



NEWS RELEASE

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DOD RELEASES FISCAL 2013 BUDGET PROPOSAL

President Barack Obama today sent to Congress a proposed defense budget of \$613.9 billion for fiscal 2013. The request for the Department of Defense (DoD) includes \$525.4 billion in discretionary budget authority to fund base defense programs and \$88.5 billion to support Overseas Contingency Operations (OCO), primarily in Afghanistan.

The proposed FY 2013 budget will ensure U.S. forces will remain capable across the spectrum of missions, fully prepared to deter and defeat aggression and to defend the homeland and our allies in the world's complex security environment. It results from an intensive strategic review conducted by DoD's senior military and civilian leaders under the leadership and guidance of the president. The defense strategic guidance, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," was published in January 2012. The proposed budget makes more disciplined use of defense dollars to maintain the world's finest military and sustain U.S. global leadership. It applies strategic guidance to force structure and investment. It preserves the All-Volunteer Force as the foundation of the U.S. military. And it fully supports deployed warfighters.

"This budget plan represents a historic shift to the future, recognizing that we are at a strategic point after a decade of war," said Defense Secretary Leon Panetta.

"The plan is aligned to strategic priorities we have identified to keep America safe and maintain the strongest military in the world. It is also a signal of the department's commitment to our men and women in uniform and their families. We are also redoubling our efforts to make better use of the taxpayer's defense dollar and meet our fiscal responsibilities," Panetta said.

The \$525.4 billion for the base budget includes cuts and other initiatives that will reduce planned spending by \$259 billion over the next five years and \$487 billion over ten years, levels that are consistent with the Budget Control Act. The budget adjusts programs that develop and procure military equipment; begins to re-size ground forces; slows the growth of compensation and benefit programs; continues to make better use of defense resources by reducing lower-priority programs, and restructures the defense organization to achieve more efficient approaches to doing business.

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This budget request focuses on funding priorities for a 21st century defense that protects the country and sustains U.S. global leadership. It reflects the need for DoD and the military to adapt in order to proactively address the changing nature of the security environment and to reflect new fiscal realities.

The separate OCO budget totals \$88.5 billion, \$26.6 billion below the fiscal 2012 enacted budget of \$115.1 billion. The proposed budget reflects the withdrawal of combat troops from Iraq in December 2011, as well as savings due to operational progress in Afghanistan and the transition to Afghan responsibility for security.

Highlights of the proposed DoD budget are outlined at <http://www.defense.gov/news/2013budget.pdf>. For more information and to view the entire fiscal 2013 budget proposal, please visit <http://www.budget.mil> and download the "FY 2013 Budget Request Overview Book." Budget-related transcripts can also be viewed at <http://www.defense.gov/transcripts>.

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Proposed Fees FY 2013 - FY 2017

TRICARE Prime Fees – Under 65 Retirees, Tiered, No Impact to ADFMs

Annual Retired Pay (FY13)	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17*
Tier 1: \$0 to \$22,589 (Family / Individual)	\$460 (On 1 Oct) / \$230 (On 1 Oct)	\$600/\$300	\$680/\$340	\$760/\$380	\$850/\$425	\$893/\$447
Tier 2: \$22,590 to \$45,178 (Family / Individual)	\$460 (On 1 Oct) / \$230 (On 1 Oct)	\$720/\$360	\$920/\$460	\$1185/\$593	\$1450/\$725	\$1523/\$762
Tier 3: \$45,179 & above (Family / Individual)	\$460 (On 1 Oct) / \$230 (On 1 Oct)	\$820/\$410	\$1120/\$560	\$1535/\$768	\$1950/\$975	\$2048/\$1024

Tier 1: \$0 to \$22,589 (Family / Individual): \$520 (If enrolled after 1 Oct) / \$260 (If enrolled after 1 Oct)

Tier 2: \$22,590 to \$45,178 (Family / Individual): \$520 (If enrolled after 1 Oct) / \$260 (If enrolled after 1 Oct)

Tier 3: \$45,179 & above (Family / Individual): \$520 (If enrolled after 1 Oct) / \$260 (If enrolled after 1 Oct)

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

TRICARE Standard/Extra Fees/Deductibles – Under 65 Retirees, No ADFM impact

Annual Enrollment Fees	Current Fee	FY 13	FY 14	FY 15	FY 16	FY 17
Family / Individual	\$0	\$140/\$70	\$170/\$85	\$200/\$100	\$230/\$115	\$250/\$130
Annual Deductibles						
Family / Individual	\$300/\$150	\$320/\$160	\$400/\$200	\$460/\$230	\$520/\$260	\$580/\$290

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

TRICARE-for-Life (TFL) Fees – 65+ Retirees, Tiered, No Impact to ADFMs

Annual Fee -	Current Fee	FY 13	FY 14	FY 15	FY 16	FY 17*
Tier 1: \$0 to \$22,589	\$0	\$35	\$75	\$115	\$150	\$158
Tier 2: \$22,590 to \$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

Retail Rx (1 month fill)	Current Fee	FY 13	FY 14	FY 15	FY 16	FY 17*
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 Rx (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 Rx						

* N/A = Not available at retail after FY 12
No change -- still \$0 co-pay



Cost of Basic Pay Increase

Basic Pay Increase	FY13	FY14	FY15	FY16	FY17
Percentage Increase	1.7%	1.7%	0.5%	1.0%	1.5%
Cost	\$1.4B	\$1.4B	\$688M	\$770M	\$1.2B
- Cost of Increase (Jan – Sep)	\$1.1B	\$1.1B	\$329M	\$660M	\$1.0B
- Cost of Annualization of Prior Year (Oct-Dec)	\$0.3B	\$0.3B	\$359M	\$110M	\$220M

Military Basic Pay Increase Proposal

- o Matches increase in Employment Cost Index (ECI) in FY13 and FY14
- o More limited increases in future years.
- o Slows the rate of growth of military basic pay in future years from current, elevated military compensation levels.

We now face a make-or-break moment for the middle class and those trying to reach it. After decades of eroding middle-class security as those at the very top saw their incomes rise as never before and after a historic recession that plunged our economy into a crisis from which we are still fighting to recover, it is time to construct an economy that is built to last. The President's 2013 Budget is built around the idea that our country does best when everyone gets a fair shot, does their fair share, and plays by the same rules. We must transform our economy from one focused on speculating, spending, and borrowing to one constructed on the solid foundation of educating, innovating, and building. That begins with putting the Nation on a path to live within our means – by cutting wasteful spending, asking all Americans to shoulder their fair share, and making tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. The Budget targets scarce federal resources to the areas critical to growing the economy and restoring middle-class security: education and skills for American workers, innovation and manufacturing, clean energy, and infrastructure. The Budget is a blueprint for how we can rebuild an economy where hard work pays off and responsibility is rewarded.

KEY BUDGET FACTS

- In the Budget Control Act, both parties in Congress and the President agreed to tight spending caps that reduce discretionary spending by \$1 trillion over 10 years. This budget reflects that decision. Thus, for all the priority areas we are investing in, difficult trade-offs had to be made to meet these very tight caps.
 - Discretionary spending is reduced from 8.7 percent of GDP in 2011 to 5.0 percent in 2022.
- Including the \$1 trillion in discretionary cuts, the Budget includes more than \$4 trillion in balanced, deficit reduction so that, by 2018, we cut the deficit to less than 3 percent of GDP, stabilize the debt-to-GDP ratio, and achieve primary balance.
- For every \$1 in new revenue from those making more than \$250,000 per year and from closing corporate loopholes, the Budget has \$2.50 in spending cuts including the deficit reduction enacted over the last year.
- 2012 Projected Deficit: \$1.33 trillion, 8.5 percent of GDP; 2013 Projected Deficit: \$901 billion, 5.5 percent of GDP; 2018 Projected Deficit: \$575 billion, 2.7 percent of GDP; 2022 Projected Deficit: \$704 billion, 2.8 percent of GDP.

JUMPSTART JOB CREATION

- More than \$350 billion in short-term measures for job growth starting in 2012, including many planks of the American Jobs Act that we continue to call on Congress to enact plus some new job creation initiatives. They include:
 - Extension of the payroll tax cut and unemployment insurance benefits for rest of 2012.
 - An upfront investment of \$50 billion from the surface transportation reauthorization bill for roads, rails, and runways to create thousands of quality jobs in the short term.
 - Continuing to allow businesses to write-off the full amount of new investments.
 - \$30 billion to modernize at least 35,000 schools and \$30 billion to help states and localities retain and hire teachers and first responders.

- Project Rebuild, a series of policies to help connect Americans looking for work in distressed communities with the work needed to re-purpose residential and commercial properties, creating jobs and stabilizing neighborhoods.
- A new tax credit for this year focused on small businesses and that gives businesses that add jobs and wages a tax cut equal to 10 percent of wages added up to \$500,000.

EDUCATION AND SKILLS FOR AMERICAN WORKERS

- \$850 million for Race to the Top, which implements systemic education reforms in five critical areas, including early learning and care. The Budget also provides \$300 million in new resources to improve child care quality and prepare children for success in school.
- A new \$5 billion competitive program that will challenge states and districts to work with their teachers and unions to attract, prepare, and reward great teachers to help students learn.
- Make college more affordable and help achieve the President's goal of the U.S. leading the world in college graduates by 2020:
 - Sustains the maximum Pell Grant award through the 2014-2015 award year.
 - A one-year measure to prevent student loan interest rates from doubling this summer and doubles the number of work-study jobs.
 - New reforms to help address rising costs by shifting some Federal aid away from colleges that fail to keep net tuition down and by providing incentives for States and colleges to keep costs under control.
 - Makes permanent the American Opportunity Tax Credit (AOTC) – a partially refundable tax credit worth up to \$10,000 per student over four years of college. AOTC helps more than 9 million students and their families afford the cost of college.
- Supports State and community college partnerships with businesses to build the skills of American workers, and creates a Pathways Back to Work Fund, which will support summer and year-round jobs for low-income youth, and will help connect the long-term unemployed and low-income adults to subsidized employment and work-based training opportunities.

AMERICAN INNOVATION AND MANUFACTURING

- \$140.8 billion for R&D overall; increase the level of investment in non-defense R&D by 5 percent from the 2012 level, even as overall budgets decline; maintains the President's commitment to double the budgets of three key basic research agencies (National Science Foundation, Department of Energy's Office of Science, and National Institute of Standards and Technology Laboratories); expands and makes permanent the R&D tax credit.
- \$2.2 billion for advanced manufacturing R&D, a 19 percent increase over 2012.
- Provides tax incentives for manufacturers who create jobs here at home and doubles the deduction for advanced manufacturing; ends tax deductions for shipping jobs overseas; and establishes a Manufacturing Communities Tax Credit to encourage investment in communities affected by job loss.
- Level funding for biomedical research at NIH (\$30.7 billion); and to get more out of the money, proposes new grant management policies to increase the number of new research grants by 7 percent.

- Supports the goals of: putting one million electric vehicles on the road by 2015; doubling share of electricity from clean energy sources by 2035; and reducing buildings' energy use by 20 percent by 2020.
 - Elimination of 12 tax breaks to oil, gas, and coal companies will raise \$41 billion over 10 years.

BUILD AMERICA: A 21ST CENTURY INFRASTRUCTURE

- A six-year, \$476 billion surface transportation reauthorization bill – expanded to include inter-city passenger rail – to create thousands of new jobs and modernize a critical foundation of our economic growth.
 - Fully paid for through current user-financed mechanisms and part of the savings from ending the war in Iraq and winding down operations in Afghanistan.
 - Get the most out of taxpayer dollars through: a “fix-it first” policy, consolidation of 55 duplicative highway programs into five, and using a Race to the Top-style competition to bring about reform.
- National Infrastructure Bank to fund projects of national importance.
- Builds a next-generation, wireless broadband network for public safety users.
 - Plan is fully paid for, and the sale of spectrum provides nearly \$21 billion for deficit reduction.

AMERICAN VALUES: EVERYONE PAYS THEIR FAIR SHARE

- Calls for individual tax reform that: cuts the deficit by \$1.5 trillion, including the expiration of the high-income 2001 and 2003 tax cuts; simplifies the tax code, lowers tax rates, and protects progressivity; eliminates inefficient and unfair tax breaks for millionaires while making all tax breaks at least as good for the middle class as for the wealthy; and observes the Buffett Rule that no household making more than \$1 million a year pays less than 30 percent of their income in taxes.
- Scores of cuts and consolidations including more than \$7.5 billion in administrative savings.
- Financial Crisis Responsibility Fee on largest financial institutions to fully compensate taxpayers for their extraordinary support. Raises \$61 billion over 10 years and is intended to offset cost of TARP and the President's mortgage refinancing program.
- More than \$360 billion in savings to Medicare, Medicaid, and other health programs over 10 years to make these programs more effective and efficient and move our health system to one that rewards high-quality medicine.
- \$278 billion in non-health mandatory savings through reforms in areas such as: agriculture subsidies and direct payments, federal civilian worker retirement, and the PBGC.
- Implements the new defense strategy to spend \$487 billion less in the Department of Defense's base budget than was planned in last year's Budget. Overall defense budget, including overseas contingency operations, is 5 percent below last year's enacted level.

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