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

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(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 1558 – Department of Defense Appropriations Act, 2016

(Sen. Cochran, R-MS)

The Administration strongly opposes Senate passage of S. 1558, 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 increased resources are needed for national defense. However, the bill drastically underfunds critical investments in DOD's base budget and instead uses Overseas Contingency Operations (OCO) funding for base requirements 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 fiscal year (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 includes unwarranted restrictions regarding detainees at Guantanamo Bay. If the President were presented with S.1558, his senior advisors would recommend that he veto the bill.

Enacting S. 1558, while 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 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, adversely impacting the pace of discovery and innovation, 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 the economy and the security of the 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 S. 1558 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 for the 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 \$36 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 increased investment in 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 such as the Departments of State, Homeland Security, and Veterans Affairs; and weakens 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, except in accordance with the National Defense Authorization Act for Fiscal Year 2016 (NDAA for FY 2016). Section 8102 would restrict detainee transfers abroad in accordance with the NDAA for FY 2016. 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 strongly supports enacting a Blended Retirement System, which would ensure that 85 percent of servicemembers receive Government contributions toward their retirement—compared to fewer than 20 percent under the current system, provide DOD with better tools to recruit and retain the All-Volunteer Force, and produce significant savings over the long term. 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 servicemembers 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 servicemembers receive competitive pay and benefits and critical training and equipment. These proposals would save \$1.7 billion in FY 2016 and \$18 billion through FY 2020. The Administration appreciates the Senate's support of DOD's efforts to slow the growth of basic pay and housing allowances and strongly encourages members of the Congress to support all of DOD's requested compensation reforms.

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 reduction would impair 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 objects to the additional \$467 million for unneeded A-10 aircraft, which is inconsistent with DOD's fiscal constraints and current priorities. Funding the A-10 above the requested amount puts at risk the future health of the Air Force fighter enterprise and \$4.7 billion in savings through FY 2019. 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 8106 of the bill, which limits the transfer of AH-64 Apache helicopters to 36 until 60 days after the release of

the National Commission of the Future of the Army report. This delay in transfers would negatively affect the Army's readiness and ability to prepare and deploy forces for 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 would 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 remaining combat aviation brigades would bear the rotational burden of meeting current and projected operational requirements around the world, and would be forced to increase operational tempo and deploy-to-dwell ratios for these low-density, high demand units. The National Guard Bureau has developed a plan for the transfer of the first 48 AH-64 Apaches as well as a plan to receive the first 20 UH-60 Blackhawks. 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. These new limitations also would likely lead to a significant reduction of AH-64D inductions into the AH-64E remanufacturing facility in Mesa, Arizona and affect supporting activities in Huntsville, Alabama, and elsewhere. The Administration urges the Congress to permit the transfer of 72 Apache aircraft in FY 2016.

Counterterrorism Partnerships Fund (CTPF). The Administration strongly objects to the reduction of \$1.1 billion of CTPF and the limitations imposed on the Fund, which would severely restrict the flexibility and resources required to empower and enable partners in responding to shared terrorist threats around the world. For the CTPF to build partner capacity effectively, funds need to remain available for two years in order to support the acquisition of long-lead equipment some partner nations require. Without the needed resources and multi-year flexibility, the important security assistance programs begun in FY 2015 would be in jeopardy. The Administration strongly encourages the Congress to appropriate the \$2.1 billion originally requested and remove unnecessary limitations to continue support for CTPF activities in FY 2016.

Rocket Engine Development. The Administration strongly objects to the \$144 million in unrequested and unnecessary funding for a new Government-developed rocket engine. The Administration is committed to transitioning from non-allied engines; however, an engine-centric approach as provided for in this bill would not preserve the Nation's assured access to space. While rocket engines are a major component of a launch vehicle, they are only one of many critical components. Developing a rocket propulsion system independent of the rest of the space launch system risks the Government investing hundreds of millions of dollars without ensuring the availability of operational launch systems. Sound systems engineering principles and over a half-century of launch vehicle design work demonstrate that a rocket propulsion system must be developed in conjunction with the rest of the space launch vehicle. This unnecessary funding comes at the expense of more important programs, and would create ripple effects across the rest of the budget.

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.

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 reductions to higher priority items that the military needs. Unrequested items include \$828 million for 10 extra Joint Strike Fighters (after assuming \$409 million in uncertain program savings), \$1.1 billion to reverse planned savings associated with compensation reform proposals, \$1 billion of OCO funds for National Guard and Reserve Equipment, \$1 billion in incremental funding for an Arleigh Burke (DDG 51) destroyer, \$225 million to fund an additional Joint High Speed Vessel, \$250 million of Advance Procurement funding for the Navy's amphibious warship replacement program, and \$31 million to fund Operation Phalanx. The Administration has made extensive efforts to assess, prioritize, and balance force capacity, capability, and readiness. The FY 2016 Budget supports the defense strategy and rebalances the Joint Force for the Nation's current and future security challenges. The Administration also objects to section 8006 of the bill, which places spending on unrequested items into statute.

Operation and Maintenance and Military Personnel Reductions. The Administration objects to the billions of dollars of undistributed reductions in the bill across the operation and maintenance and military personnel accounts. The operation and maintenance reductions would be applied to those programs that support readiness, depot maintenance, base operations support, and facilities sustainment, restoration, and modernization line items. These reductions would delay the Department's full-spectrum readiness recovery efforts and increase the backlog of maintenance at the military departments' depot facilities.

Defense Health Program. The Administration strongly objects to the \$786 million reduction in Defense Health Program Operation and Maintenance funding. Military medicine has had dramatic cost increases in FY 2015, and overall costs are projected to rise. DOD has taken aggressive action, where possible, to address these cost increases. However, ensuring the health of the force and their families, along with upholding our commitment to retirees will be increasingly difficult, 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 reduce or eliminate needed medical support programs and initiatives.

Aircraft Carrier Replacement Program. The Administration objects to the bill's \$191.5 million reduction to the Department of the Navy's Aircraft Carrier Replacement Program, ship construction account. This funding reduction would present unacceptable risk to CVN 80 being delivered on schedule and would result in a significant increase to the ship's cost. With respect to previous Ford-class aircraft carrier funding profiles, CVN 80 incorporates a reduced advanced procurement funding profile thus exacerbating the impact of the proposed funding reduction to this ship. A delay in delivering CVN 80 would result in unacceptable risk in the Department of the Navy's aircraft carrier force structure by causing a gap that reduces the force level below congressionally mandated requirements.

Littoral Combat Ship (LCS) Mine Countermeasures Mission and Remote Minehunting System Packages. The Administration objects to the proposed \$104.5 million in reductions to LCS

Mission Module procurement, including LCS Mine Countermeasures (MCM) Mission Package (MP), Remote Minehunting System (RMS), Shallow Water MCM and LCS Common Mission Modules Equipment programs. These reductions would leave the programs with insufficient funds to procure needed MCM equipment in the quantity required to deploy LCS with MCM MPs in FYs 2018-2020, resulting in a warfighting gap in the Middle East. The Navy would be required to extend operations of aging MCM class ships and MH-53 systems at additional operating and sustainment expense. All testing will be completed prior to FY 2016 planned procurements. The MCM MP reduction would also lead to increased unit costs in component mission systems impacting multiple production lines. The Navy's procurement profiles carefully balance risk to meet testing needs and provide improved MCM capability to the Fleet.

MQ-4 Triton Unmanned Aerial Vehicle. The Administration objects to the reduction of \$152 million from the Triton program that reduces the low rate initial production procurement by one aircraft in FY 2016 and associated advanced procurement for two aircraft. In the FY 2016 President's Budget request the quantity of aircraft was reduced for FY 2016 and FY 2017 from four to three aircraft for each year. Further reduction of the quantities to two aircraft each year would increase the aircraft cost by as much as 30 percent due to suboptimal economic order quantities. In addition, this reduction would delay Triton Initial operational capability.

Joint Urgent Operational Needs Fund (JUONF). The Administration objects to the elimination of the base funding request of \$99.7 million. This funding is critical to the Department's ability to quickly respond to urgent operational needs. Eliminating these funds may directly lead to unnecessary risks to servicemembers and their ability to accomplish critical missions.

Missile Defense Programs. The Administration objects to the \$149.3 million in total funding reductions to ballistic missile defense programs. The Administration opposes the \$12.3 million reduction to the Command, Control, Battle Management and Communications program, which is needed to meet the President's European Phased Adaptive Approach Phase III, as well as the \$22.4 million reduction to the Terminal High-Altitude Area Defense (THAAD) program, which would negatively affect the warfighter by delaying delivery of automated engagement coordination between THAAD and Aegis by 12 months. The Administration also opposes the Senate-proposed reduction of \$63.8 million to missile defense technology development programs and \$50.8 million for Missile Defense Agency (MDA) Special Programs that are needed to ensure the United States stays ahead of future ballistic missile threats. These reductions would significantly harm MDA's ability to develop a mid-term discrimination capability, directed energy programs and other classified activities needed to defend friends and allies and address evolving threats against the homeland.

Evolved Expendable Launch Vehicle (EELV). The Administration appreciates the Committee's continued support of meaningful launch competition. For example, section 8045 would improve assured access to space and provide significant savings to the taxpayer. However, the Administration objects to the rescission of \$125 million that would eliminate a competitive launch opportunity in FY 2015. The Air Force is committed to increasing the number of competitions and the request for proposal is planned for release in FY 2015. The Administration urges the Committee to support improving assured access to space and allow this competition.

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

Department's efforts to provide more transparent Federal spending data, such as updating information technology systems, changing business processes, and employing a uniform procurement instrument identifier.

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 8071 and language in title IX 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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