



Fiscal Year 2013

Defense Spending Request Briefing Book

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Due to caps specified in the Budget Control Act, the passage of the Fiscal Year (FY) 2013 budget will mark the first year since 1998 that base defense spending (not including the war costs) has not grown in real terms. At \$525.4 billion, the base budget request represents a \$5.1 billion, or approximately 1 percent, decrease from the FY12 base budget approved by Congress.

The Pentagon's stated "hope and plan," however, is to increase the base budget to \$567 billion by FY17.¹ Over the next five years, the Pentagon will experience a decrease in spending, relative to FY12, of about 1.6 percent. While the President's request does put DOD on the path to save \$259 billion over the next five years and \$487 billion over the next 10, these savings are calculated from the Pentagon's previously proposed spending plans that would have constantly boosted the defense budget and not from the current level of spending.

The national debate over the federal budget deficit has forced the Pentagon to reexamine its priorities and reevaluate its strategy in light of the current threat environment. The Pentagon's new strategic guidance, released January 5, and corresponding budget request, convey a Pentagon decision process guided by strategy, effectively shifting the focus away from the wars in Iraq and Afghanistan toward the threats of the future.

The Pentagon will shift its geographic focus toward the Asia Pacific region while maintaining a robust presence in the Middle East. This shift will require investments in programs such as the next generation bomber and cruise missile capacity on the Virginia class submarine.

It will also work to create a force that is "smaller and leaner, but also agile, ready, flexible, and technologically advanced." As such, the Army's end strength will be reduced to 490,000 from a



Defense Secretary Leon E. Panetta and Army Gen. Martin E. Dempsey brief the press on January 26, 2012.

¹ Department of Defense. "Fact Sheet: The Defense Budget." January 26, 2012. http://www.defense.gov/news/Fact_Sheet_Budget.pdf

post-9/11 peak of approximately 570,000 in 2010, and the Marine Corps' to 182,000 from a peak of approximately 202,000. In addition, the President will request that Congress authorize use of the Base Realignment and Closure (BRAC) process to identify savings from closing and consolidated bases that might be reinvested in high priority missions at the Department of Defense.

Other major changes include a two-year delay for the Ohio-class replacement strategic nuclear weapons submarine and slowed procurement of the F-35 Joint Strike Fighter. Although at this point the Pentagon has chosen to protect the nuclear triad – land-based, sea-based and air launched nuclear weapons – the new strategic guidance notes that “An ongoing White House review of nuclear deterrence will address the potential for maintaining our deterrent with a different nuclear force.”

Chairman of the Joint Chiefs of Staff Martin Dempsey noted in a speech earlier this month that the recently completed strategy review was long overdue:

... we as service chiefs and joint chiefs, we don't feel victimized by this. This is something that's actually quite healthy for us in the sense that because we haven't really had to confront this issue of ways, I think we've missed some opportunities in the past. And, look, if we haven't learned anything over the last 10 years, where we've exhausted enormous resources and we've put men and women at risk and we've suffered great losses to achieve outcomes in the Mid-East and South Asia – if we haven't learned anything over the last 10 years, shame on us.²

This statement echoes the previous chairman of the Joint Chiefs, Admiral Michael Mullen, who said that growth in the defense budget after 9-11 “hasn't forced us to make the hard choices.”³

Current Defense Department proposals, however, do not account for the possibility of budget sequestration that was triggered by the November 2011 failure of the Congressionally-mandated Supercommittee. If implemented, sequestration would impose an additional \$472 billion⁴ cut to defense spending over the next decade, beginning in January 2013.

² Gen. Martin Dempsey. Duke University. January 12, 2012. <http://www.jcs.mil/speech.aspx?ID=1673>

³ Garamone, Jim. “Mullen: DOD Must Help Solve Federal Debt Crisis.” *American Forces Press Service*. April 28, 2011. <http://www.jcs.mil/newsarticle.aspx?id=594>

⁴ DOD's proportionate share of the reduction for the 050 budget function, which totals approximately \$492 billion, once savings and interest are deducted.

Sequestration, as a number in itself, would not be disastrous. In nominal terms, sequestration would see the base Pentagon budget grow by about 10 percent over the next decade, as opposed to approximately 18 percent projected by the administration's plan.⁵

Former vice chairman of the Joint Chiefs of Staff retired General James Cartwright noted that, "Achieving the [original] \$487 billion in cuts was sufficiently doable that it didn't require really hard decisions ... Unless you force them into it, those hard decisions just don't get made. Everybody buys everything they want." While a near doubling of that original number, as required by sequestration, might require the Pentagon to make some real choices, it would merely return the base budget to approximately the level it was in fiscal 2007, after adjusting for inflation.

Sequestration as currently proposed, however, is undeniably flawed. At its outset, sequestration was never designed to be good policy. Instead, it was designed to force political compromise, encouraging Democrats to agree to domestic spending cuts and Republicans to agree to tax increases.

In practice, however, it is easy to see the policy's flaws. First, sequestration is designed so that major cuts take place immediately, forcing the Pentagon to deal with a dropoff in spending and then a gradual increase over time. Further, because the law requires that cuts be applied uniformly across accounts and programs, sequestration would prevent the Defense Department from shifting its focus to those forces deemed most relevant to future combat.

To avoid such cuts, the Pentagon must begin preparing for sequestration now. The President has already indicated that he "will veto any effort to get rid of those automatic spending cuts to domestic and defense spending... The only way these spending cuts will not take place is if Congress gets back to work to reduce the deficit by at least \$1.2 trillion."⁶

Members of Congress are searching for alternatives to sequestration that include some combination of increased government borrowing and higher taxes. But none of these options is likely to succeed prior to the November elections, and any suggestion that Congress roll back sequestration for the Pentagon alone is probably a non-starter and would devastate the average American at a time when the economy is already in a fragile state.

⁵ Friedman, Benjamin H. and Veronique de Rugy. "Cutting through the Rhetoric on Defense Sequestration." *World Politics Review*. January 6, 2012. <http://bit.ly/A58JjG>

⁶ Rogin, Josh. "GOP has different plans to avoid defense 'trigger.'" *Foreign Policy*. January 25, 2012. <http://bit.ly/y10h9K>

Rather, the Pentagon should work with Congress to develop an alternative budget amendment and revised defense strategy that takes further cuts into account. This plan would allow the Pentagon to dictate when and where defense cuts take place, creating a continued emphasis on strategy and allowing the Pentagon to spread cuts over time.

Given the current political gridlock in Congress, however, there is no guarantee that a compromise to undo the worst aspects of sequestration will be found. Instead, one might expect the current budget impasse to continue, with Republicans calling for greater domestic cuts, Democrats calling for increased taxes, and all agreeing on just one thing: that the Pentagon should be spared.

The President's Request

For Fiscal Year (FY) 2013, which begins on October 1, 2012, the Obama Administration has requested a base budget of \$525.4 billion. This represents a \$5.1 billion, or approximately 1 percent, decrease from the FY12 base budget approved by Congress.

In addition, the Administration has requested \$88.5 billion for Overseas Contingency Operations (OCO), to continue to fight the wars overseas. This is \$26.6 billion decrease from the amount enacted last year, \$115.1 billion, and brings the FY13 defense budget request to a total of \$613.9 billion.

These numbers do not include nuclear weapons related spending in the Department of Energy (DOE) or other defense related funding. In addition to an initial \$613.9 billion for the Pentagon's base budget and the wars in Afghanistan and Iraq, the Administration has requested approximately \$17.7 billion for nuclear weapons activities at Department of Energy and \$7.2 billion for additional non-Pentagon defense related activities.

This brings total Pentagon defense related spending to approximately \$639 billion, a nominal decrease of about \$30.7 billion below FY12, largely due to savings from the war in Afghanistan and the end of the war in Iraq.

Table 1: Fiscal Year 2013 Defense Budget Request
(in billions of nominal dollars)

FY13 Funding Request:	Allocated to:
\$525.4	Department of Defense Base Budget (051)
\$88.4	Overseas Contingency Operations (War Funding)
\$17.7	Defense Related Activities at DOE (053)
\$7.2	Other Defense Related Funding (054)
\$639	Total Defense Spending Request for FY13 (050)⁷

⁷ Numbers may not add due to rounding.

Graph 1: Department of Defense Topline FY 2001-FY2013⁸
(in billions of nominal dollars)

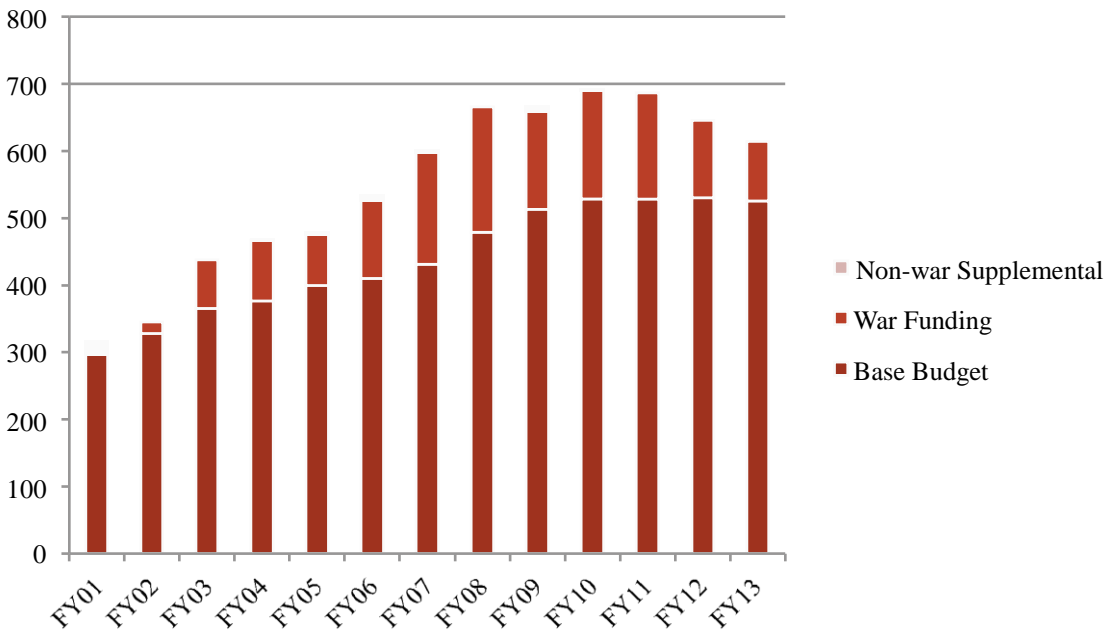


Table 2: Base and Overseas Contingency Operations (OCO) Over Time⁹
(in billions of nominal dollars)

	FY01	...	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Base	297		528	528	531	525	534	546	556	567
OCO	13		163	159	115	88		TBD		
Total	310		691	687	646	614				

⁸ Base (051) and war funding (OCO) only. Does not include nuclear weapons activities at the Department of Energy (053) or other defense related funding (054).

⁹ Department of Defense. "Fact Sheet: The Defense Budget." January 26, 2012.
http://www.defense.gov/news/Fact_Sheet_Budget.pdf

Selected Weapons Terminations and Reductions for Fiscal Year 2013

Joint Strike Fighter (JSF) Restructuring

Due to changing priorities and funding constraints, the Pentagon has determined that it is manageable to reduce procurement of the F-35 Joint Strike Fighter by a combined total of 13 aircraft in FY13 and 179 aircraft from FY13 – FY17. The combined savings is \$1.6 billion in FY13 and \$15.1 billion from FY13 – FY17.

KC-46A Tanker Restructuring

The administration continues to support development of a new aerial refueling tanker, but would restructure production funding from FY13 to FY15 to reflect the development and production plans associated with the newly awarded contract for the program. The proposed savings is \$1.0 billion in FY 2013 and \$2.4 billion from FY13 – FY17.

SSBN(X) Development Delay

Under the administration's proposal, the SSBN(X) program would be delayed by two years. The program aims to develop a replacement for the existing Ohio-class submarines that will reach the end of their service life starting in FY27. The delay would result in approximately \$0.6 billion in savings in FY13, and \$4.3 billion in savings from FY13 – FY17.

MV-22 Osprey Restructuring

Due to the changing force structure requirements of the Marine Corps, the Pentagon proposes reducing the MV-22 ramp by 24 aircraft from FY13 – FY17. The 24 aircraft would be deferred to beyond the FYDP, saving approximately \$875 million over the long term. A follow-on multi-year procurement (MYP) will result in an additional \$852 million in savings over time, totaling over \$1.7 billion with approximately \$4 million attributable to FY13.

C-130 Avionics Modernization Program (AMP)

The goal of this program was to modernize all 221 previous generation C-130 cargo aircraft at an estimated cost of \$6.4 billion. The Pentagon has determined that the program was too costly and the mission can be achieved with a less robust program. This termination has resulted in a \$208 million reduction from the FY12 enacted budget.

C-27 Joint Cargo Aircraft

The C-27J is a medium-sized airlift aircraft that provides direct support to ground forces during overseas operations. The decision to end procurement of the aircraft was taken after the Pentagon's new strategic guidance concluded that the intra-theater airlift fleet could be reduced in size. Divesting the C-27J fleet will save \$480 million in FY13.

Cruiser Modernization Program

Due to the early retirement of six unneeded Guided-missile Cruisers, the procurement and installation of planned improvements will be reduced, resulting in a savings of \$1.5 billion over the next four years.

Defense Weather Satellite System

The administration would terminate the Air Force's Defense Weather Satellite System (DWSS) program and instead launch two existing Defense Meteorological Satellite Program (DMSP) satellites, currently in storage. DWSS was being designed to satisfy the weather information requirements of the Department of Defense (DOD), a spin-off from the restructured National Polar-orbiting Operational Environmental Satellite System (NPOESS).

Chemistry and Metallurgy Research Replacement (CMRR) Facility

Since construction has not yet begun on the CMRR facility, the Pentagon would choose to defer CMRR construction for "at least five years." Plutonium requirements would be met using existing facilities within the nuclear complex. This delay, which would still provide \$35 million in funding for the program in FY13, would save approximately \$165 million from FY12 funding levels.

Drawdown of Military End Strength

As the wars in Iraq and Afghanistan draw to a close, the Pentagon plans for a long-term reduction in the total number of military personnel. This reduction will support the goals set forth in the Pentagon's new strategic guidance, and will save approximately \$774 million in FY13.

Global Hawk Unmanned Aerial Vehicle

The administration would end production of the Global Hawk unmanned aerial reconnaissance vehicle and continue reconnaissance operations with the manned U-2 aircraft "which can

perform the same missions as the Global Hawk, but at a lower cost.”¹⁰ The cut would save approximately \$324 million in FY13.

Modernized Expanded Capacity Vehicle (MECV)

The High Mobility Multipurpose Wheeled Vehicle (HMMWV) is the military's light truck designed to support troops in a variety of missions. The MECV recapitalization effort would allow for these vehicles to be used in air assault operations. The Pentagon has determined, however, that the program would cost too much for this niche capability, particularly as it anticipates the production of the Joint Light Tactical Vehicle (JLTV), the next-generation light truck intended to replace and complement HMMWV. The cancellation of this program would save \$4 million in 2013 and \$849 million over five years.

Joint Air-to-Ground Missile Program (JAGM)

Because the new missile is significantly more expensive than the missile it is designed to replace, the administration would complete the development of the Joint Air-to-Ground Missile (JAGM), but eliminate any planned procurement. Reducing the JAGM program will save approximately \$1.6 billion over the long term, and \$225 million in FY13.

Joint High Speed Vessel (JHSV)

The administration would limit the Joint High Speed Vessels (JHSV) program procurement to 10 ships, producing savings of \$1.4 billion over the next five years. In turn, the Navy will increase the operations tempo of the JHSV fleet. This change will save approximately \$183 million in FY13.

Light Attack and Armed Reconnaissance Aircraft

This program was intended to train U.S. pilots in small aircraft operations of the type that might be flown by the Air Forces of small partner nations. While helpful, the Pentagon has determined that this ability is not critical. Cancellation will save approximately \$115 million in FY13.

Sea-Based X-band (SBX) Radar

The Sea-Based X-band (SBX) radar is an element of the Ballistic Missile Defense System (BMDS) that provides the capability to acquire, track, and discriminate the flight characteristics of ballistic missiles. The Administration would place the program in a "limited test support" status – which will maintain the ability to support testing and keep open the option to recall the

¹⁰ The President's budget, "Cuts, Consolidations, and Savings."

program to an active status – beginning in the fourth quarter of 2012. This change will save approximately \$167 million in FY13.

Tactical Auxiliary General Ocean Surveillance (T-AGOS) Ship

The Pentagon has determined that the Navy can continue to meet warfighter requirements with five such ships, thereby cancelling the planned purchase of its sixth. This cancellation would result in approximately \$280 million in savings over the long term, \$10 million of which will be felt in FY13.

Data Center Closures

The administration would close approximately 100 data centers throughout the Department of Defense (DOD) that are not centrally funded or managed by DOD overall, thereby reducing the number of redundant data centers in DOD. An estimated \$300 million in savings in FY13 is a preliminary amount based on a data center cost model developed by the Office of Management and Budget-led Federal Data Center Consolidation Initiative (FDCCI) Task Force.

Air Force Basic Developmental Education (BDE)

The FY13 budget reflects the elimination of the 6-week Air Force Officer Aerospace Basic Course (ASBC) and expansion of the 5-week Squadron Officer School (SOS) from five to eight weeks. The Air Force estimates that it saves approximately \$1.9 million each year by incorporating the ASBC curricula into other existing Air Force courses.

Nuclear Weapons and Non-Proliferation

National Nuclear Security Administration (NNSA)

The Fiscal Year 2013 request for nuclear weapons related funding at the Department of Energy (DOE) includes approximately \$7.6 billion for Weapons Activities, an increase of \$363 million, or 5 percent, above the 2012 enacted level. This is \$372 million less than the Administration projected in last year’s request, largely due to caps set by the Budget Control Act. It is still, however, an increase of \$363 million over last year’s level.

Table 3: Fiscal Year 2013 Defense Related Activities at DOE
(in billions of nominal dollars)

FY13 Funding Request:	Allocated to:
\$2.46	Nuclear Non-Proliferation
\$7.58	Weapons Activities
\$0.41	Office of the Administrator
\$1.09	Naval Reactors
\$0.74	Other Defense Activities
\$5.47	Defense Environmental Cleanup
\$17.74	Total DOE Defense Related Spending Request for FY13¹¹

Because of these caps, the NNSA and DOD have reduced or lengthened the schedule of several life extension programs and restructured plans for maintaining plutonium capabilities. Within the Weapons Activities account, NNSA deferred the Chemistry Metallurgy Research Replacement Nuclear Facility (CMRR-NF) for five years.

Further, the request includes approximately \$2.5 billion for nuclear non-proliferation, a \$163 million, or 7 percent, increase above the 2012 enacted level. According to the budget request, this increase would fund “completion of accelerated efforts to secure vulnerable nuclear

¹¹ Numbers may not add due to rounding.

materials within four years, the President's stated timeframe."¹² However, the combined FY 2013 request for the Global Threat Reduction Initiative and the International Nuclear Materials Protection and Cooperation account, the two key programs in the effort secure and eliminate dangerous nuclear material and prevent nuclear smuggling, is \$291 million less than last year's appropriation and \$239 million less than projected as of the FY 2012 budget request.

Meanwhile the request for the Mixed Oxide Fuel program designed to burn excess plutonium in civilian nuclear reactors is nearly \$230 million more than the FY 2012 enacted level.

Department of Defense (DOD)

In addition to nuclear weapons related funding at the NNSA, the administration has requested \$565 million in funding for the SSBN(X) Ohio-class replacement submarine, a down payment on a sub that will be delayed by two years. The delay would result in approximately \$0.6 billion in savings in FY13, and \$4.3 billion in savings from FY13 – FY17.

Requested funding for a new long-range bomber is approximately \$292 million and totals \$6.3 billion from FY13 – FY17. The Pentagon expects the average procurement unit cost to be approximately \$550 million in FY 2010 dollars for a fleet of 80-100 aircraft.

Additionally, the administration has requested as much as \$11.6 million in funding for research into the development of a new intercontinental ballistic missile (ICBM), and approximately \$2 million in funding for a new Air Launched Cruise Missile (ALCM).

The FY13 budget provides \$9.7 billion for for the development and deployment of missile defense capabilities. This is a decrease of approximately \$710 million, or 7 percent, from the FY12 enacted amount.

¹² The President's Budget.

Iraq and Afghanistan War Funding

The Administration has requested \$88.5 billion for Overseas Contingency Operations (OCO), to continue to fight the wars overseas, a \$26.6 billion decrease from the amount enacted last year. This decrease is largely due to the withdrawal of combat troops from Iraq in December 2011.

Table 4: Fiscal Year 2013 War Funding by Appropriation Title
(in billions of nominal dollars)

FY13 Funding Request:	Allocated to:
\$14.06	Military Personnel
\$63.99	Operations and Maintenance
\$9.69	Procurement
\$0.25	RDT&E
\$0	Military Construction
\$0	Family Housing
\$0.50	Revolving and Management Funds
\$88.48	Total War Funding Request for FY13¹³

Table 5: War Funding by Operation
(in billions of nominal dollars)

	FY11	FY12	FY13
Operation Enduring Freedom/Afghanistan	\$114.0	\$105.5	\$85.6
Operation New Dawn/Iraq	\$45.0	\$9.6	\$2.9
Total	\$159.0	\$115.1	\$88.5

¹³ Numbers may not add due to rounding.