FISCAL YEAR 2013 DEPARTMENT OF DEFENSE BUDGET

On February 13 President Obama released his fiscal year (FY) 2013 budget, including his request for the Department of Defense (DOD). The request is for $613.9 billion for national defense – $525.4 billion for the base budget and $88.5 billion for the Overseas Contingency Operations budget. These budgets represent approximately an 8 percent reduction from the FY 2012 budget. These reductions reflect cuts mandated in the Budget Control Act passed last year, but do not include potential cuts that may be needed should sequestration occur if the president and Congress cannot agree on further spending reductions or tax increases by January 2013.

Congress has begun its review of the defense budget. The House and Senate Budget, Armed Services, and Appropriations committees held a number of hearings regarding the defense budget throughout the past several months.

Significant highlights in the President’s proposal which are also areas of concern to The American Legion are:

Military Endstrength Reductions over the next five budget years:

Active Components
- Army to 490,000 by FY 2017 (down 72,000)
- Marine Corps to 182,100 by FY 2017 (down 20,000)
- Navy to 319,500 by FY 2017 (down 6,200)
- Air Force end strength to 328,600 by FY 2017 (down 4,200)

Reserve Components
- Army National Guard and Reserve to 558,200 by FY 2017 (down 5,000)
- Navy Reserve to 57,100 by FY 2017 (down 9,100)
- Air Force Reserve and Air National Guard to 170,700 by FY 2017 (down 7,400)
- No reductions to Marine Corps Reserve

Force Structure Reductions
- Army eliminating a minimum of 8 Brigade Combat Teams (pending further review)
- Marine Corps eliminating 6 combat battalions and 4 TACAIR squadrons
Air Force eliminating 7 TACAIR squadrons plus mobility aircraft: 27 C-5A’s, 65 C-130’s and 38 C-27’s

Navy retiring 7 cruisers and 2 Landing Ship Docks (LSDs)

In addition, the President proposed rebalancing forces and key capabilities from Europe to the Asia-Pacific and Middle East regions. This will involve reducing forces in Europe and adding forces to those already in the new regions. In addition, there are proposals to increase funding in the following categories: Special Operations Forces; Unmanned Air Systems; cyber-warfare capabilities; military space programs; and the KC-46 tanker fleet.

The President proposed several specific compensation changes. They are:

- **Basic pay raises**: 1.7% increase in FY 2013 then recommends slowing pay raises after FY 2014, capping them at 0.05 percent in FY 2015, 1 percent in FY 2016 and 1.5 percent in FY 2017;
- **Increase TRICARE enrollment fees** with a tiered approach according to retirement pay for retirees under 65 for Prime; new enrollment fees and higher deductibles for Standard and Extra; and new TRICARE-for-Life enrollment fees for retirees 65 and over with a tiered approach according to rank;
- **Increase pharmacy co-pays** to ‘incentivize’ retirees to purchase generic drugs and to use mail order prescriptions services and military treatment facility pharmacies.

No military retirement changes were proposed. However, the president proposed to establish a presidentially-appointed Retirement Modernization Commission, the purpose of which is to target military retirement benefits as a source of budget savings. The commission will be charged to review current benefits and the administration’s proposals for change of benefits. The Department of Defense would transmit to the commission its initial recommendations on how to change the military retirement system; the commission would hold hearings, make final recommendations, and draft legislation to implement its recommendations. The President would review the commission recommendations and send them to Congress. The proposal would include “grandfathering provisions” for current retirees and active-duty members.

Lastly, the budget requested two rounds of Base Closure and Realignment Commission (BRAC) adjustments in FY 2013 and FY 2015.

On July 19, by a vote of 326-90 the House passed **H.R. 5856**, the fiscal year 2013 spending bill for the Department of Defense (DOD). The bill totals $605.8 billion, which includes $87.7 billion in Ongoing Military Operations in Afghanistan.

During floor debate, a number of amendments were adopted. They included 4 separate amendments – all approved by voice votes – which transferred funds
from other DOD areas to reassign those funds to certain areas in the Defense Health Programs. Specifically, the transferred funds include: $15 million for spinal cord research; $10 million for Gulf War illness research, adopted by a voice vote; $10 million for traumatic brain injury and PTSD research and treatment; $10 million to increase suicide prevention outreach; and $5 million for eye injury research. In a healthcare-related area, an amendment was introduced by Rep. Cliff Stearns (FL) to prohibit the implementation of an enrollment fee for the TRICARE for Life program. This amendment passed by a recorded vote of 399-17.

Other adopted amendments included the prohibition of funds relating to the reduction of this country’s nuclear forces. There was also an amendment prohibiting the use of funds to implement another round of Base Realignment and Closure (BRAC).

Some of the major funding proposals include:

- $175.2 billion for Operations and Maintenance, which provides for operating and maintaining the armed forces, which is $12.1 billion more than the current year;
- $128.5 billion for Military Personnel, which includes pay and allowance, training, bonuses and incentive pays, and health and retirement benefits, a total which is $2.6 billion less than FY 2012;
- $102.5 billion for Procurement accounts, allowing DOD to provide the troops with the best weapons and equipment possible, $2.1 billion under current totals; and,
- $70 billion for Research, Development, Testing and Evaluation (RDTE), which aims to keep U.S. armed forces as up-to-date and modernized as is practicable; this funding amount is $2.4 billion less than FY 2012 spending amount.

Some specific accounts funded include:

- $32.8 billion in Defense Health Program costs;
- $15.2 billion to procure 11 Navy ships including 3 DDG-51 Arleigh Burke-class destroyers and advanced procurement for 2 SSN-774 Virginia-class attack submarines;
- $5.2 billion for 29 F-35 Lightning II (formerly the Joint Strike Fighter) aircraft, including $2.7 billion in continued RDTE costs;
- $2.6 billion for 37 F/A-18E/F Hornet carrier-based aircraft;
- $2.4 billion for 69 UH-70 Blackhawk and 42 MH-60S/R helicopters;
- $2 billion for the National Guard and Reserve Equipment account;
- $1.7 billion for 18 MV-22 and 4 CV-22 Osprey aircraft;
- $1.3 billion for chemical agents and munitions destruction;
- $1.1 billion for drug interdiction and counter-drug activities of DOD;
- $986 million for 12 E/A-18 Growlers electronic warfare aircraft, including advance procurement for 15 additional Growlers;
$792 million to maintain and modernize 3 Navy cruisers slated for decommissioning; and,
$519 million for the Cooperative Threat Reduction program, which secures and dismantles weapons of mass destruction and their associated infrastructure in former Soviet states.

The Senate has not yet voted on its version of this measure.