



DEPUTY SECRETARY OF DEFENSE  
1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010

MAR 05 2014

MEMORANDUM FOR SECRETARY OF THE ARMY  
SECRETARY OF THE NAVY  
CHIEF OF STAFF, U.S. ARMY  
CHIEF OF NAVAL OPERATIONS  
COMMANDANT OF THE MARINE CORPS

SUBJECT: Updated Guidance for Fiscal Years 2015-2019

This budgeting process has been marked by uncertainty and irregularity, with changes to our spending assumptions that came late in the process – including congressional action last December on a Bipartisan Budget Act (BBA) that provided a new level of spending for FY 2015. We also face the reality that sequestration remains the law of the land beginning in FY 2016. As a result, the Secretary of Defense chose to be conservative in his direction to you for this budget submission and had you first plan in detail for funding at the Budget Control Act (BCA) caps (commonly referred to as sequestration-level caps).

Even though the five-year budget plan submitted along with the President's budget request assumes \$115 billion more than the BCA caps, in its later years we have programmed for sequestration-level force sizes for the active-duty Army, Army National Guard and Reserve, and Marine Corps end strength, as well as for carrier strike groups. It takes time to plan and execute a successful drawdown that preserves capability in the process. Past drawdowns have reduced force structure too fast with too little planning. The resulting problems required significant amounts of time and money to fix.

If Congress indicates it will appropriate future budgets at the levels requested in the President's 2015 budget, based on my consultations with each of you, we have concluded that we can ultimately support a larger force while keeping it ready and modernized for the security challenges that await us.

Therefore, FY 2016 will be a critical inflection point. We will look for a signal from Congress that sequestration will not be imposed in FY 2016 and that the funding levels projected in the Future Years Defense Program (FYDP) will be realized. If that happens, we will submit a budget that implements our desired force levels.

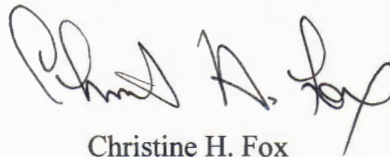
I know you have already begun your efforts to build the next budget and five-year program. I want you to know the Secretary intends to codify in subsequent fiscal guidance to you his direction to program for this larger force – assuming Congress provides an indication that they will provide funding at the level requested in the 2015-2019 FYDP.

We must continue to be prepared, however, for funding below the FYDP. Therefore, I want you to also be prepared to amend your submission if we receive indication, in time to inform FY 2016, that funding will remain at the current BCA caps.

The Army should program for a steady-state force of: 440,000-450,000 in the Active Component; 335,000 in the Army National Guard; and 195,000 in the Army Reserve. The Army should be prepared to amend its submission to: 420,000; 315,000; and 185,000 respectively, if budgets seem likely to remain at the BCA caps.

The Marine Corps should program for a steady-state force of 182,000 in the Active Component, recognizing that steady-state might be achieved outside the FYDP, but be prepared to amend its submission to 175,000 if budgets seem likely to remain at the BCA caps.

The Navy should program for 11 carrier strike groups and the appropriate number of associated air wings – including the refueling and overhaul of the USS George Washington. The Navy should be prepared to amend its submission in 2016 and decommission the USS George Washington, adjust the number of air wings, and ask Congress to modify the law requiring 11 carriers, if budgets seem likely to remain at the BCA caps.

A handwritten signature in black ink, appearing to read "Christine H. Fox", is positioned above the printed name.

Christine H. Fox  
Acting

cc:  
Secretary of the Air Force  
Chairman of the Joint Chiefs of Staff  
Vice Chairman of the Joint Chiefs of Staff  
Chief of Staff, U.S. Air Force