



DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides \$553 billion for the base budget, an increase of \$22 billion above the 2010 appropriation. This reflects continued investment in national security priorities such as cybersecurity, satellites, and nuclear security. The Budget also includes a series of management and acquisition reforms that will produce a net of \$78 billion in savings through 2016.
- Maintains ready forces and continues efforts to rebalance military forces to focus on both today's wars as well as potential future conflicts.
- Enhances the Administration's commitment to maintaining a reliable nuclear deterrent by increasing investments in the nuclear weapons complex and in weapon delivery technologies, and to nonproliferation by preventing the spread of nuclear materials around the world.
- Supports the Administration's goal to provide the Nation's military with the most effective and modern equipment possible in a cost-efficient manner. Departmental priorities include improving business practices, such as developing and purchasing weapons consistent with improved acquisition policy.
- Continues strong support for servicemembers and military families.
- Supports access to medical care for over 9.6 million servicemembers, retirees, and their families. This includes ongoing support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers.
- Reinvests \$100 billion of expected savings in high-priority areas such as the development or purchase of unmanned intelligence, surveillance, and reconnaissance assets; more ships; a new ground combat vehicle; the Advanced Extremely High Frequency satellite; and the stealthy F-35 Joint Strike Fighter.
- Continues the reform agenda to achieve more efficient business operations.
- Invests in long-term scientific and technological innovation to ensure that the Nation has access to the best defense systems available in the world.
- Invests in new and on-going cybersecurity research and development and improvements to existing cybersecurity capabilities.

The Administration continues to invest in the Nation's military servicemembers and their families and provides them with the training, equipment, and infrastructure needed to maintain military readiness. The President's Budget for the Department of Defense (DOD) reflects that commitment, proposing \$553 billion—an increase of \$22 billion above the 2010 appropriation.

Although not subject to the President's freeze on non-security discretionary spending, DOD is undertaking a series of management efficiency and acquisition reforms that will produce a net of \$78 billion in savings over the years 2012 through 2016 compared to the previous DOD topline funding levels. Cost-cutting measures include the consolidation of several Air Force operation centers, reduced Army construction costs, and the Navy's use of multi-year procurement strategies.

DOD supports the provision of an additional \$2.2 billion for National Nuclear Security Administration weapons activities between 2013 and 2016. These funds will enhance the reliability of the Nation's nuclear weapons complex and support the goals of the Nuclear Posture Review as the United States and Russia implement the New Strategic Arms Reduction Treaty (START).

The incremental costs of funding Overseas Contingency Operations (OCO), including ongoing efforts in Afghanistan and transition activities in Iraq, are funded separately in the Budget at \$118 billion. A full discussion of these costs is presented in the OCO chapter.

Protects Americans and Supports Those Who Serve

Maintains Military Readiness. The Administration is committed to providing servicemembers with the resources needed to respond to the multiple, complex, and sometimes unconventional threats posed by today's security environment. To that end, the Budget provides \$172 billion of Operation and Maintenance funds to support training and readiness. The Adminis-

tration's commitment is to ensure the troops have the equipment they need to train and fight.

Prepares for Emerging Threats. The Administration supports continued improvements in DOD's ability to protect servicemembers and others from emerging threats both in the United States and abroad with several initiatives including full funding of \$31.8 million for the reorganization of a chemical, biological, radiological, nuclear and high-yield explosive (CBRNE) response element and the addition of eight Homeland Response Forces (HRF) (for a cumulative total of 10 HRFs), which will be in place prior to the end of 2012; \$200 million for a public-private partnership of a vaccine manufacturing facility in support of the Administration's new Medical Counter Measure Initiative; and \$138 million to continue building DOD's Institute of Infectious Disease at the new Interagency Bio-defense Campus. This facility will be an important asset to help protect the Nation from public health threats like emerging infectious diseases and deliberate biological attacks.

Sustains Nuclear Deterrent to Protect the Nation and Promote International Stability. As part of its 2010 Nuclear Posture Review and in support of the New START Treaty, the Administration will modernize America's nuclear arsenal and the complex that sustains it. Moreover, the Administration remains dedicated to sustaining and modernizing U.S. strategic delivery systems, thus helping to ensure diverse deterrents in the face of evolving challenges and technological developments. This includes specific commitments to maintain continuous at-sea deployments of ballistic missile submarines in the Atlantic and Pacific Oceans, as well as the ability to surge additional submarines during crises; sustain the Air Force's Minuteman III missile through 2030; and modernize the heavy bomber force so it can serve for the indefinite future. Additionally, the Administration will enhance international stability by reducing the risks of global nuclear proliferation. The Budget continues the President's global lockdown initiative to secure nuclear materials, detect and deter nuclear testing and smuggling,

and support verification and implementation of international nonproliferation treaties. The Administration also promotes stability by supporting ballistic missile defenses that will protect the United States and its allies from attack by nuclear or conventional ballistic missiles.

Supports Allies to Help Fight Terrorism.

Providing assistance to develop foreign countries' security capabilities is an essential element of U.S. strategy in Iraq and Afghanistan and of the overall national security strategy. The Administration is committed to funding these security sector assistance programs in an effort to maintain and develop allies' capability to prevent terrorist threats, to the United States and other countries, which originate from abroad. Further, by assisting the development of other countries' abilities to combat terrorism, these investments reduce the need for greater U.S. involvement in the future.

In addition to these programs, which are directly related to completing the mission in Iraq and combat operations in Afghanistan, the Budget provides \$500 million for DOD's global military "train and equip" assistance programs. DOD uses these programs to fund counterterrorism training in a variety of countries. DOD also uses these programs to develop the internal counterterrorism capability of Yemen, which is critical to the Administration's goal of defeating al Qaeda in the Arabian Peninsula.

Backs the Nation's Troops and Their Families. Today's servicemembers make up the most elite and proficient fighting force in the world, and their strength depends on the strength and stability of their families. Overall, the Budget provides \$8.3 billion to support military families, including \$1.2 billion to expand availability of affordable, high-quality child care; \$4.7 billion to improve servicemembers' quality of life; and \$2.4 billion to sustain and build DOD schools, supporting quality education for military dependents.

The Budget also includes funding for a 1.6 percent pay raise for military service members, as well as a variety of monthly special skill-based payments, enlistment and reenlistment bonuses, and other benefits. In addition, included in the \$8.3 billion, the Budget shifts \$73 million from the OCO budget to the base budget to support stability and adequate resources for important family support programs over the long-term.

Cares for Wounded, Ill, and Injured Servicemembers. The Administration sustains ongoing efforts to provide high-quality medical care to the over 9.6 million servicemembers, retirees, and their families. This includes support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury (TBI), and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers. The Budget provides:

- \$52.5 billion for the overall Military Health System, which includes construction of military hospitals and clinics, pay for military medical staff, as well as accrual contributions for future Medicare-eligible beneficiaries;
- A projected \$677 million to provide care for TBI and psychological health; and
- \$415 million for continued support of wounded, ill, and injured medical research, to include psychological health and TBI/Post Traumatic Stress Disorder.

To ensure that beneficiaries receive treatment in state-of-the-art hospitals and clinics, the Budget plans for completion of the Walter Reed National Military Medical Center, and funds construction of the Fort Bliss hospital replacement, and ambulatory care centers at Andrews Air Force Base and Lackland Air Force Base.

Streamlines the Disability Evaluation and Compensation Process. DOD has also worked to improve and streamline the disability evaluation and compensation process. The Administration funds full implementation of

the new DOD-Department of Veterans Affairs (VA) joint medical exam process, which has been shown to decrease the time between a service-member's separation from DOD and when he or she receives a VA disability check from 180 days to 34 days.

Improves the Way Federal Dollars are Spent

Reforms Acquisition. DOD contracts account for approximately 70 percent of all Federal procurement spending, making DOD reform initiatives critical to broader efforts to improve Government-wide purchasing. Building on efforts begun in 2010, it is vital that DOD continue to implement its acquisition reforms, reduce its use of high-risk contracts related to time-and-materials and labor-hours, modernize key weapons systems to provide servicemembers with the best technology to meet battlefield needs, and eliminate or reconfigure lower-priority acquisitions. In line with its reforms, DOD will begin implementing an innovative satellite acquisition approach in order to reduce costs and strengthen the industrial base. This approach will use advance appropriations to ensure both a full-funding commitment and greater cost transparency.

Eliminates Unneeded Weapons Systems. DOD recognizes the need to develop a portfolio of affordable and versatile military capabilities that can be produced on a reasonable schedule and in sufficient quantities. To that effect, Secretary Gates has recommended for termination several major weapons systems that are experiencing significant development problems, unsustainable cost growth, or are not suited for today's security challenges. These include the Marine Corps Expeditionary Fighting Vehicle, the procurement of the Army Surface Launched Medium Range Air-to-Air Missile air defense system, and the Navy's SM-2 Block IIIB surface-to-air missile. The capabilities that were to be provided by these niche systems will be largely met through the modernization and upgrade of existing systems at a fraction of the cost. The total cost savings

that will be realized from these terminations will exceed \$13 billion.

Improves Departmental Management and Seeks Efficiencies. Secretary Gates is making broad changes to how DOD is managed up and down the organization, from the individual Services to the Office of the Secretary. Altogether, he has proposed changes that will produce net savings of \$78 billion over the course of five years. These improvements focus on creating a more streamlined, agile and effective organization and on freeing up resources currently tied up with activities that are low priorities or even relics from how the U.S. military was organized during the Cold War. Up to \$100 billion in efficiency savings will then be reinvested in higher priorities within DOD. Examples of these efficiency initiatives include the Air Force's consolidating two air operations centers in the United States and two in Europe, the Army's avoiding \$1.4 billion in military construction costs by sustaining existing facilities, and the Navy's saving more than \$1.3 billion by using multi-year procurement strategies to buy new surveillance, jamming, and fighter aircraft. DOD is making itself into a leaner organization by slimming down upper management, for example by dis-establishing the headquarters of the Second Fleet in Norfolk, Virginia, which had distinct responsibilities during the Cold War but which currently has training and mission responsibilities that will be transferred to a different part of the Navy. DOD is further promoting a leaner organization by trimming the number of Generals and Admirals by more than 100 positions out of the roughly 900 currently on the books, and by eliminating or downgrading nearly 200 out of 1,400 senior civil servant positions. While these personnel changes will result in only modest savings, they will contribute to a leaner, more effective DOD.

The Secretary is also proposing to take important steps to tackle burgeoning health care costs that cannot be sustained in the long run without undermining the department's core mission. While DOD is committed to providing its service-members, retirees, and their families with quality healthcare, the current system is out of bal-

ance. The Budget proposes a package of health care efficiency and management reforms that are projected to save nearly \$8 billion over the next five years.

Invests in Innovation for National Security

Funds Research and Development for the Military of the Future. The Administration is determined to adequately fund the Nation's long-term scientific and technical needs—including those for national security—even within constrained budgets. Accordingly, the Budget proposes \$76.7 billion for research, development, test and evaluation, including \$12.2 billion for early-stage science and technology programs. These science and technology programs, which include basic and applied research, as well as early technology development, allow the Nation to explore diverse scientific principles and technological applications, including bio-defense, cybersecurity, information access, and cleaner and more efficient energy use. DOD-funded research provides future options for new defense systems and helps the Nation avoid technological surprise by potential adversaries. The funding proposed in the Budget will be awarded through competitive processes, with experts guiding the choices of research topics to be undertaken, and reviewing and selecting projects for funding based on proposals submitted by universities, non-profit organizations, for-profit companies and Government labs.

Modernizes Weapon Systems. A major goal of the Administration is to provide servicemembers with the most effective and modern equip-

ment possible in a cost-efficient manner. To accomplish this, the Budget requests \$113 billion to continue to procure advanced weapons systems and other equipment to support both today's wars and future conflicts. These include: upgraded armored vehicles to better protect the troops (\$593 million), the Virginia class submarine to improve the Navy's ability to operate in coastal waters and support special operations forces (\$4.7 billion), the Advanced Extremely High Frequency satellite to provide secure communications to all branches of the Armed Forces (\$975 million), and the stealthy F-35 Joint Strike Fighter (\$9.7 billion). The Budget also bolsters the capabilities of the key components in the ongoing effort to rebalance the military to focus on current and emerging threats, namely, cyber and electronic warfare, Unmanned Aerial Vehicles, and helicopters.

Secures Information Infrastructure from Intrusion. The Budget provides \$2.3 billion to support improved cybersecurity capabilities within DOD and greater joint planning efforts between DOD and the Department of Homeland Security (DHS) to increase the effectiveness of cybersecurity efforts across the Government. The Administration also requests \$119 million to support full operational capability for U.S. Cyber Command, which was established in 2010 to direct the operation and defense of specific DOD information networks. In addition to bolstering ongoing operational capabilities, the Administration funds new and on-going cybersecurity science and technology; enhances DOD activities to protect core defense information systems; and, in partnership with DHS, supports cybersecurity demonstration and pilot programs to protect critical network information systems.

Department of Defense
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Spending			
Discretionary Base budget authority:			
Military Personnel	134,977		142,829
Operation and Maintenance.....	184,271		204,388
Procurement	104,821		113,029
Research, Development, Test and Evaluation	80,140		75,325
Military Construction	21,030		13,073
Family Housing	2,259		1,695
Revolving and Management Funds	2,612		2,701
Subtotal, Discretionary Base budget authority.....	530,110	549,119	553,040
<i>Memorandum:</i>			
Budget authority from supplementals	-1,906	—	—
<i>Discretionary Overseas Contingency Operations (OCO) budget authority</i> <i>(discussed separately in OCO chapter):</i>			
Enacted.....	162,265	—	—
Requested (2011 excludes \$258 million in U.S. Coast Guard funding)		159,082	117,585
Subtotal, Discretionary OCO budget authority.....	162,265	159,082	117,585
Total, Discretionary budget authority (Base and OCO).....	692,375	708,001	670,625
Total, Discretionary Outlays (Base and OCO)	663,683	733,904	701,643
Mandatory Outlays:			
Existing Law	3,032	5,761	5,774
Legislative proposal	—	—	50
Total, Mandatory outlays	3,032	5,761	5,824
Total, Outlays	666,715	739,665	707,467
Credit activity			
Total, Direct loan disbursements.....	150	258	194