



SECRETARY OF DEFENSE
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MEMORANDUM FOR: SEE DISTRIBUTION

JAN 31 2017

SUBJECT: Implementation Guidance for Budget Directives in the National Security
Presidential Memorandum on Rebuilding the U.S. Armed Forces

In furtherance of the National Security Presidential Memorandum on Rebuilding the U.S. Armed Forces, issued on January 27, 2017, this memorandum provides my initial guidance for strengthening the U.S. Armed Forces through a Fiscal Year (FY) 2017 budget amendment, the FY 2018 President's Budget request, and the FY 2019-2023 Defense Program.

The President and I are committed to strengthening the U.S. Armed Forces, and the Department will approach the task in a campaign of three phases:

1. Improve warfighting readiness
2. Achieve program balance by addressing pressing shortfalls
3. Build a larger, more capable, and more lethal joint force

The ultimate objective is to build a larger, more capable, and more lethal joint force, driven by a new National Defense Strategy. Phases one and two are intermediate objectives, but we should be working towards the ultimate phase three goal throughout the process.

Phase 1: Improve Warfighting Readiness – the FY 2017 Budget Amendment

To address immediate and serious readiness challenges, we will prepare an FY 2017 budget amendment request. The amendment will address urgent warfighting readiness shortfalls across the joint force, and new requirements driven by acceleration of the campaign against ISIS. The amendment may increase force structure in critical areas where doing so would have an immediate readiness impact. The amendment will also include offsets from lower priority programs where appropriate, but will be a net increase over the FY 2017 topline requested by the previous Administration.

The Deputy Secretary will manage the review process and make a recommendation to me on the budget amendment request. We will deliver the Department's budget amendment request to the Office of Management and Budget (OMB) no later than March 1, 2017.



Phase 2: Achieve Program Balance – the FY 2018 President’s Budget Request

We will conduct a comprehensive but accelerated FY 2018 budget review to refine and improve the Department’s FY 2018 President’s Budget (PB) request. The FY 2018 PB request will focus on balancing the program, addressing pressing programmatic shortfalls, while continuing to rebuild readiness. Examples include, but are not limited to, buying more critical munitions, funding facilities sustainment at a higher rate, building programs for promising advanced capability demonstrations, investing in critical enablers, and growing force structure at the maximum responsible rate.

The Deputy Secretary will lead this review on my behalf, and will provide a recommendation for my review and decision. He will provide updated fiscal guidance to components when it becomes available from OMB. We will deliver the Department’s FY 2018 PB request to OMB no later than May 1, 2017, unless otherwise directed by OMB.

Phase 3: Build Capacity and Improve Lethality – the National Defense Strategy and FY 2019-2023 Defense Program

As we finalize these immediate investment plans, we will begin to produce the 2018 National Defense Strategy (NDS), which will be closely coordinated with and complementary to the new National Security Strategy. The NDS will include a new force sizing construct, which will inform our targets for force structure growth. It will also determine an approach to enhancing the lethality of the joint force against high-end competitors and the effectiveness of our military against a broad spectrum of potential threats. The FY 2019-2023 Defense Program will follow, containing ramps that grow the force quickly but responsibly, and critical investments in advanced capabilities.

While strengthening the military, the FY 2019-2023 Defense Program must also improve how the Department does business. We owe it to every U.S. citizen to build a military that is as effective and efficient as possible. To this end, the FY 2019-2023 Defense Program will also contain an ambitious reform agenda, which will include horizontal integration across DoD components to improve efficiency and take advantage of economies of scale.

Keeping Faith with Service Members and Families

Through all of these budget and program actions and strategy reviews, we cannot lose sight of the imperative to keep faith with our Service members and their families. We will ensure that we are caring for those charged with defending the nation and its interests.