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# What is Next in Military Spending and Priorities?

J.J. Gertler, Specialist in Military Aviation

PNDC/PNAA Aerospace Defense Symposium, May 4, 2017

# Agenda

- What's Changed Since Last Year?
- Defense Budget
- Equipment Procurement & Modernization



# What's Changed Since Last Year?



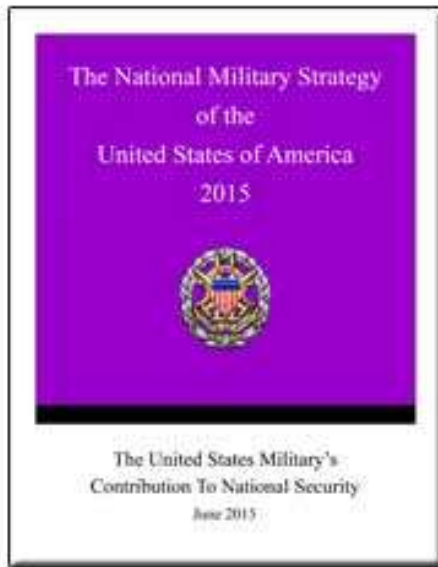
# What's Changed Since Last Year?



# What's Changed Since Last Year?



# 2015 National Military Strategy



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

“Global disorder has significantly increased, while some of our comparative military advantage has begun to erode.”



# 2016...



# 2017...







# The Defense Budget

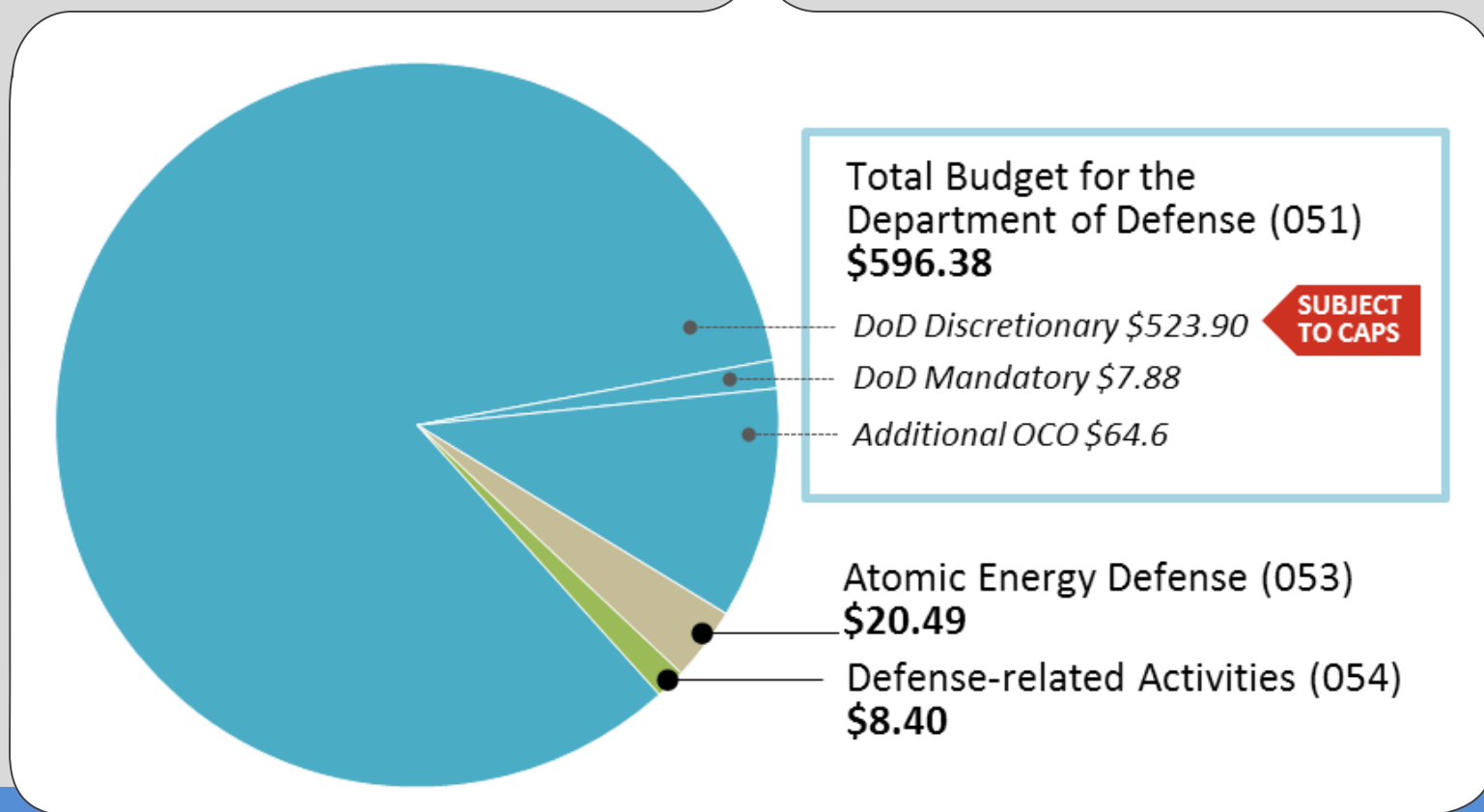


# Which “Defense Budget”?

(President’s FY2017 budget request / budget authority)

## National Defense Budget Function (function 050): \$619.47

*All dollars  
in billions*



# Calls for Higher Defense Spending

*(amounts are DOD base budget discretionary)*

- **FY2017 (not yet finished)**  
*(Obama had requested \$524 billion)*
  - FY2017 additional request (March)  
*“improved readiness,...larger, more capable, more lethal joint force”*
  - HASC had proposed an additional \$15 billion (of which \$9 billion was procurement)
- **FY2018** *(Obama had projected a \$557 billion request)*
  - Senator McCain proposes an additional \$54 billion
  - President Trump proposes.....
    - Larger forces
    - More planes and ships
    - Beefed up missile defense
    - .....



## ...however **BUDGET CAPS** stand in the way

- By terms of the Budget Control Act (or BCA), enacted in 2011 and amended since, practically speaking, base budget, discretionary defense appropriations cannot exceed \$551 billion for FY2017 and \$549 billion for FY2018.
  1. Sequestration
  2. Procedural workarounds: OCO
  3. However, in the 5½ years since the BCA was enacted, it has proven practically impossible to raise the cap on defense spending without a comparable increase in the cap on non-defense spending.



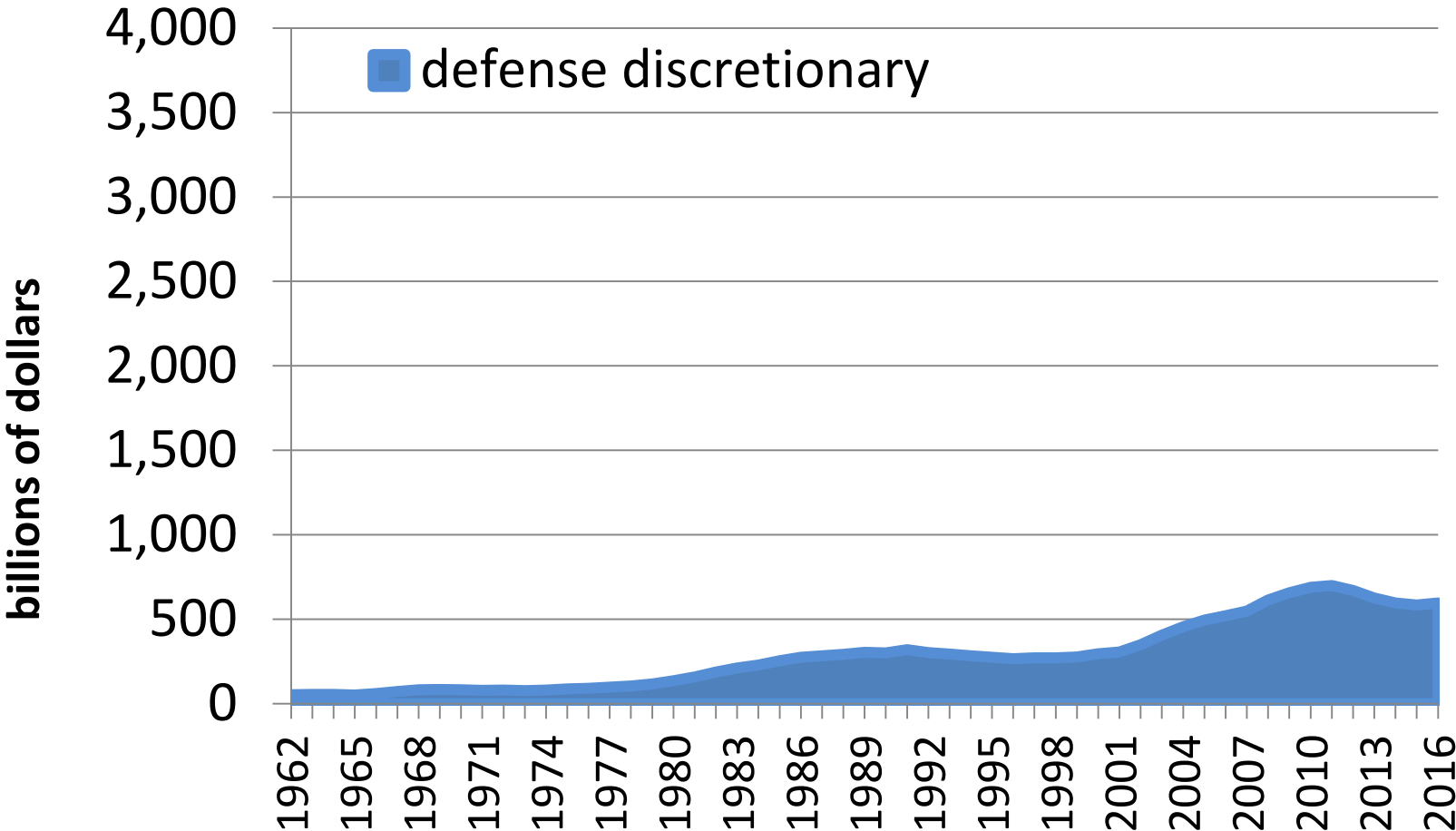
# The Short, Short Version

One practical effect of the BCA – *thus far* -- has been to shackle the size of the **defense** budget to the other major elements that, together, define the federal government's fiscal situation:

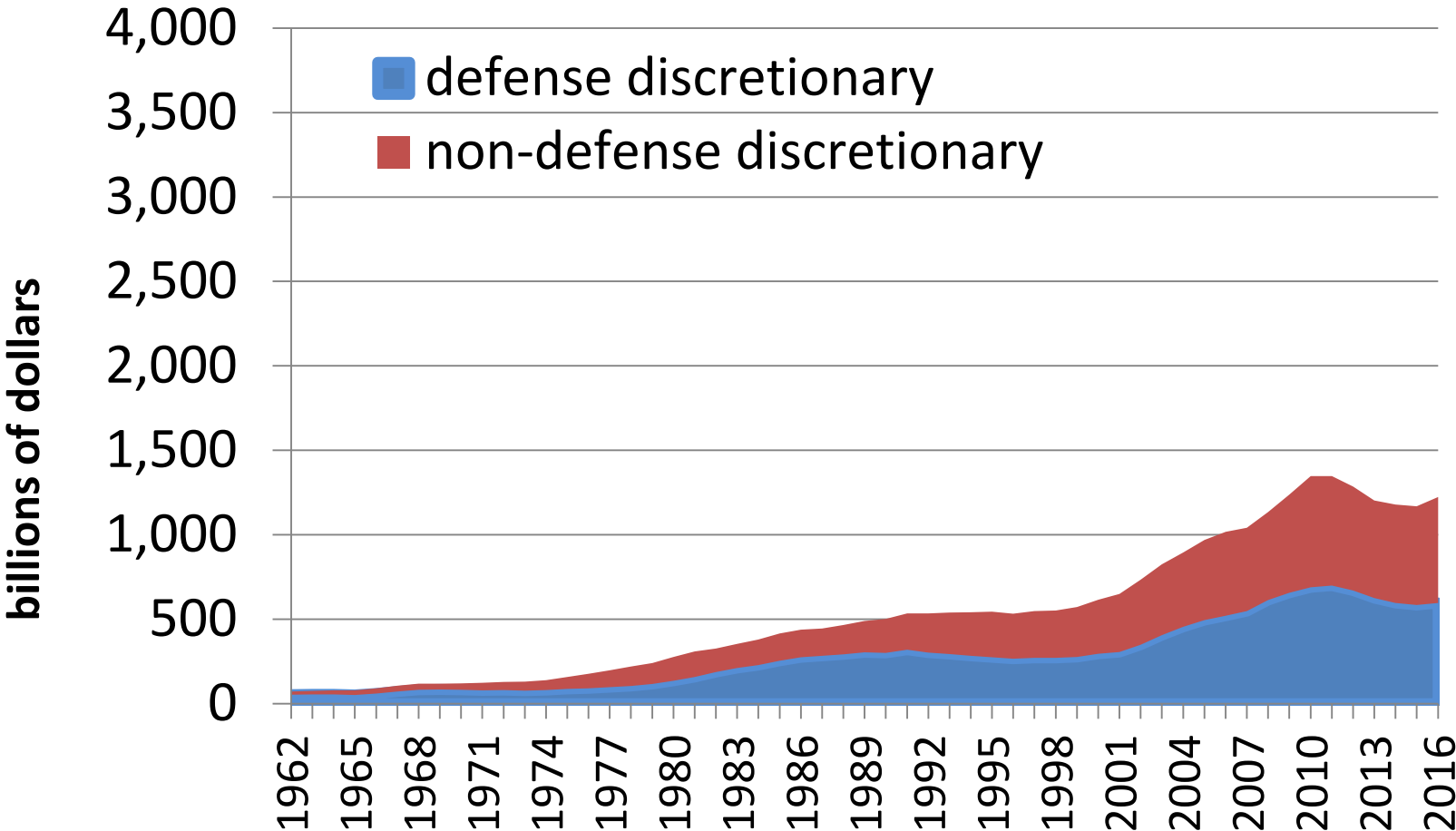
- » **non-defense spending,**
- » **mandatory (or entitlement) spending,**
- » **revenues, and**
- » **the deficit**



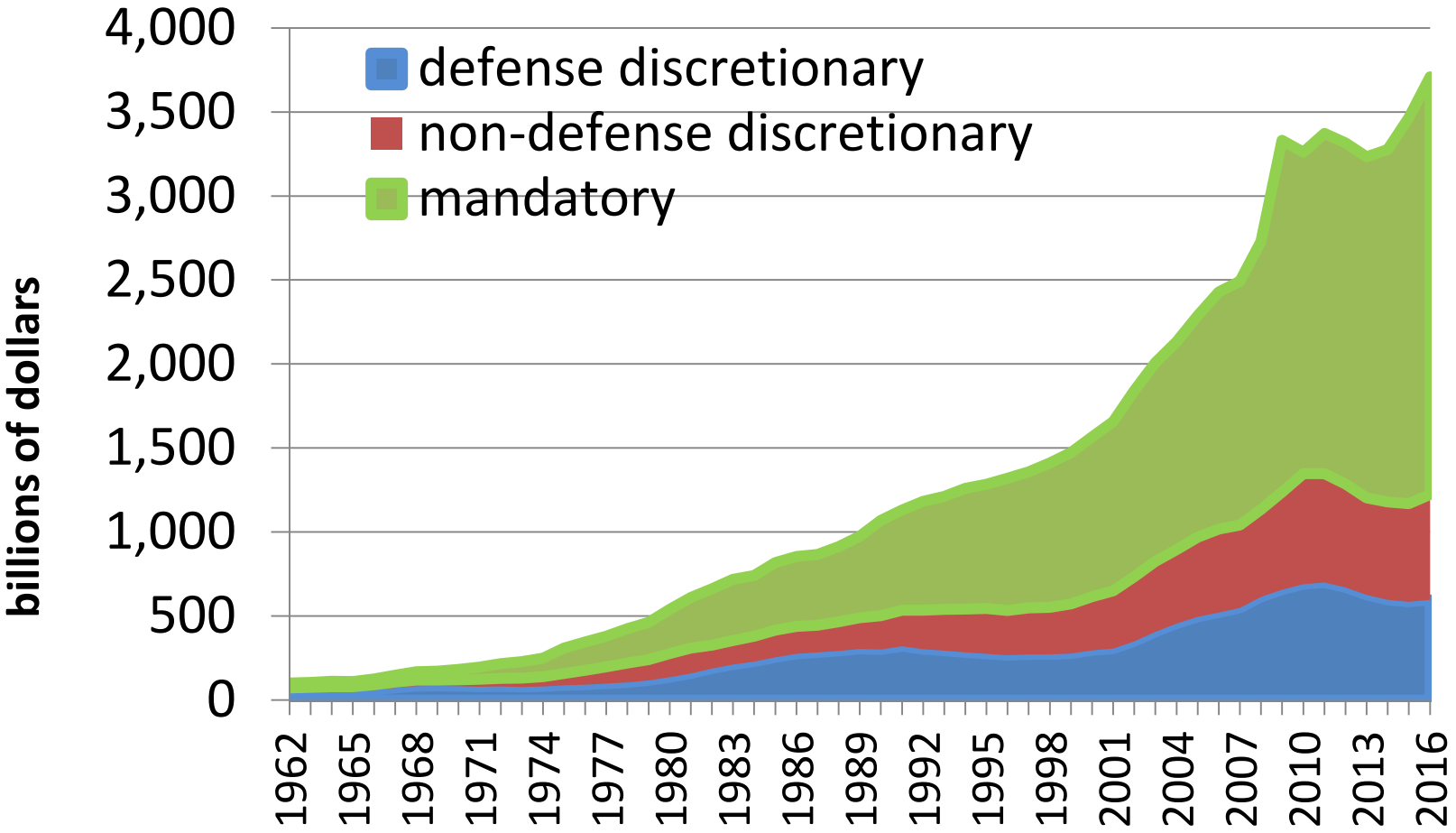
# Components of Federal Spending



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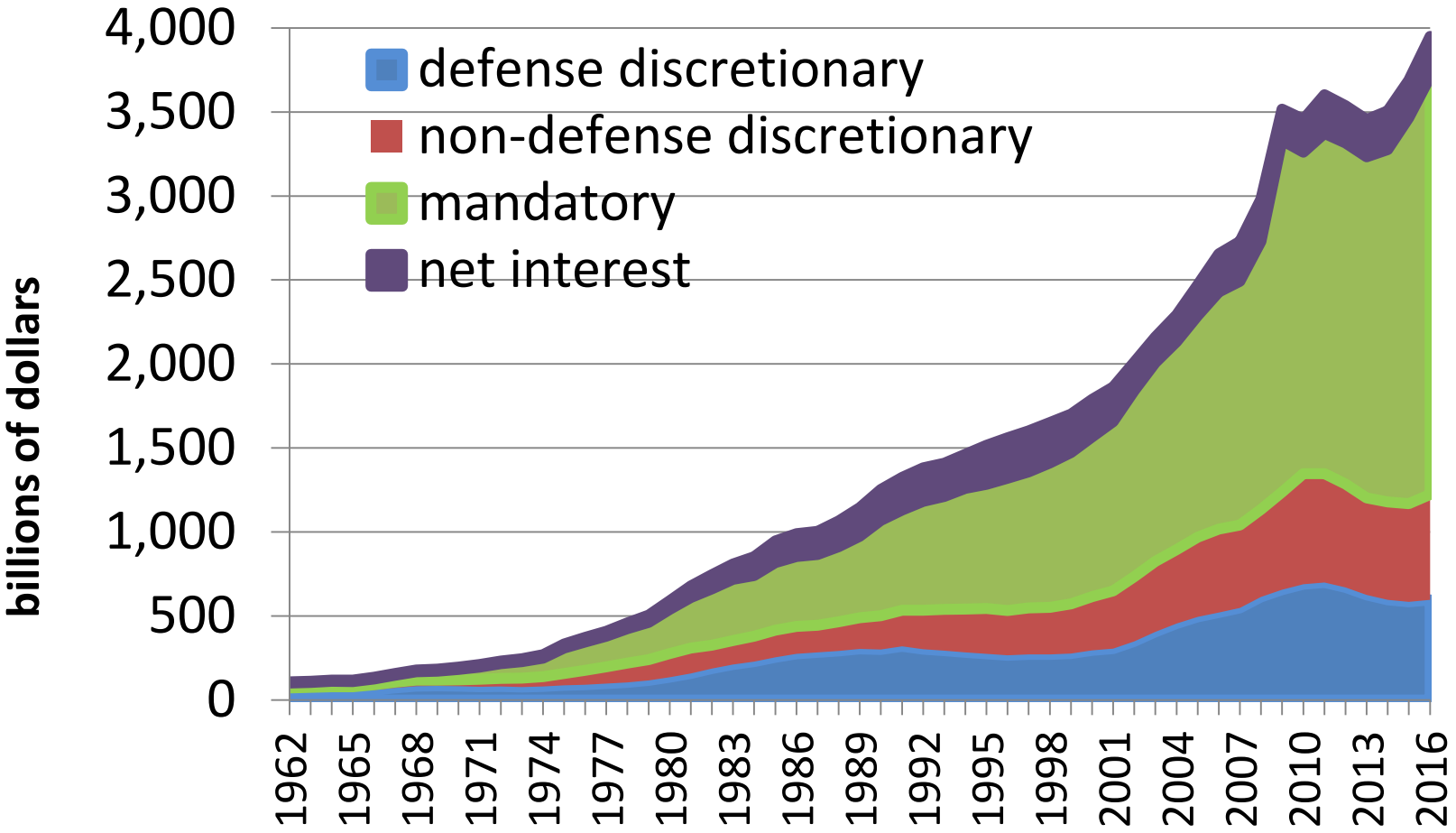


# Components of Federal Spending

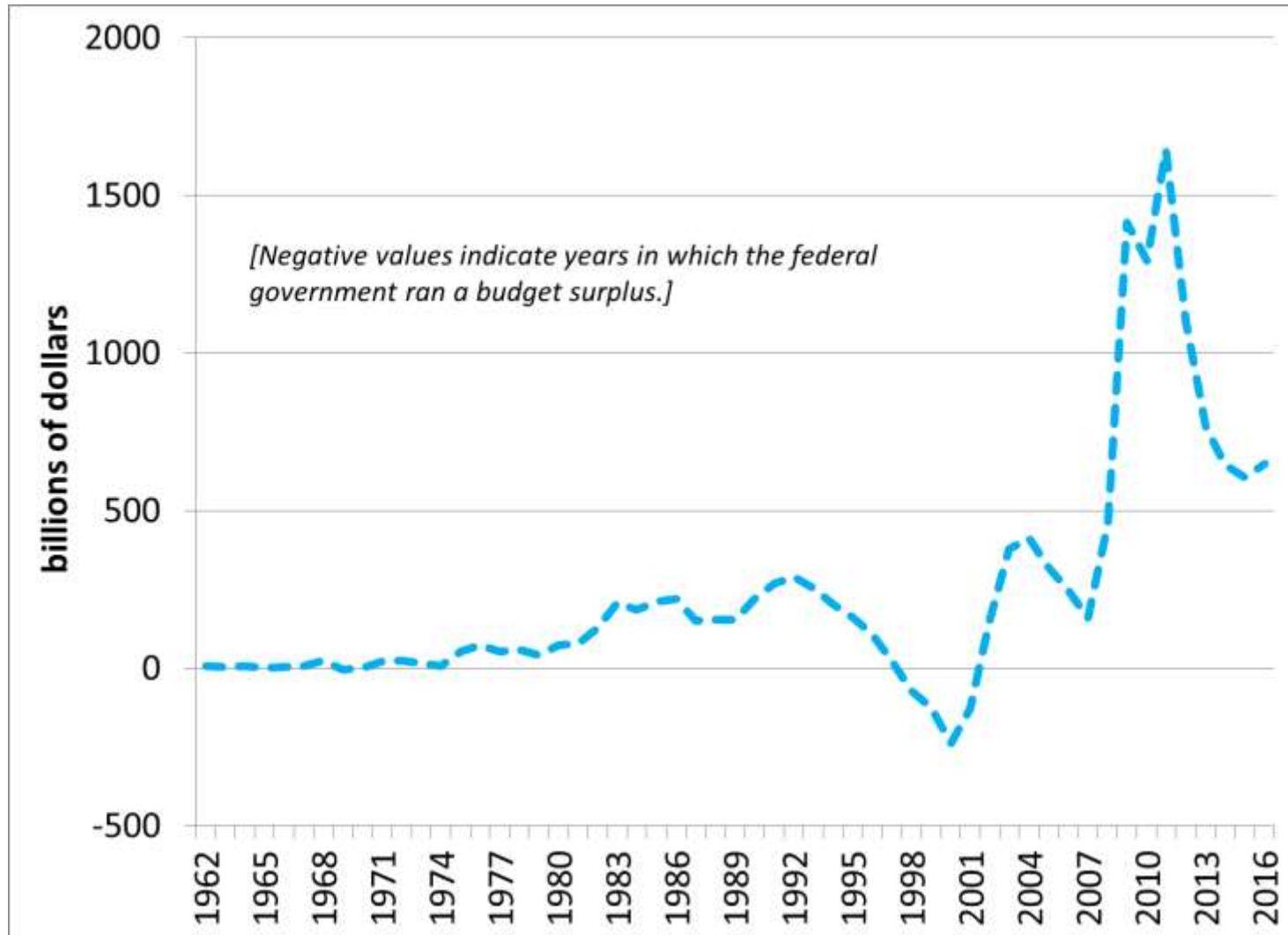




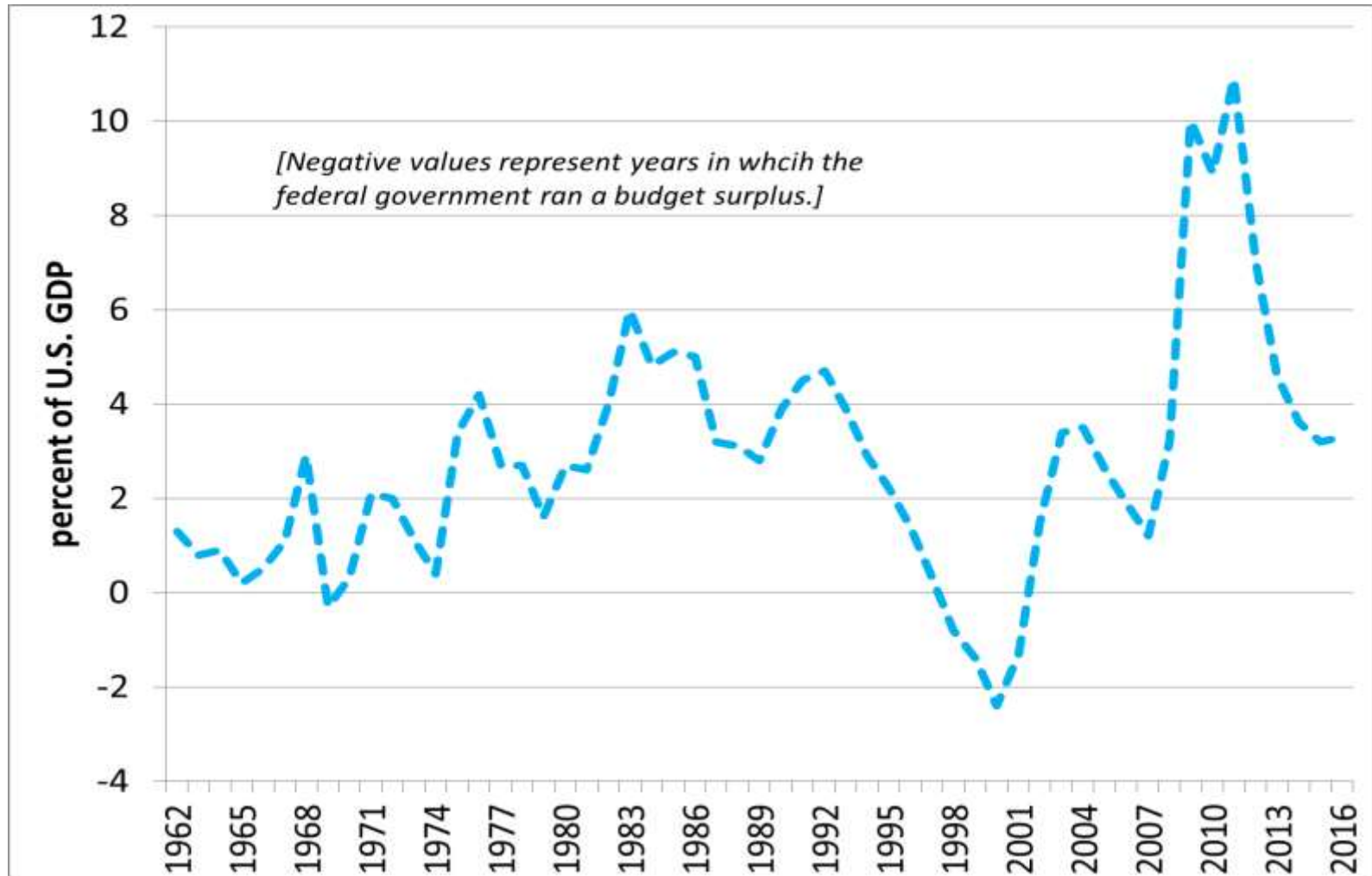
# Components of Federal Spending



# Annual Federal Deficit



# Deficit as a Percentage of GDP

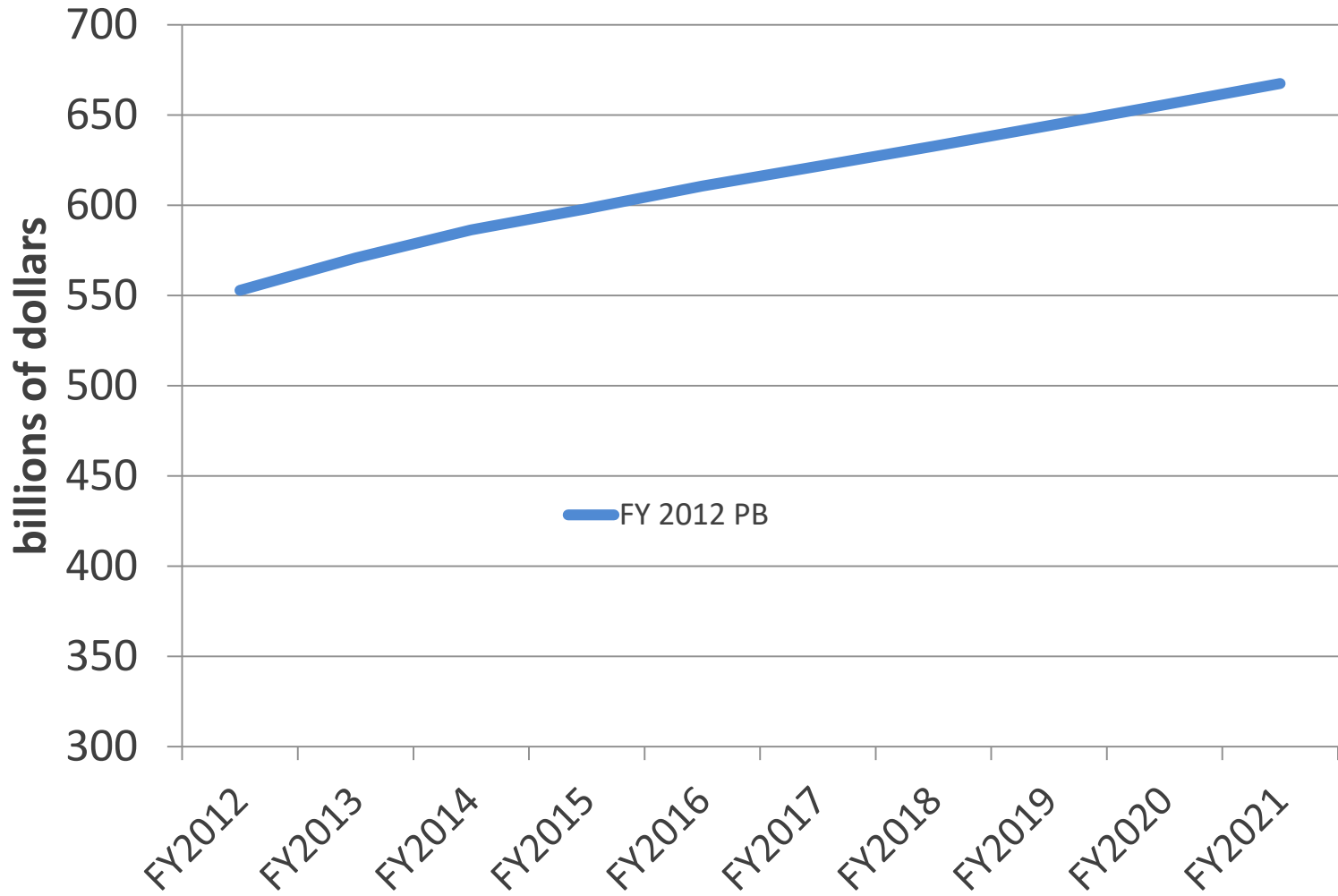


Since 2011, congressional constituencies have acted **to prevent** what they deem to be adverse change to each of these components the fiscal jigsaw puzzle.

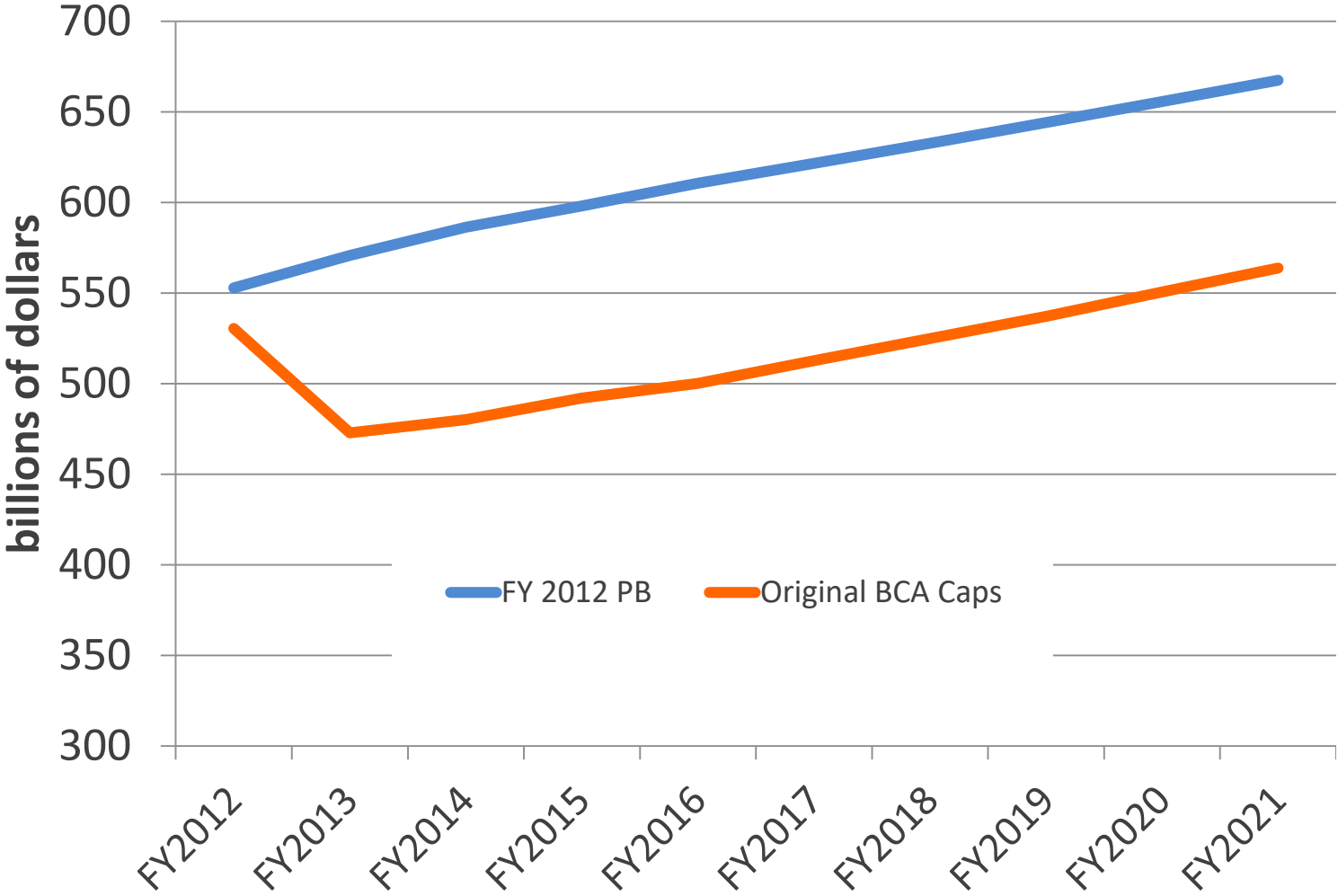
- Defense
- Non-defense
- Mandatory
- Revenues
- Deficit



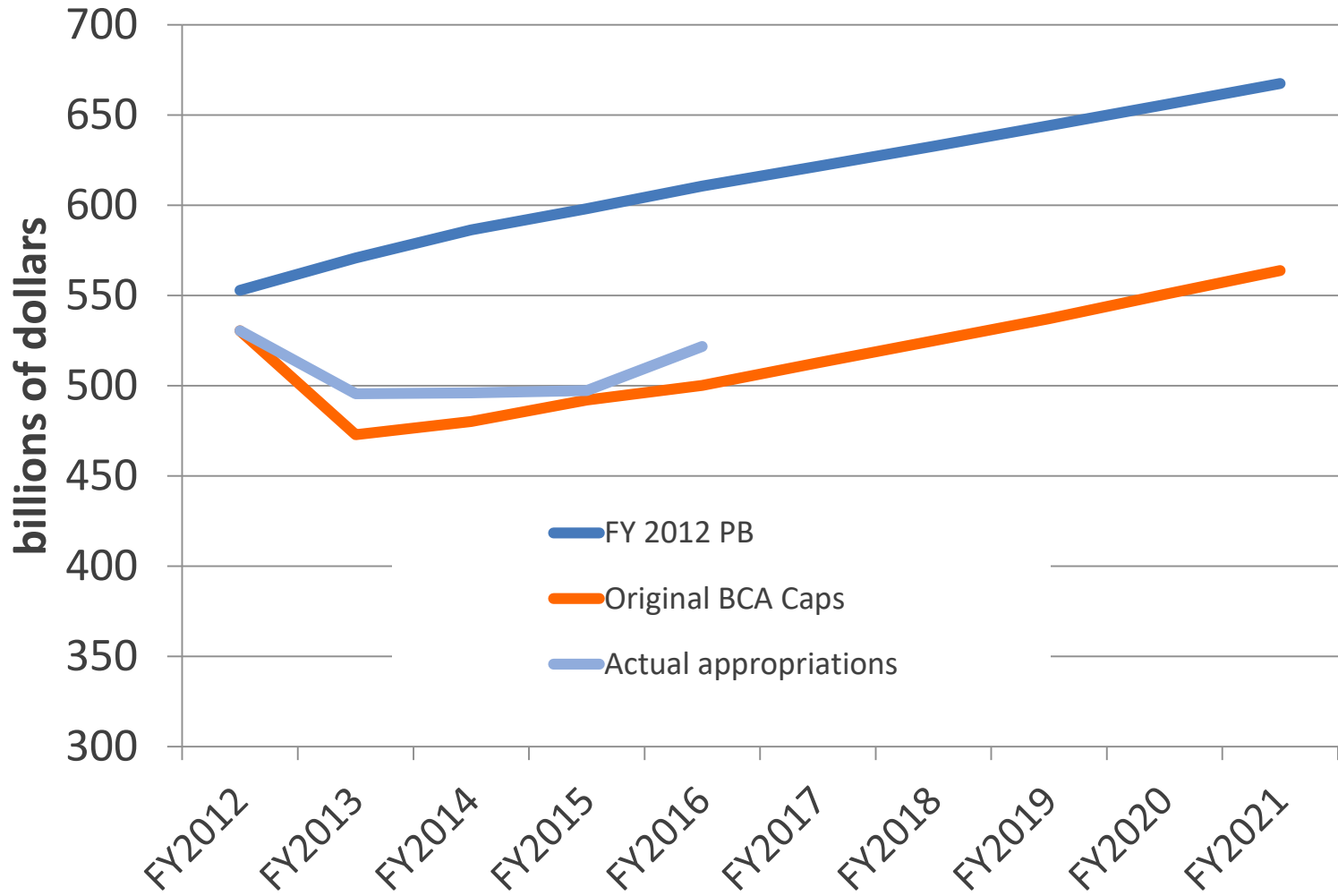
# DOD's FY2012 Plan (prior to BCA enactment)



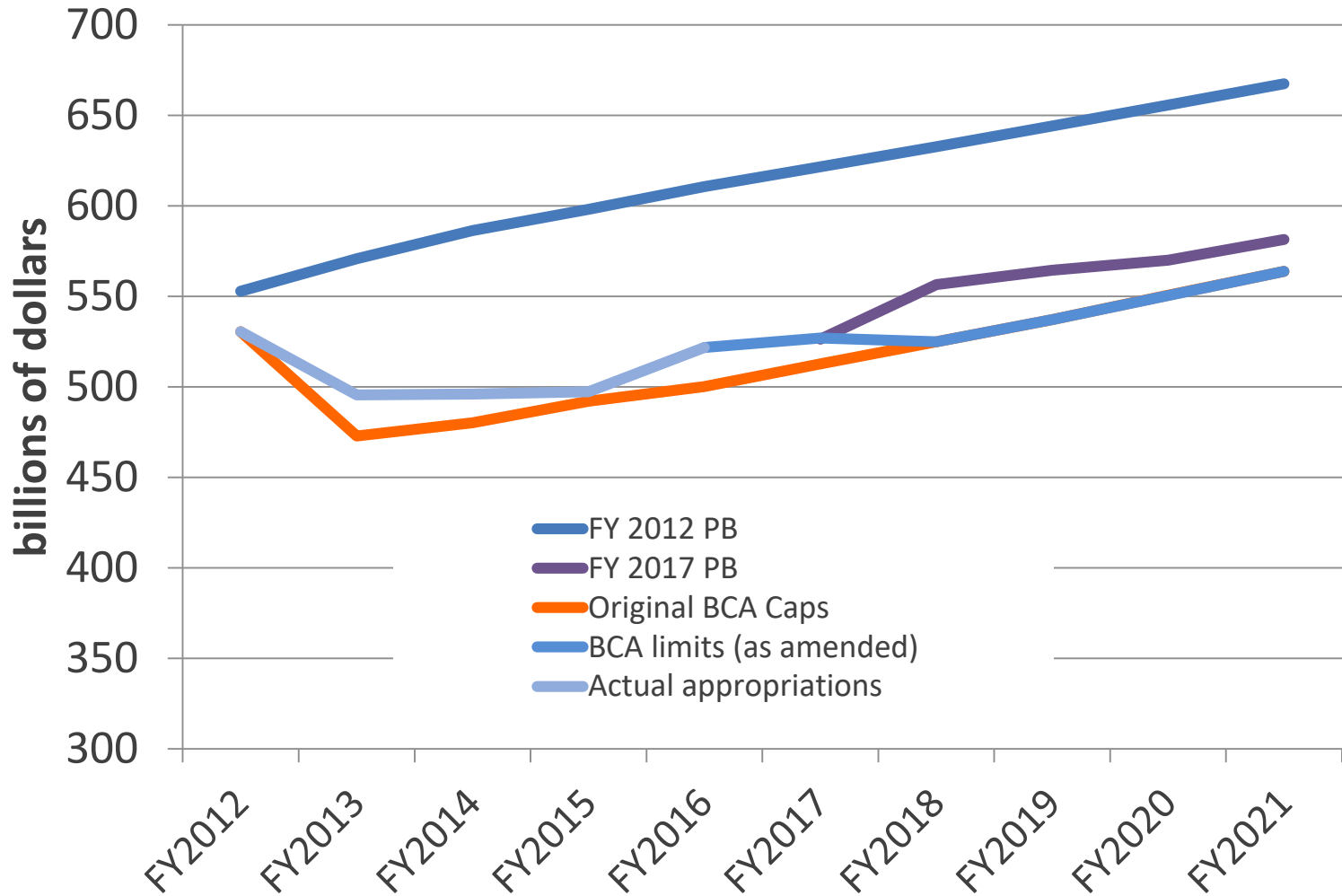
# Original BCA Caps



# Actual Appropriations through FY2016



# DOD's FY2017 Plan





## So the practical effect of BCA on DOD, thus far, has been this:

- DOD has faced the possibility of lower-than-planned future budgets.
- Thus far, these “sequester-level” budgets have been averted by changes in law – but never for more than two years at a time...
- ...and in the most recent case, what many had assumed was the second year’s deal fell apart



# In the meantime, DOD is operating under an FY2017 Continuing Resolution

- Some potential problems have been averted by “anomalies” in the CR.
- But holding FY2017 funding at the FY2016 level hits certain activities harder:



FY2017 total = minus \$4 billion

FY2017 O&M = minus \$8.8 billion

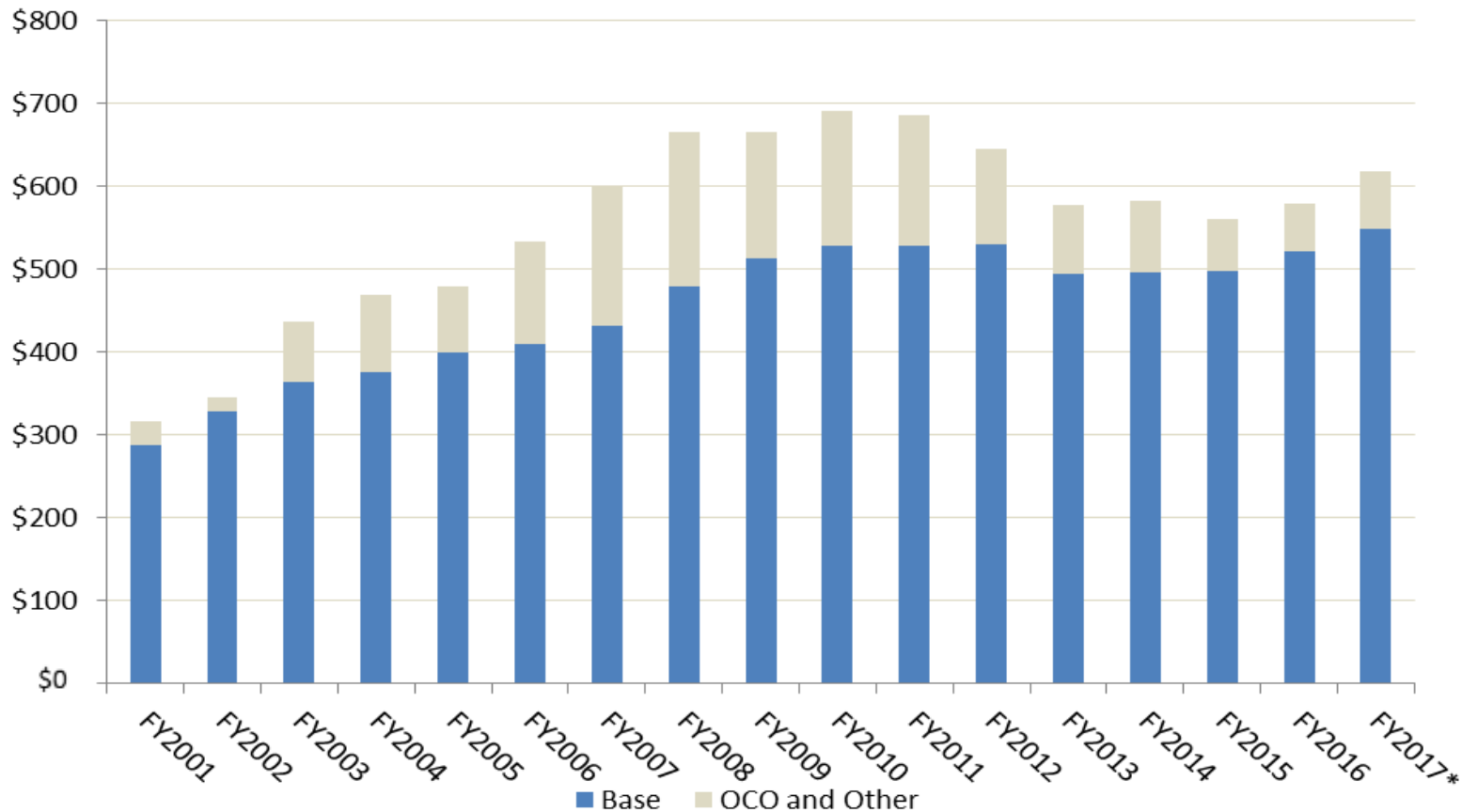
**Flight operations**

**Training of larger ground units**

# DOD Budget Authority

## by Base and Supplemental FY2001-FY2017\*

### Current Billions of Dollars



**Source:** DOD, National Defense Budget Estimates, 2017 and the Trump Administration March 2017 request for additional appropriations.

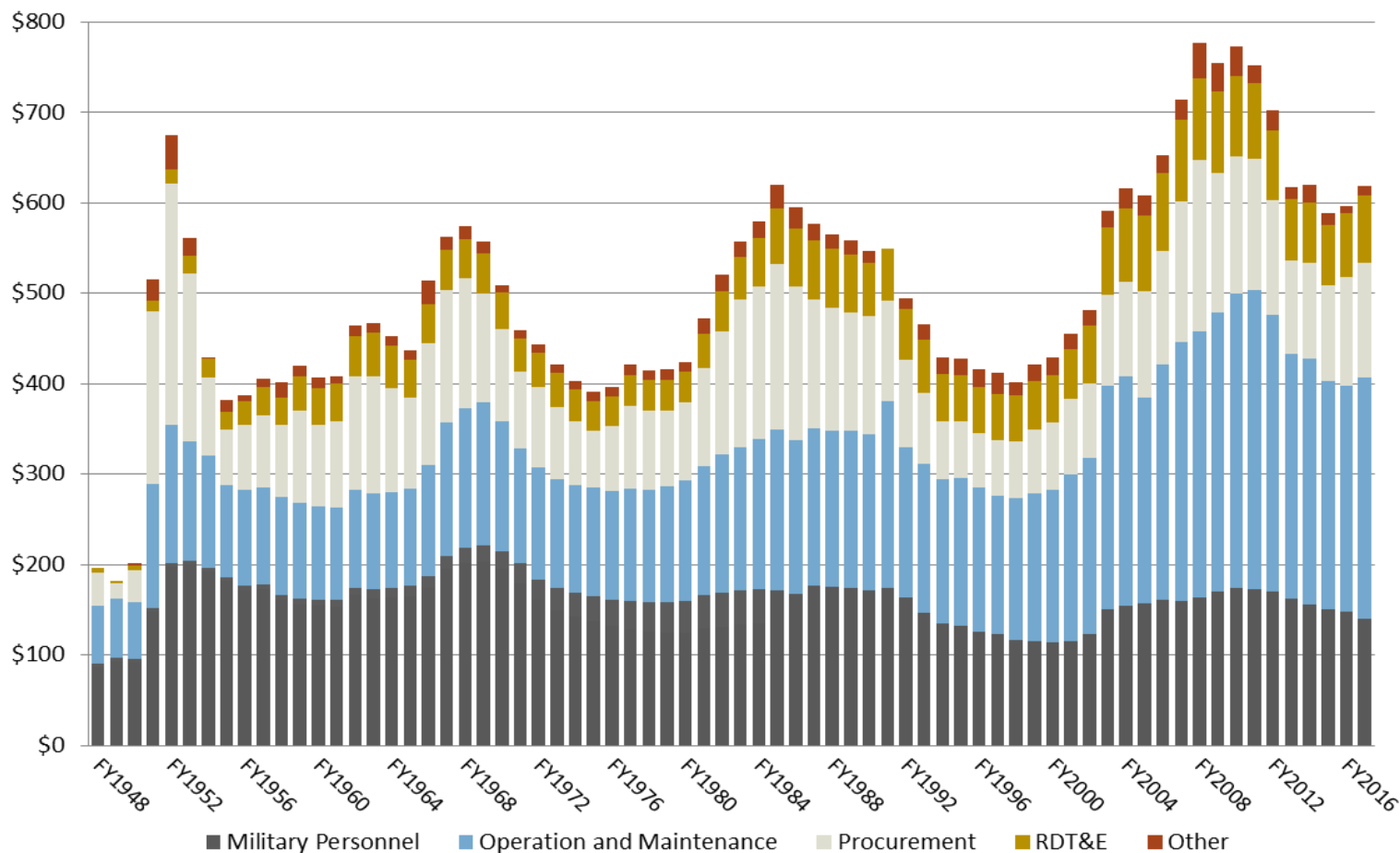
**Notes:** Amounts in current billions of dollars. *OCO and Other* includes emergency and Overseas Contingency Operations appropriations. \*FY2017 amounts requested.



# DOD Budget Authority

## by Appropriations Account FY1948-FY2017\*

Constant (FY2017) Billions of Dollars



**Source:** DOD, National Defense Budget Estimates, 2017 and the Trump Administration March 2017 request for additional appropriations.

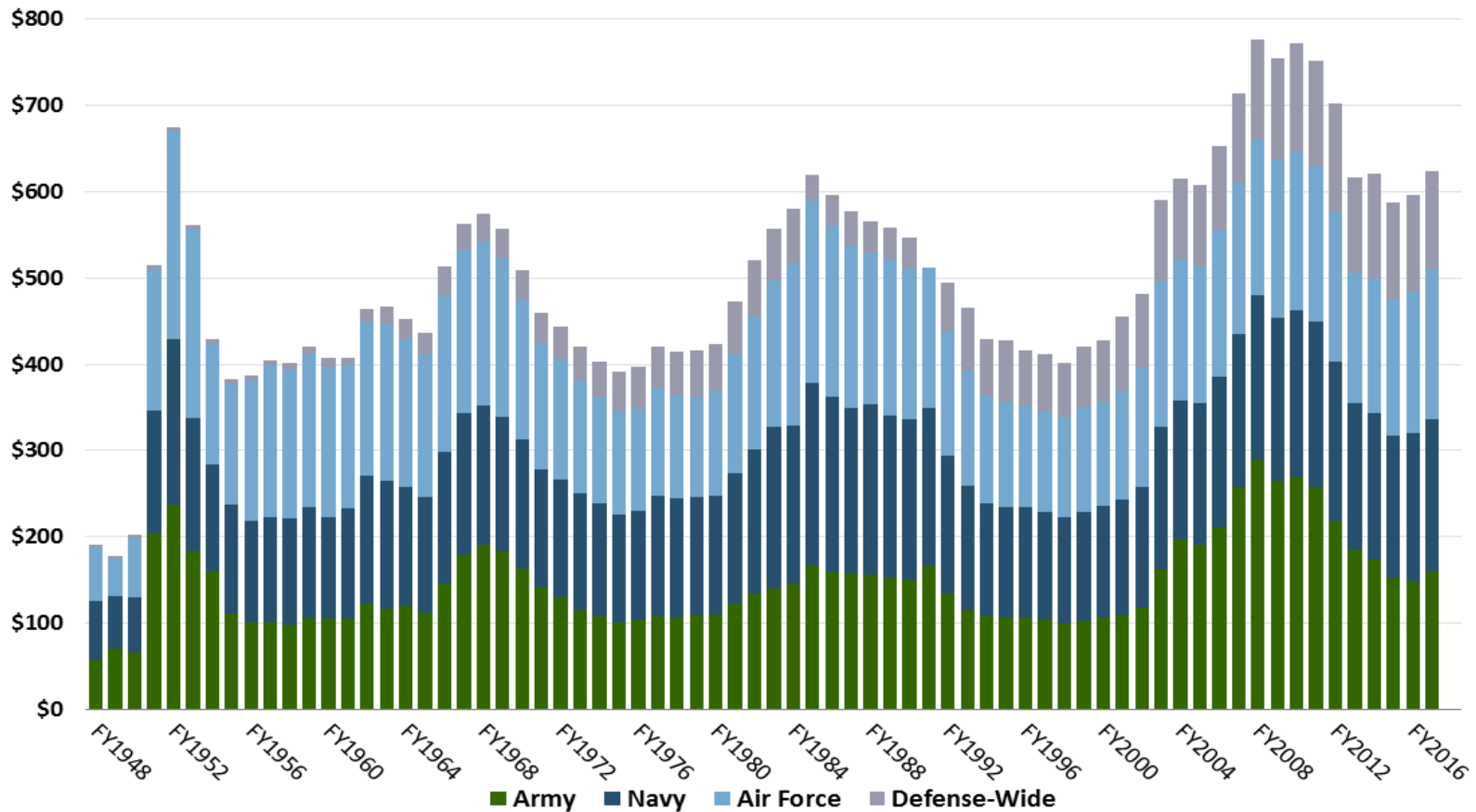
**Notes:** Includes funding for Overseas Contingency Operations. *Military Personnel* category includes retired pay in FY1948-FY1985. *Other* category includes military construction, family housing and revolving funds. \*FY2017 amounts requested.



# DOD Budget Authority

## By Military Department FY1948-FY2017\*

Constant (FY2017) Billions of Dollars



**Source:** DOD, National Defense Budget Estimates, 2017 and the Trump Administration March 2017 Request for Additional 2017 Appropriations.

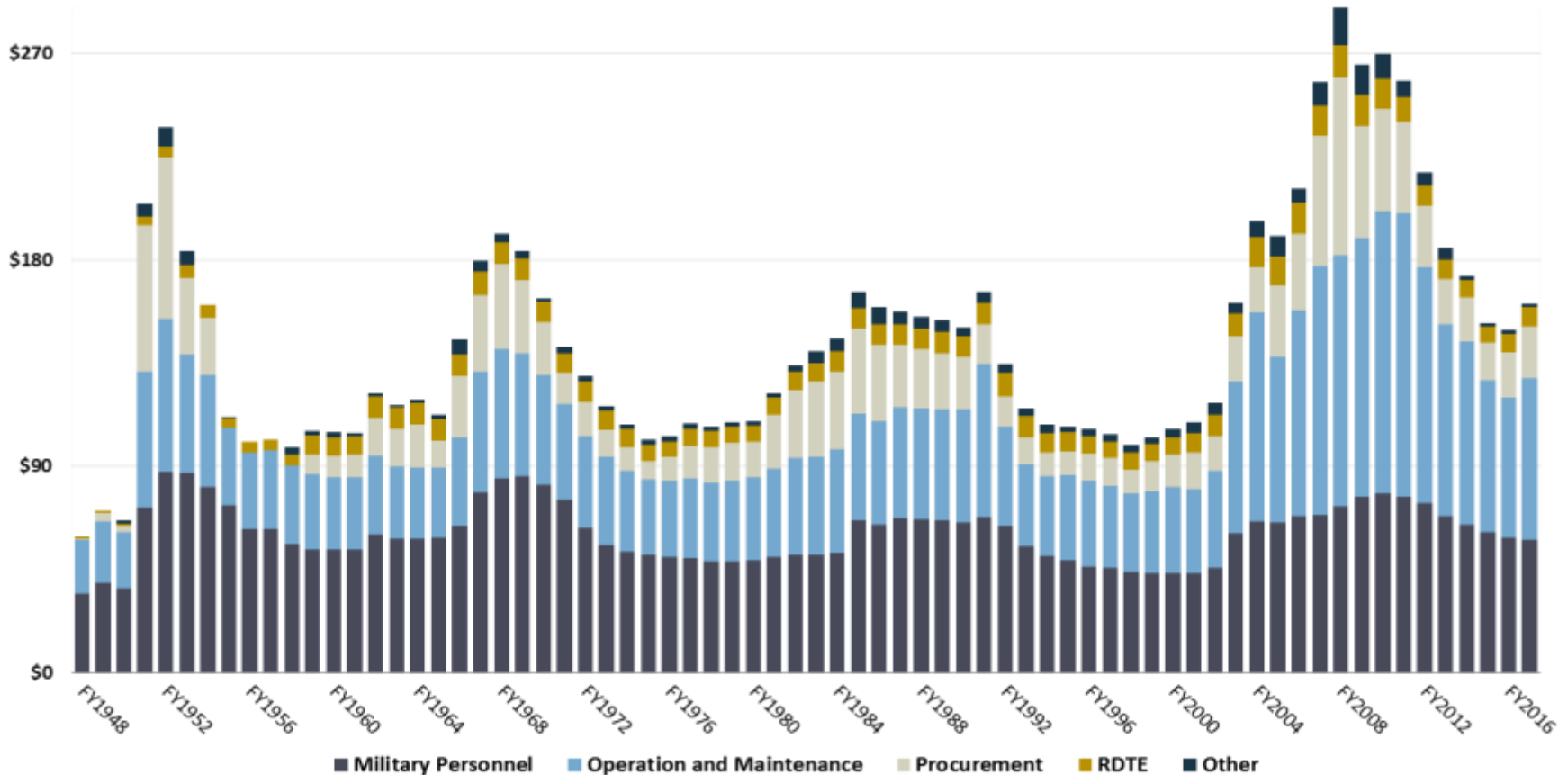
**Notes:** Includes funding for Emergencies/Overseas Contingency Operations. \*FY2017 amounts requested.



# Department of the Army Budget Authority

## by Appropriations Account FY1948-FY2017\*

Constant (FY2017) Billions of Dollars



**Source:** DOD, National Defense Budget Estimates, 2017 and the Trump Administration March 2017 request for additional appropriations.

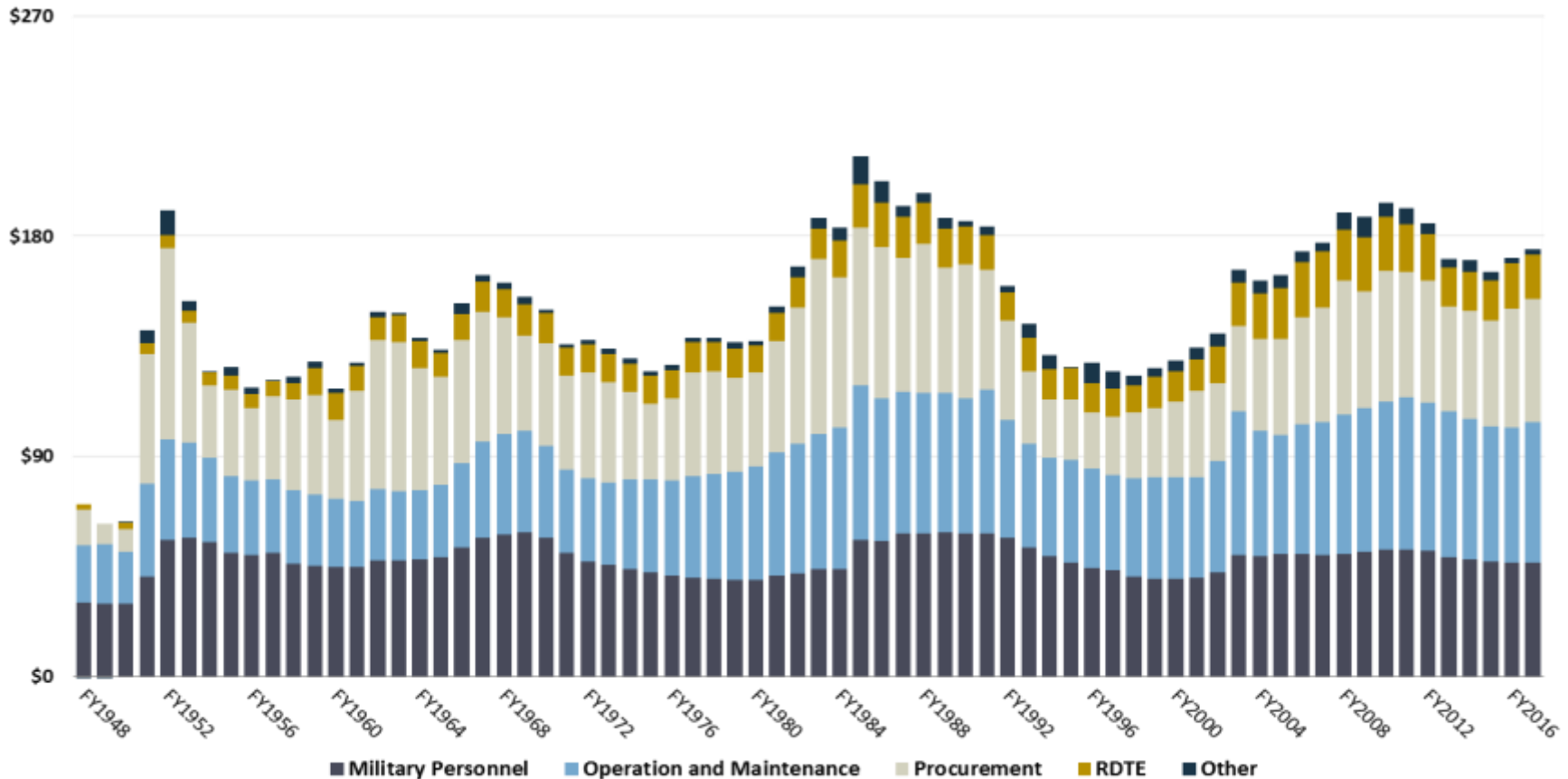
**Notes:** Includes funding for Overseas Contingency Operations. *Other* category includes military construction, family housing, revolving funds, trusts, and receipts. \*FY2017 amounts requested.



# Department of the Navy Budget Authority

## by Appropriations Account FY1948-FY2017\*

Constant (FY2017) Billions of Dollars



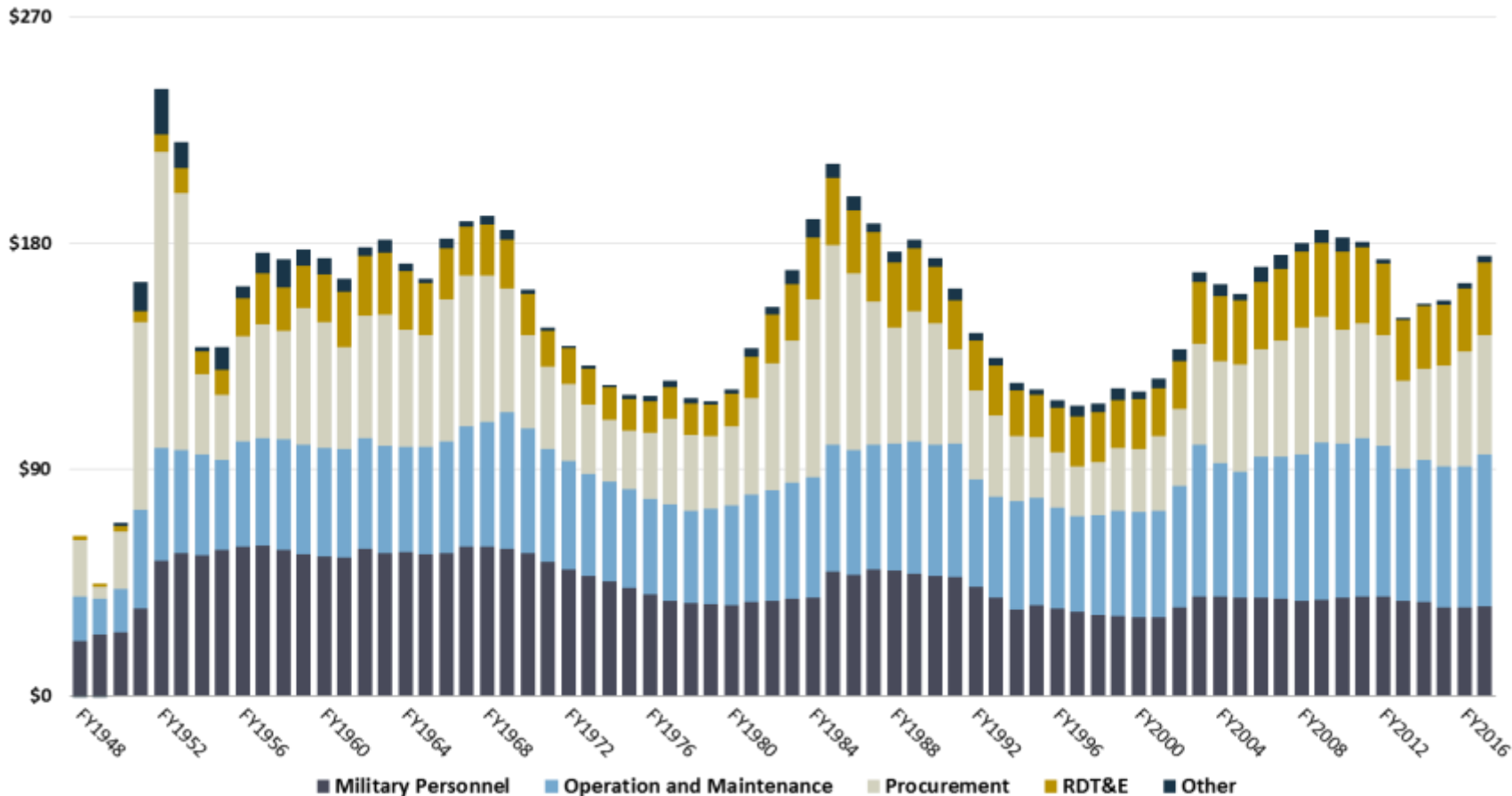
**Source:** DOD, National Defense Budget Estimates, 2017 and the Trump Administration March 2017 request for additional appropriations.

**Notes:** Includes funding for Overseas Contingency Operations. *Other* category includes military construction, family housing, revolving funds, trusts, and receipts. \*FY2017 amounts requested.



# Department of the Air Force Budget Authority by Appropriations Account FY1948-FY2017\*

Constant (FY2017) Billions of Dollars



**Source:** DOD, National Defense Budget Estimates, 2017 and the Trump Administration March 2017 request for additional appropriations.

**Notes:** Includes funding for Overseas Contingency Operations. *Other* category includes military construction, family housing, revolving funds, trusts, and receipts. \*FY2017 amounts requested.





# The Budget RIGHT NOW

- Current CR expires on ~~April 28, 2017~~ **May 5, 2017**
- If a “plain vanilla” CR is extended thru FY2017, the services warn of dire consequences
  - Appears not to be happening
- FY2017 additional request (March) **+30B**
- FY2017 final appropriation (?) **+15B**
- FY2018 budget request (May?)
  - FY18 “skinny” budget: \$668 billion
  - \$603 for base, \$65 OCO
  - \$18.5 billion above Obama (3.2%)
  - *Would exceed BCA cap by \$54 billion*





# So What Happened?



# Air Force aircraft

	FY14	FY15	FY16	FY17 req	FY17 final
F-35A	19	28	47	43	48
MQ-9	12	12	33	12	12
CV-22	3	0	1	0	1
HC-130J	1	4	5	3	3
C-130J	6	7	14	3	5
MC-130J	4	3	8	6	6
AC-130J	5	0	0	0 (1 EC-130J)	0
KC-46	0	7	12	15	15
<b>TOTAL</b>	<b>50</b>	<b>60</b>	<b>120</b>	<b>82</b>	<b>90</b>



# Navy/Marine aircraft

	FY14	FY15	FY16	FY17 req	FY17 final
EA-18G	21	12	10	0	0
F/A-18E/F	0	0	5	2	14
F-35B	6	6	15	16	18
F-35C	4	4	6	4	8
V-22	23	19	19	16	18
H-1 upgr	22	28	29	24	26
MH-60R/S	37	37	29	0	0
P-8	16	9	17	11	11
E-2D	5	5	5	6	6
KC-130J	1	1	2	2	2
MQ-8	2	5	5	1	5
MQ-4C	0	0	4	2	3
C-40	0	0	0	0	2
<b>TOTAL</b>	<b>137</b>	<b>126</b>	<b>146</b>	<b>82</b>	<b>113</b>



# Army aircraft

	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17 req</b>	<b>FY17 final</b>
MQ-1	23	19	17	0	20
UH-72	37	55	28	0	28
AH-64	46	35	64	52	59 (7 new)
CH-47	29	32	39	22	22
UH-60M	70	87	107	36	61
<b>TOTAL</b>	<b>205</b>	<b>228</b>	<b>255</b>	<b>110</b>	<b>190</b>



# All services (including UAVs)

	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17 req</b>	<b>FY17 final</b>
Fixed-wing	136	142	200	125	181
Rotary-wing (incl V-22)	264	293	321	151	220
<b>TOTAL</b>	<b>400</b>	<b>435</b>	<b>521</b>	<b>276</b>	<b>401</b>



## Some top investment areas & programs for FY2018

- Strategic nuclear forces modernization
- Missile defense and space control
- Cyber
- Air Force: F-35, B-21, KC-46
- Navy: 355-ship plan
- Army: new BCTs, HQs, and “enabling” units



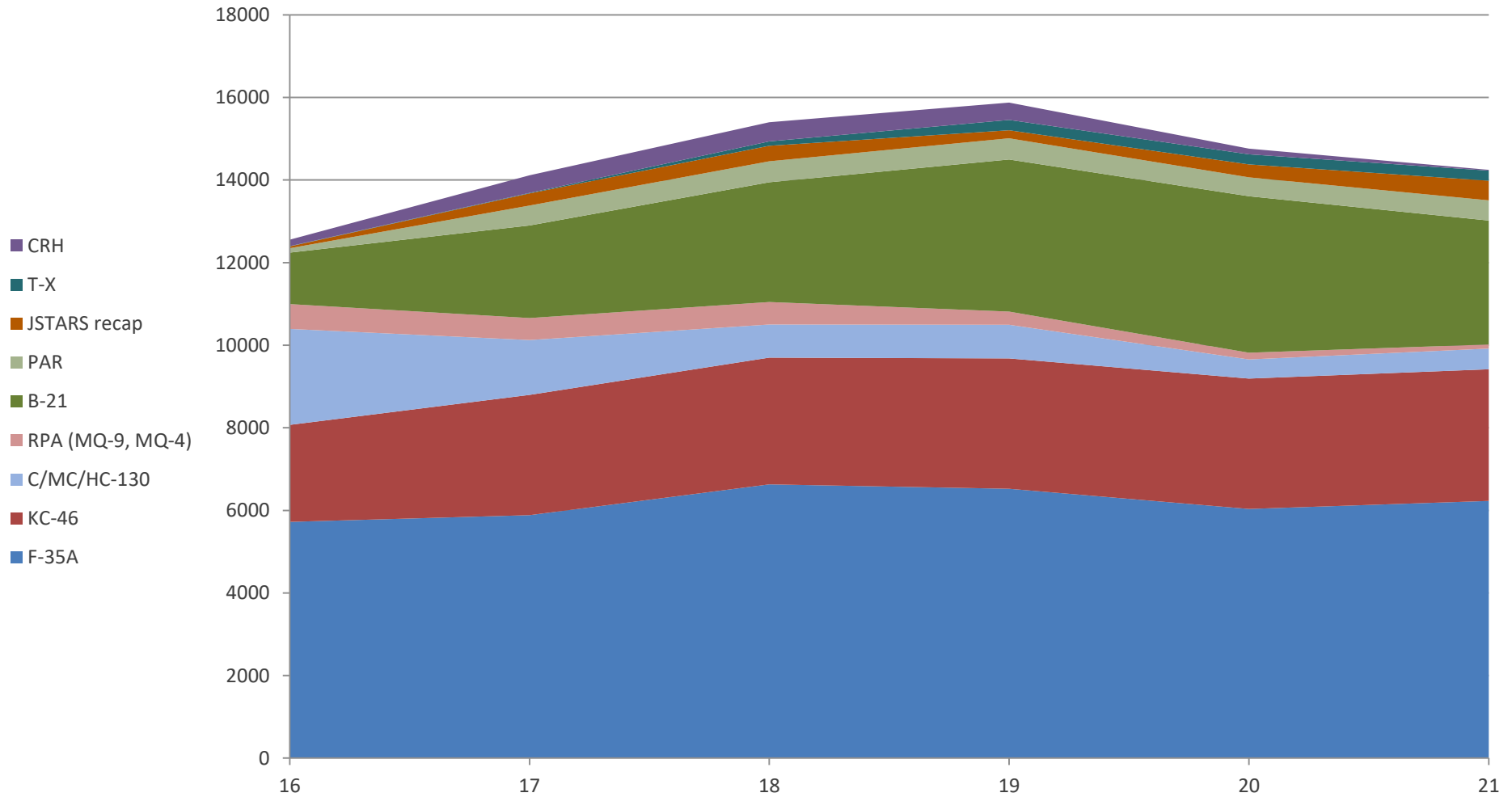
# What to Watch For

- Potentially changing U.S. role in world
- Tradeoff between equipment/weapons/ modernization and readiness
- Presidential interest and tweets
- Creation of manufacturing jobs
- Procurement “bow wave”

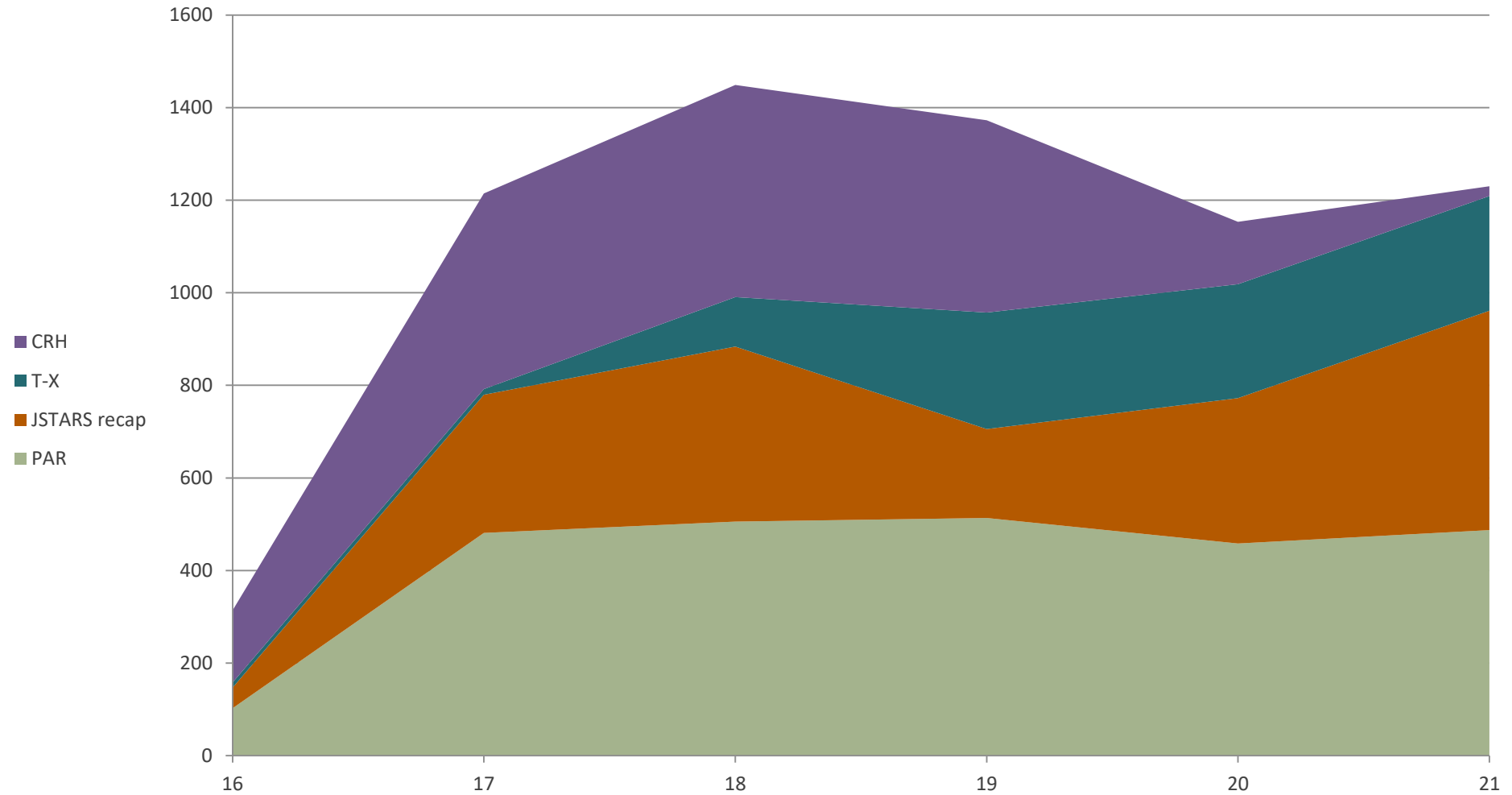




# Air Force Procurement Bow Wave



# Air Force R&D Bow Wave



# QUESTIONS?



# BACKUPS



# Readiness as Priority

## FY17 Revised Unfunded Priority Lists

*In Billions*

	<b>Army</b>	<b>Navy</b>	<b>USAF</b>
<b>Readiness*</b>	<b>\$0.9</b>	<b>\$2.8</b>	<b>\$4.1</b>
<b>Modernization</b>	<b>\$6.8</b>	<b>\$8.7</b>	<b>\$5.1</b>
<b>Force Structure</b>	<b>\$0.0</b>	<b>\$0.4</b>	<b>\$0.2</b>
<b>MILCON</b>	<b>\$0.5</b>	<b>\$0.2</b>	<b>\$1.0</b>

Notes: FY17 supplemental has not yet been requested; unfunded lists have not been formally transmitted.

\*The Army did not use readiness as an explicit category. \$900 million was dedicated to training and sustainment, traditional readiness categories, but other funding would likely be considered readiness by the Army, as discussed in previous slides.



# FY2017 NDAA Highlights

## **Organization & Management Reform**

Requires an Organizational Strategy

Establishes a Commission on the National Defense Strategy

Revises the requirements of the National Military Strategy

## **Acquisition Reform**

Eliminates the Under Secretary of Defense (USD) for Acquisition, Technology & Logistics and creates a USD(Research & Engineering) and USD(Acquisition & Sustainment)

See Title VIII – over 88 acquisition policy provisions

## **Security Cooperation Reform**

Consolidates "train-and-equip" authorities requirements

Makes permanent "section 1208" authority

Establishes Security Cooperation Workforce Development Program



# FY2017 NDAA Highlights

## **Audit Readiness**

- Requires a progress report on audit readiness (due Mar 23, 2017)
- Requires increased use of commercial data tools
- Provides direct hire authority for financial management experts
- Fully funds the audit readiness request (\$250.6 million)

## **Base Realignment and Closure (BRAC)**

- Prohibits another BRAC round
- Cuts \$3.5 million slated for BRAC planning



# FY2017 NDAA Highlights

## Domestic Sourcing

- Requires Berry-compliant (10 U.S.C 2533a) athletic footwear for recruits

## Arms Export Controls

- Requires a plan to improve integration and transfer of knowledge across the National Technology and Industrial Base (NTIB)
- Requires identification of changes to export control procedures to enhance NTIB policy objectives
- Requires an assessment of the proliferation of certain remotely piloted aircraft systems





# FY2017 NDAA Highlights

## Civilian Personnel Matters

- Prohibits the performance of civilian personnel functions by military personnel (with exceptions)
- Modified restrictions on managing civilian personnel and requires a new annual report (repeals annual strategic workforce plan)
- Allows for certain public-private employee “talent” exchanges
- Limits the DOD Senior Executive Service to 1,260 employees

## Headquarters Staffing Reductions

- Limits headquarters personnel in OSD, Joint Staff, and services
- Requires a 25% reduction of general and flag officers
- Limits funding available for staff augmentation contracts



# What to Watch For

- **Oversight**
  - National Defense Strategy & National Military Strategy development
  - Reorganization of USD(AT&L)
  - Security Cooperation
  - Headquarters/Senior Leader reductions
- **Acquisition reform efforts**
  - Seeking “Agility, Efficiency and Fiscal Responsibility”
  - Improving technological superiority
- **Audit readiness**
- **Domestic sourcing mandates**



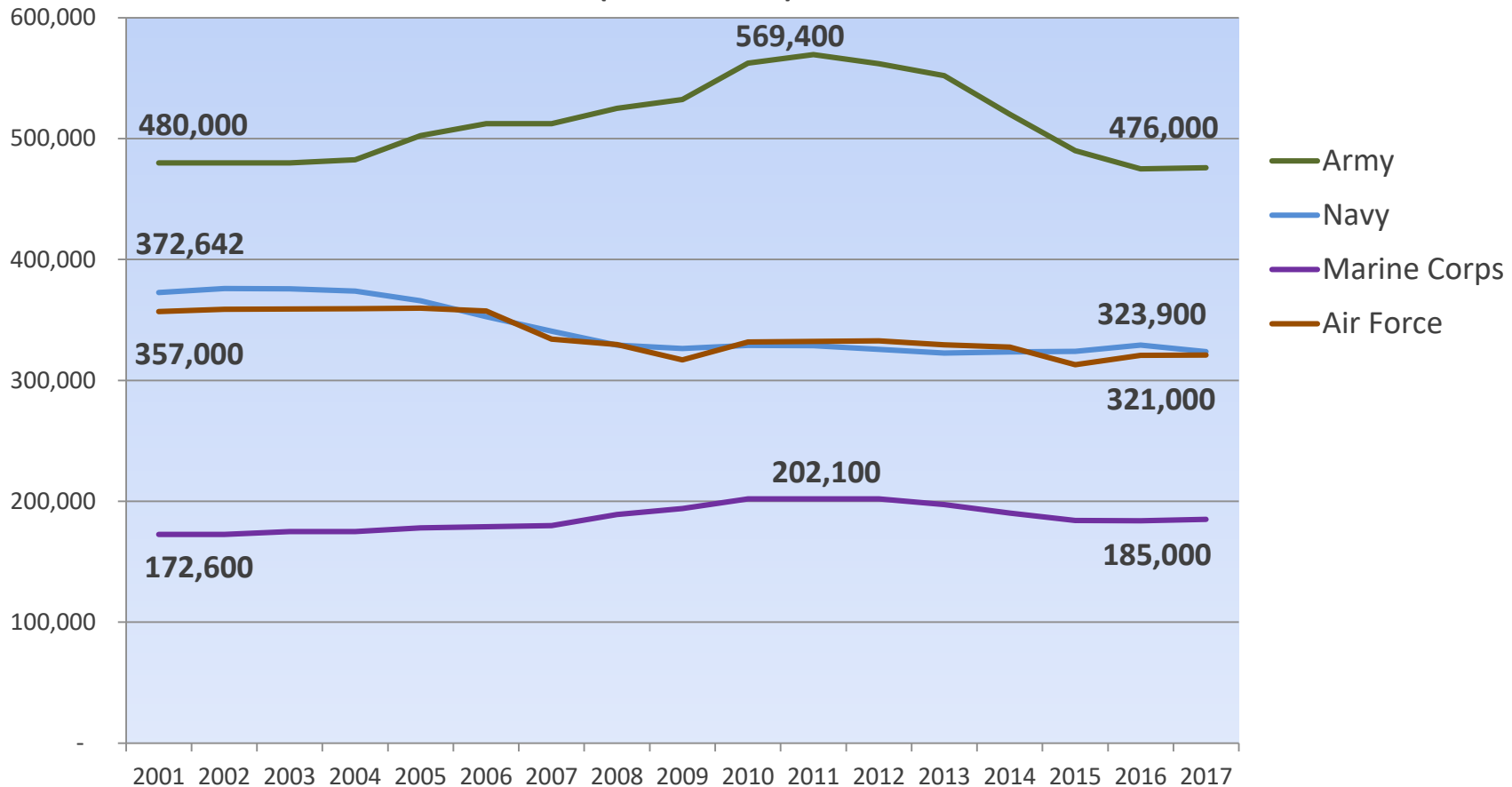


# Military Personnel Matters



# What to Watch For: End Strength Increases

Active Component Authorized End Strength Over Time  
(FY2001-2017)



Congress sets min. & max. strength levels; current law permits Secretary of Defense to increase max. level by up to 3% (10 U.S.C. 115)



# Army Personnel Strength

**Actual strength at present = 464,736**  
**FY2017 authorized active duty 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 (about 15,000 per year).

**“...we are underway to regrow the Army in accordance with NDAA prescribed end strength. As we grow, however, we will focus first on filling the holes in our existing units as our top priority.”**

- General Allen, Army Vice Chief of Staff, HASC Hearing, Feb. 7, 2017



# Marine Corps Personnel Strength

**Actual strength at present = 183,420**  
**FY2017 authorized active duty 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, to build new capabilities that will deter, defeat and deny adversaries and meet future Joint Force requirements. 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 Personnel Strength

**Actual strength at present = 323,184**  
**FY2017 authorized active duty strength = 323,900**

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

- Candidate Trump, Sep. 7, 2016

**On December 15, 2016, the Navy released a new force-structure goal that calls for achieving and maintaining a fleet of 355 ships of certain types and numbers, up from a 2015 goal of 308 ships.**

**CRS estimates that roughly 15,000 additional sailors and aviation personnel might be needed for the 47 additional ships (355 vs. 308)**

- CRS Report RL32665



# Air Force Personnel Strength

**Actual strength at present = 317,226**  
**FY2017 authorized active duty strength = 321,000**

**“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. He estimated it would take 5-6  
years to do so.**

**-USA Today, December 21, 2016**





# Strength Increases: Key Points

- Cost of additional personnel
  - \$90,000-\$100,000 per service member in military pay and benefits
  - Other agency costs (e.g., veterans disability, VA health care, GI Bill)
  - Recruiting and retention costs
- Quality of the force
- Time required to increase manning levels
  - Training pipelines
  - Equipment procurement and production (e.g., new ships and aircraft)

