = 476,000
Actual strength (March 31, 2017) = 465,056
FY2018 requested end-strength = 476,000

“We will build an active Army of around 540,000”

- Candidate Trump, Sep. 7, 2016

From 2006-2010, the Army increased its strength by about 60,000.

“We were on a path to reduce the active component to 460,000. [In response to the FY17 NDAA] we...increased our enlistments by 6,000,...retained 9,000 more soldiers in the field and we increased our officer accessions by 1,000 to get that 16,000.”

- Lt. Gen. McConville, Deputy Chief of Staff (G-1), HASC Hearing, Feb. 7, 2017



Marine Corps Active Component Personnel Strength

FY2017 requested end-strength = 182,000
FY2017 authorized end-strength = 185,000
Actual strength (March 31, 2017) = 183,866
FY2018 requested end-strength = 185,000

“We will build a Marine Corps based on 36 battalions”

- Candidate Trump, Sep. 7, 2016

Estimated strength to increase to 36 battalions is approximately 12,000.

(U.S. Naval Institute, December 7, 2016)

“...we need to increase active component end strength to at least 194,000.... An increase of 3,000 Marines per year maintains a rate of growth consistent with effective recruiting and accession.”

- General Walters, Marine Corps Assistant Commandant, HASC Hearing, Feb. 7, 2017



Navy Active Component Personnel Strength

FY2017 requested end-strength = 322,900
FY2017 authorized end-strength = 323,900
Actual strength (March 31, 2017) = 322,368
FY2018 requested end-strength = 327,900

“We will build a Navy of 350 surface ships and submarines”

- Candidate Trump, Sep. 7, 2016

In December 2016, the Navy released a new force-structure goal, calling for a fleet of 355 ships, up from a 2015 goal of 308 ships.

“...the exact number [to man 355 ships] will depend on what the makeup of that new force contract exactly would look like...anywhere from 20 to 40,000 additional sailors.”

-Vice Admiral Robert Burke, Chief of Naval Personnel, HASC Hearing, March 17, 2017



Air Force Personnel Strength

FY2017 requested end-strength = 317,000
FY2017 authorized end-strength = 321,000
Actual strength (March 31, 2017) = 319,707
FY2018 requested end-strength = 325,100

**“We will build an Air Force of at least
1,200 fighter aircraft”**

- Candidate Trump, Sep. 7, 2016

**General Goldfein, Air Force
Chief of Staff, recommended
increasing size of the Air Force
to 350,000 over 5-6 years.**

-USA Today, December 21, 2016

At the end of FY2016, the total force was short 1,555 pilots...the active fighter pilot shortage is projected to exceed 1,000 by the end of FY2017. In the aircraft maintenance field...we expect the shortfall to drop [from 4,000 in FY15] to around 1,500 [in FY17].

-- Lt. Gen. Grosso, Deputy Chief of Staff, Manpower, Personnel, and Services,
HASC Hearing, May 7, 2017



Strength Increases: Key Points

1. Cost of additional personnel

- ~ \$100,000 per servicemember per year in military pay and benefits (methodologies vary)
- Other agency costs (e.g., veterans disability, VA health care, GI Bill)
- Recruiting and retention costs

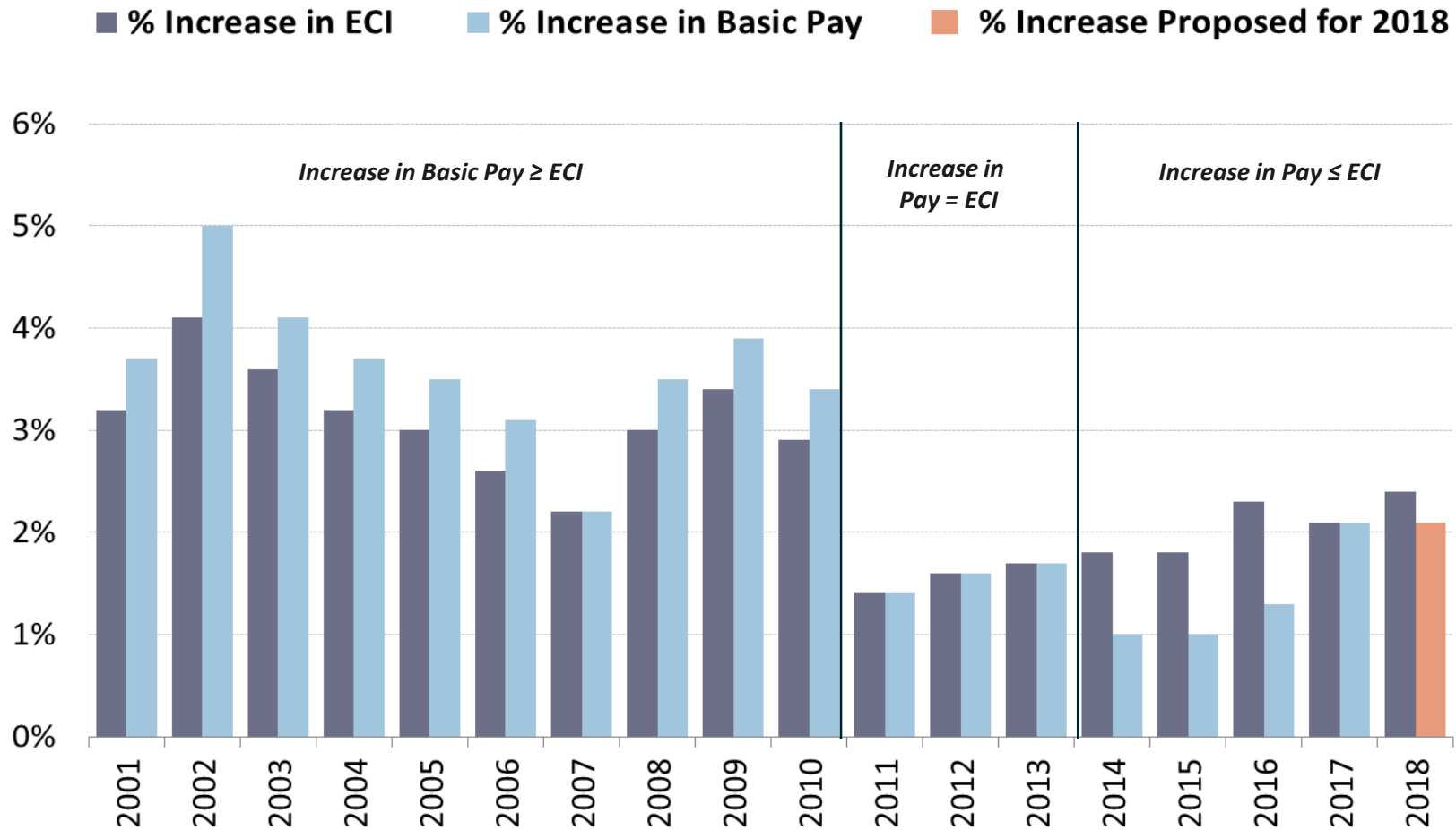
2. Quality of the force

3. Time required to increase manning levels

- Training pipelines
- Equipment procurement and production (e.g., new ships and aircraft)



Increases in Basic Pay, 2001-2018



**Estimated savings of 2.1% versus 2.4% = \$200 million in FY2018,
\$1.4 billion for FY2018-2022.**



Proposed Compensation Changes in the President's Budget (Health Benefits)

Proposed changes in three main areas

- Eliminate TRICARE Select grandfathering provisions
- Consolidate TRICARE Prime and TRICARE Select
- Pharmacy Co-Pay Increases





Weapons Procurement Matters

Ronald O'Rourke
Specialist in Naval Affairs



Nuclear Weapons Programs

Key modernization programs continue generally as expected

- Ground-based strategic deterrent (FY17: \$114M; FY18: \$216M)
- B-21 Bomber (FY17: \$1.4B; FY18: \$2B)
- Columbia-class ballistic missile submarine (FY17: \$1.89B; FY18: \$1.93B)
- Long-range standoff missile (FY17: \$96 million; FY18: \$451M)
- National Nuclear Security Administration (NNSA)
 - Total Weapons Activities (FY17: \$9.3B; FY18: \$10.2B)
 - Directed Stockpile Work (includes life extension programs) (FY17: \$3.3B; FY18: \$3.97B)

All show funding increases over FY17, but some rates of change differ from expectations

- DOD funding changes do not appear to reflect changes in scope, pace, priority of programs
- NNSA funding changes address perceived shortfalls in prior funding in some areas

Budget recognizes Nuclear Posture Review could alter pace, scope of some programs

- NPR expected by end of year



Ballistic Missile Defense (BMD) and Space Control

FY2018 request for BMD is \$9.2B

- **Missile Defense Agency (MDA) request is \$7.9B**
 - Increase of \$379M from FY2017 request
- **GMD test—first ICBM-range intercept test since 1984**
- **THAAD in South Korea**
- **Hawaii Aegis test site**

FY2018 request for National Security Space is \$6.9B

- **EELV (Evolved Expendable Launch Vehicle) System**
 - Russian rocket engine replacement



Aircraft FY2017 to FY2018 Changes

- **FY2018 request close to FY2017 projection**
 - 11 more major aircraft than projected, mostly unmanned
- **Most reductions from vertical lift programs**
 - 7 fewer CH-47 Chinook
 - 12 fewer UH-60 Black Hawk (Army)
 - 5 fewer H-1 upgrades (Marines)
 - 5 additional AH-64 Apache (Army)



- **Most additions are surveillance & reconnaissance systems**
 - 11 MQ-1 Gray Eagle (Army)
 - 16 MQ-9 Reaper (Air Force)
 - 1 P-8 Poseidon (Navy)
- **F-35 is DOD's largest procurement program**
 - 46 Air Force
 - 4 Navy
 - 20 Marine Corps



Contact: Jeremiah "J.J." Gertler, x7-5107



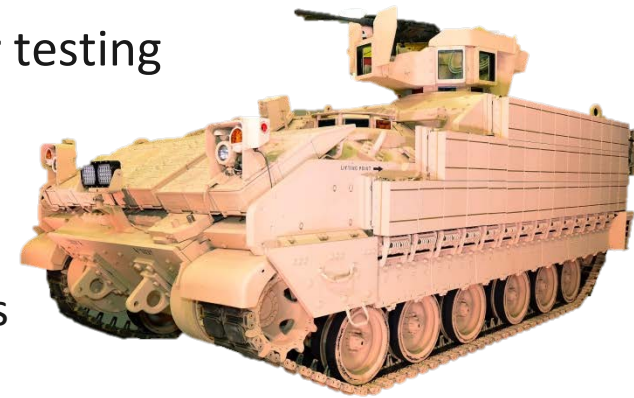
Ground Forces Equipment

Army and Marine Corps Joint Light Tactical Vehicle (JLTV)



- FY2018 request (Base and OCO)
 - Army: 2,110 vehicles, \$827.9 M (RDT&E and proc.)
 - USAF: 140 vehicles, \$60.5M (proc. only)
 - USMC: 527 vehicles, \$254.3M (RDT&E and proc.)
- Total planned procurement (FY2015-FY2040)
 - Army: 49,909 vehicles
 - Marines: will increase from initial requirement of 5,500 to 9,091 vehicles (+65%)

Army Armored Multi-Purpose Vehicle (AMPV)



- BAE Systems delivered prototypes to Army in 2016 for testing
- FY2018 request (Base and OCO)
 - 107 vehicles, \$647.4M (RDT&E and proc.)
- Total planned procurement for
 - Armored Brigade Combat Teams (ABCTs): 2,936 vehicles
 - Echelons above brigade: 1,922 vehicles
 - Totals could change based on proposed ABCT increase



Ground Forces Equipment

Marine Corps Amphibious Combat Vehicle (ACV) Version 1.1

- Supplement to the legacy Amphibious Assault Vehicle (AAV)
 - BAE Systems and SAIC have delivered first ACV 1.1 prototypes for testing
 - Down select to single vendor expected in 2018
- FY18 request (Base): 26 vehicles, \$340.5M (RDT&E and Proc.)
- Total planned procurement: 204
- Plan to follow ACV 1.1 with a fully amphibious tracked ACV Version 1.2 vehicle
 - To replace AAVs and operate from Navy amphibious ships

AAV Version - Current



ACV Version 1.1



Ships

Navy's new 355-ship force-level goal

- **Time needed to reach 355**
- **Additional funding needed**
- **Industrial base ability to take on additional work**
- **Employment impact of additional shipbuilding work**
- **Navy desire to first improve readiness**



Ships

FY2018 request: 9 ships

- **1 CVN-78 aircraft carrier**
- **2 Virginia-class SSNs**
- **2 DDG-51 destroyers**
- **2 Littoral Combat Ships (LCSs)**
- **1 TAO-205 class oiler**
- **1 TATS tug/salvage ship**



LCS request was increased from 1 to 2 on May 24

- **Budget docs show request and funding for 1**
 - **\$541 million needed to turn 1-ship buy into 2-ship buy**
 - **Errata sheets will be printed**

FY2018 request is same as FY2017 budget's projection for FY2018

- **Except for LCS (which was projected at 1)**



Ships

Options for FY2018 plus-ups to start toward 355 ships

- AP to accelerate next aircraft carrier; potential block buy
- AP for additional Virginia-class SSNs in future years
- 1 or 2 additional DDG-51 destroyers
- 1 or 2 additional LCSs
- 1 additional TAO-205 oiler

LCS/Frigate program

- Annual procurement rate and total planned procurement quantity
- Requirements, design, builder(s) of frigate; transition to frigate

Columbia-class SSBN

- Navy use of procurement authorities in National Sea-Based Deterrence Fund

Use of FY2017 funding for procurement of additional LPD-17



QUESTIONS?





Backup Slides



Proposed Compensation Changes in the President's Budget (Housing Allowances)

Housing Allowance (BAH) reductions continue this year.

- In 1996, housing allowances covered about 80% of average housing costs.
- Statutory changes in 1998 and 2000 resulted in BAH covering 100% of average housing costs by 2005.
- For FY2015, Congress authorized the Secretary of Defense to reduce BAH rates by up to 1% of the national average monthly housing costs.
- For FY2016, Congress authorized the Secretary of Defense to reduce BAH rates by up to 5% of the national average monthly housing costs; phased in at 1% increments over 4 years. DoD will apply a “save pay” provision during implementation.



Department of Defense

Research, Development, Test, and Evaluation, FY2017-FY2018

(current dollars, in millions)

By Appropriation Account

Appropriation Account	FY2017 Base + OCO Enacted	FY2018 Base Request	FY2018 OCO Request	FY2018 Base + OCO Request	Change FY2017 (Base + OCO)-FY2018 (Base + OCO)	
					Dollar	Percent
TITLE IV + OCO						
Army, RDT&E	\$ 8,675	\$ 9,425	\$ 119	\$ 9,545	\$ 869	10
Navy, RDT&E	17,541	17,675	130	17,805	264	2
Air Force, RDT&E	28,154	34,914	135	35,050	6,896	24
Defense-Wide, RDT&E	19,221	20,491	226	20,717	1,496	8
Operational Test and Evaluation	190	211	-	211	21	11
Subtotal, Title IV	\$73,781	\$82,717	\$ 611	\$83,328	\$9,547	13
Other Titles						
Defense Health Programs	2,102	673	-	673	-1,429	-68
Chemical Agents and Munitions Destruction	516	839	-	839	324	63
National Defense Sealift Fund	-	19	-	19	19	na
Inspector General	3	3	-	3	0	-11
Total, RDT&E	\$76,401	\$ 84,251	\$ 611	\$ 84,862	\$ 8,461	11

By Budget Activity, Title IV + OCO Only

Budget Activity	FY2017 Base + OCO Enacted	FY2018 Base Request	FY2018 OCO Request	FY2018 Base + OCO Request	Change FY2017 (Base + OCO)-FY2018 (Base + OCO)	
					Dollar	Percent
Basic Research (6.1)	\$ 2,276	\$ 2,229	-	\$ 2,229	\$ -48	-2
Applied Research (6.2)	5,296	4,973	-	4,973	-323	-6
Advanced Technology Development (6.3)	6,456	5,997	25	6,022	-434	-7
Adv. Component Development & Prototypes (6.4)	15,376	17,451	59	17,510	2,134	14
System Development & Demonstration (6.5)	12,781	14,671	58	14,728	1,947	15
RDT&E Management Support (6.6)	4,575	6,085	-	6,085	1,509	33
Operational Systems Development (6.7)	26,987	31,311	469	31,780	4,793	18
Undistributed DARPA Reduction	-50	-	-	-	50	-100
Undistributed FY2017 Supplemental OCO	82	-	-	-	-82	-100
Total, Title IV & OCO RDT&E	\$73,781	\$ 82,717	\$611	\$83,328	\$9,547	13

*Under the President's FY2018 request, budget activities 6.1-6.3 (broadly referred to as the DOD "Science and Technology" budget) would decrease by \$755 million (5.4%) from the FY2017 level.**

** Includes FY2017 undistributed DARPA reduction of \$50 million.*

Contact: John Sargent, x7-9147

Sources: CRS analysis of Department of Defense Budget, Fiscal Year 2018, RDT&E Programs (R-1), May 2017; CRS analysis of explanatory statement accompanying P.L. 115-31, as published in the Congressional Record, May 3, 2017, Volume II, H3391-H3703; Division B, P.L. 114-254.



Columns may not sum to subtotal or total due to rounding.

Budgeting for National and Defense Intelligence

- Includes **most funding for the intelligence-related programs, projects, and activities** of the 17 component organizations of the U.S. intelligence community
- Includes two major elements:
 - **National Intelligence Program (NIP)**
 - **Military Intelligence Program (MIP)**
- Detailed budgets for the NIP and the MIP are highly classified
- Title 50 requires annual public disclosure of aggregate NIP budget request
- Secretary of Defense has also publicly disclosed aggregate MIP budget request in recent years



Annual NIP and MIP Budget Request: FY2012-FY2017

