

**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 Appeal</u>	<u>Senate 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

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>
114-139, 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 Appeal</u>	<u>Senate 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> (<u>Dollars in Millions</u>)			<u>House</u> <u>Appeal</u>	<u>Senate</u> <u>Appeal</u>
	<u>Budget</u>	<u>House</u>	<u>Senate</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> (<u>Dollars in Millions</u>)		<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> (<u>Dollars in Millions</u>)		<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</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>		
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

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>
(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	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	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	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	40.6

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>
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

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>
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

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>
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

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>
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

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>
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

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>
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

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

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>
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	0.0	73.5
Offset - Authorization adjustment: Funding to support authorization proposal to accelerate	0.0	0.0	250.0	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>
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>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 - 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

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>
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>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>		
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. 114-63, pg. 22, undistributed)		-83.4	-132.3	83.4	132.3

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>
114-63, 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

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>
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

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>
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

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>
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.