



OFFICE OF MANAGEMENT AND BUDGET



U.S. DEPARTMENT OF DEFENSE

September 15, 2011

The Honorable Howard P. "Buck" McKeon  
Chairman  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter of August 10, 2011, regarding the Budget Control Act (BCA) and the effects it will have on the budget of the Department of Defense (DoD).

As the President has made clear on numerous occasions as the Commander-in-Chief, he has no greater responsibility than protecting our Nation's national security. That includes ensuring the defense of our homeland and America's interests around the world. At the same time, America's debt represents one of the greatest long-term threats to this country's national security. Therefore, just as we must find more savings in domestic programs, we must do the same in defense—and we can do this while still keeping our Nation strong and secure.

You asked specifically about the DoD comprehensive review and its budgetary consequences for FY 2012. The comprehensive review, directed by the President and launched by Secretary Gates earlier this year, is anticipated to be completed later this Fall, and is a review of America's missions, capabilities, and our role in a changing world. Once it is completed, the President will work with the senior military and civilian leadership and make specific decisions about defense programs. As for budgetary plans for FY 2012, DoD is still in the process of reexamining these plans in light of the requirements of the BCA and ongoing Congressional action.

You also asked about guidance from the Office of Management and Budget (OMB) to DoD regarding its FY 2013 budget. Compared with the President's Budget for FY 2012, the basic provisions of the BCA (Title I) provide for substantial reductions in funding for the security funding category through FY 2013 and impose limits on total discretionary funding through FY 2021. OMB is in the process of providing general guidance to DoD and other agencies regarding the implementation of Title I of the BCA and final levels will be determined this Fall.

As you know, the cuts imposed by the alternative spending limits would take effect for security as well as non-security agencies in January 2013 if the Joint Select Committee on Deficit Reduction fails to achieve the goals established in the BCA. However, because no reductions beyond those in Title I of the BCA currently apply, OMB has not provided guidance to the Pentagon or any other agency regarding alternative spending limits, nor has OMB directed any agency to prepare for sequestration. The President believes that issuing guidance about

accommodating these alternative limits would not be appropriate at this time, especially while the Joint Select Committee's work, just underway, is focused on developing a credible proposal that meets the requirements of the BCA and that the President can sign.

Finally, you asked about the effects on national security if the alternative spending constraints under Title III of the BCA are actually triggered and take effect. The spending limits under Title III, coupled with the sequester that would occur if the joint committee process fails, would require a cut for FY 2013 of as much as 11 percent from DoD's FY 2011 funding level. Compared with the FY 2013 level in the President's budget plan submitted last February, this cut would result in a reduction of as much as 15 to 25 percent depending on whether the President elects to exempt military personnel funding. As a result of the size of the cuts, and the manner in which they may be imposed, DoD would almost certainly be forced to furlough large numbers of its civilian workers. Training would have to be curtailed, the force reduced, and purchases of weapons would have to be cut dramatically. In short, there could be significant impacts on major military capabilities and on our ability to execute the current national security strategy. Spending limits beyond FY 2013 would also be dramatically lower.

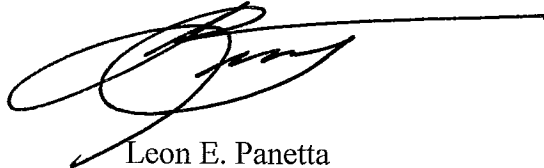
Reductions of this magnitude, imposed in this manner, could pose a significant risk to national security. This is why we have stated that the sequester mechanism under Title III is not meant to be policy. Rather, they are designed to create a powerful incentive for Congress to do its job and pass a balanced, responsible deficit reduction through the legislative process the BCA established. It is critical to avoid triggering additional deep cuts in defense and non-defense programs. We very much hope the Joint Select Committee on Deficit Reduction will reach a compromise that leads Congress to pass a balanced plan the President can sign into law, which meets the deficit reduction targets in Title III and thereby ensures the alternative spending constraints under Title III are not triggered.

The President is committed to both maintaining a superior military and achieving the deficit reduction needed to ensure the long-term security of the United States. We look forward to continuing to work with you as we seek to meet these goals in a responsible way.

Sincerely,



Jacob J. Lew  
Director  
Office of Management and Budget



Leon E. Panetta  
Secretary of Defense

cc:  
The Honorable Adam Smith  
Ranking Member

Identical Letter Sent to:

The Honorable Howard P. "Buck" McKeon

The Honorable Paul Ryan

The Honorable C.W. Bill Young



OFFICE OF MANAGEMENT AND BUDGET



U.S. DEPARTMENT OF DEFENSE

September 15, 2011

The Honorable Paul Ryan  
Chairman  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter of August 10, 2011, regarding the Budget Control Act (BCA) and the effects it will have on the budget of the Department of Defense (DoD).

As the President has made clear on numerous occasions as the Commander-in-Chief, he has no greater responsibility than protecting our Nation's national security. That includes ensuring the defense of our homeland and America's interests around the world. At the same time, America's debt represents one of the greatest long-term threats to this country's national security. Therefore, just as we must find more savings in domestic programs, we must do the same in defense—and we can do this while still keeping our Nation strong and secure.

You asked specifically about the DoD comprehensive review and its budgetary consequences for FY 2012. The comprehensive review, directed by the President and launched by Secretary Gates earlier this year, is anticipated to be completed later this Fall, and is a review of America's missions, capabilities, and our role in a changing world. Once it is completed, the President will work with the senior military and civilian leadership and make specific decisions about defense programs. As for budgetary plans for FY 2012, DoD is still in the process of reexamining these plans in light of the requirements of the BCA and ongoing Congressional action.

You also asked about guidance from the Office of Management and Budget (OMB) to DoD regarding its FY 2013 budget. Compared with the President's Budget for FY 2012, the basic provisions of the BCA (Title I) provide for substantial reductions in funding for the security funding category through FY 2013 and impose limits on total discretionary funding through FY 2021. OMB is in the process of providing general guidance to DoD and other agencies regarding the implementation of Title I of the BCA and final levels will be determined this Fall.

As you know, the cuts imposed by the alternative spending limits would take effect for security as well as non-security agencies in January 2013 if the Joint Select Committee on Deficit Reduction fails to achieve the goals established in the BCA. However, because no reductions beyond those in Title I of the BCA currently apply, OMB has not provided guidance to the Pentagon or any other agency regarding alternative spending limits, nor has OMB directed any agency to prepare for sequestration. The President believes that issuing guidance about

accommodating these alternative limits would not be appropriate at this time, especially while the Joint Select Committee's work, just underway, is focused on developing a credible proposal that meets the requirements of the BCA and that the President can sign.

Finally, you asked about the effects on national security if the alternative spending constraints under Title III of the BCA are actually triggered and take effect. The spending limits under Title III, coupled with the sequester that would occur if the joint committee process fails, would require a cut for FY 2013 of as much as 11 percent from DoD's FY 2011 funding level. Compared with the FY 2013 level in the President's budget plan submitted last February, this cut would result in a reduction of as much as 15 to 25 percent depending on whether the President elects to exempt military personnel funding. As a result of the size of the cuts, and the manner in which they may be imposed, DoD would almost certainly be forced to furlough large numbers of its civilian workers. Training would have to be curtailed, the force reduced, and purchases of weapons would have to be cut dramatically. In short, there could be significant impacts on major military capabilities and on our ability to execute the current national security strategy. Spending limits beyond FY 2013 would also be dramatically lower.

Reductions of this magnitude, imposed in this manner, could pose a significant risk to national security. This is why we have stated that the sequester mechanism under Title III is not meant to be policy. Rather, they are designed to create a powerful incentive for Congress to do its job and pass a balanced, responsible deficit reduction through the legislative process the BCA established. It is critical to avoid triggering additional deep cuts in defense and non-defense programs. We very much hope the Joint Select Committee on Deficit Reduction will reach a compromise that leads Congress to pass a balanced plan the President can sign into law, which meets the deficit reduction targets in Title III and thereby ensures the alternative spending constraints under Title III are not triggered.

The President is committed to both maintaining a superior military and achieving the deficit reduction needed to ensure the long-term security of the United States. We look forward to continuing to work with you as we seek to meet these goals in a responsible way.

Sincerely,



Jacob J. Lew  
Director  
Office of Management and Budget



Leon E. Panetta  
Secretary of Defense

Identical Letter Sent to:

The Honorable Howard P. "Buck" McKeon

The Honorable Paul Ryan

The Honorable C.W. Bill Young



OFFICE OF MANAGEMENT AND BUDGET



U.S. DEPARTMENT OF DEFENSE

September 15, 2011

The Honorable C. W. Bill Young  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter of August 10, 2011, regarding the Budget Control Act (BCA) and the effects it will have on the budget of the Department of Defense (DoD).

As the President has made clear on numerous occasions as the Commander-in-Chief, he has no greater responsibility than protecting our Nation's national security. That includes ensuring the defense of our homeland and America's interests around the world. At the same time, America's debt represents one of the greatest long-term threats to this country's national security. Therefore, just as we must find more savings in domestic programs, we must do the same in defense—and we can do this while still keeping our Nation strong and secure.

You asked specifically about the DoD comprehensive review and its budgetary consequences for FY 2012. The comprehensive review, directed by the President and launched by Secretary Gates earlier this year, is anticipated to be completed later this Fall, and is a review of America's missions, capabilities, and our role in a changing world. Once it is completed, the President will work with the senior military and civilian leadership and make specific decisions about defense programs. As for budgetary plans for FY 2012, DoD is still in the process of reexamining these plans in light of the requirements of the BCA and ongoing Congressional action.

You also asked about guidance from the Office of Management and Budget (OMB) to DoD regarding its FY 2013 budget. Compared with the President's Budget for FY 2012, the basic provisions of the BCA (Title I) provide for substantial reductions in funding for the security funding category through FY 2013 and impose limits on total discretionary funding through FY 2021. OMB is in the process of providing general guidance to DoD and other agencies regarding the implementation of Title I of the BCA and final levels will be determined this Fall.

As you know, the cuts imposed by the alternative spending limits would take effect for security as well as non-security agencies in January 2013 if the Joint Select Committee on Deficit Reduction fails to achieve the goals established in the BCA. However, because no reductions beyond those in Title I of the BCA currently apply, OMB has not provided guidance to the Pentagon or any other agency regarding alternative spending limits, nor has OMB directed any agency to prepare for sequestration. The President believes that issuing guidance about

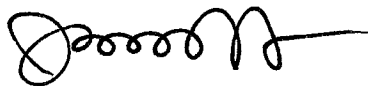
accommodating these alternative limits would not be appropriate at this time, especially while the Joint Select Committee's work, just underway, is focused on developing a credible proposal that meets the requirements of the BCA and that the President can sign.

Finally, you asked about the effects on national security if the alternative spending constraints under Title III of the BCA are actually triggered and take effect. The spending limits under Title III, coupled with the sequester that would occur if the joint committee process fails, would require a cut for FY 2013 of as much as 11 percent from DoD's FY 2011 funding level. Compared with the FY 2013 level in the President's budget plan submitted last February, this cut would result in a reduction of as much as 15 to 25 percent depending on whether the President elects to exempt military personnel funding. As a result of the size of the cuts, and the manner in which they may be imposed, DoD would almost certainly be forced to furlough large numbers of its civilian workers. Training would have to be curtailed, the force reduced, and purchases of weapons would have to be cut dramatically. In short, there could be significant impacts on major military capabilities and on our ability to execute the current national security strategy. Spending limits beyond FY 2013 would also be dramatically lower.

Reductions of this magnitude, imposed in this manner, could pose a significant risk to national security. This is why we have stated that the sequester mechanism under Title III is not meant to be policy. Rather, they are designed to create a powerful incentive for Congress to do its job and pass a balanced, responsible deficit reduction through the legislative process the BCA established. It is critical to avoid triggering additional deep cuts in defense and non-defense programs. We very much hope the Joint Select Committee on Deficit Reduction will reach a compromise that leads Congress to pass a balanced plan the President can sign into law, which meets the deficit reduction targets in Title III and thereby ensures the alternative spending constraints under Title III are not triggered.

The President is committed to both maintaining a superior military and achieving the deficit reduction needed to ensure the long-term security of the United States. We look forward to continuing to work with you as we seek to meet these goals in a responsible way.

Sincerely,



Jacob J. Lew  
Director  
Office of Management and Budget



Leon E. Panetta  
Secretary of Defense

cc:  
The Honorable Norman D. Dicks  
Ranking Member



Identical Letter Sent to:

The Honorable Howard P. "Buck" McKeon

The Honorable Paul Ryan

The Honorable C.W. Bill Young