



**DEPARTMENT OF DEFENSE
FREEDOM OF INFORMATION DIVISION
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155**

Ref: 21-F-0187
January 12, 2022

Mr. John Greenewald, Jr.
The Black Vault Inc.
27305 West Live Oak Rd.
Castaic, CA 91384

Dear Mr. Greenewald:

This is a final response to your November 14, 2020 Freedom of Information Act (FOIA) request, a copy of which is enclosed for your convenience. We received your request on November 16, 2020, and assigned it FOIA case number 21-F-0187. We ask that you use this number when referring to your request.

The Office of the Under Secretary of Defense (Comptroller), a component of the Office of the Secretary of Defense, conducted a search of their records systems and provided the enclosed documents, totaling 103 pages. It has been determined that these documents are appropriate for release in their entirety, without excision.

This constitutes a full grant of your request and closes your case file in this office. There are no assessable fees associated with this response.

If you have any questions or concerns about the foregoing or about the processing of your request, please do not hesitate to contact the Action Officer assigned to your request, Hillary Maravilla, at Hillary.e.maravilla.civ@mail.mil or 571-372-0418. Additionally, if you have concerns about service received by our office, please contact a member of our Leadership Team at 571-372-0498 or Toll Free at 866-574-4970.

Sincerely,

for Pamela Andrews
Stephanie L. Carr
Chief

Enclosures:
As stated

This document is made available through the declassification efforts
and research of John Greenewald, Jr., creator of:

The Black Vault



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**Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: Base Realignment and Closure (BRAC)

Appeal Citation: HRpt. 114-139, Pg. 87, Line 270; SRpt. 114-63, Pg. 50, Line 270

Appropriations: Operation and Maintenance, Defense-Wide; Shipbuilding & Conversion, Navy

Summary: The House and Senate eliminates \$10.5 million in funding to support a BRAC round in 2017.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
House - BRAC 2015 round planning and analyses - early to need and Senate - Authorization Adjustment: OUSD (AT&L) BRAC Funding (Operation and Maintenance, Defense-Wide, HRpt. 114-139, pg. 87, line 270, SRpt. 114- 63, pg. 50, line 270)	1,923.1	1,604.2	1,903.6	1,913.7	1,913.7
Offset - Program increase - one ship (Shipbuilding & Conversion, Navy, HRpt, 114-139, pg, 161, line 13, SRpt. 114-63, pg. 100, line 13)*	0.0	635.0	97.0	624.5	86.5

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, Military Personnel Appropriations Undistributed Reductions, and Undistributed Decreases for Streamlining of Management Headquarters.

DoD Position/Impact: The Department objects to the House and Senate reduction of the \$10.5 million that would support a BRAC 2017 round. Without funding to plan for a new round of BRAC, or authority to

conduct BRAC, Department of Defense (DoD) may not properly align the military's infrastructure with the needs of its evolving force structure. The Administration urges the Congress to provide the BRAC authorization and funding as requested. The Department is facing a serious problem created by the tension of declining budgets, reductions in force structure, and limited flexibility to adapt the Defense infrastructure accordingly. The Department and the Congress need to find a way to strike the right balance, so infrastructure does not drain resources from the warfighter. The Department's goal is, therefore, a BRAC focused on efficiency and savings, and it is a goal the Department believes is eminently achievable.

The Department strongly urges the Congress to provide the BRAC authorization as requested, which would allow DoD to right-size its infrastructure while providing important assistance to affected communities, freeing resources currently consumed by maintaining unneeded facilities. In the absence of authorization of a new round of BRAC, the Administration will pursue alternative options to reduce this wasteful spending and ensure that DoD's limited resources are available for the highest priorities of the warfighter and national security.

The Department's projection is that it can achieve recurring savings on the order of \$2.0 billion/year with another BRAC round. DoD expects to generate enough savings during the 6-year implementation period to cover the implementation costs. Programmatically, what is at stake is \$2.0 billion/year starting in 2023.

The \$635.0 million added by the House and the \$97.0 million added by the Senate for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$10.5 million for the both House and Senate be redirected from this congressional add enhancement to restore the Base Realignment and Closure congressional mark.

The Department urges conferees to support the FY 2016 President's Budget request of \$10.5 million for Base Realignment and Closure (BRAC). Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: Reduction in Non-Nuclear Advance Procurement for CVN 80

Appeal Citation: HRpt. 114-139, Pg. 160, Line 2, 14; SRpt. 114-63, Pg. 100, Line 2, 14

Appropriation: Shipbuilding & Conversion, Navy

Summary: The Senate reduced advance procurement funding for CVN 80 by \$191.5 million to restore acquisition accountability. The House supported the President's Budget request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Restoring acquisition accountability: Defer non-nuclear long lead material (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 60, line 2, SRpt. 114-63, pg. 100, line 2)	874.7	874.7	683.2	874.7	874.7
Offset - Authorization adjustment: Accelerate LHA-8 advanced procurement (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 60, line 2, SRpt. 114-63, pg. 100, line 14)*****	277.5	277.5	476.5	277.5	280.5
Offset - Spending Reduction Account	0.0	0.0	0.0	0.0	4.5

***** This offset is used in the Reduction in Non-Nuclear Advance Procurement for CVN 80 and OUSD(C) IT Development Initiatives.

DoD Position/Impact: The Department objects to the Senate \$191.5 million reduction to the Department of the Navy's Aircraft Carrier Replacement Program Advance Procurement. The CVN 80 has only 2 years of planned Advance Procurement (compared to 6 years on CVN 79), followed by the shortest build duration to date of the GERALD R. FORD Class. This funding reduction removes all funding for planning and advance procurement of non-nuclear propulsion plant related material and equipment essential to the most affordable construction of CVN 80, presenting unacceptable risks to CVN 80 being delivered on schedule and significant increase in the ship's cost. A delay in CVN 80 delivery would result in unacceptable risk in the Department of the Navy's aircraft carrier force structure by causing a gap that reduces the force level below congressionally mandated Title X requirements. This reduction is directly counter to efforts such as improved material availability and moving more construction work into the shops that are specifically designed to drive affordability into aircraft carrier construction and deliver these ships under congressional cost caps.

The additional \$199.0 million to accelerate LHA-8 advanced procurement added by the Senate is not required. Additional Advanced Procurement Funds are not needed to accelerate delivery of the LHA 8. The Navy is currently pursuing a competitive strategy for both LHA 8 and T-AO(X) with award planned for mid-FY 2016. Until the source selection process completes and further insight into the potential shipbuilders design and build approach is known, including the specific use of AP, the Navy is likely unable to execute any of these additional funds. The Department recommends \$196.0 million be redirected from this congressional add enhancement to restore the CVN 80 congressional mark.

The additional \$4.5 million which remains from the congressional adds offsets in the Senate is not required. The Department recommends \$4.5 million be redirected from this congressional add enhancement to the spending reduction account.

The Department urges the conferees to support the House position of \$874.7 million. Increase to the overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: Defense Meteorological Satellite Program

Appeal Citation: HRpt. 114-139, Pg. 189, Line 6, 8; SRpt. 114-63, Pg. 129, Line 6, 8

Appropriations: Space Procurement, Air Force; Aircraft Procurement, Air Force

Summary: The House and Senate reduced the Fiscal Year 2016 budget request by \$89.4 million for integration, testing, and launch preparation of the last DMSP satellite (DMSP-20) with the intent of bringing the DMSP acquisition program to an orderly close. The House also reduced \$120.0 million for a competitive DMSP-20 launch service under the Evolved Expendable Launch Vehicle (EELV) program.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
Program termination (Space Procurement, Air Force, HRpt. 114-139, pg. 189, line 6, SRpt. 114-63, pg. 129, line 6)	89.4	0.0	0.0	89.4	89.4
Reduction for DSMP launch (Missile Procurement, Air Force, HRpt. 114-139, pg. 189, line 8, SRpt. 114-63, pg. 128, line 8)	800.2	680.2	800.2	800.2	800.2
Offset - House - Program Increase - six Aircraft and Senate Auhorization adjustment: Additional 6 aircraft and support equipment- USMC UFR (Aircraft Procurement, Navy, HRpt.	1,483.4	2,173.4	2,213.7	1,964.0	2,124.3

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
114-139, pg. 145, line 5, SRpt. 114-63, pg. 89, line 5)***					

*** The offset is used in the Defense Meteorological Satellite Program, Space Modernization Initiative, and Defense Health Program Funding.

DoD Position/Impact: The Department urges the conferees to restore Defense Meteorological Satellite Program (DMSP). The proposed mark renders the DoD unable to launch and gain operational use of the DMSP-20 satellite. The DMSP-20 provides the warfighter, Intelligence Community, and civil users with critical and unique environmental sensing capabilities. The DMSP-20 will extend U.S. capability to meet the JROC validated minimum acceptable re-visit values for full global cloud characterization and theater weather imagery requirements deep into the next decade. This will have the added benefit of allowing the DoD sufficient time to research, demonstrate, and operationalize possible non-materiel approaches for Space Based Environmental Monitoring in the future.

Additionally, the risk of delivering this capability is low because U.S. taxpayers have invested in building the satellite and in implementing a Service Life Extension Program (SLEP) to ensure it meets or exceeds performance requirements on-orbit. From both engineering and operational perspectives, DMSP-20 represents the lowest risk approach to fulfilling the DoD's global cloud characterization, theater weather imagery, and other environmental sensing needs going forward. The components for the satellite are built, SLEP modifications are complete, and the system has a fully integrated and operational supporting ground network.

The additional \$780.0 million added by the House and \$846.0 million by the Senate for 6 additional JSF STOVL F-35B aircraft procurement is not needed. In this fiscally constrained environment, the Administration objects to the authorization of unnecessary funding offset by equal cuts to higher priority items requested in the President's Budget. The Administration has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Department recommends \$209.4 million for the House and \$89.4 million for the Senate be redirected from this congressional add enhancement to restore the DMSP congressional mark.

The Department urges the conferees to support the President's Budget request of \$889.6 million. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: Space Modernization Initiative (SMI)

Appeal Citation: HRpt. 114-139, Pg. 145, 252, Line 5, 63, 80; SRpt. 114-63, Pg. 89, 172, Line 5, 63, 805

Appropriations: Research, Development, Test and Evaluation, Air Force; Aircraft Procurement, Navy

Summary: The House reduced the Fiscal Year 2016 budget request by \$51.0 million for the Space Based Infrared Systems (SBIRS) Space Modernization Initiative (SMI) and similarly reduced the Advanced Extremely High Frequency Military Satellite Communications (AEHF MILSATCOM) SMI by \$140.0 million. The House expresses concern that SMI is being used for new development programs and should be used for evolutionary upgrades to the program of record. The House indicates that investment in new technologies and architectural approaches is early to need and recommends that the Joint Requirements Oversight Council assess the requirements, the Secretary of the Air Force completes the analyses of alternatives, and the Director of Cost Assessment and Program Evaluation certifies the new program is cost effective.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
SMI WFOV (HRpt. 114-139, pg. 252, line 63, SRpt. 114-63, pg. 172, line 63)	292.2	241.2	292.2	292.2	292.2
SMI reduction (HRpt. 114-139, pg. 252, line 80, SRpt. 114-63, pg. 172, line 80)	228.2	88.2	253.2	228.2	228.2
Offset - Program Increase - six Aircraft (Aircraft Procurement, Navy, HRpt. 114-139, pg. 145, line 5, SRpt. 114-63, pg. 89, line 5)***	1,483.4	2,173.4	2,213.7	1,982.4	2,213.7

*** The offset is used in the Defense Meteorological Satellite Program, Space Modernization Initiative, and Defense Health Program Funding.

DoD Position/Impact: The Department strongly opposes the House reduction to SMI by \$190.0 million because it curtails important investments in the modernization of space-based missile warning and protected communications capabilities. These capabilities directly support Presidential decision-making, command and control of nuclear forces, power projection in high jamming environments, and strategic and tactical reporting of events detected in the infrared spectrum.

Both the SBIRS Follow-On and Protected SATCOM Services Analyses of Alternatives (AoAs) are at or near completion and entering Departmental deliberations. They were informed by capability needs identified by the Joint Requirements Oversight Council, the latest threat information from the Intelligence Community, and the findings of the Space Strategic Portfolio Review. The SBIRS Follow-On AoA is guided by the 2010 Overhead Persistent Infrared Enterprise Initial Capability Document (ICD) and the Protected SATCOM Services AoA is similarly working from the 2010 Joint Space Communications Layer ICD. Informed by these AoAs, the SMI line allows the Department to reduce risks of evolutionary architectural changes in advance of the major acquisition decisions and future contracts.

The Secretary of Air Force certified on March 16, 2015, that all of the SBIRS SMI data exploitation efforts support the current program of record and wide-field-of-view sensor efforts directly support technology insertion opportunities for the program of record. If the Department does not invest in SMI technology maturation now, including for staring sensors and hosted payloads, the United States will continue to be limited to 1995 sensor technology, exposed to sensor obsolescence, and unable to explore sensors for architecture solutions that are responsive to the findings of the Department's recent analytical efforts.

Furthermore, the Air Force has made tremendous progress in developing approaches to address the ever-increasing demand for secure, anti-jam tactical communications through the AEHF MILSATCOM SMI activities. The SMI funding for the Protected Tactical Waveform (PTW) will increase the warfighter's ability to plan for and eventually be provisioned with anti-jam communications from not only AEHF, but also Wideband Global SATCOM and commercial service providers. The PTW will enable operations in anti-access/area denial environments and it is maturing rapidly, including plans to synchronize with the existing user terminals. Specifically, the Navy's Wideband Anti-jam Modem (WAM) builds on this successful effort and depends on field demonstrations of PTW to increase capability to provide assured command and control functionality for tactical ship and submarine operations. The House reduction would delay WAM development by at least 3 years.

Thus, in contrast to House's observations, SMI directly enhances the current programs and plans for evolutionary insertion. Taken collectively, these funds both improve today's capabilities and provide the opportunity to address the changes necessary for our forces to operate in an increasing anti-access/area denial environment and to account for the evolving threats to these space-based capabilities themselves. Finally, the Department intends to return to the defense committees in the near future with the results of its analyses and the corresponding refinement of SMI investments that support the strategies for these important mission capabilities.

The additional \$780.0 million added by the House for 6 additional JSF STOVL F-35B aircraft procurement is not needed. In this fiscally constrained environment, the Administration objects to the authorization of unnecessary funding offset by equal cuts to higher priority items requested in the President's Budget. The Administration has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Department recommends \$191.0 million be redirected from this congressional add enhancement to restore the SMI congressional mark.

The Department urges the conferees to support the President's Budget request of \$520.4 million. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: MQ-4C Triton Unmanned Aerial Vehicle

Appeal Citation: HRpt. 114-139, Pg. 146, Line 23; SRpt. 114-63, Pg. 86, 90, Line 23, 24

Appropriations: Aircraft Procurement, Navy; Shipbuilding & Construction, Navy

Summary: The Senate reduces the Triton procurement by \$152.0 million, which reduces the LRIP Lot 1 procurement by one aircraft in FY 2016 and associated advanced procurement for two LRIP Lot 2 aircraft in FY 2017. The Senate committee voiced concerns with software development delays and the Navy plan to use only two LRIP aircraft from Lot 1 to meet initial operating capability. The House increased the FY 2016 budget request by \$60.8 million for the procurement of an additional Triton aircraft for low rate initial production (LRIP) Lot 1 in FY 2016.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Restoring acquisition accountability: Quantity Reduction from three to two aircraft (Aircraft Procurement, Navy, HRpt. 114-139, pg. 146, line 23; SRpt. 114-63, pg. 89, line 23)	494.3	555.1	391.8	494.3	494.3
Restoring acquisition accountability: Advance procurement for two aircraft (Aircraft Procurement, Navy, HRpt. 114-139, pg. 146, line 24; SRpt. 114-63, pg. 89, line 24)	54.6	54.6	5.1	54.6	54.6
Offset - Additional Joint High Speed Vessel	0.0	0.0	225.0	0.0	86.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
(Shipbuilding & Construction, Navy, SRpt. 114-63, pg. 100, line 16)**				
Offset - House: Program increase - one ship; Senate: Authorization Adjustment: Accelerate shipbuilding funding (Shipbuilding & Construction, Navy, HRpt. 114-139, pg. 161, line 13, SRpt. 114-63, pg. 100, line 13)*	0.0	635.0	97.0	635.0
				84.0

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, Military Personnel Appropriations Undistributed Reductions, and Undistributed Decreases for Streamlining of Management Headquarters. ** The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle and the Littoral Combat Ship (LCS) Mine Countermeasures Mission Modules, and Remote Minehunting System.

DoD Position/Impact: The Department strongly objects to the Senate position to reduce the Triton aircraft procurement of LRIP lot 1 and the advanced procurement for LRIP Lot 2 aircraft. In the FY 2016 President's budget the quantity, of aircraft was reduced for FY 2016 and FY 2017 from four to three aircraft for each year. Further reduction of the quantities for FY 2016 and FY 2017 to 2 aircraft each can be expected to increase the aircraft cost by as much as 30% due to suboptimal economic order quantities. Additionally, this reduction cannot reasonably be expected to mitigate the software development delays but could be expected to delay Triton initial operational capability.

The additional \$225.0 million added by the Senate for an additional Joint High Speed Vessel program is not required. The Navy's plan was for 10 JHSVs; an 11th was funded in FY2015. These added funds for a 12th JHSV are not needed and would be better used to support procurement requirements for MQ-4C Triton Unmanned Aerial Vehicle. The Department has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Department recommends \$139.0 million be redirected from this congressional add enhancement to restore the MQ-4C Triton Unmanned Aerial Vehicle congressional mark.

The additional \$97.0 million added to the Senate for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$13.0 million be redirected from this congressional add enhancement to restore

the MQ-4C Triton Unmanned Aerial Vehicle congressional mark.

The Department urges the conferees to support the President's Budget of \$548.9 million. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: DDG 51

Appeal Citation: HRpt. 114-139, Pg. 161, Line 8; SRpt. 114-6, Pg. 100, Line 8

Appropriation: Shipbuilding & Conversion, Navy

Summary: The House reduced the FY 2016 Budget request for the DDG 51 program by \$136.8 million. The reduction is: \$31.5 million for Basic cost growth, \$83.9 million for Change Orders growth, \$18.8 million for Main Reduction Gear (MRG) contract savings, and (\$2.6 million) for SPQ-9B cost growth. The Senate added \$1.0 billion to support incremental funding authorization for an additional DDG-51.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Basic construction cost growth; Change orders; Main reduction gear contract savings; and SPQ-9B cost growth (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 161, line 8, SRpt. 114-63, pg. 100, line 8)*****	3,149.7	3,012.9	4,149.7	3,149.7	4,149.7
Offset - Program increase - one ship (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 161, line 13, SRpt. 114-63, pg. 100, line 13)*	0.0	635.0	97.0	0.0	0.0

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, and Military Personnel Appropriations Undistributed Reductions. ***** The offset is used in the Military Personnel Appropriations Undistributed Reductions and DDG-51.

DoD Position/Impact: The Department opposes the proposed House reduction of \$136.8 million and the Senate unrequested addition of \$1.0 billion to the DDG 51 program. The House reduction consists of the following:

Basic cost growth (\$31.5 million): The basic construction budget reflects the Program Manager's Estimate at Completion (PMEAC) for two FY 2016 DDG 51 Flight IIA ships previously awarded within the FY2013-2017 multi-year procurement contract, which accounts for the awarded target price for those ships and demonstrated performance on the FY 2010-FY 2014 ships under contract.

Change Orders growth (\$83.9 million): The increase in Change Orders in the PB 2016 submission is a result of the Flight III Engineering Change Proposals (ECP) being incorporated onto one of the two FY16 ships. FLT III changes to incorporate the significantly upgraded Air and Missile Defense Radar (AMDR) include the associated hull, mechanical and electrical changes needed to support this radar along with non-recurring engineering for the changes. If the FY 2016 House reduction of \$83.9 million stands, there will be a 45% reduction to the Flight III budget included in change orders, making the Flight III ECP unexecutable.

If both of these marks are not restored, the Department will be unable to fund the FLT III ECP on one of the two DDG 51 MYP ships in FY 2016. Cancellation of one of the two MYP ships in FY16 will subsequently cancel the FY 2017 ship per the terms and conditions of the MYP contract.

MRG contract savings (\$18.8 million): A follow-on MRG contract has not been awarded. FY 2015 was the final year of the current firm fixed price competitively sourced MRG contract where the unit cost was \$31.3 million. FY 2016 is budgeted for a unit cost of \$31.8 million reflective of the savings achieved on the current competitively-awarded contract and appropriately inflated. The proposed mark reduces the unit cost to \$22.4 million, which is not sufficient to procure the hardware.

SPQ-9B cost growth (\$2.6 million): There is no cost growth from FY 2015 to FY 2016 for SPQ-9B. The increase is for non-recurring costs associated with integration of Periscope Detection and Discrimination (PDD). This PDD integration capability is critical to properly identify subsurface contacts (i.e. a submerged submarine with an exposed periscope). If this capability is not integrated into the combat system, then the SPQ-9B radar operator will have to manually sort between all real threats and the many other false targets on the surface of the ocean (such as small boats, biologics, and other sea clutter). If this sorting is manual, then there will be additional response time required and potential errors in threat identification, which gives the enemy a tactical advantage in wartime.

The additional \$635.0 million added by the House for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$136.8 million be redirected from this congressional add enhancement to the DDG-51 congressional mark.

The Department urges the conferees to support the President's Budget of \$3,149.7 million. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: Carrier Replacement Program

Appeal Citation: HRpt. 114-138, Pg. 161, Line 1

Appropriation: Shipbuilding & Conversion, Navy

Summary: The House reduced funding below the President's request by a total of \$74.7 million, consisting of: EMALS hardware cost growth (\$55.5 million), Other electronics cost growth (\$4.3 million), AAG engineering growth (\$4.1 million), HM&E engineering services growth (\$3.5 million), MK-29 launching system hardware cost growth (\$3.0 million), High Frequency Radio Cost Growth (\$2.8 million), and SSEE Hardware and tech services cost growth (\$1.6 million). The Senate supported the President's Budget request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
SSEE hardware and tech services; High frequency radio cost growth; Other electronics cost growth; EMALS hardware cost growth; AAG engineering growth; MK-29 launching system hardware cost growth; and HM&E engineering services growth (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 161, line 1, SRpt. 114-63, pg. 98, line 1)	1,634.7	1,560.0	1,634.7	1,634.7	1,634.7
Offset - Program increase - one ship (Shipbuilding & Conversion,	0.0	635.0	97.0	560.3	97.0

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Navy, HRpt, 114-139, pg, 161, line 13, SRpt. 114-63, pg. 100, line 13)*					

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, Military Personnel Appropriations Undistributed Reductions, and Undistributed Decreases for Streamlining of Management Headquarters.

DoD Position/Impact: The Department opposes the House reduction of \$74.7 million for Government Furnished Equipment (GFE) hardware, engineering, and services growth. The program office has conducted a thorough affordability review of GFE requirements and has concluded that the President's Budget (PB) 2016 request reflects the funding needed to fully fund CVN 79 requirements. Specifically:

Electromagnetic Aircraft Launching System (EMALS) hardware cost growth (\$55.5 million): The reduction does not recognize cost growth due to additional CVN 79 cost elements that are not being factored into the comparison with CVN 78 EMALS hardware costs. The PB 2016 P-35 exhibits list major hardware costs at \$614.7 million for CVN 78 and \$713.7 million for CVN 79, showing a cost increase of \$99.0 million for CVN 79. This increase is justified due to the inflation difference of \$71 million using 2.0% annual inflation over 5.5 years, as well as additional CVN 79 EMALS hardware production costs which for CVN 78 were funded by the concurrent SDD program including the production software build and all engineering changes identified between shipsets. These have a combined estimated cost of \$36.85 million for CVN 79. The EMALS systems highly leverages COTS hardware and has already experienced substantial hardware and hardware driven software obsolescence attributed to the 6 year timeframe between the CVN 78 production process and the planned CVN 79 production process. This reduction will jeopardize on-going negotiations and is likely to result in delivery of a system with reduced capability as compared to CVN 78.

Other Electronics cost growth (\$4.3 million): Many CVN 79 GFE systems experience high levels of obsolescence due to the long break between CVN ship builds. The requested budget accounts for the management of obsolescence and procurement of replacement or redesign of critical systems. The Program has already reduced the budget request for these systems since the original PB 2013 by a total of \$7.3 million. This further reduction of 20% will require elimination of a number of systems, reducing CVN 79 capability below that of CVN 78.

AAG engineering growth (\$4.1 million): This reduction will directly impact the Navy's ability to deliver AAG equipment within the required in-yard delivery dates to support ship construction. Due to the five year gap in AAG production from 78 to 79, the contractor has identified significant obsolescence issues. 54 Class 1 Engineering Change Proposals (ECPs) have been identified as part of the CVN 79 proposal but this only accounts for 42% of the AAG system hardware. The remaining 58% of AAG hardware will be assessed for obsolescence post contract award and it is anticipated an equal number of obsolescence driven ECPs will be identified. The government Engineering Services team is responsible for reviewing all draft ECPs. This reduction will prevent the government from properly assessing the contractor's recommended changes to the baseline configuration of the AAG system for Ford-class carriers.

HM&E Engineering Services growth (\$3.5 million): The CVN 79 HM&E Engineering Services budget was completely executed during the Advanced Procurement (AP) phase (FY 2007 to FY 2012) and in FY 2013. No funds are available for reduction or pull-back.

Mk 29 launching system hardware cost growth (\$3.0 million): The CVN 78 will be receiving a refurbished versus new MK-29 launching system which is not a viable alternative for CVN 79. CVN 79 will receive a MK-29 launching system incorporating a Missile Launcher Upgrade which will be installed during the Phase II availability. The Program has already reduced the budget request for this system by 5% since PB 2013. This further reduction of 19% will prevent procurement of the MK-29 launching system and will leave CVN 79 without this self-defense capability.

High Frequency Radio Group (HFRG) cost growth (\$2.8 million): The CVN 78 will receive a refurbished, versus new HFRG. As stated in the congressional justification material, this system is no longer available for procurement and no assets are available for CVN 79 refurbishment. As a result, CVN 79 will receive the replacement system, the High Frequency Distributed Amplifier Group (HFDAG). The Program's budget request for this replacement system has been unchanged since originally submitted in PB 2013. This mark will prevent procurement of HFDAG and will leave CVN 79 without HF radio capability.

Ship's Signal Exploitation Equipment (SSEE) Hardware and tech services cost growth (\$1.6 million): The Program has already reduced the budget request for this system by \$3M (24%) since originally submitted in PB 2013. This further reduction of 16% will prevent procurement of SSEE and will leave CVN 79 without this capability.

These proposed GFE reductions would jeopardize the war fighting capability of the John F. Kennedy (particularly the procurement of the EMALS), leave the second ship of the class less capable than the Gerald R. Ford, and ultimately not meet all the operational requirements of the Ford-class Carrier.

The additional \$635.0 million added by the House for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$74.7 million be redirected from this congressional add enhancement to restore the Carrier Replacement Program congressional mark.

The Department urges the conferees to support the Senate position of \$1,634.7 million. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Priority Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: Littoral Combat Ship (LCS) Mine Countermeasures Mission Modules, and Remote Minehunting System

Appeal Citation: SRpt. 114-63, Pg. 110, 111, Line 34, 36

Appropriations: Other Procurement, Navy; Shipbuilding & Conversion, Navy

Summary: The Senate reduced the request for LCS MCM Mission Modules by \$51.5 million citing COBRA ahead of need (\$17.7 million) and MCM Mission Module ahead of need (\$33.8 million).

The Senate reduced the request for the Remote Minehunting System by \$34.6 million to restore acquisition accountability and due to Remote Multi-Mission Vehicle (RMMV) ahead of need. The House supported the President's request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Restoring acquisition accountability: COBRA ahead of need and Restoring acquisition accountability: MCM mission module ahead of need (Other Procurement, Navy, HRpt. 114-139, pg. 164, line 34, SRpt. 114-63, pg. 110, line 34)	85.2	85.2	33.7	85.2	85.2
Restoring acquisition accountability: COBRA ahead of need and Restoring acquisition accountability: RMMV ahead of need (Other Procurement, Navy, HRpt. 114-139, pg. 164, line 36,	87.6	87.6	53.1	87.6	87.6

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
SRpt. 114-63, pg. 110, 111, line 36)				
Offset - Additional Joint High Speed Vessel (Shipbuilding & Construction, Navy, SRpt. 114-63, pg. 100, line 16)**	0.0	0.0	225.0	635.0
				139.0

** The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle and the Littoral Combat Ship (LCS) Mine Countermeasures Mission Modules, and Remote Minehunting System.

DoD Position/Impact: The Department objects to the proposed Senate reductions of \$51.5 million for LCS MCM Mission Modules. This reduction would leave the programs with insufficient funds to procure needed MCM Mission Modules in the quantity required to meet deployment commitments in FYs 2018-2020.

The MCM Mission Package (MCM MP) is scheduled to meet Increment 1 performance requirements on LCS fall of 2015. All testing will be completed prior to the FY16 procurements. Delaying the FY 2016 procurements in the MCM mission modules will require the Navy to extend operations of aging MCM class ships and MH-53 systems at additional operating and sustainment expense. The MCM Mission Package (MP) reduction would also lead to increased unit costs in component mission systems - specifically the Airborne Mine Neutralization System (AMNS), Airborne Laser Mine Destruction System, AN/AQS-20A, and the Coast Battlefield Reconnaissance and Analysis (COBRA) production lines.

The MCM MP provides equivalent or greater performance to current aging legacy systems, while significantly reducing the numbers of sailors in high risk situations in minefields. Future increments will improve and expand this capability.

The Navy's procurement profiles carefully balance risk to meet testing needs and provide improved MCM capability to the Fleet.

The Department opposes the Senate reduction of \$34.6 million for the Remote Minehunting System (RMS). The Department disagrees with the assertion that the Program is ahead of need. RMS is an essential component of the Mine Countermeasures (MCM) Mission Package on the Littoral Combat Ship (LCS). The cut would inhibit the ability to procure two Remote Multi-Mission Vehicle (RMMV) upgrade kits that are required to field the initial inventory of RMMVs. The Navy is currently negotiating the contract and expects to be able to award the base year production contract, as well as the procurement of two RMMV v6.0 upgrade kits within the FY 2016 President's Budget of \$87.6 million amount.

The new RMMV production contract is fixed price and utilizes a performance specification requiring improved capability, reliability, and operational availability. For example, new vehicles will have a 5-year overhaul cycle, versus the 3-year overhaul cycle required of the current vehicles, which will contribute to tens of millions of dollars of cost savings over the course of the program.

Currently, the Navy has only four (4) RMMVs configured (v6.0) to support operations on the LCS. The Navy

plans to upgrade the remaining four RMMVs (two of which are under contract) from its initial Low Rate Initial Production (LRIP) inventory of ten vehicles to the v6.0 configuration; the other two RMMVs will be training assets. With only four operational units in inventory, the award of the competitive production contract and funding for completion of the v6.0 upgrades is critical to LCS MCM MP inventory requirements.

Any reduction to the inventory of RMMVs would result in a Fleet warfighting gap. The Navy would be required to extend operations of aging MCM class ships and MH-53 systems at additional operating and sustainment expense.

The RMS, with the RMMV remains the best solution to provide the remotely operated, long endurance mission towing of the AQS-20 sonar that is required for mine hunting. The current RMMV design is stable and effective, and reliability performance is sufficient to meet MCM Mission Package requirements. The last RMMV was delivered in 2010, stopping the production line. The greater the break in RMMV production, the higher the Non-Recurring Engineering costs will be for the next version. The Navy's procurement profiles carefully balance risk to meet testing needs and provide improved MCM capability to the Fleet.

The additional \$225.0 million added by the Senate for an additional Joint High Speed Vessel program is not required. The Navy's plan was for 10 JHSVs; an 11th was funded in FY2015. These added funds for a 12th JHSV are not needed and would be better used to support procurement requirements for LCS MCM mission modules and RMS. The Department has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Department recommends \$86.0 million be redirected from this congressional add enhancement to restore the LCS Mine Countermeasures Mission Modules, and Remote Minehunting System congressional mark.

The Department urges support of the House position. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels consistent with the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2016 Military Construction Appropriations Bill**

Subject: Military Construction Projects Restored

Appeal Citation: HRpt. 114-92, Pg. 16, Line 8

Appropriations: Military Construction Accounts

Summary: The House and Senate reduced the President's Budget FY 2016 Military Construction appropriations request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Homeland Defense Operations Center (Military Construction, Army, H. Rpt. 114-92, pg. 92)	43.0	0.0	0.0	43.0	43.0
Instruction Building (Military Construction, Army, H. Rpt. 114-92, pg. 92)	37.0	0.0	0.0	37.0	37.0
National Guard Vehicle Maintenance Shop (Military Construction, Army National Guard, H. Rpt. 114-92, pg. 87)	10.8	0.0	10.8	10.8	10.8
Enlisted Barracks, Transient Training (Military Construction, Army National Guard, H. Rpt. 114-92, pg. 93)	19.0	0.0	19.0	19.0	19.0
Army Reserve Center	9.3	0.0	9.3	9.3	9.3

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
(Military Construction, Army Reserve, H. Rpt. 114-92, pg. 89)				
2ND Radio BN Complex Operations Consolidation (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 90)	50.6	0.0	50.6	50.6
Live-Fire Training Range Complex (NW Field) (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 94)	125.7	100.7	125.7	125.7
P-8A Hangar and Fleet Support Facility (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 94)	62.3	0.0	62.3	62.3
TRITON Hangar and Operation Facility (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 94)	40.6	0.0	40.6	40.6

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Mina Salman Pier Replacement (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 93)	37.7	0.0	37.7	37.7	37.7
Ship Maintenance Support Facility (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 93)	52.1	0.0	52.1	52.1	52.1
AEGIS Ashore Missile Defense Complex (Military Construction, Navy and Marine Corps, H. Rpt. 114-92, pg. 95)	51.2	0.0	51.2	51.2	51.2
Long Range Strike Bomber (Military Construction Air Force, H. Rpt. 114-92, pg. 95)	77.1	0.0	77.1	77.1	77.1
Construct Airfield and Base Camp (Military Construction Air Force, H. Rpt. 114-92, pg. 95)	50.0	0.0	50.0	50.0	50.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Airlift Apron (Military Construction Air Force, H. Rpt. 114-92, pg. 95)	25.0	0.0	25.0	25.0	25.0
SOF Performance Resiliency Center-West (Military Construction Defense-Wide, H. Rpt. 114-92, pg. 87)	10.4	0.0	10.4	10.4	10.4
SOF Logistics Support Unit OPS Fac. #2 (Military Construction Defense-Wide, H. Rpt. 114-92, pg. 87)	47.2	0.0	47.2	47.2	47.2
Behavioral Health/Dental Clinic Addition (Military Construction, Defense-Wide, H. Rpt. 114-92, pg. 88)	123.8	107.6	123.8	123.8	123.8
SOF 21 DTS Operations Facility (Military Construction Defense-Wide, H. Rpt. 114-92, pg. 91)	16.9	14.3	16.9	16.9	16.9
Hospital Replacement Incr 7 (Military Construction Defense-Wide,	239.9	189.9	239.9	239.9	239.9

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
H. Rpt. 114-92, pg. 92)					
Contingency Construction (Military Construction, Defense-Wide, H. Rpt. 114-92, pg. 96)	10.0	0.0	0.0	10.0	10.0
Operations Support Facility (Military Construction, Defense-Wide, H. Rpt. 114-92, pg. 93)	20.1	0.0	20.1	20.1	20.1
Construct Fuel Storage & Distrib. Facilities (Military Construction, Defense-Wide, H. Rpt. 114-92, pg. 94)	43.7	0.0	43.7	43.7	43.7
AEGIS Ashore Missile Defense System Complex (Military Construction, Defense-Wide, H. Rpt. 114-92, pg. 95)	169.2	0.0	169.2	169.2	169.2
Raw Water Pipeline Pendleton to Fallbrook (Military Construction, Navy, S. Rpt. 114-57, pg. 82)	44.5	44.5	0.0	44.5	44.5

<u>Item</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Townsend Bombing Range Expansion Phase 2 (Military Construction, Navy, S. Rpt. 114-57, pg. 85)	48.3	48.3	43.3	48.3	48.3
Offset - Defense Access Roads (Military Construction, Army, H. Rpt. 114-92, pg. 98)	0.0	30.0	0.0	0.0	0.0
Offset - Program increase (NATO Security Investment Program, H. Rpt. 114-92, pg. 96)	0.0	30.0	0.0	0.0	0.0
Transfer Base to OCO (Military Construction, Navy, Military Construction, Air Force, and Military Construction Defense-Wide, H. Rpt. 114-92, pg. 99)	0.0	535.0	0.0	-532.0	0.0
Rescissions (Military Construction, Army, Military Construction, Air Force, Military Construction, Defense-Wide, and	0.0	-386.5	0.0	-386.5	0.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Homeowners Assistance Program, H. Rpt. 114-92, pg. 98)					
Army Unfunded Priority List for FY 2016 (Military Construction, Army, S. Rpt. 114-57, pg. 106)	0.0	0.0	34.5	0.0	0.0
Navy and Marine Corps Unfunded Priority List for FY 2016 (Military Construction, Navy and Marine Corps, S. Rpt. 114-57, pg. 106)	0.0	0.0	34.2	0.0	0.0
Army National Guard Unfunded Priority List for FY 2016 (Military Construction, Army National Guard, S. Rpt. 114-57, pg. 106)	0.0	0.0	51.3	0.0	0.0
Army Reserve Unfunded Priority List for FY 2016 (Military Construction, Army Reserve, S. Rpt. 114-57, pg. 106)	0.0	0.0	34.2	0.0	0.0

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Offset	0.0	0.0	0.0	18.4	14.7
Spending Reduction Account					

DoD Position/Impact: The Department strongly objects to the House and Senate reductions to the President's Budget FY 2016 MilCon appropriations request. The MilCon projects requested in the President's Budget reflect the highest priority projects needed to meet or maintain mission capabilities and readiness and provide basic quality-of-life to DoD personnel around the globe. Specific objections to the House and Senate reductions are:

Base-to-OCO: The Department does not agree with the House Committee's use of \$532 million of OCO funds intended for wars and not subject to the budget caps to pay for long-term infrastructure investments. Shifting long-term defense costs to OCO is bad budget policy and bad defense policy, since it undermines long-term planning. Moreover, the Administration has made clear that it will not accept attempts to fix defense without non-defense by using OCO as a mechanism to evade the defense budget cap.

Eliminating/Reducing MilCon Project Funding: Additionally, the projects the House and Senate propose to eliminate funding for will degrade mission readiness and subject personnel to unnecessary life, safety and health risks. For example, the Senate's proposed elimination of the \$44.5 million Raw Water Pipe Pendleton to Fallbrook project at Marine Corps Base Camp Pendleton, CA, will jeopardize the long-term sustainability of a critical training and deployment base by deferring much needed water security in a drought-stricken region. Deferring this project will allow the State of California to take Camp Pendleton's water rights back and force the Department of the Navy and the Fallbrook Public Utility District to reapply, thereby losing some of the most senior water rights on the Santa Margarita River. Without this project, Camp Pendleton would not be able to ensure the future supply of potable water that is required to train and deploy Marines of the I Marine Expeditionary Force.

Further, the Department's effort to enhance its military capabilities and presence in the Pacific is a top strategic priority for the Administration. The House's reduction of \$25 million to the \$125.7 million Live Fire Training Range Complex (LFTRC) at the Northwest Field on Guam will significantly impact DoD's ability to meet timelines associated with the Marine Corps realignment in the Pacific. The Live Fire Training Range Complex project (\$125.7M) is one of two projects that will provide a training area for all DoD components to meet their individual live-fire training requirement as mandated by 10 U.S.C. 5063. The support facilities for these four new ranges are essential to the operation of the ranges, which are consistent with those structures provided at other ranges. Without the utilities, site preparation, roads, sidewalks, parking, site improvements, security and demolition in support of the Live Fire Training Range Complex, the ranges will not provide a safe working and training environment for the Marines relocating to Guam.

Incremental Funding: The Department opposes incrementally funding MilCon projects, because they are contrary to the Administration's position to fully fund Military Construction projects. Reductions will result in delaying or eliminating critical FY 2016 projects since financing will again be required in FY 2017. Incremental funding of MilCon projects runs counter to sound budgeting principles and fiscal discipline.

The Department urges the conferees to support the President's Budget. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: Reallocation of Missile Defense Agency Funding, Missile Defense Agency (MDA)

Appeal Citation: HRpt. 114-139, Pg. 259, 260, 261, 267, Line 37, 82, 85, 96, 106; SRpt. 114-63, Pg. 181, 182, 186, Line 37, 76, 85, 96

Appropriations: Research, Development, Test and Evaluation, Defense-Wide; Procurement, Defense-Wide

Summary: The House reduced \$147.6 million and the Senate reduced of \$126.3 million from the FY 2016 Budget Request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Lack of justification materials and schedule (Research, Development, Test and Evaluation, Defense-Wide, HRpt. 114-139, pg. 267, line 106, SRpt. 114-63, pg. 166, 167, line 106, PE 0604874C)	278.9	217.5	298.9	278.9	278.9
House - MD-01 - future spirals unjustified request, Senate - Restoring acquisition accountability: Future Spirals concurrency with multiple ongoing efforts and excess growth (Research, Development, Test and Evaluation, Defense-Wide, HRpt. 114-139, pg. 266, line	450.1	420.7	437.8	445.7	450.1

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
106, SRpt. 114-63, pg. 186, line 85, PE 0603896C)				
SM-3 IIA development transfer not properly accounted (Research, Development, Test and Evaluation, Defense-Wide, HRpt. 114-139, pg. 266, line 82, SRpt. 114-63, pg. 182, line 82, PE 0603892C)	843.4	822.4	843.4	836.4
				843.4
Maintain program affordability: Software Build 4.0 excess growth at program initiation (Research, Development, Test and Evaluation, Defense-Wide, HRpt. 114-139, pg. 266, line 76, SRpt. 114-63, pg. 186, line 76, PE 0603881C)	228.0	199.5	205.6	199.5
				228.0
House MD99-concurrent development programs, MT99-test delays, MT99-transfer to line 92, MT99-	96.3	49.0	4.3	96.3
				96.3

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)			<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</u>		
unjustified test costs, Senate Restoring acquisition accountability: Advanced Sensor Prototype Development, Restoring acquisition accountability: Directed Energy Prototype Development, Transfer test to line 91, Transfer target procurement to line 92 (Research, Development, Test and Evaluation, Defense-Wide, HRpt. 114-139, pg. 267, line 96, SRpt. 114-63, pg. 186, line 96, PE 0604115C)					
Offset – House - Program increase , Senate - Authorization adjustment: Program increase for David's Sling (Procurement, Defense-Wide, HRpt. 114-139, pg. 202, line 28A, SRpt. 114-63, pg. 143, line XX)	0.0	150.0	150.0	0.0	0.0

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Offset - Spending Reduction Account	0.0	0.0	0.0	2.4	43.7

DoD Position/Impact: The Department objects to the House \$61.4 million reduction to the Improved Homeland Defense Interceptors Program Element. This reduction in FY 2016 will shift the initial deployment of the Redesigned Kill Vehicle (RKV) by approximately 6 months. Additionally, the Program Office and contractor teams will not be fully staffed until FY 2017, further prolonging the program schedule due to the delayed refinement of system requirements and development of the system baseline. The delay in first delivery of the RKV from FY 2020 to FY 2021 impacts the planned rate for improving the reliability of Homeland Defense weapons and creates an opportunity for the threat to outpace our capability improvements.

The Department objects to the House \$25.0 million reduction to BMD C2BMC and the House \$13.9 million reduction to Aegis BMD SM-3 IIA co-development. Both of these efforts are critical to meet the President's European Phased Adaptive Approach (EPAA) Phase III timeframe. The \$25.0 million mark against C2BMC future spiral upgrades will delay by 2 years the development and fielding of the Engage on Remote software capability necessary to provide the defended area required for EPAA Phase III from 2018 to 2020. The reduction will also prevent the FY 2016 start of development of improved C2BMC discrimination techniques needed to stay ahead of expected advanced threats by 2020 and ensure future Ground-Based Interceptors can fully utilize advanced discrimination capabilities for defense of the homeland. Improved discrimination, via use of data from multiple sensors including LRDR, would allow Ground Based Midcourse Defense to achieve the probability of success for threat engagements with fewer interceptors. Failure to start this development effort in FY2016 will delay fielding of the capability from 2020 to 2022.

The \$13.9 million House reduction to the SM-3 Block IIA development will delay a software update by 2 years, from 2018 to 2020, needed to address complex threats and raid size capability for global deployment in the PACOM, CENTCOM, and EUCOM areas of responsibility, and specifically requirements for EPAA Phase III.

The Department objects to the Senate \$12.3 million reduction to BMD C2BMC. The \$12.3 million mark against C2BMC future spiral upgrades will prevent the FY2016 start of development of improved C2BMC discrimination techniques needed to stay ahead of expected advanced threats by 2020 and ensure future Ground Based Interceptors can fully utilize advanced discrimination capabilities for defense of the homeland. Improved discrimination, via use of data from multiple sensors, would allow Ground Based Midcourse Defense to achieve the probability of success for threat engagements with fewer interceptors. Failure to start this development effort in FY2016 will delay fielding of the capability from 2020 to 2022.

The Department objects to the Senate \$22.4 million reduction to the Terminal Defense Segment Program Element. This funding reduction delays delivery of Peer-to Peer functionality by 12 months from Software Build 4.0 to SW Build 5.0. Peer-to-Peer capability provides automated engagement coordination between THAAD and Aegis which will support missile allocation and conserve missile inventory conservation. Testbeds are required to support multiple deployed configurations, including SW corrections and maintenance updates. Reductions in the Testbeds impact fielding of software upgrades, maintenance of training devices, development of future capability, flight test analysis, and dedicated hardware, supporting information assurance vulnerability testing and compliance with DoD Cyber Security policies.

The Department opposes the House reduction of \$47.3 million to the Technology Maturation Initiatives Program for concurrent development, test delays and unjustified test costs and supports the President's budget submittal. A \$47.3 million reduction to the \$96.3 million request will cause significant delays to the

Discrimination Sensor Prototype Development (DSPD) program. The DSPD and TMI Test projects develop and test a compact high-precision advanced sensor to improve identifying, acquiring, tracking and discriminating incoming Ballistic Missile threats. These programs, as supported by the President's Budget, provide a coherent transition from electro-optical infrared sensors to advanced sensors, maintain industry expertise, and provide operationally representative test data to the BMDS. The MD99 reduction eliminates all advanced sensor risk reduction development and test participation in FTG-15, delays advanced sensor development by 6 months and jeopardizes industry staff retention. The MT99 reductions eliminate the Discrimination Sensor Technology (DST) stereo tracking participation in SFTM-01 and delays DST stereo track live fire test, DST-1, a minimum of 1 year from 1Q FY 2017 to 1Q FY 2018. These reductions significantly impact MDA's ability to develop a mid-term discrimination capability and address evolving threats to the homeland from the Pacific theatre. The Department urges the support of the President's Budget.

The Department opposes the Senate reduction of \$92.0 million to the Technology Maturation Initiatives program element and supports the President's budget submittal. A \$63.8 million reduction to the \$96.3 million request will eliminate the Directed Energy, Discrimination Sensors program in fiscal year 2015. Eliminating these programs catastrophically impacts the Missile Defense Agency's ability to defeat threats to the homeland from the Pacific theatre. Specifically the reduction eliminates the design and development of a low power laser demonstrator for missile defense. This demonstrator is an important risk reduction effort on the way to a high powered directed energy weapon capable of destroying an enemy missile in the boost phase. The reduction also eliminates the development and integration of the compact advanced sensor. The Department urges the support of the President's Budget submittal for the Technology Maturation Initiatives Program.

The additional \$150.0 million funding increase for David's Sling is early to need given the acquisition phase of the David's Sling Program. The President's budget for Israeli Programs was developed based on the executable rate of progress. U.S. - Israeli project agreements currently support the FY 2016 President's Budget submittal. Additional funds will create increased levels of concurrency. The Missile Defense Agency budget was developed as an integrated and balanced approach to meet the needs of the entire ballistic missile defense system. The Department recommends the \$150.0 million in the House and Senate be redirected from this congressional add enhancement to restore the Missile Defense Program congressional marks.

The \$2.4 million added by the House and the \$43.7 million added by the Senate, which remains from the congressional adds offsets in the House and Senate are not required. The Department recommends the \$2.4 million added by the House and the \$43.7 million added by the Senate be redirected from this congressional add enhancement to the spending reduction account.

The Department urges the conferees to support the Missile Defense Program. Increase to the overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall authorization funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: OUSD(C) IT Development Initiatives

Appeal Citation: HRpt. 114-139, Pg. 262, Line 125; SRpt. 114-63, Pg. 187, Line 125

Appropriations: Research, Development, Test and Evaluation, Defense-Wide; Shipbuilding & Conversion, Navy

Summary: The Senate reduced the Department's request by \$3.0 million for OUSD(C) IT Development Initiatives. The House supported the President's Budget request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
Improving Funds Management: Forward financing and late contract awards (Research Development, Test and Evaluation, Defense-Wide, HRpt. 114-139, pg. 262 , line 125, SRpt. 114-63, pg. 187, line 125)	6.0	6.0	3.0	6.0	6.0
Offset - Authorization adjustment: Accelerate LHA-8 advanced procurement (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 60, line 2, SRpt. 114-63, pg. 100, line 14)*****	277.5	277.5	476.5	277.5	473.5

***** This offset is used in the Reduction in Non-Nuclear Advance Procurement for CVN 80 and OUSD(C) IT Development Initiatives.

DoD Position/Impact: The Department opposes the Senate reduction to OUSD(C) IT Development Initiatives.

The proposed \$3.0 million reduction will introduce schedule delays to critical enhancements to financial and justification exhibit data used by senior leader and legislative staff in strategically managing the Department of Defense Enterprise.

The Next Generation Resource Management System (NGRMS) will modernize and replace multiple, antiquated legacy systems and processes used to formulate, justify, present and defend the entire Department of Defense Budget by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and meet Title 10 and Title 31 mission and reporting requirements. It fosters an efficient environment for the formulation, justification of the Defense budget, improves budget management processes through increased exchange and reconciliation of program/budget information and with timely budgetary data resources provided to management for reviews and decisions.

The program is currently issuing a 2-year task order to acquire critical capabilities in managing the Department's funding and manpower resources. The proposed reduction will delay the execution of the first option year of the program's most critical increment. This increment is comprised of the development of integrated program/budget submission capability for the Department of Defense Services and Component agencies. Included in the planned expenditures are software maintenance and licenses, Defense Information Services Agency (DISA) hosting, Joint Interoperability Test Command (JITC) support, civilian salaries, budget exhibit modernization, and program management office (PMO) support as outlined in the following charts.

The program has requirements for all funding as indicated in the below table:

FY 2014

Enacted \$6,598,975

Requirement	Funding	Obligation Date
TO #1 Integrated Data Repository	\$1,670,091	Dec-14
TO #3 (Software)	\$1,308,639	Mar-15
TO #3 (Software) – Mod	\$185,509	Jun-15
TO #4 Single Data Submission Inc 1.0	\$1,527,419	Jun-15
PMO Support Contract	\$1,394,321	Jun-15
JITC Support	\$162,827	Ongoing
Civilian Pay	\$350,167	Ongoing

FY 2015

Enacted \$6,300,000

Requirement	Funding	Obligation Date
TO#4 Single Data Submission Inc 2.0	\$4,274,726	Jun-15
Oracle Licenses	\$356,000	Jun-15
COOP Software Procurement	\$956,000	Oct-15
JITC Support	\$170,950	Ongoing
Civilian Pay	\$542,324	Ongoing

FY 2016

President's Budget Request \$5,962,000

Requirement	Funding	Projected Obligation Date
TO#4 Single Data Submission Inc 2.0 (Balance)	\$754,051	Oct-15
PMO Support Contract	\$1,177,071	Jun-16
Annual Software Maintenance	\$1,104,139	Jun-16
Civilian Pay	\$547,728	Ongoing
TO#4 Single Data Submission Inc 3.0	\$1,501,222	Jun-16
TO#5 Budget Exhibit Integration Inc 1.0	\$700,000	
JITC Support	\$177,789	Ongoing

The additional \$199.0 million to accelerate LHA-8 advanced procurement added by the Senate is not required. Additional Advanced Procurement Funds are not needed to accelerate delivery of the LHA 8. The Navy is currently pursuing a competitive strategy for both LHA 8 and T-AO(X) with award planned for mid-FY 2016. Until the source selection process completes and further insight into the potential shipbuilders design and build approach is known, including the specific use of AP, the Navy is likely unable to execute any of these additional funds. The Department recommends \$3.0 million be redirected from this congressional add enhancement to restore the OUSD(C) IT program congressional mark.

The Department urges the conferees to support the House position of \$5.96 million, because it is critical to enhancing the ability of Defense and Legislative decision-makers to strategically manage the Defense Enterprise. Increase to the overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: Undistributed Decreases for Streamlining of Management Headquarters

Appeal Citation: SRpt. 114-63, Pg. 39, 42, 44, 47, Line 0

Appropriations: Operation and Maintenance, Army; Operation and Maintenance, Navy; Operation and Maintenance, Marine Corps; Operation and Maintenance, Air Force; Operation and Maintenance, Defense-wide; Shipbuilding & Conversion, Navy

Summary: It appears the Senate Appropriations Committee reduced funding based on the assumptions used in section 351 of Senate Armed Service Committee (SASC) S. 1376 bill that would direct reductions from amounts authorized to be appropriated for Operation and Maintenance.

		<u>Budget Authority</u> (Dollars in Millions)			
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Authorization Adjustment: Streamlining Management Headquarters (Operation and Maintenance, Army, SRpt. 114-63, pg. 39, undistributed)			-35.9		35.9
Authorization Adjustment: Streamlining Management Headquarters (Operation and Maintenance, Navy, SRpt. 114-63, pg. 42, undistributed)			-33.2		33.2
Authorization Adjustment: Streamlining Management Headquarters (Operation and Maintenance, Marine Corps, SRpt. 114-63, pg. 44, undistributed)			-7.2		7.2

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
Authorization Adjustment: Streamlining Management Headquarters (Operation and Maintenance, Air Force, SRpt. 114-63, pg. 47, undistributed)			-31.8	31.8
Authorization Adjustment: Streamlining Management Headquarters (Operation and Maintenance, Defense-Wide, SRpt. 114-63, pg. 50, undistributed)			-153.0	153.0
Offset - House - Program increase - one ship, Senate Authorization adjustment: Accelerate shipbuilding funding (Shipbuilding Conversion, Navy, HRpt. 114-139, pg. 161, line 13, SRpt. 114-63, pg. 100, line 13)*	0.0	635.0	97.0	73.5
Offset - Authorization adjustment: Funding to support authorization proposal to accelerate	0.0	0.0	250.0	0.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
delivery of LX(R) class ships (Shipbuilding & Conversion, Navy, SRpt. 114-63, pg. 100, line 15)					
Offset - Spending Reduction Account	0.0	0.0	0.0	0.0	62.4

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, Military Personnel Appropriations Undistributed Reductions, and Undistributed Decreases for Streamlining of Management Headquarters.

DoD Position/Impact: The Senate partially supported the premise behind the SASC adjustment to reduce management headquarters. The Department is opposed to the reductions since they fail to acknowledge the headquarters reductions that have already occurred and require deep, across-the-board cuts that undermine critical functions that support the warfighter. The Department's execution of the Department-wide 20 percent headquarters reduction plan already projects savings of \$5.3 billion and the realignment of over 11,000 military and civilian billets from headquarters activities to higher Departmental priorities. The Department is working to revise and improve the definition of major DoD headquarters activities and institute improved budgeting and tracking mechanisms in order to ensure compliance with required reductions. These reductions are additive to current reductions still being executed and would be detrimental to the continuity of critical missions.

The additional \$97.0 million added by the Senate for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$73.5 million be redirected from this congressional addenhancement to restore the management headquarters congressional mark.

The additional \$250.0 million added by the Senate for funding the LX(R) advanced procurement is not required. In this fiscally constrained environment, the 30 year Shipbuilding plan identifies the highest priority items as requested in the President's Budget. The additional funds added for Advanced Procurement of LX(R) does not support acceleration of this capability and comes at the expense of programs that are more important. The Department recommends \$250.0 million be redirected from this congressional add enhancement to restore the management headquarters congressional mark.

The additional \$62.4 million which remains from the congressional adds offsets in the Senate appropriation is not required. The Department recommends \$62.4 million be redirected from this congressional add enhancement to the spending reduction account.

The Department urges the conferees to support the House position. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill**

Subject: Counterterrorism Partnerships Fund (CTPF)

Appeal Citation: HRpt. 114-139, Pg. 316, Line 010; SRpt. 114-63, Pg. 236, Line 010

Appropriations: Operation and Maintenance, Defense-Wide OCO; Ukraine Security Assistance Initiative; Counterterrorism Partnerships Fund (CTPF); National Guard and Reserve Equipment OCO

Summary: The House reduced the request by \$40.0 million without justification. The Senate eliminated the CTPF, but transferred \$1.0 billion to the Defense Security Cooperation Agency, citing concerns over the Department's ability to wisely execute funds and about effective oversight of the CTPF.

		<u>Budget Authority</u> (Dollars in Millions)			
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
House - Program decrease, Senate - Maintain Program Affordability: Program decrease, Transfer Build the Capacity of Foreign Security Forces to Operation and Maintenance, Defense-Wide, DSCA, Overseas Contingency Operations (Counterterrorism Partnerships Fund (CTPF), HRpt. 114-139, pg. 316, line 010, SRpt. 114-63, pg. 236, line 010)	2,100.0	2,060.0	0.0	2,100.0	2,100.0
Offset - Program increase (Drug Interdiction and Counter-Drug Activities, HRpt, 114-139, pg. 331, line 010, SRpt. 114-63, pg. 248, line 010)	186.0	275.3	186.0	186.0	186.0

<u>Item</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Offset - Transfer Build the Capacity of Foreign Security Forces from Counterterrorism Partnerships Fund, Overseas Contingency Operations (Operation and Maintenance, Defense-Wide, HRpt. 114-139, pg. 314, line , SRpt. 114-63, pg. 232, line)	1,677.0	1,677.0	2,577.0	1,677.0	1,677.0
Offset - Program increase (National Guard and Reserve Equipment, HRpt. 114-139, pg. 328, line, SRpt. 114-63, pg. 245, line)	0.0	1,500.0	1,000.0	0.0	0.0
Offset - Ukraine Security Assistance Initiative (HR. 2685, pg. 156, 157, 158, sec. 9014, S 1558, pg. 145, 146, sec. 9014)	0.0	200.0	300.0	0.0	0.0
Offset - Spending Reduction Account	0.0	0.0	0.0	1,749.3	200.0

DoD Position/Impact: The Department objects to the House and Senate reductions of \$0.04 billion and \$2.1 billion, respectively, for the Counterterrorism Partnerships Fund (CTPF) because failing to fund the CTPF precludes the Department from administering a flexible, partnership-focused approach to counterterrorism and continuing important security assistance programs initiated in fiscal year (FY) 2015.

By not fully funding the CTPF beyond FY 2015, Congress limits the Department's ability to increase partner capacity-building and further facilitate partner counterterrorism operations in support of national security and Theater Campaign Plan objectives.

The Department has overcome many of the challenges associated with implementing and executing a new fund, and continues to work to address specific concerns raised by the Committees. The Department established procedures to coordinate with various stakeholders within the Department of Defense, the Department of State, and the interagency in accordance with the governance structure established by the National Security Staff. As a result, regional partnership concepts were developed and approved through the interagency process. The regional concepts, along with country concepts, detail immediate capability gaps resolved with the CTPF and provide a long-term strategy for implementation of the CTPF.

To date, the Department has reprogrammed \$500 million for Syria Train and Equip, and notified \$57 million for Intelligence, Surveillance, and Reconnaissance programs and \$408 million to establishing 19 new Building Partnership Capacity (BPC) programs. A subsequent tranche of programs, scheduled for notification in early FY 2016, will exhaust the remainder of the FY 2015 appropriation. As a result of these initial efforts, the Department has recently established concept development timelines to facilitate future streamlined execution and earlier notification to Congress. Given past achievements and improved efficiencies, the Department can effectively allocate FY 2016 funding in accordance with national strategy.

The CTPF allows the Department to pursue BPC programs on a much greater scale than ever before. The Department has identified that these larger programs outpace traditional lines of sustainment, such as Foreign Military Financing. Therefore, the Department intends to use a portion of the FY 2016 CTPF to sustain existing BPC programs. Otherwise, there is a risk that those programs fall into disrepair and do not achieve the desired objective. Moreover, in FY 2016, the Department will expand the programs conducted under the CTPF framework to include Defense Institution Building via Defense Institution Reform Initiative and Ministry of Defense Advisory programs to complement and ensure the success of the section 2282 Global Train and Equip initiatives.

The additional \$89.3 million for Drug Interdiction and Counter-Drug Activities added by the House is not required. The President's Budget request included the appropriate funding level for the Department's Drug Interdiction and Counter-Drug Activities. The Department recommends \$40.0 million be redirected from this congressional add enhancement to restore the CTPF congressional mark.

The additional \$1.0 billion transferred to the Defense Security Assistance Initiative transferred to the program by the Senate is not required. Funding for this program was requested in the CTPF. Moreover, this transfer limits funding to one year of availability, limiting a flexible tool to counter terrorism. The Department recommends \$1.0 billion be redirected from this transfer to restore this congressional mark.

The additional \$1.5 billion and \$1.0 billion added by the House and Senate, respectively, for National Guard and Reserve Equipment is not required. The President's Budget request adequately funds the National Guard and Reserve equipment programs. The Department recommends \$1.0 billion added by the Senate be redirected from this congressional add enhancement to restore the CPTF congressional mark.

The additional \$200.0 million and \$300.0 million added by the House and Senate, respectively, for Ukraine Train and Equip is not required. The Department has a robust Global Train and Equip program (10 USC 2282) to fund partner requirements. Moreover, the Department requested \$789.3 million in European Reassurance Initiative (ERI) funding to support the U.S. mission to deter Russian aggression in Eastern Europe. The Department recommends \$200.0 million and \$300.0 million be redirected from this congressional add enhancement to restore the CPTF congressional mark.

The \$1.7 billion added by the House and \$200.0 million added by the Senate, which remains from the congressional adds offsets is not required. The Department recommends that the \$1.7 billion and \$200.0 million be redirected from this congressional add enhancement to the spending reduction account.

The Department urges conferees to support the President's Budget request of \$2.1 billion. Increase to overall

funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: Military Personnel Appropriations Undistributed Reductions

Appeal Citation: HRpt. 114-139, Pg. 19, 23, 27, 31, 34, 37, 40, 43, 46, 49, Line 0; SRpt. 114-63, Pg. 17, 19, 20, 22, 23, 24, 25, 26, 27, Line 0

Appropriations: Military Personnel, Army; Military Personnel, Navy; Military Personnel, Marine Corps; Military Personnel, Air Force; Reserve Personnel, Army; Reserve Personnel, Navy; Reserve Personnel, Marine Corps; Reserve Personnel, Air Force; National Guard Personnel, Army; National Guard Personnel, Air Force; Shipbuilding & Conversion, Navy

Summary: The House reduces the Military Personnel budget request by \$671.1 million for unobligated balances and the Senate reduces the Military Personnel budget request by \$987.2 million for unobligated balances.

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Unobligated/Unexpended balances (Military Personnel, Army, HRpt. 114-139, pg. 19, SRpt. 114-63, pg. 17, undistributed)		-26.3	-52.6	26.3	52.6
Unobligated/Unexpended balances (Military Personnel, Navy, HRpt. 114-139, pg. 23, SRpt. 114-63, pg. 19, undistributed)		-138.4	-216.0	138.4	216.0
Unobligated/Unexpended balances (Military Personnel, Marine Corps, HRpt. 114-139, pg. 27, SRpt. 114-63, pg. 20, undistributed)		-124.9	-136.0	124.9	136.0
Unobligated/Unexpended balances (Military Personnel, Air Force, HRpt. 114-139, pg. 31, SRpt. 114-63, pg. 22, undistributed)		-202.2	-266.5	202.2	266.5
Unobligated/Unexpended balances (Reserve Personnel, Army, HRpt. 114-139, pg. 34, SRpt.		-83.4	-132.3	83.4	132.3

<u>Item</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
114-63, pg. 23, undistributed)					
Unobligated/Unexpended balances (Reserve Personnel, Navy, HRpt. 114-139, pg. 37, SRpt. 114-63, pg. 24, undistributed)		-18.1	-35.5	18.1	35.5
Unobligated/Unexpended balances (Reserve Personnel, Marine Corps, HRpt. 114-139, pg. 40, SRpt. 114-63, pg. 25, undistributed)		-1.2	-6.8	1.2	6.8
Unobligated/Unexpended balances (Reserve Personnel, Air Force, HRpt. 114-139, pg. 43, SRpt. 114-63, pg. 26, undistributed)		-5.4	-12.2	5.4	12.2
Unobligated/Unexpended balances (National Guard Personnel, Army, HRpt. 114-139, pg. 46, SRpt. 114-63, pg. 26, undistributed)		-57.1	-104.8	57.1	104.8
Unobligated/Unexpended balances (National Guard Personnel, Air Force, HRpt. 114-139, pg. 49, SRpt. 114-63, pg. 27, undistributed)		-14.1	-24.6	14.1	24.6
Offset - Program increase: Funding to support incremental funding authorization for an additional DDG-51 (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 161, line 8, SRpt. 114-63, pg. 100, line 8) ****	3,149.7	3,012.9	4,149.7	3,012.9	3,149.7

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)			<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</u>		
Offset - Program increase - one ship (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 161, line 13, SRpt. 114-63, pg. 100, line 13)*	0.0	635.0	97.0	222.8	97.0
Offset - Military Pay Raise (HR. 2685, sec. 8124)	0.0	700.0	0.0	0.0	
Offset - Spending Reduction Account	0.0	0.0	0.0	441.1	12.7

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, and Military Personnel Appropriations Undistributed Reductions. **** The offset is used in the Military Personnel Appropriations Undistributed Reductions and DDG-51.

DoD Position/Impact: The Department objects to the House and Senate reductions for unobligated balances to the Military Personnel appropriations because these reductions will be applied to validated personnel programs, which fully considered prior year execution in the development of the FY 2016 budget estimates. Due to the entitlement-like nature of most military personnel programs, these reductions will lead to shortfalls during execution requiring the Department to reprogram from other critical defense programs.

The Department is committed to improving its overall financial management, fiduciary stewardship, and management emphasis of obtaining value for appropriations received, but the Department will always carry a small amount, equaling a few tenths of one percent, in unobligated balances within the Military Personnel appropriations. This conservative execution of funds, in light of US Code 1517 and the Anti-Deficiency Act, is consistent with the expectation of upward adjustments after September 30th for valid prior year charges, such as PCS settlements, bonus or special pay adjustments, and subsistence-in-kind contractual adjustments, but within scope, for a period of performance contained entirely within a fiscal year that could not be assessed or adjusted after the year closed. Hedging known and unknown upward obligation events against anticipated deobligations would place fund holders at significant risk for violations.

The additional \$1.0 billion added by the Senate for funding an additional DDG-51 is not required. The funding is insufficient to procure an entire DDG-51 ship requiring additional incremental funding, which the Department does not have available. The Department recommends \$1.0 billion be redirected from this congressional add enhancement to restore the unobligated balances congressional marks.

The additional \$635.0 million added by the House for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$412.2 million be redirected from this congressional add enhancement to restore the unobligated balances congressional marks.

The additional \$700.0 million added to the House for funding an additional 1.0 percent increase in the military pay raise on top of the 1.3 percent pay raise proposed in the President's Budget is not required. Military pay is healthy and exceeds the 70th percentile of wages for comparable civilians by age and

education. Junior enlisted personnel are now paid at about the 90th percentile. In terms of real earnings, the average junior enlisted member, typically with just a high school degree, earns approximately \$47,000 per year compared to the median of \$24,960 for 16-24 year olds reported by the Bureau of Labor Statistics. This measure does not include the special pays, bonuses, free medical care and a government-paid retirement plan that members would typically receive. The cost of increasing the FY 2016 military pay raise by 1.0 percent will force the Department to displace critical modernization and reduce readiness funding to finance the pay increase given the current Budget Control Act funding caps for Defense. The Department recommends the \$700.0 million be redirected from this congressional add enhancement to restore the unobligated balances congressional marks.

The \$441.1 million added by the House and \$12.7 million added by the Senate, which remains from the congressional adds offsets is not required. The Department recommends that the \$441.1 million and \$12.7 million be redirected from this congressional add enhancement to the spending reduction account.

The Department strongly urges conferees to support the President's Budget Military Personnel request. Increases to overall funding appropriation levels associated with this appeal are offset from lower priority activities to keep the overall appropriation funding levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

Department of Defense Budgetary Appeal
FY 2016 Department of Defense Appropriations Bill

Subject: Defense Health Program Funding

Appeal Citation: HRpt. 114-139, Pg. 273, 274, Line 10, 20, 30, 40, 50, 60, 70, 160; SRpt. 114-63, Pg. 197, Line 10, 20, 30, 40, 50, 60, 70, 160

Appropriations: Defense Health Program; Aircraft Procurement, Navy; Shipbuilding & Conversion, Navy

Summary: The House and Senate would reduce the Fiscal Year (FY) 2016 Defense Health Program, Operation and Maintenance (DHP, O&M) budget request by \$1,400.4 million and \$786.0 million, respectively. The House and Senate would increase the DHP, Research, Development, Test and Evaluation (DHP, RDT&E) budget request by \$587.1 million and \$818.5 million. The House and Senate decrement almost all Budget Activity Groups for “one time FY 2016 increases,” “restoration, respectively of FY 2015 congressional reductions” or for “historical underexecution.”

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Defense Health Program, Operation and Maintenance, HRpt. 114-139, pg. 275, SRpt. 114-63, pg. 197)	30,889.9	29,489.5	30,103.9	30,889.9	30,889.9
Offset - Program increase - two aircraft (Aircraft Procurement, Navy, HRpt. 114-139, pg. 145, line 3, SRpt. 114-63, pg. 89, line 3)	897.5	1,670.6	778.1	1,415.6	778.1
Offset - Program increase - seven aircraft (Aircraft Procurement, Navy, HRpt. 114-139, pg. 145, line 1, SRpt. 114-63, pg. 89, line 1)	0.0	660.0	0.0	0.0	0.0

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
Offset - Program increase - six aircraft (Aircraft Procurement, Navy, H. Rpt. 114-139, pg. 145, line 5, S. Rpt. 114-63, pg. 89, line 5)***	1,483.4	2,173.4	2,213.7	1,793.8	2,213.7
Offset - Program increase - one ship (Shipbuilding & Conversion, Navy, HRpt. 114-139, pg. 161, line 13, SRpt. 114-63, pg. 13, line 13)*	0.0	635.0	97.0	634.2	97.0
Offset - Program increase - Army FSRM, Program increase - Navy FSRM, Program increase - Air Force FSRM (Defense Health Program, Operation and Maintenance, HRpt. 114-139, pg. 275, SRpt. 114-63, pg. 197)	30,889.9	29,489.4	30,103.9	29,384.4	30,103.9
Offset - Authorization adjustment:	0.0	0.0	978.8	0.0	0.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)			<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</u>		
Additional 12 aircraft- Navy UFR (Aircraft Procurement, Navy, SRpt. 114-63, pg. 89, line 2)					
Offset - Spending Reduction Account	0.0	0.0	0.0	0.0	192.8

* The offset is used in the MQ-4C Triton Unmanned Aerial Vehicle, DDG-51, Base Realignment and Closure (BRAC), Defense Health Program, Carrier Replacement Program, Military Personnel Appropriations Undistributed Reductions, and Undistributed Decreases for Streamlining of Management Headquarters. *** The offset is used in the Defense Meteorological Satellite Program, Space Modernization Initiative, and Defense Health Program Funding.

DoD Position/Impact: The Department strongly objects to the House and Senate reductions to the Defense Health Program (DHP) O&M, of \$1,400.4 million and \$786.0 million, respectively. Military Medicine is experiencing rising health care costs, with a projected DHP funding shortfall of over \$2.0 billion in FY 2015 and the amount requested in the FY 2016 O&M budget is needed to fund the requirements. These increases are primarily in retail pharmacy, largely driven by the compound pharmaceutical costs and utilization. Actions taken in May of this year have successfully curbed the inappropriate and potentially fraudulent activity in this area. However, the Department is also experiencing increases in overall health care costs attributable to rising medical inflation and a higher than expected number of beneficiaries who are reliant on the Military Health System for health care. Despite the \$2.0 billion Private Sector Care (PSC) shortfall in FY 2015, the House and Senate propose reductions of \$1,112.4 million and \$272.9 million, respectively to the FY 2016 PSC budget activity group. The House and Senate reductions to the other direct care system's budget activities, \$288.1 million and \$513.2 million, respectively will impact the delivery of patient care and increase the requirement for health care in the private sector. While continuing to care for the wounded, ill and injured patients, the Department must ensure all service members are medically ready; their families' receive accessible, quality health care and uphold the promise to our retirees. This will be increasingly difficult to achieve absent sufficient funding at the level established in the President's Budget request. Without funding at the level requested, the Department will be forced to eliminate needed medical support programs and initiatives.

The language in the report suggests that the FY 2016 request includes one-time increases and restorations of FY 2015 congressional reductions are not substantiated by the requirements. The Department's FY 2016 O&M funding request is 2.9 percent higher than the FY 2015 estimate. Of that increase, only 0.5 percent is actual program growth with the balance, 2.4 percent, attributable to inflation to sustain existing requirements. In fact, over the last several years, the DHP effectively contained costs with targeted actions, including Federal Ceiling Pricing, Medical Logistics initiatives to establish national contracts at reduced prices for medical supplies and equipment, implementing Patient Centered Medical Home, and a variety of payment reform initiatives like the implementation of the Outpatient Prospective Payment and Sole Community Hospital reimbursement payment programs.

Similar to commercial health care actuarial estimates, the Department expects overall health care costs will continue to rise. Proposed FY 2016 congressional cuts to DHP, O&M funding have the potential to disrupt

beneficiary care or result in the need to disproportionately reduce funding in areas where there is less immediate impact to the Military Health System, such as facility sustainment, in order to comply with the contract provisions to pay TRICARE claims on time.

The additional \$978.8 million added by the Senate for the additional 12 F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B is scheduled to be at Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. There is no validated requirement for additional F/A-18E/Fs. Keeping the F/A-18E/F production line open is cost prohibitive for the Department. The Department recommends \$978.6 million be redirected from this congressional add enhancement to restore the DHP, O&M congressional mark.

The additional \$255.0 million added by the House for an additional 2 aircraft - Joint Strike Fighter is not required. In this fiscally constrained environment, the Administration objects to the authorization of unnecessary funding offset by equal cuts to higher priority items requested in the President's Budget. The Administration has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Department recommends \$255.0 million be redirected from this congressional add enhancement to restore the DHP, O&M congressional mark.

The additional \$780.0 million added by the House for an additional 6 aircraft - JSF STOVL Marine Corps Unfunded Requirement is not required. In this fiscally constrained environment, the Administration objects to the authorization of unnecessary funding offset by equal cuts to higher priority items requested in the President's Budget. The Administration has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Department recommends \$379.6 million be redirected from the congressional add enhancement to restore the DHP, O&M congressional mark.

The additional \$660.0 million added by the House for funding the EA-18G is not required. The E/A-18G is the only Airborne Electronic Attack aircraft for the Department, but there is no validated requirement for additional aircraft. Keeping the EA-18G production line open is cost prohibitive for the Department. The Department recommends \$660.0 million be redirected from this congressional add enhancement to restore the DHP, O&M congressional mark.

The additional \$635.0 million added by the House for funding to accelerate award of the planned FY 2017 Afloat Forward Staging Base is not required. The FY 2017 award balances and sustains the shipbuilder production workforce levels until start of construction of T-AO(X) or LHA 8 in the FY 2017/2018 timeframe. The Department recommends \$0.8 million be redirected from this congressional add enhancement to restore the DHP, O&M congressional mark.

The additional \$105.0 million added by the House for the Defense Health Program to increase Army, Navy, and Air Force FSRM is not required. The Department supports the President's FY 2016 budget request, which represents a deliberate effort to balance the future risk of funding sustainment at 81% of requirement (only 9% less than the 90% sustainment goal) in order to fund near-term force readiness/operational requirements. The decision to take measured risk in sustainment considered the fact that the requested level of sustainment funding will be used to fund the highest priority or critical sustainment projects early in the fiscal year and defer the lowest priority sustainment projects until resources become available during the last quarter of the execution year-- as has generally been the case in prior years. Therefore, the \$105.0 million of sustainment funding added by the House is available to fund higher priority near-term readiness/operational requirements. The Department recommends \$105.0 million be redirected from this congressional add enhancement to restore the DHP, O&M congressional mark.

The additional \$192.8 million added by the Senate, which remains from the congressional adds offsets is not required. The Department recommends that the \$192.8 million be redirected from this congressional add enhancement to the spending reduction account.

The Department urges the conferees to support the President's Budget DHP, O&M funding level. Increases to overall funding appropriation levels associated with this appeal are offset from lower priority activities to keep the overall levels within the FY 2016 security caps of the Bipartisan Budget Act of 2013.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Conventional Prompt Strike

Appeal Citation: HRpt. 114-577, Pg. 256, 143, Line 117, 2; SRpt. 114-263, Pg. 179, 87, Line 117, 2

Appropriation: Research, Development, Test and Evaluation, Defense-Wide; Aircraft Procurement, Navy

Summary: The Senate would reduce the Conventional Prompt Global Strike program by \$80.0 million based on rephrasing due to a schedule slip. The House had no similar provision.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Maintain program affordability: Rephase due to schedule slip (Research, Development, Test and Evaluation, Defense-Wide, H. Rpt. 114- 577, pg. 256, line 117, S. Rpt. 114-263, pg. 179, line 117)	\$181.3	\$181.3	\$101.3	\$181.3	\$181.3
Offset - Additional 12 aircraft (Aircraft Procurement, Navy, H. Rpt. 114-577, pg. 87, line 2, S. Rpt. 114-263, pg. 143, line 2)*	\$0.0	\$1,200.0	\$979.0	\$0.0	\$0.0

* The offset is used in Conventional Prompt Strike, Advanced Undersea Prototyping, Innovation and Access to Non-Traditional Suppliers, Long Range Strike - Bomber, VH-71, and Asia-Pacific Rebalance Infrastructure.

DoD Position/Impact: The Department objects the proposed \$80.0 million Senate reduction to the Prompt Global Strike Capability Development (CPS) effort. The CPS program budget request supports Flight Experiment #1 (FE-1) in CY 2017, enables completion of Preliminary Design Review for FE-2 in FY 2020, and allows the program to achieve the Milestone (MS) 2A goal directed by the FY 2016 National Defense

Authorization Act. The reduction increases risk for FE-1, delays FE-2 by one year, slows progress toward MS A, and eliminates all planned FY 2017 research and development to address more challenging targets and denied environments at a time when adversaries are rapidly building and demonstrating hypersonic capabilities.

The additional \$1.2 billion added by the House and \$979.0 million by the Senate for 12 additional F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B attained Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. There is no validated requirement for additional F/A-18E/Fs. The Department recommends \$80.0 million for the Senate be redirected from the congressional add enhancement to restore the Prompt Global Strike Capability Development program congressional mark.

The Department urges the conferees to support the President's Budget request of \$181.3 million for the Prompt Global Strike Capability Development program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: CH-53K

Appeal Citation: HRpt. 114-577, Pg. 140, 232, 149, Line 7, 147, 3; SRpt. 114-263, Pg. 87, 156, 92, Line 7, 147, 3

Appropriations: Aircraft Procurement, Navy; Research, Development, Test and Evaluation, Navy; Weapons Procurement, Navy

Summary: The House reduced CH-53K RDT&E funding by \$31.5 million due to program delay. The Senate reduced CH-53K procurement funding by \$26.6 million based on costs excess to need and early to need. The Senate also reduced CH-53K RDT&E funding by \$54.0 million due to execution delays.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Maintain program affordability: Recurring costs excess to need and Restoring acquisition accountability: Support equipment early to need (Aircraft Procurement, Navy, S. Rpt. 114-263, pg.87, line 7)	\$348.6	\$348.6	\$322.0	\$348.6	\$348.6
Improving funds management: Execution Delays (Research, Development, Test and Evaluation, Navy, H. Rpt. 114-577, pg. 232, line 147, S. Rpt. 114- 263, pg. 156, line 147)	\$404.8	\$373.3	\$350.8	\$373.3	\$373.3

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Offset - Program increase (Weapons Procurement, Navy, H, Rpt. 114-577, pg. 149, line 3, S. Rpt. 114-263, pg. 92, line 3)	\$186.9	\$146.3	\$236.1	\$179.9	\$179.9

DoD Position/Impact: The Department objects to the proposed Senate reductions to aircraft procurement and Research, Development, Test and Evaluation, Navy (RDT&E, N) funding for the CH-53K.

These reductions will result in shortfalls in test, correction of deficiencies discovered during test, and readiness for introduction to the operating forces. The decrement to RDT&E, N funding will result in the test articles intended for Initial Operational Test and Evaluation (IOT&E) not being in the appropriate production-representative configuration, a significant entry criterion set by the Director of Operational Test and Evaluation (DOT&E).

The procurement decrement will result in the inability to procure complete end items. The loss of support equipment funding will result in inadequate initial provisioning of the operating forces. The potential one-year delay to Initial Operating Capability would extend reliance on aging CH-53E aircraft, whose readiness issues are currently resulting in suboptimal support to the operating forces.

The additional \$56.2 million added by the Senate for Tactical Tomahawk procurement is unnecessary. Tactical Tomahawk procurement ends in FY17 as efforts transition to the missile recertification program. The Navy has acquired sufficient inventory of the Block IV TACTOM with the FY17 procurement of 100 missiles to meet combat needs and will begin development of a follow-on Next Generation Land Attack Weapon. The Department recommends that \$26.6 million in aircraft procurement and \$22.5 million in RDT&E for the Senate be redirected from the congressional add enhancement to restore the CH-53K (Heavy Lift) and CH-53K RDTE congressional marks.

The Department urges the conferees to support the House position of \$348.6 million (Aircraft Procurement) and \$373.3 million (RDT&E) for the CH-53K program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Long Range Strike - Bomber

Appeal Citation: HRpt. 114-577, Pg. 238, 143, Line 35, 2; SRpt. 114-263, Pg. 166, 117, Line 35, 2

Appropriations: Research, Development, Test and Evaluation, Air Force; Aircraft Procurement, Navy

Summary: The Senate would reduce funding for the Long Range Strike-Bomber program by \$100.0 million for forward financing. The House had no similar provision.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Improving funds management: Forward financing (Research, Development, Test and Evaluation, Air Force, H. Rpt. 114-577, 238, line 35, S. Rpt. 114-236, pg. 166, line 35)	\$1,358.3	\$1,358.3	\$1,258.3	\$1,358.3	\$1,358.3
Offset - Additional 12 aircraft (Aircraft Procurement, Navy, H. Rpt. 114-577, pg. 87, line 2, S. Rpt. 114-263, pg. 143, line 2)*	\$0.0	\$1,200.0	\$979.0	\$0.0	\$0.0

* The offset is used in Conventional Prompt Strike, Advanced Undersea Prototyping, Innovation and Access to Non-Traditional Suppliers, Long Range Strike - Bomber, VH-71, and Asia-Pacific Rebalance Infrastructure.

DoD Position/Impact: The Department strongly objects to the Senate \$100.0 million reduction to the Department of the Air Force's Long Range Strike – Bomber (B-21) RDT&E budget. The requested funding is supported by two independent cost estimates, and there are no excess funds in the program in FY 2017. The funding reduction will result in a delay in moving forward with the development program by delaying prime contractor and the key subcontractors from hiring the required personnel to support the program and will introduce risk to the program schedule.

The additional \$1.2 billion added by the House and \$979.0 million by the Senate for 12 additional F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B attained Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. The Department recommends \$100.0 million be redirected from the congressional add enhancement to restore the Long Range Strike-Bomber program congressional mark.

The Department urges conferees to support the House position of \$1,358.3 million for the Long Range Strike-Bomber. Increase to overall appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: VH-71

Appeal Citation: HRpt. 114-577, Pg. 223, 143, Line 106, 2; SRpt. 114-263, Pg. 155, 87, Line 106, 2

Appropriations: Research, Development, Test and Evaluation, Navy; Aircraft Procurement, Navy

Summary: The Senate reduced the VH-71A program by \$35.5 million due to execution delays. The House had no similar provision.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Improving funds management: Execution delays (Research, Development, Test and Evaluation, Navy, H. Rpt. 114-577, pg. 223, line 106, S. Rpt. 114-263, pg. 155, line 106)	\$338.4	\$338.4	\$302.9	\$338.4	\$338.4
Offset - Additional 12 aircraft (Aircraft Procurement, Navy, H. Rpt. 114-577, pg. 87, line 2, S. Rpt. 114-263, pg. 143, line 2)*	\$0.0	\$1,200.0	\$979.0	\$0.0	\$0.0

* The offset is used in Conventional Prompt Strike, Advanced Undersea Prototyping, Innovation and Access to Non-Traditional Suppliers, Long Range Strike - Bomber, VH-71, and Asia-Pacific Rebalance Infrastructure.

DoD Position/Impact: The Department objects to the proposed Senate \$35.5 million reduction to the VH-71A Executive Helicopter program. The reduction would impact the timely redesign of the Mission Communication System and selected survivability characteristics to correct deficiencies identified during developmental test. Because correction of these deficiencies is on the critical path to Initial Operating Capability (IOC), recapitalization of the 1950's era VH-3D Presidential Helicopter would unnecessarily be

delayed by 6-12 months.

The additional \$1.2 billion added by the House and \$979.0 million by the Senate for 12 additional F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B attained Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. There is no validated requirement for additional F/A-18E/Fs. The Department recommends \$35.5 million be redirected from the congressional add enhancement to restore the Executive Helo Development program congressional mark.

The Department urges the conferees to support the President's Budget request of \$338.4 million for the Executive Helo Development program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill

Subject: Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships

Appeal Citation: H.R. 5293, sec. 8124, Pg. ; HRpt. 114-577, Pg. 155, Line 11; S. 3000, sec. 8041, Pg. ; SRpt. 114-263, Pg. 208, 198, Line 11

Appropriations: Ship Modernization, Operations and Sustainment Fund (SMOSF); Shipbuilding & Conversion, Navy

Summary: Senate section 8041 would rescind \$1.3 billion from funds remaining available for obligation in the SMOSF account. The Senate would include an increase of \$183 million in the Operation and Maintenance, Navy account and \$101.5 million in the Other Procurement, Navy account to support cruiser and dock landing ship modernization efforts in FY 2017. House section 8124, "Cruiser Modernization" would require the Navy to comply with House direction to program no more than two cruisers entering a modernization period each year, with the modernization period for each cruiser lasting no longer than 4 years, and having a maximum of six ships in a modernization period at any one time.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Program adjustment (Ship Modernization, Operations and Sustainment Fund, pg, 208, rescission section 8041)	\$0.0	\$0.0	\$-1,317.3	\$0.0	\$1,317.3
One ship for the polar icebreaker recapitilization project (Shipbuilding & Conversion, Navy, pg. 98, line 11)	\$0.0	\$0.0	\$1,000.0	\$0.0	\$0.0
Offset - House - Program increase - one additional ship, Senate - Additional ship (Shipbuilding & Conversion, Navy, H. Rpt.	\$1,125.6	\$1,439.2	\$1,600.6	\$1,125.6	\$1,125.6

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
114-577, pg. 155, line 11, S. Rpt. 114-263, pg. 98, line 11)**					

**This offset is used in Joint Mission Environmental Test Capability (JMET) National Cyber Range, Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships, Reduction of Funds for Countering Weapons of Mass Destruction System "Constellation", and Reductions to Funding for Critical Electronic Warfare (EW) Capabilities

DoD Position/Impact: The Department strongly objects to Senate section 8041, which would rescind \$1.317 billion from the Navy Ship Modernization, Operations and Sustainment Fund, but still require the Navy to continue executing the congressionally directed modernization plan as defined in House section 8124. The Navy's phased modernization approach maintains an effective cruiser and dock landing ship force structure while balancing scarce operation and maintenance funding. Both versions would significantly reduce planned savings and accelerate the retirement of all TICONDEROGA-Class cruisers. The Navy's current requirement for active large surface combatants includes eleven Air Defense Command ships, one assigned to each of the active carrier strike groups. This requirement is met by the modernization plan proposed in the FY 2017 President's Budget. The Navy's plan is fully funded across the Future Years Defense Program (FYDP) and includes \$521.0 million in the base budget in addition to SMOSF, which the Navy planned to obligate and fully expend by FY 2021.

The congressionally-directed "2-4-6" Carrier Group (CG) Modernization plan, supported by House section 8124, will have a negative impact on long term large surface combatant force structure. Under the "2-4-6" CG Modernization plan, all Ticonderoga Class Cruisers will be decommissioned by 2037, with the final 11 ships block retired in the 2 year span between FY 2035-37. In contrast, the Navy proposal maintains 11 Cruisers (one per carrier strike group) into the 2040s by replacing retiring Cruisers with a modernized Cruiser on a one-for-one basis. This approach results in a gradual phase out of the class between FY 2035-44, delaying the requirement for Cruiser recapitalization until after the peak years of Ohio Replacement Program (ORP) recapitalization when the Shipbuilding appropriation is most stressed.

SMOSF funding is critical to modernizing the CGs under any plan. When this rescission is combined with the \$3.2 billion shortfall generated by the "2-4-6" CG Modernization plan, the result is a \$4.2 billion shortfall across the Future Year Defense Plan (FYDP) to fund Cruiser manpower, maintenance, modernization, and operations.

The additional funding added by the Senate for the Polar Icebreaker is not required. The President's Budget for the U.S. Coast Guard includes a realistic funding plan that would enable it to acquire a new icebreaker by 2020, 2 years earlier than previously planned.

The additional \$384.1 million added by the House and \$475.0 million added by the Senate for an additional Littoral Combat Ship (LCS) is unrequested. Funding two LCS in FY 2017 ensures that both LCS-producing shipyards are on equal footing and have sustained production leading up to the FY 2018 or FY 2019 down-select to one shipyard for the remainder of the program. This competitive environment ensures the best price for the taxpayer on the remaining ships. Procuring three ships in FY 2017 does not align with the current LCS Acquisition Strategy and prevents the use of resources for higher priorities to improve DoD's warfighting capability, such as undersea, other surface, and aviation investments. The Department recommends \$1,317.3 billion rescission for Senate be redirected from the congressional add enhancement to restore the Ship Modernization, Operations and Sustainment Fund (SMOSF) program congressional marks.

The Department the urges the conferees to support exclusion of the Senate \$1, 317.3 billion rescission in section 8041 and exclusion of House section 8124 for the Ship Modernization, Operations and Sustainment (SMOSF) program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Reductions to Funding for Critical Electronic Warfare (EW) Capabilities

Appeal Citation: HRpt. 114-277, Pg. 164, 231, 155, Line 53, 106, 11; SRpt. 114-263, Pg. 109, 106. 98, Line 155, 53, 11

Appropriations: Other Procurement, Navy; Research, Development, Test and Evaluation, Navy; Shipbuilding & Conversion, Navy

Summary: The House and Senate reduced EW programs critical for platform survivability. The Senate reduced AN/SLQ-32 funding by \$63.0 million citing Block 2 unit cost growth, Block 3 concurrency, and Block 3T excess installation funding. The House reduced AN/SLQ-32 by \$8.3 million, citing Block 3 and Block 3T excess support, and Block 3T installation prior year carryover. The Senate reduced Next Generation Jammer Increment 2 (NGJ Inc 2) funding by \$33.1 million citing unjustified growth. The House reduced NGJ Inc 2 by \$10.0 million also citing program growth.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Restoring acquisition accountability: Block 2 unit cost growth, Restoring acquisition accountability: Block 3 concurrency, and Restoring acquisition accountability: Block 3T excess installation funding (Other Procurement, Navy, H. Rpt. 114-577, pg. 164, line 53, S. Rpt. 114-263, pg. 164, line 53)	\$274.9	\$266.6	\$211.9	\$266.6	\$266.6
Restoring acquisition accountability: Unjustified growth, pg. 155, line 109	\$52.1	\$42.1	\$19.0	\$42.1	\$42.1

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
(Research, Development, Test and Evaluation, Navy, H. Rpt. 114-577, pg. 231, line 101. S. Rpt. 114-263, pg. 155, lline 109)					
Offset - House - Program increase - one additional ship, Senate - Additional ship (Shipbuilding & Conversion, Navy, H. Rpt. 114-577, pg. 155, line 11, S. Rpt. 114-263, pg. 98, line 11)**	\$1,125.6	\$1,439.2	\$1,600.6	\$1,125.6	\$1,125.6

**This offset is used in Joint Mission Environmental Test Capability (JMET) National Cyber Range, Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships, Reduction of Funds for Countering Weapons of Mass Destruction System "Constellation", and Reductions to Funding for Critical Electronic Warfare (EW) Capabilities

DoD Position/Impact: The Department strongly objects to multiple reductions to Electronic Warfare programs. These efforts are critical for platform survivability in contested environments. The reduction of \$63.0 million for AN/SLQ-32 production units will postpone delivery of critical ship self-defense capability necessary to meet today's threat. The Department prioritized this program to field capabilities at the maximum production rate based on advances in adversary threats. The Department also objects to the reduction of \$33.0 million for NGJ Inc 2. NGJ Inc 2 will replace the EA-18G's low-band ALQ-99 Tactical Jamming System pods. These pods are rapidly becoming obsolete and outpaced by modern adversary emitters. The reduced level of funding is insufficient to start any of the three technology demonstration awards in FY 2017.

The additional \$384.1 million added by the House and \$475.0 million added by the Senate for an additional Littoral Combat Ship (LCS) is unrequested. Funding two LCS in FY 2017 ensures that both LCS-producing shipyards are on equal footing and have sustained production leading up to the FY 2018 or FY 2019 down-select to one shipyard for the remainder of the program. This competitive environment ensures the best price for the taxpayer on the remaining ships. Procuring three ships in FY 2017 does not align with the current LCS Acquisition Strategy and prevents the use of resources for higher priorities to improve DOD's warfighting capability, such as undersea, other surface, and aviation investments. The Department recommends \$54.7 million of the House procurement funding and \$54.7 million of the Senate RDTE, N funding be redirected from the congressional add enhancement to restore the AN/SLQ-32 and Next

Generation Jammer (NGJ) Increment II program congressional marks.

The Department urges the conferees to support the House position of \$54.7 million for procurement and \$54.7 million for RDTE, N funding for the AN/SLQ-32 and Next Generation Jammer (NGJ) Increment II program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill

Subject: Reduction of Funds for Countering Weapons of Mass Destruction System “Constellation”

Appeal Citation: HRpt. 114-577, Pg. 260, 88, 155, Line 66, 270, 11; SRpt. 114-263, Pg. 175, 47, 198, Line 66, 270, 11

Appropriations: Research, Development, Test & Evaluation, Defense-Wide; Operation and Maintenance, Defense-Wide; Shipbuilding & Conversion, Navy

Summary: The House reduced RDT&E funds by \$23.6 million and eliminated the \$4.5 million O&M within the Countering Weapons of Mass Destruction (CWMD) Systems program. The House reduced funds in order to prohibit further research, development, or prototyping of Constellation, in accordance with FY 2017 NDAA (H.R. 4909, sec. 216). The Senate had no similar provision.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Program decrease (Research, Development, Test and Evaluation, Defense-Wide, H. Rpt. 114-577, pg. 260, line 66, S. Rpt. 114-263, pg. 175, line 66)	\$44.8	\$21.2	\$44.8	\$44.8	\$44.8
CWMD - program reduction (Operation and Maintenance, Defense-Wide, H. Rpt. 114-577, pg. 88, line 270)	\$4.5	\$0.0	\$4.5	\$4.5	\$4.5
Offset - House - Program increase - one additional ship, Senate - Additional ship (Shipbuilding & Conversion, Navy, H. Rpt. 114-577, pg.	\$1125.6	\$1,439.2	\$1,600.6	\$1,125.6	\$1,125.6

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
155, line 11, S. Rpt. 114-263, pg. 98, line 11)**					

**This offset is used in Joint Mission Environmental Test Capability (JMET) National Cyber Range, Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships, Reduction of Funds for Countering Weapons of Mass Destruction System "Constellation", and Reductions to Funding for Critical Electronic Warfare (EW) Capabilities

DoD Position/Impact: The Department opposes the House reduction of \$23.6 million (RDT&E) and \$4.5 million (O&M) for research, development, and prototyping of the Constellation system. The Constellation system is under development to close capability gaps identified by the Combatant Commands for CWMD situational awareness, which have been validated by the Joint Requirements Oversight Council. The Congress authorized and appropriated the development of the Constellation system in FY 2014-2016. The Department will field an initial prototype in FY 2016, conduct user evaluation and further development in FY 2017, and plan to deliver a completed system in FY 2019. If FY 2017 funds are not restored, this initiative effectively will be terminated.

The additional \$384.1 million added by the House and \$475.0 million added by the Senate for an additional Littoral Combat Ship (LCS) is unrequested. Funding two LCS in FY 2017 ensures that both LCS-producing shipyards are on equal footing and have sustained production leading up to the FY 2018 or FY 2019 down-select to one shipyard for the remainder of the program. This competitive environment ensures the best price for the taxpayer on the remaining ships. Procuring three ships in FY 2017 does not align with the current LCS Acquisition Strategy and prevents the use of resources for higher priorities to improve DoD's warfighting capability, such as undersea, other surface, and aviation investments. The Department recommends \$23.6 million in RDT&E and \$4.5 million in O&M for the House be redirected from the congressional add enhancement to restore the CEMD Systems and Office of Secretary of Defense CWMD program congressional marks.

The Department urges conferees to support the Senate position of \$44.8 million (RDT&E) and \$4.5 million (O&M) for the CWMD Systems program. Increase to overall appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill

Subject: Joint Mission Environmental Test capability (JMETC) National Cyber Range

Appeal Citation: HRpt. 114-577, Pg. 262, 115, Line 139, 11; SRpt. 114-263, Pg. 179, 98, Line 139, 11

Appropriations: Research, Development, Test and Evaluation, Defense-Wide; Shipbuilding & Conversion, Navy

Summary: The House reduced the Joint Mission Environment Test Capability request by \$20.0 million for prior year carryover and minimize growth, and the Senate reduced the request by \$45.0 million to maintain program affordability and eliminate program growth.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
House - Prior year carryover and minimize growth, Senate Maintain program affordability: Eliminate program growth (Research, Development, Test and Evaluation, Defense-Wide, H. rpt. 114-577, pg. 262, line 139, S. Rpt. 114-263, pg. 179, line 139)	\$87.1	\$67.1	\$42.1	\$67.1	\$67.1
Offset - House - Program increase - one additional ship, Senate - Additional ship (Shipbuilding & Conversion, Navy, H. Rpt. 114-577, pg. 155, line 11, S. Rpt. 114-263,	\$1,125.6	\$1,439.2	\$1,600.6	\$1,125.6	\$1,125.6

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
pg. 98, line 11)**					

**This offset is used in Joint Mission Environment Test Capability (JMET) National Cyber Range, Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships, Reduction of Funds for Countering Weapons of Mass Destruction System "Constellation", and Reductions to Funding for Critical Electronic Warfare (EW) Capabilities

DoD Position/Impact: The Department strongly objects to the Senate reduction of \$45.0 million for the Joint Mission Environment Test Capability (JMETC) PE 0605100D8Z. This reduction will have a very significant impact on cybersecurity for Defense warfighting systems and on the training of the Cyber Mission Forces. Prior to the current FY 2017 President's Budget Estimate, baseline funding for the JMETC Program has remained constant to support the Department's distributed Test and Evaluation (T&E) requirements. Additional funding requested by the Department is specifically intended to address the significant growth in demand for cyber range capabilities and capacity for both the Department's Test and Training communities. FY 2017 funding is intended to begin build out of 3 additional instances of the National Cyber Range (NCR) that will increase capacity ~500%, as well as for personnel to support users in planning, execution, and analysis. This impact will be realized immediately and will adversely affect NCR capability to support Overseas Contingency Operations as well as numerous acquisition programs such as Command Post Computing Environment (CP CE), Joint Space Operations Center (JSpOC) Mission System (JMS), P-8A Poseidon, MQ-4C Triton, MQ-8 Firescout, E-6B Mercury, AC-130J Ghost Rider, Presidential Helicopter, Tactical Mobile (TACMobile), Gerald R. Ford CVN 78, USS America LHA-6, Littoral Combat Ship, Enterprise GPS, 3D Extended Long Range Radar, Distributed Common Ground Station Family of Systems, Carrier Based Air Refueling System, Aviation Data Management and Control System, Long Range Strike Bomber, WIN-T, JUPITR, Integrated Pay and Personnel System Army, and other programs and platforms that are currently or are slated to be supported in FY 2017 by JMETC provided Cybersecurity infrastructure. Significant impact will also be felt by the Training community as JMETC provided Cybersecurity infrastructure also supports Cyber Mission Force Training and Certification for U.S. Cyber Command and Service Cyber Mission Forces. Additional demand is anticipated in response to NDAA16 S 1647 tasking to evaluate legacy DoD systems for Cybersecurity vulnerabilities. Leaving the House reduction of \$20.0 million in place will reduce the proposed cyber test and training range capacity expansion by 66% forcing a delay in both new acquisition program testing and development schedules and delaying the completion of the Defense Authorization Act 2016 S 1647 tasking. The funding profile will cause this delay to accumulate through the Future Year Defense Plan (FYDP).

The additional \$384.1 million added by the House and \$475.0 million added by the Senate for an additional Littoral Combat Ship (LCS) is unrequested. Funding two LCS in FY 2017 ensures that both LCS-producing shipyards are on equal footing and have sustained production leading up to the FY 2018 or FY 2019 down-select to one shipyard for the remainder of the program. This competitive environment ensures the best price for the taxpayer on the remaining ships. Procuring three ships in FY 2017 does not align with the current LCS Acquisition Strategy and prevents the use of resources for higher priorities to improve DOD's warfighting capability, such as undersea, other surface, and aviation investments. Capabilities and services supported by these restored funds could be utilized to meet the Cybersecurity Test and Evaluation requirements of the LCS program. The Department recommends \$45.0 million for the Senate be redirected from the congressional add enhancement to restore the Joint Mission Environment Test Capability (JMETC) program congressional marks.

The Department urges the conferees to support the Senate position of \$67.1 million for the Joint Mission Environment Test Capability (JMETC) program. Increase to overall funding appropriation levels associated

with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Asia-Pacific Rebalance Infrastructure

Appeal Citation: HRpt. 114-577, Pg. 86, 143, Line 260, 2; S. 3000, sec. 8084, Pg. 91, 92; SRpt. 114-263, Pg. 47, 87, Line 260, 2

Appropriations: Operation and Maintenance, Defense-Wide; Aircraft Procurement, Navy

Summary: The House eliminated required General Provision language and the Senate eliminated \$19.2 million in funding to Asia-Pacific Rebalance and modified General Provision language.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Authorization adjustment: Public health laboratory funding ahead of need (Operation and Maintenance, Defense-Wide, H. Rpt. 114- 577, pg. 86, line 260, S. Rpt. 114-263, pg. 47, line 260)	\$86.7	\$86.7	\$67.5	\$86.7	\$86.7
Offset - Additional 12 aircraft (Aircraft Procurement, Navy, H. Rpt. 114-577, pg. 87, line 2, S. Rpt. 114-263, pg. 143, line 2)*	\$0.0	\$1,200.0	\$979.0	\$0.0	\$0.0

* The offset is used in Conventional Prompt Strike, Advanced Undersea Prototyping, Innovation and Access to Non-Traditional Suppliers, Long Range Strike - Bomber, VH-71, and Asia-Pacific Rebalance Infrastructure.

DoD Position/Impact: The Department appreciates the inclusion of the \$86.7 million in the Operation and Maintenance, Defense-Wide account to support the military build-up on Guam. However, the Department strongly objects to the exclusion in H.R. 5293 of the general provision requested in the Administration's FY 2017 Budget that would allow \$86.7 million, of the amount appropriated for the Operation and Maintenance,

Defense-Wide account, to be made available for the Secretary of Defense to: make grants; conclude cooperative agreements; and supplement other Federal funds. This critical provision will provide assistance for civilian water and wastewater improvements to support the military build-up on Guam, and to construct a public health lab necessary to mitigate adverse impacts resulting from planned military actions for Guam identified in the Guam Military Relocation Supplemental Environmental Impact Statement and Record of Decision.

The Department appreciates the inclusion of the general provision and funding in S. 3000 that would allow DoD to make grants, conclude cooperative agreements, and supplement other Federal funds to facilitate civilian water and wastewater improvements that support the military build-up on Guam. In addition, however, the Department strongly objects to the exclusion of the requested authority, and the associated funding (\$19.2 million), to support the construction of a public health laboratory on Guam.

A key aspect of the Asia-Pacific rebalance is to create a more operationally resilient Marine Corps presence in the Pacific and invest in Guam as a joint strategic hub. This funding supports the ability of the President to execute our foreign and defense policies in coordination with our ally, Japan. In addition, not following through with these projects would call into question our commitment to implement the realignment plan and our ability to execute the defense strategy among regional states.

The additional \$1.2 billion added by the House and \$979.0 million by the Senate for 12 additional F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B attained Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. There is no validated requirement for additional F/A-18E/Fs. The Department recommends \$19.2 million be redirected from the congressional add enhancement to restore the Operation and Maintenance, Defense-Wide - Office of Economic Adjustment program congressional mark.

The Department urges conferees to include the needed general provision language and the \$19.2 million for the Operation and Maintenance, Defense-Wide, Office of Economic Adjustment program. Increases to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Reallocation of Missile Defense Agency Funding, Missile Defense Agency (MDA)

Appeal Citation: HRpt. 114-577, Pg. 260, 261, 262, 197, 257, Line 28, 30, 35, 73, 74, 78, 79, 82, 86, 88, 89, 93, 104, 105, 106, 112, 23, 26, 27, 176; SRpt. 114-263, Pg. 178, 179, 135, Line 30, 35, 40, 74, 78, 79, 82, 86, 88, 89, 105, 23, 26, 27

Appropriations: Research, Development, Test and Evaluation, Defense-Wide; Operation and Maintenance, Defense-Wide; Procurement, Defense-Wide

Summary: The House reduced \$349.0 million and the Senate reduced of \$212.0 million from the FY 2017 Budget Request.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
		<u>House</u>	<u>Senate</u>		
Improved Homeland Defense Interceptors – Senate – Restoring acquisition accountability, MD97 FTG-18 RKV flight test unit long lead materials early to need; Restoring acquisition accountability: MD97 C3 booster lack of requirements and acquisition strategy House – Schedule Delays (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 105, H. Rpt. 114-577, pg. 255, line 105, PE 0604874C)	\$274.1	\$244.1	\$249.3	\$249.3	\$249.3

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				<u>House Appeal</u>	<u>Senate Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</u>			
Long Range Discrimination Radar – House – Unrealistic Schedule (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 104, H. Rpt. 114-577, pg. 255, line 104, PE 0604873C)	\$162.0	\$152.7	\$162.0		\$162.0	\$162.0
Ballistic Missile Defense Midcourse Defense Segment – House - Systems engineering and program management software delays (Research, Development, Test and Evaluation, S. Rpt. 114-263, pg. 178, line 74)	\$862.1	\$917.1	\$972.8		\$862.1	\$862.1
THAAD Procurement – House - THAAD sustainment early to need - (Procurement Defense-Wide, S. Rpt. 114-263, pg. 133, line 23, H. Rpt. 114-577, pg. 195, line 23,)	\$369.6	\$330.3	\$419.6		\$369.6	\$369.6
THAAD O&M – House - THAAD	\$72.1	\$65.8	\$72.1		\$72.1	\$72.1

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				<u>House Appeal</u>	<u>Senate Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</u>			
sustainment early to need - (Operation and Maintenance, Defense-Wide, S. Rpt. 114-263, pg. 46, line 240, H. Rpt. 114-577, pg. 86, line 240)						
Ballistic Missile Defense Terminal Defense Segment – House - THAAD development previously funded efforts - (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 73, H. Rpt. 114-577, pg. 86, line 73, PE 0603881C)	\$206.8	\$201.8	\$206.8	\$206.8	\$206.8	\$206.8
Aegis BMD - House - Aegis BMD 6.x development excess growth, SM-3 IIA development excess growth, Senate - Restoring acquisition accountability: SM-3 Block IIA FTM-29 flight test integration not required due to program delays, Maintain program	\$959.1	\$929.1	\$924.1	\$929.1	\$929.1	\$929.1

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				<u>House Appeal</u>	<u>Senate Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</u>			
affordability: SM-3 Block IIA excess cost growth (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 79, H. Rpt. 114-577, pg. 254, line 79, PE 0603881C)						
Ballistic Missile Defense Command and Control, Battle Management – House - Development and deployment unauthorized prior year funding, Communications unjustified growth, (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 82, H. Rpt. 114-577, pg. 254, line 82, PE 0603896C)	\$439.6	\$429.4	\$443.5		\$439.6	\$439.6
Ballistic Missile Defense Targets House - Unjustified Program growth, Test delays Senate - Restoring acquisition accountability:	\$563.6	\$538.1	\$522.7		\$538.1	\$538.1

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
MRBM T3C2 contract award delay (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 89, H. Rpt. 114-577, pg. 255, line 89, PE 0603915C)				
BMD Terminal Defense Segment Test – House – Test Delays (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 106, H. Rpt. 114-577, pg. 255, line 106, PE 0604876C)	\$63.4	\$53.1	\$63.4	\$63.4
Advanced Concepts and Performance Assessment – House – Test Delays (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 174, line 28, H. Rpt. 114-577, pg. 253, line 28, PE 0603176C)	\$17.9	\$15.0	\$17.9	\$17.9
Ballistic Missile Defense Test – House - FTT-18	\$293.4	\$291.4	\$296.4	\$293.4

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
and FTT-15 efficiencies (Research, Development, Test and Evaluation, Defense-Wide, H. Rpt. 114-577, pg. 261, line 88)				
Sea-Based X- Band Radar Sustainment – House - Test previously completed - (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 86, H. Rpt. 114-577, pg. 255, line 86 PE 0603907C)	\$68.8	\$65.8	\$88.8	\$68.8
Weapons Technology House - Directed energy unjustified growth – Senate - Restoring acquisition accountability: MD69 redundancy (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 174, line 30, H. Rpt. 114-577, pg. 253, line 30, PE 0603178C)	\$71.8	\$51.1	\$49.6	\$51.1

<u>Item</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Special Programs – MDA Technology House – Program reduction – Senate – Program adjustment (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 174, line 35, H. Rpt. 114-577, pg. 253, line 35, PE 0603274C)	\$83.7	\$11.8	\$11.8	\$11.8	\$11.8
Special Programs - MDA - House – Program reduction – Senate – Program adjustment (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 177, line 78, H. Rpt. 114-577, pg. 254, line 78, PE 0603891C)	\$321.6	\$304.7	\$304.7	\$304.7	\$304.7
Technology Maturation Initiatives - House – Directed energy prototype development unjustified growth, Discrimination	\$90.3	\$74.4	\$90.3	\$90.3	\$90.3

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>		
sensor prototype development long lead materials early to need (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 93, H. Rpt. 114-577, pg. 255, line 93, PE 0604115C)				
Multi Object Kill Vehicle – House - Change to acquisition strategy (Research, Development, Test and Evaluation, Defense-Wide, S. Rpt. 114-263, pg. 175, line 112, H. Rpt. 114-577, pg. 255, line 112, PE 0604115C)	\$71.5	\$56.5	\$71.5	\$71.5
Management HQ- MDA (Research, Development, Test, and Evaluation, Defense-Wide, H. Rpt. 114-577, pg. 257, line 176, PE 091598C)	\$31.2	\$6.2	\$31.2	\$31.2
Offset – Arrow Upper Tier (Procurement Defense-Wide, S. Rpt. 114-263,	\$0.0	\$120.0	\$120.0	\$0.0

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
pg. 133, line 26, H. Rpt. 114-577, pg. 195, line 26, PE 0604115C)					
Offset – David Sling - (Procurement, Defense-Wide, S. Rpt. 114-263, pg. 133, line 27, H. Rpt. 114-577, pg. 195, line 27, PE 0604115C)	\$0.0	\$150.0	\$150.0	\$0.0	\$0.0

DoD Position/Impact: The Department objects to the House \$49.0 million and the Senate \$25.0 million proposed reductions to homeland defense programs. The House homeland defense reduction includes targeted Program Element reductions to Improved Homeland Defense Interceptors (\$30.0 million), Long Range Discrimination Radar (LRDR) (\$9.0 million), and the BMD Midcourse Segment (\$10.0 million). Impacts include a reduction of approximately 20 percent of the Redesigned Kill Vehicle (RKV) Cross-Industry Team which will delay Preliminary Design Review (PDR) and Critical Design Review (CDR) and result in at least a four-to-six month delay to the overall RKV schedule; delay purchases of equipment for LRDR by three months and result in a possible delay to the initial fielding of the radar; and impact efforts to improve Ground-based Midcourse (GMD) Models and Simulations Verification and Validation activities which are required to verify GMD system performance to support the warfighter operations. The Senate \$25 million reduction to Improved Homeland Defense Interceptors will result in a one year delay to the improvement and integration of enhanced lightning protection, power transient protection, and survivability enhancements to the C3 Boost Vehicle. Additionally, the reduction will delay the acquisition of RKV long lead items needed for future flight testing.

The Department also objects to the House \$91.0 million and the Senate \$35.0 million proposed reductions to regional missile defense programs. The House proposal includes targeted Program Element reductions to THAAD procurement (\$39.3 million), THAAD O&M (\$6.3 million), THAAD RDT&E (\$5.0 million), Aegis BMD (\$30.0 million), and C2BMC (\$10.2 million). Significant impacts include a reduction in the number of THAAD interceptors from 24 to 20; eliminates the procurement of a Radar Training Device for the Army's THAAD schoolhouse at Ft. Sill; delays THAAD 4.0 software build needed to demonstrate a capability to intercept a MRBM using Launch on Link-16; creates a potential mis-alignment with the Navy's Phase 0 ACB 20 development milestones for Flight III DDGs; results in the non-execution of planned SM-3 Block IIA Cost Reduction Initiatives (CRIs) causing higher per-round costs for future production contracts; and delays the C2BMC fielding of Homeland Defense satellite communications nuclear hardening to FY2020 and delays C2BMC algorithm development required for the integration of new space sensors. The Senate \$35.0 million reduction to the Aegis BMD Program will result in the non-execution of Cost Reduction Initiatives (CRIs) for the SM-3 Block IIA.

The Department objects to the House \$44.0 million and Senate \$40.9 million reductions to missile defense testing efforts. The House proposal includes targeted Program Elements reductions to BMD Targets (\$25.5 million), THAAD Test (\$10.3 million), Advanced Concepts (\$2.9 million), BMD Test (\$2.0 million), and SBX (\$3.0 million). In particular, the \$25.5 million reduction to BMD Targets Program will result in the inability to fund the Juno non-recurring engineering development efforts and the inability to initiate hardware purchases to support FTT-16/FTO-03 in FY 2019. The Senate reduction will result in similar impacts to the

BMD Targets program.

The Department objects to the House \$140.0 million and the Senate \$111.0 million proposed reductions to missile defense advanced technology programs. The House proposal includes specific Program Element reductions to Weapons Technology (\$20.7 million), Special Programs – MDA Technology (\$71.95 million), Special Programs (\$16.9 million), Technology Maturation (\$15.8 million), and Multiple Object Kill Vehicle (MOKV) (\$15.0 million). The reductions directly impact the development of a boost phase intercept layer to the BMDS and will delay research at the Nation's premier directed energy laboratories, MIT's Lincoln Laboratory and the Lawrence Livermore National Laboratory for the Fiber Combined Laser (FCL) and the Diode Pumped Alkali Laser (DPAL) demonstrations by as much as a year. They also delay the Directed Energy Prototype Development competitive award of contracts to industry by one quarter and delay Discrimination Sensor Prototype Development flight testing (FEV-02) by one year. Furthermore, completion of critical technology development for the MOKV program will be delayed by 9 months. Specific details concerning the \$71.95 million reduction to Special Programs - MDA Technology and the \$16.9 million reduction to Special Programs are covered at a higher classification and will be submitted via appropriate secure channels. The impacts of the Senate proposal are identical to the House reductions described above.

The Department objects to the House \$25.0 million RDT&E funding reduction to the Management Headquarters Program Element (PE). Recent efficiency efforts impacting MDA's Management Headquarters Activities (MHA) have already resulted in a 13 percent reduction to MHA from Fiscal Year (FY) 2016 Defense Appropriations to FY 2017 President Budget submission leaving the minimum headquarters workforce required to manage the Agency at acceptable levels of risk. A \$25.0 million reduction in fiscal year FY 2017 will reduce the MHA PE funding by an additional 80 percent for a total reduction of 93 percent in less than a one year period. The reduction will eliminate the entire MHA contractor workforce and further reduce the civilian manpower by 81 percent. The reduction will prevent the Director MDA from exercising his authorities to provide fiduciary, contractual, technical and program management oversight. It would also prevent proper management of MDA's acquisition oversight obligations to service the Department's oversight responsibilities; and to prepare for financial audit readiness by 2017 as required by law.

The additional \$270.0 million funding increase House and Senate for David's Sling and Arrow-3 is early to need given the acquisition phase of these Programs. The President's budget for Israeli Programs was developed based on the executable rate of progress. The United States – Israeli project agreements currently support the fiscal year 2017 (FY17) President's Budget submittal, which does not include procurement funding for Arrow Upper Tier or David's Sling. The Department recommends the \$270.0 million be redirected from the congressional add enhancement to restore the Missile Defense programs congressional marks.

The additional \$65.0 million added by the House for BMD Midcourse is early to need. The President's budget for BMD Midcourse was developed based on the executable rate of progress. The Missile Defense Agency budget was developed as an integrated and balanced approach to meet the needs of the entire ballistic missile defense system. The Department recommends the \$65.0 million be redirected from the congressional add enhancement to restore the Missile Defense programs congressional marks.

The Department urges the conferees to support the President's Budget request for the Missile Defense program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Advanced Undersea Prototyping

Appeal Citation: HRpt. 114-577, Pg. 230, 143, Line 82, 2; SRpt. 114-263, Pg. 155, 87, Line 82, 2

Appropriations: Research, Development, Test and Evaluation, Navy; Aircraft Procurement, Navy

Summary: The House reduced funds by \$60.0 million for excess growth. The Senate reduced funds by \$74.6 million to restore acquisition accountability and made a program adjustment to lease multiple Commercial off the Shelf (COTS) vehicles for Concept of Operations development only.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
House - Excess growth and Senate - Restoring acquisition accountability: Program adjustment- lease multiple COTS vehicles for CONOPS development only (Research, Development, Test and Evaluation, Navy, H. Rpt. 114-577, pg. 230, line 82, S. Rpt. 114-263, pg. 155, line 82)	\$78.6	\$18.6	\$4.0	\$78.6	\$78.6
Offset - Additional 12 aircraft (Aircraft Procurement, Navy, H. Rpt. 114-577, pg. 87, line 2, S. Rpt. 114-263, pg. 143, line 2)*	\$0.0	\$1,200.0	\$979.0	\$0.0	\$0.0

* The offset is used in Conventional Prompt Strike, Advanced Undersea Prototyping, Innovation and Access

to Non-Traditional Suppliers, Long Range Strike - Bomber, VH-71, and Asia-Pacific Rebalance Infrastructure.

DoD Position/Impact: The Department objects to the \$60.0 million House reduction and the \$74.6 million Senate reduction in Advanced Undersea Prototyping (AUP). This new program advances undersea capabilities and contributes to the Third Offset Strategy. The proposed reductions will delay by up to two years urgently needed advanced unmanned undersea warfare capabilities necessary to counter emerging adversary anti-access/area denial capabilities.

Investments in unmanned undersea vehicles and related technologies are critical to improve and expand the Navy's undersea superiority and are in keeping with the Autonomous Undersea Vehicle (AUV) Requirements for 2025 Report to Congress (18 February 2016) of a family of AUVs with focused investment on four core enabling technologies. These technologies cover a Commander, U.S. Pacific Fleet-identified time critical capability gap codified in a validated Joint Emergent Operational Need (JEON). Due to the technical challenge of outpacing advanced undersea threats, aggressive, carefully governed prototyping is necessary. The AUP investments will permit the development of Extra Large Unmanned Undersea Vehicle (XLUUV) prototypes, funding technology maturation (\$20.8 million) of capabilities applicable to the Navy's family of AUVs, including \$10.8 million for advanced energy (endurance) and common control/autonomy of vehicles, \$4.4 million for explosive payloads, and \$5.6 million for non-lethal payloads.

The Navy no longer plans to do a sole source acquisition of five XLUUVs, as described in the budget exhibit. Since submission of the FY 2017 President's Budget, the Navy has discovered there are several potential commercial sources available to fabricate XLUUVs with military unique payloads. As a result, the Navy has adjusted the acquisition plan and will conduct a competitive procurement award in FY 2017 to deliver five XLUUVs. Leasing of commercial vehicles is still necessary to commence fleet training, experimentation, and to develop concepts of operations and tactics to ensure the fleet is ready to operate the vehicles when the completed platforms are delivered. Fleet feedback will continue to inform acquisition decisions for scaling fleet UUV procurements. It is necessary to utilize this parallel acquisition approach to satisfy the Commander, U.S. Pacific Fleet JEON.

Through partnering with industry, advanced undersea prototyping builds upon research of critical technologies, including extra-large vehicles, autonomy, communications and control, endurance systems, and explosive/non-lethal payloads. Maturing these core enablers will mainstream unmanned undersea tactical capability and capacity to the fleet. The information and experience gained during demonstrations in operationally relevant environments will inform current and future program of record decisions to balance capability and limited resources. These investments will also enable expanded mission tasking for unmanned undersea systems into other critical undersea warfare missions, allowing for the best balance of requirements to budget.

The proposed reductions will dramatically slow the Navy's ability to expand undersea superiority and project military force in far forward and contested areas. These investments help the Navy to develop asymmetric capabilities with sufficient freedom of action to operate effectively while holding our adversaries at risk.

The additional \$1.2 billion added by the House and \$979.0 million by the Senate for 12 additional F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B attained Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. There is no validated requirement for additional F/A-18E/Fs. The Department recommends \$60.0 million for the House and \$74.6 million for the Senate be redirected from the congressional add enhancement to restore the Advanced Undersea Prototyping program congressional marks.

The Department urges the conferees to support the President's Budget request of \$78.6 million for Advanced Undersea Prototyping program. Increase to overall funding appropriation levels associated with this appeal

are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill

Subject: International Security Programs (OCO)

Appeal Citation: HRpt. 114-577, Pg. 311, 316, 317, 318, 333, 344, Line 010; SRpt. 114-263, Pg. 224, 227, 230, 239, 240 , Line 010

Appropriations: Counter Islamic State in Iraq and the Levant Train and Equip Fund (CTEF); Iraq Train and Equip; Counterterrorism Partnership Fund (CTPF); Ukraine Security Assistance; National Guard Reserve Equipment; Operation and Maintenance, Defense-Wide, OCO

Summary: The House and Senate eliminated the Iraq Train and Equip Fund (ITEF) and established a Counter-ISIL Train and Equip Fund, combining Iraq and Syria train and equip programs into one fund. The House transferred the full request to the new Counter Islamic State in Iraq and the Levant Train and Equip Fund (CTEF) and the Senate reduced the request by \$100.0 million citing “Improving funds management: Unobligated balances”.

The House and Senate eliminated the Syria Train and Equip Fund (STEF) and established a Counter-ISIL Train and Equip Fund, combining Iraq and Syria train and equip programs into one fund. The House transferred the full request to the new fund and the Senate reduced the request by \$30.0 million citing “Improving funds management: Unobligated balances”.

The House provided \$250.0 million below request and rescinded \$200.0 million of the 2016/2017 CTPF without justification. The Senate provided no funding, reducing the request by \$150.0 million citing “Maintain program affordability: Maintain level of effort” and transferring \$850.0 million to the Defense Security Cooperation Agency for ‘Security Cooperation Enhancements’.

The House added \$150.0 million in unrequested funding for Ukraine Security Assistance citing the continued need of the Ukrainian military and national security forces for training, equipment, and assistance to counter Russian-backed separatists.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Counter Islamic State in Iraq and the Levant Train and Equip Fund (H. Rpt. 114-577, pg. 317, S. Rpt. 114-263, pg. 224)	\$0.0	\$880.0	\$930.0	\$1,060.0	\$1,060.0
Counterterrorism Partnership Fund (CTPF) (H. Rpt. 114-577, pg. 316, S. Rpt. 114-263, pg. 227)	\$1,000.0	\$750.0	\$0.0	\$150.0	\$150.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Operation and Maintenance, Defense-Wide, OCO (H. Rpt. 114-577, pg. 311) Senate - Transfer Security Cooperation Enhancements from CTPF (S. Rpt. 114-263, pg. 224)	\$1,412.0	\$1,412.0	\$1,682.0	\$2,082.0	\$2,082.0
Counterterrorism Partnership Fund (CTPF) (H. Rpt. 114-577, pg. 344, Rescission)	\$0.0	\$-200.0	\$0.0	\$200.0	0..0
Operation and Maintenance, Defense-Wide, OCO (H. Rpt. 114-577, pg. 344, Rescission)	\$0.0	\$-300.0	\$0.0	\$300.0	\$0.0
Ukraine Security Assistance (H. Rpt. 114-577, pg. 318)	\$0.0	\$150.0	\$0.0	\$0.0	\$0.0
National Guard Reserve Equipment (H. Rpt. 114-577, pg. 333, S. Rpt. 114-263, pg. 239)	\$0.0	\$1,000.0	\$900.0	\$0.0	\$0.0

DoD Position/Impact: The Department sincerely thanks both the House and the Senate for their support in creating a single Counter-Islamic State of Iraq and the Levant (C-ISIL) Train and Equip Fund (CTEF). By creating the CTEF, the Department can take a more unified approach to fight ISIL and counterterrorism as a whole. Bringing these efforts together better enables, and promotes, the Department's regional and global security strategy.

Unfortunately, as part of this realignment, several reductions by the House and Senate are leaving multiple high priority requirements unfunded. The Department carefully considered these requirements and prioritized these specific levels of support to partner nations prior to submission. By reducing this support, more of the regional and global security efforts are shifted back to U.S. forces. It is much more expensive to deploy and

sustain U.S. forces in these forward locations. Furthermore, unilateral action allows for negative rhetoric against U.S. forces and the Department should therefore strive for coalition activity.

The Department strongly requests the following realignment of funds to promote the unified counterterrorism approach while still adequately enabling and supporting our coalition partners.

It is essential that the \$100.0 million reduction from ITEF and the \$30.0 million reduction from STEF be restored and placed in the new CTEF. Now, more than ever, we are seeing the benefit of having capable, trained and equipped, security forces fighting ISIL. There is momentum that cannot be stymied for an inability to resupply or replace equipment for these security forces. Additionally, there is a requirement for more support funds as the Secretary of Defense has pledged increased support to the Iraqi Security Forces within the Kurdistan Regional Government and the Syrian Arab Coalition is growing in size as the citizens in Northeast Syria are taking up arms against ISIL.

The Department strongly objects to the cumulative reduction of \$450.0 million to CTPF. After a slow start in FY 2015 for this new fund, mainly due to the continuing resolution in FY 2015, the Department has now hit its stride and is enabling partners across the Middle East and throughout the African continent, those areas most susceptible to the ideology and activities of ISIL and other terrorist organizations. The \$200.0 million rescission by the House to FY 2016/2017 CTPF must be restored as requirements have been coordinated with recipient nations. The \$250.0 million reduction by the House must also be restored as the U.S. intensifies pressure on counterterrorism in these regions.

The Department does not object to the transfer of \$850.0 million from CTPF to the Defense Security Cooperation Agency as long as the utilization of these funds does not count against security cooperation authority limits. The CTPF, while very cumbersome and time-consuming, did allow for the utilization of security cooperation authorities, like section 2282, the authority to build the capacity of foreign security forces, without counting against the \$350.0 million limitations. Without such a provision, the Department loses nearly 300 percent of its ability train and equip international partners.

The additional \$150.0 million for the Ukraine Security Assistance Fund by the House is unrequested funding. The Department opposes this congressional add because it consumes resources that are needed for critical warfighting requirements. Moreover, the Department's FY 2017 European Reassurance Initiative (ERI) budget request of \$3.4 billion continues U.S. efforts to assure NATO Allies and partners and deterrence Russian aggression. Furthermore, the Department can utilize the funds realigned to the Defense Security Cooperation Agency along with the existing Section 2282 authority to adequately support Ukraine. The Department recommends that \$150.0 million added by the House be redirected from the congressional add enhancement to restore the Counterterrorism Partnership Program Fund congressional mark.

The additional \$1.0 billion added by the House and the \$900.0 million added by the Senate, respectively, for National Guard and Reserve Equipment is not required. The Department has steadily taken steps to ensure National Guard and Reserve components are modernized along with active component forces. Further efforts do not align with the Department's funding priorities. The President's Budget request adequately funds the National Guard and Reserve equipment programs. The Department recommends \$600.0 million added by the House and the \$680.0 million added by the Senate be redirected from the congressional add enhancements to restore the Counter Islamic State in Iraq and the Levant (ISIL) Efforts, the Counterterrorism Partnership Fund, and the Operation, and Maintenance, Defense-Wide, Defense Security Cooperation Account congressional marks.

The Department urges the conferees to exclude the House rescissions provision and support the above realignment and restoration of funding for the Counter Islamic State in Iraq and the Levant (ISIL) Efforts, the Counterterrorism Partnership Fund, and the Operation, and Maintenance, Defense-Wide, Defense Security Cooperation Account program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Innovation and Access to Non-Traditional Suppliers

Appeal Citation: HRpt. 114-577, Pg. 260, 254, 51, 106, 143, Line 10, 67, 114, 116, 2; SRpt. 114-263, Pg. 178, 210, 87, Line 10, 67, 2

Appropriations: Research, Development, Test and Evaluation, Defense-wide; Military Personnel, Army National Guard; Operation and Maintenance, Army National Guard; Aircraft Procurement, Navy

Summary: The House reduced the Defense Technology Innovation (DTI) RDT&E funding that supports Defense Innovation Unit Experimental (DIUx) by \$30.0 million. In addition, the Senate reduced Defense Technology Innovation by \$2.0 million and realigned to Line 67 - SOF Advanced Technology Development and requested quarterly updates in the Department's efforts in leveraging innovation. The Senate rescinded \$75.0 million of \$100.0 million FY 2016 Defense Technology Offset congressional add.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
House - Prior year carryover and Senate - Transfer To Line # 67 SOF Advanced Technology Development (Research, Development, Test and Evaluation, Defense-Wide, H. Rpt. 114- 577, pg. 260, line 10, S. Rpt. 114-263, pr. 178, line 10)	\$30.0	\$0.0	\$28.0	\$30.0	\$30.0
Defense Technology Offset - Rescission (Research, Development, Test and Evaluation, Defense-Wide, , S. Rpt. 114- 263, pg. 210, line 67)	\$0.0	\$0.0	\$-75.0	\$0.0	\$75.0

<u>Item</u>	<u>Budget Authority</u> (Dollars in Millions)				
	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Offset - Transfer From Line # 10 Defense Technology Program increase (Research, Development, Test and Evaluation, Defense-Wide, H. Rpt. 114- 577, pg. 254, line 67, S. Rpt. 114-263, pg. 178, line 67)	\$61.6	\$61.6	\$92.6	\$61.6	\$61.6
Offset - Additional 12 aircraft (Aircraft Procurement, Navy, H. Rpt. 114-577, pg. 87, line 2, S. Rpt. 114-263, pg. 143, line 2)*	\$0.0	\$1,200.0	\$979.0	\$0.0	\$0.0
Offset - Operation Phalanx (Military Peronnel, Army National Guard, H. Rpt. 114-577, pg. 51, Special Training)	\$0.0	\$10.0	\$0.0	\$0.0	\$0.0
Offset - Program increase - Operation Phalanx (Operation and Maintenance, Army National Guard, H. Rpt.	\$0.0	\$9.0	\$0.0	\$0.0	\$0.0

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
114-577, pg. 106, line 114 and 116)					

* The offset is used in Conventional Prompt Strike, Advanced Undersea Prototyping, Innovation and Access to Non-Traditional Suppliers, Long Range Strike - Bomber, VH-71, and Asia-Pacific Rebalance Infrastructure.

DoD Position/Impact: The Department objects to the House complete elimination of the \$30.0 million investment funding associated with the Defense Innovation Unit Experimental (DIUx) a Secretary of Defense priority initiative. Elimination of this program increases the Department's risk of falling behind our adversaries in the critical area of identifying and developing innovative technologies and presents a disadvantage to the warfighter on the battlefield. This would also limit the Department's ability to identify, exploit and integrate emerging and innovative commercial technologies. Elimination will severely impact the DoD technology innovation program, and the ability to sustain investment in the future and maintain the United States' qualitative military superiority over potential adversaries.

The Department also objects to the Senate's \$75.0 million rescission of the \$100.0 million FY 2016 Defense Technology Offset congressional add for the following reasons:

(a) The Department has in fact made strides toward supporting the Secretary's third offset strategy by advocating for several demonstrations and initiatives that will accelerate future efforts therefore reducing the technological gap sooner than previously anticipated.

(b) The Department is aware that there are Senate concerns regarding how the Department allocated the initial \$100.0 million of the FY 2016 Defense Technology Offset congressional add. The below breakdown focuses on technologies that are vital to military technology superiority of the United States:

- Army's Autonomous Logistics Vehicle Warfare Demonstration: Supports the full execution of the Army's Expeditionary Warrior Experiment (AEWE) and Army Warfighting Assessment (AWA) 17.1 as part of the ongoing Science and Technology (S&T) program to develop autonomous vehicles for logistics operations.
- Air Force's Low Cost Attritable Aircraft Technology Multi-Vehicle Control Demonstration: Support the delivery of a long range responsive capability in Anti-Access/Area Denial (A2AD) environments where forward basing is difficult or prohibited, and could be used for strike, electronic attack, or Intelligence, Surveillance and Reconnaissance (ISR) capabilities.
- Air Force's Counter Electronics High Power Microwave Advanced Missile Project (CHAMP): Supports follow on studies which will address the improvements suggested by the CHAMP joint capability technology demonstration.
- Joint Improvised-Threat Defeat Agency's Demonstration AURORA: Supports the integration of new "attack the network" capabilities that use advanced analytics.
- Navy's Advanced Undersea Warfighting Prototype Concepts: Support advancing the targeting, discrimination and recognition capabilities of unmanned systems.
- A tri-service initiative to accelerate the development and deployment of an autonomous indicators and warnings prototype based on the Defense Science Board's findings regarding Autonomy
- Air Force's Low Cost Delivery Vehicle (LCDV) Weapon Demonstration: Accelerates planning and development of a much needed LCDV which is critical to more effectively operate in an A2AD environment.
- Defense Innovation Unit Experimental (DIUx): Broadens DoD's access to innovative commercial companies and technologies that will enable the development of leading-edge, asymmetric capabilities and help spur development of new ways to keep the United States on par with or ahead of the nation's most advanced adversaries even as they actively modernize and innovate.

Reducing or eliminating this Secretary of Defense high priority program -- and similar efforts such as the

Strategic Capabilities Office and newly-formed partnerships with In-Q-Tel -- would severely affect the Department's ability to keep our technological edge. As the committees press for the Department to innovate and explore disruptive means to procure advanced technology more rapidly, challenge our existing enterprises, and pursue new models of development, it is incongruous to cut the very places where the Department is carrying out such exploration.

These projects, spread across the Services and Defense Agencies, are taking advantage of recent developments in artificial intelligence with a focus on developing new autonomous capabilities and enhancing human-machine teaming. In order to sustain technological superiority, the Department must take advantage of rapid evolving or newly emerging commercial technologies that, when integrated with military systems and novel concepts of operations will be a source of battlefield advantage. Elimination of this program increases the Department's risk of falling behind our adversaries in the critical area of identifying and developing innovative technologies and presents a disadvantage to the warfighter on the battlefield. This would also limit the Department's ability to identify, exploit and integrate emerging and innovative commercial technologies.

The additional \$2.0 million that the Senate transfers from DIUx to SOF Advanced Technology Development is not required. This action is unnecessary as it was not included within the President's Budget and redirects critical funds to other priority projects. The Department recommends \$2.0 million be redirected from the congressional add enhancement to restore the Defense Technology Innovation program congressional mark.

The additional \$1.2 billion added by the House and \$979.0 million by the Senate for 12 additional F/A-18E/F aircraft unfunded requirement is not required. The F/A-18E/F is the premier operational strike fighter aircraft for the Department of the Navy. However, the F-35B attained Initial Operational Capability (IOC) in July 2015, with the F-35C IOC scheduled for August 2018. There is no validated requirement for additional F/A-18E/Fs. The Department recommends \$11.0 million for the House and \$75.0 million for the Senate rescission be redirected from the congressional add enhancement to restore the Defense Technology Innovation program and Defense Technology Offset rescission congressional mark.

The additional \$19.0 million added by the House for Operation Phalanx is not required because it adds appropriation language and funds in Military Personnel and Operation and Maintenance for the Army National Guard to support another government agencies mission. The additional funding in Military Personnel and Operations and Maintenance for the Army National Guard would change this National Guard support into a DoD mission that benefits the Department of Homeland Security (DHS) at the expense of National Guard training requirements. The Department recommends \$19.0 million be redirected from the congressional add enhancement to restore the Defense Technology Innovation program congressional mark.

The Department strongly urges the conferees to support the President's Budget request of \$30.0 million and restore the \$75.0 million rescission for the Defense Technology Innovation program and Defense Technology Offset respectively. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

**Priority Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill**

Subject: Rescission to 2016 Appropriations for the Afghanistan Security Forces Fund (ASFF)

Appeal Citation: S. 3000, sec. 9014, 9016, Pg. 140, 141; SRpt. 114-263, Pg. 239, 240, Line 0

Appropriations: Afghanistan Security Forces Fund; National Guard and Reserve Equipment

Summary: The Senate rescinded \$400.0 million in prior-year funds appropriated for 2016. The House had no similar provision.

<u>Item</u>	<u>Budget</u>	<u>Budget Authority</u> (Dollars in Millions)		<u>House Appeal</u>	<u>Senate Appeal</u>
		<u>House</u>	<u>Senate</u>		
Afghanistan Security Forces Fund, S. 3000, section 9014, pg. 140	\$0.0	\$0.0	\$-400.0	\$0.0	\$400.0
Military Readiness, S, 3000, section 9016, pg. 141	\$0.0	\$0.0	\$1,000.0	\$0.0	\$820.0
National Guard and Reserve Equipment, S. Rpt. 114-263, 239 and 240	\$0.0	\$1,000.0	\$900.0	\$0.0	\$0.0

DoD Position/Impact: The Department strongly objects to the Senate section 9014 provision to rescind \$400.0 million of prior-year funds appropriated for 2016 ASFF because it would undermine 15 years of U.S. investment in the Afghan National Defense and Security Forces (ANDSF) force structure by failing to adequately fund sustainment of the Afghan forces.

At present, the overall ASFF program is almost 90 percent recurring sustainment costs: salaries and incentive pay, life support, equipment maintenance, facilities O&M, munitions, and fuel. The proposed \$400.0 million rescission represents a more than 10 percent cut to the total 2016 ASFF, which already sustained a \$110.0 million mark against the President's FY 2016 ASFF request. Further reductions will compromise the ability of the Afghan National Defense and Security Forces (ANDSF) to recover and reset after the 2016 campaign to be operationally ready and have adequate combat power for next year's campaign. Additionally, this rescission will delay needed procurements of critical items with long lead times that must be bought now to avoid future shortages, such as ammunition, uniforms, and repair parts; and would severely degrade ANDSF operational readiness rates, diminish combat power and maneuverability, and directly jeopardize the stability and security of Afghanistan, creating unnecessary risks to force protection for U.S. and coalition troops.

Historically, the Committee has expressed concerns that ASFF is funded almost 1 year ahead of need. This is no longer the case, as the Department has taken deliberate steps to address lagging ASFF obligation and execution rates. The current execution rate for FY 2016 ASFF is now 100 percent higher than the 3-year average. These improvements to ASFF obligation rates have been achieved despite long contract-award lead

times; the prioritization by Military Department Contracting Commands of processing equipment, parts & supplies contracts for U.S. forces and those of competing security partners; and the delayed receipt of the full FY 2016 ASFF appropriation due to late enactment of the defense appropriations bill. The FY 2016 ASFF appropriation is projected for over 70 percent obligation by September 30, 2016. If the rescission holds, the FY 2016 carry-over amount and full FY 2017 ASFF appropriation amount are insufficient to meet the sustainment and training requirements of the ANDSF.

The Committee report accompanying S. 3000 also notes three additional concerns: (1) procurement in excess of or counter to Afghan requests; (2) procurement of new equipment rather than refurbished or reset equipment; and (3) ability of the ANDSF to absorb new equipment.

The Department conducts procurement planning for ASFF-funded requirements in a prudent and forward-thinking manner while accounting for procurement and contracting timelines. Further, the Department conducts rigorous validation of all Afghan funding requirements and requires that ANDSF leadership identify trade-offs or offsets when requesting equipment that does not directly mitigate capability gaps or increase combat effectiveness in the current security environment. The Department also conducts semi-annual program reviews in Washington with Afghan senior leaders to review execution of requirements for major weapon systems and commodities and identify and agree on modifications or adjustments to existing plans.

Furthermore, the Department is seeking to transfer refurbished or reset equipment—specifically, HMMWVs—to the Afghan government rather than rely on the procurement of new vehicles. In response to previous discussions with the Committee regarding the viability of pursuing a reset or refurbishment plan to replace damaged or non-serviceable ANDSF equipment, the Department modified its concept for ground-wheeled vehicle (GWV) recapitalization. With an increasing operational tempo, the need to address the attrition of the Afghan HMMWV fleet has accelerated and is an unfunded requirement in FY 2017. This requires not only replacing and overhauling destroyed and damaged HMMWVs, but it also requires replacing light tactical vehicles with armored HMMWVs to provide protected mobility and reduce already high ANDSF casualties. A \$400 million rescission of FY 2016 funds would significantly hamper efforts to meet this emerging operational requirement. The Department is developing a program that will replace an estimated 25 percent of the ANDSF HMMWV fleet based on anticipated combat losses and damage that will be uneconomical to repair with new vehicles or excess US military vehicles that have been reset in a U.S. depot. The other 75 percent of ANDSF HMMWVs will be overhauled or refurbished to extend their service life. This plan will increasingly leverage the Excess Defense Articles process to obtain HMMWVs divested by the U.S. military once fielding of the Joint Light Tactical Vehicles begins in 2018.

Finally, the Department no longer procures large quantities of equipment on behalf of the ANDSF, as the focus of ASFF shifted to equipment sustainment beginning with FY 2015 ASFF. Purchases of major defense end-items are limited primarily to those aviation platforms that serve as combat enablers and mitigate the ANDSF close-air support gap, as well as to replenish stocks depleted by combat losses. The Department is enhancing the capacity of the Afghan Air Force to absorb aviation assets by investing in increased aircraft and equipment training and increasing training program throughput, commensurate with anticipated delivery schedules. With regard to aircraft, pilot training pipelines have been reassessed and increased over the next 18 months to ensure full utilization of future A-29 and MD-530 deliveries.

The Department takes seriously the Committee's recommendations and continues to reevaluate its execution and management of ASFF to ensure accountability for U.S. taxpayer funds. Moreover, the Department continues to work diligently to address the Committee's concerns, including those identified in prior year legislation, and still retain a combat effective and operationally capable ANDSF. Through careful identification of efficiencies and concerted efforts to find cost-savings where possible, the Department has steadily reduced the total ASFF program by roughly 70 percent over the past 6 years, to include the current FY 2017 ASFF request.

The additional \$1.0 billion added by the House and the \$900.0 million added by the Senate, respectively, for National Guard and Reserve Equipment is not required. The Department has steadily taken steps to ensure

National Guard and Reserve components are modernized along with active component forces. Further efforts do not align with the Department's funding priorities. The President's Budget request adequately funds the National Guard and Reserve equipment programs. The Department recommends \$220.0 million added by the Senate be redirected from the congressional add enhancement to restore the Afghanistan Security Forces Fund (ASFF) congressional mark.

The additional \$1.0 billion added for Military Readiness by the Senate is unrequested funding. The Department carefully evaluated the allocation of funding for Military Component readiness against other requirements, to include modernization, research and development, and support to international partners, as it prepared the FY 2017 budget request. While the Department welcomes additional funds for unit readiness, the realignment from the Afghanistan Security Forces Fund leaves this higher priority requirement inadequately funded. Furthermore, the Department avoids the significant deployment and sustainment cost of U.S. troops when the capabilities of partner nations are appropriately improved and supported. While readiness funds are essential, the incremental readiness level achieved with \$180.0 million of OCO funding does not outweigh enabling our partners to promote regional security and around the globe. The Department recommends \$180.0 million for the Senate be redirected from the congressional add enhancement to restore the Afghanistan Security Forces Fund program congressional mark.

The Department urges the conferees to exclude the Senate rescission section 9014 provision and support the President's Budget request of \$400.0 million for the Afghanistan Security Forces Fund (ASFF) program. Increase to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2017 security caps of the Bipartisan Budget Act of 2015.

Priority Department of Defense Budgetary Appeal
FY 2017 Department of Defense Appropriations Bill

Subject: Go to Files Tab and Print the Military Compensation Reforms 8-2-16 file for Hill Submission - Military Compensation Reform – Fiscal Year 2017 Increase in Military Basic Pay, Reforms to Healthcare, and Changes to Military Retirement

Appeal Citation: H.R. 5293, sec. 1, Pg. ; S. 3000, sec. 1, Pg.

Appropriations: Military Personnel Accounts

Summary: Fiscal Year 2017 Increase in Military Basic Pay – The House bill supports a 2017 annual military basic pay raise at 2.1 percent. The Senate bill supports the Administration’s proposed increase military basic pay of 1.6 percent for 2017.

TRICARE Reform –The House bill delays any modernization of the TRICARE health benefit, which would continue a benefit option that has not changed since 1995 and does not reflect current best civilian practices. The Senate’s provision, while modifying the administration’s proposal somewhat, puts the benefit changes in effect immediately.

Changes to Military Retirement – The House and Senate bills would expand the time period in which the uniformed services could offer continuation pay (CP) from the completion of the 12th year of service to anytime between the completion of the 8th and 12th year of service. In addition, it would reduce from 4 years to 3 years the amount of additional service required from a member upon receipt of continuation pay.

<u>Budget Authority</u> (Dollars in Millions)					
<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>

DoD Position/Impact: Fiscal Year 2017 Increase in Military Basic Pay – The Department supports the Senate bill, which is consistent with the Administration’s proposal as reflected in the President’s FY2017 Budget. The Department strongly objects to the House provision, which would set the rate of increase 0.5 percent higher than the Administration requested. Overall, military pay is healthy and exceeds the 70th percentile of wages for comparable civilians by age and education. Junior enlisted personnel are now paid at about the 90th percentile. In terms of real earnings, the average junior enlisted member, typically with just a high school degree, earns approximately \$47,000 per year compared to the median of \$26,104 for 16-24 year olds reported by the Bureau of Labor Statistics. This measure does not include the many special pays, bonuses, free medical care and a government-paid retirement plan that members would typically receive.

The Department is committed to a generous compensation package for those individuals willing to serve their country voluntarily. However, the Department cannot allow its personnel requirements to supplant investments in the readiness and modernization portions of the budget, which are essential to providing the needed training and equipment for these warriors. Balancing the available resources with readiness, capacity and capabilities, while maintaining a robust pay and benefits package, remains particularly important as the Department reshapes the force needed to remain effective in an uncertain future.

A 1.6 percent basic pay raise and current retention rates reflected within our force allow the Department to recruit and retain the requisite force and continue to offer a military pay and benefits package that remains competitive. It is important to emphasize that even with a lower basic pay raise, military compensation will still remain well above the 70th percentile, while achieving substantive savings. The cost of increasing the FY 2017 military pay raise by the additional 0.5 percent, which would occur under the House bill, is \$336

million in FY 2017 and approximately \$2.2 billion from FY 2017 – FY 2021. The Department strongly urges adoption of the Senate bill.

TRICARE Reform – The House provision substantially delays reform of the TRICARE health plan and fails to include important pharmacy co-pay adjustments and a sensible TRICARE for Life enrollment fee. As a result, the House version fails to capitalize on an estimated \$6.7 billion in health care savings between Fiscal Years 2017 – 2021. The Senate version includes reasonable pharmacy co-pay adjustments and, despite a 5-year phase-in period, includes meaningful TRICARE health plan reform. Taken together, this results in \$4.3 billion in savings between Fiscal Years 2017 – 2021. Unfortunately, the Senate version also fails to include a modest enrollment fee for TRICARE for Life beneficiaries, which foregoes an additional \$1.4 billion in savings over this time period. The Department prefers the Senate bill.

Changes to Military Retirement – The Department appreciates the flexibility provided in the House and Senate bills in connection with retired pay reform and urges the Congress to support the Department’s proposal, which would allow for the use of continuation pay (CP) for service members with up to 16 years of service, given varying retention rates across career fields and the uniformed services. Further, the Department urges Congress to support additional flexibility by allowing the Department to pay CP without a mandatory floor of 2.5 months of basic pay for all active component members and 0.5 months of basic pay for members in the Reserve Component. Eliminating the mandatory floor or allowing the Department to waive this required minimum payment would give the Services the ability to shape the force more effectively and efficiently. The Department urges modification of both the House and Senate bills to allow CP to be paid up to the 16th year of service and to allow the Department the flexibility to pay continuation pay as appropriate using a range between zero months of basic pay up to 13 months of basic pay for an active duty member or zero months of basic pay up to six months of basic pay for a reserve component member.

The below table captures the savings and cost (in red) associated with these reform proposals:

Department of Defense Appeals

Department of Defense Appropriations

FY 2018

February 2, 2018

Office of the Under Secretary of Defense (Comptroller)
Budget & Appropriations Affairs Directorate
Questions on this package of appeals:
Pam Bell @ 703-697-0733

FY 2018 Defense Department Appropriations Bill
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February 2, 2018

Afghanistan Security Forces Fund (ASFF)

1-3

**Department of Defense Budgetary Appeal
FY 2018 Department of Defense Appropriations Bill**

Subject: Afghanistan Security Force Fund (ASFF)

Appeal Citation: H.R. 3219, sec. 9019, pg. 165, 314; H. Rpt. 115-219, pp. 314, 317; S. JES, pp. 243, 254, 255

Appropriations: Afghanistan Security Forces Fund; National Guard and Reserve Equipment, (OCO); Operation and Maintenance National Defense Restoration Fund (OCO)

Summary: The Senate recommends a Fiscal Year (FY) 2018 ASFF appropriation of \$4.2 billion. This is a reduction of \$758.7 million below the budget estimate. The Senate reduced the FY 2018 ASFF budget due mostly to perceived excess forward financing and insufficient budget justification. The House had no similar provision. Rather, the House recommends a \$100.0 million rescission to FY 2017 ASFF.

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Sustainment: Excess forward financing: Light Air Sustainment; Excess forward financing: Other Aircraft Sustainment; Insufficient budget justification: Rotary-Wing Aircraft Sustainment; Insufficient budget justification: Special Mission Wing Aircraft Sustainment; Insufficient budget justification: ANA Combat Force Sustainment; Excess forward financing: Secure Communications; Excess forward financing: Night Vision Device Maintenance; and Unjustified growth: Site Improvement and Minor Construction (Afghanistan Security Forces, H. Rpt. 115-219, pg. 314, Senate JES, pg. 243)	\$2,660.9	\$2,660.9	\$2,268.4	\$2,660.9	\$2,660.9
Equipment and Transportation: Insufficient budget justification: Rotary-wing aircraft (Afghanistan Security Forces, H. Rpt. 115-219, pg. 314, Senate JES, pg. 243)	\$684.7	\$684.7	\$487.3	\$684.7	\$684.7
Training and Operations: Insufficient budget justification: Out of Country Fixed-wing Pilot Training; Insufficient budget justification: ASFF Training Program; Unjustified growth: MOD Advisors (Afghanistan Security Forces, H. Rpt. 115-219, pg. 314, Senate JES, pg. 243)	\$405.1	\$405.1	\$368.1	\$405.1	\$405.1
Sustainment: Unjustified growth: Police Salaries; Contract savings: National Maintenance Strategy (Afghanistan Security Forces, H. Rpt. 115-219, pg. 314, Senate JES, pg. 243)	\$955.6	\$955.6	\$823.9	\$955.6	\$955.6

Budget Authority
(Dollars in Millions)

<u>Item</u>	<u>Budget</u>	<u>House</u>	<u>Senate</u>	<u>House Appeal</u>	<u>Senate Appeal</u>
Rescission (Afghanistan Security Forces, H. R. 3219, sec. 9019, pg. 165)	\$0.0	-\$100.0	\$0.0	\$0.0	\$0.0
Offset - National Guard and Reserve Equipment, OCO (National Guard and Reserve Equipment, Senate JES, pg. 254, 255)	\$0.0	\$0.0	\$1,500.0	\$0.0	\$741.4
Offset - Operation and Maintenance National Defense Restoration Fund (OCO) (H. Rpt. 115-219, pg. 317)	\$0.0	\$2,000.0	\$0.0	\$1,900.0	\$0.0

DoD Position/Impact: The Department strongly objects to the Senate reduction of \$758.7 million for the FY 2018 Afghanistan Security Forces Fund (ASFF) and to the House rescission of \$100.0 million for the FY 2017 ASFF because the reductions, particularly the Senate marks, would severely hinder the President's new South Asia Strategy and the Afghanistan National Defense and Security Forces (ANDSF) Roadmap. The reductions place the strategy and roadmap at risk by underfunding essential mission elements – the Afghan Special Security Forces (ASSF) and the Afghan Air Force (AAF) – each critical to increasing the offensive capability of the ANDSF by expanding the ASSF and building AAF combat power. The funding gap created by these reductions will reduce the ANDSF's fighting capabilities and jeopardize U.S. and Afghan operational gains and successes earned in the past years, in addition to, disrupting and slowing the growth and training of Special Forces personnel and accelerating the delivery of U.S. made UH-60 aircraft to enable the divestment of Russian made Mi-17 aircraft, this will derail the resourcing of critical reforms to professionalize the ANDSF, improve the quality and commitment of its leadership, and relentlessly attack corruption, which in totality will result in increased success on the battlefield. The proposed ASFF reduction threatens the increase in the offensive capability of the ASSF, which would take place over this next year, and is critical to expand the Afghan government control across more of the country and ensure the safety and security to the Afghan population. Further, the Senate recommends reducing funding necessary to modernize the AAF, which disrupts efforts begun in FY 2017 to address lift and aerial fires capability shortfalls by transitioning the rotary wing fleet from Russian-manufactured helicopters to U.S.-manufactured UH-60 helicopters and expanding the fixed wing fleet. Any delays to this plan will increase costs, require sustained levels of U.S. support, and decrease airlift and aerial fires capabilities, while the AAF would remain reliant on Russian-made equipment. Currently, Congress prohibits the Department from procuring the parts to overhaul the Mi-17s. Such a significant underfunding of the second year of a multi-year procurement and sustainment transition plan will accelerate rather than reverse the decline of Afghan aviation capability by requiring the ANDSF to overuse existing aircraft and would jeopardize attainment of U.S. goals in Afghanistan.

The additional \$1.5 billion added by the Senate for the National Guard and Reserve Equipment program is not required. The restoration of the \$758.7 million in ASFF has a direct correlation to the operational readiness of the ANDSF and the effectiveness of the U.S. mission in Afghanistan and is a much higher priority and operational necessity than added equipment for the National Guard and Reserve. The Department strongly recommends \$758.7 million for the Senate be redirected from the congressional add enhancement to restore the ASFF program's congressional mark.

The additional \$2.0 billion added by the House for the Operation and Maintenance National Defense Restoration Fund (OCO) is available to implement the National Defense Strategy and improve military

readiness. Restoring the \$100.0 million rescission to ASFF has a direct correlation to the operational readiness of the ANDSF and the effectiveness of the U.S. mission in Afghanistan and is a much higher priority and operational necessity. The Department strongly recommends \$100.0 million for the House be redirected from the House added National Defense Restoration Fund to restore the ASFF program's congressional mark.

The Department urges the conferees to support the President's Budget request of \$4.9 billion for the FY 2018 ASFF and to abstain from rescinding prior-year funds. Increases to overall funding appropriation levels associated with this appeal are offset from lower priority activities, to keep the overall appropriation funding levels within the FY 2018 security caps of the Bipartisan Budget Act of 2015.