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FY2018 Defense Budget Request: The Basics

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FY2018 Defense Budget Request

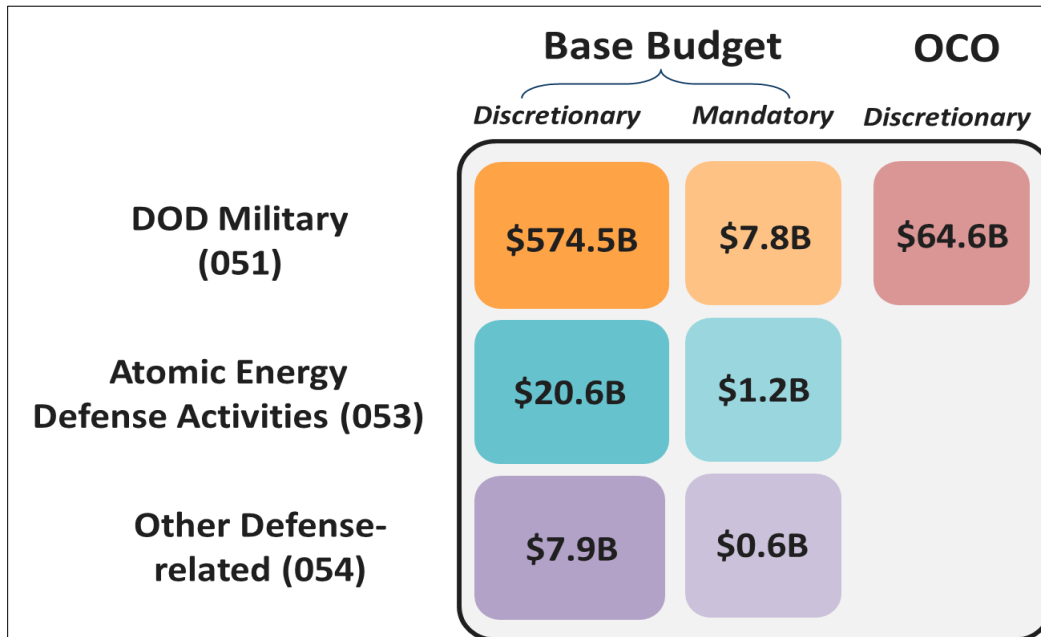
On May 23, 2017 the Trump Administration released its federal budget request for fiscal year (FY) 2018. The Administration proposed a total budget of \$677.1 billion for national defense-related activities of the federal government (budget function 050). Of the national defense total, \$667.6 billion is discretionary spending provided, for the most part, by the annual appropriations bill drafted by the Appropriations Committees of the House and Senate.¹ The remaining \$9.6 billion is mandatory spending, that is, spending for entitlement programs and certain other payments. Mandatory spending is generally governed by statutory criteria and it is not provided by annual appropriation acts.²

As has been typical in recent years, about 95% of that total (\$646.9 billion) is for military activities of the Department of Defense (DOD)—referred to as subfunction 051. The balance of the function 050 request comprises \$21.8 billion for defense-related atomic energy-defense activities of the Department of Energy (designated subfunction 053) and \$8.4 billion for defense-related activities of other agencies (designated subfunction 054) of which about two-thirds is allocated to the Federal Bureau of Investigation. See **Figure 1**.

¹ The budget includes \$6.4 billion to fund medical insurance for military retirees under the TRICARE for Life program. This annual TRICARE for Life payment occurs automatically, on the basis of permanent law rather as part of an annual appropriation, but, in terms of congressional budgeting rules, it is “discretionary” funding.

² Congressional Budget Office, <https://www.cbo.gov/content/what-difference-between-mandatory-and-discretionary-spending>.

Figure I. FY2018 Budget for National Defense (050)
(dollars in billions)



Source: OMB Analytical Perspectives (Table 25-1).

Note: Totals may not reconcile due to rounding. OCO is Overseas Contingency Operations

The term *base budget* refers to activities the Pentagon would pursue if U.S. forces were not engaged in combat (or combat-like) operations in Afghanistan, Iraq, Syria and elsewhere. In principle, the remainder of the DOD budget request funds the expected incremental cost of those contingency activities. Appropriations designated for Overseas Contingency Operations (OCO) are not subject to the discretionary spending limits established by the Budget Control Act of 2011 (BCA/P.L. 112-25).³

For FY2018, the Administration proposes a DOD budget totaling \$639.1 billion, of which \$574.5 billion comprises the discretionary base budget and \$64.6 billion is designated as OCO funding. The \$574.5 billion request for DOD is a 10% increase from the FY2017 enacted level (see **Table 1**).

Table 1. FY2018 DOD Military Request (Subfunction 051)

budget authority in billions of discretionary dollars

	FY2017 Enacted	FY2018 Request	FY2017-FY2018 Change	Percentage Change
Base	\$523.2	\$574.5	+ \$51.3	+10%
OCO	\$82.8	\$64.6	- \$18.2	- 22%
Total	\$606.0	\$639.1	+ \$33.1	+ 5.5%

³ For more information on the Budget Control Act, see CRS Report R42506, *The Budget Control Act of 2011 as Amended: Budgetary Effects*, by Grant A. Driessen and Marc Labonte.

Source: Department of Defense, FY2018 Budget Overview and CBO Estimate on the Consolidated Appropriations Act, 2017 (H.R. 244/P.L. 115-31).

Notes: Totals may not reconcile due to rounding.

Comparison of FY2017 Appropriations with FY2018 Request

Any comparison of the FY2018 request to FY2017 enacted amounts should be done with consideration that Division C of P.L. 115-31 included \$14.8 billion in OCO appropriations in Title X—Additional Appropriations. With exception of \$2.1 billion for counter-ISIL activities, amounts included in Title X were generally provided in response to the Trump Administration’s March 2017 request for \$24.7 billion in additional base budget authority for DOD.

Limits on the FY2018 Defense Budget Request

The current national defense (budget function 050) discretionary limit set by the Budget Control Act of 2011 (BCA/P.L. 112-25) is \$549.0 billion for FY2018. The Trump Administration proposes \$603.0 billion for base budget national defense discretionary spending in FY2018—\$54 billion more than the BCA limit. In the absence of the appropriate statutory changes to BCA, defense appropriations at the proposed level would trigger sequestration.⁴

A New Foundation for American Greatness—President’s Budget FY 2018 specifies that the Administration proposes to raise the defense discretionary caps for FY2018-FY2021 to accommodate the budget proposal.⁵ This document also indicates that the Administration seeks limits on discretionary spending through FY2027—six years beyond the period of the Budget Control Act (see **Table 2**).

The Administration’s proposal would offset the requested increases in defense spending with reductions to nondefense spending. The proposed caps represent a cumulative increase in national defense (function 050) spending of \$463 billion over the period FY2018-FY2027. These increases in defense are countered by a reduction in non-defense spending of \$1.5 trillion over the same period. In total, the President’s budget proposes a \$1 trillion cumulative reduction in federal discretionary spending by establishing such limits.⁶

Table 2. Administration Proposed Discretionary Limits: FY2018-FY2027

budget authority in billions

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Current BCA Limits										
Defense	549	562	576	590	—	—	—	—	—	—
Non-defense	516	530	543	556	—	—	—	—	—	—
Proposed Limits										

⁴ For information about sequestration see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

⁵ Office of Management and Budget, *A New Foundation for American Greatness – President’s Budget FY 2018*, May 23, 2017, at <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf>.

⁶ The BCA places limits on discretionary spending in two categories: defense (budget function 050) and non-defense (all other discretionary spending). For more information see CRS Report R44039, *The Budget Control Act and the Defense Budget: Frequently Asked Questions*, by Lynn M. Williams.

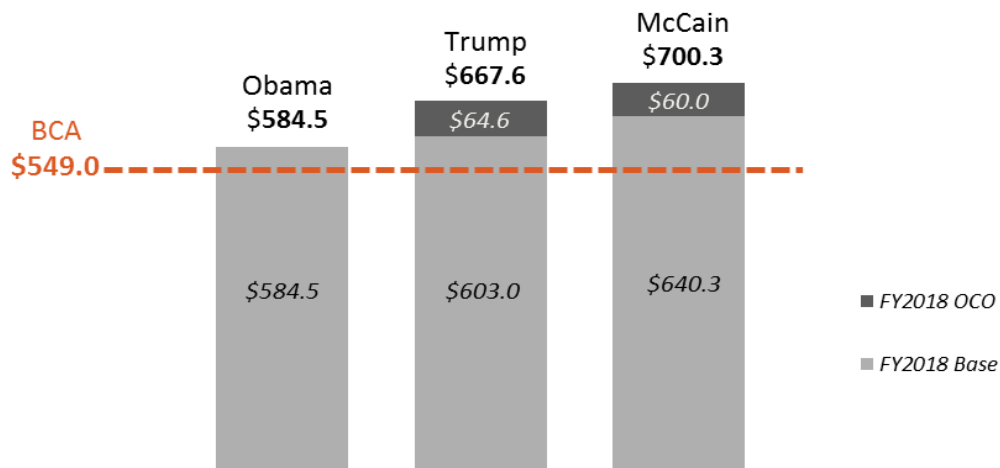
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Defense	603	616	629	642	655	669	683	697	712	727
Non-defense	462	453	444	435	426	417	409	401	393	385

Source: Office of Management and Budget, *A New Foundation for American Greatness—President’s Budget FY 2018*, Table S-7.

Notes: The Administration’s estimates through FY2022-FY2027 based on stated assumptions that programs will “grow at current services growth rates consistent with current law.” See footnotes 1-9 to the source table (S-7).

The Trump Administration’s proposed increase in base budget national defense spending—above the current statutory cap for FY2018—falls between two other notable FY2018 budget proposals that also would have exceeded the current BCA defense spending cap: the Obama Administration’s projected \$584.5 billion budget, and a projected budget of \$640.3 billion, proposed by Senate Armed Services Committee Chairman John McCain (see **Figure 2**).⁷

Figure 2. Selected Alternative FY2018 National Defense Budget Proposals
amounts in billions of dollars of discretionary budget authority



Source: CRS analysis of the Budget Control Act of 2011 (P.L. 112-25), as amended; National Defense Budget Estimates for FY2017 (Green Book); Office of Management and Budget, *America First: A Budget Blueprint to Make America Great Again*, March 16, 2017; and Senator John McCain, “Restoring American Power,” January 16, 2017.

Note: The Obama Future Years Defense Program (FYDP) included a placeholder for Overseas Contingency Operations indicating that funding would be needed, but no actual estimates were provided.

⁷ On January 16, 2017, Senator John McCain, released a defense budget proposal for FY2018-FY2022. Many, including House Armed Services Chairman Mac Thornberry have endorsed the McCain funding levels for FY2018. See “Restoring American Power: SASC Chairman John McCain releases defense budget white paper,” press release, <https://www.mccain.senate.gov/public/index.cfm/press-releases?ID=AA148EA0-8753-4483-8BEB-3D812D51F055>. 201, and Aaron Mehta and Joe Gould, “McCain, Thornberry rip White House budget plan on defense,” *Defense News*, February 27, 2017 at <http://www.defensenews.com/articles/analysts-new-white-house-plan-to-boost-defense-with-domestic-cuts-wont-happen>.

FY2018 DOD Military Base Budget Request

The DOD’s base budget request for FY2018 was a net of \$51.3 billion higher than the amount appropriated in FY2017, which is primarily driven by the DOD’s stated goal to “prioritize readiness by directing funding to specific items including end strength, training, maintenance, and munitions.”⁸ DOD documents supporting the request state that the budget:

- Sustains increased manning levels for the Army and Marine Corps as directed by the National Defense Authorization Act for Fiscal Year 2017 (NDAA/P.L. 114-328);
- Provides additional funding for operating forces, logistics, maintenance, training, and spares;
- Provides additional shipyard capacity and aviation depot maintenance for the Navy, as well as increased funding for spares, training targets and ranges;
- Funds additional end strength increases for the Air Force and Navy specifically to address readiness challenges.⁹

Table 3 provides a breakdown of the DOD base budget request by appropriations title. DOD’s request for procurement increased by 5.7% over the FY2017 enacted base level to \$108.8 billion. Additionally, the DOD budget request of \$82.7 billion for Research, Development, Test and Evaluation (RDT&E) spending is an 11% increase from the FY2017 enacted level (\$74.8 billion). Combined with the requested procurement amounts, DOD’s investment and modernization efforts increased slightly from \$183.6 billion in enacted FY2017 appropriations to \$197.7 billion.

The Operation and Maintenance (O&M) funding request also increases by about 11% from \$200.3 billion in FY2017 appropriations to \$223.3 billion in the FY2018 request. The O&M Overview states that the budget “funds a joint force in FY2018 with the capacity and capability to:

1. Get Ready: FY 2017 added resources to improve near term readiness
2. Get Balanced: FY 2018 budget request builds on readiness improvements in the FY 2017 budget and adds resources to balance the force
3. Get Bigger and More Lethal: The goal in FY 2019 will be to sustain the gains in FY2017/FY2018 and, informed by the new defense strategy, build further to achieve a bigger more lethal and ready force.”¹⁰

Table 3. FY2018 DOD Military Base Budget Request

budget authority in billions of discretionary dollars

Title	FY2017 Enacted	FY2018 Request	Change	Percentage Change
Military Personnel	\$135.7	\$141.7	+ \$6.0	+4.4%
Operation and Maintenance	\$200.3	\$223.3	+ \$23.0	+11.5%

⁸ Department of Defense, FY2018 Defense Budget Overview, at http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_Budget_Request_Overview_Book.pdf

⁹ Ibid.

¹⁰ Department of Defense, FY2018 Budget Estimates, *Operation and Maintenance Overview*, June 2017.

Title	FY2017 Enacted	FY2018 Request	Change	Percentage Change
Procurement	\$108.8	\$115.0	+ \$6.2	+ 5.7%
Research, Development, Test and Evaluation	\$74.8	\$82.7	+ \$7.9	+10.6%
Revolving and Management Funds and Other	\$1.5	\$2.1	+ \$0.6	+39.0%
Military Construction/Family Housing	\$7.7	\$9.8	+ \$2.1	+ 27.3%
General Provisions (net)	- \$5.6			
Total	\$523.2	\$574.5	+ \$51.3	+ 9.8%

Source: Department of Defense, FY2018 Budget Overview and CBO Estimate on the Consolidated Appropriations Act, 2017 (H.R. 244/P.L. 115-31), Table I Discretionary Appropriations, Fiscal Year 2017, with Adjustments.

Notes: Totals may not reconcile due to rounding. Military personnel amounts include amounts for Military-eligible retiree health care (MEHRC) accruals.

Selected FY2018 Defense Budget Issues

Military Personnel

Continuing the basic thrust of a congressional initiative in the FY2017 National Defense Authorization Act (NDAA), the budget request would sustain the currently authorized end-strength of the active-duty components of the Army and Marine Corps.¹¹ Active duty end strengths of those two services increased gradually in the years after 2001, but those increases accelerated between 2006 and 2010 in response to the tempo of operations in Iraq and Afghanistan. The active duty end-strengths of the two services peaked in 2011, the Army at slightly more than 566,000 and the Marine Corps at slightly less than 203,000.

Beginning with the budget for 2012, the Obama Administration proposed—and Congress generally approved—a drawdown in the two services, with the Army heading for a goal of 450,000 and the Marines toward a goal of 182,100.¹² The FY2017 NDAA changed that trajectory, rejecting proposals by the Obama Administration to continue the Army and Marine Corps reductions. Instead, that bill increased the Army’s authorized end-strength to 476,000—an increase of 16,000 over the budget request—and increased the Marine Corps end-strength to 185,000, an increase of 3,000 over the request.

The FY2018 budget request would continue those limits for the Army and Marine Corps and would slightly increase the limits for the Navy and Air Force, increasing each service by 4,000 to a total of 327,900 for the Navy and 325,100 for the Air Force.

All told, the FY2018 request would increase the active-duty end-strength of the armed forces to 1,314,000, an increase of 6,000 over the FY2017 end-strength cap. By one widely-used rule-of-

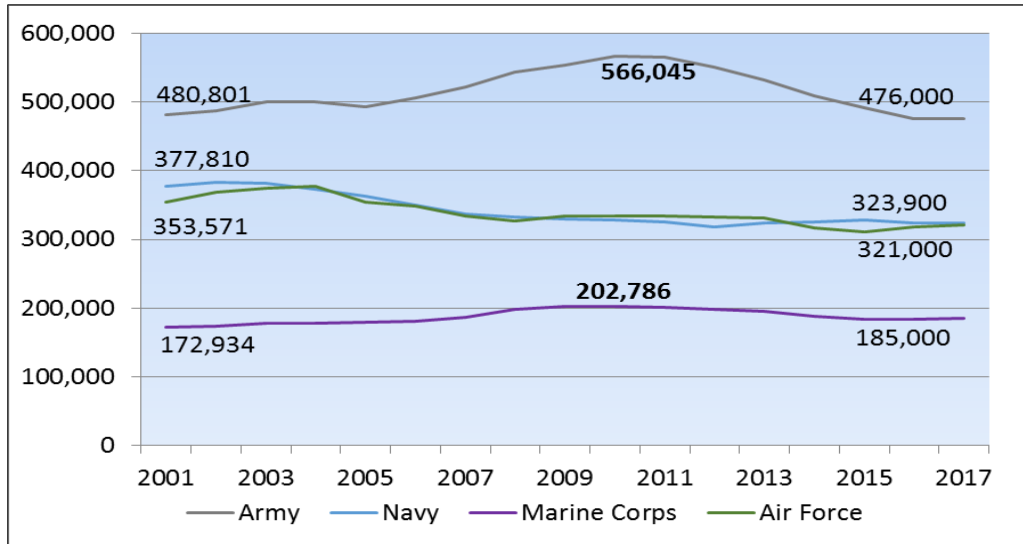
¹¹ The term “end strength” refers to the authorized strength of a specified branch of the military at the end of a given fiscal year (i.e., on September 30). Authorized strength means “the largest number of members authorized to be in an armed force, a component, a branch, a grade, or any other category of the armed forces.” the law also permits the service secretaries to exceed this maximum amount by up to 2%, and the Secretary of Defense to increase this maximum amount by up to 3%. 10 U.S.C. §115.

¹² Department of Defense, *FY2013 Budget Request Overview*, February 2017, p 4-13.

thumb, the annual pay and benefits for each additional active-duty service member cost about \$100,000. On that assumption, requested end-strength increase would cost about \$600.0 million, annually. (See **Figure 3**.)

Figure 3. Active-duty End-Strength, 2001-2017

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Source: Defense Manpower Data Center and FY2017 NDAA (P.L. 114-328).

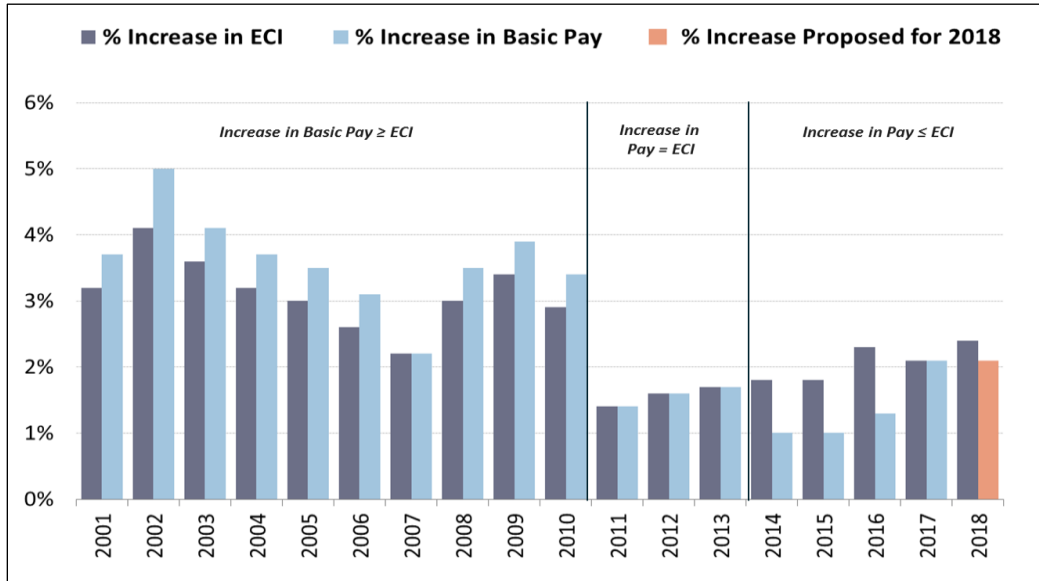
Notes: This table includes actual end-strengths for FY2001 through FY2016 and authorized end-strength for FY2017.

The FY2018 request proposes a 2.1% increase in basic pay for military personnel instead of the 2.4% increase that would occur automatically unless a different rate either is set by the President or enacted by law. Title 37 of United States Code provides a permanent formula for an automatic annual increase in basic pay that is indexed to the annual increase in the Employment Cost Index (ECI) for “wages and salaries” of private industry workers.¹³

In most years from 2001 through 2010, increases in basic pay were above ECI. From 2011 through 2014, raises were equal to ECI as per the statutory formula. From 2014 through 2016, the rate of military pay raises slowed as the President invoked his authority to set an alternative pay adjustment below the ECI, and Congress did not act to overturn those decisions. In 2017 the President proposed a pay raise that was lower than the ECI, but Congress included in the FY2017 NDAA a provision that set the pay raise at the ECI rate. The FY2018 budget would increase basic pay by 2.1%—the same rate as in FY2017—rather than 2.4% reflecting the ECI. The lower pay raise is estimated to save \$200.0 million in FY2018 (see **Figure 4**).

¹³ The automatic adjustment is equal to the increase in the ECI from the 3rd quarter of the third preceding year to the 3rd quarter of the second preceding year. For more information, see CRS In Focus IF10260, *Defense Primer: Military Pay Raise*, by Lawrence Kapp.

Figure 4. Increases in Basic Pay, 2001-2018



Sources: Bureau of Labor Statistics, Employment Cost Index. National Defense Authorization Acts for FY2001 – FY2018.

Notes: This table does not include other pay increases that were enacted through basic pay table reforms.

Long-Range and Nuclear-Armed Weapons

The budget request would sustain the current plan to each leg of the “triad” of long-range, nuclear-armed weapons modernize over the course of the next decade.¹⁴ The budget includes \$2.00 billion to continue development of the B-21 long-range bomber, which the Air Force describes as one of its top three acquisition priorities. Acquisition of the plane is slated to begin in 2023. The new bomber—like those currently in U.S. service—could carry conventional as well as nuclear weapons.¹⁵ For the latter role, the budget includes \$451.3 million to continue development of the Long Range Standoff Weapon, a cruise missile that would replace the 1980s-vintage Air-Launched Cruise Missile (ALCM) currently carried by U.S. bombers.

The budget includes a total of \$1.88 billion—\$1.04 billion in R&D funding plus \$842.9 million in procurement funds—to continue developing and preparing for construction of a dozen Columbia-class ballistic-missile submarines intended to replace the current fleet of Ohio-class missile submarines, slated to begin retiring in 2028. The budget also includes \$1.3 billion to continue refurbishing the Trident II (or D-5) missiles that arm the submarines.¹⁶

Also requested is \$215.7 billion to continue developing a new, land-based intercontinental ballistic missile (ICBM) that in 2029 would begin replacing the Minuteman III missiles currently in service.

¹⁴ For background and further analysis, see CRS Report RL33640, *U.S. Strategic Nuclear Forces: Background, Developments, and Issues*, by Amy F. Woolf.

¹⁵ DOD contends that, since the number of long-range bombers the Air Force operates is driven by their conventional mission, only a portion of the new bomber’s cost should be attributed to the nuclear force modernization.

¹⁶ For background and additional information see CRS Report R41129, *Navy Columbia Class (Ohio Replacement) Ballistic Missile Submarine (SSBN[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.

In general, the funding requests for modernization of the nuclear weapons force continue the established scope and pace of activity. However, those plans could change as a result of the Administration's Nuclear Posture Review, which is expected to be completed later this year.

Missile Defense and National Security Space Programs

The FY2018 budget request includes a total of \$9.2 billion for defense against ballistic missiles, of which \$7.9 billion would be allocated to the Missile Defense Agency, more than three-quarters of which is for research and development.

A total \$1.04 billion is requested for the Ground-Based Mid-course Defense System (GMD), which will comprise 44 interceptor missiles deployed in Alaska and California by the end of FY2017. These interceptors are intended to intercept long-range ballistic missiles launched toward U.S. territory. An additional \$822.8 million is requested to develop improvements to the GMD system, including an upgraded interceptor missile and improved radar to be deployed in the mid-2020s. Also requested is \$259.4 million for a more far-reaching upgrade that would allow each GMD interceptor to destroy multiple targets.¹⁷

For procurement, operations, and additional development work associated with the Theater High-Altitude Air Defense (THAAD) system, intended to intercept medium-range missiles, as well as aircraft, the budget requests a total of \$796.8 million.

A total of \$1.71 billion is requested for the anti-missile version of the Aegis system, developed by the Navy and deployed on ships and land-based sites in Poland and Romania.

The Administration is also seeking \$6.9 billion in funding for National Security Space activities, which includes \$1.9 billion to continue acquiring satellite launchers under the Evolved Expendable Launch Vehicle (EELV) program and developing a replacement for the Russian-made rocket engine used since the early 2000s in some EELV launchers.¹⁸

Ground Forces

The Administration's FY2018 budget request signals adjustments in the force structure of U.S. ground forces. Some indicators of this shift are several reductions from previous projections in the vertical lift aircraft programs, the modernization of current ground combat vehicles and the fielding of several new ground vehicles, and a continued increase in the quantity of the Army's unmanned aerial assets, specifically with MQ-1 Grey Eagles. The FY2018 budget, as compared to FY2017 projections, shifts its priorities towards the AH-64 Apache by adding 5 aircraft to the program, while reducing the CH-47 Chinook program by 7 aircraft, the UH-60 Blackhawk program by 12 aircraft, and the UH-1 Huey program by 5 aircraft.

Both the Army and the Marine Corps are heavily investing in a new ground utility vehicle called the Joint Light Tactical Vehicle (JLTV). During FY2018, the DOD plans initially to field 2,110 vehicles with the Army, 527 vehicles with the Marine Corps, and 140 vehicles with the Air Force as a partial replacement for the current High Mobility Multi-Wheeled Vehicles (HMMWV) at a

¹⁷ For background and additional information see CRS Insight IN10655, *Current Ballistic Missile Defense (BMD) Issues*, by Steven A. Hildreth, *Current Ballistic Missile Defense (BMD) Issues*, by Steven A. Hildreth, and CRS Report RL33745, *Navy Aegis Ballistic Missile Defense (BMD) Program: Background and Issues for Congress*, by Ronald O'Rourke.

¹⁸ For background on the EELV program – including information regarding concerns over U.S. reliance on the Russian-built RD-180 engine – see CRS Report R44498, *National Security Space Launch at a Crossroads*, by Steven A. Hildreth.

total cost of \$1.14 billion. The total original planned procurement, concluding in FY2040, was for 59,000 JLTVs, but Marine leadership recently said it wanted to increase its requirement from 5,500 to 9,091 JLTVs. In addition to the JLTV, the Army is requesting 107 Armored Multi-Purpose Vehicles (AMPV) at a cost of \$647.4 million to begin replacing an aging M-113 Armored Personnel Carrier (APC) fleet.¹⁹

Similarly, the Marine Corps is requesting \$340.5 million to begin fielding 26 Amphibious Assault Vehicles (ACV) 1.1, an updated, wheeled partial replacement for their legacy Amphibious Assault Vehicle (AAV). The Marine Corps' plan is to field 204 ACV 1.1s, and then begin fielding an ACV 1.2, a tracked version of the vehicle.²⁰

Naval Forces

The Navy's proposed FY2018 budget, as amended on May 24, 2017, requests the procurement of nine new ships, including one Gerald R. Ford (CVN-78) class aircraft carrier, two Virginia-class attack submarines, two DDG-51 class destroyers, two Littoral Combat Ships (LCSs), one TAO-205 class oiler, and one towing, salvage, and rescue ship. (The Navy announced on May 24, 2017, that it was amending its budget submission to include two LCSs for FY2018, rather than the one LCS shown in the Navy's original budget submission, which was delivered on May 23, 2017.) With one exception, these are the same ships that the Navy's FY2017 budget submission projected would be requested for FY2018. The exception is that the Navy's FY2017 budget submission projected an FY2018 request for one LCS rather than two (and consequently a total FY2018 request for eight new ships rather than nine).

A total of \$4.46 billion is requested to continue acquisition of *Gerald R. Ford*-class nuclear-powered aircraft carriers. This includes a \$2.6 billion increment to continue work on the second ship of the class (slated for delivery in 2024 at a total cost of \$11.4 billion) and \$1.9 billion to begin work on a third ship of the class, slated for delivery in 2027.^[1]

To continue a multi-year buy of *Virginia*-class attack submarines, the budget includes a total of \$5.3 billion that includes the bulk of the funding for two subs and advance procurement funding for subs slated for funding in future budgets.^[2]

To continue a planned multi-year buy of DDG-51-class destroyers, the budget includes \$3.5 billion for two ships. These "Flight III" versions of the DD-51 design will incorporate a new radar intended to enhance the ability of their Aegis air defense systems to intercept ballistic missiles.^[3]

The budget as originally released on May 23 includes \$636 million to procure one LCS. On May 24, the Navy amended its budget to request to include two LCSs. The Navy states that an additional \$541 million will be needed to convert the one-ship LCS buy into a two-ship buy. The

¹⁹ For more information see CRS Report RS22942, *Joint Light Tactical Vehicle (JLTV): Background and Issues for Congress*, by Andrew Feickert and CRS Report R43240, *The Army's Armored Multi-Purpose Vehicle (AMPV): Background and Issues for Congress*, by Andrew Feickert.

²⁰ For background and additional information see CRS Report R42723, *Marine Corps Amphibious Combat Vehicle (ACV) and Marine Personnel Carrier (MPC): Background and Issues for Congress*, by Andrew Feickert.

^[1] For background and additional information see CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

^[2] For background and additional information see CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

^[3] For background and additional information see CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.

Navy states that it will work to identify this additional funding from within its budget, and will print budget errata sheets. The Navy's FY2018 request, as amended on May 24, is thus for two LCSs and 1.2 billion.^[4]

The FY2018 budget request also includes \$466 million to complete funding of an oiler designed to refuel ships at sea for which \$73 million had been provided in the FY2017 budget. The FY2018 request also includes \$75 million in advance procurement funding for an oiler to be funded in a future budget.^[5]

The request also includes \$1.7 billion to complete funding of an LHA-type assault ship designed to carry a Marine Corps unit and the helicopters and aircraft to carry them ashore. The FY2017 Defense appropriation provided \$1.6 billion for this ship.

Combat Air Forces

The budget request includes \$10.8 billion for the Joint Strike Fighter program, funding procurement of 70 aircraft (46 F-35A, 20 F-35B, and 4 F-35C). The request would also fund continued development of the air vehicle and the F135 propulsion system, and also support development and operational testing.²¹

To compensate for the slower-than-planned fielding of the F-35—a so-called “5th generation” design incorporating stealth and other advanced technologies—the budget request includes funds to mitigate a shortfall in the Navy's fleet of strike fighters. The Administration requests \$1.3 billion for 14 Navy F/A-18s. The budget does not indicate F/A-18 purchases in future budget years. However, the Navy's Unfunded Priority List includes an additional 10 F/A18s as the service's top priority should additional funding be available.

The Air Force continues investments in modification of in-service aircraft—often referred to as legacy aircraft—with 23% of their aircraft procurement budget (\$3.5 billion) allocated to the effort. Modifications include continued modernization of legacy fighters such as F-22A, F-15, and F-16s. The Air Force budget maintains the A-10 fleet at its FY2017 inventory levels (143 active, 85 National Guard, 55 reserve).

The KC-46A aerial refueling tanker program continues into the fourth year of Low-rate Initial Production (LRIP), with \$3.1 billion for the procurement of 15 additional aircraft and support of continued development and testing.

The request also invests in several surveillance and reconnaissance aircraft:

- MQ-1 Gray Eagle (Army) - \$164.8 million for 11 aircraft,
- MQ-9 Reaper (Air Force) - \$709.3 million for 16 aircraft,
- P-8 Poseidon (Navy) - \$1.4 billion for 7 aircraft, and
- MQ-4 Triton (Navy) - \$636.3 million for 3 aircraft.

^[4] For background and additional information see CRS Report RL33741, *Navy Littoral Combat Ship/Frigate (LCS/FF) Program: Background and Issues for Congress*, by Ronald O'Rourke.

^[5] For background and additional information see CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.

²¹ For background and additional information see CRS Report RL30563, *F-35 Joint Strike Fighter (JSF) Program*, by Jeremiah Gertler.

Military Construction

For military construction (MILCON) and family housing in FY2018, the Administration has requested \$9.8 billion in the base budget and \$.6 billion in OCO funds, for a total of \$10.4 billion. This compares with \$8.2 billion appropriated for these programs for FY2017 and \$9.1 billion for FY2016. Approximately half of the Trump administration's requested OCO funds are for European Reassurance Initiative construction projects, primarily in Luxembourg, Hungary, and Slovakia (specified projects only).

Since FY2012, funding for projects within U.S. European Command (EUCOM) and U.S. Pacific Command (PACOM) areas of operations have generally constituted the majority (80%-95%) of all appropriated amounts.²² In the President's FY2018 request, projects within EUCOM make up 51% of requested appropriations, projects within PACOM account for 40%, and projects within U.S. Central Command (CENTCOM) account for 8% of the total.

DOD's requested increase in military construction funds would continue an upward trend that began in FY2015. The Department has indicated it would use the additional amounts in FY2018 to address key priorities that include: the bed-down of new missions (such as the arrival of Joint Strike Fighters at various locations); support to combatant commands (such as improvements to existing air bases); medical facility recapitalization (at Fort Bliss, Fort Leonard Wood, Walter Reed, and Rhine Ordnance Barracks), and; quality of life improvements (such as the replacement of Department of Defense schools).

Family Housing funds within the MILCON appropriation have generally remained level since FY2014, following a period of steep decline with the privatization of most of the DOD's government owned housing within the United States.²³

The Administration has also requested authorization to conduct a Base Realignment and Closure (BRAC) round in 2021. DOD has also recommended revising the legislation to include a requirement that the Secretary of Defense certify that the elimination of excess infrastructure as a primary objective, and that net savings would be achieved within five years of implementation. As further justification for a new BRAC round, senior officials have cited the need to revise stationing requirements to account for anticipated changes in force structure.

2018 Overseas Contingency Operations Budget Request

The FY2018 President's budget request includes \$64.6 billion for Overseas Contingency Operations (OCO) spending. The request reflects a \$5.1 billion reduction from the FY2017 request of \$69.7 billion. By comparison, defense appropriations for OCO in FY2017 totaled \$82.8 billion, of which approximately \$18 billion was intended to fund base budget requirements.²⁴ (See **Table 5**.)

²² Amount for U.S. Northern Command excluded.

²³ At enduring installations overseas, family housing funds still support more than 36,000 units.

²⁴ H.R. 244 Division C, Title X included \$2.2 billion in funding for Counter-ISIL Train and Equip Fund and Counter ISIL OCO Transfer Fund. CRS analysis of CBO estimate for Divisions A-L of H.R. 244, the Consolidated Appropriations Act, 2017 (P.L. 115-31), the Further Continuing and Security Assistance Appropriations Act, 2017 (P.L. 114-254), and the National Defense Authorization Act for FY2017 (P.L. 114-328).

According to DOD budget justification documents, the FY2018 OCO request would maintain a U.S. presence in Afghanistan, sustain personnel deployed to the Middle East to conduct operations against ISIL, build the capacity of the Iraqi and Syrian opposition forces, and support partner nations in counterterrorism efforts.²⁵ The request is based on force level projections in **Table 4**.

Table 4. Troop Levels for Overseas Contingency Operations
average annual troop strength

Force	FY2016 Actual	FY2017 Enacted	FY2018 Request
Afghanistan (OFS)	9,737	8,674	8,448
Iraq (OIR)	3,550	5,765	5,765
In-theater support	55,831	62,486	56,310
In CONUS/Other Mobilization	15,991	13,085	16,611
Total	85,109^a	90,010	87,134

Source: Department of Defense, FY2018 Defense Budget Overview.

Note: In-theater support includes Afghanistan, Iraq, Horn of Africa, and ERI.

a. FY2016 Enacted Total (85,109) was reported as 85,108 in the FY2018 Defense Budget Overview

Of the Administration’s \$64.6 billion request for OCO funding, over 70% (\$45.9 billion) is designated for Operation Freedom’s Sentinel (Afghanistan) and overall U.S. Central Command theater posture. The funding requested would maintain 8,448 U.S. military personnel in Afghanistan for train, advise, and assist (TTA) and counterterrorism efforts. Included in this amount is \$4.9 billion for the Afghan Security Assistance Fund to continue training and equipping of Afghan security forces, including procurement of aviation assets to support Afghan air force modernization.

The budget request includes \$13.0 billion to maintain a force level of 5,765 personnel in Iraq and Syria and support Operation Inherent Resolve. Of the amount requested, \$1.8 billion would fund the Counter Islamic State of Iraq and Syria Train and Equip Fund (CTEF)—\$1.3 billion for Iraq train and equip (T&E) activities and \$500 million billion for Syria T&E. The budget also includes \$850 million for Security Cooperation (SC) efforts aimed at building partner capacity to conduct counterterrorism, perform crisis response and other security activities.²⁶

The OCO request also includes \$4.8 billion to enhance U.S. presence in Eastern Europe, often referred to as the European Reassurance Initiative (ERI). The Administration states that the funding is to provide “near-term flexibility and responsiveness to the evolving concerns of U.S. allies and partners in Europe and helps to increase the capability and readiness of U.S. allies and partners.”²⁷ The majority of the requested funding (81%) would enhance U.S. presence in the region, providing \$1.7 billion to increase U.S. military personnel presence in Europe and \$2.2 billion to increase prepositioned stocks of U.S. military equipment in the region. The request also

²⁵ Department of Defense, FY2018 Defense Budget Overview, at http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_Budget_Request_Overview_Book.pdf.

²⁶ Formerly known as the Counterterrorism Partnership Fund; transitioned to broader authority that includes counterterrorism, crisis response, border security and other security cooperation support to partner nations by National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328).

²⁷ Department of Defense, FY2018 Defense Budget Overview, at http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_Budget_Request_Overview_Book.pdf.

includes \$150 million to “continue train, equip, and advise efforts to build Ukrainian capacity to conduct internal defense operations to defend its sovereignty and territorial integrity.”²⁸

Table 5. FY2018 DOD Overseas Contingency Operations Budget Request
budget authority in billions of discretionary dollars

Title	FY2017 Enacted	FY2018 Request
Military Personnel	\$3.8	\$4.3
Operation and Maintenance	\$60.9	\$48.7
Procurement	\$15.7	\$10.2
RDT&E	\$1.9	\$0.6
Revolving and Management Funds	\$0.4	\$0.1
Military Construction	\$0.4	
Total OCO Budget	\$82.8	\$64.6

Source: Department of Defense, FY2018 Budget Overview and CBO Estimate on the Consolidated Appropriations Act, 2017 (H.R. 244/P.L. 115-31), Table I Discretionary Appropriations, Fiscal Year 2017, with Adjustments.

Notes: Totals may not reconcile due to rounding. Enacted amounts include \$14.8 billion in “Additional Appropriations” provided in H.R. 244, Division C, Title X.

Unfunded Priority Lists (UPLs)

Section 1064 of FY2017 National Defense Authorization Act (NDAA/ P.L. 114-328) added 10 U.S.C. §222a to the U.S. Code, requiring each of the armed forces and the combatant commander to provide report on unfunded priorities.²⁹ The statute defines “unfunded priority” as a program, activity, or mission requirement that

1. is not funded in President’s budget for the fiscal year under consideration;
2. is necessary to fulfill a requirement associated with an operational or contingency plan or other validated requirement; and
3. would have been recommended for funding if additional resources were available, or the requirement had emerged since the budget was formulated.³⁰

The military services submitted their FY2018 unfunded priority lists (UPLs)—totaling \$32 billion—to Congress on June 1, 2017. The Army identified \$12.7 billion in unfunded priorities, including \$2.3 billion in funding for activities the Army associated as “Warfighter Readiness.”³¹ The Army’s UPL also identified additional funding needed for munitions (\$2.3 billion), increased capacity to grow end-strength (\$3.1 billion), weapon systems investments for modernization/improved lethality (\$4.9 billion), and military construction (\$579 million). Of the

²⁸ Ibid.

²⁹ 10 U.S.C. §222a requires the Chief of Staff of the Army, the Chief of Naval Operations, the Chief of Staff of the Air Force, the Commandant of the Marine Corps, and the commanders of the combatant commands to submit a report on their unfunded priorities to the congressional defense committees within 10 days of the President’s budget submission.

³⁰ 10 U.S.C 222a.

³¹ For example, the “Warfighter Readiness” category included increased funding for manning, training, sustainment, infrastructure and equipment.

\$4.9 billion in unfunded weapon systems investments, the Army cited air and missile defense, long-range fires, and munitions as their top priorities.

The Air Force reports \$10.7 billion in unfunded priorities including \$504 million in personal protective gear for Airmen (helmets, vests, and ruggedized footwear), night vision devices, communications equipment, and increased funding for training. Also listed are \$6.7 billion in “Readiness/Modernization” needs including 14 additional F-35s, three additional KC-46s, funding for an EC-130 avionics update, and additional investments in legacy aircraft modification/modernization programs. The Air Force UPL also cites shortfalls in Nuclear Deterrence Operations (\$360 million), Space (\$772 million), Cyberspace (\$563 million) and Infrastructure (\$1.8 billion).

The Navy’s unfunded priorities total \$5.5 billion. The Navy’s report to Congress prioritizes weapons systems purchases with requirements for \$740 million for 10 F/A-18’s, \$1.0 billion for 6 additional P-8A Poseidon Aircraft, \$390 million for four CMV-22s, and \$300 million for 5 ship-to-shore vessels and other weapon systems. Aviation logistics funding is at the bottom of the list, with no mention other of shortfalls in major ship repair/overhaul or depot maintenance.

Like the Navy, the Marine Corps stated unfunded priorities are heavily weighted toward aviation system procurements. Of the stated \$3.1 billion in unfunded priorities, \$2.4 billion is associated with aircraft and aviation systems procurement (six additional F-35s, four additional KC-130Js, two additional CH-53Ks, two additional MV-22 tilt-rotor aircraft, seven additional AH-1Z helicopters, and two C-40A transport aircraft). The Marine Corps report also cites \$482 million in unfunded “Ground” priorities, including military construction, facilities sustainment, night optics, and training munitions.

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