

# OVERVIEW



**UNITED STATES DEPARTMENT OF DEFENSE  
FISCAL YEAR 2014 BUDGET REQUEST**



**APRIL 2013**

**OFFICE OF THE UNDER SECRETARY OF DEFENSE  
(COMPTROLLER) / CHIEF FINANCIAL OFFICER**



## Preface

The Overview Book has been published as part of the President's Annual Defense Budget for the past few years. This continues for FY 2014, but with modifications as proposed by congressional staff. From FY 1969 to FY 2005 OSD published the "Annual Defense Report" (ADR) to meet 10 USC Section 113 requirements. Starting with the President's FY 2006 Budget, this report was no longer produced.

Subsequently, the Overview began to fill this role. This year to ensure compliance with Section 113, new chapters are added to include reports from each Military Department on their respective funding, military mission accomplishments, core functions, and force structure.

**Key initiatives incorporated in the FY 2014 Defense budget.** Our budget is formulated based on aligning program priorities and resources based on the President's strategic guidance. This year's budget involves key themes to: achieve a deeper program alignment of our future force structure with resource availability; maintain a mission ready force; continue to emphasize efficiencies by being even better stewards of taxpayer dollars; and continue to take care of our people and their families.

**Implementing Defense Strategic Guidance.** The FY 2014 budget request continues the force structure reductions made in the FY 2013 budget request. Following the President's National Security Strategy and the January 2012 revisions to that strategy, the Budget continues to make informed choices to achieve a modern, ready, and balanced force to meet the full range of potential military requirements. The restructured force will be balanced by technological advancements to deter and defeat aggression, to maintain flexibility, to ensure surge capability, and to sustain readiness levels to ensure effective mobilization.

There will be a rebalance of force structure and investments toward the Asia-Pacific and Middle East regions while sustaining key alliances and partnerships in other regions.

This budget will protect basic and applied research despite a significantly constrained fiscal environment in order to ensure our technological edge. The Administration emphasizes a strong national investment in research and development (R&D), especially science and technology (S&T); this is absolutely vital to our future competitive advantage.

**Maintain A Ready Force.** Readiness priorities currently funded in the FY 2014 budget will preclude moving toward a hollow force. Still we face significant fiscal challenges especially for readiness if sequester continues, because reductions in operations and training, and indirectly for personnel and equipment extend across practically all categories of the defense budget. The readiness investments in this budget made in training technologies, force protection, command and control, and intelligence, surveillance and reconnaissance systems sustains our standing as the most formidable military force in the world.

However, the effects of sequestration will require the Department to cut roughly \$41 billion from the annualized level of FY 2013 funding in the last six months of the fiscal year. Should this specter of sequestration hanging over FY 2013 and FY 2014 budget years become a long-term reality it will make it nearly impossible to sustain most of the readiness initiatives presented in this budget.

**People are Central.** DoD places a high value on the sacrifices made by men and women in our armed forces serving their country. To ensure strong support for our military members and their families, the Department continues to provide a strong package of pay and benefits that is commensurate with the stress of military life. Yet, in order to build the force needed to defend the country under existing budget constraints, the Department recognizes the need to make tough choices during this economic crisis to achieve a balanced and responsible budget. Given the sharp growth in military compensation (e.g., medical costs have more than doubled since 2001 to nearly 10 percent of the defense budget) in recent years, the Department is taking steps in the FY 2014 budget request to slow the growth in military pay and health care costs. However, in recognition of the burdens placed on our military, these changes in the FY 2014 budget request are disproportionately small compared to those for other budget categories.

Our civilian personnel also play a key role in performing key functions for the Department that directly support our military and readiness. This includes critical functions such as equipment maintenance, medical care, family support, and base operating services. Civilians also have a primary role in intelligence and cyber mission requirements. The budget request supports a civilian workforce appropriately sized, shaped and compensated to reflect changes to the Department's reduced force structure.

**Good Stewards of Taxpayer Dollars.** This budget continues efforts started in FY 2012 and FY 2013 to reduce the cost of doing business through a more disciplined use of resources. For the period FY 2012 to FY 2014 savings/efficiencies planned or achieved will be \$242 billion with a share of the savings being reinvested in higher priority military programs. Because defense will likely face additional funding constraints there must be new and more effective means to increase defense purchasing power. One aspect of this is Better Buying Power (BBP) 2.0, which further implements DoD best practices to strengthen buying power, improve industry productivity, and provide an affordable, value-added military capability to the warfighter

The Overview is one part of an extensive set of materials that constitute the presentation and justification of the President's Budget for FY 2014. This document and all other publications for this and previous DoD budgets are available from the public web site of the Under Secretary of Defense (Comptroller): [www.comptroller.defense.gov](http://www.comptroller.defense.gov).

Especially relevant is the Press Release and Budget Briefing often referred to as the "Budget Rollout." Also key is the Program Acquisition Costs by Weapons System book, which includes details on major DoD acquisition programs – e.g., aircraft, ground forces programs, shipbuilding, space systems, etc. Other background information can be accessed through [www.defense.gov](http://www.defense.gov).

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**The estimated cost of report or study  
for the Department of Defense is  
approximately \$47,000 for the  
2013 Fiscal Year.**

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## 1. FY 2014 BUDGET SUMMARY

**NOTE:** These program descriptions and dollar values do not reflect potential sequester impacts.

The Department’s FY 2013 budget submission reflected DoD’s implementation of the Defense Strategic Guidance. The FY 2014 budget submission builds on the choices from the previous budget cycle and further implements the defense strategy articulated in January 2012 Defense Strategic Guidance. In developing our fiscal 2014 budget and planning for future years, we reduced the size of the Joint Force commensurate with requirements for future missions, while at the same time ensuring full support for our All-Volunteer Force.

Key Initiatives
<ul style="list-style-type: none"> <li>• Implementing Defense Strategic Guidance</li> <li>• Maintain a Ready Force</li> <li>• People are Central</li> <li>• Act as Good Stewards of Taxpayer Dollars</li> <li>• FY 2014 – FY 2018 Topline</li> </ul>

Throughout this year’s budget review, key determinations were made to achieve even more efficiencies, to establish more effective procurement reforms, and to initiate a review of compensation practices. All of those areas are part of our budget plan to achieve the \$487 billion in savings from 2012 through 2021 to comply with the spending caps in the Budget Control Act (BCA) of 2011.

The FY 2014 Base Budget provides \$526.6 billion, a reduction of \$0.9 billion from the FY 2013 annualized continuing resolution level of \$527.5 billion, and is consistent with Administration-wide efforts to make tough program choices within current funding constraints. This budget adjusts programs that develop and procure military equipment, re-sizes ground forces, slows the growth of compensation and benefit programs, continues to make better use of Defense resources by reducing lower priority programs, and makes more disciplined use of defense dollars.

**Figure 1-1. Department of Defense Budget**

DoD Budget \$ in Billions	FY 2012 Actual	FY 2013 Enacted	FY 2014 Request	FY13 – FY14 Change
Base	529.9	527.5	526.6	-0.9

*Discretionary budget authority*

*Numbers may not add due to rounding*

The overall themes developed in this overview are explained in the following chapters:

- Implementing Defense Strategic Guidance (Chapter 2)
- Maintain a Ready Force (Chapter 4)
- People are Central (Chapter 5)
- Act as Good Stewards of Taxpayer Dollars (Chapter 6)

## **IMPLEMENTING DEFENSE STRATEGIC GUIDANCE**

For much of the past decade, DoD has focused on fighting terrorism and countering violent insurgencies, and we will continue to do so as long as these threats exist. But the world has changed. The Department's strategy developed in this budget creates a smaller, lighter, more agile, flexible joint force to conduct a full range of military activities that are necessary to defend U.S. national interests.

More change is taking place as U.S. economic and security interests are inextricably linked to developments extending from the western Pacific and East Asia into the Indian Ocean region and South Asia. Accordingly, while the U.S. military will continue to be central to ensuring global security, we will of necessity rebalance forces and funding priorities toward the Asia-Pacific region. In the Middle East the aim is to counter violent extremists, prevent destabilizing threats from developing, and uphold our commitments to allies and partner states.

## **MAINTAIN A READY FORCE**

The Defense Strategic Guidance published in January 2012 highlights the importance of and commitment to maintain ready and capable forces. Our readiness investments in training technologies, force protection, command and control, and intelligence, surveillance and reconnaissance systems strengthen our standing as the most formidable military force in the world. Today our forces are postured globally, conducting counter-terrorism, stability, and deterrence operations, maintaining a stabilizing presence, conducting bilateral and multilateral training to enhance our security relationships, and providing the crisis response capabilities required to protect U.S. interests. Readiness investment provides the capabilities and enhances the ability of our forces to achieve their missions anywhere at any time required. However, many of our readiness goals and objectives contained in the FY 2014 budget presentation in Chapter 4 will be at risk if sequestration continues.

## **PEOPLE ARE CENTRAL**

America has asked much of its All-Volunteer Force (AVF) and the civilians who support that force. The AVF is our most prized asset – it enables us to have high quality, educated, motivated personnel that are committed to excellence in defense of the nation. Therefore, we must preserve the quality of our All-Volunteer Force. This budget keeps faith with the men and women in uniform, and their families because the volunteer force is central to a strong future military.

The cost of military pay and allowances, combined with military health care, comprises about one-third of the Department's budget. These costs have been growing rapidly in recent years – up almost 90 percent since FY 2001 (about 30 percent more than growth in inflation), while active duty end strength has grown by less than 3 percent. The FY 2014 budget for the Department of Defense continues to take care of our people and their families while addressing costs in a responsible manner.

## **ACT AS GOOD STEWARDS OF TAXPAYER DOLLARS**

The Department achieves a balanced approach by reviewing all areas of the budget for potential savings. This includes achieving new efficiencies, eliminating additional duplication and overhead, tightening personnel costs, enhancing contract competition, and reevaluating modernization programs.

## Overview – FY 2014 Defense Budget

The Department has learned from prior drawdowns that it is impossible to generate all the needed savings just through efficiencies. The DoD prioritizes by focusing on key missions relevant to the future security environment.

This budget continues the reform agenda advanced in the previous three budgets, but with more emphasis now on enhancing how DoD does business. The Department must continue to reduce the “cost of doing business” ... as a means of protecting future funding for our highest priority programs.

### FY 2014 – FY 2018 TOPLINE

The historical funding picture is summarized here:

**Figure 1-2. Department of Defense Topline Since September 11th Attacks**

(Dollars in Billions)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Base	287.4	328.2	364.9	376.5	400.1	410.6	431.5	479.0	513.2	527.9	528.2	529.9	527.5	526.6
OCO	22.9	16.9	72.5	90.8	75.6	115.8	166.3	186.9	145.7	162.4	158.8	115.1	87.2	88.5
Other	5.8	--	--	0.3	3.2	8.2	3.1	--	7.4	0.7	--	--	0.1	--
<b>Total</b>	<b>316.2</b>	<b>345.1</b>	<b>437.5</b>	<b>467.6</b>	<b>478.9</b>	<b>534.5</b>	<b>600.9</b>	<b>665.9</b>	<b>666.3</b>	<b>691.0</b>	<b>687.0</b>	<b>645.0</b>	<b>614.8</b>	<b>615.1</b>

Numbers may not add due to rounding

Data are discretionary budget authority. FY 2001 through FY 2012 are actual levels. The FY 2014 OCO figure is a placeholder pending submission of a final OCO request.

Figure 1-3 presents the proposed FY 2014 – FY 2018 DoD topline for this year’s President’s Budget, as compared to last year’s FY 2013 President’s Budget. Although the FY 2014 topline for the years FY 2014 to FY 2018 is reduced by \$34.6 billion there will still be topline growth from FY 2014 to FY 2018 in current dollars.

**Figure 1-3. DoD Proposed Out year Topline for the Base Budget**

<i>Current \$ in Billions</i>	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY14 – FY18 TOTAL
FY 2013 PB	533.6	545.9	555.9	567.3	579.3	2,782.0
FY 2014 PB	526.6	540.8	551.4	560.0	568.6	2,747.4
Delta	-6.9	-5.1	-4.5	-7.3	-10.7	-34.6
<b>Real Growth</b>	<b>-1.8%*</b>	<b>+1.3%</b>	<b>+0.2%</b>	<b>-0.3%</b>	<b>-0.5%</b>	<b>-0.2%**</b>

\* Real growth calculated from the FY 2013 enacted amount (\$527.5 billion)

\*\*Average annual real growth for FY 2014 – FY 2018.

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## 2. IMPLEMENTING THE DEFENSE STRATEGIC GUIDANCE

*NOTE: These program descriptions and dollar values do not reflect potential sequester impacts.*

This chapter summarizes how the Department of Defense (DoD) is implementing the strategic guidance released in January 2012, entitled “Sustaining U.S. Global Leadership: Priorities for 21st Century Defense.” The strategic guidance describes the projected security environment and the key military missions for which DoD will prepare. The Defense Strategic Guidance is intended as a blueprint for the Joint Force in 2020, providing a set of priorities that will help guide decisions regarding the size and shape of the force over subsequent program and budget cycles. The Department’s FY 2013 budget submission reflected the initial implementation of the Defense Strategic Guidance. The FY 2014 budget submission builds on the choices from the previous budget cycle and further implements the defense strategy articulated in January 2012 Defense Strategic Guidance.

Key Initiatives
<ul style="list-style-type: none"><li>• Emerging Security Environment</li><li>• Key Tenets of the Defense Strategic Guidance</li><li>• Primary Mission of the U.S. Armed Forces</li><li>• Asia Rebalance</li></ul>

Using the President’s National Security Strategy as a basis, the strategic guidance adheres to four basic principles: maintain the world’s best military; avoid a hollow force; balance reductions, taking cuts strategically across force structure, efficiencies, and personnel; and keep faith with the All-Volunteer Force (AVF) in a way that respects the commitment and sacrifices of our men and women in uniform. The FY 2014 budget reflects continued tough choices that seek to balance budget reductions against the need to preserve U.S. global leadership and adhered to the four basic principles identified above.

### EMERGING SECURITY ENVIRONMENT

For much of the past decade, DoD has focused on fighting terrorism and countering violent insurgencies, and we will continue to do so as long as these threats exist. But the world has not stood still. With the successful end to the war in Iraq and the responsible transition of security responsibilities in Afghanistan, we see an emerging security environment whose evolution presents a range of challenges and opportunities. Complex linkages are forming among economic, security, and social forces around the world, facilitated in part by the spread of technology. Adapting to these changes requires the United States to uphold its commitments to allies and partners, enable others to secure themselves and support a just and stable international order, and set an example of leadership that ensures free and open commerce, open access to all domains, and adherence to the rule of law.

U.S. economic and security interests are inextricably linked to developments in the arc extending from the western Pacific and East Asia into the Indian Ocean region and South Asia. Accordingly, while the U.S. military will continue to contribute to security globally, we will of necessity rebalance toward the Asia-Pacific region. In the Middle East the aim is to counter violent extremists, prevent destabilizing threats from developing, and uphold our commitments to allies and partner states. Social movements like the Arab revolutions may introduce tensions between and within existing governments and societies, but will ultimately result in more stable and reliable partners of the United States as governments in the region become more responsive to the legitimate aspirations of their people. The United States continues to place emphasis on the U.S. and allied military presence in the Middle East region by working with partner nations in the region.

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The United States has enduring interests in supporting peace and prosperity in Europe as well as bolstering the strength and vitality of the North Atlantic Treaty Organization (NATO). In keeping with this evolving strategic landscape, our posture in Europe must also evolve. As this occurs, the United States will maintain our Article 5 commitments to allied security and promote enhanced capacity and interoperability for coalition operations.

Building partnership capacity across all regions remains important for sharing the costs and responsibilities of global leadership. Across the globe, the United States will seek to be the security partner of choice, pursuing new partnerships with a growing number of nations – including those in Africa and Latin America. Whenever possible, DoD will develop innovative, low-cost, and small-footprint approaches to achieve U.S. security objectives. To enable economic growth and commerce, America, working in conjunction with allies and partners around the world, will seek to protect freedom of access throughout the global commons – those areas beyond national jurisdiction that constitute the vital connective tissue of the international system.

The United States will continue to lead global efforts with capable allies and partners to assure access to and use of the global commons, both by strengthening international norms of responsible behavior and by maintaining relevant and interoperable military capabilities. The proliferation of nuclear, biological, and chemical weapons technology has the potential to magnify the threats posed by regional state actors, giving them more freedom of action to challenge U.S. interests. Accordingly, DoD will continue to enhance its capabilities and to conduct effective operations to counter the proliferation of weapons of mass destruction (WMD), acting with an array of domestic and foreign partners.

### KEY TENETS OF THE DEFENSE STRATEGIC GUIDANCE

Five major tenets constitute DoD's strategic priorities for addressing the emerging security environment:

***U.S. Armed Forces will be smaller and leaner, but they will be agile, flexible, ready, and technologically advanced.*** DoD will no longer size U.S. forces for large-scale, protracted counterinsurgency (COIN) and stability operations. DoD will hedge against the possibility of future large-scale COIN operations by institutionalizing COIN expertise and capabilities. We will also structure the drawdown of our ground forces in a way that protects the ability to quickly rebuild capacity for unforeseen needs, such as another prolonged stability operation, including by maintaining a reserve force capable of meeting emerging threats. The Joint Force will continue to be capable of quickly confronting a wide range of global threats, and the ability to grow, mobilize, and surge to adapt in an uncertain future security environment is critical. To create a leaner, more agile force, DoD will place a fresh emphasis on preserving readiness across all Services for a wide range of potential missions. We will avoid the lessons of previous drawdowns and will not create a “hollow force” – one that maintains a large force at the expense of readiness.

***Rebalance DoD's global posture and presence to emphasize the Asia-Pacific region and the Middle East.*** The maintenance of peace, stability, the free flow of commerce, and U.S. influence in this dynamic region will depend in part on an underlying balance of military capability and presence. As part of a whole-of-government approach, an enduring defense presence in the Asia-Pacific region is a tangible manifestation of the U.S. commitment to Asia's security, economic development, and the prosperity essential to continued growth. DoD's commitment to also maintain focus on the Middle East reflects the key interests at stake for the United States in this region. It is a region where the lessons and institutionalized capabilities from the last decade of war still have great resonance and enduring value in promoting stability

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amid the uncertainty of regime changes and grassroots pressures for governmental reforms. Our posture and presence in both regions will be supported by a force that can project power, deter and defeat aggression, and execute the missions identified in the DSG.

**Build innovative partnerships and strengthen key Alliances and partnerships in all regions.** This involves enhancing DoD's building partnership capacity (BPC) and security force assistance (SFA) efforts, and developing innovative approaches to partnering. Whenever feasible, we will pursue "low-cost, small footprint" initiatives and seek to be the security partner of choice. As we innovate and strengthen our global network of relationships, DoD in partnership with the State Department will structure its security cooperation efforts in ways that help foster the development of partner capabilities that are most relevant to the defense of common interests, including an emphasis on prevention. We will improve interoperability with our partners, and conduct a broad range of bilateral and multilateral exercises. The Department will also leverage defense diplomacy to shape the global security environment by building consensus on issues of common interest and supporting international institutions and regimes that promote a peaceful and stable order.

**Ensure that the United States can quickly confront and defeat aggression from any adversary – anytime, anywhere.** DoD must be capable of deterring and defeating aggression by an opportunistic aggressor even if U.S. forces are committed to a large-scale operation elsewhere. The Department will retain the ability to deter, fight, and win multiple conflicts in multiple regions with overlapping timeframes. DoD has begun exploring ways to more efficiently manage the use of forces under these circumstances, and will ensure that adequate capabilities are available to project force into denied areas.

**Protect investments in key technology areas and new capabilities, as well as DoD's capacity to grow, adapt, and mobilize as needed.** DoD must explore new ways to project power; invest in intelligence, surveillance, and reconnaissance (ISR); further develop and improve precision strike, cyberspace, and space capabilities; maintain funding for research and development (R&D); and protect investments in technologically advanced capabilities needed for the future. In addition to expanding our space surveillance network, we will enhance space-based communications. In cyberspace the Department will develop advanced sensor technologies and analytic tools to detect, characterize, and mitigate adversary activities, as well as expand its capabilities and capacities for network monitoring and analysis to address insider threat activities and to improve situational awareness of the status of DoD's systems and networks. Modern technologies and breakthroughs in advanced research and development enable DoD to maintain a competitive edge in an increasingly complex security environment.

## PRIMARY MISSIONS OF THE U.S. ARMED FORCES

Given that we cannot predict how the strategic environment will evolve with absolute certainty, we will maintain a broad portfolio of military capabilities that, in the aggregate, offer versatility across the range of missions described below.

The Defense Strategic Guidance identifies ten missions that the nation relies upon its armed forces to be prepared to accomplish. The demands of these missions largely determine the shape of the future Joint Force and provided a framework for choices regarding the capabilities and capacities in which to invest defense resources. The FY 2014 budget continues to refine these choices in pursuit of a future joint force that when called upon, will be prepared to accomplish these missions and to deter and defeat aggression on several fronts at a given time.

This section recaps the key missions and describes ways in which the force will evolve, highlighting key areas where we have invested or protected resources to bolster capabilities deemed necessary to meet future challenges.

**Counter Terrorism and Irregular Warfare.** Acting in concert with other means of national power, U.S. forces will continue to expand their capabilities to conduct counter terrorism and irregular warfare as we combat Al Qaeda and its affiliates, wherever they may be. As U.S. forces draw down in Afghanistan, our global counter terrorism efforts will become more widely distributed and will be characterized by a mix of direct action and security force assistance. Reflecting lessons learned of the past decade, we will continue to build and sustain tailored capabilities appropriate for this mission area. Key investments and protected capabilities associated with this mission area include: continuing to grow and protect Special Operations Forces; growing Intelligence, Surveillance, and Reconnaissance (ISR) capacity; and protecting capabilities to train, advise and assist partner nation security forces, including increased capacity to provide expanded non-standard rotary wing aviation training.

**Deter and Defeat Aggression.** U.S. forces will be capable of deterring and defeating aggression by any potential adversary. Credible deterrence results from both the capabilities to deny an aggressor the prospect of achieving his objectives and from the complementary capability to impose unacceptable costs on the aggressor. U.S. forces are and will remain able to defeat a capable state's aggressive designs by conducting a combined arms campaign across all domains – land, air, maritime, space, and cyberspace. As a nation with important interests in multiple regions, our forces must be prepared to confront and defeat aggression on several fronts, with the capability of defeating a major act of aggression in one theater while denying the objectives of an opportunistic aggressor in a second theater. U.S. forces will plan to operate whenever possible with allied and coalition forces. Key protected capabilities associated with this mission area include: sustaining sufficient ground, air, and sea force structure and readiness; modernizing and recapitalizing combat air and naval forces; sustaining investments in missile defense; and sustaining significant forward-deployed and forward-stationed capabilities to provide a stabilizing presence, capable of responding rapidly in a crisis. PB14 invests in strengthening the U.S. posture in the Asia-Pacific region in particular, enabling the forward deployment of operational capabilities closer to areas of increased strategic importance, and underwriting infrastructure required to project power.

**Project Power Despite Anti-Access/Area Denial (A2/AD) Challenges.** In order to credibly deter potential adversaries and to prevent them from achieving their objectives, the United States must maintain its ability to project power in areas where our access and freedom to operate are challenged. In these areas, sophisticated adversaries will use asymmetric capabilities, to include electronic and cyber warfare, ballistic and cruise missiles, advanced air defenses, mining, and other methods, to complicate our operational calculus. Accordingly, the Department will invest as required to ensure that U.S. forces can operate effectively in anti-access and area-denial (A2/AD) environments. Key enhancements and protected capabilities associated with this mission area include: enhanced electronic warfare; funding to develop a new penetrating bomber; fifth generation combat aircraft; and sustaining and modernizing undersea attack capabilities.

**Counter Weapons of Mass Destruction (WMD).** DoD conducts a range of activities in partnership with other elements of the U.S. Government and international allies and partners aimed at preventing the proliferation and use of nuclear, biological, and chemical weapons. These activities include strengthening non-proliferation regimes, building partner capacity to counter WMD, Cooperative Threat Reduction (CTR) initiatives, and planning and operations to locate, monitor, track, intercept, interdict, secure, and dispose of WMD and WMD-related components and the means to make them. They also include participation in an active whole-of-government effort to frustrate the ambitions of nations and non-state actors bent on possessing WMD. DoD will continue to invest in capabilities to predict, detect, protect against, and respond to WMD proliferation and use, should preventive measures fail. Key

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enhancements associated with this mission area include: maintaining the Chemical Biological Incident Response Force (CBIRF); continuing efforts to expand the geographic reach of the CTR program; and providing additional funds for ground-based prompt nuclear forensics diagnostics systems.

***Operate Effectively in Cyberspace and Space.*** The Department depends on reliable and secure access to cyberspace and space for nearly every aspect of its operations, from basic business functions to the conduct of warfare. Although the Department's use of these domains has afforded our forces real advantages, it has also created vulnerabilities. Accordingly, DoD will continue to work with domestic and international allies and partners and invest in advanced capabilities to defend its networks, operational capabilities, and resiliency in cyberspace and space. Key enhancements include: expanded capabilities and capacities for DoD network monitoring and protection; growing the cyber workforce; and a range of measures to improve resiliency of space-based capabilities.

***Maintain a Safe, Secure and Effective Nuclear Deterrent.*** The United States will maintain a safe, secure, and effective nuclear arsenal. We will field nuclear forces that can operate effectively under all conditions to deny a potential adversary their war aims, and confront them with the prospect of unacceptable damage. This posture is essential for deterring potential adversaries and assuring U.S. allies and other security partners that they can count on America's security commitments. DoD will maintain effective nuclear forces even as it seeks to reduce the role and number of nuclear weapons and as it proceeds with New START implementation. Key enhancements and protected capabilities associated with this mission area include developing a new penetrating bomber and a next-generation ballistic missile submarine.

***Homeland Defense and Provide Support to Civil Authorities.*** U.S. forces will continue to defend U.S. territory from direct attack by state and non-state actors. We also come to the assistance of domestic civil authorities in the event such defense fails or in case of natural disasters. Homeland defense and support to civil authorities require forces with a wide range of capabilities, including missile defenses. Key enhancements and protected capabilities associated with this mission area include: additional funding to critical programs to detect and respond to WMD threats in the homeland.

***Provide a Stabilizing Presence.*** America's unique ability to project military power abroad has enabled this country to deter aggression, defeat threats, protect the global commons, and has made the United States the security partner of choice for allies and partners around the world. The Joint Force will remain globally engaged by forward stationing U.S. forces, conducting a sustainable pace of engagement operations abroad, including rotational deployments and bilateral and multilateral exercises, and encouraging and enabling partners to share security responsibilities. These activities contribute to building the capacity and competence of U.S., allied, and partner forces for internal and external defense, and build our network of global relationships. Although most DoD capabilities contribute to this broad mission area, key enhancements and protected capabilities associated with this mission include: protecting funding for building the capacity of security partners, including Combatant Command Joint Exercise funding and the Department of Defense Regional Centers; and maintaining sufficient force structure to support robust levels of forward deployment without placing undue strain on the readiness and morale of the force as a whole.

***Conduct Stability and Counterinsurgency Operations.*** While overall capacity in the Army and Marine Corps is decreasing and the ground forces will no longer be sized to conduct large-scale, prolonged stability operations, U.S. forces will continue to institutionalize lessons learned from current operations. They will maintain and, where appropriate, further enhance capabilities

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for stability and counterinsurgency operations. Stability Operations will remain a core U.S. military mission that the Department of Defense will be prepared to conduct with a proficiency equivalent to combat operations. Key enhancements and protected capabilities associated with this mission area include: protecting language instructor positions at the Defense Language Institute; and protecting funding to continue and sustain key capabilities, such as counter-IED.

**Conduct Humanitarian, Disaster Relief, and Other Operations.** Although DoD does not size or shape its forces specifically for humanitarian assistance or disaster relief, the Department possess a range of capabilities that can be crucial to effective humanitarian and disaster relief operations at home and abroad. U.S. forces will remain capable of responding to humanitarian, disaster relief, and other operations, such as prevention of and response to mass atrocities, protection of civilians, or non-combatant evacuation operations for American citizens overseas, as needed.

### ASIA REBALANCE

In January 2012, the Department of Defense released its new Defense Strategic Guidance, Sustaining U.S. Global Leadership: Priorities for 21st Century Defense. A key tenet of the strategy is a renewed emphasis on the Asia-Pacific region, outlining a deeper and more enduring role for the United States in advancing the security and prosperity of the region. The rebalance is predicated upon the conclusion that U.S. economic and security interests are inextricably linked to developments in Asia, creating a mix of evolving challenges and opportunities that call for substantial and enduring regional engagement, even while we continue to contribute to security globally. The United States has long been a Pacific nation, and for the past decade U.S. defense strategy has been informed by the growing importance of the Asia-Pacific region. However, the rebalance will influence DoD's investments in force structure, capabilities, posture, operational concepts and engagement in the region.

The rebalance to the Asia-Pacific commits us to support enduring principles and a just international order, modernize and strengthen alliances and partnerships, enhance presence in the region, and strengthen power projection capabilities. To this end, investments and activities emphasize our existing alliances, which provide an invaluable foundation for security in the region, and also support expanding our networks of cooperation with emerging partners. It also includes maintaining peace on the Korean Peninsula by effectively working with allies and other regional states to deter and defend against provocation from North Korea.

Finally, the maintenance of peace, stability, the free flow of commerce, and of U.S. influence in the region will depend on an underlying balance of military capability and presence. The United States and China have a strong stake in peace and stability in East Asia and an interest in building a cooperative bilateral relationship. However, China's rapidly growing economic and political influence has been accompanied by a comprehensive military modernization program that emphasizes "counter-intervention" capabilities and poses a significant challenge to America's position as the security partner of choice in the Asia-Pacific region. We will continue to seek expanded U.S.-China military-to-military ties (in bilateral and multilateral venues), advocate for increased transparency in China's military development, and, where feasible, seek China's cooperation on regional and global security challenges.

DoD's FY 2013 President's Budget request reflected initial efforts to rebalance towards the Asia-Pacific region, with investments outlined in the January 2012, Defense Budget Priorities and Choices. The FY 2014 budget request further advances the rebalance agenda, continuing key investment choices made in FY 2013, as well as investing in new initiatives to expand and deepen our commitment to the region.

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### **Force Structure and Presence**

The Department is enhancing and diversifying air, naval, and ground presence within the region. This includes expanding access and rotational presence in some areas, as well as undertaking a wide range of activities with allied and partner states to build trust, capacity, and interoperability. The Department is planning to put some of its most capable forces forward in the region, with the rotational deployment of an F-22 squadron to Kadena Air Base in FY 2013, and plans for the early deployment to the region of all variants of the F-35. We are developing Guam as a strategic hub and expanding our access and cooperation agreements with Australia, the Philippines, and Singapore. Additionally, this budget gives priority to investments that develop platforms and capabilities that have direct applicability and use in the Asia-Pacific region, to include: VIRGINIA-class nuclear powered submarine, the P-8 maritime patrol aircraft, cruise missiles, and Intelligence, Surveillance, and Reconnaissance (ISR) platforms.

### **Investments in New Capabilities**

The United States continues to make the requisite investments to ensure that U.S. forces can accomplish all of their assigned missions. We are shaping a Joint Force for the future that while smaller and leaner, is agile, flexible, ready, and technologically advanced. Of particular importance in the Asia-Pacific region, U.S. forces will maintain regional access and the ability to operate freely, including where our power projection operations are challenged by adversaries. Key investments in FY 2014 to implement the rebalance include: the fifth generation Joint Strike Fighter, a new stealth bomber, the KC-46 tanker replacement, the Broad Area Maritime Surveillance, and investments in other future-focused capabilities, such as cyber, science and technology, and space.

### **Operational Concepts**

One notable feature of the rebalance is that our plans do not call for fielding a dramatically larger force or withdrawing from our commitments and leadership role in the rest of the world. Although implementing the rebalance with increasing budget pressures is not without challenges or difficult decisions, DoD is dedicating significant attention to understanding how to gain access to and operate in denied areas, including developing new operational concepts and developing new ways of engaging partners and deterring and defeating adversaries.

### **Alliances and Partnerships**

DoD's commitment to the Asia-Pacific region is part of a broader U.S. Government focus. The President's November 2011 trip to the region and statements by former Secretary of State Clinton underscore the strategic importance of the region to U.S. national interest as well as the diplomatic and economic efforts that form an important component of U.S. leadership there. U.S. military engagements in the Asia-Pacific region complement these efforts with investments in presence operations, posture, partner capacity building, and defense diplomacy. Key enhancements or protected investments in FY 2014 include: continuing high-level, frequent visits by senior Department leaders to the region; revitalizing our defense partnerships with Japan, Korea, Australia, the Philippines, Thailand, New Zealand, Vietnam, Malaysia, and Indonesia; deepening our defense cooperation with India; and strengthening our military-to-military relationship with China.

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### 3. SELECT CAPABILITIES INITIATIVES

*NOTE: These program descriptions and dollar values do not reflect potential sequester impacts.*

The FY 2013 President's Budget established priorities for acquisition programs, in concert with the Department's Strategic Plan, emphasizing Asia-Pacific and Middle East regions. The FY 2014 request continues to implement the Presidents' Strategic Plan, by identifying resources to procure weapons needed to achieve the nation's security objectives.

Overall, the Department is requesting \$167.6 billion for equipment, systems, research, technology development, and weapons for FY 2014. Of this amount, \$67.6 billion is for RDT&E efforts, and \$99.3 billion for Procurement of equipment (also, an additional \$0.7 billion is budgeted for other Investment related expenses). Of this amount, 40 percent (\$69.4 billion) is being budgeted for the Major Defense Acquisition Programs (MDAP) efforts, to include primarily war fighting weapon systems.

Key Initiatives
<ul style="list-style-type: none"><li>• Missile Defense</li><li>• Space: Satellite and Space Programs</li><li>• Cyberspace Operations</li><li>• Reserve Components</li><li>• Science &amp; Technology</li><li>• Defense Acquisition Workforce Sustainment</li></ul>

#### Terminations and Restructures

This FY 2014 PB includes recommendations to terminate or restructure weapons systems acquisition programs to realign funding to higher priority national security requirements. These particular programs are experiencing significant developmental problems, unsustainable cost growth, or are no longer on the Department's high priority list. Terminations include, Missile Defense Agency Precision Tracking Space System (PTSS) development program (FY 2014, \$-270 million) and the Air Force's Expeditionary Combat Support System (ECSS) developmental effort (FY 2014, \$-76 million).

#### Precision Tracking Space System (PTSS) Termination

The PTSS was being designed by the MDA to provide a persistent sensor coverage of adversary ballistic missiles launches as part of an integrated part of the Ballistic Missile Defense System. PTSS was terminated due to high technical risk and greater than anticipated cost. Instead, the Department is looking towards using ground based radar systems to perform the same mission at less cost.

#### Expeditionary Combat Support System (ECSS) Termination

The ECSS program intended to save significant amounts by streamlining supply chain management and furnishing an integrated approach for buying, moving and managing equipment in the Air Force. Since 2005, the Air Force has spent over a billion dollars on the Commercial-Off-The-Shelf Oracle E-Business Suite Project. The Air Force now estimates that it would require an additional billion dollars to continue development, for a system that would not be ready for fielding until 2020. As an alternative, the Air Force is now utilizing those developmental dollars to transition from ECSS to a hybrid approach of legacy system remediation, modernization, and transformation. The primary focus of legacy remediation and modernization efforts is to ensure the accounting, security and other financial improvements are in place to meet audit readiness compliance mandates.

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The budget request also includes recommendations to restructure two weapons systems to better align funding with programmatic realities. Major restructures include:

### **Standard Missile-3 Block IIB (SM-3 IIB) Restructuring**

Next Generation Aegis Missile (Standard Missile-3 Block IIB)(SM-3 IIB) – The Department is restructuring the Standard Missile-3 Block IIB program, transitioning our efforts to focus on common kill vehicle technology for the GBI exo-atmospheric kill vehicle (EKV), and future SM-3 variants. Consolidating these into one technology effort accelerates our ability to address emerging threats and increase the protection of the homeland. This restructure will allow the Department to evaluate new technologies, system architectures, and component design, aimed at improvements in targeting and lethality. Additional developmental efforts will also be focused on advanced technologies such as the development of a common kill vehicle, fast burning fuels, divert and altitude control systems, and cutting-edge seeker technologies.

### **Ground Combat Vehicle (GCV) Restructuring**

Ground Combat Vehicle (GCV) – The GCV is the U.S. Army's replacement program for the M2 Bradley armored fighting vehicles in heavy and Stryker Brigade Combat Teams (SBCT). The GCV development was restructured by adding an additional 18 months to the Technology Development (TD) and Engineering, Manufacturing, and Development (EMD) phases, to better mature technologies to improve the vehicles performance, including survivability aspects in combat missions. In addition, to reduce cost, thus improve the programs affordability, only one contractor team will proceed into EMD, instead of the original plan to carry two contractor teams.

### **Acquisition Summary**

The FY 2014 request continues acquisition programs design to yield a military force that ensures the United States remains a global force to promote peace and security. To this end, Department continues to invest in current force structure requirements, while also investing in the future needs by retaining a robust Science and Technology (S&T) program of \$12 billion. While the overall Research, Development, Test, and Evaluation (RDT&E) funding decreases by \$2.5 billion, investment in future technologies remain resilient. The underlining aim of the budget request is to continue to giving increased prominence to improving the lethality, survivability, sustainability, and affordability of the next generation of weapons and military equipment.

The Department continues to invest in aircraft systems, both manned and unmanned. Technological advancements in the past decade are being concentrated on maturing future systems, including the F-35 Joint Strike Fighter, the Global Hawk Block 40, the E-2D Advanced Hawkeye, and a new strategic bomber. The Department also continues to invest in airborne logistics support platforms such as the C-130J, the V-22 Osprey, and the new KC-46A tanker. At the same time, the Military Departments continues to invest in the modernization of existing aircraft, such as the F-15 Eagle, the C-5M Galaxy, and the F-22 Raptor. Likewise, the rotary wing fleet is also being modernized in order to ensure it can support ground operations in the coming decades.

The AH-64 helicopter is being upgraded to the block 3 "E" configuration, which provides numerous improvements. In addition, the Army will also continue to procure the CH-47 Chinook and the UH-60 Black Hawk helicopters in efficient multiyear procurement contracts. To enhance situational awareness and expand command and control capabilities, the Department continues to invest in space and land based systems, which, in concert, provide U.S. forces and allies an advantage over adversaries with regards to intelligence, surveillance and

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reconnaissance (ISR) capabilities. A new generation of satellites, the Mobile User Objective System (MUOS), the Advanced Extremely High Frequency (AEHF) and the Wideband Global Satellite (WGS), along with the Army's Warfighter Information Network-Tactical (WIN-T) and the Joint Tactical Radio System (JTRS), will enhance both tactical and strategic communications; and command and control capabilities of the Services.

**Figure 3-1. Prioritize Investments**

*\$ in Billions*

Weapons Category	FY 2013 PB	FY 2014 PB	Change
Aircraft	46.6	45.4	-1.2
C4I Systems	7.9	7	-0.9
Ground Systems	8.2	8.4	0.2
Missile Defense	9.1	8.5	-0.6
Missiles & Munitions	9.2	9.2	--
Mission Support	45.4	45.8	0.4
RDT&E S&T	11.9	12	0.1
Shipbuilding and Maritime Systems	22.6	23.2	0.6
Space Based Systems	8	8	--
<b>Total</b>	<b>168.8</b>	<b>167.5</b>	<b>-1.3</b>

*Numbers may not add due to rounding*

(Includes: Procurement, RDT&E, and the NDSF accounts)

## MISSILE DEFENSE

The FY 2014 budget funds the development and deployment of ballistic missile defense capabilities that support the Administration's priorities: protecting the U.S. homeland, deployed forces, allies, and partners. The United States will maintain and improve the Ground-based Midcourse Defense (GMD) system currently operationally available in Fort Greely, Alaska, and Vandenberg Air Force Base, California to defeat limited ICBM attacks. We are supporting a presidential decision to implement the existing homeland defense hedge by increasing our operational fleet of Ground Based Interceptors (GBI) from 30 to 44 in order to counter larger raid sizes. In February 2013 the Ground Based Interceptor (GBI) returned to flight in a successful non-intercept test flight using the CE II GBI. Our highest priority this year is the execution of a successful intercept using a Capability Enhancement II (CE II) GBI.

As we focus on threats from Asia-Pacific and the Middle East we will continue to support the European Phased Adaptive Approach (EPAA), which is designed to protect our European NATO allies and deployed forces from ballistic missile attacks. The Department met its objectives for EPAA Phase I by deploying in 2011 Aegis Ballistic Missile Defense (BMD) ships in the Mediterranean Sea, a land-based radar in Turkey, and Command, Control, Battle Management system at Ramstein Air Force Base in Germany. The next two EPAA phases (Phases 2 and 3) include deploying Aegis Ashore capabilities in Romania with the Standard Missile-3 Block IB (SM-3 Blk IB) in 2015 and in Poland with Standard Missile-3 Block IIA in 2018.

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Key changes include:

- The Department is restructuring the Standard Missile-3 Block IIB program, transitioning our efforts to focus on common kill vehicle technology for the GBI exo-atmospheric kill vehicle (EKV), and future SM-3 variants. Consolidating these into one technology effort accelerates our ability to address emerging threats and increase the protection of the homeland.
- The Department of Defense concluded that the schedule risk and cost associated with the Precision Tracking Space System (PTSS) concurrent acquisition strategy and long term fiscal sustainability was too high so the program was terminated.

Other key efforts supported by this budget include:

- Continued acquisition of GBIs to support GMD operations, testing, spares, and interceptor reliability growth testing and component reliability programs to eliminate known risks and identify reliability improvements for GBI component hardware
- Continued conversion of Aegis ships to provide BMD capability, with a planned operational availability of up to 41 Aegis BMD ships by FY 2018, and procurement of 52 SM-3 Blk IB interceptors for Aegis BMD ships in FY 2014
- Procurement of the sixth Terminal High Altitude Area Defense (THAAD) battery and 36 THAAD interceptors, to be delivered by FY 2017
- Contributions to the Israeli Iron Dome system to defeat short range missiles and rockets
- Procurement of 56 new Missile Segment Enhancement (MSE) missiles which evolved from the Patriot Advanced Capability-3 (PAC-3) providing a more agile, lethal interceptor missile resulting in substantial performance improvement. Delivery is set for FY 2015, 4th Quarter. The program continues integration of missile and ground system hardware and software as well as activities that support the Test and Evaluation Master Plan (TEMP).
- Patriot Mods continues its modernization mission with the Radar Digital Processor, Enhanced Launcher Electronics System (ELES) upgrade kits to increase PAC-3 capability, Air Defense Artillery (ADA) School upgrades, and Cryptographic Modification. Patriot Mods also continues Reliability, Availability, and Maintainability (RAM), Recapitalization, and Battery Command Post/Tactical Command System (BCP/TCS) efforts.

The FY 2014 budget request balances capabilities and risks to deter aggression, protect the interests of the United States and its allies, respond to warfighter requirements, and pursue cost- and operationally-effective capabilities against future threats. To advance the Administration's missile defense priorities, the FY 2014 budget includes \$9.162 billion, including \$7.684 billion for the Missile Defense Agency.

### **SPACE: SATELLITE AND SPACE PROGRAMS**

The FY 2014 budget proposal includes \$8.0 billion for the DoD Space Investment Programs. This year, the Department realized savings across the FYDP from the efficient space procurement contract negotiations for the Advanced Extremely High Frequency (AEHF) communication satellite block buy and reinvested the savings in high priority space programs to improve space protection and our warfighters' ability to operate through a degraded space environment. Additionally, the Department funded Space Based Infrared System (SBIRS) to \$936 million in FY 2014 to sustain our strategic and tactical warning capability; funded the

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Space Fence to \$403 million in FY 2014, which, when fielded, will significantly increase space situational awareness and provide revolutionary improvement to small object detection; and funded the Global Positioning System's (GPS) next generation Operational Control System required for enabling a new military signal designed to further improve our GPS anti-jamming capability. The Department also increased funding for the Space Test Program to \$13 million in FY 2014 to provide space launch opportunities for DoD space experiments, technologies, and demonstrations. Additionally, the Department restored \$3 million per year for the Joint Navigation Warfare Center to enable operational field assessments directly supporting the warfighter and added \$15 million in FY 2014 to assess the cost and technical risk of accelerating our modernized Military GPS User Equipment program.

The Department achieved additional efficiencies through a new acquisition strategy for the Evolved Expendable Launch Vehicle program that stabilized the program, introduced competition, and further reduced launch costs. The FY 2014 budget proposal also terminates the Space-Based Surveillance System Follow-on satellite totaling \$8 million in FY 2014. To address our future space-based surveillance capability, the Department is conducting a CY 2013 study to inform the FY 2015 budget proposal regarding space situational awareness.

### CYBERSPACE OPERATIONS

In recognition of cyberspace as an operational domain and the emerging mission to Defend the Nation against cyber threats as directed by the President, this year's budget provides funds to increase defensive capabilities and develop the cyber Joint Force under a new force planning model.

The unique attributes of cyberspace operations require trained and ready cyberspace forces to detect, deter, and, if directed, respond to threats in cyberspace. Securing and defending cyberspace requires close collaboration among Federal, state and local governments, private sector partners, and allies and partners abroad. This year's budget establishes dedicated cyber teams to execute this mission on Defense Department networks and in support of Combatant Command and national missions.

This budget reflects an emphasis on enhancing our workforce to successfully execute defensive and offensive missions in cyberspace. The Department is implementing a new cyber force planning model that will realign military, civilian and contractor manpower positions (with associated support costs) under U.S. Cyber Command (USCYBERCOM) in a three-year phased build-up beginning in FY 2014. This provides manpower, training and support costs for regional cyber mission teams to be located in Maryland, Texas, Georgia, and Hawaii as well as other Combatant Command and military service locations. In addition, manpower at the National Security Agency continues to be funded to provide both cyber security and intelligence support to the USCYBERCOM teams. This overall force construct will provide capacity for the "Defend the Nation" mission, the cyber combat mission (in support of Combatant Command needs), and the cyberspace protection mission which defends Defense Department networks.

Other cyberspace operations highlights in the FY 2014 President's Budget are:

- Continues to support the construction of the Joint Operations Center for USCYBERCOM at Fort Meade, Maryland. Planned construction begins in FY 2014 with occupancy scheduled in FY 2017.
- Provides funding to develop tools to automate vulnerability detection on classified networks.
- Provides funding for commercial software for data monitoring of defense networks that will identify and isolate suspect files for analysis.

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- Continues to robustly support cyberspace operations Science and Technology programs.
- Continues to support defensive cyberspace operations providing information assurance and cyber security to the Defense networks at all levels.
- Provide funding to enhance cyberspace range capabilities by increasing capacity, improving pre- and post- exercise analysis, and mainstreaming and sustaining capabilities of the National Cyber Range developed by the Defense Advanced Research Projects Agency under the oversight of the Department’s Test Resource Management Center.

### RESERVE COMPONENTS

The Fiscal Year (FY) 2014 budget request supports the requirements for the Reserve Component (National Guard and Reserve) to meet the defense strategy (Figure 3-2). The Services organize, train, equip, resource, and use the Reserve Components (RC) to support mission requirements utilizing the same standards as the Active Components via a “Total Force” perspective. The FY 2014 budget provides trained, ready, and cost-effective forces that can be employed on a regular operational basis, while also ensuring strategic depth for large-scale contingencies or other unanticipated national crises. In the current austere budget environment expanding operational integration of the RC into non-contingency, routine operations using non-emergency funding offers an opportunity to maintain or expand critical capabilities. New access authorities have been set in place to potentially facilitate this concept. Use of the RC as provided in the budget is both a strategic and operational asset that:

- Maximizes critical capabilities and capacities for meeting national defense strategy.
- Mitigates strategic risk at less cost than a large standing full-time force, while also reducing operational risk.
- Provides cost effective returns on significant DoD investment and the ability to retain that investment.
- Maintains a higher level of readiness in the RC than strategic only.
- Integrates more closely with, and reduces stress on the Total Force.

During the last decade, RC units and individuals have been successfully employed across the full spectrum of military operations. The RC has added significant strategic and operational value to the all-volunteer force. Adapting and continuing this trend in a non-contingency environment provides an available, trained, and equipped RC force for routine utilization – as well as providing traditional strategic capacity. In a downsizing environment, the RC

**Figure 3-2. Reserve Component Funding\***  
(\$ in Billions)

Program (Base Budget)	FY 2013 Submit	FY 2014 Request
Army Reserve	8.9	8.7
Navy Reserve	3.6	3.5
Marine Corps Reserve	1.0	1.1
Air Force Reserve	5.5	5.9
Army National Guard	17.8	18.6
Air National Guard	9.9	10.4
<i>Subtotal Reserve</i>	19.1	19.2
<i>Subtotal National Guard</i>	27.7	29.0
<b>Total</b>	<b>46.8</b>	<b>48.2</b>

*Numbers may not add due to rounding*

\* Includes Military Personnel, Operation & Maintenance, Military Construction Appropriation levels, and estimated Procurement funding excluding National Guard and Reserve Equipment Appropriation (NGREA) funding

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employment during the last decade clearly demonstrates the future potential benefit and is imperative to our nation for the RC to preserve Total Force capability by serving in both an operational and strategic capacity. Preventing and deterring conflict will likely necessitate the continued use of the RC to protect and serve the Total Force in both a contingency and non-contingency environments.

In a fiscally constrained environment, the RC is uniquely postured to help mitigate the impact of any Total Force rebalancing. It is a readiness imperative to preserve the capability to rapidly expand the force achieved by the RC since 9/11. As the current conflict winds down and force rebalancing occurs, the RC is well positioned to offer operational integration for non-contingency and contingency missions as a cost effective method of maintaining the nation's defense. Today's Citizen Warriors have made a conscious decision to serve, with full knowledge that their decision means periodic calls to active duty.

The Department's Ready Reserve totaling about 1.1 million members contributes 43 percent of total military end strength (Figure 3-3) at a cost of 9 percent of the total base budget. In approximate numbers, the Ready Reserve, FY 2014 PB consists of:

- Selected Reserve: 833,700
- Individual Ready Reserve: 212,837
- Inactive National Guard: 4,202

**Figure 3-3. Reserve Component End Strength**  
(End Strength in Thousands)

Selected Reserve	FY 2013 Submit	FY 2014 Request	FY 2018 Plan
Army Reserve	205.0	205.0	205.0
Navy Reserve	62.5	59.1	60.0
Marine Corps Reserve	39.6	39.6	39.6
Air Force Reserve	70.9	70.4	69.5
Army National Guard	358.2	354.2	350.2
Air National Guard	105.7	105.4	105.3
<b>Total</b>	<b>841.9</b>	<b>833.7</b>	<b>829.6</b>

*Numbers may not add due to rounding*

Since the September 11th terrorist attacks, over 860,000 Guard and Reserve members have been mobilized/served on active duty in support of Operations NOBLE EAGLE, ENDURING FREEDOM, IRAQI FREEDOM, and NEW DAWN, and over 900 have been killed in action. Domestically, over 50,000 National Guard responded to Hurricane Katrina and more recently more than 7,000 Guard and Reserve to Hurricane Sandy.

In addition to contingency operations, the Congress provided the enhanced access authorities to order selected reserve Service members to active duty for any preplanned non-contingency operation or any domestic emergency. These authorities further enable the Services to utilize the RC more in a day-to-day operational role and expand RC access during Homeland emergencies.

As the Services refine their rotational employment models, RC units will receive notification of pre-planned missions up to two years in advance. Innovative force generation models have streamlined the mobilization, pre-deployment training, and post deployment processes to better prepare RC units and Service members; as well as support their families and employer's needs.

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The FY 2014 budget supports preparation of both units and individuals to participate in missions, across the full spectrum of military operations, in a cyclic or periodic manner. This provides predictability for the combatant commands, the Services, service members, their families and civilian employers, while increasing DoD's capacity and ability to expand and contract forces. Lessons learned from operational use of the RC have been immense. The readiness of the RC is at its highest levels in years and the culture is such that the RC now expects to be utilized as part of the operational force. Therefore, in this austere budget environment, there is no better time than now to preserve capacity through integration of the RC into Service operational planning to support combatant commanders for contingency and non-contingency missions.

### **Equipping and Basing Operational Reserve Forces**

The FY 2014 budget requests \$4.3 billion for RC equipment procurement funded by the Military Services as a subset of their procurement budget. However, since the many planned RC allocations (P-1R) are nonbinding estimates, determining how much of this \$4.3 billion in procurement that actually gets delivered to the Reserve Component has proven challenging. The RC Equipment Transparency Report delivered to Congress each year has illustrated the challenges.

The RC and their assigned units should expect at a minimum to have access to enough modern equipment to train at home station, contingency/crisis response, and to react to domestic consequence management events. Additionally, access to modern equipment will facilitate operational use in non-contingency missions. Fielding and support of Critical Dual Use (CDU) equipment (those items that are essential for both domestic and warfighting missions) will ensure the Nation's RCs can always answer the call.

The FY 2014 RC budget includes \$693 million for military construction to meet both current and new mission requirements for RC operations, readiness, and training facilities. The budget also funds sustainment, which is essential to maintaining facilities at a level that supports readiness and preserves the substantial investment the country has made in infrastructure.

### **Family Support of the Guard and Reserve**

The FY 2014 budget supports Family and Employer Support Programs that enhance the readiness of the Reserve Components. The Yellow Ribbon Reintegration Program (YRRP), Employer Support of the Guard and Reserve (ESGR), and Employment Initiative programs provide outreach, services, and career readiness assistance for RC Service members and their families. These efforts remain essential support and readiness multipliers for our RC members, their families and employers, and at about \$41 million for headquarters funding is adequate to support the ongoing programs.

### **Homeland Defense and Civil Support**

The FY 2014 budget continues requisite support for the National Guard and Reserve's critical role in responding to potential disasters, from terrorist attacks to domestic emergencies – demonstrating that civil authorities continue to rely upon the Department of Defense for support in times of crisis. Local and community-oriented, National Guard and Reserve units in every state, territory, and the District of Columbia are uniquely positioned to make a substantive contribution to Homeland Defense and Civil Support missions. The most recent example of Reserve Component response to Defense Support to Civil Authorities request for Title 10 capabilities under the new authority 12304(a) was exercised during Hurricane Sandy response to meet a Mission Assignment (MA) to provide unique capabilities (dewatering operations).

The Department continues to work with the Department of Homeland Security and other Federal

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agencies, state governors, and others to define specific military requirements. The budget request funds the Air National Guard CONUS Aerospace Control Alert missions (formerly known as Air Sovereignty), the Civil Support Teams (CST), the CBRN Enhanced Response Forces (CERFP), and the Homeland Response Forces (HRF).

### Civil Military Programs

The FY 2014 budget request includes about \$144 million for DoD's Civil Military Programs (CMP) to support National Guard Youth Challenge Program and the Individual Readiness Training Program (IRT). The DoD STARBASE Program is being consolidated and transferred outside the DoD in order to support the Administration's Science, Technology, Engineering and Mathematics (STEM) education initiative. Collectively, CMP helps address the nation's defense concerns related to the nation's High school dropout rate, and application of military skills to assist remediation of the country's infrastructure and basic medical support to underserved communities.

## SCIENCE & TECHNOLOGY

The Department's Science and Technology (S&T) Program develops new and emerging technologies in support of the Defense Strategy. A focus of this year's budget submission is Anti-access/Area-denial.

The total DoD S&T budget request for FY 2014 is \$11.9 billion. This is the same overall amount requested in the FY 2013 budget. The FY 2014 budget request:

- Increases of \$100 million for Basic Research and Applied Research
- Funds the Defense Advanced Research Projects Agency at \$2.9 billion to develop technologies for revolutionary, high-payoff military capabilities
- Maintains S&T funding in each Military Department at approximately \$2.2 billion

**Figure 3-4. Science & Technology Program**  
(*\$ in billions*)

Program	FY 2012 Enacted	FY 2013 Request	FY 2014 Request	FY13 – FY14 Change
Basic Research (6.1)	2.1	2.1	2.2	+0.1
Applied Research (6.2)	4.7	4.5	4.6	+0.1
Adv Tech Dev (6.3)	5.4	5.3	5.1	-0.2
<b>Total S&amp;T</b>	<b>12.2</b>	<b>11.9</b>	<b>11.9</b>	<b>0.0</b>

A strong S&T investment allows the Department to focus and align content to meet new and emerging priorities. In the recently published "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," U.S. Armed Forces are directed to rebalance operational forces from Iraq and Afghanistan to the Asia-Pacific region. This strategy will require emphasizing several missions with strong technology dimensions to include:

- Project Power Despite Anti-access/Area-denial Challenges (~\$2 billion +)
- Counter Weapons of Mass Destruction (~\$1 billion)
- Operate Effectively in Cyberspace and Space (~\$1 billion)

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- Electronic warfare (~\$500 million)
- High-speed Kinetic Strike (~\$100 million)

### DEFENSE ACQUISITION WORKFORCE SUSTAINMENT

The Department of Defense employs a team of qualified and experienced acquisition professionals to meet the demands of the Warfighter and to protect the fiscal interests of the taxpayers. The Defense Acquisition Workforce Development Fund (DAWDF) is essential to the recruitment, hiring, and funding of qualified acquisition personnel. Since 2008, the Department has filled 7,700 acquisition positions supported by the fund in critical mission areas such as engineering, contracting, acquisition management, and audit. Additionally, the DAWDF supported 11,000 recipients of tuition assistance, 850 student loan repayments, and 260 rotational/developmental assignments in FY 2012.

The requested FY 2014 appropriation of \$276.2 million for the DAWDF will support the Department's shift in focus from primarily recruiting and hiring to training and continuous improvement in the qualifications and experience set of the acquisition workforce. As outlined in Better Buying Power 2.0, four initiatives have been added to meet this objective:

- Establish higher standards for key leadership positions
- Establish stronger professional qualification requirements for all acquisition specialties
- Increase the recognition of excellence in acquisition management
- Continue to increase the cost consciousness of the acquisition workforce – change the culture

Central to the successful training, education, certification and recertification of the acquisition workforce is the Defense Acquisition University (DAU). In FY 2012, training capacity at DAU improved by approximately 61,000 classroom and distance learning graduates combined. Also, DAU will continue to enhance existing training curriculum by integrating new Better Buying Power initiatives into DAU courses. Components will also continue to provide targeted training and development for their workforce.

The goal of these combined efforts is to increase the capabilities of the acquisition workforce, in particular those of key leaders who implement the system and train and develop the people who will succeed them. This is a long-term effort and the Department is committed to ensuring that highly skilled, qualified, and experienced professionals comprise the total acquisition workforce and are well postured to meet the demands of the Warfighter.

## 4. MAINTAIN A READY FORCE

*NOTE: These program descriptions and dollar values do not reflect potential sequester impacts.*

### Maintaining Ready Forces is a Priority

The Defense Strategic Guidance published in January 2012 highlights the importance of and the Department's commitment to maintaining ready and capable forces. The readiness investments the nation has made in training technologies, force protection, command and control, and intelligence, surveillance and reconnaissance systems help to maintain our standing as the most formidable military force in the world. Today our forces are postured globally, conducting counter-terrorism, stability, and deterrence operations, maintaining a stabilizing presence, conducting bilateral and multilateral training to enhance our security relationships, and providing the crisis response capabilities required to protect U.S. interests. In the event of an unexpected crisis, large-scale conflict, or a threat to the homeland, ready forces are available to provide the surge capacity to meet wide-ranging operational challenges.

The FY 2014 budget was bound to be challenging irrespective of fiscal considerations because we are beginning the difficult process of restoring our force's ability to conduct the full range of military operations as required by the current defense strategy. Our budget submission reflects plans to meet these transitional challenges even as we reduce our force structure and budget. The sequester will exacerbate the challenges we already face, and will inflame readiness degradations through further reductions in operations and training, and indirectly on personnel and equipment. The cuts imposed by sequester that we must take in our FY 2013 resources will undoubtedly hinder the Department's ability to generate ready forces and fulfill the tenets contained in the defense strategy.

### Challenges in Creating Full-Spectrum Readiness

Over the next few years, we will realign our force generation investments and activities from counterinsurgency (COIN) operations in Afghanistan to prepare for full-spectrum operations anywhere in the world. Specifically, we must ensure that our forces are prepared to meet requirements in the Asia-Pacific region. In order to ensure that we meet the challenges of this transition, our planning must accommodate several specific actions.

- The Services will refocus their training programs to operate across the full spectrum of operations. Our forces must be capable of defeating potential adversaries armed with anti-access/area denial (A2/AD) weapons, WMD, and other advanced threats in degraded Command, Control, Communications, and Computers (C4) and intelligence, surveillance and reconnaissance (ISR) environments.
- We must conduct joint, interagency, and international training, and exercises that favorably influence regional security dynamics and enhance our ability to operate as part of a coalition to achieve shared goals and objectives.
- We must invest in robust and relevant live, virtual and constructive training capabilities that reflect the real threats we are likely to face in the coming years.
- We must reset our equipment after eleven years of combat to meet the strategic objectives of the new defense strategy.

Key Initiatives
<ul style="list-style-type: none"><li>• Generating Service Capabilities</li><li>• Generating Joint Capabilities</li><li>• Conclusion</li></ul>

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- We must recruit and retain high quality service members who can operate in a variety of environments with knowledge of language and understanding of cultural, ethnic and religious sensitivities.
- We must remain committed to maintaining a trained and ready National Guard and Reserve force that is capable of integrating with the active duty force across the full spectrum of military operations.
- We must enhance our capabilities in the cyber and space domains, as well as continue our already successful efforts employing remotely-piloted systems.

The FY 2014 budget reflects Service and defense-wide investments in all of these areas given the realities of a post-9/11 world. It also addresses difficult strategic choices regarding how to achieve a force ready for a wider variety of missions in an era of declining resources.

### The Narrative that Follows

Given the variety of challenges in this transition, the movement-oriented budget metrics (e.g., flight hours, steaming days, and tank/full-spectrum miles) that are traditionally used to monitor readiness investments are, on their own, inadequate for describing our plans for generating the required supply of ready forces. The adaptation of our force generation processes to suit a wider range of military operations will require investments across several resource areas.

Therefore, our readiness objectives and the force generation and resourcing strategy that supports these objectives must be well founded and carefully integrated into our planning. The sections that follow discuss both Service and joint investments across the variety of resource areas that support the maintenance of a ready force. This narrative describes the challenges that we will face. We also describe our full-spectrum force generation investments.

## GENERATING SERVICE CAPABILITIES

The Services have the legal responsibility to organize, train, and equip units to meet operational requirements. In doing so, each creates a force generation process that combines the basic inputs of labor and capital to provide the requisite supply of ready forces. These force generation processes naturally differ based on the particulars of the capabilities being produced as well as the demand signal derived from current operations and strategic guidance.

The next several sections detail each Services' and USSOCOM's readiness plans and the associated resourcing strategies that comprise our FY 2014 budget submission.

### Army

Since 9/11, the Army has focused on generating near-term readiness for unit deployments to the Middle East that have become increasingly and predominately COIN-focused. As a result, while the Army is prepared for stability, counterinsurgency, and counter terrorism operations, Army forces are less prepared to deter and defeat large-scale aggression, as called for in the Defense Strategic Guidance. The FY 2014 budget incorporates a force generation strategy designed to produce the appropriate level of ready forces to support steady-state and surge requirements. This budget covers the six tenets of Army readiness that are critical during this transitional period: capacity and capability, training, manpower, equipment, sustainment, and installations. The details of this strategy are described below.

### ***Generating Capacity and Capability***

The Army is fundamentally changing the composition and management of its forces as it adjusts to the post-Afghanistan defense strategy described in the Defense Strategic Guidance. Its focus is on building rapidly deployable contingency capabilities in support of the combatant commanders. These adaptations are informed by wartime experiences since 2001, which include operations in an increasingly joint, interagency, intergovernmental, and multinational environment. Key initiatives include:

*Changing Army's force generation process:* As the demand signal in Afghanistan lessens, the Army is adapting their force generation process to better support the broader range of capabilities the new defense strategy requires. The new model reduces the active component from a 36-month training cycle to a 24-month cycle while the reserve component remains on a 60-month cycle. The new 24-month force generation model increases the utilization of integrated virtual, constructive, and gaming technologies and requires slightly fewer resources (about 9 percent less per year on average) than the previous model.

*Regionally aligning forces:* As the Army transitions, it must restore and even increase its level of commitment to combatant commanders in order to better prevent conflict, shape the environment, and win decisively. This facilitates increased responsiveness to and focus on specific regional requirements, while preserving the strategic flexibility necessary to respond to emergent requirements.

Toward this end, the Army is beginning to regionally align its forces with the goal of increasing both the quantity and quality of forces available to combatant commanders. Simply described, the Army will align units with specific geographic combatant commands based on existing assignments, relationships established through the State Partnership Program, or anticipated demand. In doing so, the Army will establish operational and planning associations between its units and the combatant commands with which they are aligned. Training will be tailored to include an understanding of the languages, cultures, geography and militaries of the countries where the units are most likely to be employed. The Army began regionally aligning forces this year with the assignment of a Brigade Combat Team (BCT) to USAFRICOM. The Army estimates that, by 2015, the geographic combatant commanders should be able to plan for increased use of their assigned forces.

*Restructuring BCTs:* The Army is currently conducting a detailed analysis of a proposal that reorganizes BCTs from the existing modular BCTs into fewer, but much more capable, organizations. This analysis could lead to a decision to reorganize BCTs into more capable and robust formations which would require further BCT reductions in order to increase overall versatility and agility for tomorrow's security challenges. If adopted, the most significant changes to a BCT would be the addition of a third maneuver battalion and the formation of a Brigade Engineer Battalion in each BCT.

### ***Training***

Perhaps the most important element of the Army's transition back to full-spectrum, decisive-action operations is the ongoing revision of the training strategy. The Army's training process is based on units progressively improving their proficiency beginning with individual soldier skills training, progressing through small unit (squad, platoon, and company) live fire and maneuver training, and culminating in a battalion/brigade-level Combat Training Center (CTC) event conducted in either a live or constructive environment that integrates all capabilities into a synchronized exercise.

For the last eleven years, the majority of this training focused on generating units in preparation for COIN operations in Iraq and Afghanistan. This budget supports the gradual transition to

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**Figure 4-1. Planned Decisive Action Rotations through Maneuver Combat Training Centers**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
BCT Rotations	2	8	11	16	18	18	18

decisive action training at CTCs over the next several years. Training scenarios for decisive action rotations require units to adapt as part of a joint/interagency/multi-national team through transitions between combined arms maneuver (primarily against conventional forces) to wide area security operations (primarily against irregular forces and asymmetric threats).

Figure 4-1 indicates the number of BCTs planned to rotate through maneuver CTCs each year. Note that the number of rotations increases each year until FY 2016 and then levels out at 18 BCTs per year. This ramp accommodates the current and planned demand signal in support of operations in Afghanistan. More than a third of the rotations in FY 2014 are dedicated to decisive action rotations, which will directly improve the Army's posture to support a broad range of contingencies.

The FY 2014 budget also provides funds for continued professional military education and the institutional training necessary for Army leaders to effectively operate in a joint and combined environment.

### ***Manning***

The Army's base budget for FY 2014 funds an active Army end strength of 490,000 soldiers. Army Reserve and Army National Guard end strength will remain largely unchanged. Continuing the PB 2013 resourcing strategy, the FY 2014 budget will fund with OCO resources military pay, operations and support requirements associated with the end strength above 490,000.

The FY 2014 budget contains authorizations to retain soldiers with critical skills and combat experience, and transition medically non-available soldiers to the Department of Veterans Affairs through the Disability Evaluation System (DES). Soldiers in the DES remain on active duty until their status is adjudicated, thereby reducing the Army's ability to fill operational units to authorized strength. To mitigate the impact of the DES population on readiness, the FY 2013 President's Budget requested additional Temporary End Strength Army Medical (TEAM). The Army plans to implement this program in FY 2013 and FY 2014 and expects to have enough capacity to achieve steady state processing in December 2013.

### ***Equipping***

The FY 2014 budget continues to fund the Army's high priority efforts to upgrade/replace aging fleets and increase soldier capabilities in the following areas: advanced command and control capabilities; soldier/squad program upgrades (M4 improvements, body armor, sights, etc.); ground combat vehicle to replace the M2 Bradley; joint light tactical vehicle to replace the HMMWV; and armored multi-personnel vehicle to replace the M113. Current funding represents the minimum level needed for balanced modernization and investment to support strategic requirements. Further funding cuts increase the risk of losing technological advantages achieved over the last ten years.

Serviceability of equipment remains a challenge as utilization rates over the past eleven years have exceeded many designed operating parameters. In order to maintain high serviceability rates for these systems, especially for units that are deployed or preparing to deploy, the Army has relied on supplemental funding to assure systems are fully mission capable for current operations.

### ***Sustainment***

Recovering and reconstituting Army equipment after more than a decade of intensive use will continue for several years after the cessation of significant combat operations in Afghanistan. This budget addresses four key areas in that regard: the retrograde and reset of equipment from contingency operations, overhaul of equipment maintenance deferred due to depot capacity that was consumed by OCO priorities, the added challenges of sustaining digital technologies, and the incorporation of non-standard equipment procured since 9/11.

### ***Installations***

The FY 2014 budget reflects the Army's measured facility investment strategy that focuses on restoration, modernization, and limited new construction resourcing towards capabilities and facilities that support the readiness of an expeditionary Army. The Army accepted measured risk in the Base Operations accounts commensurate with the reduction of Army end strength over the next several years.

The Army continues to resource high-priority soldier/family programs, to include the Army Substance Abuse Program (ASAP), Sexual Harassment Response and Prevention Program (SHARP), Suicide Prevention and Soldier Family Assistance Centers (SFACs); and maintains an overall moderate level of Base Operations Support services at its installations world-wide.

### ***Navy***

The Navy's FY 2014 budget submission is designed to deliver a Fleet capable of deterring and defeating aggression today and in the future. This budget will create a Navy that is relevant to the ongoing operations, provides a stabilizing forward-deployed presence, is capable and postured to support the rebalance towards the Asia-Pacific, and is able to secure the global maritime commons.

After eleven-plus years of sustained combat operations, the Navy continues to provide ready forces to the combatant commanders. The Navy has been operating a significant part of the force above a long-term sustainable level for the last six years, and this elevated pace of operations is expected to persist. The stress induced by this demanding operational tempo is reflected in a gradual, but persistent decline in Fleet readiness for non-deployed forces. Actions to improve surface ship materiel readiness have shown promise in reducing, but not yet arresting this decline. Navy is focused on improving its understanding and response to readiness trends and indicators. Where necessary, this includes changes in the balance of investments to sustain a ready Fleet now and in the future.

This budget submission is designed, with OCO, to deliver a ready Navy in FY 2014 and effectively address future warfighting capabilities, especially projecting power despite A2/AD challenges. However, in the long term, Navy desires to reset a sustainable, supply-based level of force generation that most efficiently employs readiness resources to deliver ready forces, consistent with the Defense Strategic Guidance. The means to achieve these outcomes were examined through the lens of the three guiding principles:

*Warfighting First:* Deterring aggression, and if deterrence fails, fighting and winning our nation's wars remains the core responsibility of the Navy and our joint partners. This budget submission sustains our primary commitment to provide ready forces to the combatant commanders, and to provide our Navy men and women the resources and tools they need to fight and win.

*Operate Forward:* Navy forward presence reassures our partners, ensures joint operational access, and supports global freedom of action. The resulting security of the global commons also enables our nation's economic strength and a stable global economy. A combination of

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rotational deployments, forward bases, temporary and austere facilities and partner nation ports are used to provide forward presence. This budget supports new and innovative forward stationing options to increase presence with our available forces and to enhance their impact.

*Be Ready:* Navy must ensure its people are personally and professionally ready and proficient in the operation of their weapons and systems. With the addition of OCO funds, the Navy readiness accounts are resourced to provide the capacity necessary to meet the projected FY 2014 requirements for forward presence, and to respond to the most likely contingencies with certified ready forces.

### Generating Navy Forces

The Navy force generation model, Fleet Response Plan (FRP), delivers certified, ready forces to meet the projected global presence requirement and additional surge capacity to meet the most contingency requirements. FRP builds rotational forces for the combatant commanders, supporting named operations, theater campaign plans, Phase 0 operations, and other engagement with allies, partners and potential partners. These forward forces are also first responders for emergent crises or execution of operational plans.

To deliver these forces, the FRP coordinates time to conduct deep maintenance with a progressive training plan designed to produce forces ready for rotational deployment. Forces progress through basic and advanced/integrated training phases leading to final deployment certification. Basic phase events are focused on core mission capabilities at the unit level for ships and submarines, and individual aircrew skills for aviation squadrons. Advanced and integrated training milestones are focused on multiple unit, group, and joint war fighting skills. Figure 4-2 shows the basic and integrated training plans for Navy rotational forces from FY 2014 through FY 2016.

**Figure 4-2. Programmed Navy Training Throughput**

	FY 2014		FY 2015		FY 2016	
	BASIC	INT	BASIC	INT	BASIC	INT
Carriers	4	2	6	4	4	5
Carrier Air Wings	3	2	5	5	2	4
CG/DDG/FFG/LCS	56	30	53	42	34	36
LHA/LHD/LPD/LSD	13	20	13	21	14	21
SSNs	16	10	16	9	21	10
P-3/P-8 Dets	7	11	7	11	7	11
HSM/L Helo Dets	30	28	31	36	37	34
HSC Helo Dets	10	10	9	12	12	14

The FRP was designed to accommodate periodic surge forces to meet emergent crises. FRP provides predictable surge by sustaining the readiness of forces that just completed a deployment for a set period. A typical example is a returning carrier strike group that enters a surge ready phase for 90 days post-deployment. Another mechanism for yielding additional forward forces is to simply extend the deployment of units that are already forward. Units in their training work up cycle can also be used to satisfy surge demand. Because there are graduated levels of certification, units that have already trained enough to meet the requirements of an emergent mission could be pulled from their training cycle and deployed.

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Each of these surge mechanisms comes at a cost of training and/or maintenance; the provision of surge by any of these mechanisms is not sustainable over a long period. Current projections of operational tempo through FY 2014 remain high and could exacerbate existing maintenance and training shortfalls. The sections below describe investments that begin to address these risks.

### ***Operations and Training***

The FY 2014 budget submission, with the addition of OCO funding, provides the resources to support the FRP training progression. Within the framework of FRP, the ship operations and flying hour programs provide funding necessary to complete the live training requirements for deployment certification and to sustain readiness for surge when not deployed. These programs also provide the funding for deployed operations to meet the requirements of the combatant commanders. OCO funding is necessary to fully meet this demand signal, and it is unclear how much of this demand will abate following redeployment of forces from Afghanistan as Navy forces remain forward to meet the full range of combatant commander theater campaign missions. These programs also fund the repair parts necessary to sustain Fleet operations following initial outfitting. Navy tracks supply effectiveness to ensure overall performance, and also executes special protocols for critical or troubled systems to enhance readiness.

Finally, the Navy budget submission includes separate funding for the operation of Fleet schools, the Fleet Synthetic Training program and the associated Navy Continuous Training Environment network, training and certification teams, training ranges, procurement of range systems and necessary targets to complete pre-deployment and sustainment training.

### ***Manpower/Personnel***

Manning Fleet units with the right number of properly trained, properly experienced sailors is a critical element of readiness. To ensure continuing readiness, Navy tracks not only how many billets are filled, but whether they are filled by individuals with the requisite qualifications. These data sets are closely managed by each community as well as by individual units. The Fleet also tracks and reports the number of extraordinary manning actions required to correct critical shortfalls for deploying units, and as a predictor of future readiness.

Funded primarily through Military Personnel appropriations, Navy made a number of adjustments in the FY 2014 budget submission to improve Fleet readiness. They include:

*Addressing emerging manpower needs.* Additions to support new platforms, including AEGIS Ashore and the Littoral Combat Ship, are included. Unmanned platforms operated at sea, increasing in number and complexity, are supported with initial manpower investment.

*Manpower adjustments to improve materiel readiness.* The number of sailors assigned to Regional Maintenance Centers was increased. This action supports current maintenance requirements and will pay future readiness dividends when these experienced maintainers return to sea.

*Individual training and instructors.* Multiple minor adjustments were made to ensure well-trained sailors arrive in the Fleet with knowledge of the latest equipment, while phasing out courses for decommissioning platforms. Steps to restore Surface Force junior officer training are funded.

### ***Materiel Readiness***

Navy manages the materiel readiness of its capital-intensive force through a three tier system: depot, intermediate and organizational-level maintenance. Depot-level maintenance is performed in our public and privately-owned shipyards, Fleet Readiness Centers, and other

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DoD depots. Intermediate-level maintenance is conducted by Regional Maintenance Centers for ships and submarines, and Aviation Intermediate Maintenance activities for aircraft. Organizational (unit level)-maintenance is performed by trained enlisted technicians assigned to ships, submarines and squadrons. Each tier contributes to completing the maintenance necessary to achieve the expected service life of all platforms.

The Navy's maintenance plans for ships, aircraft, and expeditionary squadrons are outlined below:

*Ships:* Ship and submarine maintenance requirements are based upon Class Maintenance Plans (CMPs), and they are informed by the individual unit's maintenance history. Navy completed new CMPs for the surface force, and all FY 2014 maintenance actions for ships are CMP-based. Maintenance schedules are aligned to support current operational readiness requirements and provide ready forces in the out years.

The Navy predicts the required number of depot maintenance events (called "availabilities") for each fiscal year by unit type (carriers, submarines and surface units) to ensure these critical evolutions are scheduled and funded. In FY 2014, this requires 4 carrier availabilities, 10 submarine availabilities, and 66 surface ship availabilities. Although fully funded, the ship maintenance account remains highly reliant on OCO funds (\$1.3 billion in FY 2014) to complete this requirement.

The budget also includes an additional \$0.4 billion in OCO funding to reduce the backlog of surface ship maintenance that has developed over years of high operational tempo. This reset work can most effectively be accomplished during dry-docking availabilities and must continue through FY 2018 to reach all the ships impacted. Work continues to fully define the extent of this backlog requirement using American Bureau of Shipping inspection protocols. To sustain future readiness, availability planning reflects all known deferred maintenance.

To help ensure Navy sustains recent gains in materiel readiness, the Fleet is tracking the number of units in compliance with their CMPs as well as shipyard performance. Policy actions and investments in manpower and maintenance over the last two years created improvements in equipment readiness.

*Aircraft:* Aviation depot maintenance requirements are categorized by airframes and engines/engine modules. Naval Aviation successfully employed reliability-centered maintenance concepts to define and control airframe depot maintenance requirements, focusing on systems, corrosion, and safety assessments. Engine maintenance requirements are based on predicted failure rates and high time component repairs.

Navy has traditionally tracked maintenance induction backlog (airframes and engines) as an indicator of the health of the aviation depot maintenance account. This remains a useful resourcing metric, but does not directly reflect the operational readiness of aviation units in the Fleet. Navy now also predicts the presence and surge capacity that can be supported by the level of maintenance programmed, and whether or not the number of assigned airframes of any Carrier Air Wing or Marine Corps squadron, will be impacted by a projected backlog.

In this budget submission, (baseline, plus OCO), Navy funded aviation depot maintenance to meet presence requirements and the most likely contingencies. No flight line requirements are impacted by the remaining backlog of 88 airframes or 346 engines awaiting induction. However, Navy feels the effects of the high operational tempo on aging aircraft in rising levels of work-in-process at the aviation depots, including high-time inspection workload and service life extension requirements for legacy strike fighters. Improvements in materiel availability and engineering response time are expected to mitigate this backlog.

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*Expeditionary Combat Units:* The materiel readiness of Navy Expeditionary Combat units (Construction Battalions, EOD platoons, Coastal Riverine squadrons, etc.) is measured by the state of their allotted equipment. The sustainment of this equipment is funded in FY 2014 and though it is a small portion of the budget, it relies on OCO funding for more than 50 percent of the program requirements.

### **Installations**

Navy continues to take risk in funding installations, but is mitigating this risk by focusing investment on capabilities that directly support the operational forces, and implementing a force laydown that supports the defense strategy. Additionally, the Navy is committing required resources to meet the key needs of members and their families. While optimizing limited resources to slightly improve overall facility conditions, Navy aligned installation funding with the Defense Strategic Guidance. The budget provides infrastructure in support of new weapons systems (Broad Area Maritime Surveillance, P-8, CVN 78, MH-60, and the Littoral Combat Ship) as well as expenses and investments for the global laydown projected to 2020.

This budget protected critical sailor and family readiness programs in support of force resiliency. In doing so, Navy had to continue taking risk in installation support functions including security services, fleet support equipment, fire protection services and other facility support programs.

### **Marine Corps**

The Marine Corps provides the nation with a unique expeditionary force-in-readiness, giving it an important role in implementing the Defense Strategic Guidance. In addition to providing forces for sustained combat operations in Afghanistan, the Marine Corps maintains forward-deployed contingency response forces that reassure our allies and security partners, deter conflict, respond to crisis, and seize the operational initiative in case deterrence fails. To sustain the demand for rotational forces, the Marine Corps maintains high levels of readiness that enable it to provide surge forces to deploy rapidly and fight anywhere in the world.

The Marine Corps currently has more than 19,000 personnel forward-deployed to Afghanistan and other locations around the world ready to respond to emerging crises. To support operations in Afghanistan, the Marine Corps has used equipment sets normally left at home stations for use by non-deployed units for training or crisis response.

Despite equipment and training readiness challenges, the FY 2014 budget helps put the Marine Corps on a trajectory to fully reconstitute its full spectrum combat capability by FY 2017. The FY 2014 budget continues the transition to a post-OEF Marine Corps that complies with strategic guidance and is capable across the range of military operations. This budget will invest more in full-spectrum training, which will lead to greater proficiency in amphibious operations and combined arms operations; the hallmarks of the Marine Corps. Furthermore, it enables the Marine Corps to maintain high standards of training, education, leadership, and discipline, while contributing vital capabilities to the joint force in meeting the strategic aims. In the near term, however, current readiness remains heavily dependent on OCO funding. This budget submission explicitly protects the Corps' ability to support current and near-term readiness.

Consistent with the Defense Strategic Guidance, the Corps will continue to focus on maintaining its commitment to operations in Afghanistan, resetting and reconstituting the force to respond to crisis and deter and defeat aggression, rebalancing to the Asia-Pacific, and optimizing the force within fiscal constraints; specifically, this budget supports the Marine Corps' ability to conduct a measured drawdown of active duty personnel, from 202,000 to 182,100.

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The Marines manage readiness across five broad elements or pillars: capability and capacity, unit readiness, people, infrastructure, and equipment. Maintaining balance across these pillars is the key to achieving and sustaining the level of readiness expected of the Marine Corps. This budget reflects hard choices that the Marines made to protect readiness largely at the cost of modernization. The Marine Corps adjusted investments in order to restore balance. In summary:

- Investments in the unit readiness and high quality people pillars increased by \$2.01 billion. \$843 million supported Asia-Pacific rebalance, \$293 million supported full-spectrum training, and \$875 million supported manpower.
- Investments in the infrastructure sustainment and equipment modernization pillars fell by \$1.94 billion. Military construction decreased 9 percent (\$323 million), and 47 programs were cut below PB 2013 levels (\$1.61 billion).

The paragraphs below describe the Marine Corps' approach for generating ready forces today and informing an investment strategy that will ensure the future readiness of the Marine Corps.

### ***Capability and Capacity to Meet Requirements***

The budget dedicates \$4.6 billion in support of re-balancing toward the Asia-Pacific, an \$843 million increase over PB 2013, while maintaining the capability and capacity to meet requirements in the near-term. Operations and maintenance funding supports this pillar and is essential for the Marine Corps' transition to the Asia-Pacific, which includes the reconstitution of III MEF, the development of a MAGTF rotational force to Australia, and the relocation of two helicopter squadrons from CONUS to Kaneohe Bay, HI.

### ***Unit Readiness***

The Marine Corps provides well trained, highly ready forces to meet combatant commander requirements. The Marine operating forces are dependent upon funding for training and maintenance of equipment to preserve and enhance their readiness. Although deployed Marine forces are at the highest levels of readiness, this readiness cost often comes at the expense of non-deployed units that frequently provide equipment and personnel in support of deploying units. The FY 2014 budget helps the Marine Corps protect the readiness of non-deployed units so that these units are ready to respond immediately to crises.

The Marine Corps is conducting a comprehensive effort to reset and reconstitute equipment that has been employed in Iraq and Afghanistan. Reset is a subset of reconstitution and is comprised of the actions taken to restore units to a desired level of combat capability commensurate with future missions.

After more than a decade of combat, reset will require an unprecedented level of effort. The reset of the Corps' equipment is expected to extend two to three years beyond FY 2014, due to the time it will take to bring all of the equipment back to the continental United States (CONUS) and move it through depot-level maintenance.

The FY 2014 budget enhances Service-level training through funding an Integrated Training Exercise (ITX) to regain full-spectrum capability. The ITX provides training for up to 10 infantry battalions, 6 artillery battalions, 6 logistics battalions, 28 flying squadrons, and additional aviation support elements. The Mountain Exercise will train up to 3 infantry regiment/Marine Expeditionary Unit staffs, 6 infantry battalions with limited flying squadrons and logistics units, and typically will include joint, coalition and special operations forces. Lastly, the Large-Scale Exercise (LSE) aid-to-construct expected in FY 2014 will enable successful execution of a full LSE in FY 2016. Figure 4-3 lays out the Marine Corps' large training exercise plan over the next several years.

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Figure 4-3. Planned Large Training Exercises

	Annual exercises for 2014 through 2016	
	Integrated Training Exercise	Mountain Exercise *
Infantry Bn	10	4
Infantry Regt	0	3
Artillery Bn	6	0
Logistics Bn	6	0
Squadrons	28	0

\*Figures represent maximum planned exercises depending upon global environment

### **High Quality People**

Recruiting and retaining high quality people plays a key role in maintaining the Marine Corps' high state of readiness. Recruiting quality youth ultimately translates into higher performance, reduced attrition, increased retention, and improved readiness for the operating forces.

The FY 2014 Future Years Defense Plan (FYDP) funds the 182,100 active duty and 39,600 reserve forces, but relies upon OCO to fund additional approved end strength above 182,100 through FY 2016.

This post-OEF drawdown provides enhancements to family readiness, transition assistance, and behavioral health programs. The FY 2014 budget funds the officer-to-enlisted ratio and the quantities of the top six enlisted ranks needed to support the 182,100 force as well as 17,500 civilian full-time equivalents.

### **Infrastructure Sustainment**

Readiness also depends on the availability and condition of real property and infrastructure. Adequately resourcing the sustainment of Marine Corps bases and stations is essential to safeguarding unit readiness as they provide the means by which units conduct training and deploy. The need to be better stewards of our installations and facilities grows as resources become more constrained. The Marine Corps is depending on the FY 2014 budget to help it protect today's users of these facilities, as well as for the generation of forces.

The Marine Corps accepted risk in this pillar, reducing funding for several programs that will affect long-term installation readiness including MILCON, restorations and modernization, and the Marine Corps' Civilian Law Enforcement Program. The FY 2014 budget funds facilities sustainment with limited impact on capability to perform missions and provides required family housing operations and construction funding.

### **Equipment Modernization**

Ground and aviation equipment must meet the needs of the current and emerging security environment. As the Marine Corps explores options to adjust to changing fiscal realities, there is a clear imperative to reset portions of legacy equipment used in OEF and OIF. This reset occurs as the Marine Corps modernizes to guarantee dominance over future threats. As mentioned earlier, in order to bolster investments in personnel and unit readiness, the Marine Corps accepted the greatest amount of risk in its equipment modernization budget. \$2.1 billion of our \$2.3 billion rebalance was taken in this pillar.

Although the FY 2014 budget fully funds the Joint Light Tactical Vehicle, Ground/Air Task Order Radar, and the current development plan of the Amphibious Combat Vehicle, risk was assumed

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in the remainder of the Ground Combat Tactical Vehicle portfolio. Specific risks include lower increases of funding for modification of High Mobility Multipurpose Wheeled Vehicles, delayed upgrades to Light Armored Vehicles, and lower funding increases for the Marine Personnel Carrier. Additionally, the FY 2014 budget reduced funding for both equipment sustainment and the service life extensions that sustain legacy equipment until modernization can be achieved.

### Air Force

The FY 2014 budget supports the Air Force's efforts to provide trained and ready forces for current operations in OEF and future challenges. However, it represents difficult choices between strategy-based modernization/acquisition programs and the need to address near term readiness shortfalls to slow the Air Force's adverse readiness trend.

The Air Force continues to make strategy-informed choices in attempting to balance force structure, modernization, and readiness for the full range of potential military operations. However, with the top-line reductions in the Budget Control Act, coupled with the challenges of absorbing historical OCO expenditures into the baseline budget and a continuous high operational tempo, the Air Force's risk in executing the full range of operations required by the Defense Strategic Guidance continues to increase.

Readiness remains a concern for the Air Force. To support the Defense Strategic Guidance, the Air Force must be postured to rapidly respond anywhere on the globe. In addition, the currently programmed force structure has minimal excess capacity to meet anticipated demands. As a result, unless the Defense Strategic Guidance is modified, the Air Force cannot accept a tiered readiness posture; it must build to and maintain a high level of readiness across the total force at all times, while continuing to modernize and acquire the capabilities most critical to meet the new strategy.

Given the resources available and the need to preserve critical modernization programs that ensure a future viable force, the Air Force has reached a point where current force structure cannot be sustained at requisite readiness levels. Without serious consideration and action both within DoD and Congress to divest excess installations, less relevant aircraft inventories and other equipment, the Air Force will continue to have challenges sustaining the requisite readiness levels.

In addition to funding, Air Force readiness is heavily influenced by ongoing operations, as time and resources consumed in supporting current operations limit opportunities to train for the full spectrum of potential operations. Operational demands over the last eleven years have eroded the Air Force's ability to conduct missions involving anti-access/area denial (A2/AD), WMD and other complex threats. To better meet combatant commander demands, the Air Force has adopted longer standard deployment lengths for their personnel, which subsequently increases the reconstitution time when they return. These operational demands are unlikely to decrease following the planned withdraw of land forces in Afghanistan, as history has demonstrated continued high demand for Air Force capabilities in the wake of previous ground force redeployments. Balancing these rotational requirements with the full-spectrum training required to meet the Defense Strategic Guidance will be an important element of Air Force strategy going forward.

Finally, the Air Force remains concerned with the transition to reduced OCO funding. The expectation of continued rotational deployments, combined with OCO-funded mission growth for capabilities such as medium altitude ISR, indicate the Air Force will face significant funding shortfalls if OCO funding streams are eliminated or not incorporated into the baseline.

The FY 2014 budget submission sustains the ability to conduct COIN operations, continues efforts to prevent terrorism, preserves the ability to deter and defeat aggression, and slows the

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erosion of full-spectrum readiness where possible. Particulars of the resourcing strategy follow.

### ***Unit-level through Coalition/Joint-level Training Events and Exercises***

The Air Force's FY 2014 budget submission begins to address adverse readiness trends. Two areas of emphasis include a balanced and attainable flying hour program, and sustaining critical Air Force joint/combined full-spectrum training ranges.

*Funding a balanced and attainable flying hour program:* The Air Force balanced the allocation of flying hours across the entire force to maintain, and in some cases, incrementally improve, readiness levels. The flying hour profiles still rely on OCO funding continuing through FY 2015.

*Enhancing full-spectrum training ranges:* Ranges that accurately represent anticipated threat environments elevate flying training effectiveness for the joint force, and in turn, are indispensable for aircrew and unit level readiness. The FY 2014 budget submission increases range funding to 74 percent of requirements. Ranges have historically been funded at lower and varying levels, so this represents a focused effort to standardize range funding and enable sustainment of the ranges at their current state. However, significant additional R&D and sustainment funding is needed to provide a realistic and relevant training environment that accurately stimulates 5th generation fighter sensors and enables the Air Force to train in an anti-access/area denial environment.

As key venues for large-scale joint and coalition training events, many of these ranges are also critical enablers for Air-Sea Battle and A2/AD efforts. Figure 4-4 shows planned unit throughput for the two major Air Force exercises, RED FLAG and GREEN FLAG. As we transition out of OEF, we anticipate shifting resources to enable more emphasis on full-spectrum exercise scenarios. RED FLAGs are full spectrum large force training exercises that integrate air, space, and cyberspace capabilities. GREEN FLAGs are more focused on close air support and have been used to prepare forces for OEF deployments.

**Figure 4-4. Historical and Planned Large Force Exercises**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY15 – FY17
RED FLAG	9	6	6	6	6	TBD
GREEN FLAG	20	20	20	20	20	TBD
<b>Total</b>	<b>29</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>TBD</b>

### ***Manpower/personnel***

The Air Force originally proposed holding its total military end strength at PB13 levels, but realigning manpower within each component to the highest priority mission. This resulted in the reallocation of over 3,100 military manpower positions to areas such as intelligence targeting teams and air and space operations center warfighting staffs. Additionally, aircrew ratios were increased in several Reserve Component squadrons, facilitating improved pilot absorption, shortened upgrade timelines, and more balanced aircraft utilization across the Air Force.

### ***Equipment quantity and quality***

In terms of average aircraft age, Air Force "iron" is older than it has ever been. The average age of the Air Force fighters is now 23 years, rescue helicopters 22 years, training aircraft 25 years, bombers 37 years and tankers 48 years. Sustainment costs continue to outpace inflation, and the Air Force is aggressively pursuing multiple initiatives to control these costs and mitigate risk. In addition, high operations tempo has shortened service lives, requiring service

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life extension programs to bridge the gap with new weapon systems not yet fielded and in some cases significantly delayed. Sustainment funding also enables weapon system availability and flying hours, making it a key contributor to readiness. The FY 2014 budget submission adds \$1.4 billion across the FYDP to WSS accounts. With the addition of anticipated FY 2014 OCO funds, planned WSS funding meets 81 percent of the requirements. The continuation of OCO funding will be critical to account for increased WSS requirements as many weapons systems remain employed overseas while others simultaneously reset to support current strategy.

### ***Munitions***

The FY 2014 budget begins to address shortfalls in the most critical munitions programs and realigns funds in others to accelerate production and reduce unit cost (e.g., fuzes, penetrator bomb bodies, JDAM tail kits, JASSM-ER), though critical shortfalls in preferred munitions still exist. These investments maintain the industrial base and support the strategy's rebalance to the Asia-Pacific.

### ***Modernization***

The need for modernization spans across the Air Force. The FY 2014 budget keeps the Air Force's top three modernization programs (F-35, KC-46 and LRS-B) on track. While service life extension programs and periodic modifications have largely kept the inventory viable for the current environment, emerging threats and technologies require new investments. The FY 2014 budget begins to recapitalize the fighter fleet with the F-35 and continues development of the long-range-strike bomber as a requirement to meet forecasted future threat assessments and provide the ability to operate/survive in an A2/AD environment. It funds legacy fleet service life extensions and critical capability upgrades, and preserves the KC-46 as the service's highest acquisition priority, recapping a tanker fleet that averages 48 years in age. The budget also begins procurement of MQ-9/Block 5 aircraft, a new configuration that provides robust communication, encryption and power for next generation sensors, and continues production for the E-3 (AWACS) Block 40/45 program.

Additionally, the FY 2014 budget focuses on reinvigorating the nuclear enterprise by undertaking platform modernization efforts (e.g., B-2 defensive management system, B-52 digital connectivity, ICBM fuzes) and upgrading nuclear command and control systems.

The Air Force also continues to improve space capabilities by developing Space Fence Site 1, a next generation radar which enhances our ability to track and identify space objects, and continues support of GPS Enterprise modernization efforts, providing anti-jam/anti-spoof/anti-tamper capabilities. Fielding of Space Based Infrared System (SBIRS) is funded, providing improved overhead persistent infrared detection supporting missile warning, missile defense, technical intelligence, and battlespace awareness missions. Finally, the Air Force budget funds the Advanced Extremely High Frequency (AEHF) and the Enhanced Polar System (EPS) capabilities, providing protected communications (anti-jam, low probability of detection/intercept) at higher bandwidth and capacity for the warfighter.

These investments will help sustain forward momentum in capability and capacity for the future and contribute to meeting requirements derived from the Defense Strategic Guidance. However, the Air Force has identified additional modernization and acquisition requirements, such as recapitalizing our advanced training aircraft, which remain unfunded.

### ***Infrastructure***

The Air Force took a balanced approach in sustaining critical infrastructure, which accounts for a "deliberate pause" taken in the FY 2013 MILCON program by increasing funding to \$1.32 billion in FY 2014 before adjusting downward to a level between \$1.2 billion and

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\$1.0 billion in MILCON in FY 2015 – FY 2017. Furthermore, the budget provides sufficient funding for environmental requirements at our installations to ensure compliance with statutory guidance. As part of the new strategy's rebalance to the Asia-Pacific, base resiliency is critical to overall readiness and will drive further MILCON requirements in future years.

### Special Operations Command

As the Department implements the Defense Strategic Guidance, Special Operations Forces (SOF) will continue to provide a leading role in conducting counter terrorism operations and security force assistance in support of partner nation counter terrorism efforts. Additionally, like the Services, SOF will increasingly focus on capabilities for a broader range of future challenges.

SOF have benefited from funding that has supported a decade-long emphasis on the unique capabilities SOF provide to the joint force. Given continued OCO funding, USSOCOM is adequately resourced and has developed solutions for readiness deficiencies. The focus on the current fight in the USCENTCOM AOR over the last decade has created a reliance on OCO funding. The restrictions placed on this funding stream present a readiness risk to USSOCOM by restricting operations to confined geographic areas when the demand signal for SOF's unique capabilities is global in nature. USSOCOM must have the flexibility to "hold al-Qa'ida and its affiliates and adherents under constant pressure, wherever they may be." (pg 4, DSG)

Overall USSOCOM readiness remains high. Much like the four military Services, USSOCOM spent the past eleven years focused on meeting the specific combat requirements of continuous operations in the USCENTCOM AOR. While this focus was necessary, it limited the ability of SOF to simultaneously maintain full-spectrum, global capabilities and regional expertise. In order to protect the USSOCOM's readiness and provide appropriate levels of SOF coverage around the globe to shape the environment and deter conflict, USSOCOM must carefully manage its force generation process. While USSOCOM readiness is high and SOF warriors are capable and resilient, we must continue to be cognizant of the fact that a continued high operational tempo will affect USSOCOM's ability to manage this transition in a predictable and balanced manner. Doing so requires close collaboration with the four military Services as they provide support for both SOF and the enabling capabilities on which they rely.

One area of specific concern, however, is managing this transition while still meeting what USSOCOM expects to be a persistent demand signal from the USCENTCOM AOR. USSOCOM does not expect to see a reduction in operational requirements after the current mission in Afghanistan is redefined. Rather, it predicts a continued reliance on SOF to shape the environment and deter Violent Extremist Organizations (VEOs) in the USCENTCOM and other AORs. That said, USSOCOM's investments will focus on mitigating full-spectrum deficiencies as well as managing force stress.

The FY 2014 budget allows SOF to maintain a high level of readiness in support of the current fight with over \$4.1 billion programmed over the FYDP. This budget supports three key initiatives where specific investments are made to regain critical full-spectrum mission skills, organize to expand the global SOF network (\$754 million over FYDP), and develop and resource programs to preserve the force and their families (\$358 million over FYDP). Lastly, USSOCOM's FY 2014 budget reflects increased investments in important arenas, to include the wellness of the force, military facilities, rotary wing capability, and C-130 recapitalization.

### ***Enhanced Capability and Capacity for Full Spectrum Missions***

USSOCOM is actively adapting how it trains, organizes, and manages its force in order to regain critical skills required to support full-spectrum mission sets. This transformation is taking

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place in the air, land, and sea domains.

With respect to the air domain, USSOCOM is improving and reconstituting the SOF aviation fleet and aircrew force. Air Force Special Operations Command (AFSOC) is investing in MC-130/AC-130-recapitalization plans which, when completed, will result in an overall increase in aircrew readiness and aircraft availability. Also, investments in CV-22 availability (aircraft and aircrew) will improve readiness as current aircraft design shortfalls are corrected.

**Figure 4-5. CV-22 Inventory**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
CV-22 Inventory	27	35	41	46	49	49

AFSOC is investing in the modernization and training programs to support 33 light cargo and passenger aircraft.

**Figure 4-6. C-145 and C-146 Inventory**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
C-145 Inventory	9	13	16	16	16	16
C-146 Inventory	11	16	17	17	17	17

Within the land domain, the Army Special Operations Command is making key investments to support increased rotary wing readiness of the current fleet by addressing critical gaps in platform survivability, reliability, and performance. Furthermore, training opportunities will be focused on specialized SOF aviation skills sets including helicopter air refueling training. The measures of progress in this area will be improved readiness reporting and rating.

There will also be increased training opportunities to support regaining critical land warfare skills to conduct Operational Preparation of the Environment (OPE) for areas other than mountain and desert. Specifically, SOF will place a renewed focus on battalion-level Security Force Assistance and Unconventional Warfare training in the jungle and forested environment. SOF will also broaden regional engagement/cultural immersion training opportunities to reflect these operational environments as they increase regional engagements outside of the USCENTCOM AOR, to include joint and combined training and exercises with allies. The FY 2014 budget reflects increased funding for foreign security assistance with Joint Combined Exchange for Training funded at \$202 million across the FYDP and Joint Exercise/Training funded at \$53 million across the FYDP. Progress in this area will be measured by both greater numbers of completed Theater Security Cooperation Plan (TSCP) events and numbers of personnel participating in those events across the globe. A secondary measure will be an increase in

**Figure 4-7: Joint/Combined Exchange Training Events/Personnel**

	FY 2010	FY 2011	FY 2012	FY 2013
Event/Requested	163	127	169/280	185/300
Personnel	3546	3240	3665 (est.)	4595
Countries	64	50*	65	77

\* FY 2011 impacted by Arab Spring

\*\*FY 2013 starting to show increased engagement with additional countries

Counter Narcotics Training (CNT) is not counted due to USSOCOM O&M not being used but does decrement force in number of personnel and events.

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global SOF partnerships and greater regional access. A third measure will be a continued increase in language proficiency capabilities for targeted regions.

Lastly, the transformation of the sea domain is evident with a renewed emphasis on SOF maritime capabilities to support the strategic rebalancing of military capability towards the Asia-Pacific region. These investments will become increasingly critical to both expanding the global SOF network and winning the current fight. Indications of success in this area will be increased maritime capabilities and engagements with partner nations.

### ***Organize to Expand the Global SOF Network***

To ensure a persistent global SOF presence, USSOCOM is taking specific actions in the FY 2014 budget to enhance its coordination and collaboration with the combatant commanders, the interagency and international partners through a global SOF network. Specifically, USSOCOM is funding two actions in this budget to support this initiative.

First, SOF is significantly improving the special operations capabilities available to the combatant commanders by enhancing the Theater Special Operations Commands (TSOC) with additional resources, capabilities, authorities, and force structure. This effort will also unify SOF command in each geographic theater, providing the combatant commander with a joint force headquarters capable of employing the full range of SOF capabilities.

Secondly, SOF is sponsoring and facilitating the establishment of Regional SOF Coordination Centers (RSCCs) in appropriate locations. RSCCs will be by-invitation organizations, multinational and interagency in composition. They will focus on improving SOF coordination and interoperability, providing SOF education and training, and building operational capacities and competencies among well-established and entirely new partners in key regions around the world. The FYDP includes funding for three RSCCs to include a multinational training capability for each RSCC. Priority of establishment is USPACOM (FY 2014), USSOUTHCOM (FY 2016), and USAFRICOM (FY 2018). Metrics to support this initiative will be the increase in the number of SOF regional engagements, expanded TSOC capabilities for regional engagements and partnership building, and the stand-up of the National Capital Region-Inter-Agency Task Force and establishment of RSCCs.

### **Support the Force and Families**

A consistently high demand for SOF has exerted significant stress on the force and families and jeopardizes readiness. Lack of predictability and difficulty reconnecting and reintegrating into family activities are the primary stresses which negatively impact the mission. USSOCOM is developing innovative and comprehensive solutions across the SOF enterprise to improve the well-being of the force and their families. USSOCOM is taking action to fund two specific actions.

First, USSOCOM is implementing a holistic wellness program that is being developed and resourced to integrate prevention, resiliency, and rehabilitative services throughout the readiness/deployment cycle designed to improve the physical, psychological, and spiritual health of our SOF warriors.

Secondly, USSOCOM is implementing an enhanced force generation model (SOFORGEN), which will be complete in FY 2014, is designed to improve the predictability and better manage the personnel tempo of SOF. SOFORGEN will also provide the Services with more accurate and predictable information on required support capabilities for SOF. A key goal of SOFORGEN will be to restrict SOF deployments where possible in order to improve overall readiness and maintain a 1:2 dwell ratio for active component units. Progressive measures for this effort will be the standup of SOFORGEN Decision Support Tool (SDST) and operational deploy/dwell at 1:2 or better.

### GENERATING JOINT CAPABILITIES

This budget also reflects investments in joint readiness. As units prepare for their likely employment as part of a joint force, they must be trained, resourced, and supported to operate seamlessly with other Services, interagency partners, and international partners. These efforts are typically resourced through OSD and executed by the combatant commands, the Joint Staff, and the Services. Joint investments take the form of enterprise efforts focusing on common enablers such as integrated training and exercise networks, language and culture programs, joint training coordination programs, and engagement efforts with partner nations.

The last eleven years have reinforced the importance of operating as a joint force, specifically in terms of combined effects, intelligence, reconnaissance and surveillance, cyber operations, unmanned aerial vehicles, and the agile and surgical application of fires on the battlefield. We've seen an ever-growing interdependency between the Services as some organic capabilities have been divested in lieu of that capability being provided by another Service. The emphasis on joint readiness is also evidenced by the increasingly significant roles of interagency and international partners as well as the provision of essential supporting and logistical capabilities that enable the deployment and sustainment of forward operations.

#### **Building on Service Capabilities: Joint Training**

To effectively operate as a joint force, the Services must regularly train and exercise together. They must also actively participate in combatant command-sponsored joint large force exercises as well as innovative, low-cost, and small-footprint engagements across the globe. Such participation enables Services to develop regional expertise, build trust and relationships with other Services, our allies, and our potential partners, while developing the joint operational experience that is essential for success in the global security environment.

Each of the Service readiness programs produces a set of building blocks that make up the joint force. To cement these service building blocks into a cohesive joint ready force, the Department has allocated \$215 million in FY 2014 for the joint training enablers through the Combatant Commanders Exercise and Engagement and Training Transformation (CE2T2) program. Building on Service-specific training and readiness capabilities, the CE2T2 program fills the gaps between Service and joint capabilities with enablers such as the Joint Training Enterprise Network (JTEN) which links together geographically-separated Service and combatant command live, virtual, and constructive training capabilities into a realistic joint training environment. The JTEN also helps bridge the seam between the tactical and operational level of war training and mission rehearsal activities by providing real-time connectivity which emulates higher headquarters authorities such as a joint task force command element.

Specifically, CE2T2 funds the Joint Training Coordination Program (JTCP) which enables live participation of Service assets in the tactical-level exercises of another Service. The Air Force's RED FLAG and GREEN FLAG exercises at Nellis AFB, the Navy's Fleet Readiness exercise at Air Wing Fallon Naval Air Station, Fallon, NV, the Marines' Integrated Training Exercise, and the Army's Mission Rehearsal Exercises at the Joint Readiness Training Center and National Training Center are specific examples of exercises covered within the JTCP. Through this joint training, the Services prepare for combined tactical operations, including Afghanistan.

Other joint training opportunities funded through CE2T2 include joint individual training that prepares Service members to operate in a joint environment, Service-unique training simulations that allow them to interoperate realistically in a joint environment and with our international partners, replication of robust opposing forces that optimize training on Service tactical ranges for both the host Service and other Service participants, and a virtual training environment that facilitates 24/7 on-line joint training from the individual to the joint task force level.

### Exercises and Engagement and Building Partner Capacity

The Department invests \$561 million a year to support the exercises and engagement requirements of the nine combatant commands. These events improve the readiness of the force to conduct joint operations, highlight U.S. capabilities, deter potential adversaries, and build partner capacity. For combatant commands, exercise and engagement events are a cost-effective method to provide U.S. presence, reassure allies, and hedge against destabilization. More specifically, this funding supports 119 exercises and engagement events that prepare our forces to execute operational plans, train the combatant command staffs, provide presence and regional expertise with our allies and partners, and build habitual relationships and trust.

Examples of combatant commander exercises that are funded over the next few years include:

- AUSTERE CHALLENGE, a bilateral exercise conducted by the U.S. European Command, designed to strengthen the U.S.-Israeli relationship, while testing cooperative missile defense and promoting regional stability
- TERMINAL FURY, an annual exercise conducted by the U.S. Pacific Command that trains command and control elements to deter and respond to major theater contingencies
- GLOBAL LIGHTNING, an annual exercise designed to test and validate the ability of U.S. Strategic Command and its component forces to deter a military attack against the United States
- Joint Logistics Over the Shore (JLOTS) Exercise, an event designed to increase the joint forces' ability to deploy without an established seaport (i.e., offload forces while still offshore)
- China and Russia engagement, to include the HONG KONG Search and Rescue Exercise (SAREX), a bilateral U.S.-China event focused on cooperative search and rescue efforts
- BALTOPS, an annual multinational exercise focused on maritime operations with Russia and multiple other partner nations from the Baltic Sea region
- Global Response Force Exercise, an event that tests all facets of "alert" forces designated to respond on short notice to a range of crises (from armed conflict, to natural disaster response, to homeland defense missions)
- CYBER FLAG, a joint operations exercise designed to enhance DoD readiness to operate and defend DoD networks.

### Language and Culture Capabilities

The FY 2014 budget supports the importance of language, regional, and cultural understanding in building international partnerships as well as contributing to successful operational outcomes across the entire spectrum of operations. We've learned, after a decade of war, that a basic understanding of our partners' language and culture is important for the efficacy of the total force and not just for special operations and intelligence forces. For this reason, the FY 2014 budget funds several investments that increase language and cultural competency. These investments are paying off. Currently, there are more than 265,000 DoD personnel with foreign language skills, an increase of 4,600 from last year.

Some of our language and culture investments support all federal departments and agencies. Specifically, the National Security Education Program is designed in statute to provide a future federal workforce with skills in languages and cultures critical to national security. The FY 2014

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budget request for this program is \$26.2 million of which the Office of the Director of National Intelligence invests \$16 million. These efforts include public-private partnerships, competitive scholarships and fellowships, and the development of recruiting and retention policies to increase the return on these investments. These funds also support the National Language Service Corps which provides language surge capacity across the entire U.S. government, including the DoD. This corps provides an effective hedge against the effects of uncertainty in current and future national security language needs.

Our FY 2014 budget supports efforts to increase the capacity of language-enabled personnel specifically within DOD. The budget includes funding for the Defense Language Institute Foreign Language Center (DLIFLC); the Department's primary training facility for intelligence community military professionals. During FY 2012, more than 2,300 students completed basic courses in 24 languages. In addition, DLIFLC provides Mobile Training Teams to pre-deployment and familiarization training for over 9,700 general purpose force personnel.

Beyond the Mobile Training Teams providing "just-in-time" training for deploying personnel, DLNSEO supports Language Training Centers to provide advanced language instruction and work as a partnership between universities and the Department. In FY 2013, the Department is expanding the Language Training Center concept from five to eight civilian institutions of higher learning at a cost of \$7 million. In FY 2012, 1,400+ military service members, a majority of whom were Special Operations and Guard and Reserve personnel, benefited from alternative training delivery systems provided by these centers.

### Joint Logistics

The past eleven years of conflict demonstrated the unparalleled operational reach of the joint force. The key has been our exceptional logistics system and global infrastructure. Our ability to simultaneously sustain combat operations in both Iraq and Afghanistan while conducting a timely withdrawal of forces from Iraq showcases U.S. logistics excellence. Additionally, our ability to absorb multiple disruptions to Afghanistan lines of communication exhibited an unparalleled level of resiliency. However, these highly focused efforts in a single geographic region, and robust force sustainment from enduring fixed facilities, have resulted in atrophy of expeditionary logistics capacity and capability. In essence, we have traded future logistics capability and capacity for current logistics readiness. For example, the Department's ability to sustain equipment readiness at the operational tempo consistent over the past eleven years has resulted in lower operational readiness rates for non-deployed equipment and the deferral of programmed maintenance essential to achieving planned equipment service life

Guided by the defense strategy and within the bounds of fiscal austerity, this budget addresses current and future logistics needs. For example, in line with our new strategy we program to increase the resiliency of key air bases in the Asia-Pacific region and improve critical infrastructure associated with crisis response and force sustainment (such as Military Ocean Terminal Concord in California). In addition, we ensure continued development of critical information technology tools to provide required visibility over logistics commodities that are global warfighter requirements. However, if the budget conditions impacting the FY 2013 budget are not adequately addressed, the effects of sequestration will continue to negatively affect the readiness of our Armed Forces. Without a corresponding reduction of mission requirements, this effect will manifest in lower mission capability rates for weapon systems and lower equipment availability for both training and future contingency due to sustainment underfunding.

### CONCLUSION

The FY 2014 budget represents significant opportunities and challenges as we transition from conducting large-scale COIN and stability operations to more effectively meeting a broader range of mission areas. The defense strategy requires that our forces be more forward postured to both strengthen allied partnerships and address unforeseen contingencies, and the FY 2014 budget enables the Services to begin making these shifts responsibly. The Department is absolutely committed to protecting readiness, and will continue to do its part to defend the nation, transition to the new defense strategy, and keep faith with the all-volunteer force, in a time of great uncertainty and fiscal challenges.

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## 5. PEOPLE ARE CENTRAL

*NOTE: These program descriptions and dollar values do not reflect potential sequester impacts.*

People – Military and Civilian, Active Duty, Reserve, and National Guard – are the foundation of the Department of Defense and constitute its greatest strategic asset. As such, they must have the full support of the Nation and the Department in order to ensure they successfully accomplish their arduous mission of defending the United States of America 24/7.

America places a high value on the willingness of its people to voluntarily serve their country, both while they serve and long after.

A quick look at the annual Budget of the U.S. Government and the multitude of initiatives and programs targeted to grow and assist military members, veterans, and their families and survivors and you see this commitment. You also see the result of the continuous struggle to answer the question – how do you adequately compensate military members and their families for their many sacrifices including in some cases their very lives?

Senior leaders in the Department of Defense understand and recognize that the military compensation system must be generous, in recognition of the demands of military service, and must always provide sufficient compensation to attract and retain qualified personnel. However, they also recognize that “full support” means not only making sure our Soldiers, Sailors, Marines, and Airmen are well compensated, but also that they have the highest level of preparation, training, and equipment to perform their venerated mission without equal.

With this in mind, the Department sought to achieve a balanced drawdown in the FY 2014 budget while still meeting national security needs and protecting the lives of our service members. A key component to achieving this balance includes slowing the growth in military compensation. If we do not slow the growth in military compensation, the DoD will have to make additional force structure reductions, which would harm military capability and undermine the national security strategy, or make further cuts to funds for training and equipping our forces resulting in a “hollow-force” unable to win wars and minimize casualties. As one Marine in Afghanistan put it – “the best quality of life is coming home alive.”

Another major factor driving the consideration to slow the growth in military pay was the overall health of the military compensation package. Looking at just regular military compensation (RMC), which includes only basic pay, housing and subsistence allowances and the tax advantages associated with these tax-free allowances, the equivalent salary of the average military enlisted member exceeded \$52,000 in 2011. The average officer’s equivalent salary was about \$100,000. For this same period, the U.S. median household income – including income from working spouses – was about \$50,000. For military members these figures do not include any of the additional incentive or special pays and bonuses that many members receive or the generous in-kind benefits such as low-cost or free health care, child care support, commissaries, and numerous family support and educational assistance programs. While money cannot compensate for the risks borne by some of our military personnel in combat, these figures along with high recruiting and retention numbers suggest that military compensation is very healthy. Moreover, even after the modest slowdowns proposed in the FY 2014 budget, our analyses suggest that military compensation will remain sufficient to permit the military to meet recruiting and retention goals as the economy recovers from its deep recession.

### Key Initiatives

- Military Compensation
- Military Compensation and Retirement Modernization Commission
- Managing the Military Health System
- Strengthening Military Families
- Supporting DoD Civilians

### MILITARY COMPENSATION

Similar to the FY 2013 budget process, the Secretary of Defense again worked closely with civilian and military leaders to review military pay and allowances and health care. That review concluded that savings realized from pay and benefit changes should be disproportionately small compared to those for other budget categories. In addition, the changes had to be simple and easy to explain. Finally, senior leaders dictated that no one's pay would be cut, though growth in pay would be slowed.

- For basic pay, the Department proposes an increase of 1.0 percent beginning January 2014. Although no one's pay is being cut, the proposed military pay raise for FY 2014 is less generous than the 1.8 percent called for under the formula in current law, which calls for a raise to equal the annual increase in the wages and salaries of private industry employees as measured by the Employment Cost Index (ECI) as of September 30, 2012. The adjusted pay raise proposal was a tough decision reached by the senior leaders of the Department after carefully weighing the other options for saving the \$540 million in FY 2014 and nearly \$3.5 billion through FY 2018 generated by this 0.8 percent pay raise adjustment. While this adjustment means that the average enlisted member will see a monthly increase in pay of \$26 vice \$47 beginning in January 2014, it also means that the Department will not have to reduce military end strength by thousands of additional troops on top of the drawdown already planned or make further cut funds for training and equipping our forces to achieve these savings.
- For the basic allowance for housing (BAH) and basic allowance for subsistence (BAS), the FY 2014 budget request includes a 4.2 percent average rate increase in BAH and a 3.4 percent increase in BAS effective January 1, 2014. However, the actual increases will be based on a "by location" housing market analysis conducted for the Department of Defense and a food cost index prepared by the Department of Agriculture, both of which are measured much closer to the effective date to ensure they best capture the actual cost impact on the service member.
- Even with the drawdown of U.S. military commitments in Afghanistan, planned reductions in ground forces, and a weak economy, recruiting and retention incentives and bonuses continue to play a critical role in shaping a ready and capable force. While down significantly from a peak of \$5.0 billion in FY 2008, the FY 2014 budget reflects robust funding of \$2.3 billion for recruiting and retention incentives and bonuses to ensure the Department continues to meet personnel quality and quantity goals. These targeted pays continue to be a very cost-effective way for the Department to meet its personnel objectives and maintain the long-term health of the force especially for the most critical skills and experience levels.

### MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

As part of the President's Budget for FY 2013, the Department did not propose any changes to the military retirement system but did recommended a "BRAC-like" Commission be established to review military retirement in the context of overall military compensation. However, the National Defense Authorization Act for Fiscal Year 2013 directs the establishment of a more expansive *Military Compensation and Retirement Modernization Commission* without the necessary provisions to enable a "BRAC-like" up or down vote by Congress. The purpose of the Commission is to review the compensation and retirement systems and make recommendations to modernize the systems in order to:

- Ensure the long-term viability of the All-Volunteer Force

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- Enable the quality of life for Service members and their families that fosters successful recruitment, retention and military careers
- Modernize and achieve fiscal sustainability for the compensation and retirement systems for the 21st century

Over time, the world and generally accepted compensation practices have changed, but the military compensation and retirement systems have remained essentially the same. The DoD embraces the goals Commission and believes it is appropriate to conduct a comprehensive review of the military compensation and retirement systems to ensure the right mix of pay and benefits to maintain the All-Volunteer Force. However, the Congress must be willing to take action on the recommendations; otherwise the important work of the Commission will simply be relegated to the ever growing list of esoteric compensation studies and reports.

In addition to the acting on the results of the Commission, the Department also believes there is sufficient information already available to make recommendations on key areas of military compensation. To permit a balanced drawdown in defense spending, immediate action is necessary in the FY 2014 budget to slow the growth in compensation costs. The Department's FY 2014 proposals for a one-percent military pay raise and TRICARE fee and co-pay increases outlined in this chapter are essential near-term steps necessary for achieving fiscal sustainability.

### MANAGING THE MILITARY HEALTH SYSTEM

The FY 2014 budget includes \$49.4 billion for the DoD Unified Medical Budget to support our Military Health System (MHS). The MHS currently has 9.6 million eligible beneficiaries, which include active military members and their families, military retirees and their families, dependent survivors, and certain eligible Reserve Component members and their families.

Over the past decade, U.S. health care costs have grown substantially, and MHS costs have been no exception. The MHS costs have more than doubled from \$19 billion in FY 2001 to this FY 2014 request of \$49.4 billion, which includes \$0.9 billion in estimated savings associated with several TRICARE benefit cost sharing proposals.

To address these rapidly rising costs, the Department has taken a comprehensive look at all facets of the MHS health care model – emphasizing the need to balance the number one priority of continuing to provide the highest quality care and service, while ensuring fiscally responsible management for long-term sustainment of the MHS benefit. The Department seeks to better manage our health benefit in a way that improves quality and satisfaction, while more responsibly managing costs by building a shared commitment to health care. The centerpiece of the MHS strategy is the Quadruple Aim:

**Figure 5-1. Military Health Care Costs<sup>1</sup>**  
(Dollars in Billions)

Program	FY 2014 Request
Defense Health (DHP)	33.1
Military Personnel <sup>2</sup>	8.5
Military Construction <sup>2</sup>	1.1
Health Care Accrual <sup>3</sup>	6.7
<b>Unified Medical Budget</b>	<b>49.4</b>
Treasury Receipts for Current Medicare-Eligible Retirees <sup>4</sup>	9.5

<sup>1</sup> Excludes OCO funds and other transfers. FY 2014 DHP and Health Care Accrual amounts include estimated savings from TRICARE benefit proposals of \$324 million and \$578 million, respectively.

<sup>2</sup> Funded in Military Personnel & Construction accounts.

<sup>3</sup> Includes health care accrual contributions into the Medicare-Eligible Retiree Health Care Fund to provide for the future health care costs of our personnel currently serving on active duty – and their family members – when they retire.

<sup>4</sup> Transfer receipts in the year of execution to support 2.3 million Medicare-eligible retirees and their family members.

### The MHS Quadruple Aim:

- **Readiness:** Ensuring that the total military force is medically ready to deploy and that the medical force is ready to deliver health care anytime, anywhere in support of the full range of military operations, including humanitarian missions.
- **Population Health:** Reducing the generators of ill health encouraging healthy behaviors and decreasing the likelihood of illness through focused prevention and the development of increased resilience.
- **Experience of Care:** Providing a care experience that is patient and family centered, compassionate, convenient, equitable, safe, and always of the highest quality.
- **Responsibly Managing the Total Cost of Health Care:** Creating value by focusing on quality, eliminating waste, and reducing un-warranted variation; considering the total cost of care over time, not just the cost of an individual health care activity.



Several initiatives support the Quadruple Aim. These include the expansion of Patient Centered Medical Home, moving from Healthcare to Health with particular focus on tobacco use and obesity, and emphasis on Patient Safety.

However, these efforts alone will not control the large increases in health care costs. For example, in 1996 when TRICARE was fully implemented, a working age retiree's family of three who used civilian care contributed on average roughly 27 percent of the total cost of its health care. Today that percentage has dropped to less than 11 percent. While health care costs have doubled or tripled over this time frame, a family's out of pocket expenses, including enrollment fees, deductibles and cost shares, have only grown by 30 percent – 40 percent.

As a result of the FY 2012 and FY 2013 budget and legislative cycles, Congress has permitted small increases in the TRICARE Prime enrollment fees for working age retirees and some adjustments to retail and mail order pharmacy co-pays to incentivize the use of generic drugs and the most efficient source to fill prescriptions. While these adjustments were an important step to setting the TRICARE benefit on a more sustainable path, the savings from these changes are not enough to sustain the benefit in the long-term particularly in-light of the economic crisis currently facing the Nation and driving additional reductions in overall Defense spending.

Therefore, the Department is again seeking further changes to the TRICARE program in the FY 2014 budget to bring the beneficiary's cost share closer to the levels originally envisioned when the program was implemented. Note that none of the proposals affect active duty service members. Proposed changes include (specific details provided in Figure 5-2):

- Increase TRICARE Prime enrollment fee, institute an enrollment fee for TRICARE Standard/Extra, and increase Standard/Extra deductibles. It also adjusts the catastrophic cap to exclude enrollment fees. These changes will affect only retirees.
- Increase TRICARE Prime non-mental health office visit co-pay for retirees and their families from \$12 to \$16.
- Increase co-pays for pharmaceuticals (excludes active duty service members).
- Implement an enrollment fee for new TRICARE-for-Life (TFL) beneficiaries (grandfathers those already Medicare-eligible at enactment).

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- Phase in fee changes over several years.
- Index fees/deductibles/Rx co-pays/catastrophic cap to growth in annual retiree cost-of-living adjustment (COLA).
- Exclude survivors of military members who died on active duty and medically retired members from all increases.

Despite these changes, DoD will continue to offer the most comprehensive health benefit, at lower cost to those it serves than most health plans in the nation – and deservedly so. Even after the proposed changes in TRICARE fees, the TRICARE benefit will remain one of the best medical benefits in the United States, with lower out-of-pocket costs than many other employers.

The Department will continue to invest in those programs and services critical to sustaining a strong Military Health System. These include:

- Medical readiness of the service members and military medical personnel to respond to any contingency around the globe;
- Support to wounded warriors and their families; and,
- A high quality health delivery system that offers great value, and further improves access to care and customer service for all.

**Figure 5-2. TRICARE Proposals**

### TRICARE Prime for Working Age Retirees (under Age 65)

As part of the FY 2014 President's Budget, the Department will seek additional increases in the **TRICARE Prime** (Health Maintenance Organization (HMO) type plan) enrollment fees in order to bring the beneficiary cost share closer to the original levels mandated by Congress when the program was established. These increases will be phased-in over a 4-year period and will be based on a percentage of the beneficiary's gross military retirement pay subject to an annual minimum (floor) and maximum (ceiling) fee. There will be a separate fee ceiling specifically for General/Flag Officers. Table 1 displays the proposed fee structure by fiscal year. After FY 2017, the enrollment fees will be indexed annual retiree cost-of-living (COLA) increases.

**Table 1 – TRICARE Prime Annual Family Enrollment Fees (Individual Fees = 50%)**

<b>Retired Pay</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017*</b>	<b>FY 2018</b>
Floor – Current Fee Inflated by COLA	\$539	\$548	\$558	\$569	\$581	\$594
Percentage of Gross Retired Pay	N/A	2.95%	3.30%	3.65%	4.00%	4.00%
Ceiling	\$539	\$750	\$900	\$1,050	\$1,200	\$1,226
Flag Officer Ceiling	\$539	\$900	\$1,200	\$1,500	\$1,800	\$1,840

\* Fee floor and ceilings indexed to annual retiree COLA but percentage remains at 4% after FY 2017

In addition, the TRICARE Prime non-mental health office visit co-pay for retirees and their families will increase from \$12 to \$16.

### TRICARE Standard and Extra for Working Age Retirees (under Age 65)

The **TRICARE Standard and Extra** (fee-for-service type) benefit programs currently have no enrollment fees and modest annual deductibles of \$150 per individual and \$300 per family. For FY 2014, the Department proposal will seek to implement an annual enrollment fee and increase deductibles. These increases displayed in Table 2 will be phased-in over a 5 year period and will then be indexed to increases in retiree COLA.

**Table 2 – TRICARE Standard/Extra Fees/Deductibles**

<b>Annual Enrollment Fees</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018*</b>
Individual	\$0	\$70	\$85	\$100	\$115	\$125
Family	\$0	\$140	\$170	\$200	\$230	\$250
<b>Annual Deductibles</b>						
Individual	\$150	\$160	\$200	\$230	\$260	\$290
Family	\$300	\$320	\$400	\$460	\$520	\$580

\* Indexed to annual retiree COLA after FY 2018

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### TRICARE-for-Life Benefit (TFL) Benefit Program for Retirees age 65 and Older

Like almost all Americans, upon reaching age 65, TRICARE beneficiaries must enroll in Medicare and begin paying Medicare Part B (outpatient care coverage) premiums. With Part B coverage, Medicare typically covers only 80 percent of normal health care costs and most people choose to be covered by “Medigap” or employer-sponsored retiree health insurance to cover the additional costs as well as providing some prescription drug coverage. Enacted in 2001, the TFL program acts as a second payer plan for TRICARE beneficiaries covering the costs not paid by Medicare. While the average “Medigap” plan with comparable coverage carried premiums \$2,100 per individual in 2009, there are currently no annual fees for TFL coverage. As part of the FY 2014 President’s Budget, the Department is again proposing to implement modest annual fees for TFL coverage, but the proposal will grandfather TFL beneficiaries in the program prior to enactment. Like the proposed Prime fees, the TFL enrollment fees will be phased in over a 4-year period and will be based on a percentage of the beneficiary’s military gross retired pay up to an annual fee ceiling with indexing to retiree COLA after FY 2017. Again, there will be a separate fee ceiling specifically for General/Flag Officers. Table 3 displays the proposed TFL fee structure by fiscal year.

**Table 3 – TRICARE-for-Life Annual Family (Two Individuals) Enrollment Fees\***

<u>Retired Pay</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017*</u>	<u>FY 2018</u>
Percentage of Gross Retired Pay	N/A	0.50%	1.00%	1.50%	2.00%	2.00%
Ceiling	\$0	\$150	\$300	\$450	\$600	\$613
Flag Officer Ceiling	\$0	\$200	\$400	\$600	\$800	\$818

\* Individual fees are 50% of family fees (e.g., 1% of GRP in FY 2017 and after). Ceilings indexed to retiree COLA after FY 2017.

### TRICARE Pharmacy Benefit Program All Retirees and Active Duty Family Members

While the FY 2013 National Defense Authorization Act did include some adjustments to the TRICARE pharmacy co-pay structure and initiated a pilot program requiring the use of mail order to refill maintenance medications for TFL beneficiaries, the Department believes additional adjustments are necessary to fully incentivize the use of mail order and generic drugs. The proposed pharmacy changes in the FY 2014 budget are phased-in over a 10-year period, and prescriptions will continue to be filled at no cost to beneficiaries at Military Treatment Facilities (MTFs). In addition, the proposal requires that all prescriptions for long-term maintenance medications (e.g., blood pressure, cholesterol) be filled through the MTFs or the TRICARE mail order pharmacy. Table 4 displays the proposed co-pays for prescriptions filled through the TRICARE retail and mail order pharmacy programs.

**Table 4 – Pharmacy Co-Pays**

<u>Retail – 1 month fill</u>	<u>FY 2013*</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Generic	\$5	\$5	\$6	\$7	\$8	\$9
Brand	\$17	\$26	\$28	\$30	\$32	\$34
Non-Formulary**	\$44	Available only on a limited basis				
<u>Mail-Order – 3 month fill</u>						
Generic	\$0	\$0	\$0	\$0	\$0	\$9
Brand	\$13	\$26	\$28	\$30	\$32	\$34
Non-Formulary	\$43	\$51	\$54	\$58	\$62	\$66
<b>Military Treatment Facilities</b>	No Change – Still \$0 Co-Pay					

\* Reflects pharmacy co-pays as adjusted by the FY 2013 National Defense Authorization Act (P.L. 112-239)

\*\* Non-Formulary pharmaceuticals will have limited availability in retail pharmacies

### Catastrophic Cap

Under the FY 2014 proposal, the annual catastrophic cap \$3,000 per family will also be indexed to increases in retiree COLA and exclude enrollment fees.

**Finally, to protect the most vulnerable, these proposals exempt survivors of members who die on active duty and medically retired and their family members from these increases.**

## STRENGTHENING MILITARY FAMILIES

The Department of Defense will keep faith with our Service members and their families who have borne the burden of a decade of war. This includes providing Military Family Assistance programs designed to improve military life, including child care, non-medical counseling, and Morale, Welfare, and Recreation programs.

The Department recognizes the demands that we continue to place on Service members and their families, and remains fully committed to providing assistance to the All-Volunteer Force

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and their families. The Military Family Assistance Program portfolio serves a critical need in direct mission support.

All of the major initiatives to improve the quality of life of Service members and their families are designed to mitigate the demands of military life – especially the challenges of deployments and frequent relocations. The Spouse Education and Career Opportunities program supports spouse educational and career development, recognizing that spouses' lives are disrupted when they relocate every few years with their Service member. Military OneSource, a 24/7 information and assistance line, can link Service members and their families with a non-medical counselor in their community for up to 12 free sessions to address relationship issues or other stressful situations before they escalate. MWR provides much needed recreational and fitness resources for all members of the family to promote overall well-being. These are just a few examples of the web of support designed to ensure that Service members can confidently attend to the larger mission, knowing that their family is able to thrive.

The Military Services recognize the need to continue their investments in family assistance programs, funding vital family assistance to military members and their families on more than 300 installations worldwide.

The FY 2014 base budget includes \$8.5 billion (Figure 5-3) for military family assistance programs. Key programs are:

- **Child Care and Youth Programs:** Includes funding for child care providers, child and youth development programs. The FY 2014 funding provides for over spaces for over 200,000 children.
- **Morale, Welfare, and Recreation:** Includes funding for mission sustaining programs such as fitness centers, libraries, and single service member programs, voluntary education, tuition assistance, and recreation programs such as outdoor recreation and auto skills centers.
- **Warfighter & Family Services:** Includes funding for Family Support Centers, Armed Forces Exchanges, transition assistance, and for non-medical counseling support services for Active Duty, National Guard, and Reserve members and their families.
- **Commissary:** Operations are appropriated with the Defense Commissary Agency (DeCA) Working Capital Fund. The DeCA operates 248 stores at military installations around the world and employ a workforce that consists of over 14,000 civilian full-time equivalents.
- **Department of Defense Education Activity (DoDEA) Schools:** FY 2014 budget supports the education of 87,281 students in 190 schools (55,644 students in 122 schools in 12 countries and 31,637 students in 68 schools in 7 states, Puerto Rico, and Guam).
- **Spouse Employment:** Provides funding for the Spouse Employment and Career

**Figure 5-3. Military Family Support Programs**

(Dollars in Billions, Base Budget only)

Program	FY 2012 Actual	FY 2013 PB	FY 2014 Request
Child Care and Youth Programs	1.2	1.3	1.2
Morale, Welfare and Recreation	1.6	1.4	1.3
Warfighter and Family Services	1.6	1.6	1.7
Commissary	1.4	1.4	1.4
DoDEA Schools	2.5	2.6	2.8
Military Spouse Employment	0.1	0.2	0.1
<b>Total</b>	<b>8.4</b>	<b>8.5</b>	<b>8.5</b>

Numbers may not add due to rounding

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Opportunities (SECO) Program which includes funding tuition assistance for eligible military spouses through the My Career Advancement Accounts program, employment counseling, and assistance to all military spouses to obtain employment and career opportunities through the Military Spouse Employment Partnership (\$94 million).

The Sexual Assault Prevention and Response Office (SAPRO) is responsible for oversight of the Department's sexual assault policy. The SAPRO works hand-in-hand with the Services and the civilian community to develop and implement innovative prevention and response programs (\$25 million).

The Defense Suicide Prevention Program (DSPO) oversees the development of policies, procedures and messages to prevent suicide across the U.S. Armed Forces. To reduce the impact of suicide on Service members and their families, the DSPO uses a range of approaches related to policy, research, communications, law and behavioral health (\$7 million).

### SUPPORTING DoD CIVILIANS

The FY 2014 budget supports a properly sized and highly capable civilian workforce that is aligned to mission and workload. Civilian personnel perform key functions for the Department that directly support our military and readiness. Some of the critical functions performed by civilians include equipment maintenance, medical care, family support, and base operating services. Civilians also play a primary role in intelligence and the expanding cyber requirements. The budget request supports a civilian workforce appropriately sized and shaped to reflect changes to the Department's reduced force structure. While maintaining training and readiness levels to support the All-Volunteer Force and provide services to their families, this workforce recognizes evolving critical demands like cyber and guards against an erosion of organic skills and an overreliance on contracted services.

Civilian workforce reductions in the FY 2014 budget reflect an analytically based workforce to workload review designed to preserve mission essential skills and capabilities. Changes reflect Component-identified opportunities for reshaping their civilian workforces through realignments and workload reductions consistent with Departmental strategies, and with due consideration of statutory total force management and workload sourcing mandates.

The number of Civilian FTEs\* in FY 2014 declines by 2 percent from 777,151 in FY 2013 to 765,042 in FY 2014. The Military Services and Defense Agencies will begin to shape their workforce to reflect the changed needs of post-Afghanistan requirements and a declining military force. Some needs will increase, such as: cyber, disability evaluation and audit. Other needs will decrease over time directly related to the war; depot maintenance and base support for military end strength. Actions may include offering early out incentives and temporary suspension of recruitment actions to allow the Military Services and Defense Agencies to more fully assess the impact of mission changes and the introduction of process efficiencies on the workforce composition.

The Department will continue to support the civilian workforce as we reshape skills. The FY 2014 includes a modest civilian pay raise of 1 percent. The Department remains concerned about our ability to attract and retain a highly qualified civilian workforce after three years of a pay freeze and the potential of furlough in FY 2013. Emphasis will be placed on civilian education, training, and leadership development. Efficiencies and flexibilities for employees will be promoted through flexible work schedules and the use of telework. The Department will continue to value not only the military personnel who keep us safe, but also the civilians who support our military and deploy with our military.

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\* Excludes Cemetary Expense and Foreign National Indirect Hire FTEs.

## 6. ACT AS GOOD STEWARDS OF TAXPAYER DOLLARS

*NOTE: These program descriptions and dollar values do not reflect potential sequester impacts.*

The FY 2014 budget continues efforts started in the FY 2012 and FY 2013 budgets to reduce the cost of doing business by identifying opportunities for better use of resources. The Department continues to identify further reductions associated with more effective use of funds, terminating or restructuring weapons programs, restructuring or delaying Military Construction programs, and consolidating infrastructure. The FY 2012 budget proposed more than \$150 billion in efficiencies and the FY 2013 budget proposed another \$61 billion in reductions. The FY 2014 budget identifies an additional \$31 billion in reductions to be applied to deficit reduction.

Key Initiatives
<ul style="list-style-type: none"><li>• More Disciplined Use of Resources</li><li>• Improving the Financial Management Workforce</li><li>• Achieve Audit Readiness</li><li>• Audit and Contract Management Oversight</li><li>• Better Buying Power</li><li>• Control Costs throughout the Product Life Cycle</li></ul>

The FY 2014 budget continues the reform agenda advanced in the previous four budgets, but with greater emphasis on weapons programs and Military Construction programs restructuring, terminations and delays:

- FY 2010 budget: Focused on weapons programs, e.g., terminating F-22 fighter production and the VH-71 Presidential helicopter.
- FY 2011 budget: Again focused on weapons programs, e.g., ended C-17 production and stopped pursuit of a second engine for the Joint Strike Fighter.
- FY 2012 budget: Much more focus on DoD business operations, but plans did include some changes in weapons programs. Also proposed military health care changes.
- FY 2013 budget: Continued focus on DoD business operations, overhead activities and support functions.
- FY 2014 plan: Continues focus on more effective use of resources, with greater emphasis on weapons programs. Also focuses on Military Construction delays and infrastructure consolidations using Base Realignment and Closure (BRAC) authority.

Many of these efficiencies have been reinvested into higher priority military programs.

### MORE DISCIPLINED USE OF RESOURCES

This section summarizes the substantial reductions the Military Departments, Combatant Commands, Defense Agencies and Office of the Secretary of Defense staff will be able to achieve as a result of more effective use of funds (including better business practices). Specifically, the Department will:

- Consolidate infrastructure with authorization for a BRAC round in 2015.
- Restructure the civilian workforce to meet key needs with fewer personnel.
- Restructure military treatment facilities by finding ways to better utilize the facilities.
- Control health care costs by taking advantage of lower prices for private-sector care.

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- Restructure and terminate weapons and programs and Military Construction projects to focus on most critical capabilities.

### **A summary of the Future Years Defense Program (FYDP) savings follows:**

#### ***More Effective Use of Resources (\$19 billion)***

- Reduction in projected health care costs in response to slower growth in Private Sector Care program (\$8.9 billion)
- Reduction in civilian payroll costs resulting from DoD-wide FY 2012 Civilian Workload Analysis effort (\$0.6 billion)
- Reductions were made to Defense-wide travel and contracted advisory services, facilities maintenance, and personnel support to ensure compliance with the Executive Order on Promoting Efficient Spending (\$0.2 billion).
- Reduction in FY 2014 civilian pay raise to 1 percent (\$2.2 billion)
- Use less expensive boosters for the Air Force's Evolved Expendable Launch Vehicle (\$1.1 billion)
- Savings associated with multi-year procurement of C-130J (\$0.5 billion)
- Leveling Mobility Air Force Flying Hour Program (\$0.4 billion)
- Resets funding for logistics information technology sustainment (\$0.2 billion)
- Other effectiveness initiatives (\$4.9 billion)

#### ***Weapons Programs Terminations and Restructuring (\$13.7 billion)***

- Terminate Precision Tracking Space System (\$1.7 billion)
- Restructure next generation Aegis missile (\$2.1 billion)
- Delay procurement of Army's Apache new build (\$1.3 billion)
- Reduced procurement of the Army's Light Utility Helicopter (\$0.4 billion)
- Reduced requirement to field Army's mid-tier networking vehicular radio (\$0.2 billion)
- Revised acquisition strategy of organic unmanned aerial systems at Division level (\$0.4 billion)
- Terminates development of redundant rotary-wing unmanned vertical takeoff and landing aircraft system (\$0.3 billion)
- Reduce Standard Missile-6 procurement (\$0.7 billion)
- Reduced cost growth of Joint Strike Fighter support (\$0.7 billion)
- Reduce Marine Corps ammunition requirements (\$0.6 billion)
- Reduced FA-18 legacy Hornet Shelf Life Extension Program (\$0.6 billion)
- Terminate future Space Based Surveillance follow on satellite (\$0.5 billion)
- Reduce excess investment funds for the C-17 related to production efficiencies and lower costs for many modifications (\$0.2 billion)
- Reduced Special Operations Forces Ground Mobility Vehicle fleet (\$0.2 billion)

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- Expand functionality of Special Operations Forces manned Intelligence, Surveillance and Reconnaissance platforms (\$0.2 billion)
- Other weapon program terminations or reductions (\$3.6 billion)

### ***Military Construction Restructuring and Delays (\$4.1 billion)***

- Requirements changes to multiple Department of Navy construction projects (\$1.5 billion)
- Reduce construction projects throughout the Air Force (\$2.2 billion)
- Programmatic reduction to Army military construction projects (\$0.4 billion)

### ***Infrastructure Consolidation (-\$2.4 billion)***

- Initial increased costs associated with FY 2015 Base Realignment and Closure in order to accomplish reductions in civilian workforce levels and garner multi-year savings in the future (\$-2.4 billion)

## IMPROVING THE FINANCIAL MANAGEMENT WORKFORCE

In order to achieve auditable financial statements and to provide strong financial management, the Department requires a well-trained financial management workforce. The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2012 (Public Law 112-8) provides DoD the authority to prescribe certification and credential standards for the financial management community. The Department has initiated a multi-year effort to develop a course-based Financial Management (FM) Certification Program. The Program applies to personnel in the FM workforce and offers training and professional opportunities while establishing a standard financial management body of knowledge throughout the Department.



The Office of the Under Secretary of Defense (Comptroller (OUSD(C))), in consultation with the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD(P&R)) and the DoD Components, is consolidating multiple FM development efforts across DoD into a cohesive program to effectively educate, train, and certify financial management personnel (civilian and military). This effort has been supported by the House of Representatives, the Senate, and the Government Accountability Office (GAO).

While DoD has many FM training programs, it did not have an overarching framework that guided financial management training or emphasized key types of training in areas such as audit readiness and decision support. The Certification Program aims to move the FM workforce toward a more analytical orientation and to ensure the FM workforce has the knowledge necessary to achieve auditable financial statements. It also establishes the DoD framework to guide professional development of the approximately 54,000-strong FM workforce and to ensure the workforce has the competencies to adapt to future mission requirements.

Similar to the Defense Acquisition Workforce Improvement Act Program, all FM positions will be coded with an FM Certification Level 1, 2, or 3. Each certification level requires a minimum number of training course hours and FM experience. In order to sustain an achieved certification level and maintain and improve financial management proficiency and skills, a

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member must earn a minimum level of continuing education and training (CET) credits every two years.

The foundational framework for the Certification Program is the set of 23 enterprise-wide financial management competencies, associated proficiency levels, and selected leadership competencies. Training is targeted to specific FM technical competencies in categories such as accounting, audit, finance, budget, pay, and specific topics such as audit readiness, fiscal law, ethics and decision support. The DoD Leadership competencies, adopted from OUSD(P&R)'s enterprise-wide DoD Civilian Leader Development Continuum, are designed to develop the FM professional's ability to be a leader within the Department and to be a better strategic partner to commanders and decision makers. Identification of the key competencies, both FM and leadership, enables us to assess and close the gaps between current capabilities and the competencies required by the future financial management workforce.

The policy for the DoD FM Certification Program was approved March 21, 2013. The policy establishes a certification program management structure to provide governance and ensure that the Program objectives are achieved, as well as delineating responsibilities and prescribing procedures. A DoD FM Certification Program Pilot began in July 2012 and ended March 22, 2013. The Pilot included 650 members of the FM community from 13 different organizations and focused on the use of the DoD FM Learning Management System (LMS). This LMS serves as the means of tracking and recording certification achievements and will be available to everyone in the FM workforce. FM members will use the LMS to complete online courses and to post evidence of external course completion. They will also use the LMS to apply for certification when they have met all requirements and to record continuing CET earned. The LMS maintains the available program course inventory with each course aligned to the DoD FM and leadership competencies and proficiency levels and provides an electronic means for review and quality assurance.

Pilot personnel received training on both Program policies and procedures and the DoD FM LMS. Important lessons learned were collected, and improvements are being incorporated into implementation planning. Virtual training, web-based training and job aids are currently available on the FM Online website, the "one-stop" site for all FM Certification Program information.

Phased implementation will begin in Spring 2013. The FM workforce will be phased into the Certification Program over several months, with full implementation planned for FY 2014.

The DoD FM Certification Program is the most innovative and significant change for the Department's FM workforce to-date. It provides the framework to advance the professionalism of financial managers and to adapt to future requirements. It is designed to maintain a capable workforce better able to assist commanders and decision makers in using information and making decisions and supports the Secretary of Defense and the Under Secretary of Defense (Comptroller)'s goals to achieve auditable financial statements.

### **ACHIEVE AUDIT READINESS**

In addition to specific initiatives, the Department needs to carry out several broad initiatives to improve its business practices. Achieving audit readiness for DoD financial statements represents one key initiative.

The Department needs auditable financial statements for several reasons. First, the law requires them. In 1994, Congress passed the Government Management Reform Act, which requires auditable financial statements in all major federal agencies. The Department also needs auditable financial statements because achieving this goal will force DoD to strengthen

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its financial management controls, an achievement that will help DoD make better use of its Defense dollars. Finally, the Department needs auditable financial statements to reassure the public that it is a good steward of taxpayer dollars.

In October 2011, Secretary Panetta emphasized the importance of auditable financial statements and directed the Department to place more emphasis on this initiative and to accelerate its efforts. Specifically, the Secretary directed the Department to:

- Achieve audit readiness of the Statement of Budgetary Resources (SBR) for general funds by the end of CY 2014
- Increase emphasis on accountability of assets
- Execute a full review of the Department's financial controls over the next 2 years and establish interim goals against which to assess progress.
- Ensure mandatory training for audit and other key financial efforts, and establish by the end of CY 2012 a pilot certification program for financial managers – similar to the one now in place for acquisition managers
- Appropriately resource efforts to meet these goals
- Meet the legal requirements to achieve full audit readiness for all DoD financial statements by 2017

The Secretary also directed the DoD Components to revise their Financial Improvement Plans (FIPs) within 60 days to incorporate the accelerated date of 2014 for the SBR for general fund activities. The FIPs have been updated by the Components and incorporated in the DoD Financial Improvement and Audit Readiness (FIAR) Plan.

The FIAR Plan, which is updated semiannually and issued to Congress in May and November, identifies the Department's plans for achieving two goals:

- Improving information used most often by decision makers to manage the Department
- Achieving audit ready financial statements starting with the SBR in 2014 and fully audit ready financial statements no later than September 30, 2017

The Department is committed to achieving these goals and has taken significant steps to accomplish them. These include:

- Involving the Secretary and Deputy Secretary of Defense by keeping them informed of progress and challenges and seeking their guidance
- Engaging the Service Chief Management Officers (CMOs) and senior leaders from both business and financial communities
- Integrating the Enterprise Resource Planning (ERP) system deployments with FIAR activities and performing incremental audit readiness testing at ERP sites
- Applying additional resources (people and funding) within the Office of the Under Secretary of Defense (Comptroller) to better monitor and provide assistance and within the Components to execute improvement plans

The Department has made progress in achieving the FIAR goals and progress will continue through FY 2013 and FY 2014. Recent accomplishments include:

- TRICARE Management Activity – Contract Resource Management received an unqualified audit opinion on its FY 2012 Financial Statements

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- Medicare-Eligible Retiree Health Care Fund received a qualified audit opinion on its FY 2012 Financial Statements
- Defense Information Systems Agency received a qualified audit opinion on its FY 2011 Working Capital Fund Financial Statements
- Navy received an unqualified opinion on the audit readiness of the budgetary information for the E2-D major defense acquisition program.
- Unqualified opinions were achieved on the Existence and Completeness of the majority of Navy and Air Force Military Equipment.
- Defense Finance and Accounting Service achieved a qualified audit opinion on the controls over its enterprise-wide civilian pay processes.
- U.S. Marine Corps FY 2012 Schedule of Current Fiscal Year Appropriations and Expenditures is under audit

The ultimate goal of this important initiative is to provide accurate, reliable, and relevant financial information to decision makers and achieve audit ready DoD financial statements no later than September 30, 2017. Achieving this goal is more important than ever as the Department continues the war in Afghanistan and maintains a global presence to defend the Nation and conduct peacekeeping and contingency operations, while still facing challenging economic times and reduced budgets.

### AUDIT AND CONTRACT MANAGEMENT OVERSIGHT

The Department provides independent contract audits and management support to the military services and defense agencies in order to ensure that the contracts the Department enters into are priced fairly, and that the Department and the taxpayer do in fact receive agreed upon products and services. Three agencies provide these services: (1) the Defense Contract Audit Agency (DCAA); (2) the Defense Contract Management Agency (DCMA); and (3) the Office of the Inspector General (OIG).

Both the DCAA and DCMA consolidated audit and contract management functions that were previously performed (inconsistently) by the military services, into independent organizations that now apply consistent and methodical audit, contract management and assessment regulations and principles across the Department of Defense.

- The DCAA performs contract audit functions for all DoD Components, and other Federal agencies. The DCAA was established in 1965 as an independent agency. In FY 2012 they audited \$31 billion of costs incurred on contracts and reviewed over 1,800 forward pricing proposals totaling \$113 billion.
  - In FY 2014, the DCAA will assign additional auditors to reduce the incurred cost review backlog. Reducing this backlog will: (1) assist in achieving auditable financial statements; (2) provide the DCAA with data needed for forward-pricing audits; (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed).
- The DCMA represents the military services, other federal agencies, and related government buying agencies at defense contractors worldwide, prior to and after contract award. The DCMA was established as an independent agency in March 2000. The DCMA provides Contract Advisory Services on more than 340,000 prime contracts being performed by over 20,000 contractors.

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**Figure 6-1. Contract Management and Oversight**

(Dollars in Billions, Base Budget only FY 2013/2014, FTEs in whole numbers)

Program	FY 2012 Actual	FY 2013 Request	FY 2014 Request
Defense Contract Audit Agency	\$0.5	\$0.6	\$0.6
DCAA Full-Time-Equivalents	4,415	4,978	5,310
Defense Contract Management Agency	\$1.2	\$1.3	\$1.4
DCMA Full-Time-Equivalents	9,114	10,742	11,089
Office of Inspector General	\$0.3	\$0.3	\$0.3
OIG Full-Time-Equivalents	1,533	1,632	1,614
<b>Total – Audit and Contract Management</b>	<b>\$2.0</b>	<b>\$2.2</b>	<b>\$2.3</b>
<b>Total Full-Time-Equivalents</b>	<b>15,062</b>	<b>17,352</b>	<b>18,013</b>

Source: FY 2014 President's Budget

Numbers may not add due to rounding

- In FY 2014 the DCMA continues the Department's efforts to grow the acquisition workforce, in order to mitigate known acquisition oversight workforce shortfalls, primarily in the areas of price costing, earned value, and quality assurance.
- Created by the Inspector General Act of 1978, the DoD OIG is an independent, objective agency within the U.S. Department of Defense. The DoD IG is responsible for conducting audits, investigations, and inspections and recommends policies and procedures to promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse, and mismanagement. In FY 2012 the DoD IG achieved \$85 million in savings and \$3.5 billion in recovery.
- In FY 2014 the OIG will continue its efforts in serving the warfighter, and the taxpayer, by conducting audits, investigations, inspections, and assessments that provide guidance and recommendations for both the Department and Congress.

## BETTER BUYING POWER: OBTAINING GREATER EFFICIENCY AND PRODUCTIVITY IN DEFENSE SPENDING

Achieving greater efficiencies is a central tenet of the Department's efforts to increase productivity in defense spending to deliver better value to the taxpayer and Warfighter. Introduced in 2010, Better Buying Power (BBP) encompasses a set of initiatives intended to move the Department toward this goal. In November 2012, USD(AT&L) introduced the next phase of Better Buying Power: Better Buying Power 2.0 reflects the Department's commitment to continuous improvement and it is made up of 36 initiatives, organized into seven areas:

- Achieve affordable programs
- Control costs throughout the product lifecycle
- Incentivize productivity and innovation in industry and government
- Eliminate unproductive processes and bureaucracy
- Promote effective competition
- Improve tradecraft in acquisition of services
- Improve the professionalism of the total acquisition workforce

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The 36 initiatives include a broader array of efficiency efforts that places increased emphasis on innovation, technology, best value, and professionalism of the workforce. This last area recognizes that people are essential to changing the way the Department provides critical capabilities to the Warfighter and thus seeks to establish higher standards for key leadership positions, implement stronger professional qualification (and not just certification) requirements for all acquisition specialties, increase the recognition of excellence in acquisition management, and continue to increase the cost consciousness of the acquisition workforce by changing the culture.

BBP 2.0 also continues work begun under the original BBP effort. Mandating affordability as a requirement, instituting a system of investment planning, and enforcing affordability caps remain essential elements of achieving greater efficiencies. Similarly, controlling cost throughout the product life cycle through a combination of implementing “should cost”-based management, eliminating redundancy within warfighter portfolios, and building stronger partnerships with the requirements community, among other key initiatives, remains an important priority in BBP 2.0.

Industry is a vital partner to the Department in the defense acquisition enterprise; without the industrial base, DoD cannot equip and support the Warfighter. A healthy industrial base means a profitable industrial base, but it also means a lean, efficient base that provides good value for the taxpayers’ defense investments and increases in productivity over time. BBP 2.0 addresses this requirement by incentivizing productivity and innovation in industry and the Government. It seeks to do so through a combination of efforts, to include aligning profitability more tightly with Department goals, employing appropriate contract types, increasing the use of Fixed Price Incentive contracts in Low Rate Initial Production, better defining value in “best value” competitions, defining technical acceptability to ensure needed quality when lowest price technically acceptable contracts are used, instituting a superior supplier incentive program, increasing the effective use of Performance-Based Logistics, reducing the backlog of DCAA audits without compromising effectiveness, and expanding programs to leverage industry’s independent research and development programs. Through these collective efforts, the Department and industry can achieve a win-win relationship that results in greater rewards for superior performance.

As the Department seeks additional ways to generate greater value for the taxpayers within a fiscally-constrained environment, BBP 2.0 is continuing to eliminate unproductive processes and bureaucracy by reducing the frequency of senior-level reviews; re-emphasizing acquisition executive (AE), program executive officer (PEO), and program manager (PM) lines of responsibility and accountability; eliminating requirements imposed on industry where the costs outweigh the benefits; and reducing cycle times while ensuring sound investment decisions. These collective efforts aim to reduce overhead costs that burden the Department and enable the savings generated to be spent on efforts that directly support the Warfighter.

Another area of continued focus in BBP 2.0 is the promotion of effective competition. Within this area, the Department is emphasizing competition strategies and creating and maintaining competitive environments, enforcing open system architectures and effectively managing technical data rights, increasing small business roles and opportunities, and using the Technology Development phase of the acquisition system for true risk reduction. Competition, when applied effectively, results in lower costs to the Government, greater innovation from industry, and added savings for the taxpayer.

Improving tradecraft in the acquisition of services is integral to achieving greater efficiencies in BBP 2.0. Service contracts comprise over 50 percent of the Department’s buy and opportunities exist for DoD to improve the manner in which it competes and awards service contracts. BBP 2.0 continues to emphasize the role of senior managers for the acquisition of

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services and the use of market research and small business participation, while now also strengthening contract management outside of the normal acquisition chain, such as at military installations and expanding the use of requirements review boards and tripwires.

As the nation enters a new era of emerging security challenges and fiscal austerity in FY 2014 and beyond, it is more important than ever that the Department remain an effective steward of the investment dollars entrusted to us. With anticipated reductions in the FY 2014 budget, we will have to provide essential products and services that our Warfighters require and protect the taxpayers' interests by obtaining as much value as we possibly can through a reduction in unproductive overhead costs, reinvesting should-cost savings to fund higher Service priorities, promoting effective competition by creating and maintaining competitive environments, and pursuing other cost-controlling measures as detailed in the Department's Better Buying Power initiative.

The initiatives introduced in Better Buying Power and continuing in Better Buying Power 2.0 demonstrate the Department of Defense's long-term commitment toward continuous process improvement in the acquisition system. More importantly, they address both the fiscal and security challenges that face our nation. The focus of BBP remains delivering better value to the taxpayer and Warfighter by improving the way the Department does business.

### **CONTROL COSTS THROUGHOUT THE PRODUCT LIFE CYCLE: DEFENSE EXPORTABILITY FEATURES (DEF) IN INITIAL DESIGN**

We are executing the Defense Exportability Features (DEF) Pilot Program in accordance with Section 243 of P.L. 111-383, the Ike Skelton National Defense Authorization Act for Fiscal Year 2011, and amended by Section 252 of P.L. 112-81, the National Defense Authorization Act for Fiscal Year 2012. We designated seven Major Defense Acquisition Programs (MDAPs) in FY 2012 and another seven MDAPs in FY 2013 to participate in the DEF Pilot Program. In FY 2014, we increased the budget for DEF feasibility studies by an additional \$1.9 million in order to include a greater number of MDAPs in the DEF pilot program. Early results of the DEF studies indicate there could be a significant return on RDTE investment from DEF through the economies of scale in production and sustainment from foreign sales. Increasing the sample size of MDAPs in the pilot program will provide us greater confidence in DEF prior to implementing DEF into acquisition policy. Also in FY 2014, DoD will submit a legislative proposal to extend the DEF pilot program an additional five years beyond FY 2015 to demonstrate the return on investment that may be achievable by including exportability design features early in development.

Rather than waiting until products are fully designed and in production for U.S. use, we will assess and incorporate exportability design features and any needed anti-tamper features early in the acquisition process. Foreign sales of and cooperation on US defense products provide a range of win-win benefits: reduced costs, improved US competitiveness, stronger ties to allies and partners, and improved interoperability. Our ultimate goal is to evolve the DEF pilot program concept into a fundamental aspect of defense acquisition, establishing policy, resources, and legal authorities to effectively implement DEF design early in all DoD acquisition programs with a reasonable probability of future armaments cooperation, Foreign Military Sales, Direct Commercial Sales, or other USG exports or transfers. DEF will provide enhanced program protection and cost avoidance; increased availability for early foreign sales resulting in more competitive U.S. exports; and lower U.S. and partner/customer production/sustainment costs through economic order quantity benefits.

Incorporating exportability earlier in the design cycle for defense programs will benefit prime contractors critical to the Department by allowing them to begin marketing their systems to

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foreign governments earlier, and to deliver their variants sooner, than waiting until post-production to design the variant. Earlier exportability designs will allow contractors to reduce their production costs by taking advantage of learning curve efficiencies associated with greater quantities, and will allow them to be more competitive on cost with international competitors. Designing exportability and anti-tamper measures into a system from the start will reduce the time required for government review of export requests.

Increased sales to allies and partners may result in reduced program production and sustainment costs from greater economic order quantities and cost avoidance from incorporating program protection during development vice the production phase. Export improvement initiatives include:

- Help the USG build partner capacity by improving interoperability and access to leading-edge technology;
- Improve technology protection by incorporating anti-tamper measures and Critical Program Information (CPI) protection into the earliest phases of RDT&E; and
- Recoup DEF funding that will reimburse taxpayer for investments.

## **7. MILITARY DEPARTMENTS**

***NOTE: These program descriptions and dollar values do not reflect potential sequester impacts.***

The Military Departments generally use several means to report to the Congress on their activities. Consistent with Title 10 Section 113 (c)(1)(A) each of the Military Departments is providing a summary of their FY 2014 Budget submission for inclusion in the OSD Budget Overview. Additional data are contained in Appendix A, Resource Exhibits.

### **ARMY**

#### **DEPARTMENT OF THE ARMY: SUPPORTING CURRENT OPERATIONS AND ADAPTING FOR THE FUTURE**

##### **Introduction**

The FY 2014 President's Budget outlines the Army's plan to gradually shift from winning today's wars to preparing for future challenges. Over the past 12 years of continuous combat, the Army has made great strides in the tactical and operational levels of war. Tactics and organizations have evolved as new equipment was fielded. These changes retained America's Army without peer on the battlefields of Iraq and Afghanistan. However, these advances do not fully prepare the Army for the array of challenges that it and the Nation may face in the coming years. Changes in the character of modern conflict demand that the Army continue to evolve as an institution, while remaining focused on its primary task – contributing decisive land power to the Joint fight to win wars.

The Defense Strategy will require the Army to rebalance its long-term strategic focus to the Pacific, while maintaining a significant presence in the Middle East. The complex operational environment demands a robust, ready, regionally-engaged, and responsive Army. The Army is reinforcing efforts in the Asia-Pacific region by expanding partnerships, while remaining focused on the current needs of the nation. The Army will align units with specific Geographic Combatant Commands, to establish habitual relationships, while gaining knowledge about the countries where the units are most likely to be employed.

As major operations in Afghanistan come to a close in CY 2014, the Active and Reserve Army force structure will continue to ramp down, reaching 490,000 and 555,200, respectively by FY 2017. To meet the demands of the new strategy with a smaller force requires the Army to become more agile. The Army cannot plan for every contingency. It will strive to balance requirements and resources to implement the Defense Strategy. The Army will continue to build on current capabilities to improve responsiveness, agility, and precision for a range of contingencies. Readiness will have to be balanced between the Active and Reserve Components. The Active Army will retain capacity to rapidly respond to a broad range of military contingencies. The Reserve Components will continue to serve as part of the operational force and provide unique capabilities, as required.

The Army must continue to modernize its weapons, Soldier systems, and infrastructure. There are a number of priority equipping and modernization needs focused on increased survivability, lethality, mobility, Soldier, networking and situational awareness capabilities. Adjustments in these modernization plans may be necessary as the fiscal environment changes.

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- The Network. Warfighter Information Network-Tactical, Family of Networked Tactical Radios, Joint Battle Command-Platforms, Distributed Common Ground System-Army, and Nett Warrior. Provides integrated communications and data networks to extend situational awareness.
- Ground Combat Vehicle. Provides protected mobility capability to replace the Bradley Infantry Fighting Vehicle.
- Armored Multi-Purpose Vehicle. Provides Armored Brigade Combat Teams improved protected mobility capability to replace the M113 Armored Personnel Carrier, in five mission roles: General Purpose, Mortar Carrier, Mission Command, Medical Evacuation, and Medical Treatment.
- Paladin Integrated Management. Provides capability upgrade for Paladin 155mm Howitzer and Field Artillery Ammunition Support Vehicle.
- Joint Light Tactical Vehicle. Features scalable armor for protection of personnel and payloads against direct fire and improvised explosive device threats, improved tactical network connectivity, and reduced fuel consumption.
- Kiowa Warrior. Performs capability upgrade for aerial reconnaissance and security missions.

The Army accepted some modernization risk by not buying the entire Army Authorization Objective quantities and slowing some buys over time. To mitigate the risks associated with those strategies, the Army is carefully aligning equipment on-hand and new buys with the Army Force Generation model to ensure units have the requisite amount of equipment and modernized equipment needed to perform assigned missions. In addition, the distribution of equipment has been adjusted to align with the drawdown of force structure over the Future Years Defense Plan. Equipment on-hand and modernization levels are projected to be aligned with the changing force structure as the Army achieves its new end strength.

### **Priorities for 21st Century Defense**

This section outlines the Army's contributions to 9 of 10 missions in the Defense Strategy. The Army, as the Nation's premier provider of landpower, will continue with its current missions and international partners as it adapts to these new priorities.

#### ***Counter Terrorism and Irregular Warfare***

The Army will continue to contribute forces and capabilities to Joint operations world-wide to counter terrorist activities and organizations. As Army forces are rotated out of Afghanistan, assets, including Army Special Operations Forces, will shift their counter terrorism and irregular warfare focus from theater to world-wide priorities.

#### ***Deter and Defeat Aggression***

The Army represents one of America's most credible deterrents against future hostility, offering potential adversaries cause for restraint, while standing ready to defeat any adversary who chooses conflict. The Army's capability to rapidly deploy large numbers of troops over extended distances, sustain them and our Joint force partners for as long as needed, and deliver precise, discriminate results enhances deterrence. The successful conclusion of operations in Iraq and the ongoing transition in Afghanistan provides an opportunity to reorient the Army towards conflict prevention, working through engagement with partners and allies across the globe. However, the ability to win wars on land remains the Army's primary mission. The Army must maintain a ready and agile Active force, albeit smaller than the current force, backed by

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Reserve forces that can mobilize quickly to meet this mandate. To be efficient, Army forces must be responsive. As more of the force is based within the United States, the Army will preserve and invest in the capability to rapidly deliver units anywhere in the world. Army forces must be tailored to local requirements and rapidly deployable from the lowest to the highest echelon. As U.S. Defense Strategy rebalances to the Asia-Pacific area of responsibility, the Army will maintain continued engagements and strong relationships with Key Partners globally, while cultivating relationships with nations sharing common values.

The Army will maintain basing and posture in the Asia Pacific region, continuing with positive steps already taken through the assignment of Army forces to U.S. Pacific Command. Forward basing and pre-positioned stocks will contribute to deterrence capabilities. U.S. Army Pacific has been upgraded to a 4-star Army Service Component Command to reflect the shift in emphasis to the Asia-Pacific region. The most important focus area is building partnership capacity, an example of which is the Army's expansive exercise program in the Pacific. The Army has multiple initiatives to rotate select forces into Korea as a means to increase readiness, establish a broad understanding across the Army of terrain and operations on the peninsula, and to reinforce U.S. commitment to its Allies.

### ***Project Power Despite Anti-Access/Area Denial Challenges***

As the current commitments in Afghanistan are reduced, the Army is taking the opportunity to refocus. This requires first reestablishing core warfighting competencies in combined arms maneuver and wide area security. These foundational skills upon which the Army is built, underpins its credibility as a deterrent and ensures defeat of any enemy once engaged. The Army generated counterinsurgency expertise given its mission over the past 12 years. The counterinsurgency mission represents one subset in the range of missions for which the Army must be prepared to succeed. The Army will reinvest in fundamental warfighting and sustainment skills that support the Army directed strategic missions, from deterring and defeating aggression to power projection. Projecting power includes the Army's ability to rapidly out-load, deploy and open the theater's aerial and sea ports to conduct reception, staging, onward movement and integration operations.

### ***Counter Weapons of Mass Destruction.***

As part of the Joint force, the Army will provide defensive equipment capabilities, trained personnel, and chemical, biological, radiological, and nuclear (CBRN) sustainment capabilities to prepare its units for immediate deployment from U.S., power projection infrastructure and rapid recovery and reset from operations within a CBRN environment. As the Service with the most extensive force structure and capabilities for combating weapons of mass destruction, the Army will continue its contributions to Joint CBRN programs, which support the Nation's overall strategy for combating, defending against, and minimizing the effects of weapons of mass destruction use against U.S. interests and allies.

### ***Operate Effectively in Cyberspace***

The Army will place increased emphasis on defensive and offensive cyber operations to protect The Network and counter cyber attacks. Many adversaries lack the ability to confront Army combat forces physically, choosing instead to employ virtual weapons that can unleash potentially devastating effects. The Army must take full advantage of these technologies, building capabilities to operate in all cyberspace dimensions effectively. The FY 2014 budget reflects an increase in Army Cyber capabilities.

### ***Defend the Homeland and Provide Support to Civil Authorities***

The Army will defend U.S. territory from direct attack, as required, bringing to bear the full range of its capabilities to repel and defeat any attacker. The Army will continue to provide support to civil authorities in time of natural and man-made disasters, as these examples illustrate. In 2012 the Army National Guard conducted firefighting operations in several states throughout the Midwest and Southwest. After Hurricane Sandy struck the eastern United States, Active Army and Army National Guard Soldiers provided immediate and sustained relief. Units from the Army Corps of Engineers pumped over 475 million gallons of water from the New York City subway system and all tunnels; provided electrical power to critical facilities and public housing; and disposed of more than 300,000 cubic yards of debris. National Guard Weapons of Mass Destruction Civil Support Teams also support civil authorities in their homeland defense role.

### ***Provide a Stabilizing Presence***

The Army's contributions to shaping regional environments to promote peace and prevent the outbreak of conflicts are vitally important in an era where low-level conflicts can rapidly morph into global crises. As the only service designed to provide long-term and persistent presence, Army forces today partner with allies and demonstrate American commitment in key regions around the globe. From the 66,000 plus Soldiers stationed around the Pacific Rim, to training missions in South America, to the delivery of medical supplies and expertise in Africa, Army Soldiers will continue to be uniformed ambassadors of the nation. Their efforts strengthen the capabilities of U.S. partners, increase understanding of local dynamics, and build lines of communication between militaries and nations increasingly necessary in a complex interconnected world. Soldiers standing side-by-side with foreign militaries provide the nation strategic access to places and societies that might be otherwise inaccessible. Forward basing and bilateral and multilateral exercises with partners will aid in developing mutual trust and understanding.

### ***Conduct Stability and Counterinsurgency Operations***

The Army focused on stability and counterinsurgency operations in Iraq and Afghanistan over the past decade. The Army will retain this capability as it adapts training programs to prepare Soldiers and units to conduct the full range of military operations of the Defense Strategy. Demand for Army forces in Afghanistan will decrease, but the requirement for strategic landpower, which only the Army can provide, will endure. The Army will support Joint efforts aimed at preserving stability and promoting peace, judiciously investing in those capabilities best suited to the task. To be effective once deployed, forces must be familiar with local cultures, personalities, and conditions where they are operating. We cannot afford to gain this knowledge under fire.

### ***Conduct Humanitarian, Disaster Relief, and Other Operations***

The Army will continue to provide direct support in cases of U.S. humanitarian relief and other operations abroad. In addition to directly supporting the affected populations, the Army also supports other U.S. military services and governmental organizations engaged in the same operations. Soldiers deliver food, fuel, medical support, and related services. The Army will continue to respond with the same types of relief and support in the case of natural and manmade disasters at home and abroad. In support of humanitarian assistance and relief operations, the U.S. Army provides critical assistance to civil authorities and victims of natural and man-made disasters.

### Department of the Army Objectives

#### ***Scalable Forces/Leader Development***

The Army must simultaneously reform its processes and training to generate forces scalable from squad to corps. Planning cannot be limited to Brigade Combat Teams. Deploying the right Soldiers, with the right training, in the right size units, at the right time will be the key to success. The complexity of world events requires a deliberate investment in leader development. The need to adapt to rapidly changing situations and identify underlying causes of conflict calls for mental agility and strategic vision. The Army's ability to respond effectively hinges, in large part, on the quality of its Soldiers and leaders. Leadership training oriented on dispersed and decentralized small unit operations requires increased emphasis. In some circumstances that may require small teams of Soldiers engaged in partnership activities. Others may require the combined mass of brigades, divisions, or corps. Our Army must have the capability to deploy tailored packages to the point of need, while retaining the ability to rapidly reassemble into larger combat formations to meet the needs of the Joint force.

#### ***The Army for the Future***

The Army provides strategic landpower for the Nation, playing a fundamental role in nine of the ten missions of the defense strategy. Mindful of fiscal challenges, the Army is adapting force structure, modernization and readiness – reducing the size of the Active Component by 80,000 Soldiers, the National Guard by 8,000, and Department of the Army Civilians by 20,000; making thoughtful and deliberate decisions about the structure and composition of the Army; investing in training and equipment to meet current and future requirements; and providing the support and services Army Soldiers, Civilians, and Families deserve and need. We will develop best-value strategies and tactics that inform the American people and motivate the most qualified candidates to seek Army service. We will build a future force based on attracting the best and brightest America has to offer. The Army is performing all of these missions while remaining fully committed to the current fight.

The Army is responding to the dynamic strategic environment, incorporating lessons learned from a decade of conflict while remaining mindful of fiscal realities. Maintaining credible strategic landpower requires the Army to continually assess and refine how it operates, manages human capital, and increases capabilities. Transforming institutional Army processes and organizations makes them more efficient while ensuring they fully support the progressive readiness of operational forces. Soldiers, Civilians and Families remain the centerpiece of the force, while agile and adaptive leaders enable credible strategic landpower. Providing small units with modern equipment will ensure they retain unmatched capability against any adversary.

#### ***Take Care of People***

The Army's enduring priority is to preserve the All-Volunteer force in order to defend the United States and its national interests. We will continue to address challenges that can detract from Army readiness to accomplish these missions and will continue to integrate the Total Force of Active, National Guard and Reserve Soldiers and units. We will continue efforts to provide a safe work environment where Soldiers can readily seek behavioral health assistance and where sexual harassment, assault and hazing are not tolerated and when they occur are dealt with rapidly and justly.

The Army will continue to place a high priority on Soldier, Civilian, and Family resiliency and on programs that help Veterans and their Families transition to civilian life. The Ready and Resilient Campaign aligns all programs aimed at ensuring the comprehensive fitness and

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strength of our Force and is directly linked to Army readiness. Funding related to the care of Wounded Warriors will be protected. The Army's Comprehensive Soldier and Family Fitness program (CSF2) is a critical component of the Ready and Resilient Campaign. By providing resilience training to all members of the Army Family, the Army ensures its most valuable asset – people, are best prepared to deal with the rigors of the Army profession.

The Army continues to employ the Sexual Harassment/Assault Response and Prevention Program (SHARP) to eliminate sexual assault and harassment within its ranks. Leaders are actively engaged to help the Army community understand that a climate that respects and grants dignity to every member of the Army family increases combat readiness. In compliance with law, the Army is adding full-time sexual assault response coordinators and victim advocates to each brigade level unit, certifying those personnel, and executing more frequent command climate surveys in units. The root cause of this challenge is cultural, so SHARP addresses not only inappropriate behavior, but the cultural aspects of units that can prevent such behavior from even occurring.

The Army continues to develop adaptive leaders. The Army has implemented new programs to train Soldiers and military and civilian leaders to better meet future needs under the Defense Strategy. Army leaders must be adaptive and innovative, possess a willingness to accept prudent risk in unfamiliar, highly complex and dangerous environments, and display an ability to adjust based on continuous assessment. Leaders must be capable of training subordinates to be adaptive, professional, and disciplined. Leaders and Soldiers must also remain proficient in core competencies and be able to fight in a joint, interagency, and combined environment.

### ***Maintain Readiness***

The Army has already begun to implement the Regionally Aligned Force concept that will provide Combatant Commanders with mission tailored and regionally focused forces and Army capabilities responsive to all requirements, including operational missions, theater security cooperation, and bilateral and multilateral military exercises. Regionally aligned corps and divisions will provide Joint Forces capable headquarters to every geographic combatant command.

The Army Force Generation model is being changed to align it with the broader range of missions requirements covered in the Defense Strategy.

Unit training is transitioning to the concept of decisive action, which represents the simultaneous combination of offensive, defensive, and stability operations (or defense support of civil authorities) appropriate to the mission and environment.

### ***Reset and Modernize***

The Army must continue to Reset and replace equipment to restore capability that has been lost, extensively used, and degraded during combat operations in Iraq and Afghanistan. The Army will rely on overseas contingency operations funds for equipment reset for a period of three years after the last piece of equipment has been retrograded from Afghanistan. The Army is adapting the production and manufacturing processes in its arsenals and depots, sustaining existing efficiencies, and improving collaboration and eliminating redundancies in materiel management and distribution. With these process improvements, the Army will reset in a fiscally responsible and efficient manner and sustain a high level of readiness.

The Army's equipment modernization strategy reflects the need to support the current fight, respond to contingencies, and implement the Army long-term strategy. This balanced approach aligns unit equipment availability with the progressive readiness model, and uses incremental modernization to deliver new and improved capabilities.

## Overview – FY 2014 Defense Budget

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Enabling the Network to facilitate decision-making with real-time data and connectivity across the Joint Force down to the Soldier and across platforms remains a key priority and critical enabler of future capabilities. Additional modernization efforts are to remain centered on the Soldier and the squad as the building block of the Army. This means providing Soldiers and squads with improved lethality, mobility, protection, and situational awareness.

Protecting the Network is a core Army priority. The Army Cyber Command secures and defends Army networks from those who seek to take advantage of our reliance on networked information systems. A full range of cyberspace capabilities must be available to the Combatant Commander, including well-trained cyber warriors, cyberspace operational freedom, and assured Mission Command despite cyber threats. The Army habitually incorporates cyberspace scenarios in major exercises and is working to embed cyberspace and information capabilities into all contingency plans. This will require investment in not only technology, but more importantly, developing an effective cadre of cyber warriors through accession, training, and leadership.

### ***Transform the Institutional Army***

The institutional Army creates and manages the Army as a whole, while the operational Army provides land-power capabilities for the Combatant Commander. The institutional Army provides the infrastructure upon which the operational Army builds readiness. It accesses, trains, and sustains personnel. It designs, procures, and sustains materiel and information assets. The institutional Army also provides logistics, medical, installation and information support services to organizations inside and outside the Army. The Army is shifting to a cost and performance culture in the institutional Army. Investments will continue to be made in enterprise resource planning systems such as the General Fund Enterprise Business System and the Global Combat Support System-Army which allow resource-informed decision making and will achieve Army audit readiness for the Statement of Budgetary Resources by 2017.

The Army is committed to acquisition reform and is implementing recommendations from the 2010 Army Acquisition Review. The Army also continues to prioritize affordability, sound program management, and achievable requirements in its acquisition efforts. The Army continues to reform the way it develops and acquires services and materiel through a capability portfolio review process. This practice eliminates redundancies and ensures funds are properly programmed in accordance with Combatant Commander's requests, wartime lessons learned, the ability to support progressive readiness, and affordability. Capabilities will be developed through Army R&D processes informed by periodic Network Integration Evaluations; these evaluations can put new technologies in the hands of Soldiers in a field environment early in the development process to accelerate the acquisition process in a more cost-effective manner.

The Army will continue to reduce installation energy usage through new initiatives to build on past success. The Army has designed a framework (i.e., an energy informed culture) to focus on the energy used by Soldiers, installations, and vehicle fleets. A number of initiatives are directly aimed at Soldiers. Reducing the number and types of batteries, employing a better battery management system and fielding newly developed individually-worn solar panels lighten Soldiers' loads, improve their mobility, and give them uninterrupted access to the network. Installations and contingency bases continue to reduce energy costs by managing power and energy resources, implementing renewable and alternate sources of energy and setting high energy and sustainability standards for new construction and major renovations. On the drawing board are tactical vehicles that are more fuel efficient and use bio-fuel blends when available. Use of electric non-tactical vehicles enables the Army to meet or exceed all federal vehicle fleet management mandates by 2016, four years ahead of schedule.

## **NAVY/MARINE CORPS**

### **DEPARTMENT OF THE NAVY: OPERATING IN A FISCALLY-DRIVEN FRONTIER**

#### **OVERVIEW**

The Fiscal Year (FY) 2014 President's Budget (PB) reflects a strategic direction grounded in the reality of the nation's fiscal challenges. As we transition from today's conflicts, we must position the Navy-Marine Corps team for the challenges of tomorrow. We are committed to execute the Department of Defense (DoD) four guiding principles: maintain the world's finest military; avoid hollowing out the force; balance reductions, taking cuts strategically; and preserve the quality of an all-volunteer force. Navy and Marine Corps capabilities remain a cornerstone to protecting our nation's global commerce and Maritime Cross Roads. The resulting decisions summarized in this book and detailed throughout the Department of Navy (DON) budget showcase a strategy that uses constrained resources. When compared to PB 2013 projections, the PB 2014 Future Years Defense Program (FYDP) has remained stable and reflects continued implementation of the President's new defense strategy.

The fiscal challenges presented to us require the Navy and Marine Corps to review every decision and make the best choices possible. We must continue to invest in future weapons, vehicles, and infrastructure, but we must scrutinize every option to provide for the most affordability, versatility, and effectiveness. Ships such as the Littoral Combat Ship (LCS) that can conduct a variety of missions with interchangeable modules will be instrumental to the Department's future. The Joint Strike Fighter, which shares many common components between the Navy carrier variant and the Marine Corps Short Takeoff Vertical Lift (STOVL) variant, will also become a pillar of our future operations.

One of the biggest risks to the Department is the deterioration of our shipbuilding industrial base. The FY 2014 President's Budget provides for ship construction of forty-one new vessels. The aforementioned LCS will provide 14 ships, while this budget also includes 9 VIRGINIA class submarines and nine Arleigh Burke class destroyers. The total shipbuilding budget across the FYDP is \$70.5 billion.

The procurement of aircraft remains vital to ensure the Department can complete every mission. We are properly managing risk with our purchase of 108 JSFs across the FYDP. The introduction of Joint Strike Fighters into the fleet will lead to the final procurement of F/A-18s in FY 2013. Rotary wing aircraft will continue to be significant, with eighty procured in FY 2014 alone. The MV-22 Osprey will continue to be produced in significant quantities, 78 across the FYDP. Unmanned Aerial Vehicles will become even more vital to the mission. A total of 35 are to enter service between FY 2014 and FY 2018.

This base budget provides funding for 45 underway days per quarter for deployed forces and 20 days per quarter for non-deployed forces. Ship maintenance is funded to 80 percent of the requirement in the baseline, and Navy/Marine Corps flying hours are budgeted at a T-2.5/2.0 rating.

As operations in Afghanistan continue to wind down, the Marine Corps will reduce end strength to 182,100. The new level will be reached by FY 2016 and returns the Marines to a rapid, crisis response force. This leaner force will remain agile, flexible, and ready to handle a full range of contingencies. The Navy, meanwhile, will remain stable in size to conduct their ongoing mission. Despite the drawdown, the Department will continue to support non-traditional joint requirements in Afghanistan, the Middle East, and elsewhere. The force will continue a renewed focus on Asia and the Pacific, with Marines deployed to Australia as part of our global presence.

## **Overview – FY 2014 Defense Budget**

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Fiscal realities require the Department to be committed to getting the most out of every dollar. Budget challenges do not translate into a corresponding decrease in activity by our foes. We have confronted difficult choices; the FY 2014 President's Budget allows us to meet the defense priorities for a new century. We will remain a global force with the ability to provide credible deterrence anywhere.

### **PRIORITIES FOR 21ST CENTURY DEFENSE**

The strategic guidance for DoD issued last year presented a smaller and leaner force that is agile, flexible, ready, and technologically advanced. Our cooperative maritime strategy prepares the DON for these future challenges and protects the U.S. national security interests under these guidelines. The core of this strategy is for the Department of Defense to succeed in ten missions: counter terrorism and irregular warfare; deter and defeat aggression; project power despite anti-access/area denial challenges; counter weapons of mass destruction; operate effectively in cyberspace and space; maintain a safe, secure, and effective nuclear deterrent; defend the homeland and provide support to civil authorities; provide a stabilizing presence; conduct stability and counterinsurgency operations; and, conduct humanitarian, disaster relief, and other operations.

Together, the Navy and Marine Corps constitute the nation's forward rotational force, with Navy and Marine Corps units operating globally at sea and on land. Our flexible, mission-tailored forces, are able to deliver capability where needed on short notice. The strategy emphasizes the importance of engaging foreign counterparts, and grants us the ability to prevent conflict by both direct and indirect interactions. We will continue to provide a balanced blend of peacetime engagement and major combat operations capabilities.

### **COUNTER TERRORISM and IRREGULAR WARFARE**

Maintaining security in the world involves putting constant pressure on terrorist organizations. The Navy will continue global efforts to reduce terrorism by disrupting, dismantling, and defeating terrorist organizations through a variety of techniques, including irregular warfare. We will increase sea-based support of our special forces and maintain persistent intelligence, surveillance, and reconnaissance programs. As efforts in Afghanistan continue to drawdown, our global efforts will become more widely distributed.

### **DETER AND DEFEAT AGGRESSION**

The Navy and Marine Corps will maintain their ability to deter and defeat aggression anywhere in the world by land, air, or sea. The prepositioned assets and partnerships with allies allow the Department to operate whenever and wherever possible conflicts occur. Preventing conflicts is preferable to fighting wars, and deterrence must be viewed globally, regionally, and trans-nationally, via conventional, unconventional, and nuclear means. Effective theater security cooperation activities are a form of extended deterrence, creating security, and removing conditions for conflict. The Navy and Marine Corps will have a sizable presence in the Pacific, maintaining a balance of capabilities to ensure peace, stability, and prosperity in the region. We will maintain robust joint integration with the Army and Air Force, so that each operation can be completed with speed and efficiency. The Department will remain vigilant in keeping the world's oceans open for free trade by maintaining a credible capability at strategic maritime crossroads.

### **PROJECT POWER DESPITE ANTI-ACCESS/AREA DENIAL CHALLENGES**

The Navy will continue to maintain its ability to project power in these areas through: dominance in the undersea domain; continued investment in fifth generation fighters and bombers for air supremacy; and development of missile defense, precision strike, electronic

warfare, cyber, and space capabilities.

### **COUNTER WEAPONS OF MASS DESTRUCTION**

The Department will continue to play an active role in preventing the proliferation and use of nuclear, biological, and chemical weapons. Further, investments will continue to ensure the capability exists to detect, protect against, and respond to the use of these weapons, should preventive measures fail. Our investments in unmanned vehicles will allow us even more access to all the corners of the world, to prevent our adversaries from finding “safe havens” to conduct operations.

### **OPERATE EFFECTIVELY IN CYBERSPACE AND SPACE**

The Navy created Fleet Cyber Command/Tenth Fleet to conduct full spectrum operations in and through cyberspace to ensure Navy and Joint/Coalition Freedom of Action. The Navy must organize, train, and resource a credible workforce of cyber professionals and develop forward-leaning, interoperable, and resilient cyberspace capabilities to successfully counter and defeat a determined adversary in cyberspace. The Navy’s ability to operate and maintain secure and reliable networks is critical to every warfare area and all aspects of daily operations. The Naval forces provide unique physical access to global cyberspace that can be operated remotely in coordination with national capabilities and operations. The Department will continue to work with allies and invest in additional capabilities to defend its networks, operational capability, and resiliency.

### **MAINTAIN A SAFE, SECURE, AND EFFECTIVE NUCLEAR DETERRENT**

The Navy will remain the nation’s world-wide security force, with nuclear-armed submarines that can confront an adversary if directed by the President. Maritime ballistic missile defense enhances deterrence by providing an umbrella of protection to forward-deployed U.S. forces and partners, while contributing to the larger architecture planned for defense of the United States.

### **DEFEND THE HOMELAND AND PROVIDE SUPPORT TO CIVIL AUTHORITIES**

The Department will remain ready to defend U.S. territory at all times, and against all foes. Our missile defense capability will provide vital protection in this effort. We will provide support to civil authorities in the event of a natural disaster or catastrophic event as needed.

### **PROVIDE A STABILIZING PRESENCE**

United States naval forces significantly contribute to cooperative security operations through forward presence and sustained, routine engagement with foreign partners and allies. An uncertain strategic environment places a premium on multi-purpose forces that possess the ability to easily integrate the efforts of diverse partners. Budget realities, however, reinforce that thoughtful choices will have to be made to select the location and frequency of these operations going forward. Worldwide operational activities include multi-national training exercises, transnational crime operations, such as drug interdiction, and joint maneuvers.

### **CONDUCT STABILITY AND COUNTERINSURGENCY OPERATIONS**

The Navy and Marine Corps will use the lessons learned and expertise gained by twelve years of counterinsurgency and stability operations in Iraq and Afghanistan to be ready to conduct limited operations anywhere as needed. The Department’s contribution to coalition forces will address instability and demands of counterinsurgency operations without significant force commitment by the Department.

### HUMANITARIAN ASSISTANCE, DISASTER RELIEF, AND OTHER OPERATIONS

Humanitarian assistance and disaster relief remains a strong goodwill tool, producing stronger bonds with our neighbors and forging new friendships. DON will continue to offer humanitarian assistance as the vanguard of interagency and multinational efforts, both in a deliberate, proactive fashion and in response to crises. For over five years the Navy's two hospital ships have been used to promote goodwill and stability in many regions. The Department will continue to build and sustain these relationships using our entire fleet and both Navy and Marine Corps personnel.

Implementation of this cooperative maritime and new defense strategy requires that the Navy and Marine Corps demonstrate flexibility, adaptability, and unity of effort in evolving to meet the enduring and emerging challenges and opportunities ahead. We must be prepared to respond to global crises ranging from peacetime presence to full-scale war. While our country's fiscal realities prevent us from simply growing larger to meet these challenges, with innovative, creative thinking and investment in our people and resources, we will achieve each of these missions.

### DEPARTMENT OF THE NAVY OBJECTIVES

Our objectives are aligned with strategic guidance for DoD and will provide real benefit to the nation in the fulfillment of our responsibilities to maintain a capable Navy and Marine Corps. As the Department faces continued fiscal pressures, operations are continuously reviewed to ensure they meet the major objectives summarized below.

- *Take Care of Our People.* Our Sailors and Marines are the lifeblood in everything we do. We must ensure we provide them with care, both in health and wellness. As operations wind down in Afghanistan, we will drawdown our force responsibly, leaving no sailor or Marine feeling left behind or forgotten. Additionally, the Department is reintegrating our wounded warriors with a comprehensive approach designed to optimize their recovery, rehabilitation, and reintegration into our fighting forces and society.
- *Maintain Warfighter Readiness.* In an era of reduced budgets, the Department must remain a naval force fully prepared for a variety of operations. The Department will effectively size our Navy and Marine Corps to meet strategic demands. DON will continue to organize, train, and equip forces that are combat-ready while improving resiliency in the force. Cyberspace operations will maximize effectiveness to guarantee our military has the resources they need. Safety will continue to be a focus as the Department strives to reduce accidents and mishaps.
- *Lead the Nation in Sustainable Energy.* The Department continues to support alternative energy efforts, realizing that energy independence is vital to our national security and the safety of our Sailors and Marines. Several ships have already sailed with a 50/50 blend of biofuel, in order to sail a Green Strike Group by 2016. The Department will also strive to reduce non-tactical petroleum use by 50 percent. We have successfully tested an F/A-18 that used fuel derived from plant life. Also, Marines in Afghanistan are now carrying portable solar panels to help power their gear to reduce their logistics tail. On the shore, the DON is working toward a goal of obtaining 50 percent of its energy needs from alternative sources by 2020. This budget continues investment in achieving these goals for energy security and independence.
- *Promote Acquisition Excellence and Integrity.* The new fiscal reality requires that every dollar is efficiently used. The Department is working to rebuild our acquisition workforce. DON is further improving the *execution of every program and increasing anti-fraud*

## Overview – FY 2014 Defense Budget

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efforts, and leveraging strategic sourcing to take advantage of economies of scale. These efforts must take into account the industrial base, ensuring our shipbuilders and equipment providers can sustain viability, while promoting competition.

- *Dominate in Unmanned Systems.* In a world where our forces have to be “everywhere at all times,” the Department must find a way to ensure a presence and capability despite budgetary pressures. Our global presence will be sustained and enhanced with our continued investment in unmanned systems. DON will integrate unmanned systems across the entire Department ensuring that we can operate in any environment. We continue to invest in carrier-based and armed aerial vehicles. The Department will deploy and establish unmanned systems both at sea and underwater. Additionally, unmanned systems on the ground will be used, such as explosive ordinance disposal with robots and unattended ground sensors.
- *Drive Innovative Enterprise Transformation.* The Department’s efforts at transforming our business enterprise are of paramount importance, ensuring that all available resources are directed to our Sailors and Marines. The Department’s drive to provide stronger financial management and increased auditability will strengthen across the FYDP. Efforts to maximize our information technology (IT) enterprise will continue to take advantage of efficiencies. DON will also strategically manage our human capital to provide our military with knowledgeable and capable civilian manpower.

Each of these objectives will allow us to meet our mission of being a highly effective and efficient force. Fiscal realities have been taken into account and refocused our efforts to prepare for tomorrow’s challenges. While the Navy and Marine Corps of the future may be a leaner force, the Department will be no less agile or strong in our capabilities.

### **People, Platforms, Power, and Partnerships**

The Secretary of the Navy has released further priorities for the Navy in the form of “People, Platforms, Power, and Partnerships.” Under People, the Department will work diligently to ensure the mental, emotional, and physical well-being of our Sailors and Marines. Platforms represent the ships, aircraft, submarines, and unmanned vehicles the DON operates. The priority for Platforms is to ensure the Navy and Marine Corps are getting the correct mix of equipment needed, in the proper quantity, and at the best value. Power refers to the DON’s energy goals; striving for efficiency and developing alternative sources of energy. Partnership the fourth of the Secretary’s priorities, involves developing friends and allies around the world.

Support of the Department of the Navy FY 2014 budget is critical to achieving its mission and to supporting the 21st century seapower strategy. Our FY 2014 budget, as requested, while constrained, allows us to maintain our preeminent role in global maritime security and humanitarian efforts, alongside other federal and international agencies. Readiness is funded within fiscal realities, and manpower is aligned to the Department’s mission objectives. Warfighting capability investments focus on better ways to support combat operations.

# AIR FORCE

## FOREWORD

Over the past decade, the Air Force put great emphasis on fielding the war fighting capabilities that are necessary for ongoing joint and coalition operations. The Air Force was specifically designed to bring air power, the ability to project military power or influence through the control and exploitation of air, space, and cyberspace, anywhere in the world. As an indispensable partner in the joint fight, the Air Force supports the Defense Strategic Guidance and Combatant Commander needs across the globe with our core missions: (1) air and space superiority; (2) intelligence, surveillance, and reconnaissance; (3) rapid global mobility; (4) global strike; and (5) command and control. We already combine our air, space, and cyber forces to maximize these enduring core missions but the way we execute must continually evolve as we strive to sustain our Nation's asymmetric airpower advantage.

The Defense Strategic Guidance directed a rebalance of forces, with a renewed focus on the Asia-Pacific region, as well as continued emphasis on the Middle East. These national priorities hinge upon a strong and capable Air Force. To remain the most capable Air Force in the world, we must continue to modernize our over-aged and over-worked weapon systems. In terms of average aircraft age, Air Force "iron" is older than it's ever been. Additionally, high operations tempo has shortened service lives, increasing the cost to sustain and maintain our weapon systems. Faced with compounding fiscal challenges, we must make prudent choices to ensure the Air Force continues to preserve our Nation's airpower advantage. To this end, the Air Force is committed to avoiding a hollow force; one that looks good on paper, but has more units and equipment than it can support, lacks the resources to adequately man, train and maintain them, or keep up with advancing technologies. Our budget request maintains and modernizes our key air and space inventories in line with the Defense Strategic Guidance.

For the FY 2013 Budget, the Air Force, Guard and Reserve leadership came together to develop the FY 2013 Total Force Proposal (TFP). The purpose of the TFP was to rebalance aircraft and personnel reductions across the Total Force, while continuing efforts to reduce unaffordable force structure. The TFP was subsequently presented to Congress and included in the FY 2013 National Defense Authorization Act (FY 2013 NDAA). The TFP restored about 38 percent of the aircraft and 55 percent of the personnel reductions originally proposed for the Guard and Reserve. With these changes, the active duty Air Force will reduce to approximately 329,000 personnel in FY 2013, approaching the same size as when we were established as a separate service in 1947. At the same time, the FY 2013 NDAA permits the Air Force to proceed with selected aircraft retirements and transfers necessary to meet budget targets while protecting readiness and modernization.

The FY 2014 Budget was developed within similar constraints. With the onset of Sequestration, we have begun implementing immediate actions to mitigate a \$10.7 billion reduction to Air Force Total Obligation Authority. We've taken steps to minimize impacts to readiness and our people; however, the results of these cuts will be felt across all Air Force Core Missions and challenge the goals of our FY 2014 Budget Submission. Given today's fiscally constrained environment, the Air Force must pursue the best combination of choices available to balance force reductions and manage war-fighting risks and resources. Taking these actions allows us to keep faith with our 687,634 total force Airmen and continue to excel in our role to fly, fight, and win in air, space and cyberspace.

### BUDGET HIGHLIGHTS

The Air Force FY 2014 Budget Request is strategy-based, fiscally informed, and sets a course toward full-spectrum readiness of the force to execute the Defense Strategic Guidance (DSG). The capability to sustain these national priorities hinges upon a strong and capable Air Force. To prevent a hollow force, the Air Force took steps in FY 2013 to become smaller in order to maintain a fully trained and ready force in a shrinking budgetary environment. By remaining smaller, we trade size for quality by maintaining our focus on readiness and modernization. It reallocates manpower to our highest priorities and sustains, with less than desirable risk, our cornerstone programs across the broad Air Force portfolio of mission sets.

The FY 2014 Budget Request supports military end strength of 503,400. This includes Active component end strength of 327,600, reduced by 1,300 from the FY 2013 Budget Request; Reserve component end strength of 70,400 a decrease of 100; and Air National Guard end strength of 105,400, an increase of 3,800. The budget reflects rebalancing between Active and Reserve Components to preserve the Total Force capability and capacity requirements of the Defense Strategy. However, in the fiscally constrained environment imposed by the Budget Control Act, the Air Force supports efforts to slow the rate of growth in overall military compensation. This is necessary to protect readiness and avoid driving even deeper reductions to force structure and delay modernization efforts critical to support national defense.

The FY 2014 Operation and Maintenance (O&M) budget request funds the day-to-day expenses of the Air Force to meet mission sustainment activities. It supports 79 major installations (72 Active, 2 Air National Guard and 5 Air Force Reserve), funds flying operations, space operations, cyber operations, intelligence, logistics, nuclear deterrence, search and rescue and special operations activities. The O&M budget also supports a consistent equitable and attainable flying hour program, prioritized full spectrum training venues, weapon system sustainment, pay and benefits for civilian personnel, sustainment of our power projection platforms (our installations) and developing and caring for our Airmen and their families.

The Research, Development, Test and Evaluation (RDT&E) appropriation funds basic and applied scientific research as well as future weapon systems' development, test and evaluation. The FY 2014 request includes funding for the KC-46A and supports system development of the F-35 Joint Strike Fighter, the next generation strike aircraft for the U.S. Air Force, Navy, Marine Corps and our allies. The request also includes funding for design, integration, testing and certification of the mission components for the Combat Rescue Helicopter, America's premier helicopter for day, night and marginal weather Combat Search and Rescue, replacing the aging HH-60G. RDT&E funding also supports such programs as Space Situational Awareness Systems, Global Positioning Systems, long-range, penetrating bomber as well as Minuteman III Intercontinental Ballistic Missile modernization projects ensuring future viability of the nation's nuclear deterrence operations.

The Procurement portfolio delivers both immediate and future capabilities through investment across four specific appropriations: Aircraft, Missile, Ammunition and Other Procurement. A new multi-year C-130 procurement initiative leverages resources across services, and funds the procurement of six C-130J aircraft, one HC-130, four MC-130s and five AC-130s in FY 2014. Additionally, the Air Force procures twelve MQ-9, nineteen F-35A, and three CV-22B Osprey in addition to various upgrades and modifications to the existing fleet. The Air Force will continue Evolutionary Acquisition for Space Efficiency/Efficient Space Procurement (EASE/ESP) approach for a fixed price block buy of Advanced Extremely High Frequency satellite vehicles 5 and 6 and Space-Based Infrared System GEO-5 and 6. Additionally, the budget request procures munitions to maintain appropriate War Reserve Materiel munitions quantities and test and training stockpiles including 6,965 Joint Direct Attack Munitions and general purpose

## Overview – FY 2014 Defense Budget

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bombs, practice bombs and rockets.

The Air Force Military Construction (MILCON) appropriation funds construction projects supporting operational needs, infrastructure modernization, COCOM priorities and quality of life initiatives for Airmen and Joint personnel. In FY 2013 the Air Force took a deliberate one-year pause to ensure the proper investment of limited resources in light of the on-going budget reduction pressures and potential force structure changes. The FY 2014 MILCON budget request restores funding to historic levels when compared to last year. In FY 2014, the Air Force requests \$1,322 million for the Active, Guard and Reserve MILCON programs, an \$880 million increase from FY 2013. The 53-project program affects 24 states/territories and 3 countries, and specifically supports the Air Force's strategic priorities of ensuring we remain ready, capable and viable to execute the Defense Strategic Guidance over the near and mid-term.

The FY 2014 Air Force budget continues efforts to create more value from the resources managed and consumed across our Air Force core function areas. The FY 2014 Air Force budget reflects \$1.3 billion in program reductions across operating, investment and military construction budgets as part of the DoD More Disciplined Use of Resources (MDUR) effort. Across the future year's defense program, the Air Force has contributed \$7.9 billion in program reductions supporting MDUR. These changes are integral to the Service Core Function budgets reflected throughout the Air Force budget overview. We continue to engage and deliver on many fronts in driving improvements and getting the most from resources available to the Air Force.

The FY 2014 budget incorporates force structure requirements authorized in the FY 2013 NDAA. The Air Force FY 2013 PB submission made the difficult choice to divest a portion of combat and combat support aircraft to balance reductions from the Budget Control Act of 2011 with the need to retain critical core Air Force capabilities, resulting in programmed savings of \$8.7 billion across the FYDP. To address concerns on the balancing of reductions between components, the Air Force submitted a TFP to restore a portion of these aircraft and associated personnel at an added cost of over \$1 billion across the FYDP. The FY 2013 NDAA incorporated the TFP, and also required the retention of additional aircraft to include Intra-theater airlift, RQ-4 Block 30, and B-1 aircraft, and delayed the retirement of C-5A aircraft. In total these FY 2013 NDAA authorized force structure changes added \$1.7 billion in FYDP costs above the original FY 2013 PB submission, including \$602 million in FY 2013.

While not reflected in the detailed justification contained in this publication, the result of sequestration forced the Air Force to implement immediate actions to mitigate an FY 2013, \$10.7 billion top-line reduction. These actions include: a 14-day furlough of more than 170,000 civil service employees, an 18 percent reduction in flying hours and weapon system sustainment, a reduction for F-35 lot buys (lot sizes ranging from 19 – 14), delay of more than 20 military construction projects, and deferment of critical mission facility requirements (such as runway/taxiway repairs and critical repairs to installation homes/facilities). To counter these actions, in FY 2014 the Air Force must plan for a surge in flight training operations, rebuild degraded unit readiness, accept further delays to modernization, absorb a 2 – 3 year backlog in depot maintenance inductions, and invest additional funding to restore infrastructure. While the Air Force has made every effort to minimize impacts to readiness and people, the bow-wave of reductions, deferments, and cancelations will challenge the strategic choices made in the FY 2014 budget submission.

The United States Air Force provides the air power advantage all joint forces rely upon for successful mission completion. The priorities articulated and funded in this budget request achieve the balance required to support the Defense Strategic Guidance in today's fiscally

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constrained environment. This budget request allocates resources to set a course towards full-spectrum readiness, sustains the gains achieved in reinvigorating the nuclear enterprise, focuses on our most pressing force structure and modernization challenges, and continues to develop and care for our most precious resource, our Airmen and their families.

FY 14 PB Budget Facts					
	FY 13 PB		FY 14 PB		Delta
<b>Total Air Force (\$M)</b>	<b>140,064</b>		<b>144,425</b>		<b>4,361</b>
<b>Blue TOA</b>	<b>110,115</b>		<b>114,145</b>		<b>4,030</b>
Operation and Maintenance (O&M)	44,294		46,577		2,283
Military Personnel (MILPERS)	28,922		29,259		337
Military Construction (MILCON)	442		1,322		880
Military Family Housing	578		461		(117)
Procurement	18,366		18,837		471
Research Development Test & Evaluation (RDT&E)	17,389		17,561		172
Base Realignment and Closure (BRAC)	125		126		1
<b>Non-Blue TOA</b>	<b>29,949</b>		<b>30,280</b>		<b>331</b>
General Facts					
	FY 13 PB		FY 14 PB		Delta
Major Installations*	79		79		0
Total Aircraft Inventory	5,341		5,249		(92)
Flying Hours	1,165,592		1,203,877		38,285
Personnel Facts					
	FY 13 PB		FY 14 PB		Delta
Authorized Manpower	685,089		687,634		2,545
<b>Military</b>	<b>501,000</b>		<b>503,400</b>		<b>2,400</b>
Active	328,900		327,600		(1,300)
AFR	70,500		70,400		(100)
ANG	101,600		105,400		3,800
<b>Civilian</b>	<b>184,089</b>		<b>184,234</b>		<b>145</b>
Major Procurement Quantities**					
	FY 13		FY 14		
<b>Aircraft</b>	<b>54</b>	<b>50</b>	<b>Space</b>	<b>8</b>	<b>7</b>
MQ-9A Reaper	24	12	EELV	4	5
F-35A Lightning II	19	19	GPS III	2	2
MC-130 Recapitalization	4	4	WGS	0	0
CV-22B Osprey	4	3	SBIRS GEO	2	0
HC-130 Recapitalization	1	1	<b>Weapons</b>	<b>4,250</b>	<b>8,129</b>
C-130J Super Hercules	0	6	JDAM	3,259	6,965
AC-130 Recapitalization	2	5	AGM -114 Hellfire	413	413
			Sidewinder	164	225
			AMRAAM	113	199
			JASSM	157	183
			Small Diameter Bomb II	144	144

Numbers may not add due to rounding

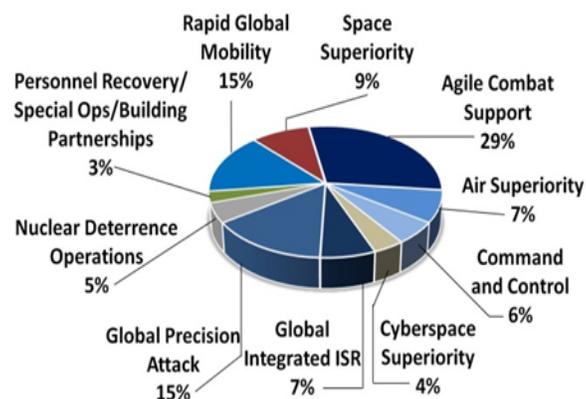
\*Includes Active, AFR and ANG installations

\*\*Baseline budget quantities only – OCO not included

### Air Force Core Functions

The Air Force's enduring contributions provide focus to support the Air Force mission and align with DoD guidance and Combatant Commanders' needs. Air Force Core Functions describe what the Air Force provides to Combatant Commanders beyond Global Vigilance, Reach, and Power. The Air Force's resource choices represented in this budget request were balanced across the 12 Core Functions to address both near- and long-term requirements. While the core functions appear individually in this document, it is important to recognize their inherent interdependence to support Air Force, joint force and broader national security needs.

**Figure 7-1. FY 2014 Budget Request by Air Force Core Function**



### Nuclear Deterrence Operations

The Air Force will continue fulfilling its responsibility of providing safe, secure, and effective nuclear capabilities within its Nuclear Deterrence Operations Service Core Function (SCF). The Air Force's intercontinental ballistic missiles and heavy bombers provide two legs of the nation's nuclear TRIAD. Dual-capable fighters and bombers extend deterrence and provide assurance to our allies and partners. Continuing to strengthen the Air Force nuclear enterprise remained a top priority in 2012. The Air Force continued to develop the skill and leadership of its "nuclear-minded" Airmen at all levels which enabled it to institutionalize improvements and capitalize on gains made since the Air Force began reinvigorating the nuclear enterprise in 2008. Air Force Global Strike Command, the Air Force Nuclear Weapons Center, and the Assistant Chief of Staff for Strategic Deterrence and Nuclear Integration, continued to provide support for the Airmen, equipment, and processes that produce nuclear deterrence every day.

Some of the FY 2014 efforts include upgrading 28 B-52s with the Combat Network Communication Technology (CONNECT) system which will provide secure line-of-sight and beyond line-of-sight communications, improved situational awareness upgrades, and machine-to-machine retargeting capabilities. The B-2 Defensive Management Systems Modernization program will continue development to achieve a Milestone B decision in FY 2014. This upgrade will enable improved threat emitter detection, identification, location, and avoidance and real-time re-routing capabilities which improve survivability against enemy advanced integrated air defenses. The Air Launched Cruise Missile will continue to be sustained until 2030, while the follow-on Long-Range Standoff (LRSO) program is scheduled to reach a Milestone A decision in early FY 2014. Additional investments will be made to sustain the ICBM force through 2030 including improvements and replacements to the guidance system, propulsion system and ballistic missile fuze components. The Ground Based Strategic Deterrence Analysis of Alternatives will be complete in late FY 2014 and will evaluate options on extending the ICBM

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mission beyond 2030. The Air Force will also conduct studies to aid development of a ground-based strategic deterrence solution as a follow-on to Minuteman III as directed by the 2010 Nuclear Posture Review. Additionally, the Air Force will remain focused on human capital and carefully balance requirements for the Airmen of the nuclear enterprise. This core function accounts for approximately \$5.4 billion of the Air Force FY 2014 Budget Request.

### **Air Superiority**

Securing the high ground is a critical prerequisite for any military operation to ensure freedom of action for the joint force and the Nation. For over five decades, Air Force investments, expertise, and sacrifice in achieving air superiority have ensured that friendly ground forces operate without threat of attack from enemy aircraft. The Air Force's FY 2014 budget request includes initiatives to address current and future air superiority needs.

In FY 2012, Air Superiority activities focused on expanding the T-38 Adversary Air program. When complete in FY 2013, the program will include 20 T-38s at Tyndall AFB and 14 at Langley AFB. The T-38 provides an extremely cost effective platform to provide training scenarios for F-22A pilots. The Air Force also focused on continuing development of the Air Intercept Missile (AIM)-9X. Significant performance improvements to the AIM-9X include: new computer, improved lock-on-after-launch, infrared counter-countermeasures, data link, lofting, and laser target detector. The Air Force is working to provide a common F-22A configuration by upgrading Block 10 training aircraft to a Block 20 configuration and upgrading Block 20 combat-coded aircraft to a Block 30/35 aircraft configuration. As part of the F-22A modernization effort, Block 30/35 aircraft are being fielded with Increment 3.1 capabilities that include air-to-ground and electronic attack modes for the APG-77 radar.

Looking ahead to FY 2014, the F-22A and F-35 represent the newest generation of fighter aircraft for the United States. Both aircraft are necessary to maintain superiority and access for joint and coalition forces. While both of these aircraft provide air superiority and global precision attack capabilities, the F-22A's primary role is air superiority. Details on F-35 initiatives are discussed in the Global Precision Attack Core Function of this document. Similar to other weapons systems in America's inventory, the Air Force re-phased F-22A upgrades for maximum efficiency while maintaining a positive glide path towards ensuring air dominance for decades to come. Air Force investment in the F-22 program consists of three major efforts in the subcategories of organic sustainment, aircraft availability, and combat capability modernization.

The Air Force continues to enhance development, production and integration of modern munitions for Air Superiority. The FY 2014 Budget Request includes AIM-9X Block 2 and AIM-120D development, integration, and production. The AIM-9X adds lock-on-after launch and data link capabilities that allow pilots to release the missile without having the target "locked" at the time of launch. The AIM-120D is the next iteration of the Advanced Medium-Range Air-to-Air Missile (AMRAAM) with increased range and radar capabilities. The Air Force has plans to increase production rates of both missiles across the FYDP. This core function accounts for approximately \$8.6 billion of the Air Force FY 2014 Budget Request.

### **Space Superiority**

Space Superiority is the ability to provide the degree of access and freedom of action necessary to create military effects in, through, and from space and deny that freedom to our adversaries to enable operations by United States and Allied forces. Space capabilities are increasingly vital to our warfighting abilities and to our daily lives. In FY 2012, the Air Force conducted eight flawless launches of the Evolved Expendable Launch Vehicle, extending the streak to 53 for EELV while sustaining the National Security Space (NSS), launch record with its

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88th successful mission since 1999. An impressive record that was accomplished while simultaneously driving down launch costs.

The Air Force successfully launched the fourth Wideband Global SATCOM (WGS) satellite to its operational orbit in January of 2012. As the DoD's newest SATCOM workhorse, WGS provides high capacity satellite communication to the joint force including the ability to seamlessly connect users across the X and Ka frequency bands. The Air Force also launched the second Advanced Extremely High Frequency (AEHF) satellite in May FY 2012. AEHF delivers increased capacity for survivable, secure, protected, and jam-resistant satellite communication for strategic and tactical warfighters as well as our most senior national leadership. Additionally, the Air Force continues to sustain and modernize the Global Positioning System (GPS) for the nation, providing all-weather, 24/7 precise positioning, navigation, and timing information to an unlimited number of civil and military users. The third of 12 GPS Block IIF satellites launched on October 2012 continues the sustainment of this critical mission and the fielding of improved capabilities for civilian (L2C and L5 signals) and military (M-Code) users.

The FY 2014 Budget Request continues to modernize the GPS program with delivery of the first GPS III satellite, providing improved anti-jam capabilities and accuracy, and a new civil signal (L1C); the budget request funds two GPS III satellites (7 and 8). The Air Force continues the efficient space procurement for the block buys of AEHF (vehicles 5 and 6) and the Space-Based Infrared System (SBIRS) (GEO vehicles 5 and 6); both programs are incrementally funded as previously approved by Congress. The FY 2014 request implements a new EELV acquisition strategy that emphasizes best value to the taxpayer through increased competition (including new entrants) while remaining focused on mission success; the budget request funds procurement of five EELV launch services. In addition, the Air Force took steps to sustain and extend the Defense Meteorological Satellite Program which has been supporting the Joint warfighting and intelligence community users for 50 years. The Air Force continues development of the Space Fence, which will be a system of two land-based radars to detect, track, identify and characterize orbiting objects. The Space Fence will provide enhanced space surveillance capabilities to detect and track orbiting objects such as commercial and military satellites and space debris. The Space Fence will have greater sensitivity, allowing it to detect, track and measure an object the size of a softball orbiting more than 1,200 miles in space. This core function accounts for approximately \$10.1 billion of the Air Force FY 2014 Budget Request.

### **Cyberspace Superiority**

Cyberspace Superiority is the degree of control of one force over an adversary to conduct full-spectrum military cyberspace operations that permit freedom of action in cyberspace at a given time and place while denying those freedoms to that adversary. In 2012, the Air Force completed the deployment of the Air Force Network NIPRNET Gateways at 16 regional locations; reduced from 104 separate locations. Additionally, the service continued progress toward a single Air Force network, migrating 37.4 percent of NIPRNET users across 62 bases. The Air Force graduated its first cyber weapons instructors from the U.S. Air Force Weapons School. The focus of the course is to develop instructors who can fill weapons and tactics billets within Air Force operational squadrons. The year culminated with a Cyber Summit hosted by the Secretary of the Air Force to discuss the status of Air Force cyber organization, manpower, and capabilities, as well as the role the Air Force should play as military operations in the cyber domain mature.

The FY 2014 Budget Request includes funding to maintain readiness and sustain critical cyberspace capabilities. Initiatives support consolidating and improving network security and capability to provide seamless information flow among air, space, and terrestrial network environments and most importantly, complete mission assurance to the warfighter. The

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Air Force will replace crypto devices to stay in compliance with NSA-mandated cease-key dates. In the area of Cyber Defense, the Air Force will increase the operational capacity of the Cyber Hunter mission capability. The Air Force will provide the resources for new network defense “speed of need” capabilities from development to sustainment. Air Force personnel are working with their Service counterparts as well as across other DoD Agencies and Combatant Commands to shape the strategy, planning, and implementation of the DoD Joint Information Environment. This core function making up 4 percent of the Air Force budget includes \$1.4 billion for Cyberspace Operations in the Air Force FY 2014 Budget Request for Information Technology.

### Global Precision Attack

The Global Precision Attack core function describes the Air Force’s ability to hold any target at risk across the air, land, and sea domains. The Air Force currently has nearly 30,000 Airmen deployed to contingencies across the globe with over 21,000 in the USCENTCOM Area of Responsibility (AOR). In FY 2012, Air Force global precision attack aircraft flew over 41,000 hours and 7,000 sorties in support of Overseas Contingency Operations. The Air Force completed the upgrade of the Sniper Compact Multi-band Datalink pods and directed the upgrade of all legacy Sniper pods to Sensor Enhancement (SE) capability and functionality. The Air Force began taking delivery and active testing of the LITENING and Sniper SE pods (with advanced features and upgrades such as Two-Way Data Link Transmitter and Data Recorder). After completing the transition from A-10A to the newer C model in June 2011, the Air Force, in FY 2012, continued to take delivery of wings from the Wing Replacement Program (WRP). WRP will replace old wings that are not economically repairable, with brand new wings. Additionally, the Air Force continued developmental testing of preferred air-to-ground munitions, completed critical Joint Air-to-Surface Standoff Missile test firings, and will complete final system refinement, design and test of the Massive Ordnance Penetrator. The Air Force also continued development of the second increment of the Small Diameter Bomb providing the Air Force even greater capability and flexibility in all weather conditions.

The FY 2014 Budget Request funds modernization of legacy fighters, the B-1B, F-35 development and procurement, development of a new Long Range Strike-Bomber (LRS-B) capability, and continued investment in preferred air-to-ground munitions. As a whole, the adjustments described below provide a sustainable, relevant fleet. The Air Force continues to support future precision attack capabilities with Active Electronically Scanned Array (AESA) radars for the F-15E. AESA radars on the Strike Eagle will ensure weapon system viability, create cost avoidance in the manufacturing base, and provide a robust, all-weather, air-to-ground targeting capability. Additionally, the Air Force continues two life extension programs for the F-16 in order to bridge to the F-35: Structural Service Life Extension Program and Combat Avionics Programmed Extension Suite. To counter the anti-access and area denial challenge the United States faces in many potential theaters, the budget request includes funding for the continued development of the F-35 weapon system and procurement of 19 F-35A aircraft.

The Air Force FY 2014 Budget Request includes funding to continue the development of an affordable, long range, and penetrating aircraft that incorporates proven technologies. In addition to the development of LRS-B, the Air Force will continue to modernize the B-1B to ensure the fleet remains viable until recapitalization can be accomplished. The budget includes the continuation of the B-1 Integrated Battle Station contract which concurrently procures and installs Vertical Situation Display Upgrade (VSDU), Central Integrated Test System (CITS), and Fully Integrated Data Link (FIDL). VSDU and CITS each address obsolescence and diminishing manufacturing sources for the B-1 fleet.

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In addition to aircraft, the FY 2014 Budget Request includes procurement for the Guided Bomb Unit (GBU)-53B, Small Diameter Bomb Increment II. The GBU-53B provides a capability to hold moving targets at risk in all weather and at stand-off ranges. This request also includes the procurement of 80 Joint Air-to-Surface Standoff Missile-Extended Range, and 103 JASSM baseline variants. This core function accounts for approximately \$15.7 billion of the Air Force FY 2014 Budget Request.

### **Rapid Global Mobility**

Rapid Global Mobility consists of a responsive mobility system that delivers and sustains combat forces and provides humanitarian assistance around the globe in support of joint, coalition, and civilian partners, helping the nation achieve its security objectives, both locally and abroad. Air Force tankers extend the range and persistence of other aircraft to conduct operations around the world. In FY 2012, Air Force tankers in the USCENTCOM AOR refueled more than 74,000 joint and coalition aircraft with over 980 million pounds of fuel. In many locations, Soldiers and Marines depend exclusively on airlifters to bring them supplies to carry out their missions. In FY 2012, Air Force airlift in the USCENTCOM AOR moved more than 247,000 short tons of cargo, transported over 866,000 passengers, and airdropped more than 49 million pounds of critical supplies. Additionally, the men and women who put themselves in harm's way serving the Nation can be assured they will receive rapid, top-notch medical care if required. Aeromedical Evacuation brings patients to world-class medical treatment, fulfilling the Air Force priority of caring for service members and their families. In FY 2012, aeromedical evacuation crews moved approximately 6,000 patients within the USCENTCOM AOR alone. Globally, aeromedical evacuations crews performed nearly 13,000 patient movements during FY 2012, averaging 36 per day and providing time-sensitive transport for those most in need.

The Air Force continues to recapitalize its oldest aircraft while ensuring legacy mobility fleet viability through modernization. The FY 2014 Budget Request provides for initiatives including Tanker replacement and modernization upgrades to the C-5, C-17 and C-130 fleets. With the Air Force as lead service, a new joint multiyear procurement effort will procure 79 C-130J variant aircraft and saves 9.5 percent over an annual contract. This FY 2014 – FY 2018 effort includes 43 AC/HC/MC-130J and 29 C-130J Air Force aircraft and 7 KC-130J Marine aircraft which replaces older C-130s from the active Air Force, Air National Guard and Air Force Reserve units. The KC-46 tanker recapitalization program remains an Air Force top priority; without tankers, the Air Force isn't global. The new tanker will replace the oldest KC-135 aircraft built in 1957. The KC-46 will be able to multi-point refuel joint and coalition aircraft, carry cargo or passengers, conduct aeromedical evacuation and self-deploy to any theater. The program plan is to purchase 179 KC-46 aircraft. This core function accounts for approximately \$16.5 billion of the Air Force FY 2014 Budget Request.

### **Special Operations**

The United States faces adversaries who choose to fight using a hybrid of irregular, disruptive, catastrophic and traditional capabilities as a way to achieve their strategic objectives. This involves persistent/protracted conflict in which conventional and irregular warfare (including counterinsurgency) are blurred and can occur simultaneously. The Special Operations Core Function is at the heart of tackling these challenges. To better support this role, AFSOC stood up the 24th Special Operations Wing in June of 2012, comprised of over 1,200 Special Tactics personnel, fulfilling a critical combat capability. AFSOC airmen flew 14,761 combat sorties for over 51,221 combat hours, moved 15.6 million pounds of cargo, transported over 33,500 passengers and fired 16,600 rounds of ammunition.

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FY 2012 also saw continued high operational deployments of Special Operations capability including the armed AC-130W Stinger II, an aircraft that went from concept to deployment in 22 months. The Stinger II is designed to provide ISR, strike, and armed over-watch, and is modified with the new Precision Strike Package. The CV-22 Osprey completed its third combat deployment in FY 2012 after reaching initial operational capability in FY 2009. The Osprey combines vertical/short takeoff and landing capabilities with extended range and speed, allowing SOF to strike farther away in less time than when employing rotary wing lift.

In the FY 2014 Budget Request, the Air Force continues to invest in special operations aviation and support its Battlefield Airmen and their joint SOF partners. Support for specialized air mobility and precision strike capabilities includes continued recapitalization of aging MC-130P and AC-130H aircraft with the procurement of four MC-130J aircraft and five AC-130J gunships in FY 2014. Fielding of the Air Force's SOF vertical lift capability remains on track with procurement of the final three CV-22 aircraft. Aircraft deliveries will grow the CV-22 fleet to 43 aircraft in FY 2014 with completion of the full program of record (50 aircraft) projected for FY 2016. The budget also adds non-recurring engineering funds to improve CV-22 inlet barrier filters that increase operational effectiveness in desert environments. This core function accounts for approximately \$1.6 billion of the Air Force FY 2014 Budget Request.

### **Global Integrated Intelligence, Surveillance and Reconnaissance**

Global Integrated ISR includes conducting and synchronizing surveillance and reconnaissance across all domains for producing essential intelligence to achieve decision superiority through planning, collecting, processing, analyzing and rapidly disseminating critical information to decision-makers across the spectrum of worldwide military operations at all levels of warfare. In 2012, the Air Force expanded the number of MQ-1B Predator and MQ-9A Reaper Remotely Piloted Aircraft (RPA) Combat Air Patrols (CAPs) to 60. The RC-135 RIVET JOINT (RJ) delivered over 12,000 flying hours in support of Combatant Commanders wartime requirements and began integrating WGS capability onto the RC-135 fleet. The MC-12W proved to be a work horse for Air Force manned tactical ISR as the fleet amassed over 84,000 flight hours. The RQ-4 Global Hawk flew 12,800 hours in support of theater operations. The U-2 continues to satisfy Combatant Commander's high-altitude ISR requests.

The FY 2014 budget request realigns funds to right-size the RPA force, ensures viability of high altitude conventional assets, improves the Air Force targeting enterprise, and addresses the ISR enterprise-wide need for end-to-end automation from collection through dissemination. The Air Force remains on track to field 65 MQ-1B Predator and MQ-9A Reaper CAPs by May 2014. The Air Force will begin R&D activities to extend MQ-9 aircraft duration and range. The budget request rephased RDT&E funding for RQ-4 Global Hawk ground station and communications suite sustainment and increases U-2 Dragon Lady readiness and sustainment funding, including manpower, to support over 15,500 hours of requested operational support. The FY 2014 Global Integrated ISR budget request increases personnel at the Air Force Targeting Center to support deliberate planning requirements and invests in Network Centric Collaboration Targeting capabilities which includes developing targeting automation tools, machine-to-machine interfaces, and auto-populate capabilities across ISR intelligence and C2 systems. This core function accounts for approximately \$7.1 billion of the Air Force FY 2014 Budget Request.

### **Command and Control**

An effective Command and Control (C2) system allows efficient and effective coordination of all the means that Airmen can bring to bear on a conflict and speed the outcome in our favor. C2 is the key operational function that ties all the others together to achieve our military objectives. In FY 2012, the Joint Surveillance and Target Attack Radar System (JSTARS) modification

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called Enhanced Land Maritime Mode was completed. The radar mode provides improved Ground Moving Target Indicator/Maritime Moving Target Indicator geo-location accuracy. Development of a new integrated avionics system continued on E-3 Airborne Warning and Control System (AWACS) aircraft which will allow the E-3 to operate in congested civil airspace. Block 40/45 equipment upgrades initiated in November 2010 on the E-3 are replacing a mission computer system installed in the 1970s.

The Air Force began fielding the latest update (RE-11) to the Air Operations Center (AOC) WS 10.1 and awarded the modernization contract for development and delivery of AOC WS 10.2. The Air Force also awarded the Command and Control Air Operations Suite (C2AOS) and Command and Control Information Services (C2IS) contract as a replacement for Theater Battle Management Core System – Force Level (TBMCS-FL).

The FY 2014 budget supports the E-3 AWACS and E-8 JSTARS programs extended by the FY 2012 program plans. The FY 2014 program continues full funding for Joint Tactical Radio System (JTRS) waveform development and the handheld/manpack programs. The Three Dimensional Expeditionary Long-Range Radar (3DELRR) will replace the legacy TPS-75 radar and be the principal Air Force long-range radar, improving aircraft and ballistic missile warning. Additionally, it will provide a Multi-Source Integration (MSI) capability for an improved picture of the battlespace and threat identification. The Air Force added \$70.5 million across the FYDP to develop and procure a new mission computer to replace the current computer in the control reporting center's (CRC) operations module. The new CRC computer will improve tracking capacities and fusing capabilities to support air battle management. The Air Force also took the first step towards implementing the Joint Aerial Layer Network by funding \$135 million across the FYDP to develop and field a terminal linking links 5th generation fighter aircraft with 4th generation aircraft and Command and Control systems. . The C2 core function directly supports Nuclear Deterrence Operations by ensuring the viability of Nuclear Command Control and Communications (NC3). In support of modernizing NC3 capability, the Air Force has requested \$20 million to begin replacement of the E-4B National Air Operations Center's low frequency transmits system in FY 2014. This core function accounts for approximately \$5.7 billion of the Air Force FY 2014 Budget Request.

### Personnel Recovery

Personnel Recovery is defined as the sum of military, diplomatic and civil efforts to prepare for and execute the recovery and reintegration of isolated personnel. The Air Force is fully committed to training and preparing personnel to avoid and survive isolating events by deploying highly trained, properly organized and fully equipped dedicated rescue forces to quickly recover isolated personnel by multiple means. The Air Force's Personnel Recovery capability is made possible through the collective and coordinated employment of the rescue triad: HH-60G Pave Hawk helicopters, HC-130J/P/N Combat King aircraft, and Guardian Angel pararescue forces. From CY 2010 through 2012, Air Force Rescue forces are credited with saving 1,981 coalition lives in CY 2010, 1,691 lives in 2011, and 1,194 lives in 2012. In addition to Overseas Contingency Operations, rescue forces contributed 600 missions this calendar year to United States Northern Command for disaster relief and humanitarian assistance operations.

The FY 2014 Budget Request includes several investments to recapitalize equipment and continue growing the forces critical to providing Personnel Recovery expertise and capability. First, the Air Force will continue to replace HH-60Gs lost through combat operations and attrition, via the Operational Loss Replacement program and plans to award the new Combat Rescue Helicopter in fourth quarter FY 2013, which will recapitalize legacy HH-60Gs. In addition to HH-60G recapitalization, the Air Force will replace its legacy HC-130P/Ns with HC-130Js. The first of 7 HC-130 squadrons is currently converting to the new HC-130J and

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recapitalization and conversion efforts are scheduled for completion in FY 2023. Finally, reconstitution and modernization of Guardian Angel equipment, along with a personnel increase to a targeted 42 Unit Type Codes (completed in FY 2015), will facilitate continued growth to better support standing Combatant Commander requirements. The result of this total force modernization, in execution of the Air Combat Command Core Function Master Plan future vision, will be a well-resourced force dedicated to the primary mission of Combat Search and Rescue. Additionally, inherent and multi-faceted operational capabilities enable the Air Force to present flexible solutions for collateral missions during varying degrees of crisis. This core function accounts for approximately \$1.7 billion of the Air Force FY 2014 Budget Request.

### Building Partnerships

Building partnership is a key service core function that consolidates the Air Force's contribution to the nation's security cooperation goals. Through exercises, conferences, training, and other activities, the Air Force partners with numerous nations on mutual security cooperation objectives. The C-17 Strategic Airlift Capability (SAC), a consortium governed by a 2008 Memorandum of Agreement between 12 nations, with a fleet of three C-17s, reached 8,000 flight hours in August 2012, and declared full operational capability in November 2012. The program continues to mature and the Heavy Airlift Wing (HAW) based in Papa Air Base, Hungary, provides direct logistics support to International Security Assistance Force operations. During 2012, the Air Force conducted a total of 6 RED FLAG international exercises and 19 GREEN FLAG exercises; active participants included: Japan, Australia, UK, Norway, Canada, Saudi Arabia, Korea, UAE, and Colombia. A variety of partner aircraft were utilized to include: Eurofighter, F-16, F-15, AWACS, and C-130. Additionally, the Air Force signed 30 International Cooperative Research, Development, and Acquisition (ICRD&A) agreements involving partnerships with 18 nations and one NATO organization. These ICRD&A agreements have a value of \$17.1 billion, leveraging \$4.4 billion in partner contributions.

During FY 2012, the Air Force continued to strengthen and institutionalize capabilities within the general purpose forces to conduct Security Force Assistance (SFA) and Building Partner Capacity (BPC) activities with partner nations. A key part of these activities continued to be the work of the USAF air advisors assigned to the 321st Air Expeditionary Wing (AEW) in Iraq and the 438 AEW in Afghanistan which enabled their Iraqi and Afghan counterparts to build operationally capable air forces that will meet security requirements for their respective countries.

Looking forward to FY 2014, the Air Force will continue to emphasize deeper levels of language skills and regional knowledge in its cadre of Regional Affairs Strategist (RAS) officers and will continue to grow the program in order to meet global RAS requirements. The two Mobility Support Advisory Squadrons (MSAS) and two Contingency Response Groups in Guam and Germany will continue to develop their air advisor capabilities along with language and region-specific skills to conduct training and exchanges with partner nations.

International cooperation on a Search and Rescue (SAR/GPS) project with Canada will significantly improve capability, reliability, and worldwide coverage of civil SAR capabilities. The project aims to integrate 24 Canadian SAR repeaters onto USAF GPS III Space Vehicles. USAF has committed to re-locating and establishing the US owned C-band radar from Antigua to H.E. Holt Station in Western Australia; improving southern hemisphere space situational awareness and bolstering our strong space partnership with Australia. Coalition partner aircrews will continue to get vital training for large force employment and high end major combat operations through RED FLAG and GREEN FLAG exercises. Additionally, the USAF will continue to fund the Gulf Air Warfare Center in an effort to continue developing regional coalition partners' capabilities and expand the Center to include training in Integrated Air and

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Missile Defense; 6 of 14 nations participating in Operation Unified Protector against Libya previously trained at the Gulf Air Warfare Center. The BP core function accounts for approximately \$0.3 billion of the Air Force FY 2014 Budget Request.

### **Agile Combat Support**

Agile Combat Support (ACS) is the ability to field, base, protect, support, and sustain air, space, and cyberspace forces across the full range of military operations to achieve joint effects. Air, space, and cyberspace power relies on a myriad of combat support activities that Airmen provide on the ground. These include functions like force protection, installation support, logistics, personnel management, finance, acquisition, family support, military medicine, and other combat support functions. This core function accounts for over 29 percent of Air Force funding and this section will focus on the following key areas: personnel and force management, support to Airmen and their families, business process improvement, installations and the energy program. Since the topics discussed in ACS are so broad, each section will discuss accomplishments and initiatives together. This core function accounts for approximately \$32.0 billion of the Air Force FY 2014 Budget Request.

### **Support to Airmen and their Families**

*End Strength/Force Shaping:* The Air Force's strategic advantage begins with its ability to recruit, develop, and retain innovative warriors with a commitment to high standards. The FY 2014 budget request increased Active Duty and Reserve Component military manpower by about one-half percent and limits civilian end strength growth as we meet Air Force priorities within fiscal constraints. The overall programmed Air Force end strength for FY 2014 is 687,634 personnel, this includes 327,600 active duty, 70,400 Reserve, 105,400 Air National Guard and 184,234 civilian personnel. Air Force efficiency efforts reduce manning in overhead and support functions and shift resources to warfighter and readiness programs such as nuclear enterprise, ISR, and Building Partnership Capacity.

*Transition Assistance:* The Air Force is an active partner in the sub-working group of the White House Veterans Employment Initiative. The purpose of the overall employment initiative is to reduce unemployment of our veterans. The sub-working group is focusing on a total re-engineering of the existing Transition Assistance Program (TAP). TAP is a joint responsibility of the Departments of Defense, Labor, and Veterans' Affairs. The new redesigned TAP was implemented at all Air Force installations November 21, 2012. Additionally, the Air Force joined the other Services in the creation of the Military Spouse Employment Partnership (MSEP). MSEP represents increased access to potentially thousands of job opportunities for military spouses. The MSEP website provides global 24-7 online assistance for all military spouses via Military OneSource.

*Sexual Assault Prevention and Response (SAPR):* The Air Force has built a sound SAPR education and training foundation and currently provides an hour of training for all members. The last two years, have focused on Bystander Intervention Training as a primary prevention effort and service-wide training which was completed in September 2012 along with the distribution of the Wing Commander's SAPR Guide, developed by SMEs and current Wing Commanders and Command Chiefs. The guide includes statistics, facts and talking points to help installation leaders encourage healthy conversations with their Airmen. Air Force SAPR is the first Service to implement the DoD Defense Sexual Assault Incident Database (DSAID) to streamline data collection efforts and reporting.

### Business Process Improvements

*Recapture Acquisition Excellence:* The Air Force continues to deliver superior weapons systems to meet a dynamic international environment marked by security challenges of unprecedented diversity. The Air Force is addressing challenges through a high-level focus on the acquisition community, who is responsible for delivering air, space, and cyberspace capabilities. These focus areas include acquisition oversight, agile manpower, should-cost management, contract services, and acquisition efficiencies. Starting with the Air Force Life Cycle Management Center, the Air Force will revalidate all programs and projects, assess assigned inventory against validated requirements, and develop a resource alignment process for program office staffing and workforce skill mix. The resulting process will help guide training, classification of positions, and replenishment hiring to fill shortfalls and adjust skill mix.

*Audit Readiness:* The Air Force is committed to achieving the SECDEF's goal for audit readiness on the statement of Budgetary Resources in 2014 and full compliance with legislative requirements for a clean audit by 2017. These goals are challenging for an organization as large and diverse as the Air Force, however, additional financial resources provided in recent years, and a focus on fielding effective financial systems, will help achieve it. Over the last two years, the Air Force has made real progress towards audit readiness, receiving clean opinions on two important components of our budget and accounting processes from independent public accounting firms and five components of our existence and completeness of mission critical assets from the Department of Defense Inspector General.

*Weapon System Sustainment (WSS):* WSS provides sustainability for weapon systems and programs to provide Global Power, Global Reach, and Global Vigilance. The Air Force requirement to fund WSS continues to grow across the FYDP due to the Air Force's focus on readiness, maintenance increases on new aircraft, operations tempo, growth in depot work packages for some legacy aircraft, and space/cyber sustainment normalization. The Air Force continues to scrub end-to-end sustainment through the Centralized Asset Management (CAM) process. The Air Force will also leverage risk-based strategies and evaluate maintenance schedules to maximize aircraft availability and apply performance-based logistics (PBL) solutions to balance total sustainment costs with performance. The goal is to improve the linkage between resources and readiness for Air Force weapon systems.

*More Disciplined Use of Resources:* The FY 2014 Air Force budget continues to reflect efforts to create more value from the resources managed and consumed across our Air Force core function areas. The FY 2014 Air Force budget reflects \$1.2 billion in reductions across operating, investment and military construction budgets. Across the future year's program, the Air Force has contributed \$7.8 billion in program reductions as part of the DoD reported More Disciplined Use of Resources (MDUR) accounting. The Air Force is managing significant efficiency and MDUR commitments from the FY 2012 and FY 2013 budget submissions. The risks associated with the FY 2014 MDUR initiatives are taken to best preserve readiness and Department strategic priorities. Important to note is MDUR to the Air Force is more than the discrete program changes reflected in the budget submission, MDUR is getting more value out of dollars and other resources entrusted to the Air Force.

### Installations

*Family Housing and Dorms:* Under the housing privatization initiative, approximately 43,900 units have been privatized at 48 bases. The Air Force has privatized 82 percent of family housing and has eliminated over 38,000 inadequate units. The Air Force plan is to negotiate and close the remaining CONUS privatization projects by the end of 2013. In addition, the Air Force FY 2014 budget for housing construction includes \$76 million for improvements to 1,400 overseas homes. The Air Force also remains committed to providing excellent housing

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for unaccompanied Airmen. The FY 2014 Budget Request includes two dormitory projects totaling more than \$57 million for dormitories at Nellis AFB, Nevada and Cannon AFB, New Mexico.

*Installation Investment Strategy:* The Air Force's FY 2014 Budget employs a balanced approach inherent in our Installation Investment Strategy. We maintained facilities sustainment resources at 80 percent of the DoD's Facilities Sustainment Model, while increasing restoration and modernization funding levels by \$100 million over FY 2013 Budget levels to recapitalize aging facilities, promote consolidation, and enable demolition of excess facility footprint. Additionally, we allocated over \$670 million of our FY 2014 MILCON program to replacing facilities beyond their useful life. Although the FY 2014 Budget represents an increase in facility and infrastructure program investments from FY 2013 levels, these levels still signify a significant risk to installation sustainability over the long term. Only a future Base Realignment and Closure will allow the Air Force to "right-size" its installation portfolio.

### Energy

Energy is a fundamental requirement for all Air Force missions, operations, and organizations. By itself, energy represents a risk because the Air Force is reliant on outside entities, including foreign nations, for the resources needed to meet its mission. In FY 2012, the Air Force spent over \$9.1 billion on fuel and electricity, which represented nearly 8 percent of the total Air Force budget. As part of our institutional effort to utilize energy to sustain an assured energy advantage to meet future challenges, the Air Force is requesting over \$530 million for energy initiatives in FY 2014. This includes over \$32 million for aviation energy, \$216 million for facility energy initiatives, and over \$290 million for materiel acquisition and energy RDT&E opportunities.

### CONCLUSION

The priorities articulated and funded in the FY 2014 Budget Request achieve the balance required to support the Defense Strategic Guidance in today's fiscally constrained environment. The budget reflects prudent choices to avoid a hollow force and ensure that the Air Force is able to unleash the full potential of airpower. It allocates resources to the Core Functions which support the objectives, the enduring contributions, and ultimately the mission of the United States Air Force that enable us to fly, fight, and win in air, space, and cyberspace.

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## 8. PERFORMANCE IMPROVEMENT

### 8.1 INTRODUCTION

This chapter fulfills the requirements of the Government Performance and Results Act of 1993 (GPRA), the GPRA Modernization Act (GPRAMA) of 2010, and Office of Management and Budget (OMB) Circular A-11 – all of which call for integration of annual performance results and goals in Congressional budget justifications. This chapter complements the appropriation-specific budget justification information that is submitted to the Congress by providing:

- A performance-focused articulation of the Defense Department's strategic goals and objectives; and
- A limited number of DoD-wide performance improvement priorities for senior-level management focus over the current and budget year.

Section 8.2 discusses how the DoD performance management process is linked to the Department's Planning, Programming, Budgeting, and Execution System (PPBES) process and senior level personnel management process.

Section 8.3 provides a summary of the Department's mission, organization, and major functions, as required by the GPRA of 1993.

Section 8.4 describes how the Department's Strategic Plan forms the basis for development of the DoD's Annual Performance Plan (APP), as required by the GPRA of 1993.

Section 8.5 provides the Department's FY 2012 Annual Performance Report (APR), as required by the GPRA of 1993.

Section 8.6 provides an update to the Department's FY 2013 Annual Performance Plan and carries over the five Agency Priority Goals (APGs) from the FY 2012 Performance Plan, as required by the GPRAMA of 2010.

Section 8.7 provides the Department's FY 2014 Annual Performance Plan.

The Department looks forward to working with the Administration and Congress in meeting the challenge of creating more effective and efficient operations, while delivering high value in return for the American taxpayer's investment in the Defense Department.

### 8.2 DOD PERFORMANCE, BUDGET, AND PERSONNEL INTEGRATION

Ultimate responsibility for performance improvement in the Defense Department rests with the Deputy Secretary of Defense in his role as the Chief Management Officer (CMO) and as the Chief Operating Officer (COO), pursuant to the GPRAMA of 2010. Principal Staff Assistants (PSAs), within the Office of the Secretary of Defense, are responsible for recommending performance goals and achieving results for their respective functional oversight areas.

OMB Circular A-11 characterizes a performance budget as a hierarchy of goals that align to an agency's strategic plan. The Department's performance budget hierarchy is depicted in Figure 8-2. This hierarchy indicates that every level of the DoD is accountable for measuring performance and delivering results that support the DoD-wide strategic goals and objectives. Performance accountability cascades to various management levels (DoD-wide to DoD Component to program level) with personnel accountability at all management echelons.

Figure 8-1. Department of Defense Performance Budget Hierarchy



The Quadrennial Defense Review (QDR) Report satisfies the GPRA requirement for each federal agency to submit a strategic plan. The QDR Report forms the basis for the Department's Annual Performance Plan. Goals, objectives, and performance measures are updated annually to reflect changes to strategic direction or management priorities. Performance measures must be supported by accurate and reliable data and computation methodologies before they are approved with results verified by DoD senior-level accountable officials.

The DoD Annual Performance Report (APR) and Annual Performance Plan (APP) are ultimately part of the Congressional budget justification, at <http://comptroller.defense.gov/>, that is forwarded to the President for his approval.

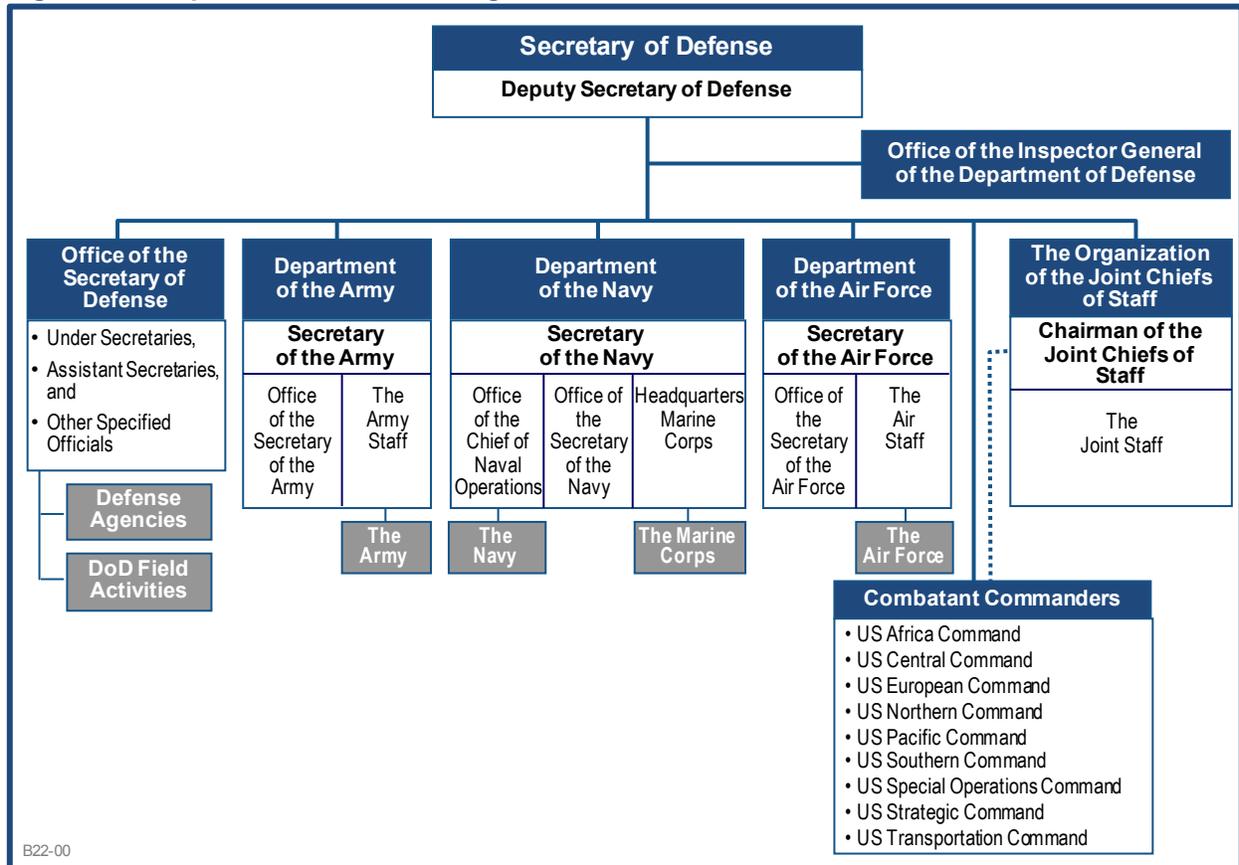
Title 5, U.S.C., section 4312 and Office of Personnel Management (OPM) implementing instructions require performance evaluations for DoD's Senior Executive Service (SES) members and Senior Level/Scientific and Technical (SL/ST) professionals be based on both individual and organizational performance. OPM further requires that each Agency describe, at the end of the performance rating period, how it assessed organizational performance and how it communicated that performance to rating and reviewing officials and members of Performance Review Boards to inform individual performance decisions. The Department utilizes its Annual Performance Report, along with other PSA and DoD Component-specific performance results, as the basis for DoD-wide organizational assessment and senior level personnel evaluations.

### 8.3 DOD MISSION, ORGANIZATION STRUCTURE, AND MAJOR FUNCTIONS

The mission of the Department of Defense (DoD) is to provide the military forces needed to deter war, to win wars if needed, and to protect the security of the United States. Since the creation of America's first army in 1775, the Department and its predecessor organizations have evolved into a global presence of 3 million individuals, stationed in more than 140 countries and dedicated to defending the United States by deterring and defeating aggression and coercion in

critical regions. Figure 8-2 illustrates how the Department of Defense is organized. Details on major operating components are discussed below.

Figure 8-2. Department of Defense Organizational Structure



### The Office of the Secretary of Defense (OSD)

The Secretary of Defense and his Principal Staff Assistants (PSAs) are responsible for the formulation and oversight of defense strategy and policy. Figure 8-2 depicts the immediate Office of the Secretary of Defense, comprised of several Under Secretaries of Defense (USDs) and Assistant Secretaries of Defense (ASDs) for various functional areas. Select OSD Principals also oversee the activities of various defense agencies and DoD field activities.

### Military Departments

The Military Departments consist of the Army, Navy (of which the Marine Corps is a component), and the Air Force. In wartime, the U.S. Coast Guard becomes a special component of the Navy; otherwise, it is part of the Department of Homeland Security. The Military Departments organize, staff, train, equip, and sustain Active duty, Reserve, and National Guard forces. When the President and Secretary of Defense determine that military action is required, these trained and ready forces are assigned to a Combatant Command responsible for conducting military operations. The National Guard has a unique dual mission with both Federal and state responsibilities. The Guard is commanded by the governor of each state or territory, who can call the Guard into action during local or statewide emergencies such as

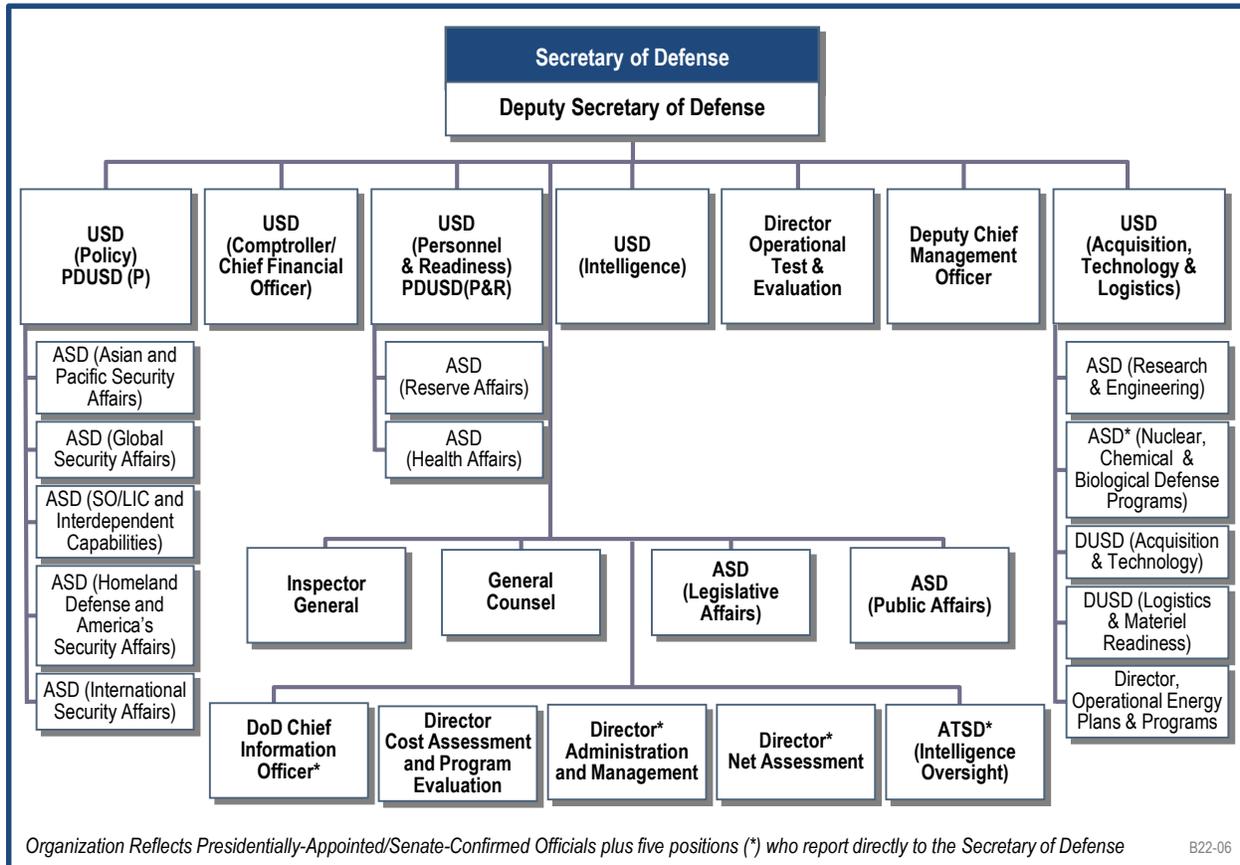
## Overview – FY 2014 Defense Budget

storms or civil disturbances. When ordered to active duty for mobilization or called into Federal service for national emergencies, units of the Guard are placed under operational control of the appropriate Combatant Commanders. The Guard and Reserve forces are recognized as indispensable and integral parts of the nation's defense.

### Defense Agencies

Seventeen defense agencies have evolved over time as a result of DoD-wide functional consolidation initiatives. Defense agencies provide a variety of support services commonly used throughout the Department.

Figure 8-3. Department of Defense Organizational Structure



### Department of Defense (DoD) Field Activities

Ten DoD field activities have also evolved from functional consolidations. However, these activities perform missions typically more limited in scope than defense agencies.

### The Joint Staff (JS)

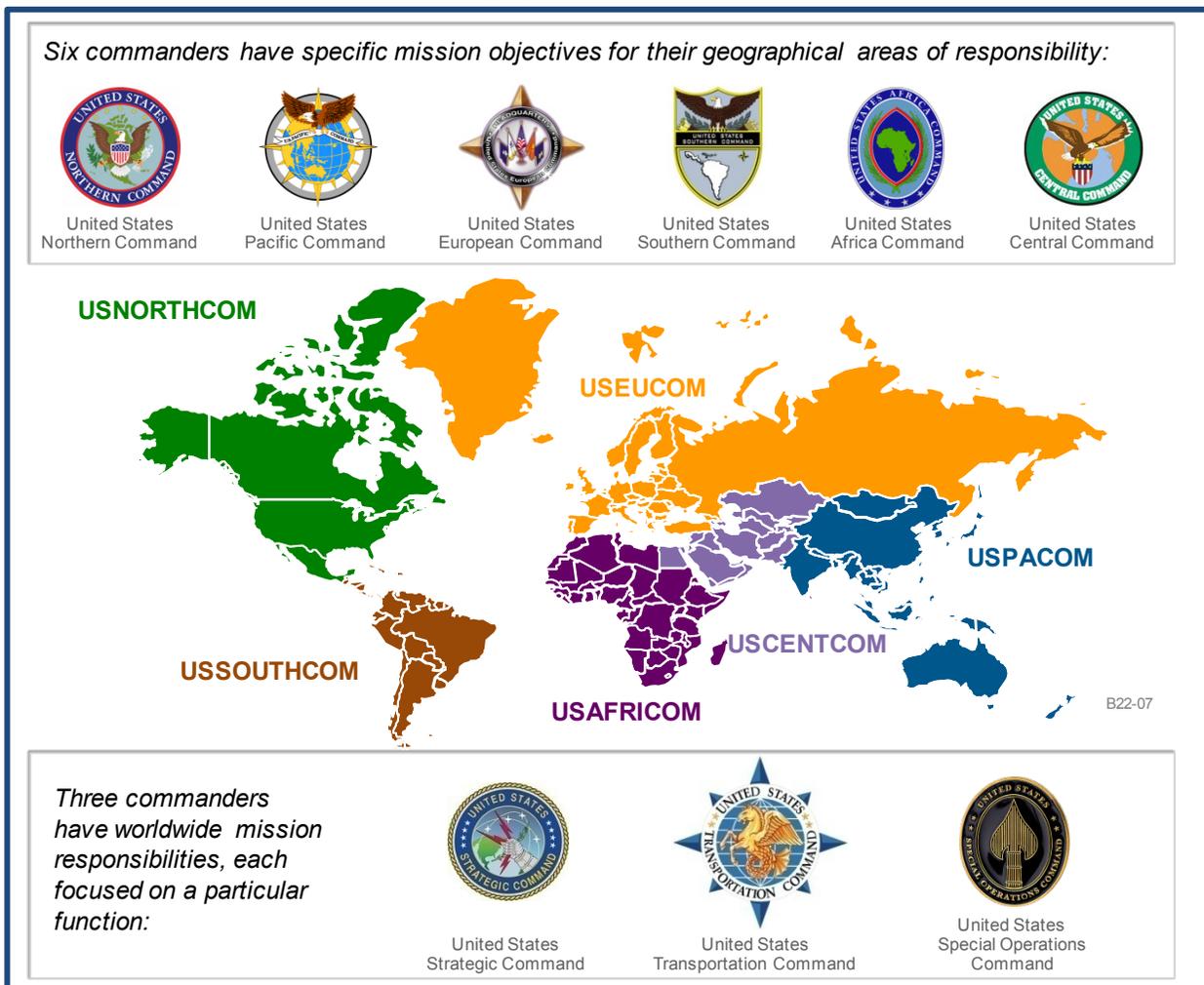
The Chairman of the Joint Chiefs of Staff (CJCS) is the principal military advisor to the President, the National Security Staff, and the Secretary of Defense. The Chairman and his staff assist the President and the Secretary in providing for the strategic direction of the Armed Forces, including operations conducted by the Commanders of the Combatant Commands.

### Combatant Commands

Nine Combatant Commands are responsible for conducting the Department's military operational missions around the world. Six commands (Figure 8-4) have specific military operational mission objectives for geographic areas of responsibility.

- U.S. European Command (USEUCOM) is responsible for activities in Europe, Greenland, and Russia.
- U.S. Central Command (USCENTCOM) is responsible for the Middle East, Egypt, and several of the former Soviet republics.
- U.S. Pacific Command (USPACOM) is responsible for China, South and Southeast Asia, Australia, and the Pacific Ocean.
- U.S. Southern Command (USSOUTHCOM) is responsible for Central and South America and the Caribbean.
- U.S. Northern Command (USNORTHCOM) is responsible for North America, including Canada and Mexico.
- U.S. Africa Command (USAFRICOM) is responsible for Africa (except Egypt).

Figure 8-4. Combatant Commands Geographic and Functional Areas



Three Commands have worldwide mission responsibilities focused on a particular function(s):

- U.S. Strategic Command (USSTRATCOM) provides global deterrence capabilities, direction of Global Information Grid operations, and synchronizes Department efforts to combat weapons of mass destruction worldwide.
- U.S. Special Operations Command (USSOCOM) leads, plans, synchronizes, and as directed, executes global operations against terrorist networks.
- U.S. Transportation Command (USTRANSCOM) moves military equipment, supplies, and personnel around the world in support of operations.
- The Military Departments supply the necessary capabilities to these Commands. As such, the operating costs of these commands (except the USSOCOM) are subsumed within each Military Department’s budget.

Figure 8-5 shows a complete listing of DoD Major Organizational Components.

**Figure 8-5. DoD Major Organizational Components**

<b>MILITARY DEPARTMENTS (3):</b>	
• Department of the Army (Army) • Department of the Air Force (AF) • Department of the Navy (Navy)/Marine Corps (MC)	
<b>DEFENSE AGENCIES (17):</b>	
<ul style="list-style-type: none"> <li>• Defense Advanced Research Projects Agency (DARPA)</li> <li>• Defense Commissary Agency (DeCA)</li> <li>• Defense Contract Audit Agency (DCAA)</li> <li>• Defense Contract Management Agency (DCMA)</li> <li>• Defense Finance and Accounting Service (DFAS)</li> <li>• Defense Information Systems Agency (DISA)</li> <li>• Defense Intelligence Agency (DIA)</li> <li>• Defense Legal Services Agency (DLSA)</li> <li>• Defense Logistics Agency (DLA)</li> </ul>	<ul style="list-style-type: none"> <li>• Defense Security Cooperation Agency (DSCA)</li> <li>• Defense Security Service (DSS)</li> <li>• Defense Threat Reduction Agency (DTRA)</li> <li>• Missile Defense Agency (MDA)</li> <li>• National Geospatial-Intelligence Agency (NGA)</li> <li>• National Reconnaissance Office (NRO)</li> <li>• National Security Agency (NSA)</li> <li>• Pentagon Force Protection Agency (PFPA)</li> </ul>
<b>DOD FIELD ACTIVITIES (10):</b>	
<ul style="list-style-type: none"> <li>• Defense Media Activity (DMA)</li> <li>• Defense Prisoner of War/Missing Personnel Office (POW/MPO)</li> <li>• Defense Technical Information Center (DTIC)</li> <li>• Defense Technology Security Administration (DTSA)</li> <li>• DoD Education Activity (DoDEA)</li> </ul>	<ul style="list-style-type: none"> <li>• DoD Human Resources Activity (DHRA)</li> <li>• DoD Test Resource Management Center (TRMC)</li> <li>• Office of Economic Adjustment (OEA)</li> <li>• TRICARE Management Activity (TMA)</li> <li>• Washington Headquarters Services (WHS)</li> </ul>
<b>OTHER ORGANIZATIONS (8):</b>	
<ul style="list-style-type: none"> <li>• Court of Military Appeals (CMA)</li> <li>• Defense Acquisition University (DAU)</li> <li>• Defense Health Program (USD(P&amp;R)/DHP)</li> <li>• DoD Inspector General (DoDIG)</li> </ul>	<ul style="list-style-type: none"> <li>• National Defense University (NDU)</li> <li>• Office of the Secretary of Defense (OSD)</li> <li>• Office of Test and Evaluation (OTE)</li> <li>• The Joint Staff (TJS)</li> </ul>
<b>THE COMBATANT COMMANDS (9):</b>	
<ul style="list-style-type: none"> <li>• U. S. European Command (USEUCOM)</li> <li>• U. S. Central Command (USCENTCOM)</li> <li>• U. S. Pacific Command (USPACOM)</li> <li>• U. S. Southern Command (USSOUTHCOM)</li> <li>• U. S. Northern Command (USNORTHCOM)</li> </ul>	<ul style="list-style-type: none"> <li>• U. S. Strategic Command (USSTRATCOM)</li> <li>• U. S. Special Operations Command (USSOCOM)</li> <li>• U. S. Transportation Command (USTRANSCOM)</li> <li>• U.S. African Command (USAFRICOM)</li> </ul>
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## 8.4 DOD STRATEGIC PLAN

Every four years, subsection 118 of Chapter 2, United States Code requires that the Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, conduct a comprehensive examination of the United States defense strategy and establish a defense program for the next 20 years. This review examines national defense strategy, force structure, force modernization plans, infrastructure, budget plans, and other elements of the defense program and policies of the United States, consistent with the most recent National Security Strategy and National Military Strategy prescribed by the President. The review calls for a budget plan that would be required to provide sufficient resources to execute successfully the full range of missions called for in the national defense strategy at a low-to-moderate level of risk. Consequently, the Department's Quadrennial Defense Review (QDR) Report constitutes the DoD's strategic plan. The Secretary of Defense submits the QDR Report to the President and the Committees on Armed Services of the U.S. Senate and the U.S. House of Representatives.

In February 2010, Secretary Gates released the latest QDR Report – i.e., DoD's Strategic Plan. The 2010 QDR Report recognizes that the United States is deeply intertwined with the broader international system and is focused on protecting our people, promoting stability in key regions, providing assistance to nations in need, and promoting the common good. The United States faces a complex and uncertain security landscape in which the pace of change continues to accelerate. The rise of new powers, the growing influence of non-state actors, and the spread of destructive technologies pose challenges to international order. The distribution of global political, economic, and military power is becoming more diffuse. The United States must increasingly rely on key allies and partners if it is to sustain stability and peace. America's interests and role in the world requires armed forces with cutting-edge capabilities and a willingness on the part of the nation to employ them in defense of our interests and the common good. Given this threat environment, the Defense Department needs a broad portfolio of military capabilities that remain agile, flexible, ready, innovative, and technologically-advanced.

In order to help defend and advance our national interests, the 2010 QDR Report recognized four priority objectives: prevail in today's wars; prevent and deter conflict; prepare for a wide range of contingencies; and preserve and enhance the All-Volunteer Force. At the same time, the QDR Report acknowledged that the DoD had to implement an agenda that reforms how it does business. Consequently, these five imperatives reflect the Department's 2010 QDR strategic goals and form the basis for the DoD's Annual Performance Plans. Figure 8-6 indicates that the first three strategic goals represent the Department's primary warfighting missions. Strategic goals 4 and 5, focused on DoD infrastructure, are considered supporting goals.

Figure 8-6. DoD Strategic Goals

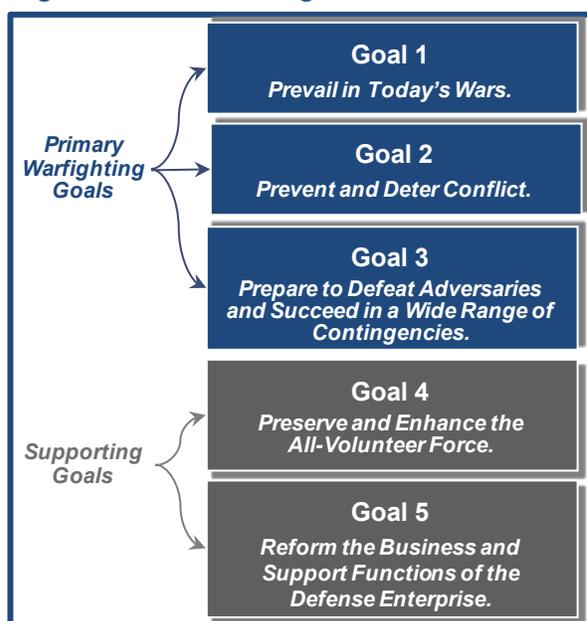


Figure 8-7 provides a summary of the Department's 20 strategic objectives, pursuant to the 2010 QDR Report. A copy of the Defense Department's Strategic Plan (i.e., 2010 QDR Report) can be found at <http://www.defense.gov/qdr/>.

Figure 8-7. DoD Strategic Goals and Strategic Objectives

### STRATEGIC GOAL 1: PREVAIL IN TODAY'S WARS.

- 1.1-OCO: Degrade the Taliban to levels manageable by the Afghan National Security Force (ANSF), while increasing the size and capability of the ANSF.
- 1.2-OCO: Execute a responsible drawdown of the U.S. military presence in Iraq.

### STRATEGIC GOAL 2: PREVENT AND DETER CONFLICT.

- 2.1-1F1: Extend a global posture to prevail across all domains by increasing capacity in general purpose forces and by enhancing stability operations and foreign security force competency.
- 2.2-1F2A: Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.
- 2.3-1F3: Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.
- 2.4-1X2: Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.

### STRATEGIC GOAL 3: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.

- 3.1-1F2B: Improve the responsiveness and flexibility of consequence management response forces.
- 3.2-1F2C: Enhance capacity to locate, secure, or neutralize weapons of mass destruction, key materials, and related facilities.
- 3.3-1F2C: Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.
- 3.4-1X1: Expand capacity to succeed against adversary states armed with anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.
- 3.5-2D: Maintain a strong technical foundation within the Department's Science and Technology (S&T) program.

### STRATEGIC GOAL 4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.

- 4.1-2M: Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.
- 4.2-2P: Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.
- 4.3-2R: Better prepare and support families during the stress of multiple deployments.
- 4.4-2T: Train the Total Defense Workforce with the right competencies.

### STRATEGIC GOAL 5: REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.

- 5.1-2A: Increase use of renewable energy and reduce energy demand at DoD installations.
- 5.2-2C: Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase mission assurance.
- 5.3-2E: Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.
- 5.4-2L: Provide more effective and efficient logistical support to forces abroad.
- 5.5-2U/V: Improve financial management and increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.

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## 8.5 FY 2012 DOD ANNUAL PERFORMANCE REPORT

### *FY 2012 DOD Summary Performance Results*

The Department's FY 2012 Annual Performance Plan (APP) includes five overarching strategic goals, 20 broad-based strategic objectives, and 72 enterprise-level or DoD-wide performance goals. It also includes, as sub-goals of the APP, five Agency Priority Goals (APGs), pursuant to the GPRA Modernization Act of 2010.

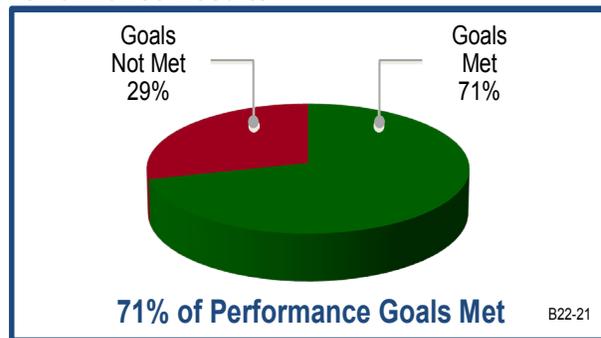
Since the publication of the FY 2012 President's Budget, three performance measures were eliminated that reduced the total number of DoD-wide performance goals assessed for FY 2012 from 72 to 69. Two goals were deferred, pending approval of an implementation plan for the

New START treaty. A third goal, focused on Veterans Administration and DoD transition to joint data centers, was also eliminated.

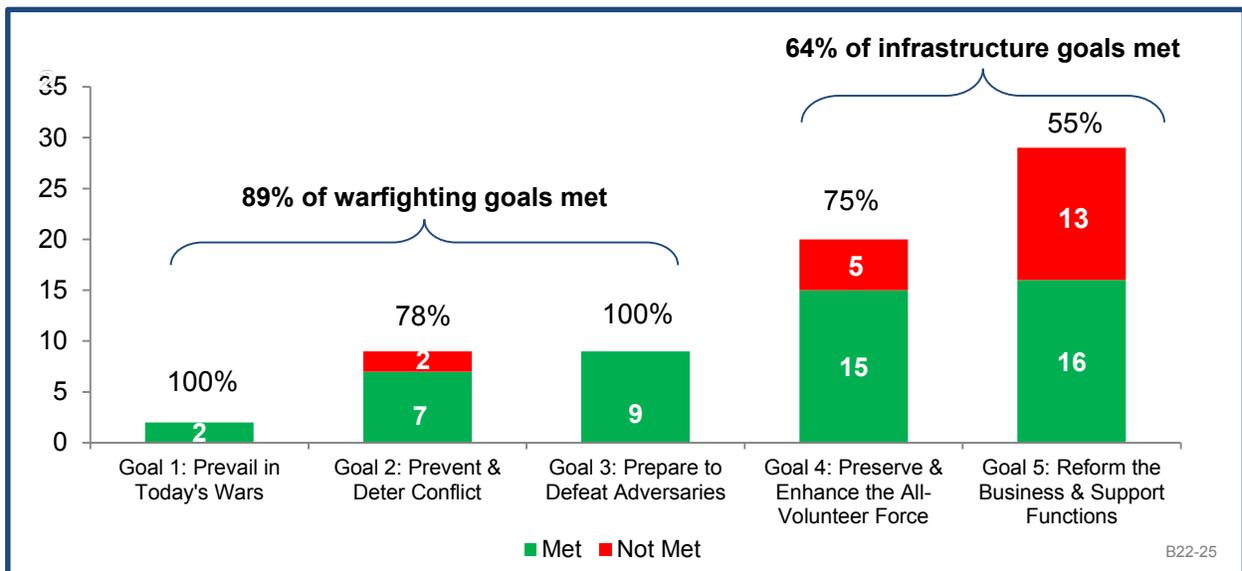
Based on the 69 DoD performance results that are assessed, 71 percent of these (49 of 69) met or exceeded their annual performance goals; 29 percent (20 of 69) did not achieve their annual goals, as depicted in Figure 8-8.

Figure 8-9 reflects FY 2012 performance results by DoD strategic goal area. The Department achieved an 89 percent (17 of 19) success rate in accomplishing its core warfighting (primarily DoD strategic goals 1, 2, and 3) outcomes. However, less progress was made in the support establishment (primarily DoD strategic goals 4 and 5), where the Department achieved a 64 percent (32 of 50) success rate in achieving infrastructure results.

**Figure 8-8. FY 2012 DoD Summary Performance Results**



**Figure 8-9. DoD FY 2012 Performance Results by Strategic Goal**

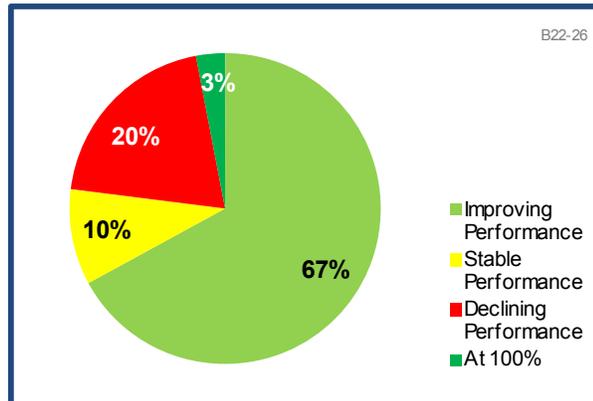


Thirteen percent (9 of 69) of FY 2012 performance results are excluded from DoD trend analysis since these results primarily reflect measures that did not exist in FY 2011. Based on the 60 measures that carried over from FY 2011, 3 percent of results (2 of 60) are already operating at optimum (100 percent) performance levels; 67 percent of results (40 of 60) reflect positive improvements in performance; and 10 percent of results (6 of 60) reflect stable performance trends, and 20 percent of results (12 of 60) reflect negative trends in declining performance, as depicted in Figure 8-10.

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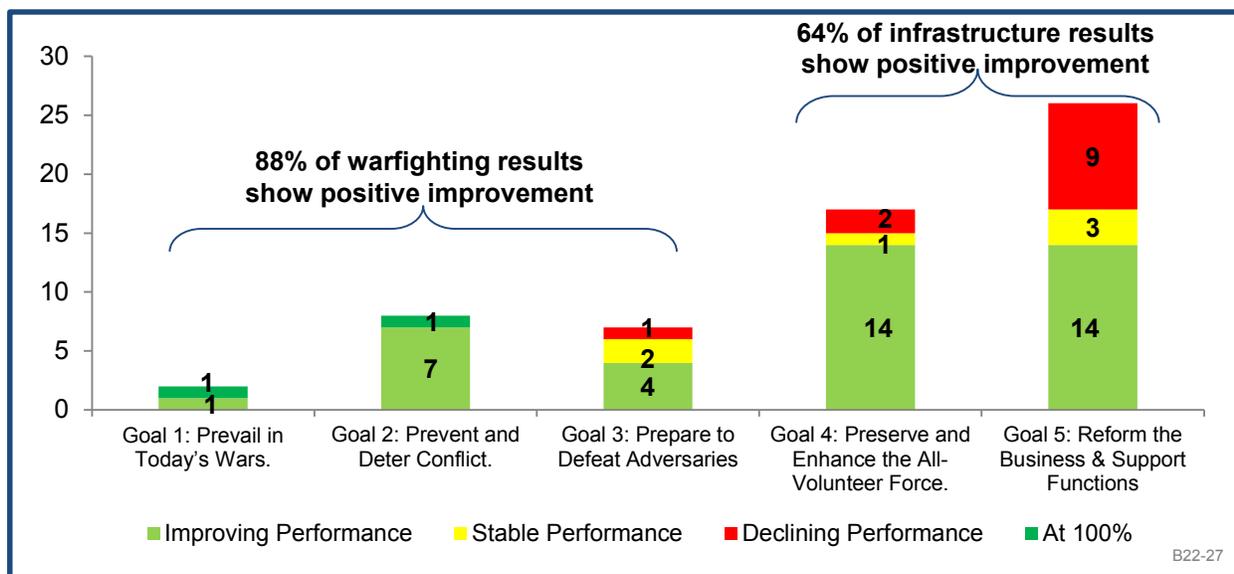
Compared to FY 2011, Figure 8-11 reflects FY 2012 performance trends by DoD strategic goal area. Eighty-eight percent (14 of 16) of warfighting results (primarily DoD strategic goals 1, 2, and 3) reflect positive improvements in performance or are already operating at optimum (100 percent) performance levels. In the infrastructure arena (primarily DoD strategic goals 4 and 5), 64 percent of results (28 of 44) reflect positive improvements; 11 percent of results (5 of 44) reflect stable performance, and 25 percent of results (11 of 44) reflect negative trends in declining performance.

**Figure 8-10. DoD FY 2012 Summary Performance Trends**



### FY 2012 DoD Agency Priority Goal (APG) Results

**Figure 8-11. DoD FY 2012 Performance Trends by Strategic Goal**



Twelve (or 17 percent) of the FY 2012 Annual Performance Report (APR) includes results associated with five Agency Priority Goals, pursuant to the GPRA Modernization Act of 2010. The first APG, focused on wounded, ill, and injured care to Service members, reflects a core mission that is unique to the DoD. The second APG focuses on cyber security readiness in DoD military organizations. However, performance targets and results for this APG are considered sensitive and will not be made available to the public. The DoD's third APG on energy reflects an Administration priority by targeting the Defense Department as the single largest consumer of energy in the nation. The fourth and fifth APGs identify near-term improvement initiatives that will contribute to achieving longer-term Agency outcomes in two DoD-specific high risk areas identified by the General Accountability Office (GAO) – i.e., DoD Weapon Systems Acquisition and DoD Financial Management.

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- Agency Priority Goal 1: By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards, on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense.
- Agency Priority Goal 2: By September 30, 2013, the DoD will improve the care and transition of Wounded, Ill and Injured (WII) Warriors by: (1) increasing the use of Recovery Care Coordinators and ensuring WII Service members have active recovery plans; (2) improving effectiveness of behavioral health programs and ensuring all Service members complete quality post-deployment health screenings; and (3) accelerating the transition of WII Service members into veteran status by reducing the disability evaluation processing time.
- Agency Priority Goal 3: By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency.
- Agency Priority Goal 4: By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1 programs, going through Milestone A decision reviews, will present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews, will present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DoD will increase the amount of contract obligations, that are competitively awarded, to 60 percent in FY 2012 and 61 percent in FY 2013.
- Agency Priority Goal 5: By September 30, 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.

Based on the 12 APG performance results that are assessed, 33 percent of these (4 of 12) met or exceeded their annual performance goals; 67 percent (8 of 12) did not achieve their annual goals, as depicted in Figure 8-12.

Figure 8-13 reflects FY 2012 performance results by Agency Priority Goal. For FY 2012, the DoD met its cyber security and audit readiness goals. However, less success was achieved in the areas of Wounded Warrior care, energy performance, and acquisition reform, which are discussed in more detail at <http://www.performance.gov/> and under each DoD Strategic Objective area below.

**Figure 8-12. FY 2012 APG Summary Performance Results**

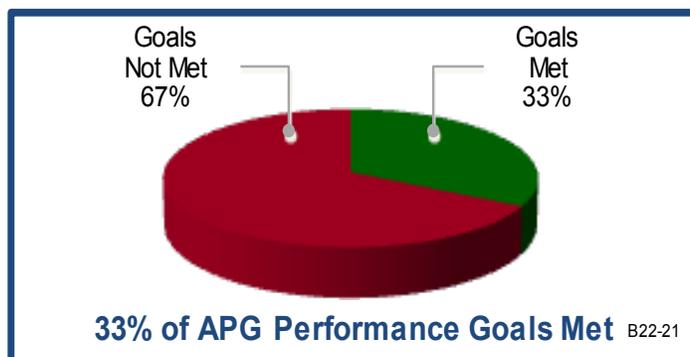
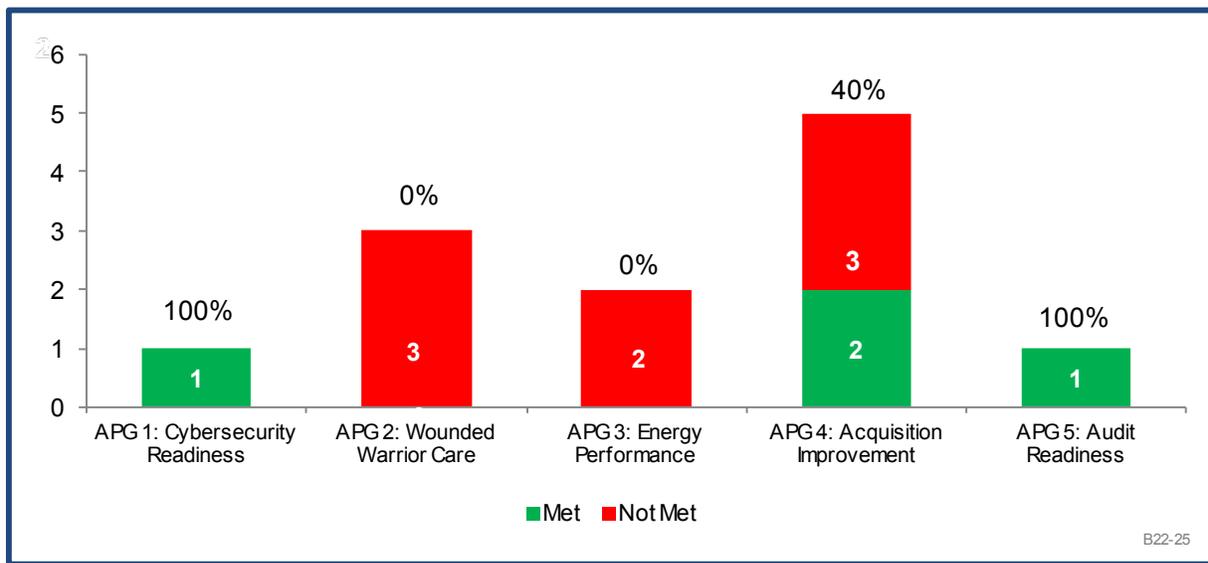


Figure 8-13. FY 2012 Performance Results by Agency Priority Goal



In addition to Agency Priority Goals (APGs), the GPRA Modernization Act also requires the identification of Cross-Agency Priority (CAP) Goals in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. In accordance with the GPRA Modernization Act, interim CAP Goals were published concurrent with the FY 2013 President's Budget.

Per the GPRA Modernization Act requirement to address Cross-Agency Priority (CAP) Goals in the agency Strategic Plan, the Annual Performance Plan, and the Annual Performance Report, please refer to <http://www.performance.gov> for the Defense Department's contributions to those goals and progress, where applicable. The DoD currently contributes to the following CAP Goals:

- Entrepreneurship and Small Business;
- Veteran Career Readiness;
- Cybersecurity;
- Sustainability;
- Real Property;
- Improper Payments;
- Data Center Consolidation;
- Closing Skills Gaps; and
- Strategic Sourcing.

**General Accountability Office (GAO) High Risk Results:**

The GAO determines high risk areas across the government, based on two broad criteria:

- Vulnerability to fraud, waste, abuse, or mismanagement; and
- Changes required to address major economy, efficiency, or effectiveness challenges.

Biennial reports have been completed since 1990, with the details of the GAO's most recent update in February 2013, located at <http://www.gao.gov/products/GAO-13-283>. The Defense Department contributes to the following cross-agency areas on the GAO high risk list:

- Strategic Human Capital Management;
- Managing Federal Real Property;
- Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland;
- Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures;
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests; and
- Improving and Modernizing Federal Disability Programs.

In addition, the February 2013 update continues to cite the following seven DoD-specific functional areas as high risk:

- DoD Support Infrastructure Management (since 1997 with scope reduced in 2011);
- DoD Supply Chain Management (since 1990);
- DoD Contract Management (since 1992);
- DoD Weapon Systems Acquisition (since 1990);
- DoD Approach to Business Transformation (since 2005);
- DoD Business Systems Modernization (since 1995); and
- DoD Financial Management (since 1995).

All seven DoD-specific high risk areas reside under the Department's Strategic Goal #5 focused on reforming DoD business and support functions. There is a high correlation between the FY 2012 performance achieved under DoD's Strategic Goal #5, and the DoD-specific areas that continue to be identified by the GAO as high risk in their 2013 update.

### ***DoD Major Management Challenges:***

The Office of the Inspector General (IG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. The Department of Defense Agency Financial Report (AFR) for Fiscal Year (FY) 2012 includes a *Management's Discussion and Analyses* section on major challenges facing the Department. For FY 2012, the AFR summarizes what the DoD IG considers to be the most serious management and performance challenges, as listed below:

- Financial Management;
- Acquisition Processes and Contract Management;
- Joint Warfighting and Readiness;
- Information Assurance, Security, and Privacy;
- Health Care;
- Equipping and Training Iraq and Afghan Security Forces; and
- The Nuclear Enterprise.

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Detailed information regarding these challenges and the IG’s assessment of the Department’s progress, along with the Department’s management response, can be found at Addendum A to the report at <http://comptroller.defense.gov/>.

The following sections provide a more detailed discussion of FY 2012 performance results and trends, assessed by DoD strategic goal and strategic objective area. Exhibit A provides a summary listing of all performance results and trends for FY 2012 by DoD strategic goal and objective.

### STRATEGIC GOAL 1 RESULTS: PREVAIL IN TODAY'S WARS.

Strategic Goal 1 accounts for three percent of the Department’s FY 2012 performance results (2 of 69). The Department met or exceeded 100 percent (2 of 2) of performance results for Strategic Goal 1. Results, by specific performance goal and each strategic objective area, are identified at Figure 8-14 and discussed in detail below.

Figure 8-14. DoD Strategic Goal 1 Results

STRATEGIC GOAL 1: PREVAIL IN TODAY'S WARS.					
Performance Measures	Annual Performance Goals/Results				
	FY 2011 Results	FY 2012 Goals	FY 2012 Results		
<b>Strategic Objective 1.1-OCO: Degrade the Taliban to levels manageable by the Afghan National Security Force (ANSF), while increasing the size and capability of the ANSF.</b>					
1.1.1-OCO: Percent of the Combatant Commanders' (CoComs) current operations which they report ready to execute	100%	100%	100%		↕
1.1.2-OCO: Cumulative number of Afghan National Security Forces (ANSFs) end strength	306,903	352,000	352,000		↑
<b>Strategic Objective 1.2-OCO: Execute a responsible drawdown of the U.S. military presence in Iraq.</b>					
Objective achieved in first quarter of FY 2012.					
			<b>Met or Exceeded</b>	<b>Did Not Meet</b>	<b>Total</b>
<b>GOAL 1 – PREVAIL IN TODAY'S WARS.</b>	<b>2</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>2 100%</b>
<b>Performance Trend Legend:</b>					
Optimum performance (100%): ↕			Stable performance: ⇔		
Improving performance: ↑			Declining performance: ↓		

**Strategic Objective 1.1-OCO: Degrade the Taliban to levels manageable by the Afghan National Security Force (ANSF), while increasing the size and capability of the ANSF.**

Areas of significant improvement: Figure 8-14 indicates that the Department achieved both OCO-related performance goals for FY 2012. The ability to successfully execute current operations is a core competency of the Department. Throughout FY 2012, Combatant Commanders maintained optimum readiness levels in terms of current operations, and the Department continued to improve the size and capability of the Afghan forces.

The ANSF are the backbone of long-term security and stability plans for Afghanistan. During fiscal year 2012, the Afghan National Army (ANA) and Afghan National Police (ANP) continued their quantitative and qualitative progress, while improving operational effectiveness. Security progress and the development of the ANSF have enabled the security transition process to continue in accordance with Lisbon Summit commitments.

As of September 30, 2012, the ANSF met its goal of recruiting to a force of 352,000 soldiers and police. As the ANA and ANP have achieved growth goals, the ANSF and the North Atlantic Treaty Organization (NATO) Training Mission – Afghanistan (NTM-A) have shifted focus from force generation to training and development. Literacy training efforts have expanded, logistics and enabler capability have improved, and the ANSF's 12 branch schools provide higher-level training to promote self-sufficiency and long-term sustainability.

Force generation and development efforts continue to translate into operational effectiveness. During the reporting period, the ANSF made impressive strides in performance, demonstrating their effectiveness as they assumed the lead for security responsibility in transitioning areas in many parts of the country. Violence was down seven percent from January to November 2012 compared to the same period last year. The ANSF are now unilaterally conducting 80 percent of all operations. Additionally, the number of ANA and ANP units rated as "Independent with Advisors" increased substantially in 2012. The ANSF demonstrated their increased capability by planning and executing a number of large complex operations, including Operation Kalak Hode V in RC-S. This 11,000-person operation was principally planned, led, and manned by the ANSF. The operation, focused on disrupting the insurgency, involved coordination among the Afghan Army, Policy, Border Police, and National Directorate of Security.

Areas of challenge: While the ANSF achieved their surge end strength, the ANSF continues to address on-going challenges, including attrition, leadership shortfalls, and developing capabilities in staff planning, management, and logistics. The ANSF also have not fully developed enabling support, including air; logistics; intelligence, surveillance, and reconnaissance (ISR); and medical. They will require coalition resources to perform at the level necessary to produce the security effects required for transition. While polls show that the ANSF continues to rise in public esteem, corruption and the influence of criminal patronage networks remain a concern that could jeopardize the legitimacy of the ANSF and pose a threat to the transition process. The rise of insider threats and "green-on-blue" attacks also remains a challenge.

Mitigation strategies: The ISAF and the ANSF are implementing mitigation measures, such as additional ISAF force protection procedures and more thorough ANSF recruit vetting, to address insider threats.

**Strategic Objective 1.2.OCO: Execute a responsible drawdown of the U.S. military presence in Iraq.**

Thanks to the extraordinary sacrifices of our men and women in uniform, we have executed a responsible drawdown of U.S. military personnel in Iraq in accordance with the U.S.-Iraq Security Agreement. Years of effort have helped enable the Iraqi government to take the lead in protecting its people and providing essential services. While U.S. military personnel, under Chief of Mission authority, will continue to play an important role in expanding the security assistance and security cooperation relationship, no performance goals were established in the Department's Annual Performance Plan for this objective area in FY 2012 and beyond.

**STRATEGIC GOAL 2 RESULTS: PREVENT AND DETER CONFLICT.**

Strategic Goal 2 accounts for 13 percent of the Department's FY 2012 performance results (9 of 69). The Department met or exceeded 78 percent (7 of 9) of performance results for Strategic Goal 2. Results, by specific performance goal and each strategic objective area, are identified at Figure 8-15 and discussed in detail below.

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Figure 8-15. DoD Strategic Goal 2 Results

STRATEGIC GOAL 2: PREVENT AND DETER CONFLICT.						
Performance Measures	Annual Performance Goals/Results					
	FY 2011 Results	FY 2012 Goals	FY 2012 Results			
<b>Strategic Objective 2. 1-12A: Extend a global posture to prevail across all domains by increasing capacity in general purpose forces and by enhancing stability operations and foreign security force competency.</b>						
2.1.1-1F1: Percent of DoD Combatant Commanders (CoComs) that are ready to execute their Core or Theater Campaign Plan mission	100%	100%	100%			↑
2.1.2-1F1: Percent of DoD Combatant Commanders' (CoComs) Contingency Plans which they report ready to execute	85%	80%	91%			↑
2.1.3-1F1: Cumulative number of Army brigades converted to a modular design and available to meet military operational demands	71	69	69			↑
2.1.4-1F1: Cumulative number of Army Multi-functional and Functional Support (MFF) brigades converted to a modular design and available to meet military operational demands	225	227	228			↑
2.1.5-1F1: Cumulative number of ships in the fleet	284	289	287			↑
<b>Strategic Objective 2. 2-1F2A: Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.</b>						
2.2.1-1F2A: Number of formal DoD-led meetings with international partners to reaffirm U.S. commitments to extended deterrence	11	6	17			↑
2.2.2-1F2A: Passing percentage rate for Defense Nuclear Surety Inspections (DNSIs)	85.7%	100%	100%			↑
<b>Strategic Objective 2. 3-1F3: Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.</b>						
2.3.1-1F3: Cumulative number of large-surface DoD combatant ships that are Ballistic Missile Defense (BMD)-capable and ready for tasking	23	25 <sup>1/</sup>	25			↑
<b>Strategic Objective 2. 4-1X2: Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.</b>						
2.4.1-1X2: Cumulative number of Predator (MQ-1) and Reaper (MQ-9) aircraft intelligence, surveillance, and Reconnaissance (ISR) orbits	59	56	57 <sup>2/</sup>			
			Met or Exceeded	Did Not Meet	Total	
<b>GOAL 2 – PREVENT AND DETER CONFLICT.</b>	<b>7</b>	<b>78%</b>	<b>2</b>	<b>22%</b>	<b>9</b>	<b>100%</b>
<b>Footnotes:</b>						
<sup>1/</sup> The FY 2012 goal was revised downward, from 29 to 25, to measure the number of Navy ships (25) equipped with BMD capability and ready for tasking, versus measuring the number of ships funded by the Missile Defense Agency (29). This revised goal better supports the strategic objective (2.3-1F3) which is focused on fielded (vice funded) capability and ensures that DoD performance data is consistent with information published in the Navy's 30-year shipbuilding plan that was approved March 28, 2012.						
<sup>2/</sup> Not counted in trend analyses since reduced performance level is necessary for reconstitution.						
<b>Performance Trend Legend:</b>						
Optimum performance (100%): ↑↓			Stable performance: ↔			
Improving performance: ↑			Declining performance: ↓			

**Strategic Objective 2.1.1F1: Extend a global posture to prevail across all domains by increasing capacity in general purpose forces and enhancing stability operations and foreign security force competency.**

**Areas of significant improvement:** Figure 8-15 indicates that the Department began revisiting and eliminating DoD force structure in FY 2012. Throughout FY 2012, all Combatant Commanders maintained their readiness posture, as established in Theater Campaign and

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Contingency Plans to ensure surge capability and effective mobilization. The Army completed the modular conversion on 228 of its 229 planned Multi-functional and Functional (MFF) brigades, with the final MFF brigade activation scheduled for the fourth quarter of FY 2013. Since the new strategic guidance prescribes a smaller and leaner force structure, Figure 8-14 also shows that the Army began eliminating the approved reduction of eight Brigade Combat Teams (BCTs) by FY 2017.

Areas of challenge: End strength reductions associated with potential force restructuring may change the number of Army BCTs from what had been previously validated.

Mitigation strategies: The Army is exploring redesign options for the BCTs to make them more capable and is continuing to assess the risk associated with a reduced end strength.

**Strategic Objective 2.2.1F2A: Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.**

Areas of significant improvement: Figure 8-15 indicates that the Department has met and improved on two key performance goals in the area of nuclear deterrence for FY 2012.

As part of the Nuclear Posture Review (NPR) implementation, the United States has increased opportunity to engage allies in discussion and collaboration on strategic issues related to extended deterrence. The number of formal official meetings has doubled since release of the NPR report, and there is an ever increasing demand for additional meetings.

In addition, Defense Nuclear Surety Inspections (DNSI) first-time passing rates have consistently improved over the last four years and currently are achieving the desired goal of 100 percent first-time pass rate. This is a positive indication of sustained Services' excellence and senior leader focus on the nuclear enterprise.

Areas of challenge: The Department's nuclear arsenal continues to be safe, secure, and effective. However, the current assessment process does not allow the Department to measure the critical implementation tasks of the NPR. The results assessed (percent passing rate of first-time DNSIs) by themselves are insufficient to conclude a safe, secure and effective nuclear arsenal. Maintaining a 100 percent passing rate on first-time DNSIs is a worthy goal, but it could generate unrealistic expectations and a zero tolerance culture that is neither sustainable nor appropriate for achieving long term excellence in the nuclear enterprise. In addition, the number of meetings with allies is a poor indicator of the effectiveness of discussions on strategic issues and extended deterrence.

Mitigation strategies: The DoD submits numerous reports to the President and Congress on the safety, security, and effectiveness of the U.S. nuclear deterrent. These reports provide greater detail and fidelity on the sustainment and modernization of the nuclear deterrent. In addition, the Defense Threat Reduction Agency (DTRA) and Service inspection teams conduct frequent assessments of the surety of weapons in DoD custody, which contribute to the security, safety, and reliability of nuclear weapons while in DoD custody.

**Strategic Objective 2.3.1F3: Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.**

Areas of significant improvement: Overall, the DoD has achieved significant success in implementing the goals of the February 2010 Ballistic Missile Defense (BMD) Review, as well as the associated regional objectives involving BMD with allies in Europe (North Atlantic Treaty Organization), the Middle East (Gulf Cooperation Council and Israel), and the Asia-Pacific region (primarily Japan, South Korea, and Australia). While the Department fielded four less

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Aegis BMD-capable ship in FY 2012 than planned, the Department has achieved considerable success overall in fielding cost-effective missile defense capabilities to-date.

For homeland defense, the Department completed construction of the recently activated 14-silo Missile Field-2 at Fort Greely, Alaska to support Ground-based Midcourse Defense and continued aggressive component testing and refurbishment of currently deployed Ground Based Interceptors to improve reliability. The DoD also completed the initial 48 interceptors for the two fielded Terminal High Altitude Area Defense batteries. To meet its commitment to protect European North Atlantic Treaty Organization (NATO) allies against a growing ballistic missile threat, the United States completed Phase 1 deployment of the European Phased Adaptive Approach, consisting of a command and control, battle management system in Germany, forward-based radar in Turkey, and an Aegis BMD ship in the Eastern Mediterranean Sea. The Department also deployed a forward-based radar to the U.S. Central Command Area of Responsibility.

Areas of challenge: Budgetary uncertainties could affect the pace of missile defense acquisition and fielding. The DoD budget could be reduced significantly should cuts mandated by sequestration take effect. Should this occur, the nature and scope of the reductions to the missile defense program remain to be seen, but will likely affect ongoing efforts to field regional missile defense capabilities, including Aegis BMD-capable ships.

Mitigation strategies: The Department will work within budgetary limitations to develop and field robust, pragmatic, and cost-effective missile defense capabilities. We will evaluate the scope and nature of the reductions, if any, and decide where reductions and efficiencies can be taken with the least impact to the level of protection provided to the warfighters.

**Strategic Objective 2.4.1X2: Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.**

Areas of significant improvement: Figure 8-15 indicates that the Department met its ISR goal for FY 2012. While the FY 2012 performance result (57 orbits or Combat Air Patrols (CAPs)) is below the level achieved in FY 2011 (59 CAPs), this reduction does not reflect a negative trend since it was specifically approved by the Secretary of Defense and is necessary to reconstitute MQ-1 Predator and MQ-9 Reaper CAPs, due to surge operations. The Air Force is continuing to make progress in balancing crew levels for combat operations and training. This is key for resuming the planned build to 65 CAPs by May 2014. Improvements include greatly expanded Remotely Piloted Aircraft (RPA) pilot and sensor operator crew force, normalized crew ratios, and staff assignment opportunities to enhance career development for RPA crew members. Reconstitution is also enabling a limited number of pilots to return to their original major weapon systems.

Areas of challenge: At this time, the Department does not foresee any challenges to continuing growth to 65 CAPs by May 2014.

Mitigation strategies: Reconstitution ended in November 2012.

### **STRATEGIC GOAL 3 RESULTS: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.**

Strategic Goal 3 accounts for 13 percent of the Department's FY 2012 performance results (9 of 69). The Department met or exceeded 100 percent (9 of 9) of performance results for Strategic Goal 3. Results, by specific performance goal and each strategic objective area, are identified at Figure 8-16 and discussed in detail below.

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Figure 8-16. DoD Strategic Goal 3 Results

STRATEGIC GOAL 3: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.						
Performance Measures	Annual Performance Goals/Results					
	FY 2011 Results		FY 2012 Goals		FY 2012 Results	
<b>Strategic Objective 3.1F2: Improve the responsiveness and flexibility of consequence management response forces.</b>						
3.1.1-1F2: Cumulative number of Homeland Response Forces (HRFs) trained, equipped, evaluated, and validated at a reduced response time of 6 – 12 hours.	2		10		10 ↑	
3.1.2-1F2: Cumulative number of Chemical, Biological, radiological, Nuclear and High-Yield Explosives Enhanced Response Force Packages (CERFPs) trained, equipped, evaluated, and validated at a response time of 6-12 hours	17		17		17 ↔	
3.1.3-1F2: Number of Defense CBRNE Response Forces (DCRFs) trained, equipped, evaluated, and certified at a response time of 24-48 hours.	Non-applicable		1		1	
3.1.4-1F2: Number of Command and Control (C2) CBRNE Response Elements (C2CREs) trained, equipped, evaluated, and validated at a response time of 6-12 hours	Non-applicable		2		2	
<b>Strategic Objective 3.2-1F2C: Enhance capacity to locate, secure, or neutralize weapons of mass destruction, key materials, and related facilities</b>						
3.2.1-1F2C: Cumulative percent of treaty-declared category 1 chemical weapons destroyed	89.1%		89.8%		89.8% ↑	
3.2.2-1F2C: Cumulative number of labs working with dangerous pathogens at risk for exploitation	37		39		44 ↑	
<b>Strategic Objective 3.3-1F2C: Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.</b>						
New measures effective FY 2013.						
<b>Strategic Objective 3.4-1X1: Expand capacity to succeed against adversary states armed with anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.</b> <i>*Agency Priority Goal 1: By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards, on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense.</i>						
3.4.1-1X1: Percent of DoD's nuclear command, control, and communications (NC2) cryptographic modernization plan completed	12%		32%		32% ↑	
*3.4.2-1X1: Percent of inspected DoD cyberspace organizations that attain a passing grade (score of xx percent or better) on a Command Cyber Readiness Inspection (CCRI)	Sensitive <sup>1/</sup>		Sensitive <sup>1/</sup>		Met <sup>1/</sup> ↓	
<b>Strategic Objective 3.5-2D: Maintain a strong technical foundation within the Department's Science and Technology (S&amp;T) program.</b>						
3.5.1-2D : Percent of completing demonstration programs transitioning each year	83%		30%		83% ↔	
	Met or Exceeded		Did Not Meet		Total	
<b>GOAL 3 – PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.</b>	9		100%		0	
					0%	
	9				100%	
<b>Footnotes:</b>						
<sup>1/</sup> Specific goals and results associated with cyber readiness are not reflected in this assessment since these are considered sensitive.						
<i>*Reflects FY 2012-2013 Agency Priority Goal (APG).</i>						
<b>Performance Trend Legend:</b>						
Optimum performance (100%): ↔			Stable performance: ↔			
Improving performance: ↑			Declining performance: ↓			

**Strategic Objective 3.1.1F2B: Improve the responsiveness and flexibility of consequence management response forces.**

Areas of significant improvement: Four performance goals are key indicators for improving the responsiveness of consequence management response forces in FY 2012. Two performance goals carry over from FY 2011 and are focused on certifying Homeland Response Forces (HRFs) and Chemical, Biological, Radiological, and Nuclear Enhanced Response Force Packages (CERFPs) at a response time of 6-12 hours.

HRFs are operationally focused on one of the ten Federal Emergency Management Agency (FEMA) regions and sourced by either a single state or a collection of states in that region. HRFs, under control of the state governors, deploy in 6-12 hours with life-saving capabilities (emergency medical, search and extraction, decontamination, security, and command and control) supporting the needs of civilian agencies in response to chemical, biological, radiological, or nuclear incidents. By the end of the fourth quarter, the DoD had certified 10 of 10 HRFs projected for FY 2012, including those hosted by Utah and Massachusetts.

In addition, the Department continues to maintain an inventory of 17 CERFPs. The 17 CERFPs are operationally focused in the ten FEMA regions and sourced by either a single state or a collection of states in that region. There is at least one CERFP per FEMA region with multiple CERFPs in FEMA regions with the highest population concentration. CERFPs, under control of the state governors, deploy in 6-12 hours with life-saving capabilities (emergency medical, search and extraction, and decontamination) supporting the needs of civilian agencies in response to chemical, biological, radiological, or nuclear incidents.

However, the HRFs and CERFPs represent only two elements of the greater restructured Chemical, Biological, Radiological, and Nuclear (CBRN) Response Enterprise (CBRNE). During FY 2012, the Department maintained a new Defense Chemical, Biological, Radiological, and Nuclear Response Force (DCRF) that was created at the end of FY 2011 and nationally-focused and sourced from Active and Reserve component forces throughout CONUS. The DCRF, under control of the U.S. Northern Command, deploys in 24-48 hours with command and control and extensive life-saving (emergency medical, search and extraction, and decontamination) and logistics and sustainment capabilities supporting the needs of civilian agencies in response to chemical, biological, radiological, or nuclear incidents.

In addition, the Department certified the second of two Command and Control (C2) CBRNE Response Element (C2CRE) in the fourth quarter of FY 2012. The C2CREs are nationally-focused and sourced from Active and Reserve component forces throughout the continental United States. C2CREs, under control of US Northern Command, deploy in 96-hours or less with command and control and limited life-saving capabilities (emergency medical, search and extraction, and decontamination). The C2CREs are designed to provide command and control (C2) for follow-on, contingency sourced specialized and general purpose supporting the needs of civilian agencies in response to chemical, biological, radiological, or nuclear incidents.

Areas of challenge: Oversight of the certification of the CBRNE elements has been a significant accomplishment. Implementation has been challenging due to the high dependency on partnerships and collaboration with other Federal departments and agencies and the HRF Host States. Future challenges include keeping the CBRN Enterprise intact in the challenging fiscal environment and progressing on developing an integrated Enterprise planning architecture and other detailed implementation tasks related to process and procedures rather than fielding of capabilities.

Mitigation strategies: The Department participates in a number of forums, including the National Security Staff-facilitated interagency policy committee, which are designed to increase

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collaboration and establish coordination procedures within the Executive Branch. Department and state collaboration is enhanced by the President-directed Council of Governors and at an operational level, by the liaison of active duty and National Guard military members assigned to regional and state operations centers during a crisis.

**Strategic Objective 3.2.1F2C: Enhance capacity to locate, secure, or neutralize weapons of mass destruction (WMD), key materials, and related facilities.**

Areas of significant improvement: Figure 8-16 indicates that the Department continues to show progress in achieving its annual goals for destroying treaty-declared category 1 chemical weapons. In addition, the DoD is ahead of schedule in constructing overseas zonal diagnostic labs that are designed for working with dangerous pathogens at risk of exploitation.

By January 2012, the Army-managed portion of the Chemical Demilitarization Program (U.S. Army Chemical Materials Agency (CMA)), which started destruction operations in 1990, completed the destruction of approximately 90 percent of the U.S. chemical weapons stockpiles at seven sites.

Areas of challenge: In March 2012, the new Acquisition Program Baseline for the life cycle cost and schedule estimates were approved by the Under Secretary of Defense (USD) for Acquisition, Technology and Logistics (AT&L) for the restructured Assembled Chemical Weapons Alternatives (ACWA) program. This is the only document which identifies the approved chemical weapons destruction schedule.

Mitigation strategies: The DoD-managed portion of the Chemical Demilitarization Program will destroy the remaining 10 percent of the U.S. stockpile. The ACWA is currently in the construction phase and is expected to resume chemical weapons destruction at the Colorado facility in December 2015 and at the Kentucky facility in April 2020. Destruction of the remaining U.S. chemical weapons stockpile is expected when the Kentucky site completes destruction in September 2023.

**Strategic Objective 3.3.1F2C: Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.**

No performance goals were established for this strategic objective area in FY 2012. However, building partnership capacity globally remains important for sharing the costs and responsibilities of global leadership. Across the globe, we seek to be the security partner of choice, pursuing new partnerships with a growing number of nations whose interests and viewpoints are merging into a common vision of freedom, stability, and prosperity. One of the ways is by helping partner-nations build effective, transparent, and accountable defense institutions. Therefore, DoD's FY 2013 Annual Performance Plan includes three performance goals focused on enhancing general purpose forces training in specialized security force assistance, on increasing the number of civilian expeditionary advisors, and on expanding the Defense Institution Reform Initiative (DIRI) and the Ministry of Defense Advisors (MoDA) program. The DIRI, like the MoDA, is a global security cooperation initiative to support institutional capacity building of partner defense ministries. Both programs are being expanded to other critical theaters based on their success in Afghanistan and in the case of DIRI, success in other countries.

**Strategic Objective 3.4.1X1: Expand capacity to succeed against adversary states armed with advanced anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.**

*\*Agency Priority Goal 1: By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards, on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense.*

Areas of significant improvement: The specific goals and results associated with cyber readiness are not reflected in this assessment since these are considered sensitive. However, the Department met its Agency Priority Goal in the area of cyber readiness and fully executed its nuclear command, control, and communications (NC3) cryptographic modernization plan for FY 2012.

Areas of challenge: The Department's cyber readiness posture for FY 2012 ran slightly below the level achieved in FY 2011. The DoD changed the cyber readiness scoring criteria in May 2011 to make the inspection more rigorous, which has caused individual inspection scores to drop. However, this did not directly affect the overall passing rate. In addition, the DoD expanded the number of units inspected, which may have skewed trending but helped to address the DoD's cyber security posture more broadly. Finally, Cyber Command occasionally orders cyber security inspections of problematic organizations to identify the scope of particular problems. These units almost always fail the inspection. Adding failing scores to a fairly small sample size can have an adverse impact on the result, but assists in improving DoD's overall cyber security posture.

Mitigation strategies: The Department is currently performing analysis on the small fluctuation in results that occurred for FY 2012 and is coordinating with DoD components to mitigate any issues that may risk achievement of performance goals in the future.

**Strategic Objective 3.5.2D: Maintain a strong technical foundation within the Department's Science and Technology (S&T) program.**

The Department's Strategic Plan calls for maintaining the Department's technological edge via its science and technology (S&T) investments. The Department was tremendously successful in FY 2012 by transitioning 83 percent of its S&T demonstration projects into warfighter applications. Of particular note, are the following projects:

- Rapid Reaction Tunnel Detection (R2TD) Joint Capability Technology Demonstration (JCTD) – provides a capability to persistently detect sub-surface structures, detect and characterize use of the structures, and provide near-real-time alerts to operators over large land areas. During Operation Iraqi Freedom, R2TD capability was used to discover underground tunnels used by al-Qaida to store weapons, hide fighters and launch attacks against U.S. forces. Further, R2TD satisfied an Operational Need Statement (ONS) in Afghanistan for theater internment facilities where prisoners were tunneling out using crude implements and, as a result of the Afghanistan prison break, USCENTCOM issued a Joint Urgent Operation Need Statement for tunnel detection. R2TD made an initial shipment of residual equipment to provide an immediate capability. R2TD remains employed in support of Operation Enduring Freedom. Additionally, an initial instantiation of the R2TD system was sold to Egypt for tunnel detection and approximately 30 tunnels were successfully found. R2TD was used by the Department of Homeland Security and Customs and Border Protection, along the United States (U.S.) southwest border, to discover seven tunnels, which resulted in the seizure of 17½ tons of marijuana (valued at \$28 million).

- Riverine and Inter-coastal Operations (RIO) (JCTD) – provides situational awareness for U.S. and coalition riverine operations. The final technical demonstration was conducted in the second quarter of FY 2012 in Belize for Colombia, Belize, Mexico and U.S. operators. The Belize Deputy Chief of Mission (DCM) said that RIO “...is a good example of shared opportunities (between the U.S. and international partners) to deal with significant regional challenges. In addition to operational and technical success, RIO resulted in the first-ever Master Information Exchange Agreement (MIEA) and Information Exchange Agreement (IEA) between the U.S. and Colombia. The U.S. Navy has begun transition of RIO technology for operational use. Procurement of RIO kits began in FY 2012 and additional RIO kits have been requested by multiple Combatant Commanders for operational use FY 2013. Also, Colombia and Mexico have expressed significant interest in the RIO capability suite, and Department of State has approved a Direct Commercial Sales process with both countries.
- Fire Resistant Ghillie Suit and Accessory Kit (Foreign Comparative Testing Project) – provides surveillance units and snipers with the latest enhancements in flame resistant textiles and flame resistant adhesives to significantly increase flash flame protection, abrasion resistance, and concealment. Flame Resistant Base Layer and various camouflage multi-functional materials are used to construct, repair, and modify Ghillie Suits to meet unique mission and climatic requirements. This project was a direct result of the loss of the lives of two snipers whose suits caught fire while executing a mission.
- Improved Viper Strike Precision Guide Munition (Foreign Comparative Testing Project) – is a glide munition capable of precisely hitting targets from extended stand-off ranges, using GPS-aided navigation and an end-game, semi-active laser seeker. Its small, 44-lb., highly agile airframe and quiet attack profile provides a covert launch and low, collateral damage effects against stationary and high speed moving targets. Using Viper Strike’s new fast-attack software, the weapon has proven it can be quickly employed against moving targets by both air and ground-designated targets.
- Automated Liquid Handling for DNA Sample Processing (Biometrics S&T Project) – eliminates the need for hand labeling and manual pipetting of DNA samples in the lab. Due to this new system and software, lab technicians have already experienced two to three times more extracted DNA from swabs over conventional techniques.
- Low Altitude Air Defense (LAAD) Integrated Picture (Quick reactions Special Project) – provides a software solution to integrate air tracks from Link -16 with ground tracks from Blue Force Tracker (BFT) inside the LAAD Section Leader Vehicle. This integrated picture reduces the risk of fratricide, reduces hardware required inside Fire Unit Vehicles (FUV), and obviates the need to install BFT equipment inside FUVs. The software solution was successfully demonstrated in August 2012 and is transitioning to Program Executive Office Land Systems in FY 2013.

### **STRATEGIC GOAL 4 RESULTS: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.**

Strategic Goal 4 accounts for 29 percent of the Department’s FY 2012 performance results (20 of 69). The Department met or exceeded 75 percent (15 of 20) of performance results for Strategic Goal 4. Results, by specific performance goal and each strategic objective area, are identified at Figure 8-17 and discussed in detail below.

Figure 8-17. DoD Strategic Goal 4 Results

STRATEGIC GOAL 4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.			
Performance Measures	Annual Performance Goals/Results		
	FY 2011 Results	FY 2012 Goals	FY 2012 Results
<b>Strategic Objective 4.1-2M: Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.</b>			
<i>* Agency Priority Goal 2: By September 30, 2013, the DoD will improve the care and transition of Wounded, Ill and Injured (WII) Warriors by: 1) increasing the use of Recovery Care Coordinators and ensuring WII Service members have active recovery plans; 2) improving effectiveness of behavioral health programs and ensuring all Service members complete quality post-deployment health screenings; and 3) accelerating the transition of WII Service members into veteran status by reducing the disability evaluation processing time.</i>			
4.1.1-2M: Average percent variance in Defense Health Program annual cost per equivalent life increase compared to average civilian sector increase	1.4%	0%	-6.4% ↑
4.1.2-2M: Percentage of Armed Forces who meet Individual Medical Readiness (IMR) requirements	78%	82%	84% ↑
*4.1.3-2M: Percent of Service members who are processed through the single Integrated Disability Evaluation System (IDES) within 295 days (Active) and 305 days (Reserve) components	Non-applicable	60%	24%
*4.1.4-2M: Percent of wounded, ill and injured Service members who are enrolled in a Service recovery coordination program and have an established and active recovery plan administered by a DoD trained Recovery Care Coordinator	Non-applicable	100%	68%
*4.1.5-2M: Percent of wounded, ill and injured who are assigned to a DoD trained Recovery Care Coordinator within 30 days of being enrolled in a Wounded Warrior Program	Not available	100%	70%
<b>Strategic Objective 4.2-2P: Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.</b>			
4.2.1-2P: Percent variance in Active component end strength	-0.5%	3%	-1.6% ↑
4.2.2-2P: Percent variance in Reserve component end strength	0.2%	3%	-0.8% ↑
4.2.3-2P: Percentage of the Department's active duty Army who meet the planning objectives for time deployed in support of combat operations versus time at home	85.7%	80%	91% ↑
4.2.4-2P: Percentage of the Department's active duty Navy who meet the planning objectives for time deployed in support of combat operations versus time at home	95.6%	95%	95% ↓
4.2.5-2P: Percentage of the Department's active duty Marines who meet the planning objectives for time deployed in support of combat operations versus time at home	94%	95%	96% ↑
4.2.6-2P: Percentage of the Department's active duty Air Force who meet the planning objectives for time deployed in support of combat operations versus time at home	97.3%	95%	98% ↑
4.2.7-2P: Percentage of Reserve Component (RC) Service members mobilized in the evaluation period that have dwell ratios greater than or equal to 1:5	71.8%	71%	72.7% ↑
4.2.8-2P: Number of days for external civilian hiring (end-to-end timeline)	104	80	83 ↑
<b>Strategic Objective 4.3-2R: Better prepare and support families during the stress of multiple deployments.</b>			
4.3.1-2R: Percent of worldwide government-owned Family Housing inventory at good or fair (Q1- Q2) condition	80	81%	81.5% ↑

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STRATEGIC GOAL 4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.						
Performance Measures	Annual Performance Goals/Results					
	FY 2011 Results		FY 2012 Goals		FY 2012 Results	
4.3.2-2R: Percent of the world-wide inventory for government-owned permanent party unaccompanied housing in the United States at good or fair (Q1 – Q2) condition	82%		85%		85% ↑	
4.3.3-2R: Cumulative number of Department of Defense Education Activity (DoDEA) schools that meet good or fair (Q1-Q2) standards	33%		35%		38% ↑	
<b>Strategic Objective 4. 4-2T: Train the total Defense Workforce with the right competencies.</b>						
4.4.1-2T: Percent of acquisition positions filled with personnel meeting Levels II and III certification requirements	62%		62.1%		70.1% ↑	
4.4.2-2T: Percentage of Defense Language Institute (DLI) Foreign Language Center students who achieve a 2/2/1+ Defense Language Proficiency Test (DLPT) score in reading, listening, and speaking modalities	77.4%		80%		77% ↓	
4.4.3-2T: Percent of information assurance positions and contract requirements filled with personnel meeting certification requirements	Not available		70%		78%	
4.4.4-2T: Percent of eligible DoD adjudicators that are certified	23%		90%		97.7% ↑	
	Met or Exceeded		Did Not Meet		Total	
<b>GOAL 4 – PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE</b>	15	75%	5	25%	20	100%
<i>*Reflects FY 2012-2013 Agency Priority Goal.</i>						
<b>Performance Trend Legend:</b>						
Optimum performance (100%): ↑			Stable performance: ↔			
Improving perform ↑			Declining performance: ↓			

### Strategic Objective 4.1.2M: Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.

*\*Agency Priority Goal 2: By September 30, 2013, the DoD will improve the care and transition of Wounded, Ill and Injured (WII) Warriors by: 1) increasing the use of Recovery Care Coordinators and ensuring WII Service members have active recovery plans; 2) improving effectiveness of behavioral health programs and ensuring all Service members complete quality post-deployment health screenings; and 3) accelerating the transition of WII Service members into veteran status by reducing the disability evaluation processing time.*

**Areas of significant improvement:** Figure 8-17 reflects Individual Medical Readiness (IMR) results, for both Active and Reserve members combined, surpassed the FY 2012 goal of 80 percent. This represents a six percent increase when compared to FY 2011.

In the area of military health care costs, outpatient prospective payment systems continue to provide pricing reductions for private sector care as these are phased into full implementation. Pharmacy rebates provide reductions in retail pharmacy which is the highest cost pharmacy venue.

**Areas of challenge:** Some progress has been made with Integrated Disability Evaluation System (IDES) processing time and in Wounded, Ill and Injured (WII) care. However, these programs fell significantly short of achieving DoD performance goals in FY 2012.

Conversion to the IDES, the Department's joint evaluation process with the Veteran Affairs (VA), was completed in September FY 2011. The main objectives of the IDES are to provide faster

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disability determination, greater transparency, and reduced time between DoD separation and receipt of VA benefits. At the end of FY 2012, 24 percent of Service members were processed through the IDES within 295 days (Active) and 305 days (Reserve) components, falling short of the 60 percent goal. Slow execution of Army Medical Evaluation Boards (MEBs) are the primary reason the overall IDES goal was not achieved. Approximately 93 percent of overdue MEB cases are Army Soldiers and Army MEBs were averaging 94 days at the end of FY 2012 against a 35-day sub-goal.

While the Department did not meet its goals in the area of Recovery Care, the DoD did continue to make progress throughout FY 2012 by increasing the percentages of WII Service members that were assigned Recovery Care Coordinators (RCCs) and had active recovery plans. RCCs help Service members and families identify and address their non-medical needs during their recovery, rehabilitation and reintegration to civilian life or return to military duty. RCCs create a comprehensive recovery plan that connects Service members and their families to transportation, housing, employment, child care, financial and legal assistance resources. By the fourth quarter of FY 2012, 100 percent of WII Service members had been assigned RCCs and 99 percent of these had active recovery plans in place.

Currency of Periodic Health Assessments (PHA) and dental shortfalls continue to challenge the Department's ability to meet IMR goals in the RC.

Outpatient prospective payment systems and rebates provide short term pricing decreases, but once fully phased in, pricing will become stable and utilization will again become a cost driver.

**Mitigation strategies:** Medical and dental readiness remain a high priority since it contributes to overall Departmental readiness goals. Active duty health care utilization continues at a high rate due to war-related care. The Military Health System continues expansion of Patient Centered Medical Home (PCMH). PCMH is a practice model where a team of health professionals, coordinated by a personal physician, works collaboratively to provide high levels of care, access and communication, care coordination and integration, and care quality and safety. Care delivered in a PCMH has been associated with better outcomes, reduced mortality, fewer preventable hospital admissions for patients with chronic diseases, lower overall utilization, improved patient compliance with recommended care, and lower spending.

The DoD has allocated funding to add over 800 IDES staff positions to improve IDES performance and timeliness. An inter-disciplinary IDES Task Force was established to develop and present recommendations to increase performance in FY 2013. To improve timeliness, the DoD and VA will be executing a three-pronged campaign plan emphasizing (1) resourcing, (2) leadership, and (3) regular execution reviews to reduce disability evaluation processing time by September 30, 2013. More detailed information on the Department's Wounded, Ill and Injured Agency Priority Goal can be found at <http://www.performance.gov/>.

**Strategic Objective 4.2.2P: Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.**

**Areas of significant improvement:** Figure 8-17 indicates that the Department met and shows improvement in all eight of its force management-related performance goals. The Services continue to meet recruiting and retention goals, and Service member quality goals. The percentage of AC Soldiers who meet the deployment to dwell ratio (1:2) for the Army has made significant progress from 86 percent at the end of FY 2011 to 91 percent at the end of FY 2012. In addition, the percentage of AC Navy, Marine Corps and Air Force personnel, who meet the 1:2 goal, is at or above 95 percent. The percentage of RC Service members who meet the

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1:5 goal for time mobilized has shown some fluctuation, but has improved by approximately one percent (from 71.8 to 72.7 percent) between FY 2011 and FY 2012.

The length of time for civilian hiring has also shown some fluctuation, which may be attributed to seasonality, but made progress over FY 2011. The Department met its goal of 80 days for external hires for the first three quarters of FY 2012 but ended the year slightly higher than the annual goal. The use of the automated USA Staffing application has improved the Department's hiring timeliness and enabled human resource professionals to manage the end-to-end process more effectively.

Areas of challenge: Meeting end strength with an all-volunteer force will continue to challenge the Department. The Department must continue to carefully plan and manage personnel and units to keep our commitment to our Service men and women with service obligations and deployment planning objectives. Our ability to keep these commitments depends upon predictability in force deployment plans.

Although the DoD has been successful in meeting the milestones and objectives set forth in the civilian hiring action plan, there are several remaining challenges that need to be addressed. System-related changes make it easier to identify the specific areas needing improvement. Coordinated efforts between the data analysts and human resource specialists continue to have the most significant impact on hiring reform across the Department. While enhancements to USA Staffing and technologies have improved key processes and enabled the DoD's swift adoption of hiring reform mandates, continued attention to these mission-critical systems will be key in ensuring these efforts are sustainable.

Mitigation strategies: The Department must continue to aggressively recruit and retain Service members of the requisite quality. Strategies and deployment schedules must be closely monitored and adjusted to meet both operational requirements and maintain faith with our Service members for mobilization and deployments.

Training, outreach, and collaboration are the key focus areas for continued success with expeditious and efficient civilian hiring. The DoD is committed to successful delivery of enhancements to key systems; increased reliability and ease-of-use for job seekers and system administrators. Additionally, efforts are underway to identify and obtain appropriate hiring authorities and remove barriers to efficient hiring of quality candidates.

### **Strategic Objective 4.3.2R: Better prepare and support families during the stress of multiple deployments.**

Areas of significant improvement: The quality of family and unaccompanied housing has progressively improved since FY 2011.

Areas of challenge: The Department continues to meet its obligation to provide a quality education for Active Component military families' elementary and high school education. The percentage of DoDEA school facilities meeting the acceptable DoD condition rating was above target at the end of FY 2012. Services' end-state force structure and basing locations make it difficult to identify long range community needs upon which to base schools requirements. Any reductions in military construction (MILCON) funding will delay progress and result in school facilities not meeting quality standards. School facility construction and renovation is typically scheduled for the fourth quarter of the fiscal year to avoid interference with the school year.

Mitigation strategies: The DoDEA will continue to work closely with the Services to ensure the MILCON program is supportive of and appropriately aligned to force structure changes. The DoDEA currently has 49 MILCON projects in design and 8 projects under construction. The DoDEA remains on schedule to ensure all schools meet DoD condition standards by FY 2018.

### Strategic Objective 4.4.2T: Train the Total Defense Workforce with the right competencies.

Areas of significant improvement: Figure 8-17 identifies four primary goals that are directed at improving workforce competency, in the areas of the Department's acquisition workforce, DoD personnel security adjudicators, language proficiency, and information assurance.

A highly qualified workforce is a critical element for achieving and improving acquisition outcome success. Certification standards drive workforce quality. A key quality objective is ensuring that acquisition workforce members meet position certification requirements. Certification requirements are comprised of training, education, and experience standards which are established by level for each acquisition functional category. The Department exceeded its FY 2012 annual goals governing DoD acquisition professionals and personnel security adjudicators and shows significant improvement in both these categories from prior year levels.

The Department exceeded its annual goal to certify 90 percent of adjudicators by FY 2012 by achieving 97.7 percent Adjudicator Professional Certification (APC) by the end of FY 2012. The APC is a rigorous accredited certification program administered for the DoD enterprise by the Defense Security Service's Center for Development of Security Excellence. A competent corps of adjudicators improves adjudicative timeliness and enables compliance with Intelligence Reform and Terrorism Prevention Act mandates. Additionally, it provides assurance that adjudicators are reviewing cases based on shared standards that enable greater confidence in reciprocal acceptance of other adjudications. Finally, a robust trained corps of adjudicators is the first line of defense to deny potential malicious insiders' access to national security positions in DoD.

Areas of challenge: The Defense Language Institute Foreign Language Center (DLIFLC) was initially insufficiently resourced to sustain desired student-to-ratios, and the level of graduates' language proficiency suffered as a result.

Mitigation strategies: Civilian over-hires have enabled the DLIFLC to return to an optimum student-to-teacher ratio, and a number of strategic changes have also been put in place. The trend in performance, since the second quarter of FY 2012, has shown steady improvement as a result.

### **STRATEGIC GOAL 5 RESULTS: REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.**

Strategic Goal 5 accounts for 42 percent of the Department's FY 2012 performance results (29 of 69). Based on FY 2012 results, the Department met or exceeded 55 percent (16 of 29) of performance goals for Strategic Goal 5. Results, by specific performance goal and each strategic objective area, are identified at Figure 8-18 and discussed in detail below.

Figure 8-18. DoD Strategic Goal 5 Results

STRATEGIC GOAL 5: REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.			
Performance Measures	Annual Performance Goals/Results		
	FY 2011 Results	FY 2012 Goals	FY 2012 Results
<b>Strategic Objective 5. 1-2A: Increase use of renewable energy and reduce energy demand at DoD installations.</b>			
<i>*Agency Priority Goal 3: By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency.</i>			
5.1.1-2A: Average facilities sustainment rate	82%	85%	85% <sup>11</sup> ↑
*5.1.2-2A: Cumulative average percent reduction in building energy intensity	13.3%	21%	17.7% ↑
*5.1.3-2A: Percentage of renewable energy produced or procured based on DoD's annual electric energy usage	8.5%	12%	9.6% ↑
5.1.4-2A: Million square feet of excess or obsolete facilities eliminated	41.6	57	55.8 ↑
<b>Strategic Objective 5.2-2C: Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase mission assurance.</b>			
5.2.1-2C: Percent of applicable information technology and National Security Systems that are certification and accreditation-compliant	92%	90%	91.1% ↓
5.2.2-2C: Cumulative percent reduction in the number of DoD data center	7%	19%	15% ↑
5.2.3-2C: Cumulative percentage of DoD Non-classified Internet Protocol Router Network (NIPRNet) accounts with Public Key Infrastructure (PKI) cryptographic login capability	88%	88%	95% ↑
5.2.4-2C: Cumulative percentage of DoD Secret Internet Protocol Router Network (SIPRNet) accounts with Public Key Infrastructure (PKI) cryptographic login capability	3.2%	50%	16.5% ↑
<b>Strategic Objective 5.3- 2E: Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.</b>			
<i>*Agency Priority Goal 4: By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1 programs, going through Milestone A decision reviews, will present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews, will present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DoD will increase the amount of contract obligations, that are competitively awarded, to 60 percent in FY 2012 and 61 percent in FY 2013.</i>			
*5.3.1-2E: Percentage of contract obligations that are competitively Awarded	58.5%	60%	57.5% ↓
*5.3.2-2E: Average percent increase from the Acquisition Program Baseline (APB) cycle time for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 and after	4.5%	5%	6.6% ↓
5.3.3-2E: Percent of enterprise level information Technology (IT) software and hardware deployed as business services within 18 months of the capability business cases approval	Non-applicable	70%	67%
5.3.4-2E: Number of Major Automated Information System (MAIS) "significant" breaches (equal to or greater than 15 percent of Acquisition Program Baseline (APB) total cost or with schedule slippages greater than six months))	2	1	3 ↓
5.3.5-2E: Number of Major Automated Information System (MAIS) "critical" breaches (equal to or greater than 25 percent of Acquisition Program Baseline (APB) total cost or with schedule slippages of one year or more))	1	2	3 ↓

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<b>STRATEGIC GOAL 5: REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.</b>						
Performance Measures	Annual Performance Goals/Results					
	FY 2011 Results	FY 2012 Goals	FY 2012 Results			
5.3.6-2E: Average rate of acquisition cost growth from the previous year for Major Defense Acquisition Programs (MDAPs) starting in FY 2002	-0.2%	3	-0.3%	↑		
*5.3.7-2E: Number of Major Defense Acquisition Program (MDAP) breaches equal to or greater than 15 percent of current Acquisition Program Baseline (APB) unit cost or equal to or greater than 30 percent of original APB unit cost	3	0	1	↑		
5.3.8-2E: Percentage of Small Business contract obligations goals met annually	20%	100%	20%	↔		
5.3.9-2E: Cumulative percent of Major Defense Acquisition Programs certified, as required by the Weapon Systems Acquisition Reform Act of 2009	60%	100%	84%	↑		
*5.3.10-2E: Percentage of Acquisition Category (ACAT) 1 programs, going through a Milestone A decision review, that present an affordability analysis	Non-applicable	100%	100%			
*5.3.11-2E: Percentage of Acquisition Category (ACAT) 1 programs, going through a Milestone A decision review, that present a competitive strategy	Non-applicable	100%	100%			
<b>Strategic Objective 5.4-2L: Provide more effective and efficient logistical support to forces abroad.</b>						
5.4.1-2L: Perfect Order Fulfillment (POF) rate for Defense Logistics Agency (DLA) stock items	86.2%	85.1%	87.1%	↑		
5.4.2-2L: Army customer wait time (days)	14.1	15.5	13.7	↑↓		
5.4.3-2L: Navy customer wait time (days)	11.4	15	12.6	↓		
5.4.4-2L: Air Force customer wait time (days)	5	7.5	5.5	↓		
5.4.5-2L: Percentage of excess on hand secondary item inventory	9.2%	10%	9.9% <sup>2/</sup>	↓		
5.4.6-2L: Percentage of excess on order secondary item inventory	4.8%	6.6%	5.8% <sup>2/</sup>	↓		
<b>Strategic Objective 5.5-2U/V: Improve financial management and increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.</b>						
<i>*Agency Priority Goal 5: By September 30, 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.</i>						
5.5.1-2U/V: Percentage of DoD Fund Balance with Treasury validated as audit-ready	9%	9%	9%	↔		
5.5.2-2U/V: Percentage of DoD Statement of Budgetary Resources validated as audit-ready	14%	14%	14%	↔		
5.5.3-2U/V: Percentage of DoD Mission Critical Assets validated for existence and completeness as audit-ready	4%	40%	41%	↑		
*5.5.4-2U/V: Percentage of DoD Statement of Budgetary Resources for Appropriations Received validated as audit-ready	80%	83%	88%	↑		
	<b>Met or Exceeded</b>		<b>Did Not Meet</b>		<b>Total</b>	
<b>GOAL 5 – REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF DEFENSE ENTERPRISE.</b>	<b>16</b>	<b>55%</b>	<b>13</b>	<b>45%</b>	<b>25</b>	<b>100%</b>
<b>Footnotes:</b>						
<sup>1/</sup> Reflects result for Operations and Maintenance (O&M) funds only as most facilities sustainment funding is O&M.						
<b>Performance Trend Legend:</b>						
Optimum performance (100%): ↑↓			Stable performance: ↔			
Improving performance: ↑			Declining performance: ↓			

**Strategic Objective 5. 1-2A: Increase use of renewable energy and reduce energy demand at DoD installations.**

*\*Agency Priority Goal 3: By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency.*

Areas of significant improvement: In FY 2012, the Department met its sustainment goal with the Services and Agencies prioritizing sustainment tasks and focusing their funding on their most pressing requirements. The DoD has made near-term progress in reducing excess facilities based on its six-year demolition program and is on track to meet its overall department-wide target to demolish 62.3 million square feet by the end of fiscal year 2013.

Areas of challenge: While the DoD is steadily improving its energy performance, Figure 8-18 indicates that the Department did not meet its Agency Priority Goals for FY 2012. Prior to FY 2011, other funding priorities limited the Department's ability to adequately budget for energy efficiency improvements and renewable energy projects.

In addition, the Department fell short in meeting its demolition goal for FY 2012 where funds are often diverted to higher priorities such as sustainment.

Mitigation strategies: During FY 2011, the Department provided a more robust budget for facility energy requirements, but does not expect to meet facility energy goals until FY 2015. To date, the DoD has awarded \$362 million in performance based energy contracts.

**Strategic Objective 5.2.2C: Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase DoD mission assurance.**

Areas of significant improvement: Figure 8-18 indicates that the Department achieved 50 percent (2 of 4) mission assurance goals for FY 2012. As of September 30, 2012, over 91 percent of applicable information technology systems were compliant and 95 percent of DoD Non-classified Internet Protocol Router Network (NIPRNet) accounts had Public Key Infrastructure (PKI) cryptographic login capability.

Areas of challenge: Less progress has been made in FY 2012 with regard to achieving the Department's share of the federal-wide reduction in data centers and transitioning DoD Secret Internet Protocol Router Network (SIRPNet) accounts to PKI cryptographic login capability. Less progress was made with regard to closing DoD data centers due, in part, to new Office of Management and Budget (OMB) guidance in March 2012 on definition of a data center. This new definition discounted some of data centers closures that had been previously reported in FY 2011. The DoD has closed 87 data centers since FY 2010. While a large number of data centers were closed, the DoD did not achieve its FY 2012 goal also due to unanticipated closure costs and complications with execution.

Mitigation strategies: DoD Components continue to identify their data center inventories and are executing Business Case Analyses to update their annual plans. Compliance rates are closely monitored on a monthly basis by the DoD Chief Information Officer (CIO) Federal Information Security Management Act (FISMA) Reporting team. The DoD CIO sent a memorandum to senior Component leadership directing corrective action to those who fell short. Components with lower or falling scores were also addressed individually to resolve issues. Military Department CIOs were reminded about this goal during the CIO's Executive Board

meeting, and the DoD CIO called on those who were lagging to provide comments on their plans to reach the goal.

Applying industry best practices for data centers, components are aggressively rationalizing their applications and systems, and converting them to virtualized environments in order to consolidate them into designated core data centers.

In an effort to mitigate lagging performance on the issuance of SIPRNet PKI tokens and the enabling of cryptographic logon, the DoD Deputy CIO met with the Services' senior leaders and required them to submit updated improvement plans.

**Strategic Objective 5.3.2E: Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.**

*\*Agency Priority Goal 4: By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1 programs, going through Milestone A decision reviews, will present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews, will present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DoD will increase the amount of contract obligations, that are competitively awarded, to 60 percent in FY 2012 and 61 percent in FY 2013.*

Areas of significant improvement: Figure 8-18 indicates that 3 of 11 acquisition results (or 27 percent) were achieved for FY 2012. Two results reflect policy initiatives that were implemented at the beginning of FY 2012. These policy changes were directed by the USD(AT&L) in his "Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending." Specifically, this directive requires the establishment of an affordability target (initially, average unit acquisition cost and average annual operating and support cost per unit), prior to Milestone B, that will be used to drive design trades and choices about affordable priorities. The directive also requires a competitive strategy for each Acquisition Category (ACAT) 1 program going through a milestone review.

The third, and perhaps most noteworthy result, shows the average rate of Major Defense Acquisition Program (MDAP) cost growth (at -0.27 percent) – significantly below the annual FY 2012 goal of three percent.

Areas of challenge: Figure 8-18 indicates that 8 of 11 acquisition-related results (or 73 percent) of acquisition-related goals were not met. In addition, only 2 of 8 results (or 25 percent) show improvement over prior year performance levels.

While the Department continues to stress the importance of increased competition, the Department did not meet its FY 2012 competition goal and reflecting a negative trend in its percentage of competitive contract awards. Significant barriers to competition include directed source Foreign Military Sales (FMS) buys, reliance on non-competitive follow-on procurements for weapon systems, and limited new starts of MDAPs, based on the current budget environment. According to the Air Force and the Navy, the primary cause for the shortfall in competitive contract obligations was high dollar, non-competitive contract awards for major weapon systems. Specifically, the Air Force noted a significant increase in directed FMS source for the F-15 and F-16 aircraft programs, and the Navy cited non-competitive production contract awards for the Joint Strike Fighter and P8 aircraft programs.

The Department met 20 percent (or 1 of 5) of its Small Business goals for FY 2012. While the DoD actually exceeded its five percent goal for contracts to Disadvantaged businesses, the Department did not achieve its overall goal for Small Business contracts or the specific goals established for Women-owned; Service-disabled, Veteran-owned; and Historically-underutilized business entities.

In the area of Major Defense Acquisition Programs (MDAPs), the Department did not meet its FY 2012 cycle time goal and is reflecting a negative trend in average cycle time growth for MDAPs starting in FY 2002 and after. Average cycle time growth, from the Acquisition Program Baseline starting in FY 2002 and after, increased from 4.5 percent in FY 2011 to 6.6 percent at the end of FY 2012. Most of the 28 programs in the portfolio of MDAPs, starting in FY 2002 and after, have experienced no, little, or even in some cases, negative cycle time growth. However, there are 10 programs with cycle time growth exceeding the five percent target. Collectively, the portfolio averages cycle time growth of 6.6 percent.

The Department did not achieve its FY 2012 goal, calling for zero MDAP cost breaches for reasons other than approved changes in quantity. However, the Department is experiencing a positive trend line, in this area, when compared to the three breaches that occurred in FY 2011. Specific to FY 2012, one breach occurred for the Evolved Expendable Launch Vehicle (EELV) program. While the EELV program reduced the total launch vehicles, this was not the sole driver for the breach. Another main source is associated with increases in supply chain costs such as those for the propulsion subsystem. The remaining cost growth is largely attributable to a combination of increased material costs and other supplier management issues.

The Department is making progress, but did not complete the certifications of MDAPs, that is required by the Weapons Systems Acquisition Reform Act (WSARA) of 2009. This is based on decisions to re-schedule several acquisition milestone reviews where certification occurs.

In the area of Major Automated Information System (MAIS) acquisition, the Department exceeded both performance goals for FY 2012 to restrain the number of “critical” and “significant” MAIS breaches. Four of the six breaches occurred in Defense Business Systems. In FY 2012, the Department incurred three “significant” and three “critical” MAIS breaches. The “critical” breaches occurred for the Expeditionary Combat Support System – Increment 1; Key Management Infrastructure System – Increment 1; and the Virtual Interactive Processing System. The “significant” MAIS breaches occurred for the Global Combat Support System – Marine Corps; the Consolidated Afloat Networks and Enterprise Services System; and Global Combat Support System – Army.

Mitigation strategies: The most common reason for DoD non-competitive awards is that one contractor is the only responsible source for the procurement. The challenge is to strengthen the supplier base so the Department has more supply options.

To prevent cost breaches and cycle time growth for newer MDAP programs, the DoD has strengthened the front end of the acquisition process through new policy and procedural guidance. All programs must enter into the process via a mandatory process entry point, the Materiel Development Decision. This will ensure programs are based on rigorous assessments of alternatives and requirements. At Milestone B, the DoD aims to reduce technical risk by requiring completion of a Preliminary Design Review and by ensuring that an independent review is conducted to assess and certify the maturity of technologies. Also at Milestone B, the Milestone Decision Authority, on the basis of a business case analysis, must certify in writing to the Congress that:

- The program is affordable, when considering the ability to accomplish the program’s mission using alternative systems;
- Trade-offs among cost, schedule, and performance objectives have been made to ensure that the program is affordable when considering the per-unit cost and the total acquisition cost, in the context of the total resources available during the five-year programming period;

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- The Director, Cost Assessment and Program Evaluation (CAPE) concurs with reasonable cost and schedule estimates to execute the program development and production plans; and
- Funding is available to execute the product development and production plan under the program, through the five-year programming period.

However, when program schedules are stretched for overall affordability constraints, program costs will likely increase.

**Strategic Objective 5.4.2L: Provide more effective and efficient logistical support to forces abroad.**

Areas of significant improvement: Figure 8-18 indicates that the Department met all six of its logistics support goals for FY 2012. All of the Services and the Defense Logistics Agency (DLA) met their targeted performance goals for customer wait time and perfect order fulfillment, respectively. In addition, the Army improved average customer wait time (CWT) by three percent (from 14.1 days in FY 2011 to 13.7 days in FY 2012). The Army's improvement was associated with receiving materiel at selected sites through the nearest supply activity which allowed closing orders faster. The DLA also improved its perfect order fulfillment rate from 86.2 percent in FY 2011 to 87.1 percent in FY 2012.

Areas of challenge: While the Army and the DLA reflect improvements in logistics support, customer wait times for the Navy and the Air Force reflect negative trends when compared to prior year (FY 2011) performance levels. Preliminary analysis indicates that the increase in Navy CWT (from 11 to 12.6 days) is mainly due to an increase in demand for items that are not normally stocked and an increase in demand for items carried but not in stock.

While the Department is meeting its two inventory management goals for FY 2012, it is experiencing negative trends in terms of excess secondary items. As of March 2012, the Department's excess of secondary items on-hand grew from 9.2 to 9.9 percent and the DoD's excess of secondary items on order grew from 4.8 to 5.8 percent from FY 2011 year-end levels.

Mitigation strategies: The measures associated with logistics support will continue to be monitored for compliance with desired execution.

**Strategic Objective 5.5.2U/2V: Increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.**

*\*Agency Priority Goal 5: By September 30, 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.*

Areas of significant improvement: The Department relies on four key performance indicators or measures to assess its progress with regard to becoming audit ready. All of the measures are focused on the accuracy and reliability of the Department's ledgers, accounting systems, and associated financial reports. Figure 8-18 indicates that the Department met or exceeded all four audit readiness goals for FY 2012.

Areas of challenge: While the DoD met all four audit readiness goals for FY 2012, only 50 percent of these results (2 of 4) reflect improvement over prior year audit readiness levels. The DoD Components continue to face significant challenges with business and financial legacy systems. Most legacy systems do not record all of the financial transactions at the transaction level and do not have the capability of system-to-system interface with key financial systems.

**Mitigation strategies:** Each DoD Component must continue to proactively track and monitor key capabilities to demonstrate audit readiness – e.g., “Controls over recording appropriations are effective,” and “Supporting documentation is retained and available to meet audit standards.” Each DoD Component tests their control activities and supporting documentation to ensure reliability, accuracy, and timeliness of reported data. Manual interfaces and workarounds between systems will require training personnel in the entire transaction cycle.

### **CONCLUSION**

During FY 2012, the Department’s enacted appropriations were approximately \$646 billion, comprised of \$531 billion in the base operating budget and \$115 billion in the Overseas Contingency Operations (OCO) resources. These appropriations enabled the Department to maintain readiness to conduct missions abroad and a full spectrum of training, combat training center rotations, and recruiting and retention efforts.

As previously stated, the Department achieved an 89 percent success rate in meeting core warfighting results (primarily Strategic Goals 1, 2, and 3) in FY 2012. In addition, 88 percent of warfighting results reflect positive improvements over FY 2011 or are already operating at optimum (100 percent) performance levels.

The United States successfully executed a responsible drawdown in Iraq in accordance with the U.S.-Iraq Security Agreement. In addition, the U.S. is also now closer than ever to achieving its strategic objectives in Afghanistan, and is beginning to transition security responsibility to Afghan security organizations. The ANSF continues to develop into a force capable of assuming the lead for security responsibility throughout Afghanistan by the end of 2014. As the ANSF develops, the Department has worked with other U.S. government agencies to lay the groundwork for their sustainable future with a reduced U.S. presence.

In FY 2012, all Combatant Commanders maintained their readiness postures by ensuring surge capability and effective mobilization. In addition, the Department completed almost all of the enhancements to consequence management response forces called for in the 2010 QDR. As part of the NPR implementation, the DoD increased opportunities to engage allies in discussion on extended deterrence and continued to strengthen missile defense cooperation with partners in key regions. Finally, the DoD began implementing a new defense strategy that will create a smaller and more flexible joint force to defend U.S. national interests.

The FY 2012 budget also addressed the Department’s imperative to take care of its people. Our workforce consists of more than three million employees, both afloat and ashore, deployed throughout the world to meet mission requirements. In FY 2012, the Department kept faith with its men and women in uniform and their families with initiatives to improve care to our wounded, ill, and injured and carefully managing military personnel to comply with deployment planning objectives. During FY 2012, the Department mobilized approximately 70,000 Reserve Component members at any given time, thereby reducing the stress on the total force while increasing the capacity.

While the Department achieved notable progress in achieving core warfighting results (primary strategic goals 1, 2, and 3) and improving military force management (strategic goal 4), less progress was made in DoD business support (Strategic Goal 5). In FY 2012, the Department met 55 percent of FY 2012 business goals and achieved positive improvement in only 54 percent of these. Consequently, the Department will need to demonstrate much more progress to resolve the major economy, efficiency, and effectiveness challenges associated with DoD business functions.

## 8.6 FY 2013 DOD ANNUAL PERFORMANCE PLAN (UPDATED)

### *FY 2013 Strategic Plan Update*

On January 5, 2012, the President and the Secretary of Defense released new strategic guidance for the Department of Defense. The Department's FY 2013 Performance Plan, included with the FY 2013 President's Budget, has been updated to reflect interim changes in DoD strategic direction and organizational priorities. This updated guidance recognizes that we are at a strategic point, after a decade of war, with new challenges and opportunities that call for a reshaping of defense priorities. The military mission in Iraq has ended, transition to Afghan security responsibility is underway in Afghanistan, and targeted counter-terrorism operations have weakened Al Qaida. At the same time, the world and technology continue to change, and American military power must change. To that end, interim updates to select strategic goals include the following:

- Realignment of the Department's "Prevent and Deter Conflict" as DoD Strategic Goal #1, in terms of priority, ahead of DoD Strategic Goal #2: "Prevail in Today's Wars" (focused on Overseas Contingency Operations); and
- Modification of DoD Strategic Goal #5 to include a focus on finding further efficiencies in DoD business and support functions.

Interim updates to select strategic objectives include the following changes to DoD's Strategic Goal #1 "**Prevent and Deter Conflict**":

- Replaces the following DoD Strategic Objective:
  - Extend a global posture to prevail across all domains by increasing capacity in general purpose forces and by enhancing stability operations and foreign security force competency.
- Adds the following new DoD Strategic Objectives:
  - Ensure that we can quickly confront and defeat aggression from any adversary – anytime, anywhere.
  - Rebalance our global posture and presence to emphasize the Asia-Pacific region and maintain focus on the Middle East.
  - Build innovative partnerships and strengthen key alliances elsewhere in the world.

Interim updates to DoD's Strategic Goal #2 "**Prevail in Today's Wars**", include the following:

- Retires the following DoD Strategic Objectives:
  - Degrade the Taliban to levels manageable by the Afghan National Security Force (ANSF), while increasing the size and capability of the ANSF; and
  - Execute a responsible drawdown of the U.S. military presence in Iraq.
- Adds the following new DoD Strategic Objective:
  - Transition security responsibilities to the Afghan National Security Force (ANSF) and reset DoD forces and equipment.

In addition, the FY 2013 update realigns two strategic objectives between Strategic Goals 1 and 3 to recognize the U.S. forces role in training and advising foreign security forces (Strategic Goal 1) with DoD's nuclear arsenal supporting a wide range of contingencies (Strategic Goal 3).

Based on the above interim updates to strategic guidance, eleven new performance goals were added for DoD management focus in FY 2013:

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- Two goals to reflect the drawdown of U.S. forces out of Afghanistan;
- Two goals to improve missile defense capabilities;
- Three goals to advance foreign security assistance;
- Two goals to improve military healthcare;
- One goal to increase military spouse employment; and
- One goal to enhance Advanced Military Source Operations and interrogation skills.

**Figure 8-19. Summary of FY 2013 Performance Goals by DoD Strategic Goal**

DoD Strategic Goal	FY 2013	
	#	%
Goal 1 – Prevent and Deter Conflict.	12	16%
Goal 2 - Prevail in Today's Wars.	3	4%
Goal 3 – Prepare to Defeat Adversaries and Succeed in a Wide Range of Contingencies.	10	14%
Goal 4 – Preserve and Enhance the All-Volunteer Force.	23	31%
Goal 5 – Reform and Find Further Efficiencies in the Business and Support Functions of the Defense Enterprise.	26	35%
<b>TOTAL</b>	<b>74</b>	<b>100%</b>

In addition, six performance goals were deleted for FY 2013, based primarily on achieving projected performance end states in FY 2012:

- One goal to increase Afghan National Security Forces end strength;
- One goal that halts chemical weapons destruction until FY 2016;
- One goal to certify DoD security adjudicators;
- One goal to deliver enterprise information technology business services within 18 months of the capability business case approval; and
- Two APG goals focused on implementing affordability and competition into the Department's acquisition process.

Figure 8-19 provides a summary update of FY 2013 performance goals.

### **FY 2013 Agency Priority Goals**

Based on the GPRA Modernization Act, the FY 2013 Annual Performance Plan (APP) carries over the following five Agency Priority Goals (APGs) from FY 2012. Twelve (or 16 percent) of FY 2013 APP performance goals (74) are associated with the following Agency Priority Goals. APGs are included as sub-goals in the Department's FY 2013 APP, as summarized at Exhibit B and detailed on the OMB's public website at <http://www.performance.gov/>.

- *Agency Priority Goal 1: By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards, on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense.*

The Defense Department faces an advanced and persistent cyber threat. Ensuring Department systems and networks adhere to policies and standards and are properly

configured will significantly reduce the attack surface, slow or reduce the advances that an adversary could make, and reduce the risk to the Department's mission. Command Cyber Readiness Inspections (CCRI) help ensure compliance with policies and standards, thereby hardening the Department's systems and networks and improving its cyber defense posture. Due to the sensitive nature of Federal cybersecurity efforts, details on this goal are internal to the government.

- *Agency Priority Goal 2: By September 30, 2013, the DoD will: (1) increase the use of Recovery Care Coordinators and ensure WII Service members have active recovery plans; (2) improve effectiveness of behavioral health programs and ensure all Service members complete quality post-deployment health screenings; and (3) accelerate the transition of WII Service members into veteran status by reducing the processing time required for disability evaluation boards.*

Our Nation is committed to the care and support of those who keep our country free and strong. For FY 2013, the Department will ensure that 100 percent of our WII Service members are assigned Recovery Care Coordinators (RCCs) and have active recovery plans that address their non-medical needs as they transition back to military or civilian life. The Department will also continue working with the VA to accelerate the transition of WII Service members into veteran status by reducing the disability evaluation processing time by eliminating duplicate work and sharing medical examination and disability rating information to produce faster, more consistent compensation decisions. To this end, the Department has established sub-goals for various phases of the IDES process and will be actively monitoring and tracking performance against these to ensure the timeliness goals are met. The DoD expects that increased resources (800 additional IDES positions), increased leadership focus, and continued process streamlining improvements will enable the Department to significantly improve its IDES performance in the near term.

For FY 2013, the Department has also added two new performance goals to support wounded warrior care that are designed to improve the effectiveness of psychological health programs and ensure all Service members complete quality post-deployment health screenings. The Department will be reviewing its numerous psychological health programs, as part of a larger process, that will institutionalize measures of effectiveness as part of future day-to-day operations and ensure the DoD is making the right investments that result in improved outcomes. Over FY 2013, the Department will also be implementing a more comprehensive Post-Deployment Health Assessment screening questionnaire that is designed to better identify physical and behavior health concerns of deploying Service members and the responsiveness of medical providers who take care of them. More detailed information on the Department's Wounded, Ill and Injured Agency Priority Goal can be found at <http://www.performance.gov/>.

- *Agency Priority Goal 3: By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency.*

Improving facility energy performance at the DoD will reduce reliance on fossil fuels, lower energy costs, improve mission effectiveness, and improve energy security. Efficiencies will be achieved by reducing the demand for traditional energy, while increasing the supply of renewable energy. Legislation mandates a three percent annual reduction in facilities energy intensity, as measured in British Thermal Units per gross square foot. Additionally, the Department has a requirement to increase production or procurement of renewable energy equal to 25 percent of its electrical energy usage by fiscal year 2025.

Over FY 2013, the Department is pursuing a facility energy investment strategy that has four elements: (1) reduce the demand for traditional energy through conservation and energy efficiency, (2) expand the supply of renewable and other distributed (on-site) generation sources, (3) enhance the energy security of our bases directly (as well as indirectly, through the first two elements), and (4) leverage advanced technology. Financing for these investments will come from the DoD's military construction budget, the Energy Conservation Investment Program, Energy Savings Performance Contracts, and mechanisms such as Enhanced Use Leases and Power Purchase Agreements. A large fraction of DoD's investments will be used to retrofit existing buildings with energy efficiency systems and ensure energy efficient designs in new construction. The DoD requested \$1.1 billion in the FY 2013 budget for energy efficiency improvements to existing buildings. In addition, the Department will rely on third-party financing for large-scale renewable energy projects to make DoD bases more energy secure. The DoD has a commitment to execute nearly \$1.2 billion in third-party financed performance-based contracts in response to the President's December 2, 2011 commitment (\$2 billion in such contracts by the end of FY 2013).

In FY 2013, the Department is also committed to improving decision-making related to operational energy by establishing a credible baseline for consumption of energy used to train, move, and sustain military forces and weapon system platforms for military operations. More detailed information on the Department's Agency Priority Goal on Energy can be found at <http://www.performance.gov/>.

- *Agency Priority Goal 4: By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1 programs, going through Milestone A decision reviews, will present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews, will present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DoD will increase the amount of contract obligations, that are competitively awarded, to 60 percent in FY 2012 and 61 percent in FY 2013.*

The Defense Department has a continuing responsibility to procure weapon systems and critical goods and services needed by our Armed Forces to successfully execute our national security mission. For the competition goal, the Department has directed improvement plans from every competition advocate and is in the process of strengthening the supplier base to give the Government more supply options.

The DoD has a portfolio of 95 ongoing Major Defense Acquisition Programs (MDAPs). In FY 2012 dollars, the total planned investment in these MDAPs was \$1.7 trillion as of December 31, 2011. For FY 2013, the Department will continue to focus management attention on initiatives that foster increased competition, contain MDAP costs, and

minimize variation in acquisition cycle times for when new systems reach Initial Operating Capability. To prevent cost breaches and cycle time growth, the DoD strategy has been to focus on the front end of the acquisition process through policy and procedural guidance that assures rigorous assessments of alternatives and requirements and independent reviews to certify maturity of technologies. More detailed information on the Department's Agency Priority Goal on improving acquisition can be found at <http://www.performance.gov/>.

- *Agency Priority Goal 5: By September 30, 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.*

Auditable annual financial statements are required by law and reassure the public that the Department is a good steward of its resources. Once the Defense Agencies have been validated as audit ready, the Department will have reached its FY 2013 goal of achieving audit readiness on 100 percent of DoD's Statement of Budgetary Resources (SBR) for Appropriations Received. Meeting the goal of being audit ready on the General Fund SBR for Appropriations Received will mean that the Department can accurately account for and distribute funds provided by Congress into the right accounts in accordance with law.

Although the Department does not anticipate any issues meeting this APG for FY 2013, challenges still exist in achieving the Department's overall goals of audit readiness of the General Fund SBR by September 30, 2014, and full audit readiness for all DoD financial statements by September 30, 2017. More detailed information on the Department's Agency Priority Goal on audit readiness can be found at <http://www.performance.gov/>.

In addition to Agency Priority Goals (APGs), the GPRA Modernization Act also requires the identification of Cross-Agency Priority (CAP) Goals in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. In accordance with the GPRA Modernization Act, interim CAP Goals were published concurrent with the FY 2013 President's Budget.

Per the GPRA Modernization Act requirement to address Cross-Agency Priority (CAP) Goals in the agency strategic plan, the annual performance plan, and the annual performance report, please refer to <http://www.performance.gov/> for the Defense Department's contributions to those goals and progress, where applicable. The DoD currently contributes to the following CAP Goals:

- Entrepreneurship and Small Business;
- Veteran Career Readiness;
- Cybersecurity;
- Sustainability;
- Real Property;
- Improper Payments;
- Data Center Consolidation;
- Closing Skills Gaps; and
- Strategic Sourcing.

## 8.7 FY 2014 DOD ANNUAL PERFORMANCE PLAN

On January 5, 2012, the President and the Secretary of Defense released new strategic guidance for the Department of Defense. The FY 2014 Annual Performance Plan reflects the strategic priorities in that guidance for a 21st century defense that preserves American global leadership; maintains our military superiority; and keeps faith with our troops, military families and veterans.

Compared to FY 2013, two new performance goals were added for DoD management focus in FY 2014:

- One goal to focus on in-transit contingents receiving force protection support; and
- One goal to improve intelligence individuals with required language proficiency.

Nine performance goals were deleted for FY 2014, based primarily on achieving projected end states in FY 2013:

- Army Multi-functional brigades converted to modular design;
- Psychological health programs reviewed;
- Armed Services transition to new post-deployment health assessment;
- Excess facilities eliminated;
- NIPRNet accounts with Public Key Infrastructure (PKI) logon capability;
- SIPRNet accounts with Public Key Infrastructure (PKI) logon capability;
- MDAPs certified under the Weapon Systems Acquisition Reform Act;
- Perfect Order Fulfillment (POF) rates for Defense Logistics Agency-stocked items; and
- Audit readiness of DoD appropriations received.

Two additional performance goals are deferred for FY 2014, pending completion of the DoD budget request for Overseas Contingency Operations.

Figure 8-20 provides a summary of performance goal changes for FY 2014.

**Figure 8-20. Summary of FY 2013 – FY 2014 Performance Goal Changes**

DoD Strategic Goal	FY 2013			FY 2014		
	#	%	Additions	Deletions	#	%
Goal 1 – Prevent and Deter Conflict	12	16%	1	-1	12	18%
Goal 2 - Prevail in Today's Wars.	3	4%	0	-2	1	2%
Goal 3 – Prepare to Defeat Adversaries and Succeed in a Wide Range of Contingencies.	10	14%	0	0	10	15%
Goal 4 – Preserve and Enhance the All-Volunteer Force.	23	31%	1	-2	22	34%
Goal 5 – Reform and Find Further Efficiencies in the Business and Support Functions of the Defense Enterprise.	26	35%	0	-6	20	31%
<b>TOTAL</b>	<b>74</b>	<b>100%</b>	<b>2</b>	<b>-11</b>	<b>65</b>	<b>100%</b>

The GPRA Modernization Act includes direction that Agency Performance Plans identify low-priority program activities based on an analysis of their contribution to the mission and goals of the agency and include an evidence-based justification for designating a program activity as low priority. The “Cuts, Consolidations, and Savings (TRS)” volume of the President’s Budget identifies the low-priority program activities under the GPRA Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at <http://www.whitehouse.gov/omb/budget>. The following sections provide a discussion of the Department’s FY 2014 Annual Performance Plan by DoD strategic goal area with all 65 performance goals summarized at Exhibit B.

### STRATEGIC GOAL 1: PREVENT AND DETER CONFLICT.

- 1.1-1F1: Ensure that we can quickly confront and defeat aggression from any adversary - anytime - anywhere.
- 1.2.1F1: Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.
- 1.3.1F1: Rebalance our global posture and presence to emphasize the Asia-Pacific region and maintain focus on the Middle East.
- 1.4.1F1: Build innovative partnerships and strengthen key alliances and partnerships elsewhere in the world.
- 1.5-1F3: Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.
- 1.6-1X2: Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.

The Department’s January 5, 2012 Strategic Guidance acknowledges that our Nation is at a moment of transition that entails defense spending reductions in order to put our fiscal house in order. The FY 2014 Performance Plan identify twelve goals (Exhibit B) for the Department’s “Prevent and Deter Conflict” mission that are focused on preserving military operational foreign security forces, strengthening key alliances, and providing for full spectrum ISR.

The Joint Force will be prepared to confront and defeat aggression anywhere in the world (**Strategic Objective 1.1-1F1**). It will have cutting edge capabilities, led by the highest quality, battle-tested professionals. It will have the ability to surge and regenerate forces and capabilities, ensuring that we can meet any future threats and remain the world’s finest military. U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations. As U.S. forces draw down in Afghanistan, our global counter terrorism efforts will become more widely distributed for counter terrorism and irregular warfare. U.S. forces will be capable of deterring aggression by an opportunistic adversary in one region even when forces are committed to a large-scale operation elsewhere. U.S. forces will conduct a sustainable pace of presence operations abroad with thoughtful choices made regarding the location and frequency of operations. Our planning envisions forces that are capable to fully deny a capable state’s aggressive objectives in one region by conducting a combined arms campaign across all domains – land, air, maritime, space, and cyberspace.

The Department’s updated strategic guidance articulates priorities for a 21<sup>st</sup> century defense that sustains U.S. global leadership with the Department shaping a Joint Force for the future that will be smaller and leaner, but will be agile, flexible, ready, and technologically advanced. Specifically, our FY 2014 Annual Performance Plan (Exhibit B) carries over two performance goals focused on maintaining Combatant Command readiness for executing Theater Campaign Plan missions and for Contingency Plans. The plan also continues the Army’s transformation to

modular brigades and provides a realistic shipbuilding program that provides the global reach, persistent presence, and tactical effects expected of Navy forces.

Building partnership capacity elsewhere in the world remains important for sharing costs and responsibilities of global leadership (**Strategic Objective 1.2-1F1**). Whenever possible, we will develop innovative, low-cost, and small-footprint approaches to achieve our security objectives, relying on exercises, rotational presence, and advisory capabilities. To this end, our FY 2014 Annual Performance Plan includes three goals (Exhibit B) focused on enhancing general purpose forces training in specialized security force assistance, increasing the number of civilian expeditionary advisors, and expanding the Defense Institution Reform Initiative (DIRI). The DIRI, like the Ministry of Defense Advisory Program, is a global security cooperation initiative to support the development and enhancement of partner defense ministries. Both programs are being expanded to other critical theaters based on their success in Afghanistan.

The Department's Armed Forces will have a global presence that emphasizes the Asia-Pacific and Middle East, while still ensuring our ability to maintain our defense commitments to Europe and strengthening alliance and partnerships across all regions (**Strategic Objective 1.3-1F1**). Our defense efforts in the Middle East will be aimed at countering violent extremists and destabilizing threats, as well as upholding our commitments to allies and partner states. U.S. policy will emphasize security in the Persian Gulf, in cooperation with Gulf Cooperation Council countries, to prevent Iran's development of a nuclear weapon capability and counter its destabilizing policies. The United States will do this while standing up for Israel's security and a comprehensive Middle East peace. The United States is also investing in a long-term strategic partnership with India to support its ability to serve as a regional economic anchor and provider of security in the broader Indian Ocean region. We will maintain peace on the Korean Peninsula by effectively working with allies and other regional states to deter and defend against provocation from North Korea which actively pursuing a nuclear weapons program.

As new generations across the Middle East and North Africa demand their universal rights, the Department will deepen partnerships with allies around the world to build their capacity to promote regional security, prosperity, and human dignity (**Strategic Objective 1.4-1F1**). In addition, building partnership capacity in the world remains important for sharing the costs and responsibilities of global leadership. Across the globe, we seek to be the security partner of choice, pursuing new partnerships with a growing number of nations whose interests and viewpoints are merging into a common vision of freedom, stability, and prosperity.

In September 2009, the President announced a revised ballistic missile defense (BMD) strategy (**Strategic Objective 1.5-1F1**). The Phased Adaptive Approach (PAA) is a more flexible, regionally-focused BMD strategy that will be implemented initially in defense of our European Allies, but could be transferable in the future to other regions. A major thrust of the PAA is the shift of resources towards increasing the procurement and delivery of proven BMD capabilities (namely, Standard Missile (SM)-3 interceptors and Army Navy/Transportable Radar Surveillance-Model 2 (AN/TPY-2) radars to the warfighter. The FY 2014 Annual Performance Plan highlights these investments in missile defense that are tailored to individual regions and defends against existing short-and medium-range ballistic missile threats.

The FY 2014 budget also continues investments in other capabilities critical to future success, including counter weapons of mass destruction (WMD) and unmanned aircraft and ground-based collection systems. Beginning in FY 2013, the Department's goal for Combat Air Patrols/orbits (**Strategic Objective 1.6-1X2**) is normalized to exclude the effects of surge operations. Our FY 2014 goal for 65 non-surge CAPs provides increased Signals intelligence, queued Full Motion Video, and strike capability across all mission areas.

**STRATEGIC GOAL 2: PREVAIL IN TODAY'S WARS.**

**2.1-OCO: Transition security assistance responsibilities to the Afghan National Security Force (ANSF) and reset DoD forces and equipment.**

The Department's FY 2014 Annual Performance Plan identifies three performance measures (Exhibit B) for Overseas Contingency Operations (OCO) that are focused on maintaining Combatant Commander readiness for current operations and reducing the U.S. military presence in Afghanistan (**Strategic Objective 2.1-OCO**). However, annual performance goals associated with U.S. force levels remaining in Afghanistan are pending the President's direction and completion of the Department's FY 2014 OCO budget request.

**STRATEGIC GOAL 3: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.**

**3.1-1F2A: Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.**

**3.2-1F2B: Improve the responsiveness and flexibility of consequence management response forces.**

**3.3-1F2C: Enhance capacity to locate, secure, or neutralize weapons of mass destruction, key materials, and related facilities.**

**3.4-1X1: Expand capacity to succeed against adversary states armed with anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.**

**3.5-2D: Maintain a strong technical foundation within the Department's Science and Technology (S&T) program.**

The Department's updated Strategic Guidance describes the projected security environment and the key military missions for which the Department of Defense will prepare. Under the new Strategic Guidance, the Department's performance goals (Exhibit B) remain focused on maintaining a safe, secure, and effective nuclear arsenal and working with international partners to reaffirm, periodically, their commitments to extended deterrence (**Strategic Objective 3.1.1F2A**).

With the diffusion of destructive technology, extremists have the potential to pose catastrophic threats that could directly affect our security and prosperity. Our FY 2014 Annual Performance Plan carries over four performance goals from FY 2013 (Exhibit B) focused on maintaining consequence management response times to significant or catastrophic events (**Strategic Objective 3.2-1F2B**). One additional performance goal to counter WMD threats increases the number of DoD labs equipped to work with dangerous pathogens (**Strategic Objective 3.3-1F2C**). Terrorist access to even simple nuclear devices poses the prospect of devastating consequences for the United States. Accordingly, the DoD will continue to enhance its capabilities to conduct effective operations to counter the proliferation of WMD.

Our planning envisages forces that are able to fully deny a capable state's aggression across all domains – including cyberspace (**Strategic Objective 3.4-1X1**). Modern armed forces cannot conduct high-tempo, effective operations without reliable information and communication networks and assured access to cyberspace and space. Today, space systems and their supporting infrastructure face a range of threats that may degrade, disrupt, or destroy assets. State and non-state actors possess the capability and intent to conduct cyber espionage and, potentially, cyber attacks on the United States, with possible severe effects on both our military operations and our homeland. Accordingly, the DoD will continue to work with domestic and

international allies and partners and invest in advanced capabilities to defend its networks, operational capability, and resiliency in cyberspace and space.

The DoD is facing an increasingly persistent and motivated cyber threat. DoD networks and systems, which adhere to DoD policies and standards and that are configured properly, will significantly reduce the attack space and minimize the advances that an adversary can make. This results in more secure networks and systems which reduce the risk to missions that depend on the Non-secure Internet Protocol Network (NIPRNet). Command Cyber Readiness Inspection (CCRIs) performance goals (Exhibit B) are designed to inspect for proper configuration, minimize vulnerabilities, and align with the DoD Security Technical Implementation Guides (STIGs). By ensuring compliance to policies through CCRIs, the DoD can better harden DoD networks and systems, which will improve the DoD's cyber defense posture.

Finally, in adjusting our strategy and attendant force size, the Department will make every effort to maintain an adequate industrial base and our investment in science and technology (**Strategic Objective 3.5-2D**). Consequently, the Department's FY 2014 Performance Plan (Exhibit B) continues management focus on concepts of operations that provide significant pay-offs to U.S. warfighting capabilities. To that end, the Department will be prudent with its “seed corn”, balancing reductions with the imperative to sustain key streams of innovation.

### **STRATEGIC GOAL 4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.**

- 4.1-2M: Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.**
- 4.2-2P: Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.**
- 4.3-2R: Better prepare and support families during the stress of multiple deployments.**
- 4.4-2T: Train the Total Defense Workforce with the right competencies.**

As the DoD prepares for a 21st century defense, we will keep faith with our troops, military families and veterans who have borne the burden of a decade of war and who make our military the best in the world. In addition, the Department's latest Strategic Guidance, released January 5, 2012, calls for reducing the rate of growth in manpower compensation and healthcare costs.

Apart from prevailing in current conflicts, caring for our wounded is our highest priority and carries over, as one of the Department's Agency Priority Goals (APGs) from FY 2012. Consequently, the Department's FY 2014 Annual Performance Plan includes several goals (Exhibit B) that are designed to provide top-quality care to our wounded that reflects their service and sacrifice (**Strategic Objective 4.1-2M**). Our wounded, ill, or injured Service members deserve every opportunity to return to active duty following their recovery, or to make a seamless transition to veteran status if they cannot be returned to duty. As our newest veterans rejoin civilian life, we continue to have a moral obligation – as a government and as a Nation – to give our veterans the care, benefits, and the job opportunities they deserve. Our FY 2014 Annual Performance Plan includes goals that will ensure we meet these obligations. More than 46,000 men and women have been wounded. As the Department reduces the size of the force, we will do so in a way that respects these sacrifices. This means, among other things, taking concrete steps to facilitate the transition of those who will leave the service. These include supporting programs to help veterans translate their military skills for the civilian workforce and aid in their search for jobs.

Despite pressures of war, the Department continues to meet its recruiting and retention goals. Our recruiting efforts are long-term investments that can yield generational gains (**Strategic Objective 4.2-2P**). The Department must continue developing innovative programs to attract qualified young men and women into the armed forces and to retain them. During the past decade, the men and women who comprise the All-Volunteer Force have shown versatility, adaptability, and commitment, enduring the constant stress and strain of fighting two overlapping conflicts. They have endured prolonged and repeated deployments. As the Department reduces the size of the force, our FY 2014 Annual Performance Plan will continue management attention on maintaining military strength goals and complying with the time Service members are deployed (or mobilized) in support of combat operations versus time at home (Exhibit B). In addition, we have a critical and enduring obligation to support military families during the stress of multiple deployments (**Strategic Objective 4.3-2R**). Consequently, the FY 2014 Annual Performance Plan continues management focus on the quality of military housing and DoD schools and reflects an aggressive goal for employing 100,000 military spouses by FY 2017. This spousal employment goal is in response to the President's direction for a comprehensive Federal approach to supporting military families.

To ensure mission success, the DoD will manage the force in ways that protect its ability to regenerate capabilities and maintain intellectual capital. We are determined to maintain a ready and capable force, even as we reduce our overall capacity. We will resist the temptation to sacrifice readiness in order to retain force structure and will rebuild readiness in areas that, by necessity, were deemphasized over the past decade. The health and quality of the All-Volunteer Force will continue to require well-trained and properly-equipped men and women (**Strategic Objective 4.4-2T**). Our FY 2014 Annual Performance Plans places particular emphasis on training certification goals associated with language proficiency, advanced interrogation skills, DoD acquisition, and information assurance.

### **STRATEGIC GOAL 5: REFORM AND FIND FURTHER EFFICIENCIES IN THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.**

- 5.1-2A: Increase use of renewable energy and reduce energy demand at DoD installations.**
- 5.2-2C: Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase mission assurance.**
- 5.3-2E: Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.**
- 5.4.2L: Provide more effective and efficient logistical support to forces abroad.**
- 5.5U/V: Improve financial management and increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.**

The 2010 QDR directed that the Department reform its institutions and processes to better support the needs of the warfighter. Similar direction is included in the Department's latest Strategic Guidance, released January 5, 2012. Specifically, this updated guidance calls for finding further efficiencies in overhead, headquarters, business practices, and other support activities.

The Department's FY 2014 Annual Performance Plan goals (Exhibit B) show that the DoD is focused on maintaining its facilities, while steadily improving its energy utilization (Strategic Objective 5.1-2A). However, other funding priorities have often limited the Department's ability to adequately budget for energy efficiency improvements and renewable energy projects. Climate change and energy are expected to play significant roles in the future security environment. The Department is developing policies and plans to manage the effects of climate change on its operating environment, missions, and facilities. The Department already performs

environmental stewardship at hundreds of DoD installations throughout the United States and is working to meet resource efficiency and sustainability goals. In addition, the DoD will continue incorporating geostrategic and operational energy considerations into force planning, requirements development, and acquisition processes.

Information assurance (**Strategic Objective 5.2-2C**) is a critical element of the Department's FY 2014 Annual Performance Plan. Performance goals at Exhibit B are focused on maintaining information technology system certification and streamlining the number of DoD data centers to optimize network efficiency, generate overhead savings, and promote more secure information sharing.

The DoD has demonstrated sustained leadership to address contract management issues through, for example, the Better Buying Power initiative (**Strategic Objective 5.3-2E**). In addition, the DoD has made numerous changes to its approach for managing the acquisition of services, which accounted for more than 50 percent of the DoD's contract obligations in fiscal year 2012. Exhibit B shows that the Department plans to continue its efforts, in FY 2014 and beyond, to increase competition in the procurement of goods and services, to increase its percentage of certified acquisition professionals, and to support Small Business contracting goals.

With the prospect of slowly growing or flat defense budgets, the DoD must get better returns on its weapon system investments and find ways to deliver capability to the warfighter for less than it has in the past. The Department's FY 2014 Annual Performance Plan goals (Exhibit B) reflects the DoD's ongoing commitment to contain weapon system acquisition program cycle time and cost by assessing the root causes of weapon system acquisition outcomes and monitoring the effectiveness of its acquisition policies. As part of this effort, the DoD Office of Performance Assessment and Root Cause Analysis (PARCA) is examining a wide range of acquisition-related information from the past 40 years (such as contract type, program manager tenure, and stability of key performance requirements) to determine if there is any statistical correlation between these factors and good or poor acquisition outcomes.

The Department is spending billions of dollars each year to acquire modern systems and reports an inventory that includes about 2,200 business systems. FY 2014 performance goals (Exhibit B) focus management attention on the number of Major Automated Information System (MAIS) "significant" and "critical" cost and/or schedule breaches associated with information technology investments. The Department released new investment review and system certification guidance in June 2012 that is expected to improve transparency in future business-related investments.

In the area of DoD supply chain management (**Strategic Objective 5.4-2L**), the Department's FY 2014 Annual Performance Plan carries over performance goals for reducing on-hand and on-order excess inventory and customer wait time goals for each Military Service (Exhibit B). The Department has developed and is implementing a congressionally mandated plan for improving inventory management that runs through FY 2015. This plan includes a strategy for improving asset tracking and in-transit visibility and implementing enterprise-wide measures of efficiency and effectiveness. Over time, implementation of planned activities could enable the DoD to demonstrate progress and achieve sustained results.

The Defense Department is responsible for more than half of the federal government's discretionary spending and remains one of the few federal entities that cannot accurately account for its spending or assets (**Strategic Objective 5.5-2U**). To the extent that current budget constraints and fiscal pressures continue, the reliability of DoD financial information and ability to maintain effective accountability for its resources will be increasingly important to the federal government's ability to make sound resource allocation decisions. Auditable statements

are needed to facilitate decision-making, to comply with the law, and to reassure the public that we are good stewards of their funds.

On October 13, 2011, the Secretary of Defense declared improving financial information and achieving audit readiness to be a top priority. Although the Department had presented a plan for audit ready financial statements by 2017, the Secretary asked that key elements of that plan be accelerated. Consequently, the Department's FY 2014 Annual Performance Plan includes three key performance goals (Exhibit B) that advance audit readiness. The details of this acceleration are reflected in the Department's latest Financial Improvement and Audit Readiness Plan at <http://comptroller.defense.gov/>. Implementation of the FIAR strategy is an ambitious undertaking that will require the commitment of resources and efforts at all levels, in all components, and across all DoD financial and business operations. In addition, the DoD Comptroller is developing a financial management training and certification program with phased implementation targeted for completion in March 2014.

### **CONCLUSION**

The Department's updated Strategic Guidance and supporting FY 2014 Annual Performance Plan have been shaped by America's enduring national security interests and a new fiscal environment. As we end today's wars and reshape our Armed Forces, the Joint Force will need to recalibrate its capabilities, make selective investments, and help build the capacity and competence of allied and partner forces for internal and external defense.

Our growing national debt, if not addressed, will imperil our prosperity, hurt our credibility and influence around the world, and ultimately put our national security at risk. As the Nation takes steps to get its finances in order, defense spending will be part of the solution. Achieving savings based on sound national security policy will serve our Nation's interests and will also prove more enforceable and sustainable over the long term.

The FY 2014 performance goals are based on a base budget request of \$526.6 billion. The Department must reduce the "cost of doing business." DoD performance results are expected to play a more relevant role as the Department takes steps to reduce its manpower costs and find further efficiencies in overhead, headquarters, business practices, and other support activities.

A reduction in resources will require innovation and creative solutions to building partner capacity with a renewed emphasis on a globally networked approach to deterrence and warfare. It will also require thoughtful choices regarding the location and frequency of future operations. As the Department proceeds down this path, it will continue to enhance U.S. capabilities to fight today's wars and counter future threats by actively managing and continuously evaluating how our warfighting and infrastructure operations are delivering quality and timely performance results to the American taxpayer.

## Exhibit A – FY 2012 DOD-wide Performance Results by Strategic Goal and Strategic Objective

DoD STRATEGIC GOAL #1: PREVAIL IN TODAY'S WARS.		
DoD Strategic Objective 1.1-OCO: <i>Degrade the Taliban to levels manageable by the Afghan National Security Force (ANSF), while increasing the size and capability of the ANSF.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
1.1.1-OCO: Percent of DoD Combatant Commanders' (CoComs) Current Operations which they report ready to execute (USD(P&R))	1.1.1-OCO: For each fiscal year, DoD Combatant Commanders (CoComs) will be ready to execute 100 percent of Current Operations.	FY08 Actual: Not available FY09 Actual: 100% FY10 Actual: 100% FY11 Actual: 100% FY12: 100% <b>FY12 Actual: 100%</b> 
<b>Contributing DoD Components:</b> USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM		
1.1.2-OCO: Cumulative number of Afghan National Security Force (ANSF) end strength (USD(P))	1.1.4-OCO: By FY 2012, the DoD will improve combat effectiveness by increasing the Afghan National Security Forces to 352,000.	FY08 Actual: 144,000 FY09 Actual: 184,000 FY10 Actual: 259,000 FY11 Actual: 305,600 FY12: 352,000 <b>FY12 Actual: 352,000</b> 
<b>Contributing DoD Components:</b> USCENTCOM		
DoD Strategic Objective 1.2-OCO: <i>Execute a responsible drawdown of the U.S. military presence in Iraq.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
Objective satisfied in first quarter of FY 2012.		
<b>Contributing DoD Components:</b> USCENTCOM		
DoD STRATEGIC GOAL #2: PREVENT AND DETER CONFLICT.		
DoD Forces and Infrastructure Category 1F1: Expeditionary Forces		
DoD Strategic Objective 2.1-1F1: <i>Extend a global posture to prevail across all domains by increasing capacity in general purpose forces and by enhancing stability operations and foreign security force competency.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
2.1.1-1F1: Percent of the DoD Combatant Commanders (CoComs) that are ready to execute their Core or Theater Campaign Plan missions (USD(P&R))	2.1.1-1F1: For each fiscal year, DoD Combatant Commanders (CoComs) will be ready to execute 100 percent of their Core or Theater Campaign Plan missions.	FY08 Actual: Not available FY09 Actual: 100% FY10 Actual: 100% FY11 Actual: 100% FY12: 100% <b>FY12 Actual: 100%</b> 
<b>Contributing DoD Components:</b> USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM		
2.1.2-1F1: Percent of the DoD Combatant Commanders' (CoComs) Contingency Plans which they report ready to execute (USD(P&R))	2.1.2-1F1: For each fiscal year, DoD Combatant Commanders (CoComs) will be ready to execute at least 80 percent of their Contingency Plans.	FY08 Actual: Not available FY09 Actual: 89% FY10 Actual: 82.1% FY11 Actual: 80% FY12: 80% <b>FY12 Actual: 91%</b> 

## Overview – FY 2014 Defense Budget

Contributing DoD Components: USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
2.1.3-1F1: Cumulative number of Army Brigade Combat Teams (BCTs) converted to a modular design and available to meet military operational demands (USD(P&R))	2.1.3-1F1: By FY 2017, the DoD will have a maximum of 65 modular Army Brigade Combat Teams (BCTs).	FY08 Actual: 38 FY09 Actual: 46 FY10 Actual: 56 FY11 Actual: 66 FY12: 69 <b>FY12 Actual: 69</b> ↑
<b>Contributing DoD Components: Army</b>		
2.1.4-1F1: Cumulative number of Army Multi-functional and Functional Support (MFF) brigades converted to a modular design and available to meet military operational demands (USD(P&R))	2.1.4-1F1: By FY 2013, the DoD will convert 229 Army Multi-functional and Functional Support (MFF) brigades to a modular design.	FY08 Actual: 188 FY09 Actual: 196 FY10 Actual: 202 FY11 Actual: 225 FY12: 227 <b>FY12 Actual: 228</b> ↑
<b>Contributing DoD Components: Army</b>		
2.1.5-1F1: Cumulative number of ships in the fleet (USD(P&R))	2.1.5-1F1: By FY 2042, the DoD will increase the number of ships in the fleet to 305 for security operations.	FY08 Actual: 282 FY09 Actual: 285 FY10 Actual: 287 FY11 Actual: 284 FY12: 289 <b>FY12 Actual: 287</b> ↑
<b>Contributing DoD Components: Navy</b>		
<b>DoD Forces and Infrastructure Category 1F2: Homeland Defense</b>		
<b>DoD Strategic Objective 2.2-1F2A</b>		
<i>Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
2.2.1-1F2A: Number of formal DoD-led meetings with international partners to reaffirm U.S. commitments to extended deterrence (USD(P))	2.2.1-1F2A: Beginning in FY 2011, the DoD will lead at least six formal meetings with international partners to reaffirm U.S. commitments to extended deterrence.	FY08 – 10 Actual: Non-applicable FY11 Actual: 11 FY12: 6 <b>FY12 Actual: 17</b> ↑
<b>Contributing DoD Components: OSD</b>		
2.2.2-1F2A: Passing percentage rate for Defense Nuclear Surety Inspections (USD(P))	2.2.2-1F2A: Beginning in FY 2011, the DoD will maintain a passing rate of 100 percent for all regular Defense Nuclear Surety Inspections.	FY08 Actual: 71% FY09 Actual: 77% FY10 Actual: 73% FY11 Actual: 85.7% FY12: 100% <b>FY12 Actual: 100%</b> ↑
<b>Contributing DoD Components: Navy, Air Force, TJS, and DTRA</b>		
<b>DoD Forces and Infrastructure Category 1F3: Military Space Forces</b>		
<b>DoD Strategic Objective 2.3-1F3:</b>		
<i>Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.</i>		

## Overview – FY 2014 Defense Budget

Performance Measures	Long-term Performance Goals	Annual Performance Goals
2.3.1-1F3: Cumulative number of large-surface DoD combatant ships that are Ballistic Missile Defense (BMD)-capable and ready for tasking (USD(P))	2.3.1-1F3: By FY 2042, 85 large-surface DoD combatant ships will be BMD-capable and ready for tasking.	FY08 Actual: 17 FY09 Actual: 18 FY10 Actual: 20 FY11 Actual: 23 FY12: 25 1/ <b>FY12 Actual: 25</b> 
<b>Contributing DoD Components:</b> <i>Navy and MDA</i>		
<b>DoD Forces and Infrastructure Category 1X2: Intelligence Operations</b>		
<b>DoD Strategic Objective 2.4-1X2:</b> <i>Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
2.4.1-1X2: Cumulative number of Predator (MQ-1) and Reaper (MQ-9) intelligence, surveillance, and reconnaissance (ISR) orbits (USD(I))	2.4.1-1X2: By FY 2017, the DoD will achieve and maintain 65 Predator (MQ-1) and Reaper (MQ-9) ISR orbits.	FY08 Actual: 29 FY09 Actual: 36 FY10 Actual: 45 FY11 Actual: 59 FY12: 56 <b>FY12 Actual: 57</b> 2/ 
<b>Contributing DoD Components:</b> <i>Air Force</i>		
<b>DoD STRATEGIC GOAL #3: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.</b>		
<b>DoD Forces and Infrastructure Category 1F2: Homeland Defense</b>		
<b>DoD Strategic Objective 3.1-1F2B</b> <i>Improve the responsiveness and flexibility of consequence management response forces.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.1.1-1F2B: Cumulative number of Homeland Response Forces (HRFs) trained, equipped, evaluated, and validated at a reduced response time of 6-12 hours (USD(P))	3.1.1-1F2B: By FY 2012, the DoD will have and maintain ten National Guard HRFs trained, equipped, evaluated, and validated at a reduced response time of 6-12 hours to a very significant or catastrophic event.	FY08 – 10 Actual: Non-applicable FY11 Actual: 2 FY12: 10 <b>FY12 Actual: 10</b> 
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
3.1.2-1F2B: Cumulative number of Chemical, Biological, Radiological, Nuclear and High-Yield Explosives Enhanced Response Force Packages (CERFPs) trained, equipped, evaluated, and validated at a response time of 6-12 hours (USD(P))	3.1.2-1F2B: By FY 2012, the DoD will have and maintain 17 National Guard CERFPs trained, equipped, evaluated, and validated at a response time of 6-12 hours in order to backfill existing CERFPs that will convert to HRFs.	FY08 – 10 Actual: Non-applicable FY11 Actual: 17 FY12: 17 <b>FY12 Actual: 17</b> 
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
3.1.3-1F2B: Number of Defense CBRNE Response Forces (DCRFs) trained, equipped, evaluated, and certified at a response time of 24-48 hours (USD(P))	3.1.3-1F2B: By FY 2012, the DoD will have and maintain one DCRF trained, equipped, evaluated, and certified at a response time of 24 – 48 hours.	FY08 – 11 Actual: Non-applicable FY12: 1 <b>FY12 Actual: 1</b>
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.1.4-1F2B: Number of Command and Control (C2) CBRNE Response Elements (C2CREs) trained, equipped and evaluated, as well as certified or validated as applicable at a response time of 96 hours (USD(P))	3.1.4-1F2B: By FY 2012, the DoD will have and maintain two C2CREs trained, equipped and evaluated as well as certified or validated as applicable at a response time of 96 hours.	FY08 – 11 Actual: Non-applicable FY12: 2 <b>FY12 Actual: 2</b>
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
<b>DoD Strategic Objective 3.2-1F2C</b> <i>Enhance capacity to locate, secure, or neutralize weapons of mass destruction, key materials, and related facilities.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.2.1-1F2C: Cumulative percent of treaty-declared category 1 chemical weapons destroyed (USD(AT&L))	3.2.1-1F2C: By FY 2021, the DoD will have destroyed 100 percent of treaty-declared category 1 chemical weapons.	FY08 Actual: 49.6% FY09 Actual: 65.5% FY10 Actual: 79.8% FY11 Actual: 89.1% FY12: 89.8% <b>FY12 Actual: 89.8%</b> ↑
<b>Contributing DoD Components:</b> <i>Army</i>		
3.2.2-1F2C: Cumulative number of labs working with dangerous pathogens at risk for exploitation (USD(AT&L))	3.2.2-1F2C: By FY 2017, the DoD will have secured 66 labs working with dangerous pathogens that are considered at risk for exploitation.	FY08 Actual: 16 FY09 Actual: 19 FY10 Actual: 20 FY11 Actual: 37 FY12: 39 <b>FY12 Actual: 44</b> ↑
<b>Contributing DoD Components:</b> <i>DTRA</i>		
<b>DoD Strategic Objective 3.3-1F2C</b> <i>Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
New measures effective FY 2013.		
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
<b>Forces and Infrastructure Category 1X1: Operational Command &amp; Control Systems</b>		
<b>DoD Strategic Objective 3.4-1X1</b> <i>Expand capacity to succeed against adversary states armed with anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.</i> <i>*Agency Priority Goal 1: By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards, on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense. (DoD CIO)<sup>3</sup></i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.4.1-1X1: Percent of DoD's nuclear command, control, and communications (NC3) cryptographic modernization plan completed (DoD CIO)	3.4.1-1X1: By FY 2016, the DoD will have completed 100 percent of its NC3 cryptographic modernization action plan for the most critical 25 networks.	FY08 – 10 Actual: Not available FY11 Actual: 12% FY12: 32% <b>FY12 Actual: 32%</b> ↑
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, NSA, and DISA</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
*3.4.2-1X1: Percent of inspected DoD military cyberspace organizations that attain a passing grade (score of xx percent or better) on a Command Cyber Readiness Inspection (CCRI) (DoD CIO) 3/	*3.4.2-1X1: By FY 2013, xx percent of inspected DoD military cyberspace organizations will attain a passing grade (score of xx percent or better) on a Command Cyber Readiness Inspection. 3/	FY08 – 10 Actual: Non-applicable FY11: xx% 3/ *FY12: xx% 3/ *FY12: xx% 3/ 
<b>Contributing DoD Components:</b> All		
<b>DoD Forces and Infrastructure Category 2D: Science and Technology</b>		
<b>DoD Strategic Objective 3.5-2D:</b> <i>Maintain a strong technical foundation within the Department's Science and Technology (S&amp;T) program.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.5.1-2D: Percent of completing demonstration programs transitioning each year (USD(AT&L))	3.5.1-2D: Beginning in FY 2008, the DoD will transition 30 percent of completing demonstration programs per year.	FY08 Actual: 43.1% FY09 Actual: 52.6% FY10 Actual: 61.5% FY11 Actual: 83% FY12: 30% <b>FY12 Actual: 83%</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, DLA, DARPA, CDBP, and OSD		
<b>DoD STRATEGIC GOAL #4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.</b>		
<b>DoD Forces and Infrastructure Category 2M: Defense Health Program</b>		
<b>DoD Strategic Objective 4.1-2M:</b> <i>Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.</i>  <i>*Agency Priority Goal 2: By September 30, 2013, the DoD will: 1) increase the use of Recovery Care Coordinators and ensure WII Service members have active recovery plans; 2) improve effectiveness of behavioral health programs and ensure all Service members complete quality post-deployment health screenings; and 3) accelerate the transition of WII Service members into veteran status by reducing the processing time required for disability evaluation boards. (USD(P&amp;R))</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.1.1-2M: Average percent variance in Defense Health Program annual cost per equivalent life increase compared to average civilian sector increase (USD(P&R))	4.1.1-2M: Beginning in FY 2007, the DoD will maintain an average Defense Health Program (DHP) medical cost per equivalent life increase at or below the average healthcare premium increase in the civilian sector.	FY08 Actual: 1.1% FY09 Actual: 6.7% FY10 Actual: -1% FY11 Actual: 1.4% FY12: </=0% <b>FY12 Actual: -6.4%</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, and Marine Corps		
4.1.2-2M: Percentage of Armed Forces who meet Individual Medical Readiness (IMR) requirements (USD(P&R))	4.1.2-2M: By FY 2015, 85 percent of the Armed Forces will have an IMR that indicates readiness for deployment.	FY08 Actual: 67% FY09 Actual: 69% FY10 Actual: 74% FY11 Actual: 78% FY12: 82% <b>FY12 Actual: 84%</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, and Marine Corps		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
*4.1.3-2M: Percent of Service members who are processed through the Integrated Disability Evaluation System (IDES) within 295 days (Active) or 305 days (Reserve) (USD(P&R))	*4.1.3-2M: By FY 2014, 80 percent of Service Members will be processed through the IDES within 295 days (Active) or 305 days (Reserve) components.	FY08-11 Actual: Non-applicable *FY12: 60% <b>*FY12 Actual: 24%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and Marine Corps</i>		
*4.1.4-2M: Percent of wounded, ill and injured (WII) Service members who are enrolled in a Service recovery coordination program and have an established and active recovery plan administered by a DoD trained Recovery Care Coordinator (USD(P&R))	*4.1.4-2M: By FY 2012, 100 percent of wounded, ill, and injured (WII), who are enrolled in a Service recovery coordination program, will have an established and active recovery plan administered by a DoD trained Recovery Care Coordinator.	FY08 – 11 Actual: Non-applicable *FY12: 100% <b>*FY12 Actual: 68%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
*4.1.5-2M: Percent of wounded, ill and injured (WII) Service members who are assigned to a DoD trained Recovery Care Coordinator (RCC) within 30 days of being enrolled in a Wounded Warrior Program (USD(P&R))	*4.1.5-2M: By FY 2012, 100 percent of wounded, ill, and injured (WII) Service members will be assigned to a DoD trained Recovery Care Coordinator within 30 days of being enrolled in a Wounded Warrior Program.	FY08 – 11 Actual: Non-applicable *FY12: 100% <b>*FY12 Actual: 70%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
<b>DoD Forces and Infrastructure Category 2P: Central Personnel Administration</b>		
<b>DoD Strategic Objective 4.2-2P:</b> <i>Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.2.1-2P: Percent variance in Active component end strength (USD(P&R))	4.2.1-2P: For each fiscal year, the DoD Active component end strength will not vary by more than three percent from the SECDEF/NDAA-prescribed end strength for that fiscal year.	FY08 Actual: 2.1% FY09: 0 – 3% FY09 Actual: 0.9% FY10 Actual: 0.4% FY11 Actual: -0.5% ↑ FY12: +/-3% <b>FY12 Actual: -1.6%</b> ↑
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.2.2-2P: Percent variance in Reserve component end strength (USD(P&R))	4.2.2-2P: For each fiscal year, the DoD Reserve component end strength will not vary by more than three percent from the SECDEF/NDAA-prescribed end strength for that fiscal year.	FY08 Actual: 0% FY09: +/-3% FY09 Actual: 1% FY10 Actual: 0.6% FY11 Actual: 0.2% ↑ FY12: +/-3% <b>FY12 Actual: -0.8%</b> ↑
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.2.3-2P: Percentage of the Department's active duty Army who meet the planning objectives for time deployed in support of combat operations versus time at home (USD(P&R))	4.2.3-2P: By FY 2015, 95 percent of active duty Army personnel will meet the deployment to dwell objective of 1:2.	FY08 – 10 Actual: Not available FY11 Actual: 85.7% ↑ FY12: 80% <b>FY12 Actual: 91%</b> ↑
<b>Contributing DoD Components:</b> <i>Army</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.2.4-2P: Percentage of the Department's active duty Navy who meet the planning objectives for time deployed in support of combat operations versus time at home USD(P&R))	4.2.4-2P: By FY 2011, 95 percent of active duty Navy personnel will meet the deployment to dwell objective of 1:2.	FY08 – 10 Actual: Not available FY11 Actual: 95.6% FY12: 95% <b>FY12 Actual: 95%</b> 
<b>Contributing DoD Components: Navy</b>		
4.2.5-2P: Percentage of the Department's active duty Marines who meet the planning objectives for time deployed in support of combat operations versus time at home USD(P&R))	4.2.5-2P: By FY 2015, 95 percent of active duty Marine personnel will meet the deployment to dwell objective of 1:2.	FY08 – 10 Actual: Not available FY11 Actual: 94% FY12: 95% <b>FY12 Actual: 96%</b> 
<b>Contributing DoD Components: Marine Corps</b>		
4.2.6-2P: Percentage of the Department's active duty Air Force who meet the planning objectives for time deployed in support of combat operations versus time at home USD(P&R))	4.2.6-2P: By FY 2011, 95 percent of active duty Air Force personnel will meet the deployment to dwell objective of 1:2.	FY08 – 10 Actual: Not available FY11 Actual: 97.3% FY12: 95% <b>FY12 Actual: 98%</b> 
<b>Contributing DoD Components: Air Force</b>		
4.2.7-2P: Percent of Reserve Component (RC) Service members mobilized in the evaluation period that have dwell ratios greater than or equal to 1:5 (USD(P&R))	4.2.7-2P: By FY 2013, 80 percent of the RC Service members undergoing mobilization will have a dwell ratio of 1:5 or greater.	FY08 – 10 Actual: Not available FY11 Actual: 71.8% FY12: 71% <b>FY12 Actual: 72.7%</b> 
<b>Contributing DoD Components: Army, Navy, and Air Force</b>		
4.2.8-2P: Number of days for all external civilian hiring actions (end-to-end timeline) (USD(P&R))	4.2.8-2P: By FY 2012, the Department will improve and maintain its timeline for all external (direct hire authority, expedited hire authority, and delegated examining) civilian hiring actions to 80 days or less.	FY08 Actual: Not available FY09 Actual: 155 FY10 Actual: 116 FY11 Actual: 104 FY12: 80 <b>FY12 Actual: 83</b> 
<b>Contributing DoD Components: All</b>		
<b>DoD Forces and Infrastructure Category 2R: Central Personnel Benefits</b>		
<b>DoD Strategic Objective 4.3-2R:</b> <i>Better prepare and support families during the stress of multiple deployments.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.3.1-2R: Percent of worldwide government-owned Family Housing inventory at good or fair (Q1-Q2) condition (USD(AT&L))	4.3.1-2R: Beginning in FY 2012, the DoD (except Navy) will maintain at least 90 percent of worldwide government-owned Family Housing inventory at good or fair (Q1-Q2) condition.	FY08 – 10 Actual: Not available FY11 Actual: 80% FY12: 81% <b>FY12 Actual: 81.5%</b> 
<b>Contributing DoD Components: Army, Navy, Marine Corps, and Air Force</b>		
4.3.2-2R: Percent of the worldwide inventory for government-owned permanent party unaccompanied housing at good or fair (Q1-Q2) condition (USD(AT&L))	4.3.2-2R: By FY 2017 the DoD (except Navy) will maintain at least 90 percent of the worldwide government-owned permanent party unaccompanied housing at good or fair (Q1-Q2) condition.	FY08 – 10 Actual: Not available FY11 Actual: 85% FY12: 85% <b>FY12 Actual: 85%</b> 
<b>Contributing DoD Components: Army, Navy, Marine Corps, and Air Force</b>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.3.3-2R: Cumulative percent of Department of Defense Education Activity (DoDEA) schools that meet good or fair (Q1 or Q2) standards (USD(P&R))	4.3.3-2R: By FY 2018, 100 percent of DoDEA schools will meet the OSD acceptable standard of good or fair (Q1 or Q2) standards.	FY08 – 10 Actual: Not available FY11 Actual: 33% ↑ FY12: 35% <b>FY12 Actual: 38%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
<b>DoD Forces and Infrastructure Category 2T: Central Training</b>		
<b>DoD Strategic Objective 4.4-2T:</b> <i>Train the Total Defense Workforce with the right competencies.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.4.1-2T: Percent of acquisition positions filled with personnel meeting Levels II and III certification requirements (USD(AT&L))	4.4.1-2T: Beginning in FY 2007, the DoD will increase the percent of positions filled with personnel meeting Levels II and III certification requirements from the previous fiscal year.	FY08 – 10 Actual: Not available FY11 Actual: 62% ↑ FY12: 62.1% <b>FY12 Actual: 70.1%</b>
<b>Contributing DoD Components:</b> <i>All</i>		
4.4.2-2T: Percentage of Defense Language Institute (DLI) Foreign Language Center students who achieve a 2/2/1+ Defense Language Proficiency Test (DLPT) score in reading, listening, and speaking modalities (USD(P&R))	4.4.2-2T: Beginning in FY 2012, 80 percent of DLI Foreign Language Center students will achieve a 2/2/1+ score on the DLPT in the reading, listening, and speaking modalities, as measured by the Interagency Language Roundtable performance scale.	FY08 – 10 Actual: Not available FY11 Actual: 77.4% ↓ FY12: 80% <b>FY12 Actual: 77%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.4.3-2T: Percent of Military Departmental information assurance positions and contract requirements filled with personnel meeting certification requirements (DoD CIO)	4.4.3-2T: By FY 2016, 95 percent of Military Departmental information assurance positions and contract requirements will be filled with personnel meeting certification requirements.	FY08 – 11 Actual: Not available FY12: 70% <b>FY12 Actual: 78%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.4.4-2T: Percent of eligible DoD adjudicators that are certified (USD(I))	4.4.4-2T: Beginning in FY 2012, 90 percent of eligible (i.e., those with 24 months experience) DoD adjudicators will be certified.	FY08-09 Actual: Not available FY11 Actual: 23% ↑ FY12: 90% <b>FY12 Actual: 97.7%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, DSS, DIA, NSA, and NGA</i>		
<b>DoD STRATEGIC GOAL #5: REFORM THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.</b>		
<b>DoD Forces and Infrastructure Category 2A: Force Installations</b>		
<b>DoD Strategic Objective 5.1-2A:</b> <i>Increase use of renewable energy and reduce energy demand at DoD installations.</i>		
* <i>Agency Priority Goal 3: By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency. (USD(AT&amp;L))</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.1.1-2A: Average facilities sustainment rate (USD(AT&L))	5.1.1-2A: Beginning in FY 2013, the DoD will fund facilities sustainment at a minimum of 90 percent of the Facilities Sustainment Model (FSM) requirement, with the exception of the Navy and Air Force which will fund sustainment at a minimum of 80 percent of their FSM requirement.	FY08 Actual: 94% FY09 Actual: 81% FY10 Actual: 88% FY11 Actual: 83% 2/ FY12: 85% <b>FY12 Actual: 85% 4/</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, DLA, TMA, and DoDEA		
*5.1.2-2A: Cumulative average percent reduction in building energy intensity (USD(AT&L))	5.1.2-2A: By FY 2015, DoD will reduce average building energy intensity by 30 percent from the FY 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot.	FY08 Actual: 10.7% FY09 Actual: 9.7% FY10 Actual: 10.5% FY11 Actual: 13.3% *FY12: 21% <b>*FY12 Actual: 17.7%</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, DCMA, DeCA, DFAS, DIA, DLA, MDA, NGA, NSA, TMA, and WHS		
*5.1.3-2A: Percentage of renewable energy produced or procured based on DoD's annual electric energy usage (USD(AT&L))	5.1.3-2A: By FY 2025, the DoD will produce or procure renewable energy equal to 25 percent of its annual electric energy usage.	FY08 Actual: 9.8% FY09 Actual: 9.7% FY10 Actual: 10% FY11 Actual: 8.5% *FY12: 12% <b>*FY12 Actual: 9.6%</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, DCMA, DeCA, DFAS, DIA, DLA, MDA, NGA, NSA, TMA, and WHS		
5.1.4-2A: Million square feet (MSF) of excess or obsolete facilities eliminated (USD(AT&L))	5.1.4-2A: Between FY 2008 and FY 2013, the DoD will demolish a minimum of 62 million square feet (MSF) of excess or obsolete facilities.	FY08 Actual: 13.4 FY09 Actual: 27.2 FY10 Actual: 34.3 FY11 Actual: 41.6 FY12: 57 <b>FY12 Actual: 55.8</b> 
<b>Contributing DoD Components:</b> Army, Navy, Air Force, TMA, DoDEA, and DLA		
<b>DoD Forces and Infrastructure Category 2C: Communications &amp; Information Infrastructure</b>		
<b>DoD Strategic Objective 5.2-2C:</b> <i>Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase mission assurance.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.2.1-2C: Percent of applicable Information Technology (IT) and National Security Systems (NSS) that are Certification and Accreditation (C&A)-compliant (DoD CIO)	5.2.1-2C: By FY 2015, 99 percent of applicable Information Technology (IT) and National Security Systems (NSS) will be Certification and Accreditation (C&A)-compliant.	FY08 Actual: 95% FY09 Actual: 97% FY10 Actual: 90% FY11 Actual: 92% FY12: 90% <b>FY12 Actual: 91.1%</b> 
<b>Contributing DoD Components:</b> All		
5.2.2-2C: Cumulative percent reduction in the number of DoD data centers (DoD CIO)	5.2.2-2C: By FY 2015, the DoD will reduce its number of data centers by 45 percent (from 772 in FY 2010 to 428 in FY 2015) in order to increase data center storage utilization/capacity.	FY08 – 10 Actual: Non-applicable FY11 Actual: 7% FY12: 19% <b>FY12 Actual: 15%</b> 
<b>Contributing DoD Components:</b> All		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.2.3-2C: Cumulative percentage of DoD Non-secure Internet Protocol Router Network (NIPRNet) accounts with Public Key Infrastructure (PKI) cryptographic logon capability (DoD CIO)	5.2.3-2C: By FY 2014, 95 percent of DoD NPRNet accounts will have PKI cryptographic logon capability.	FY08 Actual: 57% FY09 Actual: 87% FY10 Actual: 88% FY11 Actual: 88% FY12: 88% <b>FY12 Actual: 95%</b> 
<b>Contributing DoD Components: All</b>		
5.2.4-2C: Cumulative percentage of DoD Secure Internet Protocol Router Network (SIPRNet) accounts with Public Key Infrastructure (PKI) cryptographic logon capability (DoD CIO)	5.2.4-2C: By FY 2014, 95 percent of DoD SIPRNet accounts will have PKI cryptographic logon capability.	FY08 – 10 Actual: Not available FY11 Actual: 3.2% FY12: 50% <b>FY12 Actual: 16.5%</b> 
<b>Contributing DoD Components: All</b>		
<b>DoD Forces and Infrastructure Category 2E: Acquisition Infrastructure</b>		
<b>DoD Strategic Objective 5.3-2E:</b>		
<i>Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.</i>		
<i>*Agency Priority Goal 4: By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1 programs, going through Milestone A decision reviews, will present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews, will present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DOD will increase the amount of contract obligations, that are competitively awarded, to 60 percent in FY 2012 and 61 percent in FY 2013. (USD(AT&amp;L))</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
*5.3.1-2E: Percentage of contract obligations that are competitively awarded (USD(AT&L))	*5.3.1-2E: Beginning in FY 2012, the DoD will increase, by one percent annually, the amount of contract obligations that are competitively awarded.	FY08 Actual: 64% FY09 Actual: 63% FY10 Actual: 62.5% FY11 Actual: 58.5% *FY12: 60% <b>*FY12 Actual: 57.5%</b> 
<b>Contributing DoD Components: All</b>		
*5.3.2-2E: Average percent increase from the Approved Program Baseline (APB) cycle time for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 and after (USD(AT&L))	*5.3.2-2E: Beginning in FY 2011, the DoD will not increase by more than five percent from the Approved Program Baseline (APB) cycle time for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 and after.	FY08 – 09 Actual: Not available FY10 Actual: 4.4% FY11 Actual: 4.5% *FY12: < /=5% <b>*FY12 Actual: 6.6%</b> 
<b>Contributing DoD Components: Army, Navy, and Air Force</b>		
5.3.3-2E: Percent of enterprise-level Information Technology (IT) software and hardware deployed as business services within 18 months of the capability business cases approval (DCMO)	5.3.3-2E: By FY 2016, 100 percent of enterprise level Information Technology (IT) software and hardware for business services will be deployed within 18 months of the capability business cases approval.	FY08 – 11 Actual: Non-applicable FY12: 70% <b>FY12 Actual: 67%</b>
<b>Contributing DoD Components: Army, Navy, Air Force, DeCA, DCMA, DFAS, DISA, DLA, TMA, WHS, OSD, TJS, and USTRANSCOM</b>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.3.4-2E: Number of Major Automated Information System (MAIS) “significant” breaches (equal to or greater than 15 percent of Acquisition Program Baseline (APB) total cost or with schedule slippages greater than six months)) (DCMO)	5.3.4-2E: Beginning in FY 2011, the DoD will ensure that the number of MAIS “significant” breaches (equal to or greater than 15 percent of the APB total cost or with schedule slippages greater than six months) will not exceed one.	FY08 Actual: 1 FY09 Actual: 1 FY10 Actual: 1 FY11 Actual: 2 FY12: </=1 <b>FY12 Actual: 3</b> ↓
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, Marine Corps, DISA, DLA, and TMA</i>		
5.3.5-2E: Number of Major Automated Information System (MAIS) “critical” breaches (equal to or greater than 25 percent of Acquisition Program Baseline (APB) total cost or with schedule slippages of one year or more)) (DCMO)	5.3.5-2E: By FY 2012, the DoD will ensure that the number of MAIS “critical” breaches (equal to or greater than 25 percent of the APB total cost or with schedule slippages greater than one year) will not exceed two.	FY08 Actual: 2 FY09 Actual: 6 FY10 Actual: 2 FY11 Actual: 1 FY12: </=2 <b>FY12 Actual: 3</b> ↓
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, Marine Corps, DISA, DLA, and TMA</i>		
5.3.6-2E: Average rate of acquisition cost growth from the previous year for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 (USD(AT&L))	5.3.6-2E: Beginning in FY 2012, the DoD will ensure that average rate of acquisition cost growth from the previous year for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 does not exceed three percent.	FY08 – 10 Actual: Not available FY11 Actual: -0.2% ↑ FY12: </=3% <b>FY12 Actual: -0.3%</b> ↑
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
*5.3.7-2E: Number of Major Defense Acquisition Program (MDAP) breaches (equal to or greater than 15 percent of current Acquisition Program Baseline (APB) unit cost or equal or greater than 30 percent of original APB unit cost)) for reasons other than approved changes in quantity (USD(AT&L))	*5.3.7-2E: Beginning in FY 2012, the DoD will not have any MDAP breaches (significant cost overruns) for reasons other than approved changes in quantity.	FY08 – 10 Actual: Not available FY11 Actual: 3 ↑ *FY12: 0 <b>*FY12 Actual: 1</b> ↑
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
5.3.8-2E: Percentage of Small Business contract obligation goals met annually (USD(AT&L))	5.3.8-2E: Beginning in FY 2012, the DoD will meet or exceed 100 percent of its contract obligation goals for the following five Small Business categories: Overall Small Business (23%), Disadvantaged (5%), Women-owned (5%), Service-disabled, Veteran-owned (3%), and Historically under-utilized (3%).	FY08 – 10 Actual: Not available FY 11 Actual: 20% FY12: 100% <b>FY12 Actual: 20%</b> ↔
<b>Contributing DoD Components:</b> <i>All</i>		
5.3.9-2E: Cumulative percent of Major Defense Acquisition Programs certified, as required by the Weapon Systems Acquisition Reform Act of 2009 (USD(AT&L))	5.3.9-2E: By FY 2012, 100 percent of Major Defense Acquisition Programs will be certified, as required by the Weapon Systems Acquisition Reform Act of 2009.	FY08-10 Actual: Non-applicable FY11 Actual: 60% ↑ FY12: 100% <b>FY12 Actual: 84%</b> ↑
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
*5.3.10-2E: Percentage of Acquisition Category (ACAT) I programs, going through a Milestone A decision review, that present an affordability analysis (USD(AT&L))	*5.3.10-2E: By FY 2012, 100 percent of Acquisition Category (ACAT) I programs, going through a Milestone A decision review, will present an affordability analysis.	FY08 – 11 Actual: Non-applicable *FY12: 100% <b>*FY12 Actual: 100%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
*5.3.11-2E: Percentage of Acquisition Category (ACAT) I programs, going through milestone decision reviews, that present a competitive strategy (USD(AT&L))	*5.3.11-2E: By FY 2012, 100 percent of Acquisition Category (ACAT) I programs, going through milestone decision reviews, will present a competitive strategy.	FY08 – 11 Actual: Non-applicable *FY12: 100% <b>*FY12 Actual: 100%</b>
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
<b>DoD Forces and Infrastructure Category 2L: Logistics</b>		
<b>DoD Strategic Objective 5.4-2L:</b> <i>Provide more effective and efficient logistical support to forces abroad.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.4.1-2L: Perfect Order Fulfillment percentage for Defense Logistics Agency (DLA)-stocked items (USD(AT&L))	5.4.1-2L: By FY 2012, the DoD will increase and maintain Perfect Order Fulfillment (POF) percentage for DLA-stocked items at or above 85.1 percent.	FY08 Actual: 73.7% FY09 Actual: 79.9% FY10 Actual: 84.8% FY11 Actual: 86.2% FY12: 85.1% <b>FY12 Actual: 87.1%</b> ↑
<b>Contributing DoD Components:</b> <i>DLA</i>		
5.4.2-2L: Army Customer Wait Time (days) (USD(AT&L))	5.4.2-2L: By FY 2013, the DoD will maintain the Army's average customer wait time at or below 15 days.	FY08 Actual: 17.4 FY09 Actual: 16.6 FY10 Actual: 16.6 FY11 Actual: 14.1 FY12: 15.5 <b>FY12 Actual: 13.7</b> ↑
<b>Contributing DoD Components:</b> <i>Army</i>		
5.4.3-2L: Navy Customer Wait Time (days) (USD(AT&L))	5.4.3-2L: By FY 2012, the DoD will maintain the Navy's average customer wait time at or below 15 days.	FY08 Actual: 10.3 FY09 Actual: 12.6 FY10 Actual: 12.7 FY11 Actual: 11.4 FY12: 15 <b>FY12 Actual: 12.6</b> ↓
<b>Contributing DoD Components:</b> <i>Navy</i>		
5.4.4-2L: Air Force Customer Wait Time (days) (USD(AT&L))	5.4.4-2L: By FY 2012, the DoD will maintain the Air Force's average customer wait time at or below 7.5 days.	FY08 Actual: 5.7 FY09 Actual: 6.3 FY10 Actual: 7.6 FY11 Actual: 5 FY12: 7.5 <b>FY12 Actual: 5.5</b> ↓
<b>Contributing DoD Components:</b> <i>Air Force</i>		
5.4.5-2L: Percentage of excess on-hand secondary item inventory (USD(AT&L))	5.4.5-2L: By FY 2012, the DoD will reduce and maintain the percentage of excess on-hand secondary inventory to 10 percent of total on-hand secondary inventory.	FY08 Actual: 14.1% FY09 Actual: 11.3% FY10 Actual: 10.7% FY11 Actual: 9.2% FY12: 10% <b>FY12 Actual: 9.9%</b> 5/ ↓
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and DLA</i>		
5.4.6-2L: Percentage of excess on-order secondary item inventory (USD(AT&L))	5.4.6-2L: By FY 2016, the DoD will reduce and maintain the percentage of secondary item excess on-order inventory to four percent of total on order secondary item inventory.	FY08 Actual: 6.9% FY09 Actual: 8.5% FY10 Actual: 5.5% FY11 Actual: 4.8% FY12: 6.6% <b>FY12 Actual: 5.8%</b> 5/ ↓
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and DLA</i>		

**DoD Forces and Infrastructure Category 2U/2V: Department Headquarters and other Infrastructure**

**DoD Strategic Objective 5.5-2U/2V:**

*Improve financial management and increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.*

*\*Agency Priority Goal 5: By September 30, 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.*

Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.5.1-2U: Percent of DoD's Funds Balance with Treasury validated as audit-ready (USD(C/CFO))	5.5.1-2U: By FY 2014, 100 percent of DoD's Funds Balance with Treasury will be validated as audit-ready.	FY07 Actual: 5% FY08 Actual: 5% FY09 Actual: 7% FY10 Actual: 9% FY11 Actual: 9% FY12: 9% <b>FY12 Actual: 9%</b>
<b>Contributing DoD Components: All</b>		
5.5.2-2U: Percent of DoD's general fund Statement of Budgetary Resources for material Components validated as audit-ready (USD(C/CFO))	5.5.2-2U: By FY 2014, 100 percent of DoD's general fund Statement of Budgetary Resources for material Components will be validated as audit-ready.	FY08 Actual: 10% FY09 Actual: 13% FY10 Actual: 14% FY11 Actual: 14% FY12: 14% <b>FY12 Actual: 14%</b>
<b>Contributing DoD Components: All</b>		
5.5.3-2U: Percent of DoD mission-critical assets (Real Property, Military Equipment, General Equipment, Operating Materials and Supplies, and Inventory balances) validated for existence and completeness (USD(C/CFO))	5.5.3-2U: By FY 2017, 100 percent of DoD mission-critical assets (Real Property, Military Equipment, General Equipment, Operating Materials and Supplies, and Inventory balances) will be validated as audit-ready for existence and completeness.	FY08 – 09 Actual: Not available FY10 Actual: 4% FY11 Actual: 4% FY12: 40% <b>FY12 Actual: 41%</b>
<b>Contributing DoD Components: All</b>		
*5.5.4-2U: Percent of DoD's Statement of Budgetary Resources for Appropriations Received validated as audit ready (USD(C/CFO))	*5.5.4-2U: By FY 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received to 100 percent.	FY08 Actual: 14% FY09 Actual: 19% FY10 Actual: 19% FY11 Actual: 80% *FY12: 83% <b>*FY12 Actual: 88%</b>
<b>Contributing DoD Components: All</b>		
<b>Footnotes:</b>		
<p>1/ The FY 2012 goal was revised downward, from 29 to 25, to measure the number of Navy ships (25) equipped with BMD capability and ready for tasking, versus measuring the number of ships funded by the Missile Defense Agency (29). This revised goal better supports the strategic objective (2.3-1F3) which is focused on fielded (vice funded) capability and ensures that DoD performance data is consistent with information published in the Navy's 30-year shipbuilding plan, approved March 28, 2012.</p> <p>2/ Not counted in trend analyses since reduced performance level is necessary for reconstitution.</p> <p>3/ Goals and results are considered sensitive and will not be made available to the public; evaluation criteria was changed, effective FY 2012.</p> <p>4/ Reflects result for Operations and Maintenance (O&amp;M) funds only as most facilities sustainment funding is O&amp;M.</p> <p>5/ Reflects result for March 2012, given six month delay in assessing fiscal yearend results.</p> <p>*Reflects FY 2012 – FY 2013 Agency Priority Goal.</p>		
<b>Performance Trend Legend:</b>		
Optimum performance (100%):		Stable performance:
Improving performance:		Declining performance:

## Exhibit B – FY 2013 Updated – FY 2014 DOD-wide Performance Goals by Strategic Goal and Strategic Objective

<b>DoD STRATEGIC GOAL #1: PREVENT AND DETER CONFLICT.</b>		
<b>DoD Forces and Infrastructure Category 1F1: Expeditionary Forces</b>		
<b>New DoD Strategic Objective 1.1-1F1:</b>		
<i>Ensure that we can quickly confront and defeat aggression from any adversary – anytime, anywhere.</i>		
<b>Performance Measures</b>	<b>Long-term Performance Goals</b>	<b>Annual Performance Goals</b>
1.1.1-1F1: Percent of the DoD Combatant Commanders (CoComs) that are ready to execute their Core or Theater Campaign Plan missions (USD(P&R))	1.1.1-1F1: For each fiscal year, DoD Combatant Commanders (CoComs) will be ready to execute 100 percent of their Core or Theater Campaign Plan missions.	FY10 Actual: 100% FY11 Actual: 100% FY12 Actual: 100% FY13: 100% FY14: 100%
<b>Contributing DoD Components:</b> USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM		
1.1.2-1F1: Percent of the DoD Combatant Commanders' (CoComs) Contingency Plans which they report ready to execute (USD(P&R))	1.1.2-1F1: For each fiscal year, DoD Combatant Commanders (CoComs) will be ready to execute at least 80 percent of their Contingency Plans.	FY10 Actual: 82.1% FY11 Actual: 80% FY12 Actual: 91% FY13: 80% FY14: =/>80%
<b>Contributing DoD Components:</b> USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM		
1.1.3-1F1: Cumulative percent of Army Brigade Combat Teams (BCTs) converted to a modular design and available to meet military operational demands (USD(P&R))	1.1.3-1F1: By FY 2014, 100 percent of Army Brigade Combat Teams (BCTs) will have converted to a modular design and be available to meet military operational demands.	FY10-11 Actual: Non-applicable FY13: 99% 1/ FY14: 100%
<b>Contributing DoD Components:</b> Army		
1.1.4-1F1: Cumulative number of Army Multi-functional and Functional Support (MFF) brigades converted to a modular design and available to meet military operational demands (USD(P&R))	1.1.4-1F1: By FY 2013, the DoD will convert 229 Army Multi-functional and Functional Support (MFF) brigades to a modular design.	FY10 Actual: 202 FY11 Actual: 225 FY12 Actual: 228 FY13: 229 FY14: Retired; achieved end state
<b>Contributing DoD Components:</b> Army		
1.1.5-1F1: Cumulative number of ships in the fleet (USD(P&R))	1.1.5-1F1: By FY 2043, the DoD will increase the number of ships in the fleet to 305 for security operations.	FY10 Actual: 287 FY11 Actual: 284 FY12 Actual: 287 FY13: 285 2/ FY14: 285
<b>Contributing DoD Components:</b> Navy		
<b>DoD Strategic Objective 1.2-1F1</b>		
<i>Enhance U.S. capabilities to train, advise, and assist foreign security forces and their sustaining institutions to operate with or in lieu of U.S. forces.</i>		
<b>Performance Measures</b>	<b>Long-term Performance Goals</b>	<b>Annual Performance Goals</b>
1.2.1-1F1: Average number of trained or deployed civilian expeditionary ministerial-level advisors (USD(P))	1.2.1-1F1: By FY 2014, the DoD will maintain an annual average of 100 civilian expeditionary advisors to provide ministerial-level training and advice to partner nations.	FY10 Actual: 17 FY11 Actual: 45 FY12 Actual: 60 FY13: 75 FY14: 100
<b>Contributing DoD Components:</b> Army, Navy, Marine Corps, Air Force, DSCA, and OSD		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
1.2.2-1F1: Average number of countries with active Defense Institution Reform Initiative (DIRI) programs (USD(P))	1.2.2-1F1: By FY 2015, the DoD will expand its Defense Institution Reform Initiative (DIRI) program to include 30 countries.	FY10 Actual: Non-applicable FY11 Actual: 17 FY12 Actual: 22 FY13: 26 FY14: 28
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
1.2.3-1F1: Percentage of general purpose force (GPF) deployed to support CoCom security force assistance requirements that have received focused SFA training. USD(P&R))	1.2.3-1F1: Annually, 95 percent of GPF units/teams deployed to support CoCom SFA requirements will have received focused SFA training.	FY10–11 Actual: Non-applicable FY12: Not available FY13: 95% FY14: 95%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
<b>New DoD Strategic Objective 1.3-1F1</b> <i>Rebalance our global posture and presence to emphasize the Asia-Pacific region and maintain focus on the Middle East.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
Measures developed by May 15, 2013. (USD(P))		
<b>New DoD Strategic Objective 1.4-1F1</b> <i>Build innovative partnerships and strengthen key alliances and partnerships elsewhere in the world.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
Measures developed by May 15, 2013. (USD(P))		
<b>DoD Forces and Infrastructure Category 1F3: Military Space Forces</b>		
<b>DoD Strategic Objective 1.5-1F3:</b> <i>Strengthen cooperation with allies and partners to develop and field robust, pragmatic, and cost-effective missile defense capabilities.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
1.5.1-1F3: Cumulative number of large- surface DoD combatant ships that are Ballistic Missile Defense (BMD)-capable and ready for tasking (USD(P))	1.5.1-1F3: By FY 2042, 85 large-surface DoD combatant ships will be BMD-capable and ready for tasking.	FY10 Actual: 20 FY11 Actual: 24 FY12 Actual: 25 3/ FY13: 26 3/ FY14: 28
<b>Contributing DoD Components:</b> <i>Navy and MDA</i>		
1.5.2-1F3: Cumulative number of Standard Missile - Model 3 (SM-3) Interceptors (all variants) delivered (USD(AT&L))	1.5.2-1F3: By FY 2017, the DoD will have delivered 350 SM-3 Interceptors (all variants) to counter aerial threats.	FY10 Actual: 88 FY11 Actual: 108 FY12 Actual: 129 FY13: 138 FY14: 189
<b>Contributing DoD Components:</b> <i>MDA</i>		
1.5.3-1F3: Cumulative number of Army- Navy/Transportable Radar Surveillance – Model 2 (AN/TPY-2) delivered (USD(AT&L))	1.5.3-1F3: By FY 2017, the DoD will have delivered 11 AN/TPY-2 Radars to detect aerial threats.	FY10 Actual: 7 FY11 Actual: 7 FY12 Actual: 7 FY13: 8 FY14: 10
<b>Contributing DoD Components:</b> <i>MDA</i>		

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DoD Forces and Infrastructure Category 1X2: Intelligence Operations		
<b>DoD Strategic Objective 1.6-1X2:</b> <i>Ensure sufficient Intelligence, Surveillance, and Reconnaissance (ISR) collection and analysis capacity for full spectrum operations and ensure resiliency of ISR operations.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
1.6.1-1X2: Cumulative number of Predator (MQ-1) and Reaper (MQ-9) intelligence, surveillance, and reconnaissance (ISR) orbits (USD(I))	1.6.1-1X2: During FY 2014, the DoD will achieve and maintain 65 Predator (MQ-1) and Reaper (MQ-9) ISR orbits.	FY10 Actual: 45 FY11 Actual: 59 FY12 Actual: 57 FY13: 61 4/ FY14: 65
<b>Contributing DoD Components:</b> <i>Air Force</i>		
1.6.2-1X2: Percent of known DoD in-transit contingents receiving Force Protection Detachment (FPD) support (USD(I))	1.6.2-1X2: By FY 2015, 90 percent of known DoD in-transit contingents will receive Force Protection Detachment (FPD) support.	FY10-13 Actual: Non-applicable FY14: 80%
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
DoD STRATEGIC GOAL #2: PREVAIL IN TODAY'S WARS.		
<b>New DoD Strategic Objective 2.1-OCO:</b> <i>Transition security responsibilities to the Afghan National Security Force (ANSF) and reset DoD forces and equipment.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
2.1.1-OCO: Percent of DoD Combatant Commanders' (CoComs) Current Operations which they report ready to execute (USD(P&R))	2.1.1-OCO: For each fiscal year, DoD Combatant Commanders (CoComs) will be ready to execute 100 percent of Current Operations.	FY10 Actual: 100% FY11 Actual: 100% FY12 Actual: 100% FY13: 100% FY14: 100%
<b>Contributing DoD Components:</b> <i>USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM</i>		
2.1.2-OCO: Average annual military strength in Afghanistan (USD(P))	2.1.2-OCO: For FY 2014, the DoD will maintain an average annual military strength in Afghanistan of not more than xx,xxx. 5/	FY10-12 Actual: Not available FY13: 67,500 FY14: 5/
<b>Contributing DoD Components:</b> <i>USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM</i>		
2.1.3-OCO: Average annual military strength providing theater support (USD(P))	2.1.3-OCO: For FY 2014, the DoD will maintain an average annual military strength of not more than xx,xxx for theater support. 5/	FY10-12 Actual: Not available FY13: 49,199 FY14: 5/
<b>Contributing DoD Components:</b> <i>USAFRICOM, USEUCOM, USCENTCOM, USPACOM, USSOUTHCOM, USNORTHCOM, USSTRATCOM, USSOCOM, and USTRANSCOM</i>		
DoD STRATEGIC GOAL #3: PREPARE TO DEFEAT ADVERSARIES AND SUCCEED IN A WIDE RANGE OF CONTINGENCIES.		
DoD Forces and Infrastructure Category 1F2: Homeland Defense		
<b>DoD Strategic Objective 3.1-1F2A</b> <i>Maintain a safe, secure, and effective nuclear arsenal to deter attack on the U.S. and on our allies and partners.</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.1.1-1F2A: Number of formal DoD-led meetings with international partners to reaffirm U.S. commitments to extended deterrence (USD(P))	3.1.1-1F2A: Annually, the DoD will lead at least six formal meetings with international partners to reaffirm U.S. commitments to extended deterrence.	FY10 Actual: Non-applicable FY11 Actual: 11 FY12 Actual: 17 FY13: 6 FY14: 6
<b>Contributing DoD Components:</b> <i>OSD</i>		
3.1.2-1F2A: Passing percentage rate for Defense Nuclear Surety Inspections (USD(P))	3.1.2-1F2A: The DoD will maintain a passing rate of 100 percent for all regular Defense Nuclear Surety Inspections.	FY10 Actual: 73% FY11 Actual: 85.7% FY12 Actual: 100% FY13: 100% FY14: 100%
<b>Contributing DoD Components:</b> <i>Navy, Air Force, TJS, and DTRA</i>		
<b>DoD Forces and Infrastructure Category 1F2: Homeland Defense</b>		
<b>DoD Strategic Objective 3.2-1F2B</b>		
<i>Improve the responsiveness and flexibility of consequence management response forces.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.2.1-1F2B: Cumulative number of Homeland Response Forces (HRFs) trained, equipped, evaluated, and validated at a reduced response time of 6-12 hours (USD(P))	3.2.1-1F2B: The DoD will have and maintain ten National Guard HRFs trained, equipped, evaluated, and validated at a reduced response time of 6-12 hours to a very significant or catastrophic event.	FY10 Actual: Non-applicable FY11 Actual: 2 FY12 Actual: 10 FY13: 10 FY14: 10
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
3.2.2-1F2B: Cumulative number of Chemical, Biological, Radiological, Nuclear and High-Yield Explosives Enhanced Response Force Packages (CERFPs) trained, equipped, evaluated, and validated at a response time of 6-12 hours (USD(P))	3.2.2-1F2B: The DoD will have and maintain 17 National Guard CERFPs trained, equipped, evaluated, and validated at a response time of 6-12 hours in order to backfill existing CERFPs that will convert to HRFs.	FY10 Actual: Non-applicable FY11 Actual: 17 FY12 Actual: 17 FY13: 17 FY14: 17
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
3.2.3-1F2B: Number of Defense CBRNE Response Forces (DCRFs) trained, equipped, evaluated, and certified at a response time of 24-48 hours (USD(P))	3.2.3-1F2B: The DoD will have and maintain one DCRF trained, equipped, evaluated, and certified at a response time of 24 – 48 hours.	FY10-11 Actual: Non-applicable FY12 Actual: 1 FY13: 1 FY14: 1
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
3.2.4-1F2B: Number of Command and Control (C2) CBRNE Response Elements (C2CREs) trained, equipped and evaluated, as well as certified or validated as applicable at a response time of 96 hours (USD(P))	3.2.4-1F2B: The DoD will have and maintain two C2CREs trained, equipped and evaluated as well as certified or validated as applicable at a response time of 96 hours.	FY10-11 Actual: Non-applicable FY12 Actual: 2 FY13: 2 FY14: 2
<b>Contributing DoD Components:</b> <i>USPACOM, USNORTHCOM, Army, Air Force, and National Guard Bureau</i>		
<b>DoD Strategic Objective 3.3-1F2C</b>		
<i>Enhance capacity to locate, secure, or neutralize weapons of mass destruction, key materials, and related facilities.</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.3.1-1F2C: Cumulative number of labs working with dangerous pathogens at risk for exploitation (USD(AT&L))	3.3.1-1F2C: By FY 2017, the DoD will have secured 82 labs working with dangerous pathogens that are considered at risk for exploitation.	FY10 Actual: 20 FY11 Actual: 37 FY12 Actual: 44 FY13: 45 FY14: 53
<b>Contributing DoD Components:</b> <i>DTRA</i>		
<b>Forces and Infrastructure Category 1X1: Operational Command &amp; Control Systems</b>		
<b>DoD Strategic Objective 3.4-1X1</b>		
<i>Expand capacity to succeed against adversary states armed with anti-access capabilities and/or nuclear weapons and improve capabilities to conduct effective operations in cyberspace and space.</i>		
<i>*Agency Priority Goal 1: By September 30, 2013, the DoD will attain a passing score on a comprehensive cyber security inspection that assesses compliance with technical, operational, and physical security standards, on an overwhelming majority of inspected military cyberspace organizations resulting in improved hardening and cyber defense. (DoD CIO) <sup>6/</sup></i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.4.1-1X1: Percent of DoD's nuclear command, control, and communications (NC3) cryptographic modernization plan completed (DoD CIO)	3.4.1-1X1: By FY 2016, the DoD will have completed 100 percent of its NC3 cryptographic modernization action plan for the most critical 25 networks.	FY10 Actual: Not available FY11 Actual: 12% FY12 Actual: 32% FY13: 44% FY14: 56%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, NSA, and DISA</i>		
*3.4.2-1X1: Percent of inspected DoD military cyberspace organizations that attain a passing grade (score of xx percent or better) on a Command Cyber Readiness Inspection (CCRI) 6/ (DoD CIO)	*3.4.2-1X1: By FY 2013, xx percent of inspected DoD military cyberspace organizations will attain a passing grade (score of xx percent or better) on a Command Cyber Readiness Inspection. 6/	FY10 Actual: Non-applicable *FY12: xx% 6// *FY13: xx% 6/ FY14: xx% 6/
<b>Contributing DoD Components:</b> <i>All</i>		
<b>DoD Forces and Infrastructure Category 2D: Science and Technology</b>		
<b>DoD Strategic Objective 3.5-2D:</b>		
<i>Maintain a strong technical foundation within the Department's Science and Technology (S&amp;T) program.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
3.5.1-2D: Percent of completing demonstration programs transitioning each year (USD(AT&L))	3.5.1-2D: Beginning in FY 2014, the DoD will transition 40 percent of completing demonstration programs per year.	FY10 Actual: 61.5% FY11 Actual: 83% FY12 Actual: 83% FY13: 30% FY14: 40%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, DLA, DARPA, CBDP, and OSD</i>		

**DoD STRATEGIC GOAL #4: PRESERVE AND ENHANCE THE ALL-VOLUNTEER FORCE.**

**DoD Forces and Infrastructure Category 2M: Defense Health Program**

**DoD Strategic Objective 4.1-2M:**

*Provide top-quality physical and psychological care to wounded warriors, while reducing growth in overall healthcare costs.*

*\*Agency Priority Goal 2: By September 30, 2013, the DoD will: 1) increase the use of Recovery Care Coordinators and ensure WII Service members have active recovery plans; 2) improve effectiveness of behavioral health programs and ensure all Service members complete quality post-deployment health screenings; and 3) accelerate the transition of WII Service members into veteran status by reducing the processing time required for disability evaluation boards. (USD(P&R))*

Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.1.1-2M: Average percent variance in Defense Health Program annual cost per equivalent life increase compared to average civilian sector increase (USD(P&R))	4.1.1-2M: The DoD will maintain an average Defense Health Program (DHP) medical cost per equivalent life increase at or below the average healthcare premium increase in the civilian sector.	FY10 Actual: -1% FY11 Actual: 1.4% FY12 Actual: -6.4% FY13: </= 0% FY14: </= 0%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and Marine Corps</i>		
4.1.2-2M: Percentage of Armed Forces who meet Individual Medical Readiness (IMR) requirements (USD(P&R))	4.1.2-2M: By FY 2015, 85 percent of the Armed Forces will have an IMR that indicates readiness for deployment.	FY10 Actual: 74% FY11 Actual: 78% FY12 Actual: 84% FY13: 82% FY14: 82%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and Marine Corps</i>		
*4.1.3-2M: Percent of Service members who are processed through the Integrated Disability Evaluation System (IDES) within 295 days (Active) or 305 days (Reserve) (USD(P&R))	*4.1.3-2M: By FY 2014, 80 percent of Service Members will be processed through the IDES within 295 days (Active) or 305 days (Reserve) components.	FY10-11 Actual: Non-applicable *FY12 Actual: 24% *FY13: 70% FY14: 80%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and Marine Corps</i>		
*4.1.4-2M: Percent of wounded, ill and injured (WII) Service members who are enrolled in a Service recovery coordination program and have an established and active recovery plan administered by a DoD trained Recovery Care Coordinator (USD(P&R))	*4.1.4-2M: Assure that 100 percent of wounded, ill, and injured (WII), who are enrolled in a Service recovery coordination program, will have an established and active recovery plan administered by a DoD trained Recovery Care Coordinator.	FY10 Actual: Non-applicable *FY12 Actual: 68% *FY13: 100% FY14: 100%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
*4.1.5-2M: Percent of wounded, ill and injured (WII) Service members who are assigned to a DoD trained Recovery Care Coordinator (RCC) within 30 days of being enrolled in a Wounded Warrior Program (USD(P&R))	*4.1.5-2M: Assure that 100 percent of wounded, ill, and injured (WII) Service members will be assigned to a DoD trained Recovery Care Coordinator within 30 days of being enrolled in a Wounded Warrior Program.	FY10 Actual: Non-applicable *FY12: 70% *FY13: 100% FY14: 100%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
*4.1.6-2M: Percentage of Psychological Health Programs that have been reviewed	*4.1.6-2M: By September 30, 2013, 100 percent of Psychological Health programs will be reviewed for measures of effectiveness to identify programs producing superior results, those that are ineffective, and those that need to establish measures.	FY10-12 Actual: Non-applicable *FY13: 100% FY14: Deleted; achieved end state
<b>Contributing DoD Components:</b> Army, Navy, Marine Corps, and Air Force		
*4.1.7-2M: Percentage of Armed Services that have transitioned to a more comprehensive post-deployment health assessment	*4.1.7-2M: By September 30, 2013, 100 percent of the five Armed Services will have transitioned to a more comprehensive post-deployment health assessment.	FY10-12 Actual: Non-applicable *FY13: 100% FY14: Deleted; achieved end state
<b>Contributing DoD Components:</b> Army, Navy, Marine Corps, Air Force, and U.S. Coast Guard		
<b>DoD Forces and Infrastructure Category 2P: Central Personnel Administration</b>		
<b>DoD Strategic Objective 4.2-2P:</b> <i>Ensure the Department has the right workforce size and mix, manage the deployment tempo with greater predictability, and ensure the long-term viability of the Reserve Component.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.2.1-2P: Percent variance in Active component end strength (USD(P&R))	4.2.1-2P: For each fiscal year, the DoD Active component end strength will not vary by more than three percent from the SECDEF/NDAA-prescribed end strength for that fiscal year.	FY10 Actual: 0.4% FY11 Actual: -0.5% FY12 Actual: -1.6% FY13: +/-3% FY14: +/-3%
<b>Contributing DoD Components:</b> Army, Navy, Marine Corps, and Air Force		
4.2.2-2P: Percent variance in Reserve component end strength (USD(P&R))	4.2.2-2P: For each fiscal year, the DoD Reserve component end strength will not vary by more than three percent from the SECDEF/NDAA-prescribed end strength for that fiscal year.	FY10 Actual: 0.6% FY11 Actual: 0.2% FY12 Actual: -0.8% FY13: +/-3% FY14: +/-3%
<b>Contributing DoD Components:</b> Army, Navy, Marine Corps, and Air Force		
4.2.3-2P: Percentage of the Department's active duty Army who meet the planning objectives for time deployed in support of combat operations versus time at home USD(P&R))	4.2.3-2P: By FY 2015, 95 percent of active duty Army personnel will meet the deployment to dwell objective of 1:2.	FY10 Actual: Not available FY11 Actual: 85.7% FY12 Actual: 91% FY13: 80% FY14: 90%
<b>Contributing DoD Components:</b> Army		
4.2.4-2P: Percentage of the Department's active duty Navy who meet the planning objectives for time deployed in support of combat operations versus time at home USD(P&R))	4.2.4-2P: Ensure at least 95 percent of active duty Navy personnel will meet the deployment to dwell objective of 1:2.	FY10 Actual: Not available FY11 Actual: 95.6% FY12 Actual: 95% FY13: 95% FY14: 95%
<b>Contributing DoD Components:</b> Navy		
4.2.5-2P: Percentage of the Department's active duty Marines who meet the planning objectives for time deployed in support of combat operations versus time at home USD(P&R))	4.2.5-2P: Ensure at least 95 percent of active duty Marine personnel will meet the deployment to dwell objective of 1:2.	FY10 Actual: Not available FY11 Actual: 94% FY12 Actual: 96% FY13: 95% FY14: 95%
<b>Contributing DoD Components:</b> Marine Corps		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.2.6-2P: Percentage of the Department's active duty Air Force who meet the planning objectives for time deployed in support of combat operations versus time at home (USD(P&R))	4.2.6-2P: Ensure at least 95 percent of active duty Air Force personnel will meet the deployment to dwell objective of 1:2.	FY10 Actual: Not available FY11 Actual: 97.3% FY12 Actual: 98% FY13: 95% FY14: 95%
<b>Contributing DoD Components:</b> <i>Air Force</i>		
4.2.7-2P: Percent of Reserve Component (RC) Service members mobilized in the evaluation period that have dwell ratios greater than or equal to 1:5 (USD(P&R))	4.2.7-2P: Ensure a minimum 80 percent of the RC Service members undergoing mobilization will have a dwell ratio of 1:5 or greater.	FY10 Actual: Not available FY11 Actual: 71.8% FY12: 72.7% FY13: 80% FY14: 80%
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
4.2.8-2P: Number of days for all external civilian hiring actions (end-to-end timeline) (USD(P&R))	4.2.8-2P: Beginning in FY 2013, the Department will improve and maintain its timeline for all external (direct hire authority, expedited hire authority, and delegated examining) civilian hiring actions to 80 days or less.	FY10 Actual: 116 FY11 Actual: 104 FY12 Actual: 83 FY13: 80 FY14: 80
<b>Contributing DoD Components:</b> <i>All</i>		
<b>DoD Forces and Infrastructure Category 2R: Central Personnel Benefits</b>		
<b>DoD Strategic Objective 4.3-2R:</b> <i>Better prepare and support families during the stress of multiple deployments.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.3.1-2R: Percent of worldwide government-owned Family Housing inventory at good or fair (Q1-Q2) condition (USD(AT&L))	4.3.1-2R: The DoD (except Navy) will maintain at least 90 percent of worldwide government-owned Family Housing inventory at good or fair (Q1-Q2) condition; Navy will meet the 90 percent goal in FY 2017.	FY10 Actual: Not available FY11 Actual: 80% FY12 Actual: 81.5% FY13: 82% FY14: 84%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.3.2-2R: Percent of the worldwide inventory for government-owned permanent party unaccompanied housing at good or fair (Q1-Q2) condition (USD(AT&L))	4.3.2-2R: The DoD (except Navy) will maintain at least 90 percent of the worldwide government-owned permanent party unaccompanied housing at good or fair (Q1-Q2) condition; Navy will meet the 90 percent goal in FY 2022.	FY10 Actual: Not available FY11 Actual: 85% FY12 Actual: 85% FY13: 87% FY14: 87%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.3.3-2R: Cumulative percent of Department of Defense Education Activity (DoDEA) schools that meet good or fair (Q1 or Q2) standards (USD(P&R))	4.3.3-2R: By FY 2018, 100 percent of DoDEA schools will meet the OSD acceptable standard of good or fair (Q1 or Q2) standards.	FY10 Actual: Not available FY12 Actual: 38% FY13: 39% FY14: 41%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.3.4-2R: Cumulative number of military spouses who have obtained employment through the Military Spouse Employment Partnership (MSEP) (USD(P&R))	4.3.4-2R: By FY 2017, a cumulative of 100,000 military spouses will have obtained employment through the Military Spouse Employment Partnership (MSEP).	FY10–12 Actual: Non-applicable FY13: 20,000 FY14: 40,000
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		

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DoD Forces and Infrastructure Category 2T: Central Training		
DoD Strategic Objective 4.4-2T: <i>Train the Total Defense Workforce with the right competencies.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
4.4.1-2T: Percent of acquisition positions filled with personnel meeting Levels II and III certification requirements (USD(AT&L))	4.4.1-2T: The DoD will increase the percent of positions filled with personnel meeting Levels II and III certification requirements from the previous fiscal year.	FY10 Actual: Not available FY12 Actual: 70.1% FY13: 70.2% FY14: 70.3%
<b>Contributing DoD Components:</b> <i>All</i>		
4.4.2-2T: Percentage of Defense Language Institute (DLI) Foreign Language Center students who achieve a 2/2/1+ Defense Language Proficiency Test (DLPT) score in reading, listening, and speaking modalities (USD(P&R))	4.4.2-2T: Beginning in FY 2014, at least 62 percent of DLI Foreign Language Center students will achieve a 2/2/1+ score on the DLPT in the reading, listening, and speaking modalities, as measured by the Interagency Language Roundtable performance scale.	FY10 Actual: Not available FY12 Actual: 77% FY13: 80% FY14: 62%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.4.3-2T: Percent of Military Departmental information assurance positions and contract requirements filled with personnel meeting certification requirements (DoD CIO)	4.4.3-2T: By FY 2016, 95 percent of Military Departmental information assurance positions and contract requirements will be filled with personnel meeting certification requirements.	FY10-11 Actual: Not available FY12 Actual: 78% FY13: 75% FY14: 85%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force</i>		
4.4.4-2T: Percent of student enrollments to funded training seats at the HUMINT Training Joint Center of Excellence (HT-JCOE) for Military Source Operations (MSO), interrogation, and HUMINT-enabling training activities (USD(I))	4.4.4-2T: By FY 2016, 100 percent of Military Source Operations (MSO), interrogation, and HUMINT-enabling activities training seats at the HUMINT Training Joint Center of Excellence (HT-JCOE) will be filled with validated enrollees.	FY10-12 Actual: Non-applicable FY13: 85% 8/ FY14: 90%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force, and DIA</i>		
4.4.5-2T: Percentage of Defense Intelligence Enterprise government authorized language-required positions filled by individuals possessing the required language and proficiency (USD(I))	4.4.5-2T: By FY 2016, greater than or equal to 70 percent of Defense Intelligence Enterprise government authorized language-required positions will be filled by individuals possessing the required language and proficiency	FY10-12 Actual: Non-applicable FY13: Not available FY14: 52%
<b>Contributing DoD Components:</b> <i>Army, Navy, Marine Corps, and Air Force, and DIA</i>		

**MODIFIED DoD STRATEGIC GOAL #5: REFORM AND FIND FURTHER EFFICIENCIES IN THE BUSINESS AND SUPPORT FUNCTIONS OF THE DEFENSE ENTERPRISE.**

**DoD Forces and Infrastructure Category 2A: Force Installations**

**DoD Strategic Objective 5.1-2A:**

***Increase use of renewable energy and reduce energy demand at DoD installations.***

*\*Agency Priority Goal 3: By September 30, 2013, the DoD will: (1) improve its facility energy performance by reducing average building energy intensity by 24 percent from the 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot, and producing or procuring renewable energy equal to 13 percent of its annual electric energy usage; and (2) improve its operational energy performance by establishing an operational energy baseline with all available data on fuel use; developing a plan for remediating data gaps; funding and implementing a comprehensive data plan; establishing and executing operational energy performance targets based on this comprehensive data for each Military Service and relevant agency. (USD(AT&L))*

Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.1.1-2A: Average facilities sustainment rate (USD(AT&L))	5.1.1-2A: In FY 2014, the DoD will fund facilities sustainment at a minimum of 80 percent of the Facilities Sustainment Model (FSM) requirement.	FY10 Actual: 88% 9/ FY11 Actual: 83% 9/ FY12 Actual: 85% 9/ FY13: 86% FY14: 80%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, DLA, TMA, and DoDEA</i>		
*5.1.2-2A: Cumulative average percent reduction in building energy intensity (USD(AT&L))	*5.1.2-2A: By FY 2015, DoD will reduce average building energy intensity by 30 percent from the FY 2003 baseline of 116,134 British Thermal Units (BTUs) per gross square foot.	FY10 Actual: 10.5% FY11 Actual: 13.3% *FY12 Actual: 17.7% *FY13: 24% FY14: 27%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, DCMA, DeCA, DFAS, DIA, DLA, MDA, NGA, NSA, TMA, and WHS</i>		
*5.1.3-2A: Percentage of renewable energy produced or procured based on DoD's annual electric energy usage (USD(AT&L))	5.1.3-2A: By FY 2025, the DoD will produce or procure renewable energy equal to 25 percent of its annual electric energy usage.	FY10 Actual: 10% FY11 Actual: 8.5% *FY12 Actual: 9.6% *FY13: 13% FY14: 11%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, DCMA, DeCA, DFAS, DIA, DLA, MDA, NGA, NSA, TMA, and WHS</i>		
5.1.4-2A: Million square feet (MSF) of excess or obsolete facilities eliminated (USD(AT&L))	5.1.4-2A: Between FY 2008 and FY 2013, the DoD will demolish a minimum of 62 million square feet (MSF) of excess or obsolete facilities.	FY10 Actual: 34.3 FY11 Actual: 41.6 FY12 Actual: 55.8 FY13: 62 FY14: Retired; achieved end state
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, TMA, DoDEA, and DLA</i>		

**DoD Forces and Infrastructure Category 2C: Communications & Information Infrastructure**

**DoD Strategic Objective 5.2-2C:**  
*Protect critical DoD infrastructure and partner with other critical infrastructure owners in government and the private sector to increase mission assurance.*

Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.2.1-2C: Percent of applicable Information Technology (IT) and National Security Systems (NSS) that are Certification and Accreditation (C&A)-compliant (DoD CIO)	5.2.1-2C: By FY 2015, 99 percent of applicable Information Technology (IT) and National Security Systems (NSS) will be Certification and Accreditation (C&A)-compliant.	FY10 Actual: 90% FY11 Actual: 92% FY12 Actual: 91.1% FY13: 95% FY14: 95%
<b>Contributing DoD Components: All</b>		
5.2.2-2C: Cumulative percent reduction in the number of DoD data centers (DoD CIO)	5.2.2-2C: By FY 2015, the DoD will reduce its number of data centers by 45 percent (from 772 in FY 2010 to 428 in FY 2015) in order to increase data center storage utilization/ capacity.	FY10 Actual: Non-applicable FY11 Actual: 7% FY12 Actual: 15% FY13: 31% FY14: 37%
<b>Contributing DoD Components: All</b>		
5.2.3-2C: Cumulative percentage of DoD Non-secure Internet Protocol Router Network (NIPRNet) accounts with Public Key Infrastructure (PKI) cryptographic logon capability (DoD CIO)	5.2.3-2C: By FY 2014, 95 percent of DoD NIPRNet accounts will have PKI cryptographic logon capability.	FY10 Actual: 88% FY11 Actual: 88% FY12 Actual: 95% FY13: 93% FY14: Retired; achieved end state
<b>Contributing DoD Components: All</b>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.2.4-2C: Cumulative percentage of DoD Secure Internet Protocol Router Network (SIPRNet) accounts with Public Key Infrastructure (PKI) cryptographic logon capability (DoD CIO)	5.2.4-2C: By FY 2014, 95 percent of DoD SIPRNet accounts will have PKI cryptographic logon capability.	FY10–11 Actual: Not available FY12 Actual: 16.5% FY13: 75% FY14: Deleted per DoD CIO
<b>Contributing DoD Components: All</b>		

**DoD Forces and Infrastructure Category 2E: Acquisition Infrastructure**

**DoD Strategic Objective 5.3-2E:**  
*Improve acquisition processes, from requirements definition to the execution phase, to acquire military-unique and commercial items.*

*\*Agency Priority Goal 4: By September 30, 2013, the DoD will improve its acquisition process by ensuring that: 100 percent of Acquisition Category (ACAT) 1 programs, going through Milestone A decision reviews, will present an affordability analysis; 100 percent of ACAT 1 programs, going through milestone decision reviews, will present a competitive strategy; the average cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 5 percent from the Acquisition Program Baseline; the annual number of MDAP breaches – significant or critical cost overruns, for reasons other than approved changes in quantity – will be zero; and the DOD will increase the amount of contract obligations, that are competitively awarded, to 60 percent in FY 2012 and 61 percent in FY 2013. (USD(AT&L))*

Performance Measures	Long-term Performance Goals	Annual Performance Goals
*5.3.1-2E: Percentage of contract obligations that are competitively awarded (USD(AT&L))	5.3.1-2E: The DoD will continue to increase, by one percent annually, the amount of contract obligations that are competitively awarded.	FY10 Actual: 62.5% FY11 Actual: 58.5% *FY12 Actual: 57.5% *FY13: 61% FY14: 62%
<b>Contributing DoD Components: All</b>		

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Performance Measures	Long-term Performance Goals	Annual Performance Goals
*5.3.2-2E: Median percentage deviation from the Acquisition Program Baseline (APB)-approved cycle time for active Major Defense Acquisition Programs (MDAPs) starting in FY 2002 and after (USD(AT&L))	*5.3.2-2E: Beginning in FY 2014, the median percentage deviation will not increase by more than 2.5 percent from the APB-approved cycle time for active Major Defense Acquisition Programs (MDAPs) starting in FY 2002 and after.	FY10 Actual: 4.4% FY11 Actual: 4.5% *FY12 Actual: 6.6% *FY13: </=5% FY14: </=2.5% 10/
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
5.3.3-2E: Average rate of acquisition cost growth from the previous year for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 (USD(AT&L))	5.3.3-2E: The DoD will ensure that average rate of acquisition cost growth from the previous year for Major Defense Acquisition Programs (MDAPs) starting in FY 2002 does not exceed three percent.	FY10–11 Actual: Not available FY12 Actual: -0.3% FY13: </=3% FY14: </=3%
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
*5.3.4-2E: Number of Major Defense Acquisition Program (MDAP) breaches (equal to or greater than 15 percent of current Acquisition Program Baseline (APB) unit cost or equal or greater than 30 percent of original APB unit cost)) for reasons other than approved changes in quantity (USD(AT&L))	*5.3.4-2E: The DoD will not have any MDAP breaches (significant cost overruns) for reasons other than approved changes in quantity.	FY10 Actual: Not available FY11 Actual: 4 *FY12: 1 *FY13: 0 FY14: 0
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		
5.3.5-2E: Percentage of Small Business prime contract obligation goal met annually (USD(AT&L))	5.3.5-2E: Beginning in FY 2012, the DoD will meet 100 percent of its Small Business prime contract obligation goal.	FY10-12: Not available FY13: 100% 11/ FY14: 100%
<b>Contributing DoD Components:</b> <i>All</i>		
5.3.6-2E: Number of Major Automated Information System (MAIS) “significant” breaches (equal to or greater than 15 percent of Acquisition Program Baseline (APB) total cost or with schedule slippages greater than six months)) (DCMO and USD(AT&L))	5.3.6-2E: The DoD will ensure that the number of both Defense Business Systems (DBS) MAIS and non-DBS MAIS “significant” breaches (equal to or greater than 15 percent of the APB total cost or with schedule slippages greater than six months) will not exceed one.	FY10 Actual: 1 FY11 Actual: 2 FY12 Actual: 3 FY13: </=1 FY14: </=1
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, Marine Corps, DISA, DLA, and TMA</i>		
5.3.7-2E: Number of Defense Major Automated Information System (MAIS) “critical” breaches (equal to or greater than 25 percent of Acquisition Program Baseline (APB) total cost or with schedule slippages of one year or more)) (DCMO and USD(AT&L))	5.3.7-2E: The DoD will ensure that the number of both Defense Business System (DBS) MAIS and non-DBS MAIS “critical” breaches (equal to or greater than 25 percent of the APB total cost or with schedule slippages greater than one year) will not occur.	FY10 Actual: 2 FY11 Actual: 1 FY12 Actual: 3 FY13: 0 12/ FY14: 0
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, Marine Corps, DISA, DLA, and TMA</i>		
5.3.8-2E: Cumulative percent of Major Defense Acquisition Programs certified, as required by the Weapon Systems Acquisition Reform Act of 2009 (USD(AT&L))	5.3.8-2E: By FY 2013, 100 percent of Major Defense Acquisition Programs will be certified, as required by the Weapon Systems Acquisition Reform Act of 2009.	FY10 Actual: Non-applicable FY11 Actual: 60% FY12 Actual: 84% FY13: 100% FY14: Retired; achieved end state
<b>Contributing DoD Components:</b> <i>Army, Navy, and Air Force</i>		

DoD Forces and Infrastructure Category 2L: Logistics		
DoD Strategic Objective 5.4-2L: <i>Provide more effective and efficient logistical support to forces abroad.</i>		
Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.4.1-2L: Perfect Order Fulfillment percentage for Defense Logistics Agency (DLA)-stocked items (USD(AT&L))	5.4.1-2L: By FY 2012, the DoD will increase and maintain Perfect Order Fulfillment (POF) percentage for DLA-stocked items at or above 85.1 percent.	FY10 Actual: 84.8% FY11 Actual: 86.2% FY12 Actual: 87.1% FY13: 85.1% FY14: Deleted per USD(AT&L)
<b>Contributing DoD Components:</b> <i>DLA</i>		
5.4.1-2L: Army Customer Wait Time (days) (USD(AT&L))	5.4.1-2L: The DoD will maintain the Army's average customer wait time at or below 15 days.	FY10 Actual: 16.6 FY11 Actual: 14.1 FY12 Actual: 13.7 FY13: 15 FY14: 15
<b>Contributing DoD Components:</b> <i>Army</i>		
5.4.2-2L: Navy Customer Wait Time (days) (USD(AT&L))	5.4.2-2L: The DoD will maintain the Navy's average customer wait time at or below 15 days.	FY10 Actual: 12.7 FY11 Actual: 11.4 FY12 Actual: 12.6 FY13: 15 FY14: 15
<b>Contributing DoD Components:</b> <i>Navy</i>		
5.4.3-2L: Air Force Customer Wait Time (days) (USD(AT&L))	5.4.3-2L: The DoD will maintain the Air Force's average customer wait time at or below 7.5 days.	FY10 Actual: 7.6 FY11 Actual: 5 FY12 Actual: 5.5 FY13: 7.5 FY14: 7.5
<b>Contributing DoD Components:</b> <i>Air Force</i>		
5.4.4-2L: Percentage of excess on-hand secondary item inventory (USD(AT&L))	5.4.4-2L: By FY 2016, the DoD will reduce and maintain the percentage of excess on-hand secondary inventory to eight percent of total on-hand secondary inventory.	FY10 Actual: 10.7% FY11 Actual: 9.2% FY12 Actual: 9.9% 13/ FY13: 10% FY14: 10%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and DLA</i>		
5.4.5-2L: Percentage of excess on-order secondary item inventory (USD(AT&L))	5.4.5-2L: By FY 2016, the DoD will reduce and maintain the percentage of secondary item excess on-order inventory to four percent of total on order secondary item inventory.	FY10 Actual: 5.5% FY11 Actual: 4.8% FY12 Actual: 5.8% 13/ FY13: 6.3% FY14: 6%
<b>Contributing DoD Components:</b> <i>Army, Navy, Air Force, and DLA</i>		

**DoD Forces and Infrastructure Category 2U/2V: Department Headquarters and other Infrastructure**

**DoD Strategic Objective 5.5-2U/2V:**

*Improve financial management and increase efficiencies in headquarters and administrative functions, support activities, and other overhead accounts.*

*\*Agency Priority Goal 5: By September 30, 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received from 80 to 100 percent.*

Performance Measures	Long-term Performance Goals	Annual Performance Goals
5.5.1-2U: Percent of DoD's Funds Balance with Treasury validated as audit-ready (USD(C/CFO))	5.5.1-2U: By FY 2014, 100 percent of DoD's Funds Balance with Treasury will be validated as audit-ready.	FY10 Actual: 9% FY11 Actual: 9% FY12 Actual: 9% FY13: 30% FY14: 100%
<b>Contributing DoD Components: All</b>		
5.5.2-2U: Percent of DoD's general fund Statement of Budgetary Resources for material Components validated as audit-ready (USD(C/CFO))	5.5.2-2U: By FY 2014, 100 percent of DoD's general fund Statement of Budgetary Resources for material Components will be validated as audit-ready.	FY10 Actual: 14% FY11 Actual: 14% FY12 Actual: 14% FY13: 20% FY14: 100%
<b>Contributing DoD Components: All</b>		
5.5.3-2U: Percent of DoD mission-critical assets (Real Property, Military Equipment, General Equipment, Operating Materials and Supplies, and Inventory balances) validated for existence and completeness (USD(C/CFO))	5.5.3-2U: By FY 2017, 100 percent of DoD mission-critical assets (Real Property, Military Equipment, General Equipment, Operating Materials and Supplies, and Inventory balances) will be validated as audit-ready for existence and completeness.	FY10 Actual: 4% FY11 Actual: 4% FY12 Actual: 41% FY13: 42% FY14: 55%
<b>Contributing DoD Components: All</b>		
*5.5.4-2U: Percent of DoD's Statement of Budgetary Resources for Appropriations Received validated as audit ready (USD(C/CFO))	*5.5.4-2U: By FY 2013, the DoD will improve its audit readiness on the Statement of Budgetary Resources for Appropriations Received to 100 percent.	FY10 Actual: 19% FY11 Actual: 80% *FY12 Actual : 88% *FY13: 100% FY14: Retired; achieved end state
<b>Contributing DoD Components: All</b>		

**Footnotes:**

- 1/ Measure changed from number to percentage based on evolving force structure decisions.
- 2/ Corrects the FY 2013 goal for the Navy fleet from 283 to 285 to reflect the Navy Shipbuilding Plan in support of the FY 2013 President's Budget.
- 3/ Corrects the FY 2013 goal to measure the number of Navy ships equipped with BMD capability and ready for tasking, versus measuring the number of ships funded by the Missile Defense Agency). This revised goal better supports the strategic objective , which is focused on fielded (vice funded) capability and ensures that DoD performance data is consistent with information published in the Navy's 30-year shipbuilding plan that supports the President's Budget.
- 4/ Beginning in FY 2013, this goal was normalized to exclude the effects of surge operations.
- 5/ Annual performance goals pending completion of FY 2014 budget request for Overseas Contingency Operations.
- 6/ Goals and results are considered sensitive and will not be made available to the public.
- 7/ Revised (increased) based on FY 2012 actual execution.
- 8/ Revised based on USD (I) strategic guidance issued subsequent to FY 2013 President's Budget.
- 9/ Reflects result for Operations and Maintenance (O&M) funds only; as most facilities sustainment funding is O&M, the residual amount in other accounts is not expected to result in the goal being achieved.
- 10/ Reflects median vice average percentage calculation, effective FY 2014.
- 11/ Measure and goal modified to focus only on Small Business prime contract obligations.
- 12/ Goal updated to reflect negotiated position of the USD(AT&L) and the DCMO.
- 13/ Reflects result for March 2012, given six month delay in assessing fiscal yearend results.

\*Reflects FY 2012 – FY 2013 Agency Priority Goal.

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## A. RESOURCE EXHIBITS

Table A-1. Combat Force Structure Overview

Service	FY 2013	FY 2014	Objective Force FY14 PB	Objective Force FY13 PB	Delta Objective Force FY13 - FY14
<b>Army Active</b>					
Brigade Combat Teams (BCTs)	45	44	37	37	--
<b>Army National Guard</b>					
BCTs	28	28	28	28	--
<b>Navy</b>					
Number of Ships <sup>1/</sup>	285	273	291	285	+6
Carrier Strike Groups	10	10	11	11	--
<b>Marine Corps Active</b>					
Marine Expeditionary Forces	3	3	3	3	--
Infantry Battalions	27	26	23	23	--
<b>Marine Corps Reserve</b>					
Marine Expeditionary Forces	--	--	--	--	--
Infantry Battalions	9	8	8	9	-1
<b>Air Force Active</b>					
Combat Coded Squadrons	41	40	40	41	-1
<b>Air Force Reserve</b>					
Combat Coded Squadrons	3	3	3	3	--
<b>Air National Guard</b>					
Combat Coded Squadrons	19	21	21	19	+2

<sup>1/</sup> The Navy force structure plan reflects the FYDP Ship Building Plan. The current 30-year Ship Building Plan reflects a force structure of 306 ships.

## Overview – FY 2014 Defense Budget

**Table A-2. Active Component End Strength – Base Budget (in Thousands)**

Service	FY 2013 Enacted	FY 2014	Delta FY13 - FY14
Army	502.4	490.0	-12.4
Navy	322.7	323.6	+0.9
Marine Corps	182.1	182.1	--
Air Force	329.5	327.6	-1.9
<b>TOTAL</b>	<b>1,336.7</b>	<b>1,323.3</b>	<b>-13.4</b>

**Table A-3. Active Component End Strength – OCO Budget (in Thousands)**

Service	FY 2013 Enacted	FY 2014 <sup>1/</sup>	Delta FY13 - FY14
Army	49.7	30.0	-19.7
Marine Corps	15.2	8.1	-7.1
<b>TOTAL</b>	<b>64.9</b>	<b>38.1</b>	<b>-26.8</b>

**Table A-4. Active Component End Strength – Base + OCO Budget (in Thousands)**

Service	FY 2013 Enacted <sup>2/</sup>	FY 2014	Delta FY13 - FY14
Army	552.1	520.0	-32.1
Navy	322.7	323.6	+0.9
Marine Corps	197.3	190.2	-7.1
Air Force	329.5	327.6	-1.9
<b>TOTAL<sup>3/</sup></b>	<b>1,401.6</b>	<b>1,361.4</b>	<b>-40.2</b>

*Numbers may not add due to rounding*

Source: FY 2014 President's Budget and OCO Request

<sup>1/</sup> Anticipated request - subject to change in FY 2014 OCO request

<sup>2/</sup> FY 2013 authorized end strength levels

<sup>3/</sup> President's invoking of emergency authorities permits end strength to vary from authorized levels.

## Overview – FY 2014 Defense Budget

### Table A-5. Reserve Component End Strength (in Thousands)

Service	FY 2013 Enacted	FY 2014	Delta FY13 - FY14
Army Reserve	205.0	205.0	--
Navy Reserve	62.5	59.1	-3.4
Marine Corps Reserve	39.6	39.6	--
Air Force Reserve	70.9	70.4	-0.5
Army National Guard	358.2	354.2	-4.0
Air National Guard	105.7	105.4	-0.3
<b>TOTAL</b>	<b>841.9</b>	<b>833.7</b>	<b>-8.2</b>

Source: FY 2014 President's Budget

Numbers may not add due to rounding

### Table A-6. DoD Base Budget by Appropriation Title

<i>\$ in Thousands</i>	FY 2013 Enacted	FY 2014 Request	Delta FY13 - FY14
<b>Base Budget</b>			
Military Personnel	135,390,003	137,076,631	1,686,628
Operation and Maintenance	210,095,636	209,442,776	-652,860
Procurement	99,849,144	99,309,426	-539,718
RDT&E	69,394,555	67,520,236	-1,874,319
Military Construction	8,937,726	9,468,920	531,194
Family Housing	1,648,602	1,542,713	-105,889
Revolving and Management Funds	2,211,102	2,276,527	65,425
<b>Total</b>	<b>527,526,768</b>	<b>526,637,229</b>	<b>-889,539</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

### Table A-7. DoD Base Budget by Military Department

<i>\$ in Thousands</i>	FY 2013 Enacted	FY 2014 Request	Delta FY13 - FY14
<b>Base Budget</b>			
Army	131,934,373	129,665,529	-2,268,844
Navy	158,905,773	155,790,152	-3,115,621
Air Force	139,776,561	144,425,239	4,648,678
Defense-Wide	96,910,061	96,756,309	-153,752
<b>Total</b>	<b>527,526,768</b>	<b>526,637,229</b>	<b>-889,539</b>

Note: Reflects Discretionary Budget Authority

Numbers may not add due to rounding

**Table A-8. DoD Base Budget by Military Department and Appropriation Title**

<b>Department of the Army</b>	<b>FY 2013 Enacted</b>	<b>FY 2014 Request</b>	<b>Delta FY13 - FY14</b>
<i>\$ in Thousands</i>			
Military Personnel	56,227,401	56,637,064	409,663
Operation and Maintenance	46,006,543	45,521,124	-485,419
Procurement	17,732,903	17,018,515	-714,388
RDT&E	8,622,250	7,989,102	-633,148
Military Construction	2,751,332	1,917,687	-833,645
Family Housing	533,986	556,879	22,893
Revolving and Management Funds	59,958	25,158	-34,800
<b>Total Department of the Army</b>	<b>131,934,373</b>	<b>129,665,529</b>	<b>-2,268,844</b>

*Numbers may not add due to rounding*

<b>Department of the Navy</b>	<b>FY 2013 Enacted</b>	<b>FY 2014 Request</b>	<b>Delta FY13 - FY14</b>
<i>\$ in Thousands</i>			
Military Personnel	44,386,124	45,395,854	1,009,730
Operation and Maintenance	51,793,082	47,977,059	-3,816,023
Procurement	43,259,194	43,370,683	111,489
RDT&E	16,694,090	15,974,780	-719,310
Military Construction	1,596,586	1,877,825	281,239
Family Housing	479,778	463,251	-16,527
Revolving and Management Funds	696,919	730,700	33,781
<b>Total Department of the Navy</b>	<b>158,905,773</b>	<b>155,790,152</b>	<b>-3,115,621</b>

*Numbers may not add due to rounding*

<b>Department of the Air Force</b>	<b>FY 2013 Enacted</b>	<b>FY 2014 Request</b>	<b>Delta FY13 - FY14</b>
<i>\$ in Thousands</i>			
Military Personnel	34,776,478	35,043,713	267,235
Operation and Maintenance	44,987,865	47,441,273	2,453,408
Procurement	33,762,285	34,262,210	499,925
RDT&E	25,248,244	25,702,946	454,702
Military Construction	375,412	1,448,408	1,072,996
Family Housing	580,885	464,958	-115,927
Revolving and Management Funds	45,392	61,731	16,339
<b>Total Department of the Air Force</b>	<b>139,776,561</b>	<b>144,425,239</b>	<b>4,648,678</b>

*Numbers may not add due to rounding*

**Overview – FY 2014 Defense Budget**

**Table A-8. DoD Base Budget by Military Department and Appropriation Title  
(cont'd)**

<b>Defense-Wide</b>	<b>FY 2013 Enacted</b>	<b>FY 2014 Request</b>	<b>Delta FY13 - FY14</b>
<i>\$ in Thousands</i>			
Military Personnel	0	0	0
Operation and Maintenance	67,308,146	68,503,320	1,195,174
Procurement	5,094,763	4,658,018	-436,745
RDT&E	18,829,971	17,853,408	-976,563
Military Construction	4,214,395	4,225,000	10,605
Family Housing	53,953	57,625	3,672
Revolving and Management Funds	1,408,833	1,458,938	50,105
<b>Total Defense-Wide</b>	<b>96,910,061</b>	<b>96,756,309</b>	<b>-153,752</b>
<i>Numbers may not add due to rounding</i>			
<b>Grand Total Base Budget</b>	<b>527,526,768</b>	<b>526,637,229</b>	<b>-889,539</b>

Note: Reflects Discretionary Budget Authority

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## APPENDIX B: Acronym List

Acronym	Definition
ACS	Agile Combat Support
ADR	Annual Defense Report
AEHF	Advanced Extremely High Frequency
AESA	Active Electronically Scanned Array
AFB	Air Force Base
AFSOC	Air Force Special Operations Command
AIM	Air Intercept Missile
AMRAAM	Advanced Medium-Range Air-to-Air Missile
AOC	Air Operations Center
AOR	area of responsibility
ASAP	Army Substance Abuse Program
AVF	All-Volunteer Force
BAH	basic allowance for housing
BAS	basic allowance for subsistence
BBP	Better Buying Power
BCT	Brigade Combat Team
BMD	Ballistic Missile Defense
BPC	building partnership capacity
BRAC	Base Realignment and Closure
C2	Command and Control
C4	Command, Control, Communications, and Computers
CAP	Combat Air Patrol
CBIRF	Chemical Biological Incident Response Force
CBRN	chemical, biological, and radiological
CDU	Critical Dual Use
CE2T2	Combatant Commanders Exercise and Engagement Training Transformation
CENTCOM	U.S. Central Command
CERFP	chemical, biological, radiological, nuclear, and high-yield explosives enhanced response force package
CET	continuing education and training
CITS	Central Integrated Test System
CMO	Chief Management Officer
COIN	counterinsurgency
COLA	cost of living allowance
CONUS	contiguous United States
CPI	Critical Program Information
CR	Continuing Resolution
CRC	control reporting center
CST	Civil Support Teams
CTC	Combat Training Center

## Overview – FY 2014 Defense Budget

Acronym	Definition
CTR	Cooperative Threat Reduction
DAU	Defense Acquisition University
DAWDF	Defense Acquisition Workforce Development Fund
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DEF	Defense Exportability Features
DES	Disability Evaluation System
DLIFLC	Defense Language Institute Foreign Language Center
DoD	Department of Defense
DON	Department of Navy
DSAID	Defense Sexual Assault Incident Database
ECI	Employment Cost Index
EPAA	European Phased Adaptive Approach
EPS	Enhanced Polar System
ERP	Enterprise Resource Planning
ESGR	Employer Support of the Guard and Reserve
FIAR	Financial Improvement and Audit Readiness
FIDL	Fully Integrated Data Link
FIP	Financial Improvement Plan
FM	Financial Management
FRP	Fleet Response Plan
FTE	full-time equivalent
FYDP	Future Years Defense Program
GBI	Ground Based Interceptor
GBU	Guided Bomb Unit
GMD	Ground-based midcourse Defense
GPS	Global Positioning System
HMMWV	high mobility multi-wheeled vehicle
HRF	Homeland Response Forces
ICBM	intercontinental ballistic missile
IED	improvised explosive vehicle
IRST	infrared search and track
ISR	intelligence, surveillance, and reconnaissance
IT	information technology
ITX	Integrated Training Exercise
JALN	Joint Aerial Layer Network
JLOTS	Joint Logistics Over the Shore
JSF	Joint Strike Fighter
JSTARS	Joint Surveillance and Target Attack Radar System
JTCP	Joint Training Coordination Program
JTEN	Joint Training Enterprise Network

## Overview – FY 2014 Defense Budget

Acronym	Definition
JTRS	Joint Tactical Radio System
LCS	Littoral Combat Ship
LMS	Learning Management System
LRS	Long Range Strike
LRSO	long-range standoff
LSE	Large-Scale Exercise
MDAP	Major Defense Acquisition Program
MDUR	More Disciplined Use of Resources
MEF	Marine Expeditionary Force
MHS	Military Health System
MilCon	military construction
MPSRONS	Maritime Prepositioning Squadrons
MSAS	Mobility Support Advisory Squadron
MSEP	Military Spouse Employment Partnership
NATO	North Atlantic Treaty Organization
NDAA	National Defense Authorization Act
NSS	National Security Space
OCO	Overseas Contingency Operations
OEF	Operation ENDURING FREEDOM
OIG	Office of the Inspector General
OSD	Office of the Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(P&R)	Office of the Under Secretary of Defense (Personnel and Readiness)
PAC	Patriot Advanced Capability
PACOM	U.S. Pacific Command
PEO	program executive officer
R&D	research and development
RAS	Regional Affairs Strategist
RC	Reserve Component
RDT&E	research, development, test and evaluation
RJ	Rivet Joint
RMC	regular military compensation
RPA	Remotely Piloted Aircraft
RSCCs	Regional SOF Coordination Centers
S&T	science and technology
SAC	Strategic Airlift Capability
SAPR	Sexual Assault Response Prevention
SAREX	Search and Rescue Exercise
SATCOM	satellite communications
SBIRS	Space Based Infrared System
SBR	Statement of Budgetary Resources

## Overview – FY 2014 Defense Budget

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Acronym	Definition
SCF	Service Core Function
SE	Sensor Enhancement
SecDef	Secretary of Defense
SFA	security force assistance
SFACs	Soldier Family Assistance Center
SHARP	Sexual Harassment Response and Prevention Program
SOF	special operations forces
SOFORGEN	Special Operations Force Generation
STEM	Science, Technology, Engineering, and Mathematics
STOVL	Short Takeoff Vertical Lift
TAP	Transition Assistance Program
TEAM	Temporary End Strength Army Medical
TFL	TRICARE-for-Life
THAAD	Terminal High Altitude Area Defense
TSCO	Theater Special Operations Command
TSCP	Theater Security Cooperation Plan
USAFRICOM	United States Africa Command
USCENTCOM	United States Central Command
USCYBERCOM	United States Cyber Command
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USPACOM	United States Pacific Command
USSOCOM	United States Special Operations Command
USSOUTHCOM	United States Southern Command
VEO	Violent Extremist Organizations
VSDU	Vertical Situation Display Upgrade
WGS	Wideband Global SATCOM
WMD	weapons of mass destruction
YRRP	Yellow Ribbon Reintegration Program

