United States Air Force Fiscal Year 2014 Budget Overview

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Overview

- Air Force Heritage
- FY13...What happened
- FY13 to FY14
- FY14 PB
- Summary
The World’s Greatest Air Force
Powered by Airmen…Fueled by Innovation!

Air Force Heritage

- National Security Act of 1947
- The unparalleled leader
  - Ability to rapidly respond to global mission demands
- AF mission: Fly, Fight, and Win in Air, Space, and Cyberspace
- Core Missions:
  - Air and space control
  - Intelligence, Surveillance, and Reconnaissance (ISR)
  - Rapid Global Mobility
  - Global Strike
  - Command and Control
- Smallest Air Force in history

Future depends on speed, agility, and flexibility— inherent Air Force characteristics
Indispensable Joint Partner

- >35K Airmen deployed to contingencies around the globe
- ~57K Airmen stationed overseas
- >132K Airmen directly supporting Combatant Commander requirements from their home station daily

Enhance relationships and interoperability with our sister services
FY13 PB – Strategic & Fiscal Environment

**Defense Strategy**

- Focus on Asia-Pacific and Middle East regions
- Evolve strategic posture in Europe
- Size force for one large scale combined campaign, plus deter/deny capacity
- Seek innovative partnerships
- Protect new capabilities and key investments
- Smaller, modernized, agile, ready, reversible force

**Fiscal Reality**

- Budget Control Act of 2011: DoD must trim $487B over 10 years, $259B over five years
- $54B AF TOA in reductions across FYDP
  - AF TOA cut from FY12 enacted to FY13 PB
- Infrastructure – “over capacity”
- Avoid a hollow force
- Focus on key modernization programs
FY13...What happened

AF BLUE

FY13 PB: $110.1B
FY13 Enacted Post Sequester: $102.8B
FY13 Sequestration Impacts/Actions
- Limited available funds w/ 6 months left of fiscal year
  - MILPERS exempt
  - Upfront costs & must pay bills – civ payroll, utilities, & awarded contracts
- Flying Hours, weapon system sustainment (WSS), and civilian pay represents over 60% of the budget
  - Hours & sustainment are scalable programs
  - Furlough option
  - Will cause catastrophic impact to readiness w/ bow-wave of mission requirements into FY14

FY13 Actions
- Implemented ~$40B in efficiencies for FY12 & FY13 across FYDP
- Smaller, but capable Air Force
- Force Structure Changes
  - Reduce 119 A/C (terminates C-27J) & 4.9K slots
  - F-35A reduced by 5 in FY13; 98 across FYDP

Sequestration creates significant FY13 bow-wave into FY14
FY13 Sequestration Actions

- ~203K flying hours reduction
- Cut WSS by ~18% of budget
- Reduced MAJCOM/COCOM O&M spending targets by over 10%
- Implemented civilian hiring restrictions - hiring freeze, & released temporary employees; planning for furloughs
- Deferred all non-emergency Facility Sustainment, Restoration and Modernization (FSRM)
- Sequestration cuts drive significant impacts to investments

Bow-Wave Impacts to FY14

- 6 months to restore pilot proficiency – will create a potential bath tub effect
- ~70 deferred depot inductions - multiple years to recover
- Military education/training cycle backlog may affect promotions; increased risk on real-time communications for warfighter
- Impairs civilian retention & recruiting; creates bottleneck for hiring; increase workload for existing force
- Exacerbates facilities maintenance & restoration backlog – magnifies risk
- Investment reduction drives increased acquisition costs/delay critical capabilities
  - F-35A quantity reduction

FY13 sequestration jeopardizes FY14 Budget Request
FY14 PB BLUF

*$114.1B Blue Baseline

- MILPERS
  - Funds Housing/Subsistence allowances & pay raise
- O&M
  - Supports 1.2M flying hours, $7.8B
  - Resources WSS at 69%, $10.5B, for 5.2K aircraft
  - Funds FSRM at 80%, $2.4B
- MILCON
  - Funds KC-46A & F-35A bed-downs, 10 projects/$0.3B
- RDT&E
  - Continues KC-46A tanker development, $1.6B
  - Develops logistics, interoperability, & commonality systems for the F-35A, $0.8B
  - Designs and develops the Long Range Strike Bomber, $0.4B
- Procurement
  - Recapitalizes C-130 fleet, $1.9B
  - Procures 5 Evolved Expendable Launch Vehicles (EELV), $1.9B
  - Restores depleted Joint Direct Attack Munitions (JDAM) inventory, $0.2B

FY14 PB does not fix FY13 bow-wave nor assumes top-line cut

*FY14 OCO will be submitted separately
Military Personnel

U.S. AIR FORCE

<table>
<thead>
<tr>
<th>($B)</th>
<th>FY14 PB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Force Active Duty</td>
<td>23.2</td>
</tr>
<tr>
<td>Air National Guard</td>
<td>3.2</td>
</tr>
<tr>
<td>Air Force Reserve</td>
<td>1.7</td>
</tr>
<tr>
<td>Medicare Eligible Retiree Health Care</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29.2</strong></td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding

- Increases basic pay and allowances for Housing and Subsistence
  - Housing Allowance – 4.2%
  - Subsistence Allowance – 3.4%
  - Basic Pay – 1.0%
- Balanced Active – Reserve Component force structure mix aligns with current defense strategy
  - Total Force End-Strength (E/S) – 503.4K
  - Active Duty E/S decreases by 1.9K to 327.6K
  - Air Force Reserve E/S decreases by 0.5K to 70.4K
  - Air National Guard E/S decreases by 0.3K to 105.4K

- FY13 Sequestration Impact: MILPERS exempt

Maintain sufficient Total Force capacity to meet operational needs
Operation & Maintenance

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PB</td>
</tr>
<tr>
<td>Flying Operations</td>
<td>18.3</td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>11.4</td>
</tr>
<tr>
<td>Installation Support &amp; FSRM</td>
<td>6.4</td>
</tr>
<tr>
<td>Space/Other Combat Forces</td>
<td>6.1</td>
</tr>
<tr>
<td>Logistics Ops &amp; AF Wide Support</td>
<td>2.3</td>
</tr>
<tr>
<td>Training &amp; Recruiting</td>
<td>1.1</td>
</tr>
<tr>
<td>Mobility Forces</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$46.6</strong></td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding

- Provides 1.2M flying hours for pilot proficiency, new pilot production; supplies trained crews to COCOMs
- Pay and benefits for 184K civilian personnel...includes 1% pay raise
- Adequately supports core services – child/youth programs, fitness centers, dining facilities
- Funds facilities sustainment at 80% and slows erosion of Air Force infrastructure
- Continues ISR capability for today’s fight – on track to reach 65 CAPs in FY14
- Adds funding to restore under-resourced ranges; enhances full-spectrum training
- Supports current fleet of ~5.2K aircraft – funds WSS at 69%

**FY13 Sequestration Impact: Potential ~$4.4B FY13 O&M bow-wave**

Other threats to readiness – operational costs rising faster than the budget.
Military Construction, BRAC & Military Family Housing

<table>
<thead>
<tr>
<th></th>
<th>FY14 ($)</th>
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</thead>
<tbody>
<tr>
<td>Military Construction</td>
<td>1.3</td>
</tr>
<tr>
<td>Military Family Housing</td>
<td>0.5</td>
</tr>
<tr>
<td>BRAC</td>
<td>0.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1.9</strong></td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding

- **MILCON:** Supports the Air Force’s Strategic priorities to remain ready, capable, and viable to execute the Defense Strategic Guidance
  - Restores program after deliberate pause
  - Supports COCOMs by funding Pacific Airpower Resiliency ($192M), the 3rd increment ($136M) of STRATCOM HQ project, and Cyber Command Joint Operations Center ($85M)
  - Supports new mission bed-downs for KC-46A, F-35A, and F-22 ($337M)
  - Strengthens nuclear enterprise ($54M) (B-52; Nuclear Systems Wing & Sustainment Center)
  - Quality of Life – 2 new dorms (Nellis, Cannon) ($57M) and a dining facility ($7M) (Cannon)
- **MFH:** Improves MFH infrastructure and livability of 1,400 aging housing units in Japan
- **BRAC:** Enables property disposal actions driven by BRAC closures

**FY13 Sequestration Impact:** Potentially minimal ~$0.1B FY13 MILCON/MFH bow-wave

*Despite MILCON increase from FY13 PB, the AF remains challenged to maintain underutilized infrastructure*
Research, Development Test & Evaluation

<table>
<thead>
<tr>
<th>($B)</th>
<th>FY14 PB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational System Dev</td>
<td>8.2</td>
</tr>
<tr>
<td>Engineering Manufacturing Dev</td>
<td>5.1</td>
</tr>
<tr>
<td>RDT&amp;E Management Support</td>
<td>1.2</td>
</tr>
<tr>
<td>Applied Research</td>
<td>1.1</td>
</tr>
<tr>
<td>Demonstration/Validation</td>
<td>0.9</td>
</tr>
<tr>
<td>Adv Technology Dev</td>
<td>0.6</td>
</tr>
<tr>
<td>Basic Research</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>$17.6</td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding

- Modernizes air fleets to meet current and future threats
  - Continues development of the KC-46A tanker aircraft ($1.6B)
  - Develops, integrates and tests air systems - logistics, interoperability, and commonality efforts for the F-35A ($0.8B)
  - Designs and develops the Long Range Strike Bomber; program on track ($0.4B)
- Increases for Space Situation Awareness ($133M) to include Space Fence to search, track and identify the expanding number of debris objects in orbit
- Maintains Science and Technology funding to remain on the cutting edge of technology
- FY13 Sequestration Impact: FY14 Budget Request does NOT provide margin to repay programs that will be sourced to pay for critical readiness in FY13
  - Potential ~$1.6B FY13 RDT&E bow-wave

Modernization cannot wait for the next big up-tick in defense spending
## Procurement

<table>
<thead>
<tr>
<th>($B)</th>
<th>FY14 PB</th>
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</thead>
<tbody>
<tr>
<td>Aircraft Procurement</td>
<td>11.4</td>
</tr>
<tr>
<td>Missile Procurement</td>
<td>4.5</td>
</tr>
<tr>
<td>Other Procurement</td>
<td>2.2</td>
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<tr>
<td>Ammunition Procurement</td>
<td>0.7</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$18.8</strong></td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding

- Maintains F-35A procurement and ramps production up to 60 per year within FYDP
- Continues CV-22 and implements Multi-Year Procurement Strategy for C-130 platforms
  - Procures 3 CV-22s, 6 C-130Js and recapitalizes MC-130 and AC-130
- Invests in depleted munitions inventories
- Committed to annual production rate of evolved expendable launch vehicle booster cores based on restructured acquisition strategy
- Sustains Efficient Space Procurement strategy for Advanced Extremely High Frequency and Space Based Infrared System (SBIRS)
- Low Rate Initial Production begins for Family of Advanced Beyond Line of Sight Terminals

- **FY13 Sequestration Impact:** Potential ~$1.3B FY13 Procurement bow-wave

*Maintenance & sustainment costs are rising as budgets flatten, and new threats & technologies require investments*
## Major Procurement Quantities

*Subject to final sequestration inputs*

<table>
<thead>
<tr>
<th>AIRCRAFT</th>
<th>FY13*</th>
<th>FY13 OCO</th>
<th>FY14</th>
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<tbody>
<tr>
<td>MQ-9A Reaper</td>
<td>24</td>
<td>0</td>
<td>12</td>
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<tr>
<td>F-35A Lightning II</td>
<td>19</td>
<td>0</td>
<td>19</td>
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<tr>
<td>MC-130 Recapitalization</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>CV-22B Osprey</td>
<td>4</td>
<td>0</td>
<td>3</td>
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<tr>
<td>HC-130 Recapitalization</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>C-130J Super Hercules</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>AC-130 Recapitalization</td>
<td>2</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>0</td>
<td>50</td>
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<table>
<thead>
<tr>
<th>SPACE</th>
<th>FY13</th>
<th>FY14</th>
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</thead>
<tbody>
<tr>
<td>GPS III</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>SBIRS GEO</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>EELV</td>
<td>4</td>
<td>5</td>
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<tr>
<td>Total</td>
<td>8</td>
<td>7</td>
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<table>
<thead>
<tr>
<th>WEAPONS</th>
<th>FY13*</th>
<th>FY13 OCO*</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>JDAM</td>
<td>3,259</td>
<td>1,419</td>
<td>6,965</td>
</tr>
<tr>
<td>AGM-114 Hellfire</td>
<td>413</td>
<td>304</td>
<td>413</td>
</tr>
<tr>
<td>AIM-9X Sidewinder</td>
<td>164</td>
<td>0</td>
<td>225</td>
</tr>
<tr>
<td>AIM-120D AMRAAM</td>
<td>113</td>
<td>0</td>
<td>199</td>
</tr>
<tr>
<td>AGM-158 JASSM</td>
<td>157</td>
<td>0</td>
<td>183</td>
</tr>
<tr>
<td>Small Diameter Bomb</td>
<td>144</td>
<td>0</td>
<td>144</td>
</tr>
<tr>
<td>Total</td>
<td>4,250</td>
<td>1,723</td>
<td>8,129</td>
</tr>
</tbody>
</table>

Crafting the right mix of people & weapons to meet our national security obligations during this uncertain time is an incredible challenge.
PB Summary

- World’s greatest Air Force…a legacy of Global Vigilance, Global Reach, and Global Power to defend our great nation

- FY13 challenges pose significant risk to readiness…slows delivery of capabilities, disrupts planning efforts, and raises anxiety / uncertainty

- FY14 PB slows readiness decline assuming pre-sequester conditions…does not undo sequestration or allow post-sequester full-spectrum readiness recovery
  - Impacts continue and worsen with additional reductions

- We will continue making tough trade-offs to preserve our core capabilities and deliver on our commitment to national defense