



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

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(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2685 – Department of Defense Appropriations Act, 2016

(Rep. Rogers, R-KY)

The Administration strongly opposes House passage of H.R. 2685, making appropriations for the Department of Defense (DOD) for the fiscal year ending September 30, 2016, and for other purposes. The Administration supports investments essential to execute the President's national security and defense strategies, and appreciates the Committee's recognition that the President's Budget level is needed for DOD, as well as its support of the Counterterrorism Partnerships Fund, which is a vital partnership-focused approach to counterterrorism. However, the bill drastically underfunds critical investments in DOD's base budget and instead uses Overseas Contingency Operations (OCO) funding in ways that leaders in both parties have made clear are inappropriate. Base budget sequestration levels will damage our ability to restore readiness, advance badly-needed technological modernization, and keep faith with our troops and their families. Meanwhile, shifting base budget resources into OCO risks undermining a mechanism meant to fund incremental costs of overseas conflicts and fails to provide a stable, multi-year budget on which defense planning and fiscal policy are based. The use of OCO funding to circumvent budget caps in defense spending also ignores the long-term connection between national security and economic security and fails to account for vital national security functions carried out at non-defense agencies.

In addition, the bill fails to support many of the needed force structure and weapons system reforms included in the President's Budget, and undermines a new Base Realignment and Closure (BRAC) round that would allow DOD to properly align the military's infrastructure with the needs of its evolving force. The President's defense strategy depends on investing every dollar where it will have the greatest effect, which the Administration's FY 2016 proposals will accomplish through critical reforms that divest unneeded force structure, slow growth in compensation, and reduce wasteful overhead. The Committee's changes would constrain the ability of DOD to align military capability and force structure with the President's defense strategy, and would require the Department to retain unnecessary force structure and weapons systems that cannot be adequately resourced in today's fiscal environment, contributing to a military that will be less capable of responding effectively to future challenges. The bill also continues unwarranted restrictions regarding detainees at Guantanamo Bay. If the President were presented with H.R. 2685, his senior advisors would recommend that he veto the bill.

Enacting H.R. 2685 and adhering to the congressional Republican budget's overall spending limits for FY 2016 would hurt our economy and shortchange investments in middle-class priorities. Sequestration was never intended to take effect: rather, it was supposed to threaten such drastic cuts to both defense and non-defense funding that policymakers would be motivated to come to the table and reduce the deficit through smart, balanced reforms. The Republican framework would bring base discretionary funding for both non-defense and defense for

FY 2016 to the lowest real levels in a decade. Compared to the President's Budget, the cuts would result in tens of thousands of the Nation's most vulnerable children losing access to Head Start, more than two million fewer workers receiving job training and employment services, and thousands fewer scientific and medical research awards and grants, along with other impacts that would hurt the economy, the middle class, and Americans working hard to reach the middle class.

Sequestration funding levels would also put our national security at unnecessary risk, not only through pressures on defense spending, but also through pressures on State, USAID, Homeland Security, and other non-defense programs that help keep us safe. More broadly, the strength of our economy and the security of our Nation are linked. That is why the President has been clear that he is not willing to lock in sequestration going forward, nor will he accept fixes to defense without also fixing non-defense.

The President's senior advisors would recommend that he veto H.R. 2685 and any other legislation that implements the current Republican budget framework, which blocks the investments needed for our economy to compete in the future. The Administration looks forward to working with the Congress to reverse sequestration for defense and non-defense priorities and offset the cost with commonsense spending and tax expenditure cuts, as Members of Congress from both parties have urged.

The Administration would like to take this opportunity to share additional views regarding the Committee's version of the bill.

Department of Defense

Sequestration and Misuse of OCO Funds. The Administration strongly objects to the sequestration level appropriations in the bill for items that were requested in and belong in the base budget, as well as the use of OCO—a funding mechanism intended to pay for wars and not subject to the budget caps—to pay for \$37.5 billion in base requirements. Sequestration adds risk to our national security by threatening the size, readiness, presence, and capability of our military, and threatens the economic security on which our national security depends. The Committee clearly recognizes that the President's Budget level for defense is needed, but proposes to fund it by circumventing instead of increasing the budget caps. This approach fails to provide the stable, multi-year budget on which defense planning is based; undermines a mechanism meant to fund incremental costs of overseas conflicts; locks in unacceptable funding cuts for national security activities at non-defense agencies like the Departments of State, Homeland Security, and Veterans Affairs; and also undermines national security by undermining the Nation's economic security.

Guantanamo Detainee Restrictions. The Administration strongly objects to sections 8100, 8101, and 8102 of the bill, which would restrict the Executive Branch's ability to manage the detainee population at the Guantanamo Bay, Cuba detention facility. Sections 8100 and 8101 would prohibit the use of funds for the transfer of detainees to the United States and for the construction, acquisition, or modification of any facility to house Guantanamo detainees in the United States. Section 8102 would continue restrictions relating to transfers of detainees abroad. The President has repeatedly objected to the inclusion of these and similar provisions in prior legislation and has called upon the Congress to lift the restrictions. Operating the detention facility at Guantanamo weakens our national security by draining resources, damaging our

relationships with key allies and partners, and emboldening violent extremists. These provisions are unwarranted and threaten to interfere with the Executive Branch's ability to determine the appropriate disposition of detainees and its flexibility to determine when and where to prosecute Guantanamo detainees based on the facts and circumstances of each case and our national security interests. Sections 8100 and 8102 would, moreover, violate constitutional separation-of-powers principles in certain circumstances.

Military Compensation and Retirement Modernization Commission (MCRMC). The Administration looks forward to working with the Congress and MCRMC to improve our military compensation and retirement systems, and encourages the Congress to support the additional recommendations for which the Administration has transmitted legislation. The Administration continues to evaluate how the more complex recommendations of a Blended Retirement System would affect the All-Volunteer Force, and expects to provide the Committee with further views on this proposal in the near future. The Administration looks forward to continuing to work with the Congress and MCRMC on other provisions, to meet our solemn responsibility to ensure that any changes protect the long-term viability of the All-Volunteer Force, improve quality-of-life for service members and their families, and safeguard the fiscal sustainability of the military compensation and retirement systems.

Compensation Reform. The FY 2016 Budget request provides the funding and common-sense reforms that will ensure that service members receive competitive pay and benefits and critical training and equipment. The Administration believes it is imperative to slow the growth of basic pay and housing allowances, modernize military healthcare, and reform how commissaries operate, and strongly encourages members of the Congress to support these reforms, which would save \$1.7 billion in FY 2016 and \$18 billion through FY 2020.

Prohibition on Conducting Additional Base Realignment and Closure (BRAC) Round. The Administration strongly objects to the proposed \$10.5 million reduction to funds that would support a 2017 BRAC round. This impairs the ability of the Executive Branch to plan for contingencies or make other needed adjustments that would improve military effectiveness and efficiency. The Administration 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.

A-10 Aircraft. The Administration strongly objects to section 8120 of the bill, which is inconsistent with DOD's fiscal constraints and current priorities. Section 8120 would restrict DOD from obligating or expending funds to retire A-10 aircraft. This restriction would eliminate about \$350 million in savings for FY 2016 and \$4.7 billion in savings through FY 2019. Further, it puts at risk needed recapitalization efforts adversely impacting the acquisition and manning of the Air Force fighter enterprise. DOD needs to focus its resources on the Joint Strike Fighter and other multi-mission aircraft, which will replace the A-10's singular mission of close air support while also providing other critical capabilities.

Aviation Restructure Initiative (ARI). The Administration strongly objects to section 8116 of the bill, which does not allow the transfer of any AH-64 Apache helicopters in FY 2016 and will negatively affect the Army's readiness and ability to prepare and deploy forces to meet ongoing

operations. The FY 2015 National Defense Authorization Act (NDAA) established limitations on the ARI, but provided for the transfer of certain numbers of aircraft in time for congressional review of the report of the Commission on the Future of the Army before transfer of additional aircraft. Delaying the transfer until the passage of the FY 2016 NDAA will damage the readiness of Army units in the 1st Infantry Division whose 24 AH-64s must transfer in October 2015, the 25th Infantry Division whose 24 AH-64s must transfer in February 2016, and the 10th Mountain Division whose 24 AH-64s must transfer in June 2016. The National Guard Bureau has concurred with the transfers and has plans in place with the States involved for the first 48 Apache aircraft. DOD's plan for the transfer of select numbers of aircraft between the components in FY 2016 is in compliance with the FY 2015 NDAA and is the same as the number of Apache aircraft (72) that the National Guard Bureau agreed to transfer in its aviation proposal. The Administration urges the Congress to remain consistent with the FY 2015 NDAA and permit the transfer of 72 Apache aircraft in FY 2016.

Missile Defense Programs. The Administration strongly objects to funding reductions to several ballistic missile defense programs, specifically, the proposed reduction of \$61.4 million to Improved Homeland Defense Interceptors (also known as the Redesigned Kill Vehicle program), which is needed to improve the reliability, producibility, and sustainability of the Ground-Based Interceptor. This reduction will delay the program beyond the required 2020 timeline to protect the United States. In addition, the Administration opposes the \$25 million reduction to the Command, Control, Battle Management and Communications program and the \$13 million reduction to the SM-3 Block IIA interceptor program. Funding for both efforts is critical to meet the President's European Phased Adaptive Approach Phase III. Finally, the Administration objects to the Committee-proposed reductions of \$38.2 million to Technology Maturation Initiatives and \$26.2 million to Special Programs. These efforts are critical to ensuring the United States stays ahead of future ballistic missile threats.

Defense Meteorological Satellite Program. The Administration strongly objects to the elimination of all funding for the Defense Meteorological Satellite Program (DMSP)-20 and its launch. By 2017, only one DMSP satellite will be within its design life. DOD has certified that this fully-built and recently-refurbished satellite is a cost-effective solution to the expected shortfall in polar-orbiting weather satellites, which the Government Accountability Office has chronicled in its High Risk List. Because weather satellite data are shared among defense, intelligence, civil, and international users, eliminating this satellite would have broad implications, including reduced accuracy of weather prediction models and degraded efficiency of surveillance and reconnaissance platforms. Launching DMSP-20 also provides a competitive launch opportunity, which is a cornerstone of the Department's strategy to maintain assured access to space.

Funding Restriction on the Enforcement of the Energy Independence and Security Act of 2007. The Administration strongly objects to the prohibition of funding for the enforcement of section 526 of the Energy Independence and Security Act of 2007. This provision undercuts a law that provides an environmentally sound framework for the development of future alternative fuels, which contribute to a diverse, cost-competitive energy supply that enhances American energy security.

Unrequested Funding. In this fiscally constrained environment, the Administration strongly objects to the billions of dollars provided for items that were not in the FY 2016 Budget request, offset by equal reductions to higher priority items that the military needs. Unrequested items

include \$1 billion for extra Joint Strike Fighters, \$1 billion for additional F-18 aircraft, \$1.1 billion to reverse planned savings associated with compensation reform proposals, \$1.5 billion for National Guard and Reserve Equipment, \$1 billion for additional Army vehicles and weapons systems, \$635 million to fund an Afloat Forward Staging Base, and \$65 million for an additional CV-22 Osprey aircraft. The Administration has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness in developing the FY 2016 Budget. The Administration also objects to section 8006 of the bill, which places spending on unrequested items into statute.

DDG-51 Destroyers. The Administration strongly objects to the reduction of \$136.8 million in DDG-51 shipbuilding funds. This reduction would make the DDG-51 program unexecutable, and preclude award of the second FY 2016 DDG as the initial Flight III ship. This reduction would prevent the Navy from fielding the Flight III variant as planned, resulting in a delay of critically needed Integrated Air and Missile Defense capability to the Fleet.

Defense Health Program. The Administration strongly objects to the bill's \$1.4 billion reduction to the Defense Health Program within Operation and Maintenance. Military medicine has had dramatic cost increases in FY 2015, and these costs are projected to continue to rise. DOD has taken aggressive action to address increases in costs where possible and has strategies in place to continue these efforts. However, we must ensure the health of the force and their families, along with upholding 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.

Aircraft Carrier Replacement Program. The Administration objects to the bill's \$74.7 million reduction to the Department of the Navy's Aircraft Carrier Replacement Program, ship construction account. This funding reduction impacts five systems critical to the ship's required capability, presenting unacceptable risk to CVN 79 being delivered as a fully usable military warfighting asset. The Department of the Navy, in conjunction with industry, has implemented oversight and funding proposals that will yield cost reductions in CVN 79 as compared to CVN 78. Any further reduction would place additional risk to delivering integral warfighting systems and would likely inhibit the Aircraft Carrier Replacement Program's ability to meet the FY 2014 NDAA cost limitations for CVN 79 procurement.

Space Modernization Initiative (SMI). The Administration objects to the \$191 million reduction in SMI funding for the Space Based Infrared System (SBIRS) and Advanced Extremely High Frequency (AEHF) System. The Department's 2014 Space Strategic Portfolio review recommended significant changes to our space-based capabilities in the face of dramatically increasing threats. The SMI is the critical resource to enable the evolution of the current SBIRS and AEHF systems to assured architectures, consistent with the DOD analyses. Full funding of SMI allows the Department to dramatically reduce the technical, programmatic, and operational risks of these required architecture changes in advance of the major acquisition contract award, and assure that we will not suffer a capability gap in our most important mission areas. Failing to invest in SMI technology maturation now will limit these systems to 1995 sensor technology and the associated obsolescence in our next satellite acquisition.

Limitation on Authorization for Certain FY 2016 Projects. The Administration objects to section 8111 of the bill, which would limit expending funds associated with the construction of the Joint

Intelligence Analysis Complex Consolidation (JIAC), Phase 2, at Royal Air Force Croughton, United Kingdom, and would limit action to realign forces at Lajes Field, Azores, until the Department conveys specific information to the Committee. The Administration looks forward to working with the Congress on this issue in order to avoid the potential for significant financial costs during a period of constrained resources, uncertainty among our allies that share equities in the JIAC, and disruption in intelligence support to the warfighter.

Operation and Maintenance, Procurement, and Military Personnel Reductions. The Administration objects to the billions of dollars of undistributed reductions in the bill across the Operation and Maintenance, Procurement, and Military Personnel accounts. The Operation and Maintenance reductions would be applied to specific programs, which include facilities sustainment, restoration, and modernization line items. These reductions will delay the Department's full-spectrum readiness recovery efforts.

Digital Accountability and Transparency Act of 2014 (DATA Act). The Administration appreciates the support the Committee provided for the DATA Act by fully funding the FY 2016 Budget request for the Department of Defense to implement the Act.

Classified Programs. The Administration looks forward to providing its views on the adjustments contained in the Classified Annex to the bill once it becomes available.

Additional Constitutional Concerns. Several other provisions in the bill raise constitutional concerns. For instance, section 8117 may interfere with the President's authority as Commander in Chief and section 8009 could interfere with the President's authority with regard to sensitive national security information.

The Administration looks forward to working with the Congress as the FY 2016 appropriations process moves forward.

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