

Major Challenges to DoD Funding & Program Priorities, under both 2010 base Budget & pending Supplementals

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Primary Conclusions

- Secretary Gates targeted “Over-programmed” RDT&E Accounts, driven by modest 2% real-growth in 2010 DoD Funding.
- Secretary Gates’ proposed “cuts” to Army were limited to FCS’ MGV, while OSD adopted majority of Navy’s Shipbuilding Plan. Proposed “cuts” to USAF were the most severe; coupled with shifting of “DoD-wide” funding to SOF-expansion, “Human Capital” & “Soft Power” Initiatives.
- 2010 Resourcing favored Navy, with “Flat-lining” of Funding for both Army & USAF.
- Specific Program “Winners & Losers”.
- “Emerging Themes” from New Administration, strongly suggest that “Affordability” has now become a key driver, coupled with risk of additional Program “cuts” during QDR.
- Administration is generating “Draw-down Savings” in 2009 Supplemental & 2010 “OCO”, by effectively extending “O&M” Funding on “flat-line” basis, while cutting “Procurement” to even well-below 2007 OPTEMPO Requirements.
- Vast majority of the ~\$42B in 2009 Supplemental “Draw-down”, is driven by: (1) natural reduction of ~\$10B in “Force Protection”; plus (2) additional \$27B targeted cuts in Procurement, (primarily Army & USMC).

Back-up Charts

- Severe “Draw-down” in “OIF Funding” in 2009 Supplemental is primarily driven by contraction in Procurement, and not O&M; which directly threatens Army & USMC “Reconstitution” requirements for both immediate Readiness & OEF Campaign.
- Administration proposed major funding reductions in 2009 Supplemental Request, targeted at both Army “Tracked Combat Vehicles” & “Communications”; plus both Navy & USAF “Aircraft” Procurement.
- Contrary to “OIF Draw-down” expectations, Service Contractors are fully funded for CENTCOM Operations through 2009, and presumably 2010.

Secretary Gates targeted “Over-programmed” RDT&E Accounts, driven by modest 2% real-growth in 2010 DoD Funding.

(Excerpts from Secretary Gates’ Briefing at the Pentagon on April 6, 2009).

- ***“First, we will increase intelligence, surveillance and reconnaissance support for the warfighter in the base budget by some \$2 billion. This will include fielding and sustaining 50 Predator and Reaper class unmanned aerial vehicle orbits by FY '11 and maximizing their production.”***
- ***“Second, we will also spend \$500 million more in the base budget than last year to increase our capacity to field and sustain more helicopters, a capability that is in urgent demand in Afghanistan. Today the primary limitation on helicopter capacity is not airframes but shortages of maintenance crews and pilots, so our focus will be on recruiting and training more Army helicopter crews.”***
- ***“Third, to boost global-partnership-capacity efforts, we will increase funding by \$500 million. These initiatives include training and equipping foreign militaries to undertake counterterrorism and stability operations.”***
- ***“Fourth, to grow our special operations capabilities, we will increase personnel by more than 2,800, or 5 percent, and will buy more special-forces-optimized lift, mobility and refueling aircraft.”***
- ***“Fifth, we will increase the buy of littoral combat ships -- a key capability for presence, stability and counterinsurgency operations in coastal regions -- from two to three ships in FY '10. Our goal is eventually to acquire 55 of these ships.”***
- ***“Seventh, we will stop the growth of Army brigade combat teams, BCTs, at 45 versus 48, while maintaining the planned increase in end strength of 547,000. This will ensure that we have better-manned units ready to deploy, and help put an end to the routine use of stop-loss.”***
- ***“[T]o sustain U.S. air superiority, I am committed to building a fifth-generation tactical fighter capability that can be produced in quantity at sustainable cost. Therefore, I will recommend increasing the buy of the F-35 Joint Strike Fighter from the 14 aircraft bought in '09, to 30 in FY '10, with a corresponding funding increase from \$6.8 billion to \$11.2 billion. We would plan to buy 513 F-35s over the five-year defense plan, and ultimately plan to buy 2,443. For naval aviation, we will buy 31 F/A-18s/[Growlers] in FY '10.”***

- ***“[W]e will end production of the F-22 fighter at 187, representing 183 planes in the current program, plus four recommended for inclusion in the FY 2009 supplemental.”***
- ***“Fourth, to better protect our forces and those of our allies in theater from ballistic missile attack, we will add \$700 million to field more of our most capable theater missile defense systems; specifically, the Terminal High Altitude Area Defense, THAAD, and the Standard Missile-3 programs.”***
- ***“Fifth, we will add \$200 million to fund the conversion of six additional Aegis ships to provide ballistic-missile-defense capabilities.”***
- ***“Seventh, to replace the Air Force's aging tanker fleet, we will maintain the KC-X aerial refueling tanker schedule and funding, with the intent to solicit bids this summer.”***
- ***“Eighth, with regard to our nuclear and strategic forces, in FY '10 we will begin the replacement program for the Ohio-class ballistic-missile submarine program.”***
- ***“We will not pursue a development program for a follow-on Air Force bomber until we have a better understanding of the need, the requirement and the technology. We will examine all of our strategic requirements during the Quadrennial Defense Review, the Nuclear Posture Review, and in light of post-START arms control negotiations.”***
- ***“Ninth, the healthy margin of dominance at sea provided by America's existing battle fleet makes it prudent to slow production of several major surface combatants and other maritime programs. We will shift the Navy aircraft carrier program to a five-year build cycle, placing it on a more fiscally sustainable path. This will result in 10 carriers after 2040.”***
- ***“We will delay the Navy's CG(X) next-generation cruiser program to revisit both the requirements and acquisition strategy. We will delay amphibious-ship and sea-basing programs, such as the 11th landing platform dock ship and the mobile landing platform ship, to FY '11...”***
- ***“Tenth, with regard to airlift, we will complete the production of the C-17 airlifter program this fiscal year. Our analysis concludes that we have enough C-17s, with the 205 already in the force and currently in production.”***
- ***“This budget will support these goals by increasing the size of -- defense acquisition workforce, converting 11,000 contractors to full-time government employees and hiring 9,000 more government acquisition professionals by 2015, beginning with 4,100 -- in FY '10.”***
- ***“I recommend that we terminate the VH-71 presidential helicopter.... Today, the program is estimated to cost over \$13 billion, has fallen six years behind schedule and runs the risk of not delivering the requested capability. Some have suggested that we should adjust the program by buying only the lower-capability Increment 1 option.... We will promptly develop options for an FY '11 follow-on program.”***

- **“[W]e will terminate the Air Force Combat Search and Rescue X helicopter program. This program has a troubled acquisition history and raises the fundamental question of whether this important mission can only be accomplished by yet another single-service solution with a single-purpose aircraft. We will take a fresh look at the requirement behind this program and develop a more sustainable approach.”**
- **“Third, we will terminate the \$26 billion transformational satellite program, TSAT, and instead will purchase two more advanced-extremely-high-frequency satellites as alternatives.”**
- **“Fourth, in the area of missile defense, we will restructure the program to focus on the rogue state and theater missile threat. We will not increase the number of current ground-based interceptors in Alaska...but we will continue to robustly fund research and development to improve the capability we already have to defend against long-range rogue missile threats, a threat North Korea's missile launch this past weekend reminds us is real.”**
- **“We will cancel the second Airborne Laser Prototype Aircraft. We'll keep the existing aircraft and shift the program to an R&D effort. The ABL program has significant affordability and technology problems, and the program's proposed operational role is highly questionable.”**
- **“[W]e will include funds to complete the buy of two Navy destroyers in FY '10. These plans depend on being able to work out contracts to allow the Navy to efficiently build all three DDG-1000 class ships at the Bath Iron Works in Maine and to smoothly restart the DDG-51 Aegis destroyer program at Northrop Grumman's Ingalls shipyard in Mississippi.”**
- **“Sixth and finally, we will significantly restructure the Army's Future Combat Systems program. We will retain and accelerate the initial increment of the program to spin out technology enhancements to all combat brigades. However, I have concluded that there are significant unanswered questions concerning the FCS vehicle design strategy. I'm also concerned that, despite some adjustments, the FCS vehicles -- where lower weight, higher fuel efficiency and greater information awareness are expected to compensate for less armor -- do not adequately reflect the lessons of counterinsurgency and close-quarters combat in Iraq and Afghanistan. The current vehicle program developed nine years ago does not include a role for our recent \$25-billion investment in the MRAP vehicles being used to good effect in today's conflicts...Accordingly, I will recommend that we cancel the vehicle component of the current FCS program, reevaluate the requirements, technology and approach and then re-launch the Army's vehicle modernization program, including a competitive bidding process.”**
- **“Under this budget request, we will reduce the number of support-service contractors from our current 39 percent of the Pentagon workforce, to the pre-2001 level of 26 percent, and replace them with full-time government employees. Our goal is to hire as many as 13,000 new civil servants in FY '10 to replace contractors, and up to 30,000 new civil servants in place of contractors over the next five years.”**

Secretary Gates' proposed "cuts" to Army were limited to FCS' MGV, and OSD adopted majority of Navy's Shipbuilding Plan. Proposed "cuts" to USAF were the most severe; coupled with shifting of "DoD-wide" funding to SOF expansion, "Human Capital" & "Soft Power" Initiatives.

(Paraphrased from Secretary Gates' April 6, 2009 announcement. Only includes Primary Programs).

Army	Navy	USAF	"DoD-wide"/Other
<p>•Proceed with funding of <u>FCS Network</u>, and accelerate "<u>Spin-outs</u>" of Sensors & Munitions to all Brigades. But cancel <u>FCS Manned Ground Vehicles</u>, re-evaluate <u>Requirements</u>, and <u>recompete (MGV)</u>. (MGV only receives ~\$750M/year of \$3.5B FCS funding). General Casey's testimony to SAC-D on May 12th, anticipates up to 5-7 year delay in "<u>Ground Combat Vehicle</u>" <u>Recapitalization</u>. (Original MGV LRIP was planned for 2013). Army & Congress need to increase funding of legacy Tracked Combat Vehicle fleet (Abrams/Bradley/Stryker), given unexpected impact of MGV cancellation.</p>	<p>•Fund remainder of 3rd <u>DDG-1000</u> order from 2009. Order initial <u>DDG-51 Ship</u> in 2010 as well. (Agreement-in-principle among Navy/GD/NOC, for GD to build all 3 <u>DDG-1000</u> orders, while NOC will "re-start" <u>DDG-51</u> production. Also benefit to RTN as "CSI" for DDG-1000, and benefit to LMT as CSI for DDG-51).</p>	<p>•Cancel <u>F-22</u> production in 2009, plus 4 final orders in pending Supplemental. Instead, proceed with procurement of 513 <u>F-35</u> orders by USAF/Navy/USMC from 2010-2015, with planned "<u>doubling of production orders</u>" in 2010. (Be alert to Congressional reaction).</p>	<p>•Reduction of \$1.2B actual from <u>MDA Account</u>, to ~\$7.1B. (Primarily BA).</p>
<p>•Freezing "stand-up" of Brigade Combat Teams at 45 (48 planned), to fully-man immediate BCTs. Intended to minimize "Stop-loss". (Could defer Procurement of both Trucks & Communications. Impact TBD).</p>	<p>•Purchase combined 31 <u>Super Hornet/Growler</u> orders in 2010. (Down by 9 from prior plan. OSD also eliminated expected 8-9 <u>Super Hornet/Growler</u> orders from pending \$76B Supplemental Request). (BA).</p>	<p>•Abstain from re-adding <u>C-17</u> into base USAF "<u>Airlift Procurement Account</u>". (Expect Congress to fund potential range of 8-15 C-17 aircraft in imminent Supplemental as "plus-up"). (BA). (Be alert that adding <u>C-17</u> back into USAF Airlift Procurement Account would become "zero-sum" competitor to <u>KC-X</u> Program).</p>	<p>•Deferral of ~14 additional <u>GMD Interceptors</u> in Alaska (30 now) (~\$500M/yr. Order 14 Missiles for Upgrades & Test flights (BA).</p>
<p>•\$500M to expand <u>Training of Army Helicopter Pilots/Air Crews/Ground Crews</u>. (Not targeted at expansion of Army Aviation Procurement Account).</p>	<p>•Order <u>CVN-79</u> in 2013, instead of current plan of 2012. (Should drive need to protect \$3.8B "<u>RCOH</u>" Overhauls in 2009 & 2013). (NOC).</p>	<p>•Re-assessment of <u>NGS/Bomber Program</u>. (Requirements/Schedule/Funding during QDR). (NOC v. LMT/BA).</p>	<p>•Cancellation of planned <u>ABL</u> production aircraft, with focus on continued <u>Technology Development</u> (BA). Cancel <u>KEI</u> (NOC). Shift funds to "<u>Ascent Phase</u>" Programs.</p>
<p>•\$700M increase to Army for <u>THAAD</u> & Navy for SM-3 Programs. (LMT & RTN). (THAAD funded primarily in "DoD-wide" MDA Account).</p>	<p>•Proceed with planned procurement of 513 <u>F-35</u> orders by USAF/Navy/USMC from 2010-2015, with planned "doubling of production orders" in 2010.</p>	<p>•Cancel <u>CSAR-X</u> competition. Re-evaluate during QDR as Joint Mission. (BA, LMT, UTX).</p>	<p>•Terminate <u>MKV</u> competition. (LMT v. RTN).</p>

Army	Navy	USAF	“DoD-wide”/Other
<ul style="list-style-type: none"> •Expand & accelerate training of <u>Cyber-Security Experts</u> to guard against “Hybrid Warfare” threats of peer competitors (e.g. China, Russia, Iran). 	<ul style="list-style-type: none"> •Cancel VH-71 at end of current “Increment I”. (Presumably recomplete of 18-23 Aircraft in “Increment II”; with potential parallel Upgrades to legacy VH-3/VH-60 Fleet). (LMT & UTX). 	<ul style="list-style-type: none"> •\$2B/year increase in ISR, particularly Predator/Reaper Orbits. (Also expect expansion of experimental ISR sensors, as well as ground-fusion capabilities). 	<ul style="list-style-type: none"> •Expand SOF end-strength by 2.4K actual (4%). (Will increase “DoD-wide” Procurement to equip. Will also increase USAF Aircraft Procurement Account, because USAF buys Airframes for SOCOM).
	<ul style="list-style-type: none"> •Fund remainder of LPD-17 order, partially-funded in 2009. Order 11th LDP-17 in 2011. (NOC). 	<ul style="list-style-type: none"> •Proposed retirement of 250 F-16/A-10/F-15 in 2010; while adopting Armed-UAS as formal part of future USAF TACAIR Force Structure. (Be alert to potential Congressional concerns). 	<ul style="list-style-type: none"> •Strengthening USD(AT&L), DCMA, and Program Offices, by “converting” 11K support contractors to government employees; plus hire 9K additional Acquisition Staff by 2015. (~20K total). (SETA Contractors).
	<ul style="list-style-type: none"> •\$200M for Upgrade of 6 additional Aegis (DDG-51/CG-47) to BMD capability. (Also strong indication of continued annual funding of <u>Aegis Sea-based MD</u> from MDA. Also see separate OSD endorsement of “re-start” of <u>DDG-51</u> fresh-production). (LMT). 	<ul style="list-style-type: none"> •Cancel imminent TSAT down-select. (BA vs. LMT). Order 2 additional AEHF Spacecraft from LMT/NOC, plus WGF-7 from BA. 	<ul style="list-style-type: none"> •Curtail/reverse 2001-2008 growth in Service contracting. Hire 13K government FTE in 2010, with 30K total in 2010-2015. (Service Contractors).
	<ul style="list-style-type: none"> •Initial 2010 funding for <u>SSBN “follow-on”</u> for Sea-based Strategic Deterrent (<u>SSBN(X)</u>). (GD). 	<ul style="list-style-type: none"> •Accelerate “SOF-optimized” lift mobility & refueling aircraft. (Presumably <u>C-130J</u>, possibly <u>V-22</u>. Airframes funded by USAF, with “Mission-Equipment” funding from “DoD-wide” Account). 	<ul style="list-style-type: none"> •\$500M increase in “Global Partnership” Stability Operations. (“Soft Power” Initiatives expected to be funded primarily through “DoD-wide”, and possibly Army Accounts).
	<ul style="list-style-type: none"> •Delay planned <u>MLP</u> order until 2011. (Order 2 TAKE in 2010 instead, in place of delayed MLP & MPF(A)). (GD). 	<ul style="list-style-type: none"> •~\$700M increase for “Nuclear Surety”. (Presumably USAF is primary beneficiary). 	
	<ul style="list-style-type: none"> •Adopts planned <u>LCS</u> production ramp-up. (55 Ship-class). (LMT, GD, plus NOC for Mission Modules). 	<ul style="list-style-type: none"> •Expand and accelerate training of <u>Cyber-Security Experts</u> to guard against “Hybrid Warfare” threats of peer competitors (e.g. China, Russia, Iran). 	
	<ul style="list-style-type: none"> •\$700M increase to Army for THAAD & Navy for <u>SM-3</u> Programs. (LMT & RTN). 		
	<ul style="list-style-type: none"> •Continue to delay <u>CG(X)</u>, as <u>Requirements & Acquisition Strategy</u> are re-evaluated. (~\$500M/yr RDT&E to RTN). 		
	<ul style="list-style-type: none"> •Increase charter of <u>JHSV</u> Ships to 4. (Navy/Army). 		

2010 Resourcing favored Navy, with “Flat-lining” of Funding for both Army & USAF.

- DoD Funding Requests: (\$76B 2009 Supplemental; \$534B 2010 DoD Budget Request; and \$130B 2010 “Overseas Contingency Operations” (OCO) Request).
 - “Milper” transitions OIF/OEF Troop strength, from ~185K in 2009, to ~168K in 2010.
 - “O&M” Flat-lined. (Fully funds ~260K contractors in CENTCOM for 2009-2010).
 - Savings from Supplemental “Draw-down” are primarily-driven by contraction in “Equipment Reconstitution” (Procurement). (\$187B GWOT in 2008; \$145B GWOT in 2009; \$130B “OCO” in 2010).
 - Within 2010 base Budget, DoD Investment Accounts grew surprisingly. Procurement rose from \$102B in 2009, to \$107B in 2010. RDT&E fell only slightly. (RDT&E of ~\$80B in 2009, to ~\$79B in 2010).
- Impact to respective Military Services:
 - Army: End-Strength now competes with Procurement, given stagnant Army Top-line of \$142B. (Only \$3B growth from 2009).
 - Navy: Biggest “winner” with \$156B Top-line (+\$10B), and ~\$5B growth in Procurement.
 - ~\$18.4B Aircraft Procurement Navy (“APN”), (+\$4B)(F-35 STOVL/CV; Hornet/Growler; MMA/P-8).
 - ~\$15B total Shipbuilding. (~\$13.8B SCN, with remainder in “NDSF”)(3rd DDG-1000; DDG-51 “re-start”; LCS; remainder of LPD-17, plus 2 T-AKE orders; and NSSN Submarine ramp-up).
 - USAF: Faces stagnant funding of ~\$145B. (Only ~\$3B growth from 2009).
 - Aircraft Procurement Account shrank to ~\$12B (“Lumpy” F-22 transition to F-35 CTOL; plus growth in C-130J & Reapers).
 - Space Procurement Funding grew to ~\$5.3B (+\$1B), (driven by AEHF & WGF-7 from TSAT cancellation). (~\$9B-\$11B total Space funding).
 - RDT&E still healthy at ~\$28B, despite cancellation of TSAT, CSAR-X, and NGS/Bomber delay.

Specific Program “Winners & Losers.”

I. Army RDT&E and Procurement

- Aircraft Procurement is healthy at \$5.3B, plus \$1.6B in 2010 supplemental. (UH-60; CH-47; Apache; LUH).
- Missile Procurement is contracting significantly, down from ~\$2.9B total in 2009, to \$1.4B in 2010, with “shortfall” being addressed in 2010 OCO, for ~\$1.9B total. (Contraction in Patriot Mods, with upcoming shift to PAC-3/MEADS).
- Procurement of Tracked Combat Vehicles (“W&TCV” Account) is contracting rapidly, collapsing to ~\$2B in 2010 Base, with only ~\$317M in 2010 OCO, for total of only ~\$2.3B in 2010. (Stryker falling; Bradley falling; Abrams falling. There is need for immediate increase in legacy Tracked Combat Vehicle funding, given ~5-7 year delay from FCS Manned-Ground-Vehicle cancellation & recompetition).
- “Other Procurement Army” (OPA) is naturally-falling to ~\$10B in 2010 Base, from \$11.4B in 2009 Base, driven by completion in growth of Army IBCTs. Additional \$6.2B in 2010 OCO Request is healthy. (Wheeled Tactical Vehicles are well-funded, with contraction occurring in “Communications & Electronics”).
- Ammunition Procurement is falling slightly at ~\$2B, with ~\$400M in 2010 OCO, for ~\$2.4B total.
- Army RDT&E contracts slightly, to ~\$10.4B. FCS Network & “Spin-outs” to Infantry Brigades remain intact, despite cancellation of Manned-Ground-Vehicle. (There is ~\$100M in sustaining development for new “Ground Combat Vehicle” in 2010 Base. Remaining ~\$370M appears to be for MGV termination liability). (Funding survives for JAGM; Aerostat; and ACS).

II. Navy RDT&E and Procurement

- Navy Procurement grows to \$43.7B, comprised of ~\$4B growth in Aircraft Procurement, plus ~\$800M growth in Shipbuilding.
- “Aircraft Procurement Navy” (APN) grows from \$14.7B, up to \$18.4B. (Driven by 20 USMC/Navy F-35 orders; plus initial six P-8 orders. Navy will also procure 31 Super Hornet/Growlers, (down by 9 from 2009 plan), with “Strike Fighter Gap” to be addressed during QDR).
- “Shipbuilding & Conversion Navy” (SCN) grows from ~\$13B in 2009, up to \$13.8B in 2010. (Driven by third DDG-1000 order; initial DDG-51 “re-start” order; three LCS orders; remainder of LPD-17, plus 2 T-AKE orders; CVN RCOH; and NSSN Submarine ramp-up for 2011).

Navy RDT&E and Procurement (continued)

- Remaining Navy Procurement Accounts of “Weapons”; “Other”; and “Ammunition”, remain flat.
- USMC Procurement falls significantly to \$1.6B, threatening long-term USMC Recapitalization, (despite \$1.2B in OCO, for \$2.8B total in 2010).
- Navy RDT&E Account is robust at ~\$19.3B. (Driven by continued DDG-1000/CG(X) (~\$880M); SSBN(X) (~\$500M); F-35 (~\$1.7B); CH-53K (~\$572M); and P-8 (~\$1.2B); despite cancellation of VH-71 Increment II (~\$85M)).

III. USAF RDT&E and Procurement

- Total USAF Procurement contracts to ~\$36B. (Primarily driven by proposed contraction within Aircraft Procurement Account. Abrupt cancellation of F-22, temporarily offsets growth in F-35 CTOL. C-130J orders surge. JCA is transferred from Army to USAF (and cut-in-half). Plus increased MQ-9 Reaper production).
- Missile Procurement Account (Space) increases to \$5.3B (~\$1B growth). (Driven by TSAT cancellation; with immediate AEHF Spacecraft order, plus long-lead AP for WGF-7).
- USAF RDT&E remains robust at ~\$28B. (Supported by F-35 (~\$1.9B) & KC-X “re-start” (~\$440M); despite cancellation of TSAT; CSAR-X; and delay of NGS/Bomber).

IV. “DoD-wide” RDT&E and Procurement

- “DoD-wide” RDT&E remains robust at ~\$21B.
- MDA funding reduced from ~\$8.5B, to ~\$7.1B. Within remaining MDA Account, funding shifted away from “Boost-phase” (ABL remains in Technology Development, with KEI cancelled), toward new “Ascent-phase” Program to be de-classified shortly. Additionally, GMD Program is modestly-descope, to shift focus from National MD, to Terminal/Theater MD, particularly Aegis BMD; SM-3; and THAAD.
- Within 2010 OCO, MRAP-ATV is extended at ~\$5.5B.
- There are also incremental shifts in RDT&E, to support SOCOM priorities.

“Emerging Themes” from New Administration, strongly suggest that “Affordability” has now become a key driver, coupled with risk of additional Program “cuts” during QDR.

- Overall, the new Administration has effectively "flat-lined" total DoD funding. Combined Base & Supplemental funding is \$662B in 2009, with total proposed \$664B in 2010. (Contraction in Emergency Supplementals is offset on almost a dollar-for-dollar basis by growth in the 2010 base budget).
- Big winner was obviously "Military Personnel", which grew from \$125B in 2009, to \$136B in 2010 (+\$11B, or ~9%); Other winner was "Procurement", which grew from \$102B in 2009, up to \$107B in 2010 (~6%). ("RDT&E" was a very modest billpayer, shrinking by ~1%, from \$80B in 2009, down to \$79B in 2010).
- Administration is generating Savings in Supplementals, by effectively extending "O&M" Funding on "flat-line" basis, while reducing "Equipment Reconstitution" (Procurement). (See Charts below).
- Recapitalization is now directly constrained by "Affordability" limitations. New Administration is focused on:
 - "Cost Predictability", ("WSARA" Bills in both Senate & House);
 - "Program Affordability", (targeting of "Exquisite Programs");
 - "Elimination of Duplicative Programs", ("Portfolio Mix" review will now continue in QDR);
 - There is significant potential of second round of “additional cuts” during QDR, which will then appear in 2011 Budget;
 - Services & Industry should evaluate "Alternate Options" for Requirements, Schedule, Acquisition Strategy, and Cost, to demonstrate "Affordability", with equal priority as Lethality, Combat Capability, and Survivability.

Administration is generating “Draw-down Savings” in Supplementals & 2010 “OCO”, by effectively extending “O&M” Funding on “flat-line” basis, while cutting “Procurement” to even well-below 2007 OPTEMPO Requirements.

Funding by Appropriation Title (\$ in billions)	FY2007 Enacted	FY2008 Enacted	FY2009 Supplemental			FY2010 OCO Request
			Bridge Enacted	Request	Total	
Military Personnel	17.7	19.1	1.2	16.7	17.9	13.6
Operation and Maintenance	87.3	89.3	55.2	34.2	89.4	89.1
Procurement	46.7	64.2	6.6	21.8	28.4	21.4
RDT&E	0.6	0.9	<0.1	0.4	0.4	.2
Military Construction	1.7	4.2	---	2.1	2.1	1.4
Revolving and Management Funds	1.1	2.7	---	0.8	0.8	.4
Subtotal	155.3	180.5	63.0	76.0	139.0	126.1
Additional Request and Non-DoD Classified ¹	14.2	6.6	2.9	3.1	6.1	3.9
Total	169.5	187.1	65.9	79.2	145.1	130.0

¹ FY2007 enacted total includes \$5.9B of Non-DoD Classified appropriations and \$8.4B of Additional Request (e.g. BCTs/RCTs, Grow the Force, Wounded Warrior); FY 2008 and FY2009 columns include Non-DoD classified funding only.

Source for FY2007 enacted, FY2008 enacted, and FY2009 Supplemental: Fiscal Year 2009 Supplemental Request, April 2009, available at: http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf
Source for FY2010 Request: FY2010 DoD Budget Release, May 2009, available at: <http://www.defenselink.mil/comptroller/budget.html>

Vast majority of the ~\$42B in 2009 Supplemental “Draw-down”, is driven by: (1) natural reduction of ~\$10B in “Force Protection”; plus (2) additional \$27B targeted cuts in “Reconstitution”, (primarily Army & USMC).

Total DoD Funding by Functional Category (\$ in billions)	FY2007 Enacted	FY2008 Enacted	FY2009 Supplemental			FY2010 OCO Request
			Bridge Enacted	Request	Total	
“Continuing the Fight”						
“Operations”	76.6	77.5	38.2	38.0	76.2	74.1
“Force Protection” (MRAP-driven)	12.4	23.9	4.5	9.8	14.3	15.2
“IED Defeat”	4.4	4.2	2.0	1.5	3.5	1.5
“Military Intelligence Program”	3.4	4.9	1.4	3.8	5.1	4.7
“Iraq Security Forces”	5.5	3.0	1.0	0	1.0	0
“Afghan National Security Forces”	7.4	2.7	2.0	3.6	5.6	7.5
“Pakistan Counterinsurgency Capability”	---	---	---	0.4	0.4	0.7
“Coalition Support”	1.4	1.4	0.3	1.4	1.7	2.0
“CERP”	1.0	1.7	1.0	0.5	1.4	1.5
“Military Construction” (Only includes OEF/Europe. Excludes remaining \$1.2B Milcon elsewhere).	0.9	1.3	---	0.9	0.9	1.4
“Reconstitution” (Reset/Procurement)	36.3	50.5	11.6	11.6	23.2	17.6
Additional Requests (Secondary Accounts)	20.2	16.1	3.9	7.8	11.7	3.9
Total	169.5	187.1	65.9	79.2	145.1	130.0

Source for FY2007 enacted, FY2008 enacted, and FY2009 Supplemental: Fiscal Year 2009 Supplemental Request, April 2009, available at: http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf
Source for FY2010 Request: FY2010 DoD Budget Release, May 2009, available at: <http://www.defenselink.mil/comptroller/budget.html>

"Reconstitution" (\$ in billions)	FY2007 Enacted	FY2008 Enacted	FY2009 Supplemental			FY2010 OCO Request
			Bridge Enacted	Request	Total	
I. Replenishment/Consumables (largely Procurement)						
Army	1.0	1.1	0.1	1.0	1.1	0.8
Navy	0.5	0.4	---	0.1	0.1	0.3
Marine Corps	0.4	0.4	---	0.3	0.3	0.5
Air Force	0.1	0.3	---	0.2	0.2	0.3
Total Replenishment	2.0	2.2	0.1	1.6	1.7	1.8
II. Repair (O&M-driven/Depots)						
Army	8.5	8.5	7.9	0	7.9	7.9
Navy	0.6	0.8	0.4	0.2	0.6	1.2
Marine Corps	0.6	0.5	0.5	0.2	0.7	0.6
Air Force	0.6	1.4	0.7	0.7	1.4	1.2
Total Repair	10.3	11.2	9.5	1.1	10.6	10.9
III. Replacement (Procurement/Combat Losses)						
Army	15.0	19.4	1.6	5.8	7.4	3.3
Navy	1.1	5.7	---	0.5	0.5	0.4
Marine Corps	5.9	2.9	0.2	1.0	1.2	0.6
Air Force	1.4	7.6	0.2	1.1	1.3	0.4
Defense-wide	0.6	1.5	---	0.4	0.4	0.1
Total Replacement	24.0	37.1	2.0	8.8	10.8	4.9
Total Reconstitution	36.3	50.5	11.6	11.6	23.2	17.6

Source for FY2007 enacted, FY2008 enacted, and FY2009 Supplemental: Fiscal Year 2009 Supplemental Request, April 2009, available at: http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf
Source for FY2010 Request: FY2010 DoD Budget Release, May 2009, available at: <http://www.defenselink.mil/comptroller/budget.html>

(Continued from Reconstitution Chart)

- “Reconstitution” encompasses maintenance and procurement activities to restore and enhance combat capability to units and pre-positioned equipment that were destroyed, damaged, stressed, or worn beyond economic repair due to combat operations. Reconstitution is funded through a variety of appropriations, and includes the replenishment, replacement, and repair of equipment:
 - (1) “Replenishment” includes conventional ammunition items for all services, such as bombs, artillery rounds, small and medium caliber mortars, shoulder-launched rockets, aircraft launched rockets and flares, demolition materials, grenades, propellant charges, simulators, cartridges and non-lethal munitions. The request also funds precision guided ammunition items such as the Army’s Excalibur artillery round and the Air Force’s Joint Direct Attack Munition (JDAM). The request also funds tactical missiles to replace those expended in combat, such as Hellfire, Javelin, Tube-Launched Optically Tracked Wire Guided (TOW), and Guided Multiple Launched Rockets.
 - (2) “Repair” activities involve the necessary depot and intermediate level maintenance required to restore equipment returning from Iraq and Afghanistan to pre-deployment conditions.
 - (3) “Replacement” is equipment lost in battle or stressed beyond economic repair. This ranges from major platforms such as four F-22A Air Force aircraft and various Army helicopters (e.g., 12 AH-64 and 4 CH-47) to support equipment such as radios, power equipment, and construction equipment.

Source: Fiscal Year 2009 Supplemental Request, April 2009, available at:

http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf

Back-up Charts

Severe “Draw-down” in “OIF Funding” in 2009 Supplemental is primarily driven by contraction in Procurement, and not O&M; which directly threatens Army & USMC “Reconstitution” requirements for both immediate Readiness & OEF Campaign.

Funding by Military Operation (\$ in billions)	FY2007 Enacted	FY2008 Enacted	FY2009 Supplemental			FY2010 OCO Request
			Bridge Enacted	Request	Total	
Operation Iraqi Freedom (OIF)	122.7	135.1	46.2	40.4	86.6	60.8
Operation Enduring Freedom (OEF)	32.6	35.9	15.8	31.1	46.9	65.4
Additional Requests ²	8.4	9.5	1.0	4.7	5.6	---
Non-DoD Classified	5.9	6.6	2.9	3.1	6.1	3.9 ³
Total	169.5	187.1	65.9	79.2	145.1	130.0
² Additional Request amounts include \$3.4B of funds to be cancelled from the Base budget to offset the cost of Additional Requests in the FY2009 Supplemental Request (\$2.2B for Accelerate/Grow the Force; \$0.4B for Family Support; \$0.3B for NCR Acceleration; \$0.5B for Military Personnel). ³ Includes \$6.6 million for a National Security Agency classified Military Construction project.						

Source for FY2007 enacted, FY2008 enacted, and FY2009 Supplemental: Fiscal Year 2009 Supplemental Request, April 2009, available at: http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Supplemental_Request/pdfs/FY_2009_Supplemental_Request_04-08-09.pdf
 Source for FY2010 Request: FY2010 DoD Budget Release, May 2009, available at: <http://www.defenselink.mil/comptroller/budget.html>

Administration proposed major funding reductions in 2009 Supplemental Request, targeted at both Army “Tracked Combat Vehicles” & “Communications”; plus both Navy & USAF “Aircraft” Procurement.

(Only Primary Programs have been included).

Service	Program (only Primary Programs are shown below).	Total FY2009 Funding (in thousands)	FY2009 Bridge Funding (in thousands)	Pending FY2009 Funding Request (in thousands) (April 2009)	OSD-proposed Reprogramming of 2008-2009 Funding for “Milper”
I. Army Procurement					
(1) Aircraft					
	•CH-47 Helicopter (MYP)	(4) \$120,000	\$0	(4) \$120,000	
	•AH-64 MODS	(12) \$354,360	\$0	(12) \$354,360	
	•ASE Infrared CM	(72) \$152,800	\$20,000	(72) \$132,800	
	Total Aircraft	\$846,604	\$84,000	\$762,604	-\$36,200
(2) Missiles (TOW & Hellfire)					
	Total Missiles	\$767,141	0	\$767,141	
(3) Weapons & Tracked Combat Vehicles (W&TCV) (~\$5.5B in 2008 GWOT)					
	•Bradley Program	(94) \$394,800	(94) \$394,800	\$0	
	•Stryker Vehicle	(6) \$360,787	\$248,053	(6) \$112,734	
	•Bradley Program Mod	\$541,000	\$0	\$541,000	
	•M1 Abrams Tank Mod	\$425,900	\$47,900	\$378,000	
	•Abrams Upgrade Program	(54) \$230,400	(30) \$130,400	(24) \$100,000	
	Total W&TCV	\$2,506,045	\$822,674	\$1,683,371	
(4) Ammunition					
	•Ammunition Production Base Support	\$9,800	\$0	\$9,800	
	Total Ammunition	\$276,575	\$46,500	\$230,075	-\$210,400
(5) Other Procurement (~\$16.3B in 2008 GWOT)					
(a) Tactical & Support Vehicles					

Service	Program (only Primary Programs are shown below).	Total FY2009 Funding (in thousands)	FY2009 Bridge Funding (in thousands)	Pending FY2009 Funding Request (in thousands) (April 2009)	OSD-proposed Reprogramming of 2008-2009 Funding for "Milper"
Army Procurement (continued)					
	•HMMWV	(5296) \$842,456	\$0	(5296) \$842,456	
	•FMTV	(1918) \$574,121	\$0	(1918) \$574,121	
	•FHTV	(30310) \$1,057,221	(797) \$90,000	(29513) \$967,221	
	•Mine Protection Vehicle Family	(268) \$704,956	\$0	(268) \$704,956	
	•HVY Expanded Mobile Tactical Truck	(1206) \$366,296	(49) \$15,000	(1157) \$351,296	
	•HMMWV Recapitalization Program	(7083) \$510,000	(5420) \$390,219	(1663) \$119,781	
	Total Tactical & Support Vehicles	\$5,067,348	\$745,174	\$4,322,174	
(b) Communications & Electronics Equipment					
	•WIN-T	(19) \$400,590	\$0	(19) \$400,590	
	•SINCGARS-Ground	\$100,000	\$0	\$100,000	
	•Radio, Improved HF (COTS) Family	\$175,555	\$4,855	\$170,700	
	•Warlock	\$354,500	\$0	\$354,500	
	•Night Vision Devices	\$122,500	\$40,000	\$82,500	
	Total Communications & Electronics	\$3,046,239	\$78,876	\$2,967,363	
	Total Other Procurement	\$9,130,622	\$1,009,050	\$8,121,572	-\$224,300
	(6) Joint Improvised Explosive Dev Defeat Fund	\$3,466,746	\$2,000,000	\$1,466,746	
	Total Army Procurement	\$16,993,733	\$3,962,224	\$13,031,509	
II. Navy Procurement					
	(1) Aircraft (Missing 8-9 expected Super Hornet/Growler orders). (~\$3.6B in 2008 GWOT)				
	•UH-1Y/AH-1Z	(4) \$102,400	\$0	(4) \$102,400	
	•MH-60S (MYP)	(2) \$46,100	\$0	(2) \$46,100	

Service	Program (only Primary Programs are shown below).	Total FY2009 Funding (in thousands)	FY2009 Bridge Funding (in thousands)	Pending FY2009 Funding Request (in thousands) (April 2009)	OSD-proposed Reprogramming of 2008-2009 Funding for "Milper"
Navy Procurement (continued)					
	•Common ECM Equipment	\$163,390	\$0	\$163,390	
	Total Aircraft	\$600,999	\$0	\$600,999	
(2) Procurement, Marine Corps					
	Total Procurement, Marine Corps	\$2,203,811	\$565,425	\$1,638,386	
	Total Navy Procurement	\$3,546,043	\$593,373	\$2,952,670	
III. USAF Procurement					
(1) Aircraft (~\$7.1B in 2008 GWOT, with C-130J & C-17 "plus-ups")					
	•F-22	(4) \$600,000	\$0	(4) \$600,000	
	•MQ-9 UAV	(15) \$283,500	(5) \$87,642	(10) \$195,858	
	•C-5 Mods	\$104,800	\$0	\$104,800	
	•C-17A Mods	\$247,200	\$17,000	\$230,200	
	•C-130 Mods	\$198,910	\$9,000	\$189,910	
	•Other Production Charges/Support Equipment	\$641,000	\$0	\$641,000	
	Total Aircraft	\$2,580,660	\$201,842	\$2,378,818	
	Total USAF Procurement	\$6,157,357	\$1,702,486	\$4,454,871	
IV. "Defense-wide" Procurement					
	(1) Mine Resistant Ambush Protected Vehicle Fund	\$4,393,000	\$1,700,000	\$2,693,000	
	Total Defense-wide Procurement	\$4,767,305	\$1,877,237	\$2,890,068	

Contrary to “OIF Draw-down” expectations, Service Contractors are fully funded for CENTCOM Operations through 2009, and presumably 2010.

(Only Primary Accounts or Programs have been included)

Service	Program	Total FY2009 Funding (in thousands)	FY2009 Bridge Funding (in thousands)	Pending FY2009 Funding Request (in thousands) (April 2009)
I. Army Operation & Maintenance, Total		\$59,157,587	\$40,712,831	\$18,444,756
(a) “O&M, Army”		\$51,419,401	\$37,300,000	\$14,119,401
	•Reset	\$7,886,730	\$7,886,730	\$0
(b) “Afghanistan Forces Fund” (usually “DoD-wide”)		\$5,606,939	\$2,000,000	\$3,606,939
	•Equipment and Transportation	\$1,667,784	\$234,558	\$1,443,226
	•Sustainment	\$1,337,698	\$480,340	\$857,358
(d) “Pakistan Counterinsurgency Capability Fund”		\$400,000	\$0	\$400,000
II. Navy/USMC Operation & Maintenance, Total		\$10,026,868	\$6,489,566	\$3,357,302
III. USAF Operation & Maintenance, Total		\$11,393,673	\$5,065,043	\$6,328,630
IV. “Defense-wide” Operation & Maintenance, Total		\$8,316,052	\$2,648,569	\$5,667,483
	•Special Operations Command	\$2,402,425	\$954,024	\$1,448,401
	•Defense Security Cooperation Agency	\$1,730,000	\$300,000	\$1,430,000
	•“Other Programs”	\$2,521,675	\$1,144,421	\$1,377,254
V. Total DoD Military Construction Funding (“Milcon”)		\$2,113,032	\$0	\$2,113,032
	•Army: Bagram Air Base, OEF	\$82,300	\$0	\$82,300
	•Army: Kandahar, OEF	\$126,150	\$0	\$126,150
	•Army: Sharana, OEF	\$79,200	\$0	\$79,200
	•Army: Tombstone/Bastion, OEF	\$94,100	\$0	\$94,100
	•USAF: Kandahar, OEF	\$84,000	\$0	\$84,000
	•USAF: Tombstone/Bastion, OEF	\$96,250	\$0	\$96,250