

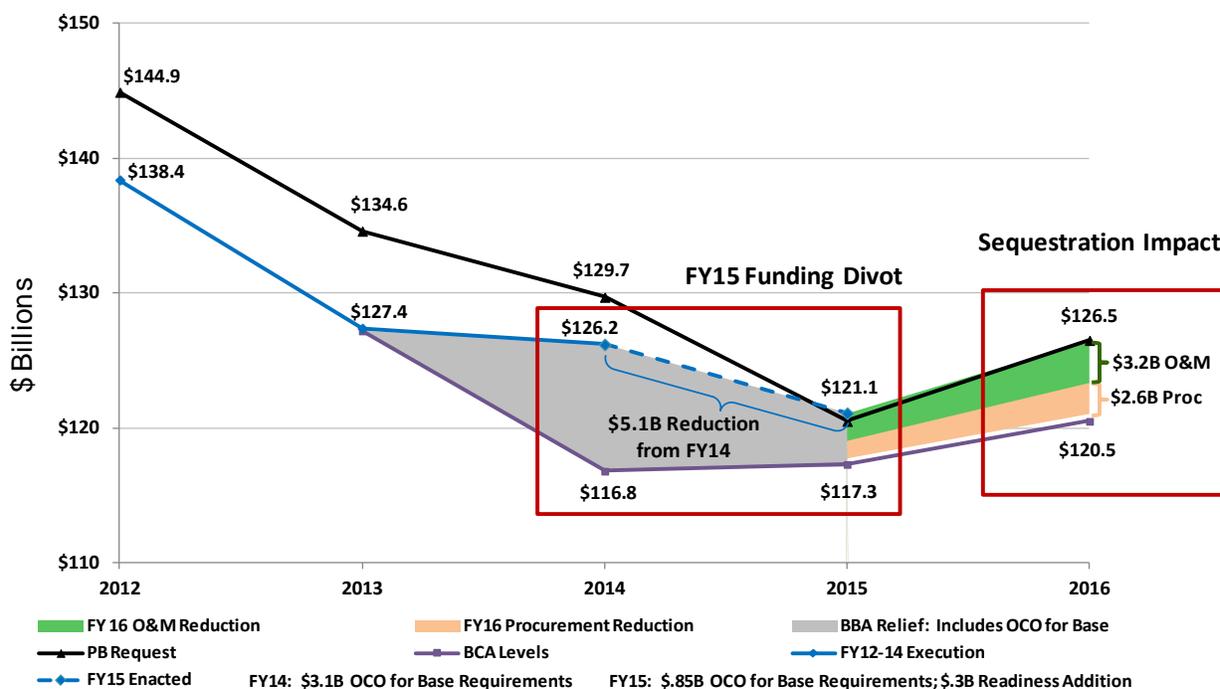
INFORMATION PAPER

ASA (FM&C), SAFM-BU
08 April 2015

SUBJECT: US Army Resourcing Strategy and Budget Overview

1. Background.

- America's Army stands at a pivotal point in history. As the velocity of instability throughout the world creates a greater demand on the US Army, the nation's fiscal environment has cast an equal measure of instability on the federal budget manifesting in years of unpredictability, turbulence, and a sharp decline in funding the nation's Army.
- In 2011, the federal government passed the Budget Control Act (BCA) establishing sequestered funding levels for the US Government. Enacting the BCA resulted in a substantial decline in the Army's readiness levels starting in Fiscal Year 2013, rendering much of the Army's operational units unready. Recognizing the untenable impact to the country's national security capability, the government took action and passed the Bipartisan Budget Act (BBA) of 2013. This legislation, while capping Defense funding well below previously requested resourcing levels for FY 2014 and FY 2015, was intended to provide the necessary predictability in funding levels for two years and temporary relief from sequestration-level spending cuts. Congress provided added relief in FY 2014 by legislating \$3.1B in Overseas Contingency Operations (OCO) funds could be spent for Base purposes. In FY 2015 the amount was \$850M. The combination of BBA and OCO for Base purposes legislation proved to be of great benefit to the Army in FY 2014, and to a lesser extent in FY 2015, as the Army's top line dropped \$5.1B from what was spent in FY 2014. The Army's FY 2016 budget request supports the President's budget and represents an attempt to pull the Army's out of this divot created by the BCA and BBA legislation. The below chart pictorially represents the oscillating nature of the Army's top line funding since 2012.



- US Army FY 2015 Funding Program.** The Army's FY 2015 Base Budget of \$121.1B, enacted to man, train and equip the Nation's Army, is comprised primarily of funds needed to support people and training to

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build near term readiness. Base Operations & Maintenance funds account for approximately 1/3 of the FY 2015 Base Budget and represents 2.9B or 57% of the overall top line reduction. To add context, this reduction to Operations & Maintenance is equivalent to FORSCOM's total O&M funding for FY 2015.

- Given the fiscal pressures created by the BCA and BBA and world events, the Army chose to preserve End Strength at the expense of Readiness and Modernization. Fiscal pressures require the Army ramp down to a programmed End Strength of 1,015,000 Soldiers across all three components by the end of FY2018 (AC-450K; ARNG-342K; USAR-195K). The speed of this downsizing is tempered by world-wide instability and should not be accelerated. In FY 2015, Operation and Maintenance Accounts that primarily fund near term readiness are inadequate; roughly 1/3 of its AC Brigade Combat Teams are mission ready. Installation readiness accounts are insufficient to sustain current readiness and MILCON funding is at a 15 year low. Similarly, the Army modernization investments in FY 2015 are ~18% of its total funding program compared with a 20 year historical average of 21% putting at risk the Army future technical advantage over its adversaries.
 - The FY 2016 Overseas Contingency Operations (OCO) budget, designed to fund contingency operations primarily in support of Southwest Asia operations, continues to be leveraged to supplement enduring Base requirements. Aside from the \$3.1B and \$850M legislated in FY 2014 and FY 2015, overtime \$6B of Base requirements and funding has migrated to OCO. OCO is a temporary funding source that the federal government has leveraged year after year to fund contingency operations and supplement Base funding shortfalls. While this is an imperfect short term solution, it is not desirable in the long term. The administration seeks to fund enduring requirements with enduring sources requiring a top line increase.
- 3. FY 2016 Budget Overview.** In support of the President's 2016 Budget submission, the Army requested a funding level of \$126.5B for Base funding and another \$20.7B of OCO to fund contingency operations (migrated Base requirements are included). This request is commensurate with what the US Army executed in FY 2014. It is the first step to digging out of the readiness divot in which the Army currently finds itself.

	2012	2013		2014		2015	2016	
PB Request (Base)	\$144.9B	\$134.6B		\$129.7B		\$120.5B	\$126.5B	
	Execution (\$B)	Enacted (\$B)	Execution (\$B)	Enacted (\$B)	Execution (\$B)	Enacted (\$B)	PB Request (POM High) (\$B)	BCA (POM Low) (\$B)
Appropriation (Base)	138.4	127.2	127.4	125.1	126.2	121.1	126.5	120.5
BCA (Sequestration)	138.0	127.2		116.8		117.3	120.5	
OCO	66.8	47.5	49.4	42.8	36.1	28.5	20.7	20.7
Total	204.8	174.7	176.8	167.9	162.3	149.6	147.2	141.2

- The FY 2016 President's Budget (PB) request will help the Army recover readiness and modernization lost in FY 2015; however, it only partially mitigates the risks inherent with funding reductions that continue to trend down. The request seeks to start the restoral of balance between End Strength, Readiness, and Modernization required to retain dominance as the world's premiere land force.
- The funding uncertainty in FY 2016 between the PB request and what is legislated under sequestration levels pose great risk to the Army's ability to support Combatant Commanders and emergent missions. Relief from funding levels prescribed by the BCA is crucial. The difference between the Army's Budget Request and the sequestered funding level represents a 6B reduction to Army readiness and

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modernization accounts. Resolving or mitigating the effects of the BCA is anticipated to be central to the debate of the FY 2016 Appropriations Acts.

4. FY 2016 Sequestration Impacts.

- If the Army does not get relief from sequestration in FY 2016, the approximate ~\$6B reduction describe above primarily impacts the Army's O&M (loss of ~\$3.2B) and Procurement (loss of ~\$2.6B) accounts.

APPN Drill Down (Base)	2012	2013		2014		2015	2016	2016
	Execution (\$B)	Enacted (\$B)	Execution (\$B)	Enacted (\$B)	Execution (\$B)	Enacted (\$B)	PB Request (POM High) (\$B)	BCA (POM Low) (\$B)
MILPERS	60.5	56.2	56.1	56.2	56.4	56.2	56.3	56.1
O&M	43.6	41.7	43.1	43.9	44.7	41.8	44.7	41.5
PROC	18.4	16.3	15.1	14.3	14.1	13.9	16.1	13.5
RDTE	8.6	8.0	8.0	7.1	7.1	6.7	6.9	6.9
MILCON	4.1	3.1	2.6	1.6	1.6	0.9	1.1	0.9
OTHER	2.8	1.9	1.3	2.0	2.3	1.6	1.4	1.6
Total Base	138.0	127.2	127.4	125.1	126.2	121.1	126.5	120.5
OCO	66.8	47.5	49.4	42.8	36.1	28.5	20.7	20.7
Total	204.8	174.7	176.8	167.9	162.3	149.6	147.2	141.2

- Sequestration combined with the “velocity of instability” manifests in significant risk in the Army’s ability to generate the necessary capacity and capabilities to counter the geopolitical reality unfolding around the world.
- Sequestration forces the Army to ration readiness. Regardless of funding levels, the Army is committed to keeping Combat Training Centers (CTCs) the centerpiece of training and a funding priority. To achieve that, home station training would be severely decremented to all but those units going to CTCs; perpetuating an Army of “haves and have-nots.”
- To meet BCA funding caps for FY 2016, and to prevent a hollow Army, the Army will be compelled to reduce active component end strength from 490K in FY 2015 to 420K by FY 2020 even as our nation ramps up its commitments around the world. Our total force comprised of Regular, Army Reserve, and National Guard will be reduced from 1.042 million to 920K, the lowest force levels since WWII.
- Sequestration forces the Army to accepted mid-term risk in its efforts to modernize, limiting the Army’s investments to equip Soldiers to meet the warfighting requirements of today and tomorrow.
- Sequestration challenges the Army to sustain a desirable balance between End Strength, Readiness, and Modernization forcing tradeoffs within strained funding levels. The imbalance created increases risk and a greater chance that we will have too few Soldiers, properly trained and equipped to meet the nation’s demands and the President’s Defense Strategic Guidance.