



DEPARTMENT OF DEFENSE

Since 2001, the Administration:

- Liberated two nations with more than 50 million people, and reduced safe havens for terrorists;
- Developed a new national defense strategy and established four new military Commands to lead the Global War on Terror, transform the military, protect the homeland, and defend against long-range attack;
- Launched the most significant transformation of the Army in a generation, transitioning from a Division-based Army to more lethal, agile, and capable Brigade Combat Teams;
- Transformed America's global defense posture, allowing forces to deploy quickly in times of crisis and ensuring a new global military presence prepared for 21st Century challenges;
- Activated an initial Missile Defense system to protect America against attack;
- Delivered aid to millions affected by natural disasters, at home and abroad;
- Raised military pay by about 28 percent and enhanced special pays and bonuses;
- Converted over 26,000 military positions to civilian positions to relieve strain on the military force and ensure all military personnel are performing "military essential" activities; and
- Established the National Security Personnel System, now serving 77,000 civilian employees, creating a flexible and responsive 21st Century national security workforce.

The President's 2008 Budget:

- Provides \$481.4 billion for the Department of Defense's base budget—a 62-percent increase over 2001—to ensure a high level of military readiness as the Department develops capabilities to meet future threats, defends the homeland, and supports the all-volunteer force and their families;
- Supports operations in the Global War on Terror by providing an additional \$93.4 billion in supplemental funds for 2007 and \$141.7 billion for 2008, including funds to accelerate efforts to train and equip Iraqi and Afghan Security Forces;
- Continues ground force modernization and the expansion of Special Operations Forces;
- Enhances missile defense capabilities by adding additional interceptor missiles and sites to expand coverage against new threats;
- Provides a 3.0-percent increase in basic military and civilian pay; and
- Aligns military health care premiums and copayments for retirees under 65 years of age with general health insurance plans.

FOCUSING ON THE NATION'S PRIORITIES

The Department of Defense (DOD) continues to wage a global war against terrorism and prepare for other challenges in the 21st Century. As the U.S. military fights the Global War on Terror, DOD is reconstituting the forces engaged in those operations. To respond to evolving and adaptive enemies, DOD is building the irregular and joint warfighting capabilities needed to meet future threats to the Nation's security, while sustaining traditional advantages in U.S. conventional warfighting capabilities. The Department also takes care of its most valuable asset—its people—supporting the members of the all-volunteer force and their families.

Prevailing in the Global War on Terror

As a Nation at war, the top priority is to ensure our servicemembers have the resources necessary to fight and succeed. This request protects and supports U.S. forces as they fight America's battles, and strengthens U.S. capabilities to advance American interests in the Global War on Terror.

To prevail in the Global War on Terror, the military Services must continuously prepare forces to conduct missions across a spectrum of military operations whether fighting traditionally armed and organized adversaries or other enemies like those faced today in Iraq and Afghanistan. The U.S. military continues to improve joint warfighting capabilities, and to build or strengthen the security capabilities of U.S. global partners, both critical to waging war.

To better enable military forces to address these challenges without undue long-term stress, the 2008 Budget includes funding for additional permanent forces in the Army and Marine Corps, increasing the size of the Army from the currently authorized level of 482,400 to 547,400 by 2012 and the Marine Corps from the currently authorized level of 175,000 to 202,000 by 2011. This increase will reduce stress on active duty and reserve forces, ensuring heightened readiness for all missions.

Included with the 2008 Budget is a request for \$93.4 billion in supplemental appropriations for 2007 to address the military's needs for the Global War on Terror above the \$70.0 billion provided in the 2007 Defense Appropriations Act. In addition, the Budget includes a request of \$141.7 billion in emergency appropriations to fund continuing costs of the Global War on Terror in 2008. This request assumes essentially the same level of activity in 2008 as in 2007. As activity on the ground evolves, the Administration may adjust the requested amount or its allocation through a Budget amendment or subsequent supplemental request. To date, \$426.8 billion has been appropriated for DOD operations in the Global War on Terror. The funding requested in the President's Budget would increase this amount to \$661.9 billion.

Increasing Support for Defense Operations in the Global War on Terror (in billions of dollars)

Enacted							Enacted To Date	Request		Total
2001	2002	2003	2004	2005	2006	2007		2007	2008	
9.3	8.3	62.2	62.0	100.5	114.5	70.0	426.8	93.4	141.7	661.9

Note: Funding levels exclude budget authority for Operation Noble Eagle that covers homeland defense and civil support missions in effect since the terrorist attacks on September 11, 2001. Levels include funding for the Intelligence Community.

The cost of military operations is the largest component of this funding in both 2007 and 2008. Another priority in this request is to ensure that the warfighters have the tools and equipment that they need. This funding includes programs to replace or refurbish military equipment lost or damaged in combat or through wear and tear. In addition to the \$23.6 billion already provided in the 2007 Defense Appropriations Act for these programs, the request includes \$13.9 billion for 2007 and an estimated \$37.6 billion for 2008.

Improvised Explosive Devices (IEDs) significantly threaten U.S. forces in Iraq and Afghanistan. DOD created the Joint IED Defeat Organization to develop and procure technologies that disarm and destroy IEDs before they detonate; locate and disrupt the networks of enemies that build and place IEDs; and train U.S. forces to detect and disable IEDs in hostile environments. For the Joint IED Defeat Organization, the President requests an additional \$2.4 billion in supplemental funds for 2007 and \$4.0 billion in emergency funds in 2008.

As the table shows, the request also increases funds for training and equipping Iraqi and Afghan Security Forces so that they can take on greater responsibility of securing their own countries. As of January 2007, there were over 140 Iraqi army combat and police battalions and about 48 Afghan army combat and police battalions actively engaged in operations to secure the future of their respective nations.

Targeting Efforts to Train and Equip Security Forces
(in billions of dollars)

	2007			2008 Request
	Enacted	Proposal	Total	
Iraq	1.7	3.8	5.5	2.0
Afghanistan	1.5	5.9	7.4	2.7

Developing Capabilities to Meet Future Threats

Even as DOD focuses on military operations in Iraq and Afghanistan, it must prepare for future challenges and conflicts through organizational and technological transformations.

Reorganizing the Army. The Army continues to transform successfully from a Cold War division-centric force to a modular force comprised of more flexible and self-sustaining fighting units with increased mobility and combat power. To date, 51 combat brigades and 131 combat support brigades have been converted, or are converting, to light, medium, and heavy modular units. The 76 planned combat brigades include seven Stryker armored fighting vehicle-equipped brigades that have proven extremely effective in Iraq. In parallel, Army aviation units continue to modernize with upgraded Apache, Blackhawk, and Chinook helicopters, and will soon acquire a new Armed Reconnaissance Helicopter and Joint Cargo Aircraft. The Budget provides a total of \$7.6 billion for Army Modularity in 2008.

Expanding the Special Operations Command. The 2008 Budget strengthens the ability of the Special Operations Command (SOCOM) to lead, plan, and execute operations against terrorist networks worldwide. SOCOM retains the ability to respond to a broad range of threats with specially-trained, flexible units, providing the United States with the power to meet diverse challenges whenever and wherever they may arise. Continuing its growth over the last several years, SOCOM will add nearly 3,000 Special Operators in 2008 and more than 10,000 over the next

five years, in an effort to build force structure without diluting the quality training that is critical to combat global terrorism.

Building Partnership Capacity. As the Global War on Terror continues, efforts to shape environments to minimize the likelihood that they will become incubators for future enemies will require not only direct action by the military, but a more creative approach to supporting allies and friends. To that end, the Administration will request new authorities and over \$500 million in funding to enhance its ability to train and equip allies, and provide humanitarian assistance where it is needed.

Aligning Infrastructure and Requirements. To ensure that DOD's domestic bases were structured appropriately to support operational requirements, the Administration conducted a Base Realignment and Closure (BRAC) review in 2005. This independent review identified excess infrastructure, which is no longer necessary to defend our Nation and diverts resources that could be better spent to confront today's threats to national security. The review recommended closing 25 installations and realigning or consolidating 24 major installations. The 2008 request provides \$8.2 billion for DOD to continue its efforts to meet the recommendations accepted by the BRAC Commission and subsequently enacted.

Adjusting Global Posture. In August 2004, the President began working with new partners around the world to increase military effectiveness and announced the most comprehensive restructuring of U.S. military forces overseas since the end of the Korean War. The Global Posture Initiative shifts Cold War bases to new areas of strategic importance. This new basing strategy will provide the United States with rapid access to areas where the U.S. military is more likely to be engaged, but where a large permanent presence is not needed. When complete, the U.S. base infrastructure overseas will be reduced and 60,000–70,000 troops will have returned to the United States. To date, the United States has scaled back its presence in Saudi Arabia; moved out of Seoul, Korea and redeployed to the southern Korean peninsula; reduced troop levels in Germany; and begun negotiations with the Government of Japan to move Marine units from Okinawa to Guam. The Budget provides about \$1.0 billion for this effort in 2008, which is estimated to cost \$5.3 billion through 2012.

Improving Technology to Support U.S. Troops. DOD continues a broad range of transformation efforts that affect weapon systems acquisition, joint warfighting doctrine, and a variety of internal processes. In 2008, DOD will field more Unmanned Aerial Vehicles, with the Predator force increasing to 170 aircraft, eventually supporting 21 simultaneous surveillance orbits. The Budget also provides funds for the first CVN-21 aircraft carrier. Three other classes of transformational warships—SSGN cruise missile submarines, Littoral Combat Ships, and DDG-1000 destroyers—were approved in previous years. The 2008 Budget also supports new global capabilities, including \$315 million for a new Air Force tanker, \$175 million for a conventional Trident missile, and \$310 million to deploy a missile defense site in Europe.



U.S. Army; Staff Sgt. Michael Carden

DOD is working aggressively to develop and deploy increasingly effective equipment—such as chemical and biological suits and other protective gear—and procedures to protect military forces that may be exposed to chemical or biological warfare agents. In 2008, it will replace older gear whose expiration date is approaching and invest in collective protection equipment, such as field hospitals and protective shelters, and in deployable diagnostic equipment. DOD will develop broad spectrum

compounds and other medical countermeasures against bio-engineered threats and non-traditional agents and will make investments in improved early attack warning and decontamination. The Budget includes \$1.6 billion for the research, development, and procurement of these items.

Defending the Homeland

To defend the homeland and provide for the security of the American people, DOD must have the capabilities necessary to deter, detect, and, when necessary, defeat direct attacks against U.S. territory, citizens, and key infrastructure from the air, land, sea, space, and cyberspace. Among the initiatives to support the defense of the homeland, the 2008 Budget provides resources to prevent terrorist acquisition and use of weapons of mass destruction (WMDs) and to expand missile defense capabilities. In addition to these initiatives, DOD will maintain its significant advantages in conventional warfighting capabilities to deter or defend against external attack, including opportunistic acts of aggression or coercion.

DOD plays a central role in America's efforts to prevent proliferation of WMDs. The Cooperative Threat Reduction (CTR) program supports the Global War on Terror by consolidating, securing, and dismantling WMDs and the associated infrastructure in Russia and other countries of the former Soviet Union. CTR is nearing the completion of several key projects, including the construction of a chemical weapons destruction facility at Shchuch'ye, Russia, and security upgrades at Russian warhead storage sites. The President's Budget supports new work by the CTR program to upgrade security at vulnerable borders and expand the Biological Threat Reduction program. Both of these efforts are underway in countries of the former Soviet Union other than Russia. The 2008 request for CTR is \$348 million.

DOD continues to invest, improve, and field both land- and sea-based missile defense systems to protect the homeland under the auspices of the Missile Defense Agency (MDA). In 2008, additional ground-based interceptors will be deployed in Alaska and new missiles will be added to the sea-based Aegis system. In addition, the Sea-Based X-band Radar is undergoing final testing before moving to Adak, Alaska, where it will begin its operational mission to track targets as part of an integrated system to defend the United States from missile attacks. The 2008 Budget provides \$8.9 billion for MDA to develop, test, and field components to enhance the existing defensive capability already in operation in the Pacific.

Supporting the All-Volunteer Force and their Families

Compensating Servicemembers. The President's Budget continues initiatives to strengthen recruitment and retention of the all-volunteer force; ensure servicemembers have the best training, equipment, and force protection; maintain a high quality of life for Active and Reserve personnel; ensure the finest treatment, rehabilitation, and future opportunity for personnel wounded in action; and compensate servicemembers commensurate with the sacrifice they and their families make for the Nation.

Over the past several years, the Administration has increased basic pay by about 28 percent; more than doubled special pays and added special retention bonuses for servicemembers deployed in support of Operations Iraqi Freedom and Enduring Freedom; enhanced pay and allowances, commissary, and health benefits for all reservists; added education benefits for reservists activated for the war; and upgraded many programs designed to ensure a good quality of life for servicemembers and their families. These improvements have resulted in record retention, especially among frontline troops, and recruiting success.

The Administration continues to examine military compensation to ensure it remains competitive and reflects the compensation strategies demanded by employees in today's robust economy. Total

average compensation per servicemember now exceeds \$100,000, including the costs of providing health, retirement, and other benefits. As the table shows, some of these costs are in deferred in-kind or cash incentives, though the average military “salary,” defined as Basic Pay, the Basic Allowances for Housing and Subsistence, and associated tax savings, exceeds \$90,000 for officers and \$46,000 for enlisted personnel. As of April 2007, military members are compensated well above comparably aged and educated civilians. A more detailed explanation of compensation costs can be found in the Federal Employment and Compensation chapter of the *Analytical Perspectives* volume of the Budget.

Military Compensation Covers More Than Just Pay
(percent of compensation)

Type of Compensation	Military	National Average*
Current Cash	38%	84%
Current In-Kind (e.g., housing).....	9%	9%
Deferred In-Kind (e.g., retiree health care).....	29%	—
Deferred Cash (e.g., retired pay).....	24%	7%

* Bureau of Labor Statistics, March 2005.

DOD also provides counseling programs to support servicemembers and their families, for example, helping them prepare for the emotional and financial challenges associated with war-related deployments. To provide assistance to those who have sacrificed for this Nation, the 2008 Budget includes \$45 million, split between funding in the base budget and emergency supplemental appropriations, for the Severely Injured Support Center, which provides counseling, assistance, and advocacy for wounded warriors as they adapt to day-to-day life in their local communities.

Providing Access to Quality Health Care. The Administration is committed to ensuring that servicemembers and their families have access to high quality medical care throughout the world. To support these efforts, the Budget provides \$22.5 billion in the Defense Health Program (including \$1.9 billion in anticipated savings from beneficiary cost sharing).

DOD achieved a major milestone with the launch of its global electronic health record system, which will ultimately serve more than nine million servicemembers, retirees, and their families worldwide. In 2008, the system will be active in 60 percent of military hospitals, which is a major step towards achieving the President’s goal of making electronic health records and costs available to a majority of Americans.

DOD continues to monitor rising healthcare costs and is working to ensure that the program is managed as efficiently as possible. Most of the cost growth is fueled by expansions in benefits and eligibility for Reservists, and the increasing attractiveness of the military health program (TRICARE) relative to private sector plans available to second-career military retirees. In order to sustain the health benefit for all eligible beneficiaries, the 2008 Budget includes a legislative proposal that aligns TRICARE premiums and copayments for retirees under 65 years of age with general health insurance plans. In addition, the Administration will move quickly to review and submit legislation, if appropriate, for recommendations or improvements to the proposal that may be offered by the DOD Task Force on the Future of Military Health Care.

Strengthening the U.S. Intelligence Community

Intelligence plays a central role in protecting U.S. national security. Policy makers, military commanders, and law enforcement personnel need timely, accurate information regarding the capabilities and intentions of foreign powers, terrorists, and other international actors. Since 2001, the Administration has invested significant resources to increase U.S. intelligence capabilities across a wide variety of disciplines.

The Intelligence Reform and Terrorism Prevention Act of 2004, reorganized the Intelligence Community and created the position of the Director of National Intelligence (DNI) to manage the Intelligence Community more effectively. The DNI's National Counterterrorism Center has drafted the National Implementation Plan to improve the overall coordination of agency programs supporting the Global War on Terror. Working with the Departments of State, Defense, Justice, Homeland Security, Energy, and the Treasury, the DNI continues to implement the reforms initiated by the Intelligence Reform Act.

The 2008 President's Budget sustains and builds on these investments and organizational changes. In particular, the Intelligence Community is focused on improving its human intelligence, signals intelligence, data processing, and analytic capabilities. For example, the Budget supports implementation of the President's directive to increase the number of Central Intelligence Agency case officers and analysts by 50 percent. The Budget also supports improved sharing of intelligence information through the Information Sharing Environment, a Government-wide effort to share terrorist information among interested parties in Federal, State, and local governments.

Department of Defense
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budget Authority:			
Military Personnel.....	109,114	110,901	116,280
Operation and Maintenance.....	139,224	148,616	164,714
Defense Vessel Transfer receipt account.....	-69	—	—
<i>Legislative proposal, Defense Health Enrollment Fees and Deductible (non-add)</i>	—	-249	-1,862
Procurement.....	77,672	81,256	101,679
Research, Development, Test and Evaluation.....	72,039	75,125	75,117
Military Construction.....	8,043	7,480	18,233
Family Housing.....	3,967	3,794	2,932
Revolving and Management Funds.....	657	2,427	2,454
Adjustment for 2007 Administration proposed policy.....	—	5,878	—
Subtotal.....	410,716	435,477	481,406
Budget authority from enacted supplementals ¹	123,798	70,000	—
Emergency funding for the Global War on Terror ¹	—	93,382	141,665
Subtotal.....	123,798	163,382	141,665
Total, Discretionary budget authority.....	534,514	598,859	623,071
Total, Discretionary outlays.....	498,799	547,287	581,329
Mandatory Outlays:			
Existing law.....	558	1,628	2,023
Legislative proposal, National Defense Stockpile Sales.....	—	—	-69
Total, Mandatory outlays.....	558	1,628	1,954
Total, Outlays.....	499,357	548,915	583,283

¹ Appropriated or requested funding levels do not reflect actual or anticipated transfers for the State Department or the U.S. Coast Guard. These funding levels also reflect the Intelligence Community Management Account's request for the Global War on Terror (base funding is not included).