



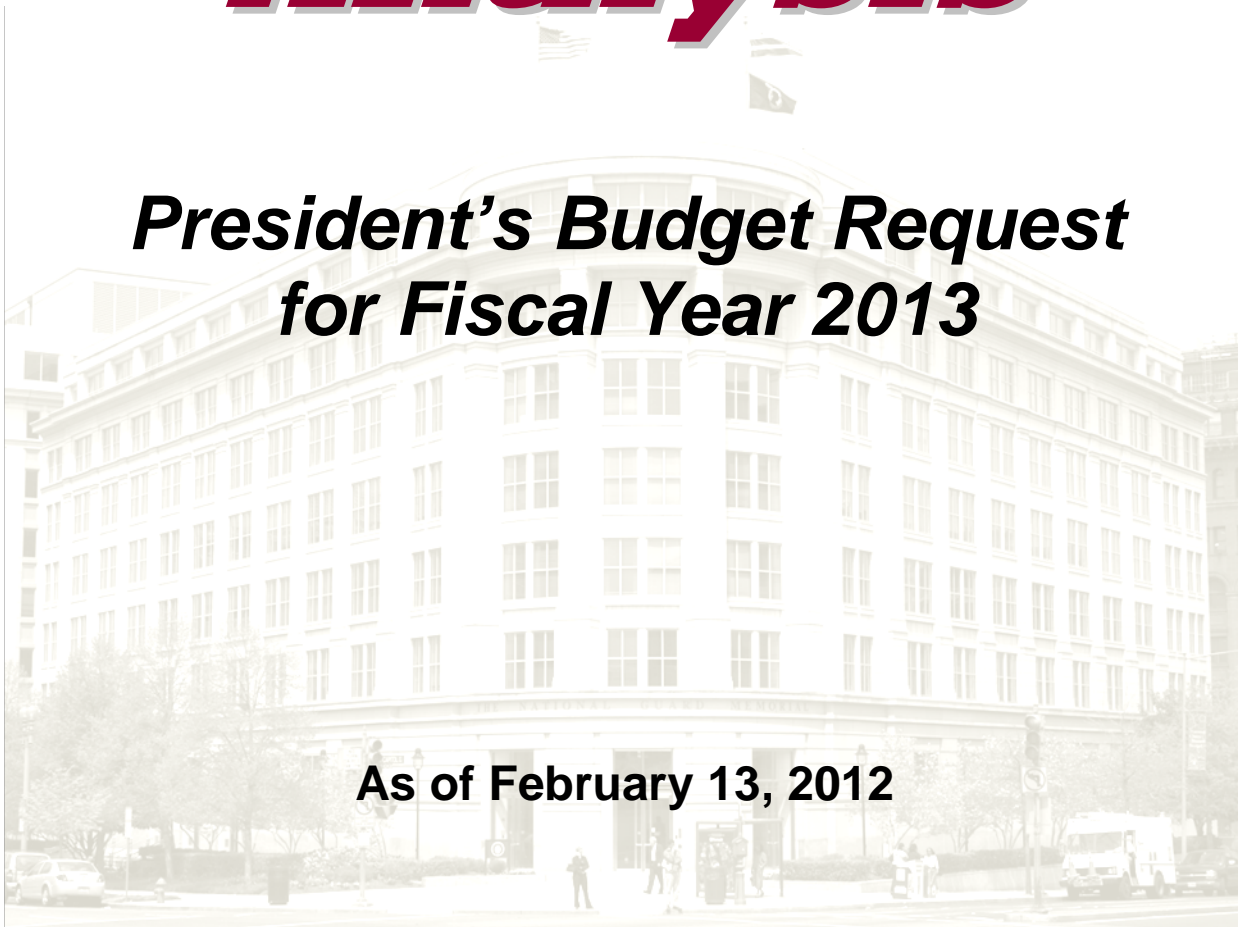
NGAUS

The National Guard Association of the United States

Legislative Analysis

***President's Budget Request
for Fiscal Year 2013***

As of February 13, 2012



Overview

On February 13, 2012, the President released the Defense Budget for Fiscal Year 2013. The President's request includes Base Funding and Overseas Contingency Operation Funding.

Overall, the President's request includes over \$25.2 billion in base funding for National Guard Personnel, Operation and Maintenance, and Military Construction, an increase of approximately \$400 million.

Items of Note:

- Reduced End Strengths for both the ARNG and ANG by FY17.
 - ANG cut 5,100 in FY13
 - ARNG cut 5,000 by FY17.
- Significant cuts to ANG platforms
- Significant reductions to ARNG procurement in proportion to Army procurement
 - Overall procurement down from 15% in FY12 to 10% in FY13
 - Aircraft procurement significantly down from FY12 budget request, from 14% in FY12 to 4% in FY13 request
- Cancellation of C-27J program
- Cancellation of HMMWV recap
- Significant cuts to MILCON
- Significant cuts to Counterdrug State Plans
- Decrease in Yellow Ribbon Funding
- Increased funding for State Partnership Program
- Outlined proposal for changes to healthcare and retirement

This document is intended as an overview. To view the actual budget documentation, please visit the Department of Defense Comptroller website at:

<http://comptroller.defense.gov/Budget2013.html>.



Army National Guard Funding Overview

Army National Guard FY13 Base Funding — Personnel

The President's Budget Request contains \$8.1 billion for ARNG Personnel. This is an increase of \$517 million above the FY12 appropriation.

All Dollars Listed in Thousands

Army National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
Personnel	\$7,585,645	\$8,103,207	+\$517,562

Army National Guard FY13 Base Funding — Operation and Maintenance (O&M)

The President's Budget Request contains \$7.1 billion for ARNG O&M. This is an increase of \$183 million above the FY12 appropriation.

All Dollars Listed in Thousands

Army National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
O&M	\$6,924,932	\$7,108,612	+\$183,680

Army National Guard FY13 Military Construction Funding

The President's Budget Request contains \$614 million for ARNG Military Construction. This is a DECREASE of \$159 million below FY12.

All Dollars Listed in Thousands

Army National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
Military Construction	\$773,592	\$614,000	-\$159,793

Army National Guard FY13 Equipment Funding Inside Active Army Procurement Accounts (P-1R Amount)

The President’s Budget Request for Army National Guard Equipment, funded in active Army appropriations, includes \$1.7 billion in both base and OCO funding. This is an DECREASE of \$120 million below the amount programmed for FY12.

All Dollars Listed in Thousands

Army National Guard Account	FY12 Appropriation (Base and OCO)	FY13 Budget Request (Base and OCO)	Delta FY12 Approps to FY13 Request
P-1R	\$2,916,698	\$1,709,582	-\$1,207,116

Army National Guard FY13 OCO Funding — Personnel

The President’s Budget Request contains nearly \$584 million for ARNG Overseas Contingency Operation (OCO) Personnel funds. This is a DECREASE of \$80 million below FY12.

All Dollars Listed in Thousands

Army National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
OCO Personnel	\$664,579	\$583,804	-\$80,775

Army National Guard FY12 OCO Funding — Operation and Maintenance (O&M)

The President’s Budget Request contains \$382 million for ARNG Overseas Contingency Operation (OCO) O&M funds. This is an increase of \$49 million above FY12.

All Dollars Listed in Thousands

Army National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
OCO O&M	\$377,544	\$382,448	+\$4,904

Army National Guard FY13 Procurement Accounts Overview

While overall funding for Army Procurement increased in FY13, the National Guard's portion of that funding declined. Overall procurement for National Guard is down from 15% of the total Army funding in FY12 to 10% in FY13. Additionally, National Guard aircraft procurement is significantly down from FY12 budget request, from 14% of the Army's request in FY12 to 4% in FY13 request.

ARNG Items in Army Procurement Accounts (FY13-BASE FUNDING, IN MILLIONS)	FY 12 Final Approp for all of Army (Base only)	FY 13 PB for all of Army (Base Only)	FY13 ARNG Funding inside Army (as requested in P-1R)	ARNG % of Total Army Funds
Aircraft Procurement	5,360.334	5,853.729	231.398	4.0%
Missile Procurement	1,461.223	1,302.689	10.659	0.8%
Weapons & Tracked Combat Vehicles	2,070.405	1,501.706	251.108	16.7%
Ammunition	1,884.424	1,739.706	97.484	5.6%
Other Procurement	7,924.214	6,326.245	1,118.933	17.7%
TOTAL	16,630.195	16,724.075	1,709.582	10.2%
				Delta from PB



Air National Guard Funding Overview

Air National Guard FY13 Base Funding — Personnel

The President's Budget Request contains \$3.1 billion for ANG Personnel. This is an increase of nearly \$21 million above FY12.

All Dollars Listed in Thousands

Air National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
Personnel	\$3,088,929	\$3,110,065	+\$21,136

Air National Guard FY13 Base Funding — Operation and Maintenance (O&M)

The President's Budget Request contains \$6 billion for ANG O&M. This is a DECREASE of \$83 million below FY12.

All Dollars Listed in Thousands

Air National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
O&M	\$6,098,780	\$6,015,455	-\$83,325

Air National Guard FY13 Military Construction Funding

The President's Budget Request contains \$42 million for ANG Military Construction. This is a DECREASE of \$73.8 million below FY12.

All Dollars Listed in Thousands

Air National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
Military Construction	\$116,246	\$42,386	-\$73,860

Air National Guard FY13 Equipment Funding Inside Active Air Force Procurement Accounts (P-1R Amount)

The President's Budget Request for Air National Guard Equipment for FY13, funded in active Air Force appropriations, includes \$316.8 million in both base and OCO funding. This is a DECREASE of \$42 million BELOW the amount programmed for FY12.

All Dollars Listed in Thousands

Air National Guard Account	FY12 Appropriation (Base plus OCO)	FY13 Budget Request (Base plus OCO)	Delta FY12 Approps to FY13 Request
P-1R	\$359,103	\$316,883	-\$42,220

Air National Guard FY13 OCO Funding — Personnel

The President's Budget Request contains \$10.4 million for ANG Overseas Contingency Operation (OCO) Personnel funds. This is an increase of approximately \$1 million above FY12.

All Dollars Listed in Thousands

Air National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
OCO Personnel	\$9,435	\$10,473	+\$1,038

Air National Guard FY13 OCO Funding — Operation and Maintenance (O&M)

The President's Budget Request contains \$19.9 million for ANG Overseas Contingency Operation (OCO) O&M funds. This is a DECREASE of \$14 million below FY12.

All Dollars Listed in Thousands

Air National Guard Account	FY12 Appropriation	FY13 Budget Request	Delta FY12 Approps to FY13 Request
OCO O&M	\$34,050	\$19,975	-\$14,075

Air National Guard FY13 Procurement Accounts Overview

Though the percentage of funding the Air Guard receives for aircraft procurement is low compared to what the Air Force receives, it's in line with the FY12 PB Request.

ANG Items in Air Force Procurement Accounts (FY-13 BASE FUNDING, IN MILLIONS)	FY12 Final Approps for All Air Force	PB for all of Air Force	ANG Funding inside Air Force (as requested in P-1R)	ANG % of Total Air Force Funds
Aircraft Procurement	12,950.00	11,002.999	201.294	1.83%
Ammunition Procurement	499.185	599.194	49.412	8.25%
Other Procurement	17,403.56	16,720.848	66.177	0.40%
TOTAL	30,852.75	28,323.041	291.984	1.10%
				Delta from PB

National Guard End Strength

The ANG is expected to cut 5,100 personnel in FY13. The ARNG plans to cut 5,000 by FY17 but has not detailed exactly when those cuts are to take place.

- Air Force National Guard
 1. FY12 Authorized 106,700
 2. FY13 Requested 101,600
 3. FY17 Plan 101,200
- Army National Guard
 1. FY12 Authorized 358,200
 2. FY13 Requested 358,200
 3. FY17 Plan 353,200

Army Improvements

CH-47 Chinook Helicopter

The FY 2013 budget requests funding for upgrades to the CH-47F model, which include improved engines, advance avionics, and new airframes. These upgrades will reduce operating costs and extend aircraft service life. Protection of the CH-47 is a major part of the Army's continued focus on aviation and maintaining an effective Aviation Modernization program, specifically modernization of the Army Rotary Wing fleet. The

Department requests funding for procurement of 25 new F-model aircraft while remanufacturing 19 more. Also, funding will be used for further improvements and upgrades, including a loading system to enable rapid reconfiguration from cargo to passenger missions. Funding in FY 2013 is \$1.2 billion and totals \$5.7 billion from FY 2013 – FY 2017.

Army Terminations & Restructuring

High Mobility Multi-Wheeled Vehicle (HMMWV) Recapitalization Termination

The Army and Marine Corps propose the termination of the HMMWV Recapitalization program. The combined savings in FY 2013 is \$0.2 billion and totals \$0.9 billion from FY 2013 – FY 2017. The termination of the HMMWV Recapitalization program maintains the nondeployed HMMWV fleet in its current condition. The services will continue to sustain their legacy HMMWV fleet until the Joint Light Tactical Vehicle enters the inventory.

Joint Light Tactical Vehicle (JLTV) Restructuring

The JLTV is the next generation lightweight troop transport vehicle designed to provide the payload, protection, mobility, operational range, and interoperability needed to fill the capability gap between the HMMWV and Mine Resistant Ambush-Protected (MRAP) Family of Vehicles. The JLTV will provide advantages over the legacy fleet in the areas of transportability, fuel efficiency, mobility, and affordability. This Army and Marine Corps acquisition program would replace a portion of the HMMWV fleets. With the Family of Medium Tactical Vehicles (FMTV) ceasing production in FY 2014, the JLTV will be critical to maintaining an industrial base to supply Tactical Wheeled Vehicles to the military. The Department proposes restructuring JLTV due to revised pricing estimates. The proposed savings in FY 2013 is \$0.2 billion and total \$2.1 billion from FY 2013 – FY 2017.

Family of Medium Tactical Vehicles (FMTV) Restructuring

The FMTV is a complete series of trucks and trailers that vary by payload and mission. The Army proposes the restructuring of the FMTV program in FY 2013 due to Department funding constraints. In order to mitigate FMTV shortages, the Army will retain a higher number of the M900 legacy 5 ton trucks and will rely on the Depot Reset program to sustain M900 legacy 5 ton trucks in the future. The proposed savings in FY 2013 is \$0.1 billion and total \$2.2 billion from FY 2013 – FY 2017.

Air Force Terminations & Restructuring

C-27J Joint Cargo Aircraft Termination

The C-27J is a medium-sized airlift aircraft. The Department has deemed that it is a manageable risk to terminate this program because many of its missions can be accomplished by the legacy C-130 fleet. The proposed savings is \$0.2 billion in FY 2013 and totals \$0.4 billion from FY 2013 – FY 2017.

Air Guard Aircraft Retirement/Transfers

Source: ANG Press Release, <http://www.ang.af.mil/news/story.asp?id=123288865>

- Alaska:** Retire (4) C-130 aircraft, Joint Base Elmendorf-Richardson Air Force Base
- Alabama:** Retire (1) RC-26 aircraft, Dannelly Airfield (planned in FY15)
- Arkansas:** Retire (20) A-10 aircraft, Ft. Smith,
Add (1) MQ-1/9 Remote Split Operations unit, Ft. Smith,
Retire (1) C-130H2, Little Rock (planned in FY17)
- Arizona:** Retire (1) KC-135 aircraft ,Sky Harbor Air Guard Station
Retire (1) RC-26 aircraft ,Tucson(planned in FY15)
- California:** Retire (1) RC-26 aircraft, Fresno ANGB
- Connecticut:** C-27J squadron will not open (loss of 4 future aircraft), Bradley ANGB
Add (9-11) MC-12W aircraft, Bradley ANGB (planned for FY14)
- Florida:** Retire (1) RC-26 aircraft, Jacksonville (planned for FY15)
- Georgia:** Retire (8) C-130H2 aircraft, Savannah(planned for FY16)
Add (8) C-130H3, Savannah (planned for FY16)
Retire (1) E-8 aircraft, Robins
- Iowa:** Retire (21) F-16 aircraft, Des Moines
Add (1) MQ-1/9 RSO unit, Des Moines
Retire (1) KC-135 aircraft, Sioux City AGS
- Indiana:** Retire (20) A-10 aircraft, Ft Wayne
Add (9-11) MC-12W aircraft, Ft Wayne (planned for FY14)
- Kentucky:** Transfer (1) C-130H2.5 aircraft, Louisville
- Maryland:** C-27J squadron will not open (loss of 4 future aircraft), Warfield AGS,
Martin State
Add ISR Group and expand Net Warfare Squadron, Warfield AGS, Martin
State
- Michigan:** Retire (21) A-10 aircraft, Selfridge
Add (4) KC-135Rs, Selfridge
Retire (4) C-27J aircraft, Kellogg AGS
Add one MQ-1/9 RSO unit, Kellogg AGS
- Mississippi:** Retire (6) C-27J aircraft, Meridian
Add (9-11) MC-12W aircraft (planned for FY14), Meridian
Retire (1) RC-26 aircraft (planned for FY15), Meridian
- Missouri:** Retire (8) C-130H2.5s, Rosecrans AGS
Transfer (2) C-130H2.5s aircraft, Rosecrans AGS
Add (8) C-130H3s (planned for FY14), Rosecrans AGS
- Montana:** C-27J squadron will not open (loss of 4 future aircraft), Great Falls
Add (8) C-130sH2 (planned in FY14), Great Falls
- N. Carolina:** Transfer (2) C-130 (planned in FY17), Charlotte
- N. Dakota:** C-27J squadron will not open (loss of 4 future aircraft), Fargo
- New Mexico:** Retire (1) RC-26 aircraft (planned for FY15), Kirtland AFB
- New York:** Retire (4) C-130H2 aircraft, Stratton AGS, Schenectady
Retire (1) RC-26 aircraft (planned in FY15), Hancock Field AGS, Syracuse

Ohio: Retire (4) C-27J aircraft, Mansfield
Retire (6) KC-135 aircraft, Rickenbacker

Penn: Retire (4) KC-135 aircraft, Pittsburgh
Add (1) MQ-1/9 RSO unit, Willow Grove

Tennessee: Transfer (2) KC-135 aircraft, McGhee-Tyson

Texas: Transfer (8) C-130H2 (planned for FY14), Carswell
Add (9-11) MC-12W aircraft planned for FY14), Carswell
Retire (1) RC-26 aircraft (planned for FY15), Ellington Field Joint Reserve Base

Washington: Retire (1) RC-26 aircraft (planned for FY15), Fairchild AFB

W. Virginia: Retire (11) C-5A (planned for FY15), Shepherd Field AGS, Martinsburg
Add (8) C-17 aircraft (planned for FY15), Shepherd Field AGS, Martinsburg
Retire(1) RC-26 aircraft (planned for FY15), Charleston
Transfer (1) C-130, Charleston

Wisconsin: Retire (1) RC-26 aircraft, Truax AGS
Transfer (2) KC-135 aircraft, Gen Mitchell

Wyoming: Transfer (1) C-130H2.5, Cheyenne
Add (1) C-130H3, Cheyenne

Family Support

The FY13 PB request cuts funding for the Yellow Ribbon Reintegration Program from \$25.8 appropriated in FY12 to \$21.5 million in FY13.

Counterdrug State Plans

National Guard Counterdrug State Plans PB Request for FY13 is approximately \$105.9 million, a significant decrease from the \$229.7 appropriated in FY12.

State Partnership Program

The President's Budget requests \$13.5 million for the ARNG and ANG State Partnership Program.

Benefits Changes

Basic pay raises

- Full ECI raise in FY 2013 (1.7%)
- Lower raises starting in FY 2015

Military Healthcare

The Defense Department proposal would again raise fees for working-age retirees, impose fees for the first time on Medicare-eligible TRICARE beneficiaries and raise prescription co-pays at retail pharmacies in an effort to push TRICARE users to use DoD's less-expensive mail order prescription service. Military healthcare facilities would continue to fill prescriptions at no cost.

In FY 2013, the Department is seeking further changes phased over 4 years:

- Increase TRICARE Prime enrollment fee, institute an enrollment fee for TRICARE Standard/Extra, and increase Standard/Extra deductibles. It also adjusts the catastrophic cap to exclude enrollment fees. These changes will affect only retirees.
- Increase co-pays for pharmaceuticals (excludes active duty service members).
- Implement an enrollment fee for TRICARE-for-Life (TFL).
- Phase in fee changes over several years.
- Index fees/deductibles/Rx co-pays/catastrophic cap to reflect the growth in national health care costs.
- Exclude survivors of military members

The higher health premiums would all be phased in over a period of four years and would not affect active duty servicemembers or their families but will affect other TRICARE beneficiaries, such as military retirees, **members of the National Guard and Reserve**, Medal of Honor recipients and survivors of servicemembers.

Tricare Changes Chart

Source: DoD Budget Overview, Section 5-4

http://comptroller.defense.gov/defbudget/fy2013/FY2013_Budget_Request_Overview_Book.pdf

Overview – FY 2013 Defense Budget

Table 1 – TRICARE Prime Annual Family Enrollment Fees (Individual Fees = 50%)

Retired Pay	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*	FY 2017
Tier 1: \$0 – \$22,589	\$460/\$520	\$600	\$680	\$760	\$850	\$893
Tier 2: \$22,590 – \$45,178	\$460/\$520	\$720	\$920	\$1,185	\$1,450	\$1,523
Tier 3: \$45,179 & above	\$460/\$520	\$820	\$1,120	\$1,535	\$1,950	\$2,048

* Indexed to medical inflation (National Health Expenditures) after FY 2016

TRICARE Standard and Extra for Working Age Retirees (under Age 65)

The TRICARE Standard and Extra (fee-for-service type) benefit programs currently have no enrollment fees and modest annual deductibles of \$150 per individual and \$300 per family. For FY 2013, the Department proposal will seek to implement an annual enrollment fee and increase deductibles. These increases displayed in Table 2 will be phased-in over a 5 year period and will then be indexed to increases in NHE.

Table 2 – TRICARE Standard/Extra Fees/Deductibles

Annual Enrollment Fees	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017*
Individual	\$0	\$70	\$85	\$100	\$115	\$130
Family	\$0	\$140	\$170	\$200	\$230	\$250
Annual Deductibles						
Individual	\$150	\$160	\$200	\$230	\$260	\$290
Family	\$300	\$320	\$400	\$460	\$520	\$580

* Indexed to medical inflation (National Health Expenditures) after FY 2017

TRICARE-for-Life Benefit (TFL) Benefit Program for Retirees age 65 and Older

Like almost all Americans, upon reaching age 65, TRICARE beneficiaries must enroll in Medicare and begin paying Medicare Part B (outpatient care coverage) premiums. With Part B coverage, Medicare typically covers only 80 percent of normal health care costs and most people choose to be covered by "Medigap" or employer-sponsored retiree health insurance to cover the additional costs as well as providing some prescription drug coverage. Enacted in 2001, the TFL program acts as a second payer plan for TRICARE beneficiaries covering the costs not paid by Medicare. While the average "Medigap" plan with comparable coverage carried premiums \$2,100 per individual in 2009, there are currently no annual fees for TFL coverage. As part of the FY 2013, President's Budget, the Department is proposing to implement modest annual fees for TFL coverage. These fees will be phased in over a 4-year period and use the same tiering based on the beneficiary's retired pay along with the same indexing and exemptions as the proposed TRICARE Prime fees. Table 3 displays the proposed TFL fees by fiscal year for the three tiers of retired pay.

Table 3 – TRICARE-for-Life Annual Enrollment Fees – Per Individual

Retired Pay	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*	FY 2017
Tier 1: \$0 – \$22,589	\$0	\$35	\$75	\$115	\$150	\$158
Tier 2: \$22,590 – \$45,178	\$0	\$75	\$150	\$225	\$300	\$317
Tier 3: \$45,179 & above	\$0	\$115	\$225	\$335	\$450	\$475

* Indexed to medical inflation (National Health Expenditures) after FY 2016

Pharmacy Co-Pays

This proposal will adjust pharmacy co-pay structure for retirees and active duty family members to incentivize the use of mail order and generic drugs. Prescriptions will continue to be filled at no cost to beneficiaries at Military Treatment Facilities (MTFs). No fees would continue to apply to prescriptions for active duty service members. Table 4 displays the proposed co-pays for prescriptions filled through the TRICARE retail and mail order pharmacy programs.

Table 4 – Pharmacy Co-Pays

Retail – 1 month fill	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Generic	\$5	\$5	\$6	\$7	\$8	\$9
Brand	\$12	\$26	\$28	\$30	\$32	\$34
Non-Formulary*	\$25	N/A	N/A	N/A	N/A	N/A
Mail-Order – 3 month fill						
Generic	\$0	\$0	\$0	\$0	\$0	\$9
Brand	\$9	\$26	\$28	\$30	\$32	\$34
Non-Formulary	\$25	\$51	\$54	\$58	\$62	\$66
Military Treatment Facilities	No Change – Still \$0 Co-Pay					

* Non-Formulary pharmaceuticals will have limited availability in retail pharmacies

Military Retirement Modernization Commission

The Department does not propose any changes to the military retirement system in the President's Budget for FY 2013. However, the Department requests that Congress establish a Commission to review military retirement in the context of overall military compensation. The Commission would be charged with determining whether there are cost effective changes that should be made to the current system. The President and the Secretary of Defense strongly recommend that any recommended changes be fully grandfathered – that is, they would only apply to new recruits. The Department requests that the Commission operate under the following procedures, similar to those that govern actions by a BRAC Commission:

- The Department would make a formal recommendation to the Commission regarding changes in military retirement;
- After considering the Department's recommendation and other inputs, the Commission would make a recommendation to the President;
- The President could request that the Commission make changes in its recommendations but could not require changes;
- The President would decide whether to forward the Commission's recommendation to Congress; and
- If forwarded, Congress would have to vote up or down on the recommendation without amendment and under expedited procedures.