

2018 U.S. Defense Budget

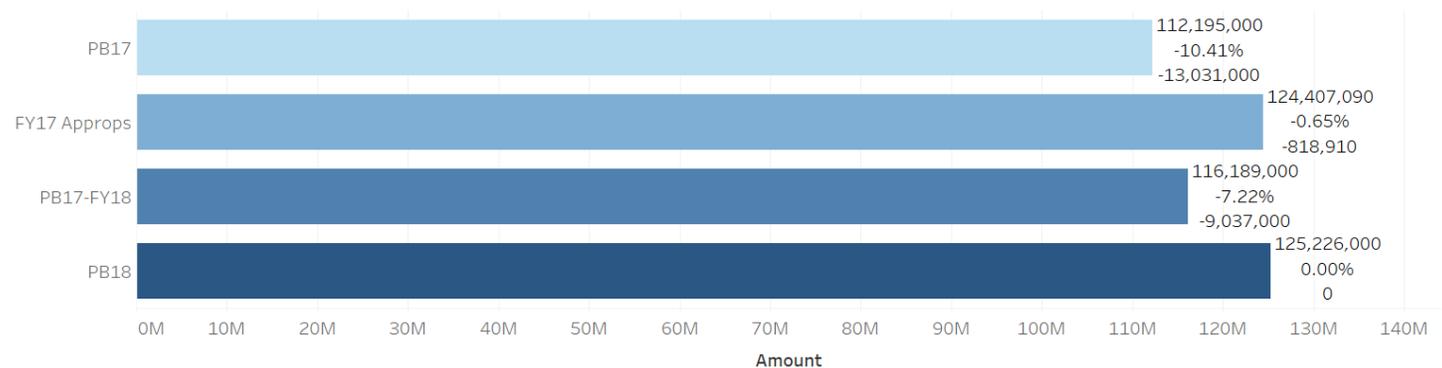
Procurement

September 2017 | Katherine Blakeley

Overview

Although increased capacity and lethality are the second priority of the Pentagon’s PB 2018 budget request behind restoring the readiness of the current force, funding for procurement increases far less than for RDT&E and operation and maintenance accounts (O&M) in real terms.¹ In the PB 2018 request, the Trump administration asked for a total of \$125.2 billion in procurement funds, with \$115 billion in the base discretionary budget and an additional \$10.2 billion in Overseas Contingency Operations (OCO). This is \$9.04 billion (or 7.8 percent) more than anticipated for FY 2018 in the PB 2017 request. However, the PB 2018 request is only 0.65 percent larger than Congress appropriated for procurement in FY 2017, an increase of \$819 million (see Figure 6-1). Per Secretary Mattis’ memorandum on DoD budget guidance, the National Defense Strategy (NDS), currently being developed, will include a new force sizing construct that will “inform our targets for future force structure growth.” Accordingly, PB 2019, driven by the results of the NDS, will contain “ramps to grow the force quickly but responsibly.”² This phased approach to increasing the size of the military means that any substantial growth in procurement funding over prior years’ budgets will occur in the PB 2019 budget request at the earliest, rather than in PB 2018.

FIGURE 6-1: PB18 PROCUREMENT REQUEST, AS COMPARED TO PB17 AND FY17 APPROPRIATIONS



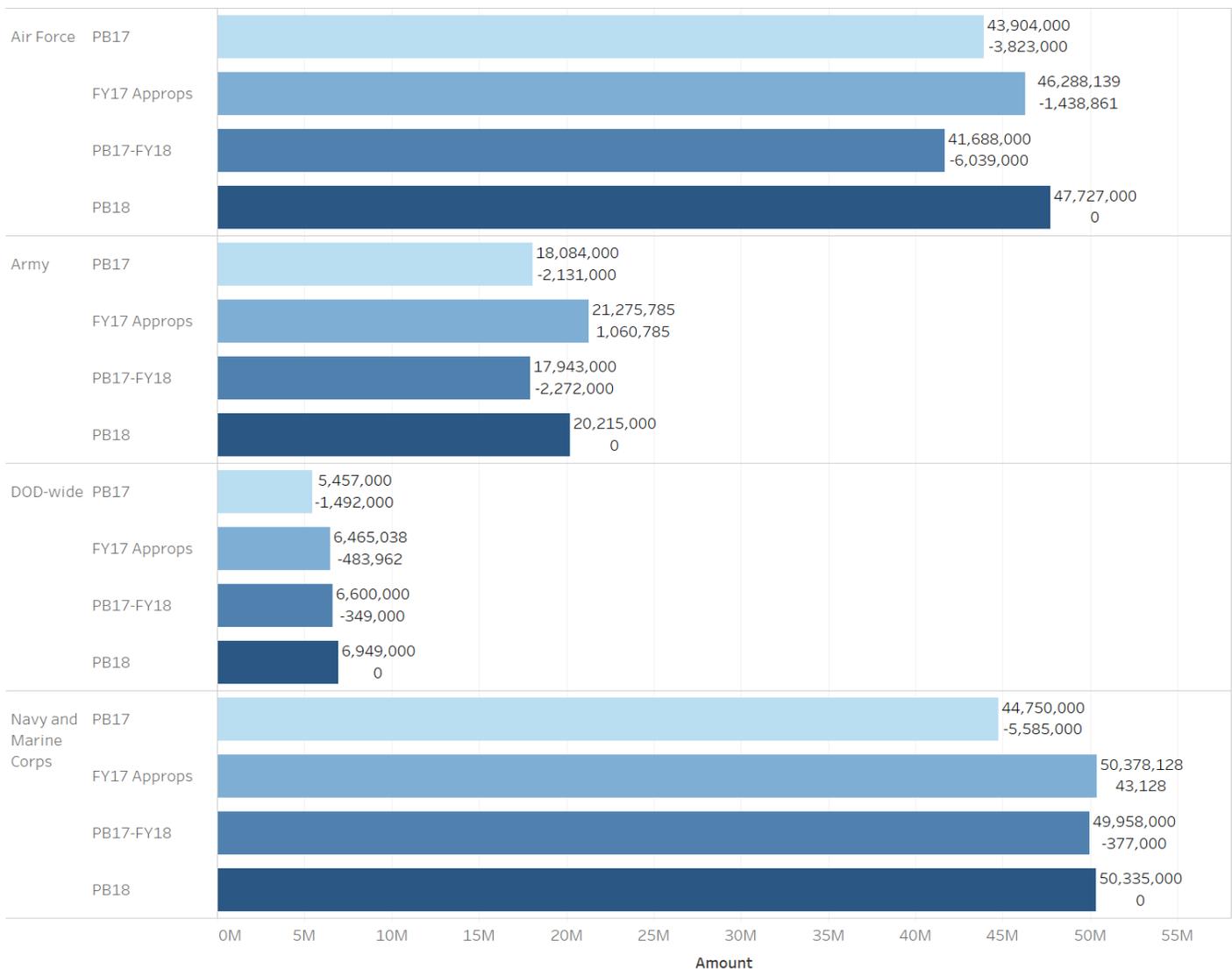
Source: Office of Management and Budget (OMB), Budget Analysis Branch, Public Budget Database: *Budget of the United States Government, Fiscal Year 2018, Budget Authority* (Washington, DC: OMB, May 2017), available at <https://www.gpo.gov/fdsys/pkg/BUDGET-2017-DB/xls/BUDGET-2017-DB-1.xls>. Analysis in Tableau.

Note: Dollars in thousands.

2018 Request

Procurement funding, at \$125.2 billion, accounts for 19.6 percent of DoD’s discretionary budget request for FY 2018. The FY 2018 request for procurement funds is \$9 billion higher than the PB 2017 projection for procurement funding in FY 2018, an increase of 7.8 percent. The biggest beneficiary from this requested increase, compared to the PB 2017 plan for FY 2017, is the Air Force. The Air Force’s FY 2018 request is \$6 billion (or 14.5 percent) larger than the projected FY 2018 request was in the PB 2017. The Army’s FY 2018 procurement request is \$2.3 billion larger than the PB 2017 projected, an increase of 12.7 percent. By contrast, the Navy and DoD-wide procurement PB 2018 requests were only slightly larger than those projected in the PB 2017. The Navy requested an additional \$377 million, an increase of 0.75 percent, while DoD-wide programs requested an additional \$350 million, a 5.3 percent increase (see Figure 6-2).

FIGURE 6-2: TOPLINE PB18 PROCUREMENT REQUEST BY SERVICE, AS COMPARED TO PB17 AND FY17 APPROPRIATIONS



Source: OMB, Public Budget Database FY 2018. Analysis in Tableau.

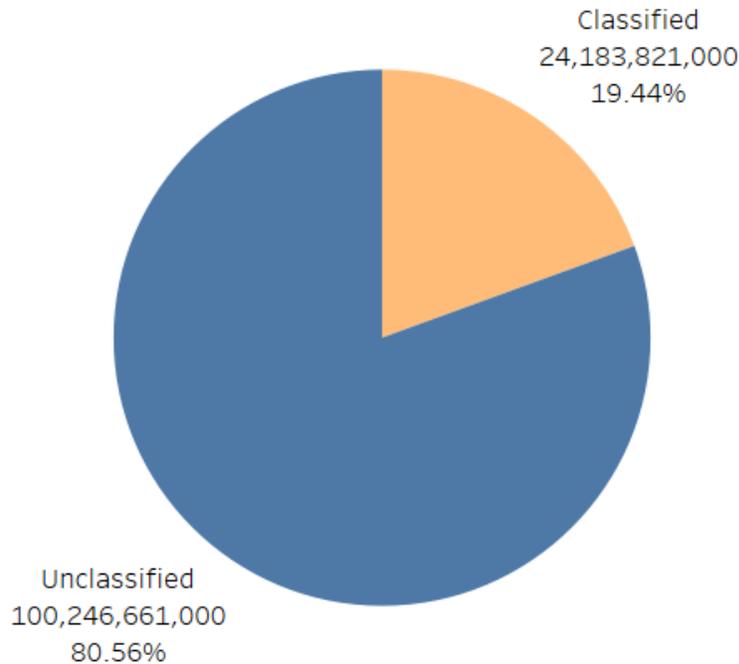
Note: Dollars in thousands.

The overall PB 2018 procurement request is more modest when compared with the amount appropriated by Congress for FY 2017. The PB 2018 request for \$125.2 billion for procurement is just 0.65 percent more than the \$124.4 billion appropriated for FY 2017, resulting in near-flat growth in real terms. This is also reflected in the Service's procurement requests. Compared to the FY 2017 appropriations, only the Air Force and DoD-wide accounts would see real increases to procurement funding, while the Army and Navy would see decreases.

The Air Force requested a total of \$47.7 billion in procurement funding for FY 2018. This amount is 3.1 percent, or \$1.4 billion, more than the \$46.3 billion appropriated in FY 2017. DoD-wide procurement would also see modest growth. At \$6.9 billion, the DoD-wide procurement request is 7.5 percent greater than the \$6.5 billion enacted in FY 2017. The Army's request for \$20.2 billion in FY 2018 is actually \$1.1 billion less than the \$21.3 billion appropriated in FY 2017, or 5 percent lower. The Navy's FY 2018 request for \$50.3 billion is \$43 million lower than its FY 2017 appropriations for an effective flatline.³

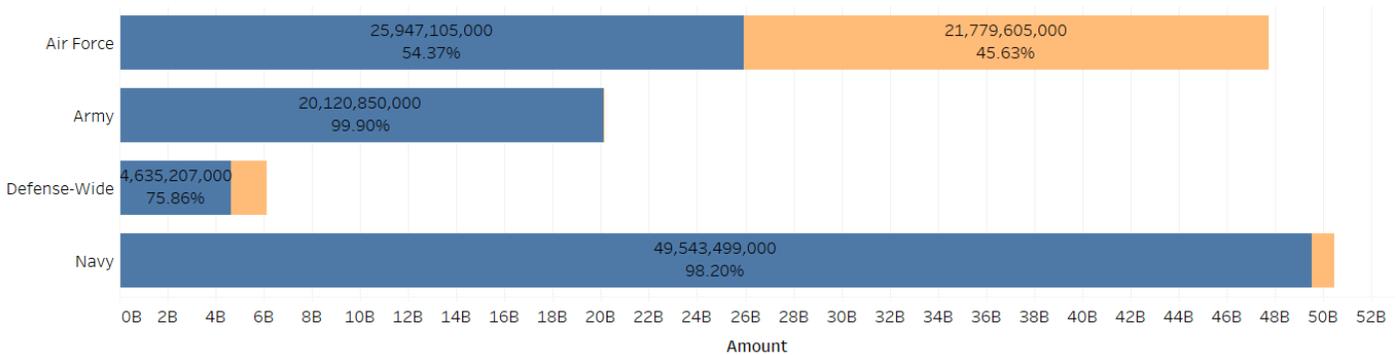
Of the total \$125.2 billion requested in FY 2018, \$24.2 billion (or 19 percent) is for classified procurement programs (see Figure 6-3). This is an increase of \$1 billion over the funding appropriated for classified procurement programs in FY 2017. Classified programs represent the single largest category of procurement funding requested in FY 2018. Because the Air Force's budget is traditionally the pass-through for classified funding, about 45 percent of the Air Force's FY 2018 procurement request, or \$21.8 billion, is classified. However, the other military departments and DoD-wide funds also include some proportion of classified funds. Although none approaches the Air Force's proportion, about 24 percent of the DoD-wide procurement request and 2 percent of the Navy's request would fund classified programs (see Figure 6-4).

FIGURE 6-3: CLASSIFIED AND UNCLASSIFIED PROCUREMENT FUNDED REQUESTED IN FY18



Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-4: FY18 REQUEST FOR CLASSIFIED AND UNCLASSIFIED PROCUREMENT BY DEPARTMENT



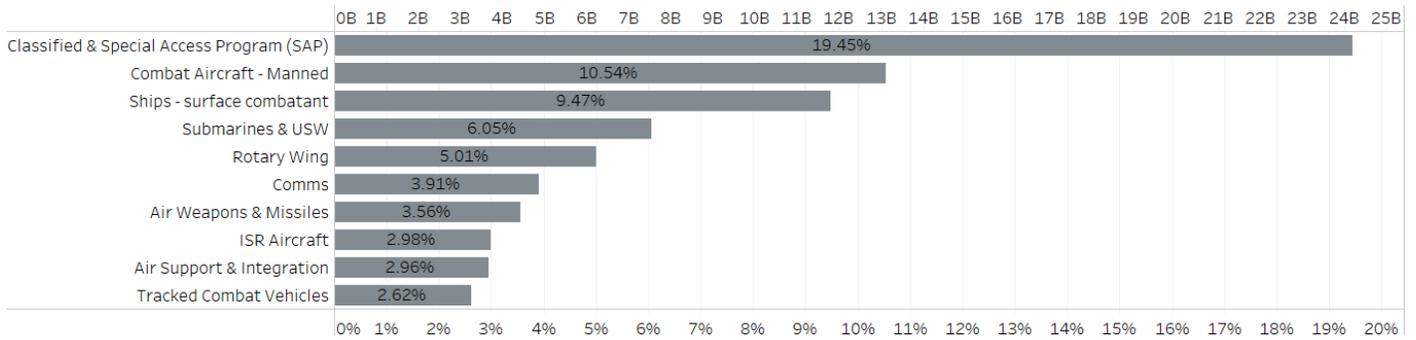
Source: DoD budget data from VisualDOD. Analysis in Tableau.

After classified programs, manned combat aircraft make up the next largest category of requested procurement funding in FY 2018 at \$13.5 billion, or 10.5 percent of the total procurement budget. Combat aircraft are followed by surface combatant ships at \$11.7 billion, or 9.5 percent; submarines and undersea warfare programs at \$7.5 billion, or 6 percent; rotary wing systems at \$6.2 billion, or 5 percent; and communications systems at \$4.8 billion, or 3.9 percent (see Figure 6-5).

Overall, the F-35 Lightning is the most expensive procurement program currently underway, accounting for 7.4 percent of the total procurement funding requested for FY 2018 at a cost of \$9.1 billion. This will purchase 70 F-35s: 46 F-35As for the Air Force at a cost of \$5.4 billion; and four F-35Cs for the Navy along with 20 F-35Bs for the Marine Corps at a cost of \$3.7 billion. The next most expensive programs are the *Virginia*-class submarine at \$5.4 billion in FY 2018 for two submarines, \$4.4 billion for partial funding of the *Ford*-class carrier, and \$4.1 billion for two DDG-51 *Burke*-class destroyers, followed by \$2.5 billion for 15 KC-46A Pegasus refueling tankers and \$2.3 billion for 14 F/A-18 Hornets. The largest single Army program, the M1 Abrams modernization, is the 15th-largest procurement program in FY 2018 at \$1.1 billion, or 0.9 percent of the total FY 2018 procurement request (see Figure 6-6).

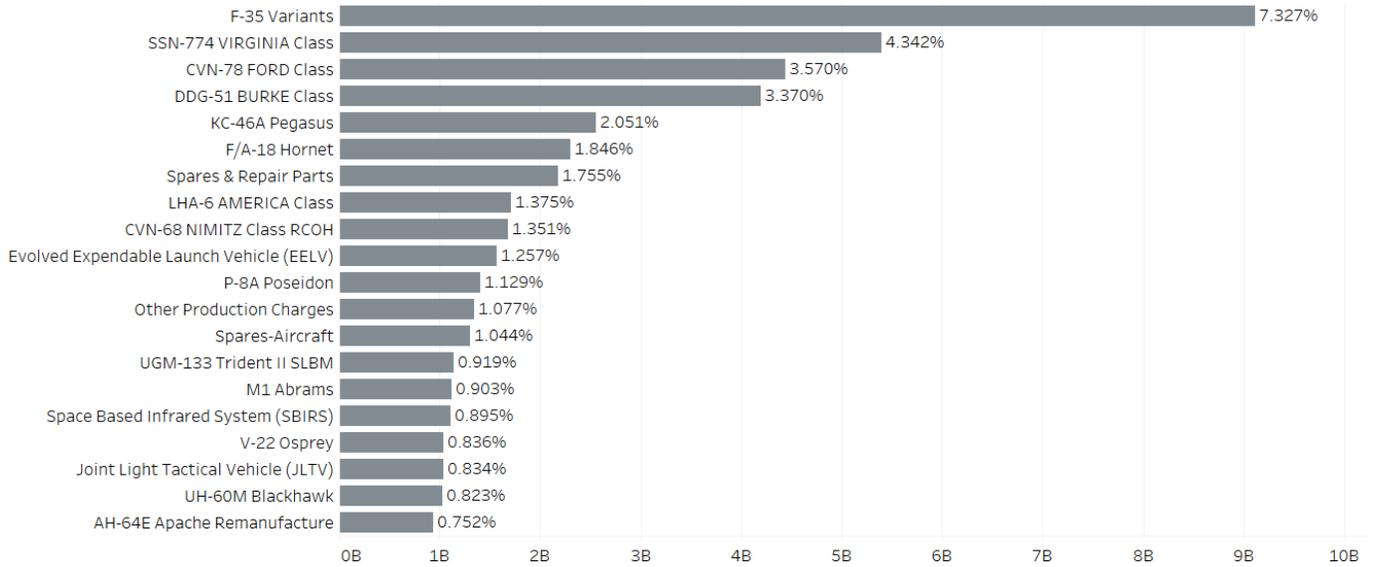
Following Secretary Mattis' directive to postpone a serious defense buildup until after the NDS and the incorporation of the NDS results into the PB 2019 request, the PB 2018 largely tracks the procurement levels anticipated by the Obama administration's PB 2017 budget in FY 2019, FY 2020, and FY 2021 (see Figure 6-7). However, even at this presumably lower level of anticipated procurement funding, looking across the PB 2018 FYDP provides insights into what the major procurement programs are likely to be. With this caveat, the six largest programs described above will continue to be largest six procurement programs across the five years encompassed by the Future Years Defense Program (FYDP), from FY 2018 to FY 2022. Across this time frame, the PB 2018 anticipates spending \$51.4 billion on F-35 variants. The Air Force anticipates purchasing 250 F-35As, rising to a production rate of 54 aircraft annually by FY 2021. The Marine Corps will purchase 102 F-35Bs, while the Navy will purchase 77 F-35Cs, rising from four in FY 2018 to 24 by FY 2021. Lacking additional shipbuilding funding, the Navy's anticipated shipbuilding within the FYDP is effectively a re-run of the FY 2017 shipbuilding plan at \$30.2 billion for *Virginia*-class submarines, procuring ten over the FYDP at a rate of two per year; \$21.4 billion for DDG-51 *Burke*-class destroyers, procuring ten over the FYDP at a rate of two per year; and \$13.6 billion for one *Ford*-class carrier and advance procurement funding for the next ship. The PB 2018 also pencils in the Navy spending \$13.9 billion on 80 F/A-18 E/F Hornets and the Air Force spending \$14.3 billion on 75 KC-46A Pegasus refueling tankers, procuring at a steady rate of 15 annually across the FYDP (see Figure 6-8).

FIGURE 6-5: FY18 REQUESTED PROCUREMENT FUNDING BY CATEGORY



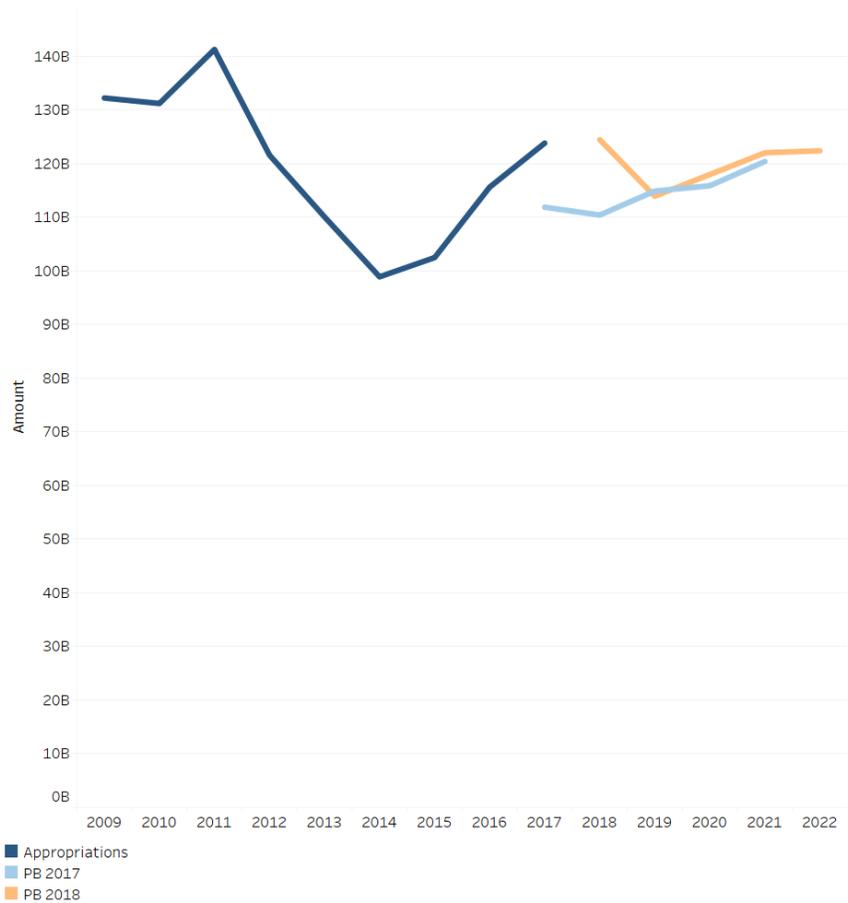
Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-6: LARGEST PROCUREMENT PROGRAMS IN FY18



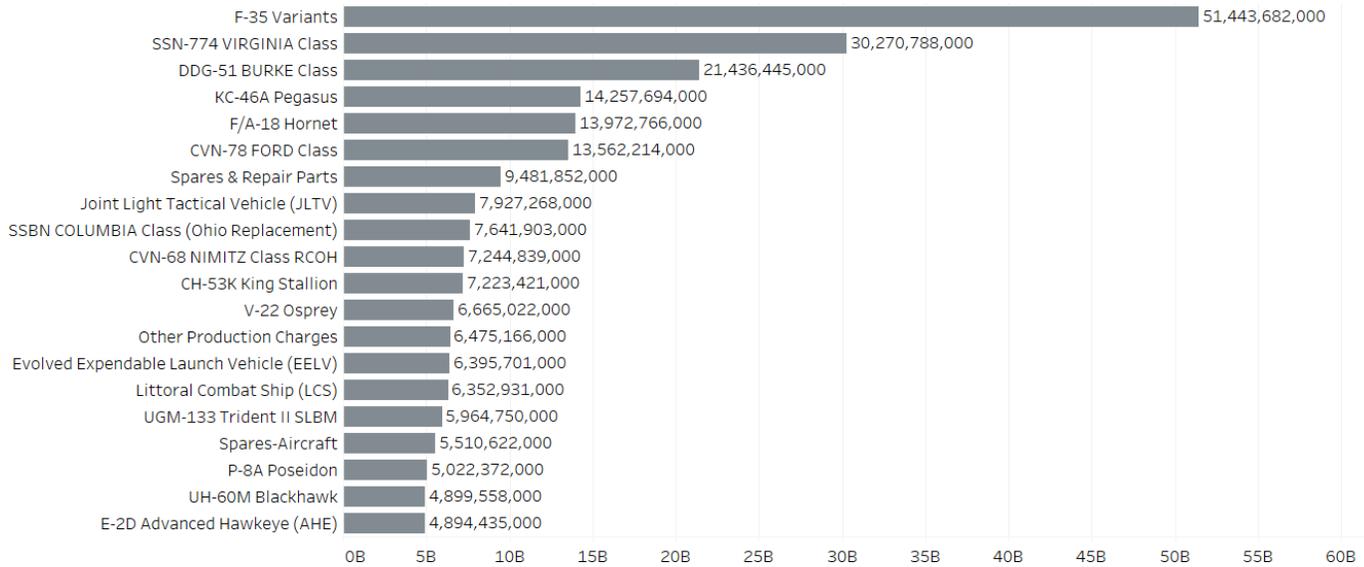
Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-7: PROCUREMENT FUNDING IN PB18 AS COMPARED TO PB17 AND APPROPRIATED FUNDING



Source: DoD budget data from VisualDOD. Analysis in Tableau.

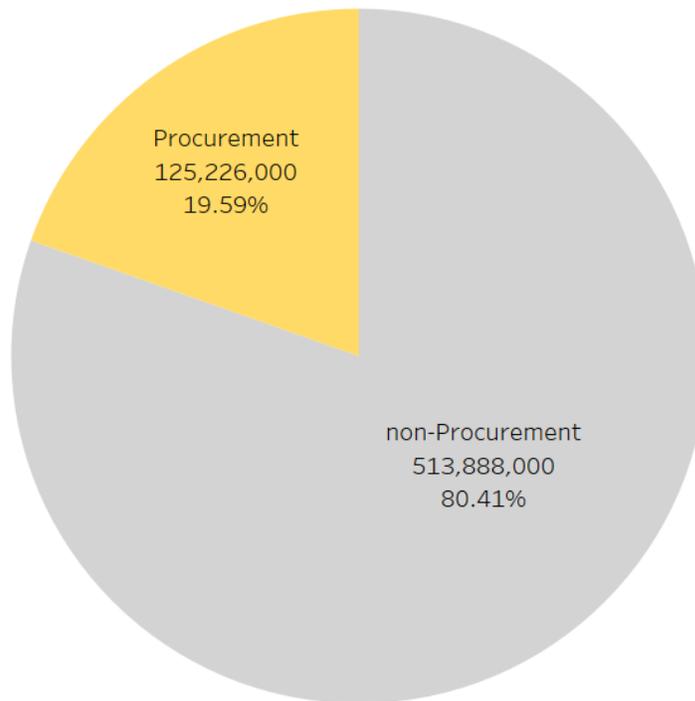
FIGURE 6-8: LARGEST PROCUREMENT PROGRAMS FY18-FY22



Source: DoD budget data from VisualDOD. Analysis in Tableau.

Procurement funds are not evenly distributed across the Services. Procurement accounts for 26 percent of the Air Force’s overall budget request for FY 2018 at \$47.7 billion and 28 percent of the Navy’s budget request at \$50.3 billion. Procurement is a much smaller fraction of the Army’s budget at just 12.3 percent, or \$20.2 billion. Procurement also comprises 6 percent of DoD-wide funding (see Figure 6-9 and Figure 6-10). As capital-intensive Services, the Air Force and Navy account for 38 percent and 40 percent of the total FY 2018 procurement request, respectively. The Army’s procurement programs make up 16 percent of the overall DoD procurement profile, while DoD-wide procurement programs make up 5.5 percent (see Figure 6-11). However, because the Air Force is the traditional pass-through for classified program, the large proportion of classified funding distorts the apparent level of the “blue,” or actual, Air Force budget. Excluding classified funding, the Navy accounts for half of the total procurement request. The Air Force’s procurement budget is much smaller at \$25.9 billion, or 26 percent of the non-classified procurement total, while the Army’s share of \$20.1 billion is 20 percent of that total. Non-classified defense-wide procurement funding, primarily for missile defense programs and IT and communications equipment, accounts for \$4.6 billion (or 5 percent) (see Figure 6-12).

FIGURE 6-9: FY18 REQUEST FOR PROCUREMENT FUNDING OVERALL

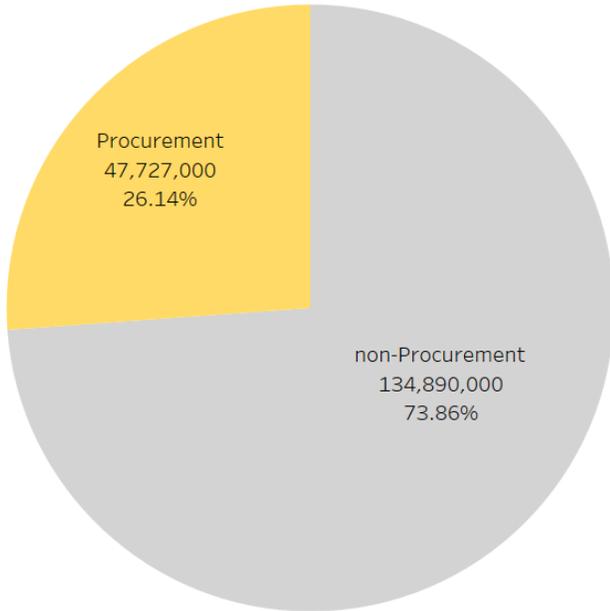


Source: OMB, Public Budget Database FY 2018. Analysis in Tableau.

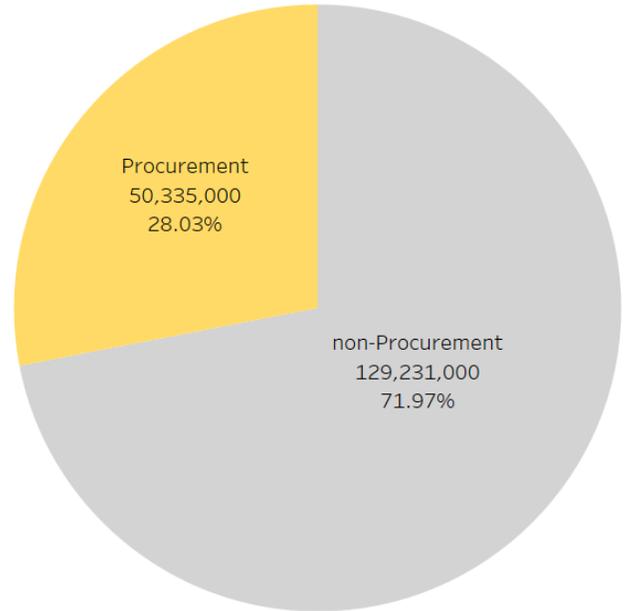
Note: Dollars in thousands.

FIGURE 6-10: FY18 REQUEST FOR PROCUREMENT FUNDING MILITARY DEPARTMENT, AS A SHARE OF EACH DEPARTMENT'S OVERALL REQUEST

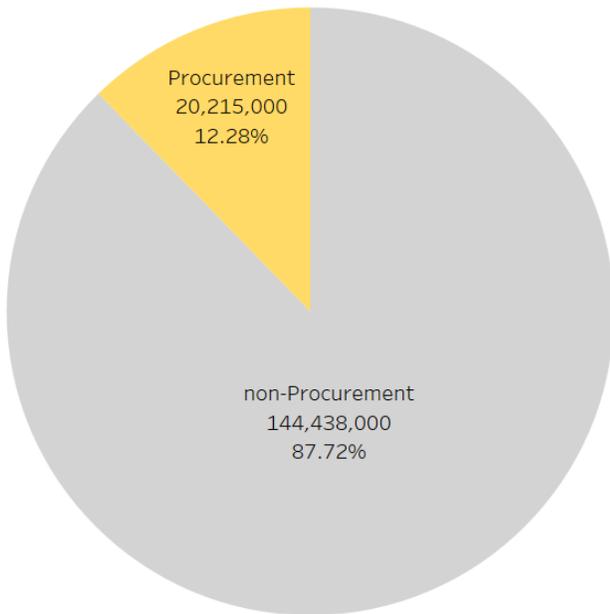
Air Force



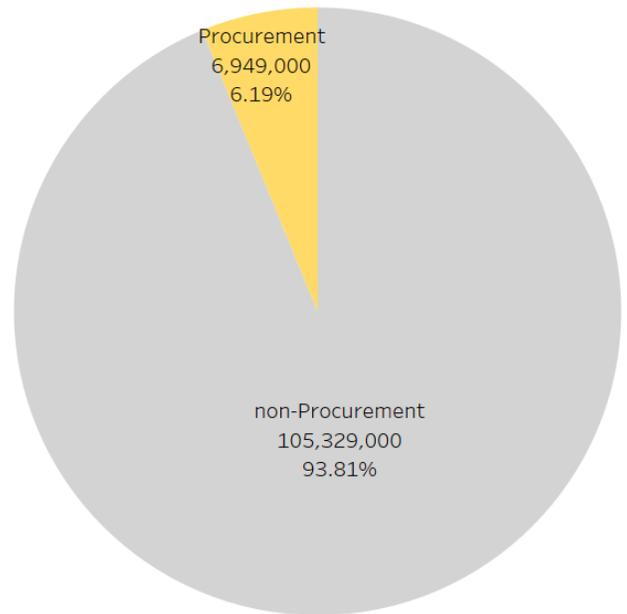
Navy



Army



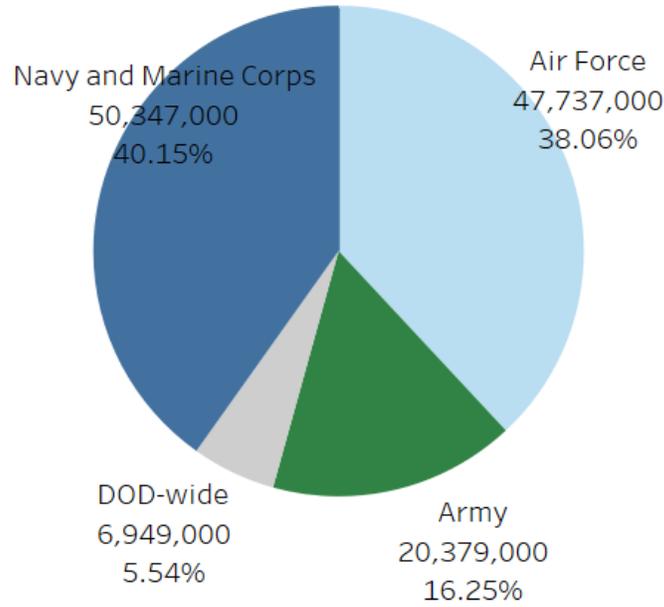
DOD-wide



Source: OMB, Public Budget Database FY 2018. Analysis in Tableau.

Note: Dollars in thousands.

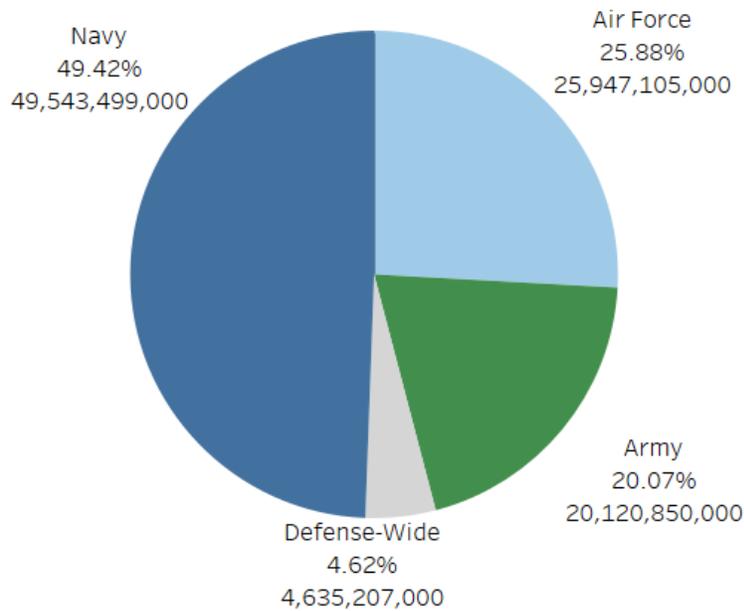
FIGURE 6-11: FY18 PROCUREMENT FUNDING REQUESTED BY MILITARY DEPARTMENT, INCLUDING CLASSIFIED PROGRAMS



Source: OMB, Public Budget Database FY 2018. Analysis in Tableau.

Note: Dollars in thousands.

FIGURE 6-12: FY18 PROCUREMENT FUNDING REQUESTED BY MILITARY DEPARTMENT, EXCLUDING CLASSIFIED PROGRAMS



Source: DoD budget data from VisualDOD. Analysis in Tableau.

Service Procurement Details

Air Force

Excluding classified programs, the Air Force’s FY 2018 procurement request totals \$25.9 billion, an increase of \$1 billion over the amounts appropriated in FY 2017 and \$1.7 billion more than the PB 2017 anticipated for FY 2018 (see Figure 6-13).

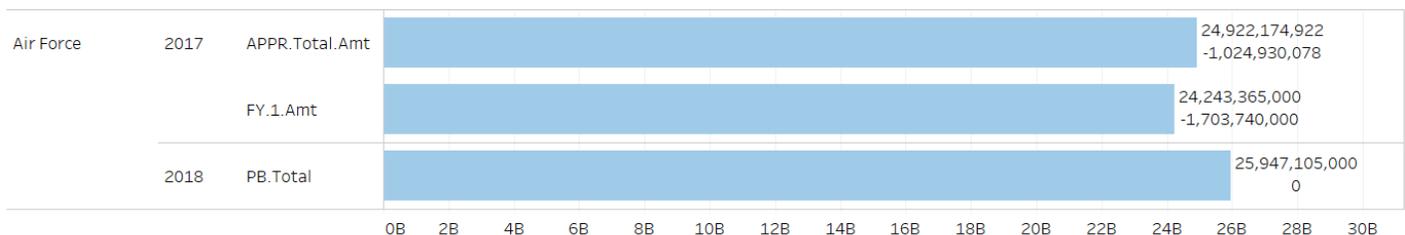
This additional procurement funding is predominantly in the Missile Procurement, Ammunition, and Other Procurement accounts, with \$487 million, \$702 million, and \$591 million in additional funding, respectively, compared to the PB 2017 projections for FY 2018. Aircraft procurement sees \$271 million more than expected in the PB 2017. However, the PB 2018 request for space procurement is \$349 million lower than the FY 2018 funding levels anticipated in the PB 2017, driven by postponement of the GPS III space vehicle from FY 2018 to FY 2019 and despite additional funding for the Space-Based Infrared Radar System (SBIRS) (see Figure 6-14).

The largest Air Force programs are the F-35A Lightning Joint Strike Fighter, which accounts for 21 percent of the Air Force’s total FY 2018 procurement request, followed by the KC-46A Pegasus refueling tanker, the Evolved Expendable Launch Vehicle (EELV), other production charges, aircraft spares, and the Space Based Infrared System. Overall, space systems account for \$3.2 billion of the Air Force’s unclassified procurement request for FY 2018, while C4ISR systems account for \$1.6 billion (see Figure 6-15).

Due to falling production costs, the PB 2018 Air Force request would fund 46 F-35A Lightnings for \$5.32 billion, two more than the 44 that PB 2017 anticipated purchasing in FY 2018 for \$5.38 billion. Similarly, the FY 2018 request would fund 15 KC-46A Pegasus refueling tankers for \$2.55 billion, well below the \$3.04 billion that the PB 2017 anticipated would be necessary for the same number of planes. The Air Force will apply these savings, as well as the additional funding requested, to increasing procurement of spares and repair equipment by over 60 percent in an effort to boost reliability. The Air Force request would also fund modifications and upgrades to much of its existing fleet, including the F-22 Raptor, F-15 Eagle, the F-16 Falcon fighters; the EC-130H Compass Call electronic warfare plane; the HC/MC-130 Hercules family of cargo and special forces planes; and the C-130J Super Hercules cargo plane.

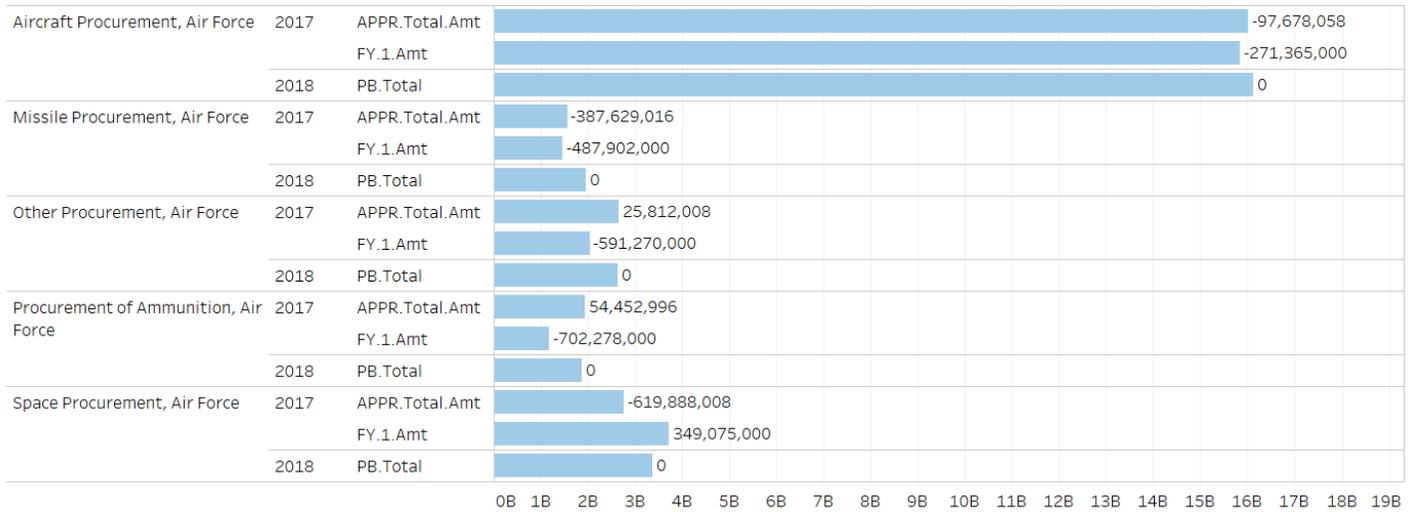
The Air Force, like the other Services, also requests funding to dramatically increase their stockpiles of advanced munitions. In FY 2018, the Air Force requests \$441 million to procure 360 Joint Air-Surface Standoff Missiles–Extended Range (JASSM-ER); \$371 million for 4,579 Small-Diameter Bombs, a three-fold funding increase over the PB 2017 plan; and \$329 million for 399 Hellfire missiles, an eight-fold increase over the PB 2017 funding projection for FY 2018.

FIGURE 6-13: AIR FORCE PROCUREMENT REQUEST IN PB18 AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTION



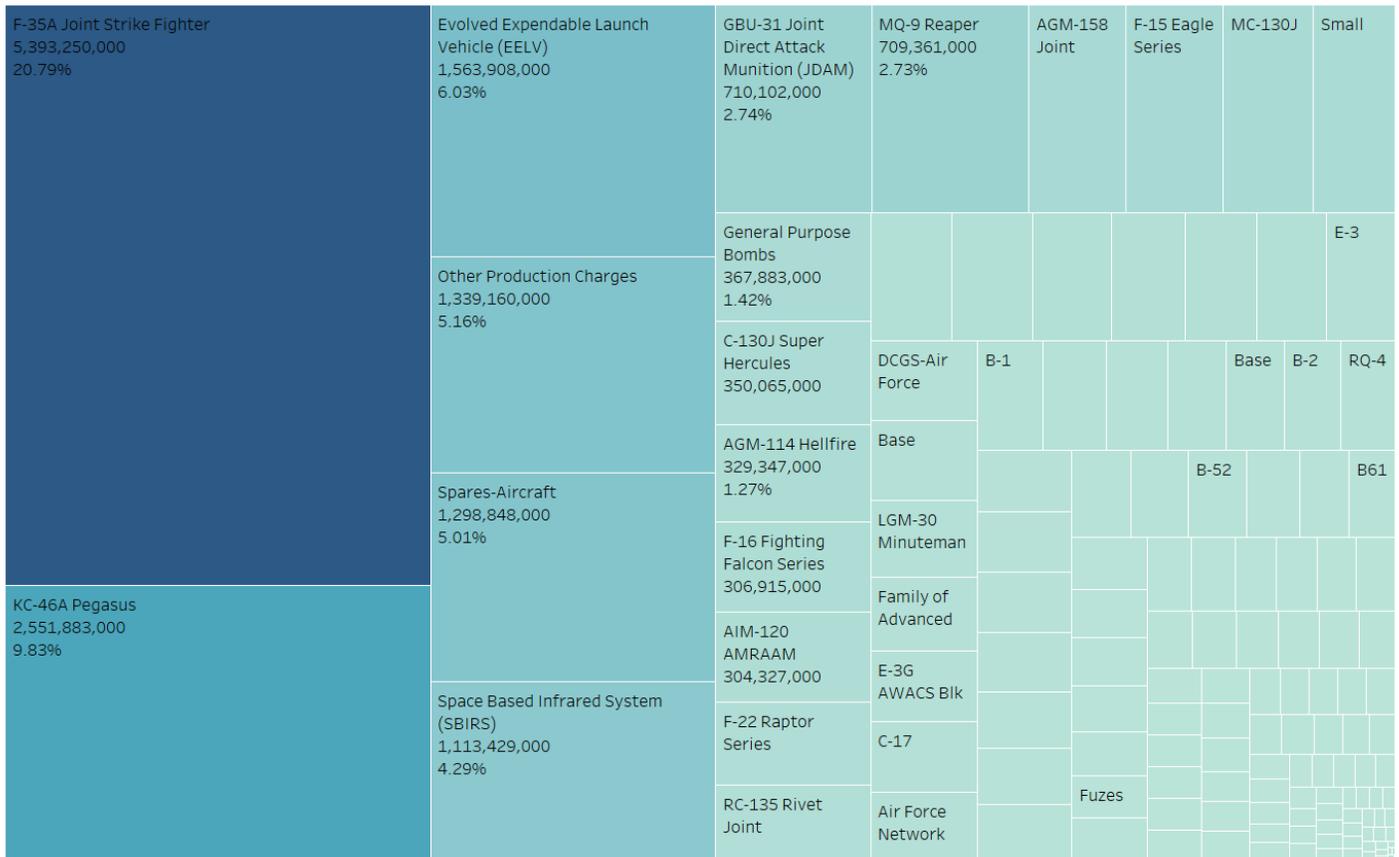
Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-14: AIR FORCE PB18 PROCUREMENT REQUEST BY ACCOUNT, AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTIONS



Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-15: FY18 AIR FORCE PROCUREMENT PROGRAMS



Source: DoD budget data from VisualDOD. Analysis in Tableau.

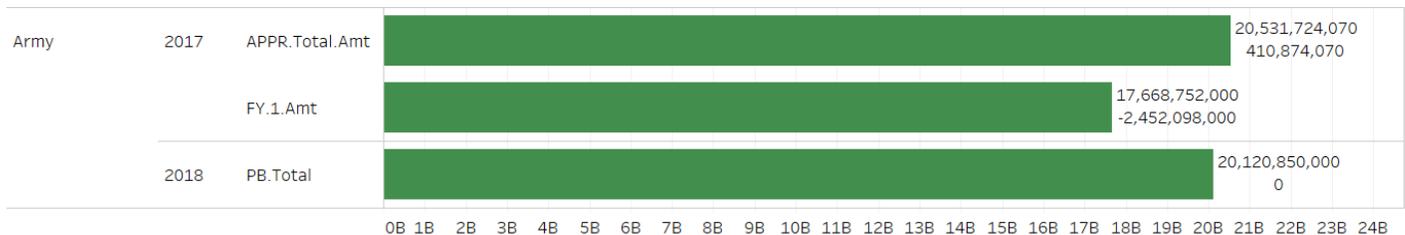
Army

Excluding classified programs, the Army's FY 2018 procurement request totals \$20.1 billion, an increase of \$410 million over the amounts appropriated in FY 2017 and \$2.4 billion more than the PB 2017 anticipated for FY 2018 (see Figure 6-16).

This additional procurement funding is predominantly in the missile procurement and ammunition accounts, which see increases of \$1.2 billion and \$420 million, respectively, compared to the PB 2017 projections for FY 2018. The wheeled and tracked combat vehicle account also sees \$671 million more than expected compared to the PB 2017 projections. Compared to the PB 2017 projection for FY 2018, the aircraft procurement and other procurement accounts show little change (see Figure 6-17). Overall, communications and electronics equipment is the single largest sub-category within the Army's FY 2018 procurement request at \$4 billion, or 20 percent of the total. Tracked vehicles are the second largest sub-category at \$3.4 billion (or 17 percent), followed by aircraft at \$2.9 billion, missiles at \$2.3 billion, and ammunition at \$1.5 billion.

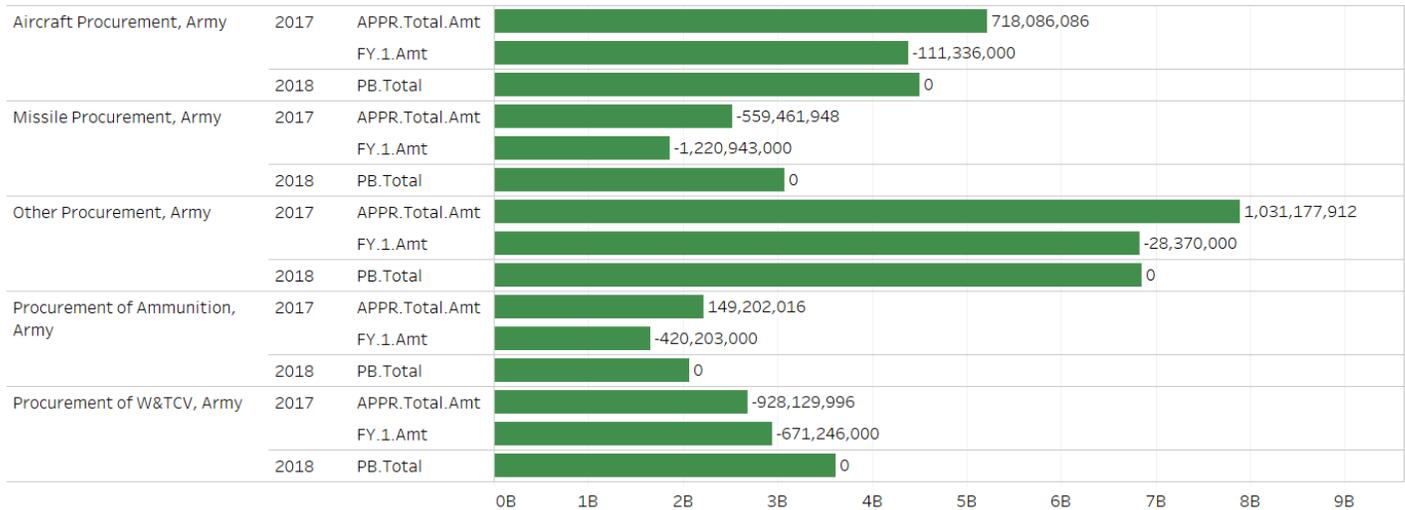
According to Army budget materials, the top 10 Army modernization priorities are, in order, air and missile defense; long-range fires; remedying the munitions shortfall; improving the mobility, lethality, and protection of Brigade Combat Teams; active protection systems; assured Precision, Navigation, and Timing (PNT); electronic warfare and signals intelligence; offensive and defensive cyber; assured communications; and vertical lift.⁴ By funding levels, the largest Army programs in FY 2018 are the M1A1 Abrams, the UH-60M Blackhawk, remanufacture of the AH-64E Apache helicopter, the Paladin Integrated Management artillery system, the Joint Light Tactical Vehicle, and the M31 Guided Multiple Launch Rocket System (GMLRS) (see Figure 6-18).

FIGURE 6-16: ARMY PROCUREMENT REQUEST IN PB18 AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTION



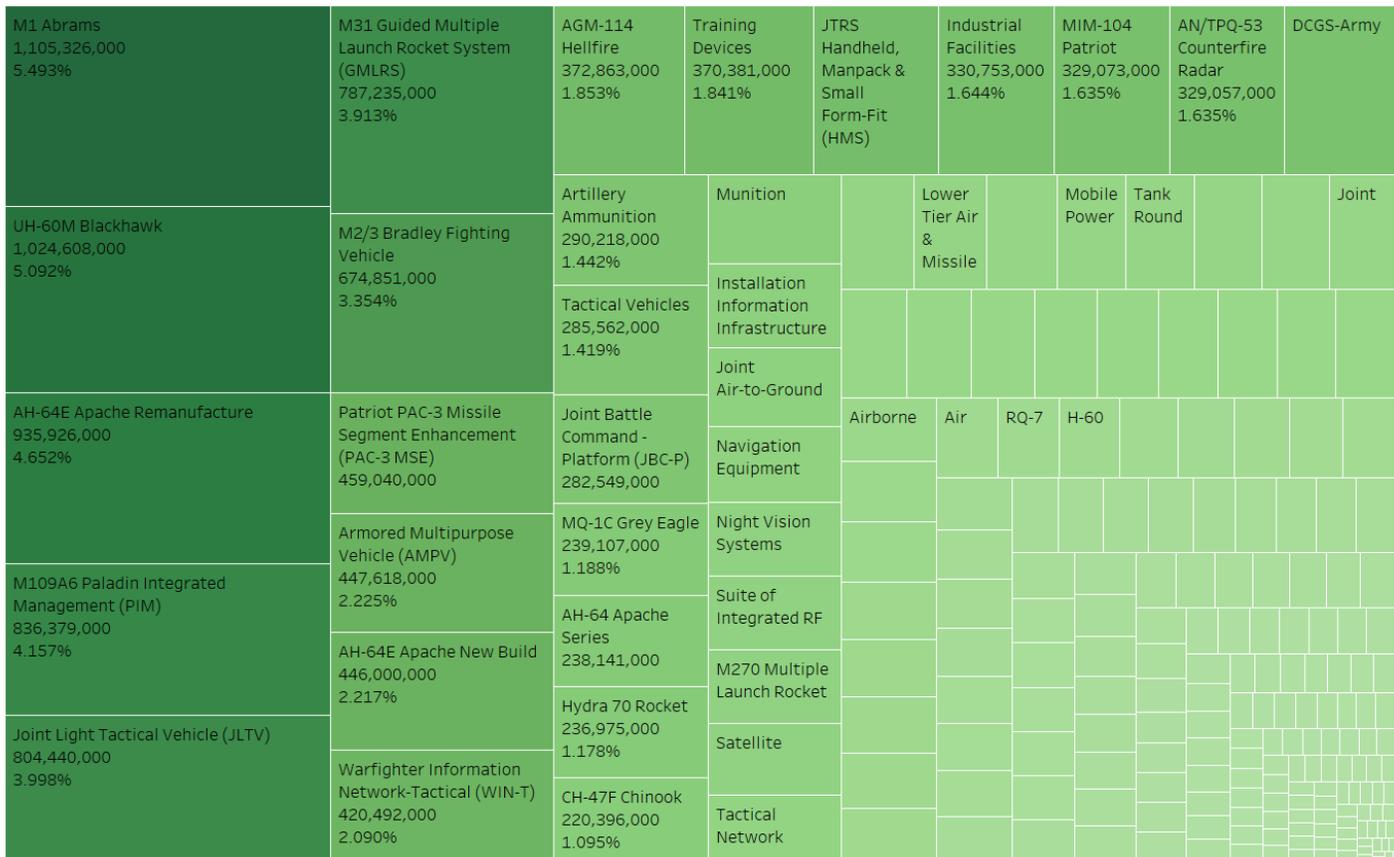
Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-17: ARMY PB18 PROCUREMENT REQUEST BY ACCOUNT, AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTIONS



Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-18: FY18 ARMY PROCUREMENT PROGRAMS



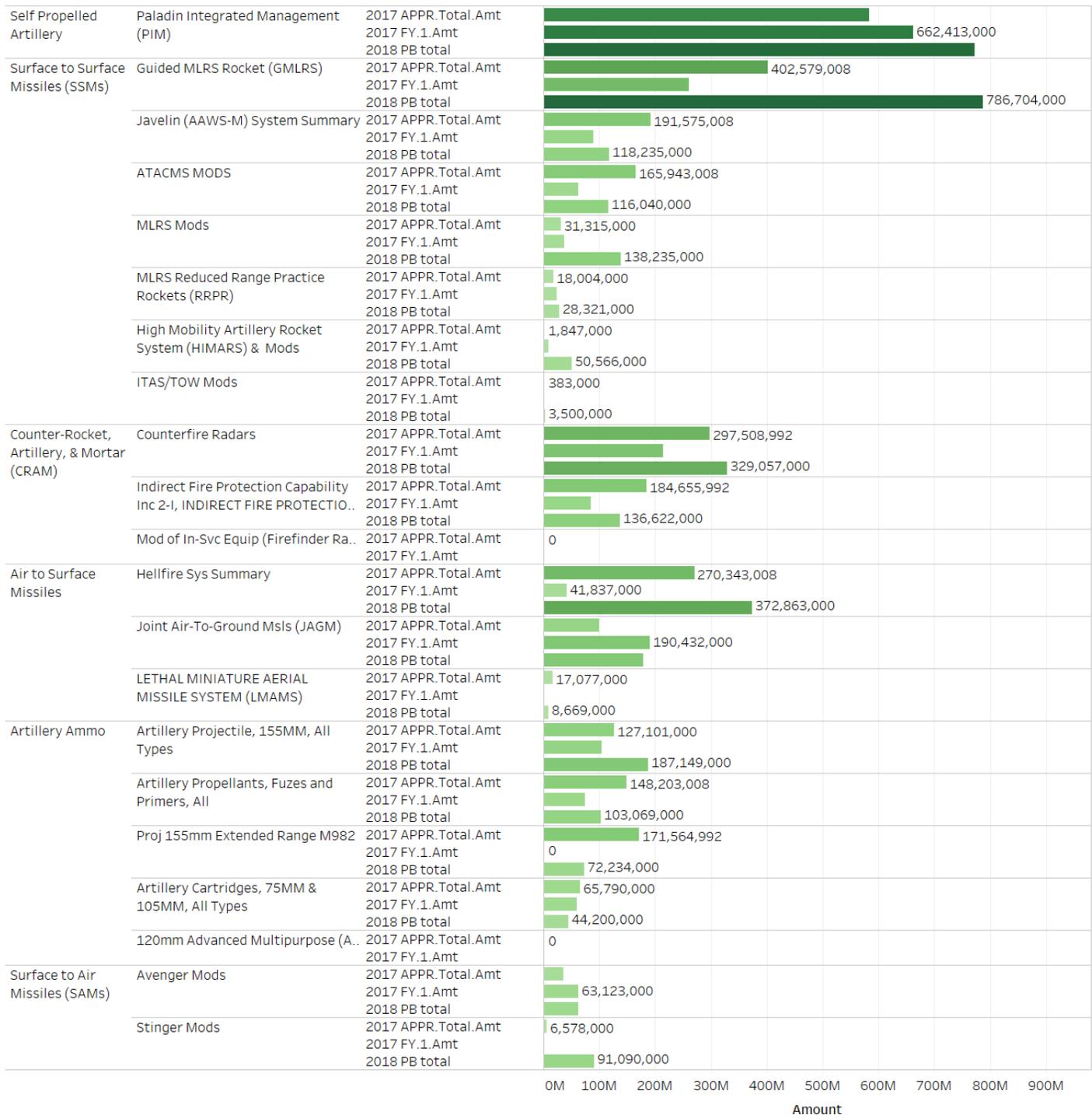
Source: DoD budget data from VisualDOD. Analysis in Tableau.

The PB 2018 largely continues the Joint Light Tactical Vehicle program, increases the AH-64E Apache helicopter new build program, continues the Apache remanufacture program, and puts additional funding towards M1 Abrams upgrades. The PB 2018 continues the PB 2017's planned procurement of Joint Light Tactical Vehicles with a planned procurement of 2,110 in FY 2018 at a cost of \$804 million, a slight reduction of 110 vehicles from the 2,220 anticipated in FY 2018. Following Congressional approval of a Multi-Year Procurement strategy for the AH-64E Apache remanufacture in the FY 2017 National Defense Authorization Act, the Pentagon agreed to a contract with Boeing that will reportedly yield approximately 10 percent cost savings for the 244 aircraft in the base contract, produced at a rate of between 48 and 50 annually.⁵ The PB 2018 procurement request includes \$936 million for the Apache remanufacture, some \$146 million below the amount anticipated in the PB 2017. It also requests \$446 million to purchase 13 new-build AH-64E Apaches. Compared to the PB 2017 projected funding levels in FY 2018, the PB 2018 request more than doubles requested funding for the M1 Abrams tank modifications and upgrades, with over half (or \$582 million) of the overall request of \$1.1 billion coming in OCO. These M1 Abrams modifications would include additional networking capabilities and improvements to electrical power generation capabilities. \$139 million in OCO funding would add Active Protection Systems to 87 tanks. Other Abrams upgrades would improve the computers, night vision capabilities, the transmissions, and the front and side armor of 20 tanks for \$275 million in requested base funding and of an additional 36 tanks for a requested \$443 million in OCO funding. However, these upgrades would have little to no impact on the M1 Abrams' lethality and limited impact on their mobility or survivability in the face of adversary capabilities.

The Army requested increased funding for a variety of air and missile defense capabilities and artillery systems as part of a shift towards a more contested battle against potential peer-adversaries, described as Multi-Domain Battle. The Army increased FY 2018 funding for the Indirect Fire Protection Capability (IFPC) to \$136 million and for the AN/TPQ-53 improved mobile long-range counterfire radars to \$329 million. The IFPC Increment 2 system will be the first to use the Army's new plug-and-play Integrated Air and Missile Defense Battle Control System (IBCS) currently in development. The PB 2018 also maintains the PB 2017 projected FY 2018 funding levels for Patriot vehicle and PAC-3 Missile Segment enhancements, the short-range Stinger man-portable air defense (MANPAD) system, and the Avenger Air Defense System. For artillery capabilities, the Army upped the requested funding in FY 2018 for the self-propelled Paladin artillery piece to \$772 million and added \$50.5 million for preparing to re-start the High Mobility Artillery Rocket System (HIMARS) production line in FY 2019. This funding would support the future procurement of 32 HIMARS and 32 Multiple Launch Rocket System (MLRS) launchers.

Like the other Services, the Army requested funding to dramatically increase their stockpiles of munitions in FY 2018. The Army is requesting \$1.2 billion for surface-to-surface missiles, \$560 million for air-to-surface missiles, and \$154 million for surface-to-air missiles—more than doubling requested funding for each category of munitions compared to the PB 2017 projection for FY 2018. In particular, the Army PB 2018 request includes \$786 million for the Guided Multiple Launch System Rocket System, nearly double the \$402 million appropriated in FY 2017 and nearly three times more than the \$261 projected for FY 2018. This would procure 6,000 rockets, maximizing the current production capacity. It also increases procurement of Hellfire missiles to 3,925 at a cost of \$372 million, continuing the higher procurement rate begun in FY 2017 (see Figure 6-19).

FIGURE 6-19: SELECTED ARMY ARTILLERY, AIR AND MISSILE DEFENSE, AND MISSILE PROCUREMENT PROGRAM REQUESTS IN FY18, AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTION



Source: DoD budget data from VisualDOD. Analysis in Tableau.

Navy

Excluding classified programs, the Navy's FY 2018 procurement request totals \$49.5 billion, an increase of just \$377 million over the amount appropriated in FY 2017 and \$3.6 billion more than the PB 2017 anticipated for FY 2018 (see Figure 6-20).

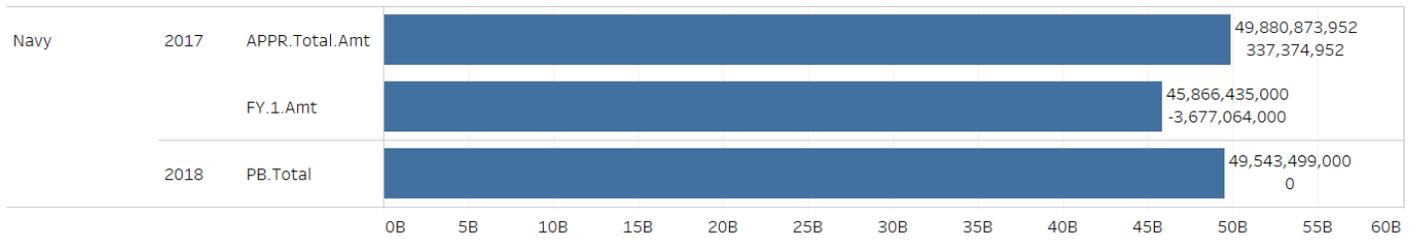
One major force structure goal of the Trump administration is increasing the size of the fleet to a 355-ship Navy, a target endorsed by senior Navy leaders in the 2016 force structure assessment.⁶ Compared with the previous force structure assessment, the future Navy will place a greater emphasis on undersea operations and organic missile defense for the fleet. It increases the attack submarine requirement to 66 from 48, increases the large surface combatant requirement to 104 from 88, increases a planned four additional amphibious ships to 38, and adds a carrier to bring the total to 12. However, building a 355-ship Navy will require substantially more funding. CBO estimates that a 355-ship Navy would cost an average of \$26.6 billion annually in shipbuilding funding, about \$5.5 billion more than the average annual cost of the FY 2017 shipbuilding plan. Under the FY 2017 shipbuilding plan, the Navy would reach a maximum battleforce of 313 ships by FY 2025. CSBA's recommendation for a 340-ship naval fleet architecture comprised of forward-deployed deterrence forces and a maneuver force for delivering sustained combat power has a similar emphasis on undersea capabilities and amphibious ships, but with a greater focus on naval strike forces, including the future frigate, a new class of small carriers, and a more robust combat logistics force. Building CSBA's recommended fleet architecture would require an estimated \$23.6 billion annually in shipbuilding funds, about 20 percent more than the average annual cost of the FY 2017 shipbuilding plan.⁷

The Navy's FY 2018 shipbuilding request totals \$20 billion. With the exception of the procurement of a second Littoral Combat Ship in FY 2018, announced weeks after the PB 2018 release, the Navy's PB 2018 shipbuilding and conversion request hews to the FY 2017 shipbuilding plan levels. The Navy's FY 2018 shipbuilding request would fund nine new ships, including the procurement of one *Ford*-class aircraft carrier, two *Virginia*-class attack submarines, two Littoral Combat Ships, two expeditionary fast transports, one expeditionary sea base, one amphibious transport dock (LPD), two DDG-51 *Burke*-class destroyers, and one DDG-1000 *Zumwalt*-class destroyer. The \$20 billion requested for shipbuilding in FY 2018 is still \$1.1 billion lower than the actual amount appropriated in FY 2017. The Navy will pay for the late addition of the second LCS by delaying the overhaul and nuclear refueling of the aircraft carrier USS *Jon C. Stennis* by 10 months, pushing the cost into FY 2019, and re-allocating \$100 million from improvements to F/A-18E/F fighters.⁸

At a requested \$15.1 billion in FY 2018, the Navy's aircraft procurement account also sees real declines compared to both the PB 2017 projection (\$538 million less) and FY 2017 appropriations (\$1.6 billion less). The Navy's PB 2018 request aligns with the PB 2017 projections, requesting funding for 20 F-35Bs; 14 F/A-18E/F fighters; five E-2D Hawkeye early warning aircraft; two KC-130J air refueling tankers; four CH-53K King Stallion heavy lift helicopters, which were approved to enter low-rate initial production after suffering developmental cost increases; six MV-22 Osprey tilt-rotor helicopters; four RQ-21A Blackjack UAVs; and three MQ-4C Triton UAVs.⁹ The PB 2018 requests reduces the anticipated request for AH-1Z light utility helicopters by five (to 22), funds zero MQ-8C Fire Scout UAVs instead of two, and adds an additional P-8 Poseidon anti-submarine aircraft to bring the FY 2018 request to seven.

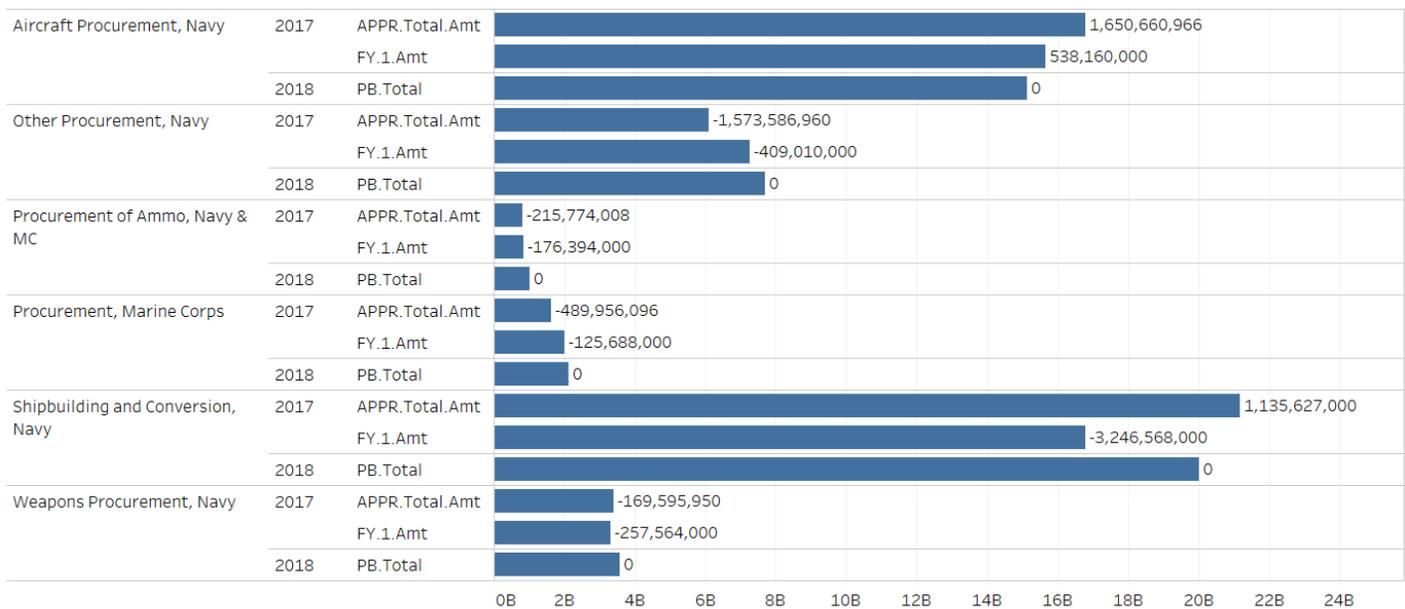
Overall, surface combatants are the largest sub-category within the Navy's FY 2018 procurement request at \$11.7 billion, amounting to 24 percent of the Navy's total procurement. Submarines and unmanned undersea vehicles (UUVs) are the second largest category at \$7.4 billion, followed by manned combat aircraft at \$6 billion, or 15 percent and 12 percent of requested Navy procurement, respectively. Although the FY 2018 request does not make large changes to the Navy's overall procurement funding levels, it does add \$608 million for spares and repair parts for a total of \$2.1 billion, part of the Pentagon-wide effort to improve system maintenance and readiness.

FIGURE 6-20: NAVY PROCUREMENT REQUEST IN PB18 AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTION



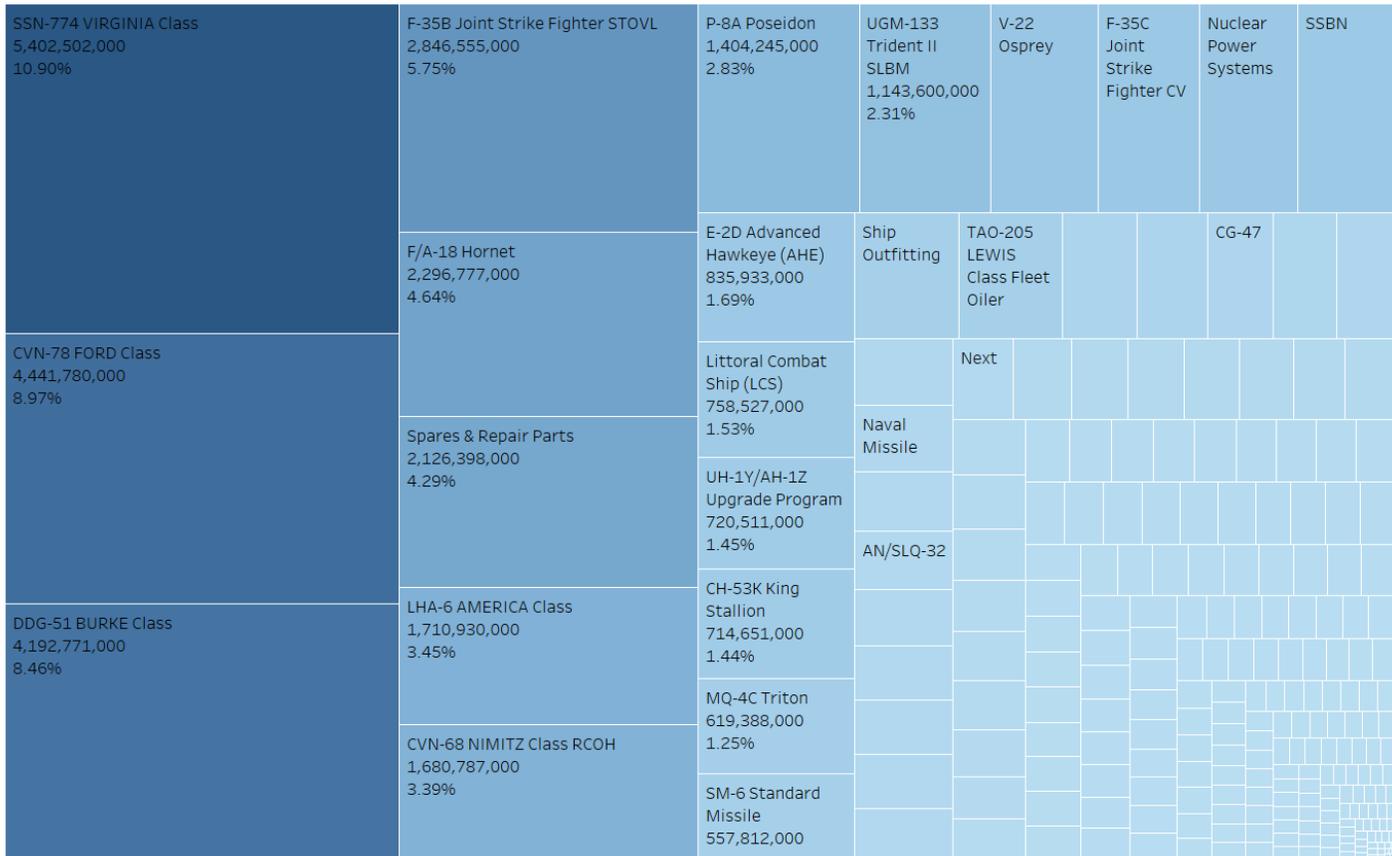
Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-21: NAVY PB18 PROCUREMENT REQUEST BY ACCOUNT, AS COMPARED TO FY17 APPROPRIATIONS AND PB17 FY18 PROJECTIONS



Source: DoD budget data from VisualDOD. Analysis in Tableau.

FIGURE 6-22: FY18 NAVY PROCUREMENT PROGRAMS



Source: DoD budget data from VisualDOD. Analysis in Tableau.

Unfunded Requirements

The Services have also requested an additional \$21.3 billion in procurement items in their FY 2018 unfunded requirements lists.

The Air Force has requested an additional \$5.9 billion in procurement, which includes about \$3.8 billion for additional aircraft, \$1.3 billion in other procurement, and \$564 million for ground vehicle recapitalization. Major requested increases include 14 additional F-35A fighters at a cost of \$1.7 billion, three additional KC-46A tankers at a cost of \$600 million, and either four or eight additional MC-130J special mission planes at a cost of either \$400 or \$800 million.¹⁰

At just under \$9 billion, the Army’s request for additional procurement funding is the largest. It asks for approximately \$2.1 billion to fund munitions and munitions systems including 75 ATACMS, 147 Patriot MSE missiles, and additional GMLRS production capacity. The Army also requested an additional \$4.9 billion in modernization funding, which would include \$2.5 billion for “mobility, lethality and protection of BCTs [Brigade Combat Teams],” to include recapitalization of 29 Abrams tanks, 33 Bradley fighting vehicles, and 35 HERCULES (Heavy Equipment Recovery Combat Utility Lift and Evacuation System) recovery vehicles, and \$1.1 billion for vertical lift, which would fund nine additional AH-64E Apaches and nine new CH-47F Chinooks.¹¹

The Navy’s FY 2018 unfunded priority list asks for an additional \$3.5 billion for the Navy and \$3 million for the Marine Corps, with a combined request for an additional \$3.2 billion in aircraft procurement. The largest increases for the Marine Corps are \$617 million for an additional four F-35Bs, \$290 million for two MV-22B Ospreys, \$356 million for an additional four KC-130J

refueling tankers, and \$288 million for an additional two CH-53K King Stallion heavy lift helicopters. The Navy's biggest requested adds for aviation are \$1 billion for six P-8 Poseidon maritime patrol aircraft, \$739 million for an additional ten F/A-18E/F fighters, \$540 million for four additional F-35Cs, and \$392 million for four additional CVM-22B Ospreys. And, the Navy and the Marine Corps each requested \$312 million for five additional ship-to-shore connectors.¹²

Congressional Action

As part of substantially higher top-line defense funding levels, both the House and the Senate Armed Services Committees (HASC and SASC) have authorized tens of billions more in procurement funding in their versions of the FY 2018 National Defense Authorization Act. The HASC, marking to a \$621 billion topline or \$18 billion more than the administration's request for \$603 billion in overall national defense funding, authorized an additional \$15 billion, approximately, in procurement funding. The HASC procurement increases included \$7.5 billion more for the Army, \$3.7 billion more for the Air Force, and \$3.2 billion more for the Navy. This additional funding, in large part following the priorities of the Services' unfunded priorities list, would fund an additional 17 F-35s, eight more F/A-18 E/F fighters, four more V-22 tilt-rotor Ospreys, eight more AH 64E Apaches, eight more CH-47 Chinooks, four additional KC-130J and two additional KC-41A refueling tankers, upgrades to 29 more Abrams tanks, 33 more Bradley fighting vehicles, 35 more HERCULES recovery vehicles, additional Stryker hull upgrades, and 373 additional Javelin missiles. HASC additions also accelerated efforts to increase the size of the fleet, adding one DDG-51 destroyer, two Littoral Combat Ships, one LPD-30 amphibious transport dock ship, and one expeditionary transfer dock, as well as five of the ship-to-shore connectors requested in the unfunded priority list.

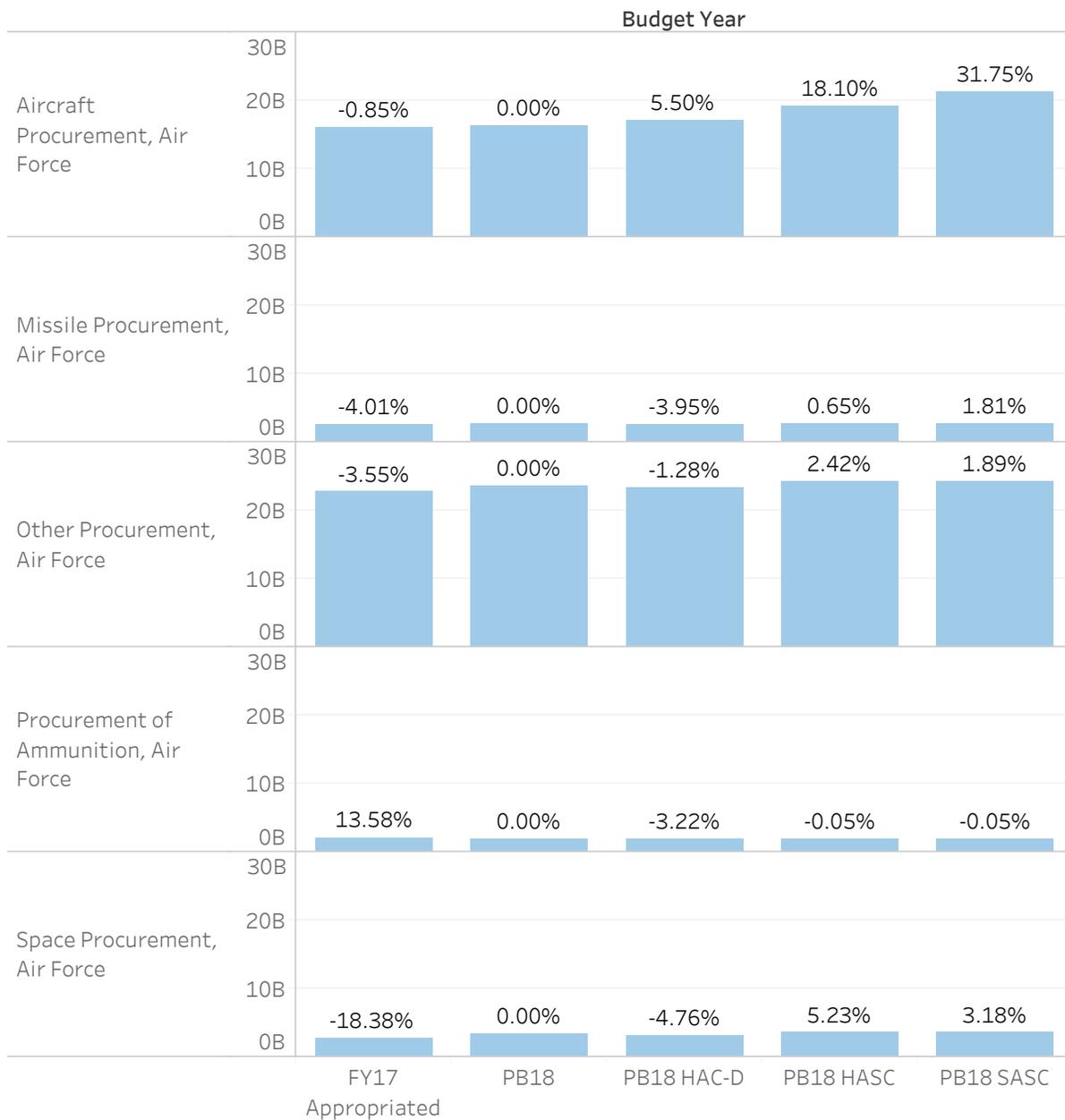
The SASC similarly increased the overall procurement funding level for FY 2018, adding approximately \$24.4 billion, marking to an overall topline of \$640 billion. Although the Army was the largest beneficiary of the HASC's procurement largess, the Navy received the most additional funding from SASC, or \$11.3 billion for a total Navy procurement authorization of \$61 billion. The Army's procurement funding was increased by \$6.7 billion, while the Air Force received an additional \$5.7 billion. SASC's major procurement additions included \$3.1 billion for 24 more F-35 fighters—\$1.8 billion more for 14 F-35As, \$526 million for four F-35Bs, and \$800 million for six F-35Cs—meeting the Air Force and Marine Corps' unfunded requests and exceeding the Navy's unfunded request by two planes. SASC also added \$771 million for space systems and \$2.9 billion for two additional KC-46A Pegasus tankers, in line with the HASC addition. The additional SASC Army procurement authorizations were broadly in line with the HASC adds, funding \$2.2 billion for Army ground vehicles including more rapid M1 Abrams, Stryker, and Bradley upgrades. For the Navy, SASC added \$5 billion for shipbuilding, but with some unusual flexibility as to how the Navy chooses to allocate it. SASC authorized an additional \$1.9 billion for one additional DDG-51 destroyer and some advance procurement funds for future ships; \$450 million for either an additional *Virginia*-class attack submarine or initiatives to expand the submarine industrial base; and \$1 billion for either the first ship of the future amphibious ship class (LX(R)) or an LPD-30 amphibious dock transport ship, one expeditionary transfer dock, and five additional ship-to-shore connectors.

Although the House Appropriations Committee, Defense Subcommittee's (HAC-D), overall defense bill is consistent with the \$621 billion for national defense negotiated with the HASC, the committee took a novel approach. The bulk of the HAC-D appropriations bill makes adjustments to the administration's PB 2018 levels. However, it also includes \$28.6 billion for a "National Defense Restoration Fund," allocated by appropriations title. The Secretary of Defense is empowered to authorize these funds to "high priority" defense items with a 15-day notice period to Congress—a highly unusual waiving of Congressional oversight prerogatives and an illustration of the urgent appetite from many in Congress for increased defense spending. This broad fund also allows considerable flexibility should final appropriations levels come in between the administration's request and the higher HASC or SASC figures. This fund adds an additional \$18.6 billion for procurement, with \$12.6 billion in the base budget and an additional \$6 billion in OCO funds.

The Senate Appropriations Committee, Defense Subcommittee (SAC-D) has not yet marked up a FY 2018 defense appropriations bill. However, the topline national defense figure will be \$551 billion, in line with the current Budget Control Act caps and far below the \$603 billion sought by the Trump administration or the \$621 billion or \$640 billion levels marked to by the HASC and SASC, respectively.¹³

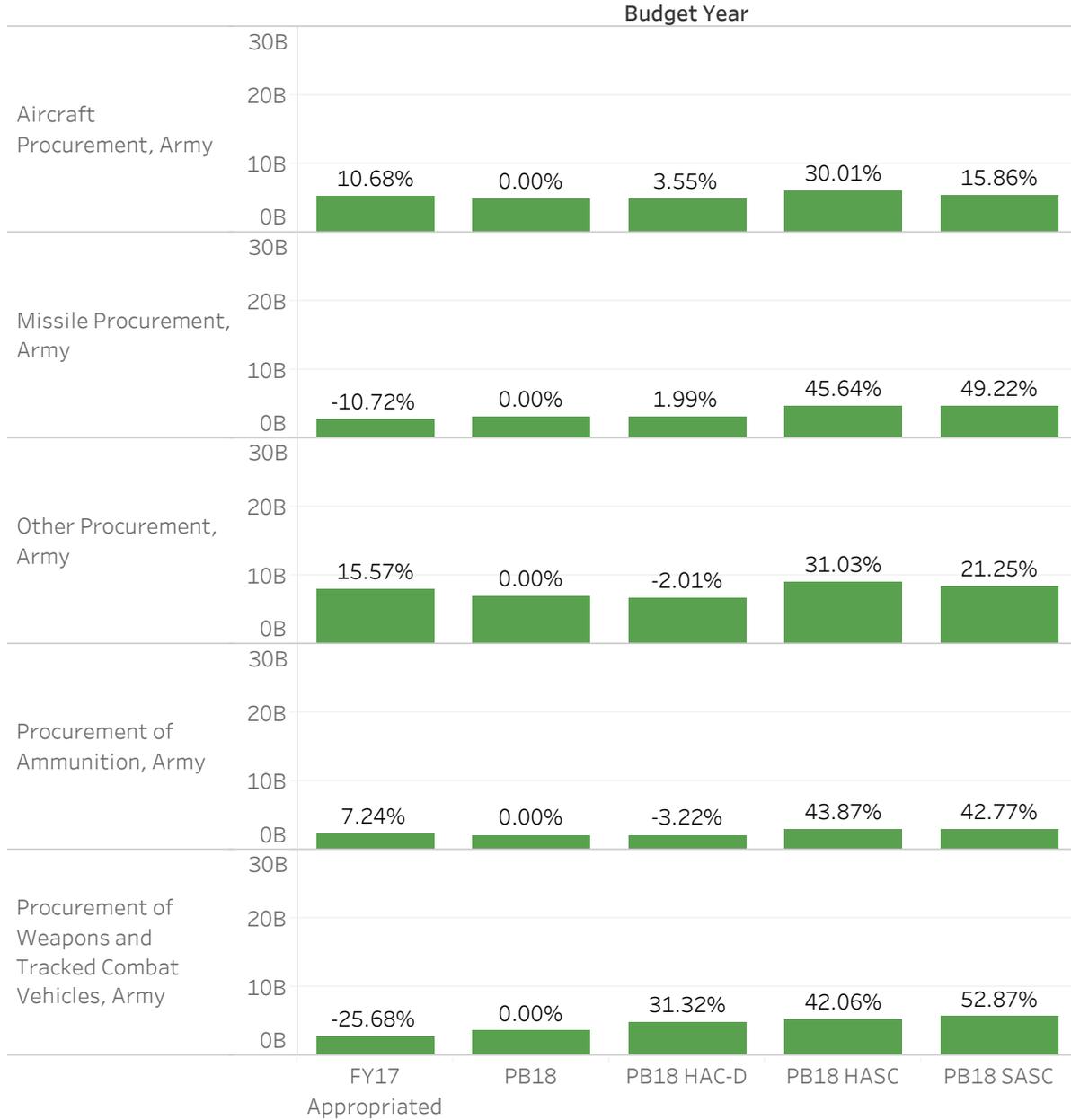
FIGURE 6-23: CONGRESSIONAL ACTION ON THE PB18 PROCUREMENT REQUEST, BY ACCOUNT AND SERVICE

Air Force



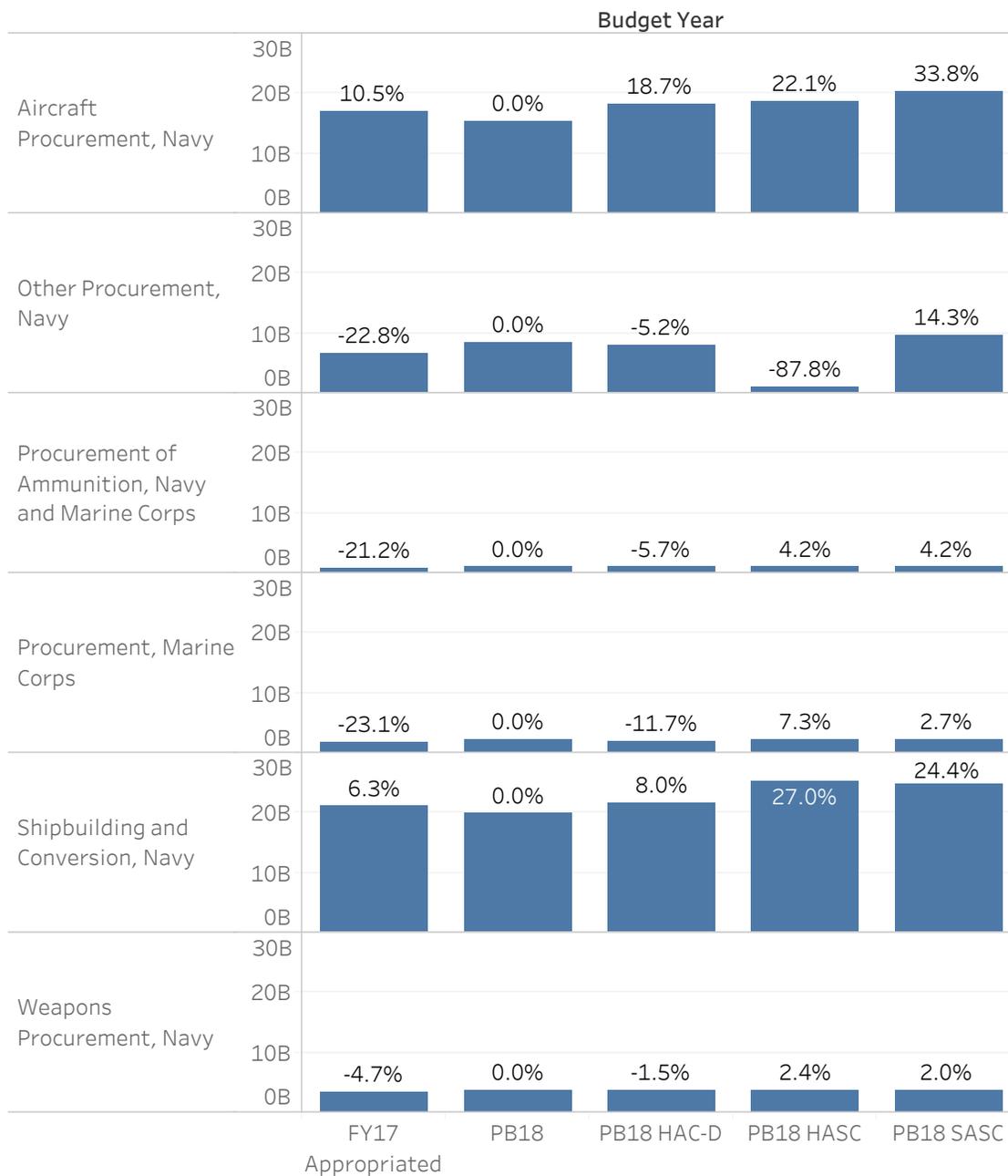
Source: DoD budget data from VisualDOD. Analysis in Tableau.

Army



Source: DoD budget data from VisualDOD. Analysis in Tableau.

Navy

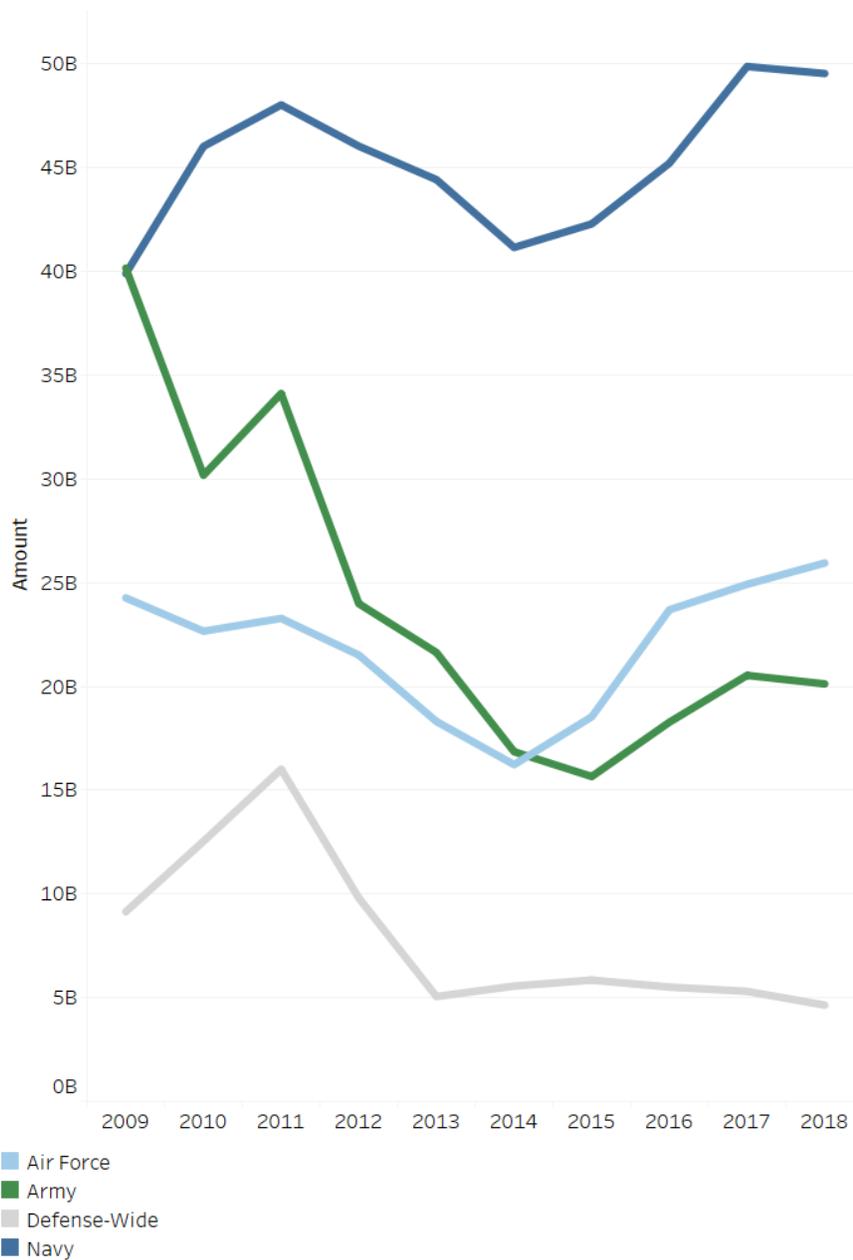


Source: DoD budget data from VisualDOD. Analysis in Tableau.

Trends

Since a recent peak of \$141.2 billion in FY 2011, procurement funding declined rapidly (by about 40 percent over four years) to a recent low of \$98.8 billion in FY 2014. Procurement funding has recovered by about half of that decline, with appropriations for procurement at \$123.7 billion for FY 2017. The FY 2018 budget request for \$125.2 billion would be a 0.65 percent increase. However, the Services have seen very different relative changes in their procurement totals. Excluding classified funding, the Navy's procurement funding peaked at \$48 billion in FY 2011 and declined by \$6.8 billion to a low of \$41.2 billion in FY 2014, a 14 percent decline. However, the Navy's procurement funding recovered rapidly, reaching \$49.8 billion in FY 2017. The Air Force's "blue" procurement funding suffered a similar, though steeper, dip and recovery, declining from \$24.2 billion in FY 2009 to \$16.2 billion in FY 2014, a decline of \$8 billion or 33 percent, before recovering to \$24.9 billion in FY 2017. By contrast, the Army's procurement funding declined from \$40 billion in FY 2009 at the peak of the war in Iraq and the MRAP procurement effort to a low of just \$15.6 billion in FY 2015—a decline of more than 60 percent. Since that low, the Army's procurement funding has hovered around \$20 billion, or about half its prior levels. Defense-wide procurement for non-classified programs has similarly dropped from a high of \$16 billion in FY 2011 to a relatively consistent level of around \$5 billion since FY 2013 (see Figure 6-24). By contrast, classified procurement funding rose steadily between FY 2009 and FY 2013, reaching \$20.6 billion. After a sequester-driven dip in FY 2014 and FY 2015, classified procurement spending rapidly recovered and has continued to grow, reaching \$23.1 billion in FY 2017.

FIGURE 6-24: TRENDS IN UNCLASSIFIED APPROPRIATION FUNDING BY SERVICE, FY09–FY18 (PROJECTED)



Source: DoD budget data from VisualDOD. Analysis in Tableau.

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NOTES

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