



COMMITTEE *on* APPROPRIATIONS

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SUMMARY

DEPARTMENT OF DEFENSE FISCAL YEAR 2015 APPROPRIATIONS BILL

Subcommittee Mark: June 15, 2014

Washington, DC - The Department of Defense (DoD) Appropriations Act, 2015 provides \$549.3 billion in base and overseas contingency operation funding, compared to \$572 billion enacted in fiscal year 2014 and \$550.7 billion in the President's budget request. The base budget appropriation is \$489.6 billion with \$59.7 billion for Overseas Contingency Operations (OCO) of the Departments of Defense and State, compared to \$85.2 billion for DoD OCO enacted for fiscal year 2014.

U.S. Senator Dick Durbin (D-Ill.), Chairman of the Defense Subcommittee, said:

"Today's bill makes targeted investments in support of the Defense Department's most valuable resource - the three million active duty, reserve and civilian employees. It sets clear priorities, removes \$11.7 billion in unnecessary funding and reinvests those funds where they are needed the most. It also sets out to maintain the U.S. defense industrial base for the long term.

"This bill also protects America's leadership at the cutting edge of innovation. For decades, Defense Department technologies have revolutionized the world. Many of these breakthroughs began as a novel solution to a military problem. We must continue to invest in medical breakthroughs and technological advancements that keep us at the forefront of innovation, improve the health and safety of our troops and contribute to our overall national security."

The Department of Defense Appropriations Act, 2015 emphasizes the following priorities:

- (1) Supporting our Troops, Veterans and their Families;**
- (2) Investing in Innovation to Maintain our Technological Edge;**
- (3) Restoring Readiness and Supporting High Priority Programs; and**
- (4) Instituting Reforms**

Supporting our Troops, Veterans and their Families

The three million active duty, reserve and civilian employees are the Department of Defense's most valuable resource. The bill protects investments in, and makes targeted increases for, the members of the Armed Forces, their families and the civilian employees of the Department of Defense. Major initiatives include:

- Funding the one percent pay raise for military and civilian personnel, as requested by the Department and authorized by the Senate Armed Services Committee;
- Providing an additional \$25 million for continuation and expansion of the Special Victims' Counsel Program to provide victims of sexual assault with legal assistance and support. Congress is committed to addressing this epidemic in the military. With this additional funding, sexual assault prevention funding will have nearly tripled over the past three years;
- \$3.6 million for Health Artifacts and Imaging Management Systems to support ongoing efforts between DoD and the Department of Veterans Affairs to better manage veterans' health information and improve care;
- \$3 million for the Healthy Base Initiative, which promotes wellness practices for troops and their families living on base;
- Restoring \$200 million to maintain operations at commissaries, pending the commission on compensation report due next year; and
- \$15 million for an initiative to provide pre-kindergarten through 12th grade Science, Technology, Engineering and Mathematics (STEM) education activities for military children.

Investing in Innovation to Maintain our Technological Edge

Investing in basic and advanced research has been a critical part of the strength of the U.S. economy and our dominance on the battlefield. There are numerous examples of DoD-initiated research efforts that have had significant impacts across society. It is imperative that we continue to invest in medical breakthroughs and technological advancements that keep us at the forefront of innovation, improve the health and safety of our troops and contribute to our overall

national security. The bill does this by making significant investments in research. Major initiatives include:

- Increasing DoD's core medical research budget as well as Congressionally-directed medical research funding by \$789 million, or five percent more than the amounts in the fiscal year 2014 Senate bill. These increases will be focused in the competitively awarded Peer-Reviewed Medical Research Program and Peer-Reviewed Cancer Research Program. The bill also includes report language emphasizing collaboration between the Department and the National Institutes of Health in research efforts, and expressing concern on the shortage of mental health providers within the Department;
- Adding \$257 million to basic (non-medical) research for the Army, Navy, Air Force, and the Defense Advanced Research Projects Agency (DARPA), equating to a five percent increase from fiscal year 2014 levels; and
- \$25 million to fund a competition to develop a new domestic rocket engine: the Competitive Rocket Innovation - Modern Engine Arrangement.

Restoring Readiness and Supporting High Priority Programs

Sequestration in fiscal year 2013 had a major impact on the operations of the Department of Defense. Restoring readiness remains a top priority of all the service chiefs, particularly regarding depot and facility maintenance. The bill eliminates billions in wasteful, unnecessary and duplicative funding across all branches. Instead of relying on across the board reductions, the bill proposes 517 specific cuts to programs and redirects some of the approximately \$11.7 billion in savings to higher priorities. The targeted reductions break down as follows:

- Improving funds management: 57 percent of the cuts (\$6.6 billion) are due to excess prior year unobligated funding and forward financing;
- Restoring acquisition accountability: 23 percent of the cuts (\$2.7 billion) are due to schedule delays, unit cost growth, troubled acquisition strategies, concurrency or poor contractor performance;
- Maintaining program affordability: 11 percent of the cuts (\$1.3 billion) eliminate unnecessary growth in programs; and
- Reducing duplication: nine percent of the cuts (\$1.1 billion) are for duplication of programs, deficient budget documentation or terminated programs.

The bill provides a balanced approach to limit further risk to our forces in targeted areas. Significant items include:

- \$1.9 billion for readiness shortfalls, including \$1 billion for facility sustainment, a top service priority that was substantially impacted by sequestration cuts. It also includes an additional \$360 million for depot maintenance;
- \$848.7 million for the modernization of CVN 73, the USS George Washington;
- \$80 million for the Littoral Combat Ship (LCS) program for long-lead parts to purchase the final ship of the block buy next year, at this year's pricing;
- \$338 million to maintain the A-10 fleet. The bill also contains \$31 million to continue operations of the full fleet of 31 E-3 AWACs radar aircraft;
- \$1.3 billion to purchase 12 EA-18G Growlers, including \$100 million to support the current production line;
- Procurement of 34 F-35 Joint Strike Fighters, the same as the President's budget request;
- \$125 million for an additional competitive space launch;
- Stabilizing the ground vehicle industrial base by adding \$75 million for the Improved Recovery Vehicle, \$37 million for the Bradley Fighting Vehicle, \$120 million for the Abrams tank and \$61 million for Stryker vehicle development and production; and
- Supporting the Israeli Government request for \$621.6 million for Israeli missile defense programs, including \$351 million for Iron Dome.

Instituting Reforms

In addition, reforms aimed at increasing efficiency, saving money and improving resource management are made across the Department. Major initiatives include:

- Directing a \$20 million reduction to management headquarters for the Office of the Secretary of Defense. This is a five percent reduction in personnel funding to ensure that the Office of the Secretary of Defense be included in the targeted savings goal of 20 percent of management headquarters funding by 2019;
- Eliminating the five percent discount for tobacco and tobacco-related products sold at military exchanges;
- Transferring funding to a new defense agency to take over the Prisoner of War/Missing in Action (POW/MIA) mission, consistent with a Senate Armed Services recommendation. The Government Accountability Office's 2014 Annual Report on opportunities to reduce overlap and duplication identified the personnel accounting mission as an area of high risk;

- Recommending \$443 million in reductions in fiscal year 2015 due to overestimation of civilian workforce targets;
- Allowing a pay freeze for general and flag officers and slowing the growth of the basic allowance for housing (BAH), saving \$8.8 billion in personnel costs over the next five years;
- Eliminating several special interest provisions that have been continued for many years, sometimes decades;
- Directing the Government Accountability Office (GAO) to conduct a new review of how DoD issues award fees to contractors on programs that are behind schedule or over budget;
- Provisions to prohibit voluntary military education funding from being used for advertising and marketing, and designate voluntary military education funding as Federal funding for purposes of the 90/10 rule. The bill also contains report language that strengthens the third party audit process and requires the Department to better track outcomes of students receiving education funding;
- Provisions requiring military base exchanges to abide by the Accord on Fire and Building Safety in Bangladesh for the sale of private label brands and trademarked products. The bill also directs a preference be given to retail suppliers that are signatories of the Accord;
- Preventing inverted corporations – those companies that re-incorporate overseas in order to reduce the tax burden on income earned abroad – from receiving any funds in the bill and including a new, tighter definition of what qualifies as an inverted corporation for purposes of Defense contracting;
- Directing the Department to report on the feasibility and cost of the DoD assuming responsibility for conducting security clearance investigations for DoD personnel. The bill also encourages the Secretary of Defense to consider measures to streamline data sharing for continuous personnel security evaluations and threat analysis;
- Cutting \$500 million, or three percent, from the information technology (IT) budget request. Trimming IT funding will help prioritize and better target non-cybersecurity IT investments in an era of fiscal constraint; and
- Directing the Missile Defense Agency (MDA) to improve acquisition strategies for two major new acquisition programs to avoid repeating previous mistakes where the system was rushed to fielding without being properly tested.

Detailed Bill Summary

Military Personnel

The bill provides \$128.4 billion in the base for military personnel. The recommended level fully supports the needed end strength and includes a one percent pay raise. It also follows through on Congress' reversal of the cost-of-living adjustment (COLA) reduction by adding \$507.5 million to fully fund military retirement benefits.

Operation and Maintenance

The bill provides a total of \$165.8 billion in base funding for the operation and maintenance accounts, which represents three percent growth in operation and maintenance funding from the fiscal year 2014 enacted amount in order to restore readiness levels affected by sequestration cuts. This growth enables the Department to begin establishing a new readiness posture and transition from a force focused largely on current operations to one capable of meeting a broader mission portfolio.

The bill includes a one percent pay raise for the civilian workforce and supports requested personnel increases for intelligence and cyber mission areas and decreases based on a 20 percent management headquarters reduction over the next five years. The bill also maintains a strong commitment to taking care of the troops and their families and includes an additional \$10 million for expanded access to mental and behavioral health care and an additional \$25 million for the continued implementation and expansion of the Sexual Assault Special Victim's Counsel Program.

Procurement

The bill provides \$91.4 billion for procurement and grants new start procurement authority for programs to fill critical capability shortfalls. Additional significant items include:

- \$100 million to the Combat Rescue Helicopter to help pay down the Air Force identified fiscal year 2016-2017 shortfall of \$436 million;
- \$200 million for an additional joint high speed vessel;
- \$800 million to incrementally field an LPD-17, as authorized;
- \$102.0 million for an additional MC-130J;
- \$7.3 million in procurement and \$27.4 million in Operations and Maintenance funding for the Civil Air Patrol; and
- \$82 million to continue Tomahawk missile production.

Research, Development, Test and Evaluation

The bill provides \$62.6 billion for research and development. The bill also provides new start authority for needed programs, which would not be allowed to proceed under a full-year continuing resolution (CR). Significant items include:

- Full funding for the Army's Armored Multi-Purpose Vehicle (AMPV) program, allowing it to proceed on schedule. The bill also dedicates \$4 million within Army studies to analyze whether the Stryker, or any other vehicle, can compete in a follow-on to the AMPV program;
- Adding \$30 million to MDA Ground-Based Midcourse Defense program to improve system reliability and maintainability;
- Providing an additional \$30 million for DARPA basic research;
- \$7 million for research opportunities at the nation's Historically Black Colleges and Universities;
- \$75 million for the Rapid Innovation Fund, which supports small businesses around the country in their efforts to provide leap-ahead technologies to meet our national security needs;
- Full funding for the Air Force's Long Range Strike Bomber and KC-46 tanker development programs;
- Full funding for the F-35 Joint Strike Fighter development and test program;
- \$25 million to begin a new competitive rocket motor engine development program; and
- Supporting the Space Modernization Initiatives and the innovative solutions the Air Force is developing to replace current satellite constellations.

Overseas Contingency Operations

The bill provides \$58.3 billion for DoD Overseas Contingency Operations. Significant items include:

- \$2.9 billion for cooperative counterterrorism programs, to include expanded engagement with countries such as Jordan, Yemen and Libya over the next two years. Of the funds made available, \$1.9 billion is provided in the new Counterterrorism Partnerships Fund to be carried out within existing authorized programs, and provides revised annual caps on

counterterrorism assistance. An additional \$1 billion is provided in the traditional operation and maintenance account for operations and partnership activities in 2015;

- Authorizes a DoD-led program to train and equip vetted elements of the Syrian opposition;
- \$1 billion for the European Reassurance Initiative, part of the President's OCO request to support the rotation of the U.S. Armed Forces through Europe and to increase train and equip programs for European countries. The bill requires that not less than \$30 million be spent in support of Baltic nations, and not less than \$75 million in support of Ukraine, both of which are substantial increases to current plans;
- \$4.1 billion for the training and sustainment of Afghanistan's security forces;
- \$250 million to dispose of unexploded ordinance on U.S. bases in Afghanistan over the next two years, which will ensure that all remaining U.S. bases will be cleared of explosives prior to their transition to Afghani control;
- \$1 billion for the National Guard and Reserve Equipment Account; and
- Carries \$1.4 billion for Department of State and \$46 million for DoD – Military Construction OCO.

Other

- Guantanamo: The bill retains previous language on Guantanamo, but allows the fiscal year 2015 National Defense Authorization Act to supersede the provisions should changes be enacted in that legislation.
- Climate Change: The bill addresses climate change by adding \$25 million each for the Army, Navy and Air Force for alternative energy research that is contributing to reduced emissions. In addition, report language further encourages DoD to continue aggressively planning for the effects of climate change, particularly in regard to the Arctic, adding \$5 million to Arctic Domain Awareness programs at DARPA.
- Arsenal Sustainment: the bill adds \$225 million to further stabilize rates at the three manufacturing arsenals, and directs the Secretary of Defense to report on recommendations to ensure that all of the services, in addition to the Army, are maximizing work opportunities for the arsenals.

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