

DEPARTMENT OF DEFENSE

The Department of Defense (DoD) provides military forces and capabilities to project power in order to protect the security of the United States and its interests around the world and win decisively against any adversary, should deterrence fail. The President's Fiscal Year 2017 (FY 2017) Budget provides \$524 billion in discretionary base budget and \$59 billion in Overseas Contingency Operations funding, for a total of \$583 billion to sustain the President's national security and defense strategies.

The FY 2017 Budget complies with the Bipartisan Budget Act of 2015, giving the Department much-needed near-term budget stability and protection from the damage of sequestration in FY 2016 and FY 2017. The Budget ensures the U.S. military remains the world's finest fighting force by prioritizing programs that respond to a rapidly changing security environment, care for our current and future service members and their families, and drive innovation for future challenges. The Budget also proposes a number of critical defense reforms that are needed to reduce spending on unnecessary or outdated force structure, modernize military health care, and reduce wasteful infrastructure and overhead. In FY 2018 and beyond, the Budget proposes to end sequestration and increases defense resources to ensure that the U.S. military remains capable of defeating any aggression against U.S. and allied interests.

Funding Highlights:

- The President's FY 2017 Budget provides \$524 billion in discretionary base budget and \$59 billion in Overseas Contingency Operations funding, for a total of \$583 billion to sustain the President's national security and defense strategies. This includes:
 - Focusing on five strategic challenges: Russia, China, North Korea, Iran, and the enduring need to counter terrorism by:
 - Quadrupling funding over the FY 2016 budget request for the European Reassurance Initiative to assure allies and deter Russian aggression;
 - Supporting the Maritime Security Initiative to build closer relations with our Asia-Pacific partners;
 - Funding necessary national and regional ballistic missile defenses; and,
 - Promoting the ongoing train, advise, and assist missions in Iraq, Syria and Afghanistan, and supporting operations against the Islamic State of Iraq and Syria (ISIL) and affiliated groups.
 - Maintaining our military's technological superiority by increasing our undersea advantage, funding survivable Intelligence, Surveillance, and Reconnaissance (ISR), enhancing our cyber and electronic warfare capabilities, strengthening space control, and investing in other advanced capabilities, including a range of new munitions systems.
 - Investing in DoD's current and future force by building on the retirement reforms of last year, modernizing TRICARE for beneficiaries, and funding key personnel reforms and benefits that support military families and help attract and retain the force of the future.

Reforms:

- The Budget ensures that every taxpayer dollar is well-spent by continuing defense-wide reform efforts, including a 25 percent headquarters reduction, improved business practices in the commissary system, better auditability, improved acquisition practices, and eliminating excess infrastructure.

Highlights of the President's FY 2017 Budget for DoD include:

Committing to our Force and our Families

Protects Military Retirement. The Budget proposes amendments to the bipartisan retirement reform enacted last year to improve force management, flexibility, and to better allow the services to manage retention.

Strengthens TRICARE. The Budget modernizes TRICARE benefits and improves access, choice and value of healthcare to beneficiaries. The Department's plan simplifies TRICARE while maintaining choice for beneficiaries, encouraging use of military treatment facilities in order to preserve medical readiness and making reasonable adjustments to the fee structure. There are no changes for Active Duty members, who will maintain priority access to healthcare without cost-sharing.

Family-Focused Reforms. The Budget fully funds the Secretary's recently-announced package of family-focused reforms, including expanded maternity leave for service women and paternity leave for service men, improved mothers rooms on military installations, and enhanced hours at child development centers to recognize our service members' often unpredictable schedules. Taken together, these reforms will improve both retention and quality of life for our service men and women and their families.

Adjusting to Strategic Change

Today's security environment demands that DoD be flexible and innovative to stay ahead of potential opponents. As a result, the Budget addresses several key strategic areas:

Enhanced Counterterrorism Efforts. The Budget provides for DoD efforts to support local, capable, motivated partner forces and battle terrorism around the globe – in Iraq, Syria, Afghanistan and elsewhere – in order to deliver ISIL and other terrorist groups a lasting defeat. The Budget includes:

- \$7.5 billion to support counter-ISIL operations, a 50 percent increase over FY 2016 enacted levels, for activities including targeted airstrikes; the train, advise, and assist missions in Iraq and Syria; and the Special Operations Forces-led expeditionary targeting force.
- \$1.2 billion in FY 2017 and \$4.5 billion over the Future Years Defense Program (FYDP) to expand ISR support for counterterrorism by continuing to build to 90 total combat air patrols available for use by combatant commands. The ISR fleet will include a joint-force mix of Predators, Reapers, Extended Range Reapers, and Advanced Gray Eagles.
- A larger fighter fleet for our counter-ISIL air campaign by postponing final retirement of the Air Force A-10 aircraft to 2022, in coordination with the introduction of F-35 aircraft into the fleet.

Countering Russian Aggression. The Budget takes a strong, balanced approach to respond to Russia's aggression in Eastern Europe and around the world by:

- Quadrupling funding over the FY 2016 budget request for ERI, totaling more than \$3 billion in FY 2017 to further assure our allies of the United States' commitment to peace and security in Europe. This will enable a persistent Army brigade presence in Central and Eastern Europe, additional training exercises, and the repositioning of additional combat equipment to send a strong message of deterrence.
- Countering Russian offensive capabilities through prudent, targeted investments in emerging capabilities today to ensure that we will retain our conventional superiority over near-peer competitors such as Russia for decades to come.

Rebalance to Asia-Pacific. U.S. long-term economic and security interests are inextricably linked to developments in the Asia-Pacific, and DoD remains fully committed to the Administration's whole-of-government rebalance. We will continue to demonstrate our freedom to navigate in international waters and airspace as we build cooperation in the region. The Budget:

- Responds to Chinese military modernization by taking prudent steps to preserve and enhance deterrence for the long term, including through targeted investments in emerging capabilities to sustain our military edge in the Asia-Pacific.
- Builds maritime capacity of allies and partners by providing \$425 million for the Maritime Security Initiative over five years. This initiative supports our allies in Southeast Asia by developing their maritime capabilities and building a shared maritime domain awareness architecture to identify potential threats and collaboratively address common challenges.
- Enhances our presence, including through inaugurating P-8 maritime surveillance aircraft rotations in Singapore, implementing rotational initiatives in Northern Australia, moving forward with projects to support the movement of Marine forces to Guam, preparing for augmented rotational presence in the Philippines, and positioning F-35 fighters and additional Ballistic Missile Defense-capable ships in Japan.
- Upholds freedom of navigation in the South China Sea by continuing to fly, sail, and operate anywhere international law allows, consistent with the Law of the Sea Convention.
- Confronts provocation by North Korea by maintaining, along with our allies, a robust combined defense posture and strong military readiness on the Korean peninsula. The Budget continues to defend the homeland against the North Korean nuclear and missile threat through the ground-based midcourse defense system.

Accountability for Iran. While the international nuclear agreement with Iran enhances our national security, Iran's malign activities and pursuit of missile technology continue to pose a threat to our interests and allies in the region. To combat those threats, the Budget:

- Continues efforts to hold Iran accountable for its destabilizing behavior by advancing preparations, posture, regional partnerships, and planning to preserve the President's options for any contingency.
- Strengthens our partnerships in the region through our strong force posture and efforts to strengthen the regional security architecture in a manner that blunts Iran's ability to coerce its neighbors.
- Supports Israel's self-defense by including funding for Iron Dome and David's Sling. The Budget ensures that Israel can obtain the most advanced technology available,

including its plans to buy the F-35 aircraft, which will make Israel the only nation in the region with a fifth-generation fighter aircraft.

Addressing Cyber Threats. In response to increased threats, we will spend \$6.7 billion strengthening cyber defenses and increasing options available in case of a cyber-attack. The Budget:

- Executes the DoD cyber strategy to defend DoD networks and systems, defend the United States and its interests against cyber-attacks of significant consequence, and provide integrated cyber capabilities to support military operations.
- Supports the Cyber Mission Force, continuing to provide personnel to create 133 fully operational teams by the end of FY 2018, investing in innovative approaches to provide a virtual environment for cyber personnel to train, and equipping the force with necessary tools and platforms.
- Develops offensive cyber capabilities to support military operations and provide response and deterrence options to leadership.

Recovering Readiness and Optimizing Force Structure

The Budget ensures the Military Services will continue their progress toward recovering readiness while balancing force structure needed for the future.

Full-Spectrum Army. The Budget supports the Army's ongoing transition from a counterinsurgency-centric to a full-spectrum force by:

- Meeting Service readiness goals by fully funding combat training center throughput capacity, in order to provide brigade combat teams with increased opportunities for full-spectrum training.
- Fielding the most effective total force, re-proposing the Aviation Restructure Initiative to transfer Army National Guard helicopters to the active component in order to ensure more usable capacity, higher readiness, and less operational risk and cost.

Strong and Balanced Navy. The Budget invests in Navy lethality through improvements in surface capability, additional tactical aircraft, and investments in advanced undersea capabilities by:

- Continuing implementation of the Navy's Optimum Fleet Response Plan, which began phased implementation in FY 2015, and balances the preservation of critical maintenance and training while maximizing employability of Navy forces.
- Ensuring a balanced force structure, making significant progress on the Navy's shipbuilding plan to achieve a level of 308 ships by FY 2024. The Budget invests in tactical aircraft across the FYDP, through increased depot maintenance for existing aircraft and procurement of F-35s and additional F-18s. It increases the lethality of the surface fleet by investing \$1.2 billion over the FYDP for additional combat system upgrades for destroyers, a maritime strike Tomahawk missile capability, a new lightweight torpedo, electronic warfare upgrades, and more SM-6 missiles. It upgrades the undersea fleet by investing \$2.5 billion over the FYDP for an additional Virginia Payload Module, 10 submarine combat systems upgrades, quieting and sensing upgrades, an improved MK-48 torpedo, and unmanned underwater vehicles.

- Investing in nuclear modernization, funding the first hull for the Ohio class replacement in FY 2021, a signature milestone for Navy's next-generation nuclear submarine.

Capable Expeditionary Marine Corps. The Budget maintains the Marine Corps' preeminent role as the Nation's most capable expeditionary response force by:

- Meeting Service readiness goals by fully-funding Integrated Combined Arms Exercises for all elements of the Marine Air Ground Task Forces, in order to build full-spectrum readiness.
- Maintaining a Marine Corps end strength of 182,000 to support the ongoing deployments of two to three Marine Expeditionary units afloat, two special-purpose Marine Air Ground Task Forces, and the unit deployment program, which supports the rebalance to the Asia-Pacific region, including through rotations to Australia.

Ready, High-End Air Force. The Budget invests in high-end capabilities across a range of domains while continuing to improve readiness through training for a high-end fight by:

- Optimizing flying hour and maintenance funding, including through limited additional personnel, to maximize maintenance and home station training opportunities.
- Maintaining 55 combat-coded fighter squadrons to meet operational requirements, and increasing lethality and survivability of legacy fighters and bombers through targeted investments in a modernized electronic warfare system for the F-15 fleet, improved radars for F-16s and B-52s, upgraded communications equipment for the B-1, and enhanced mission systems for the B-2.
- Investing in high-end capabilities, including in the space domain and in cyberspace. The Budget also includes initial investment in the LRS-B next generation bomber, and continued funding for nuclear enterprise modernization.

Seizing Opportunities for the Future

Force of the Future. DoD is building the Force of the Future to attract a new generation of talent, promote diversity, and reward merit by:

- Increasing permeability between DoD, the private sector, and other agencies, including establishing a Defense Digital Service, and expanding the Secretary of Defense Corporate Fellows program to expose talented military officers to new ways of doing business.
- Improving recruiting and retention by instituting a chief recruiting officer and establishing a career intermission program to allow for additional flexibility in a service member's career.
- Upgrading talent management systems, including by creating an Office of People Analytics, and increasing the use of technology and data analysis to improve personnel decisions and choices.

Investing in Technological Innovation. As competitors seek to reduce our technological advantage, DoD will accelerate adoption of advanced capabilities that offset adversary investments, reshape the nature of international military competition, and cost-effectively extend the U.S. advantage while imposing cost on our competitors. The Budget:

- Funds the recommendations of the Long-Range Research and Development Planning Program to identify high-payoff enabling technology, with a focus on programs that

emphasize agility, adaptability, and affordability, including in unmanned systems, novel weapons and new payloads.

- Adds two additional Manufacturing Innovation Institutes, which are public-private partnerships that invest in manufacturing technologies that are both relevant to the warfighter and possess broad application.
- Expands In-Q-Tel and continues to invest in Defense Innovation Unit Experimental (DIU-X) initiatives, which accelerate the flow of ideas, people, and technology from the technology and scientific community to DoD. The Budget continues to support the In-Q-Tel pilot program and increases funding available for improved access to cutting edge commercial technologies.

Pursuing Defense Reforms. The Budget includes important, cost-saving and efficiency-inducing reforms for FY 2017, such as:

- Eliminating excess infrastructure and facilities by requesting authority to initiate a new round of Base Realignment and Closure in FY 2019.
- Reducing the cost of management headquarters from FY 2014 levels by 25 percent, no later than FY 2020.
- Modernizing TRICARE to balance the needs of beneficiaries with requirements to maintain military medical readiness by incentivizing care at the Military Treatment Facilities (MTFs) through adjusted fees and copays.
- Continuing progress across the Department to become audit-ready by FY 2018.
- Improving defense acquisition through Better Buying Power initiatives, the new DOD Instruction on the acquisition of contracted services, and tying profit more effectively to performance through incentive structures.