Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Long-Term Implications of the 2025 Future Years Defense Program

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At a Glance

The Future Years Defense Program (FYDP) is a five-year plan that the Department of Defense (DoD) prepares as part of its annual budget request. In this report, the Congressional Budget Office analyzes the costs of DoD's plans for 2025 to 2029 as presented in the 2025 FYDP and projects how those plans would affect defense costs through 2039.

- The proposed budget for DoD in 2025 totals $850 billion. Adjusted for inflation, that amount is 1.1 percent less than the amount anticipated for 2025 in the previous FYDP and 1.7 percent less than the amount appropriated by the Congress for 2024 (excluding supplemental funding).
- According to the 2025 FYDP, DoD's budget would climb to $866 billion (when adjusted for inflation) by 2029, a total increase of 1.9 percent from 2025. Cumulative costs from 2025 to 2028 would be about $13 billion less than was anticipated in DoD's previous FYDP (which covered 2024 to 2028). The relative shares of funding for operation and support, acquisition, and infrastructure would change little over the period covered by the 2025 FYDP.
- CBO projects that the cost of DoD's plans would increase by 11 percent over the 10 years following the FYDP period, reaching $965 billion (in 2025 dollars) in 2039. Sixty-four percent of that increase would occur in operation and support, 32 percent in acquisition, and 4 percent in infrastructure.
- The costs of DoD's plans may be underestimated in the 2025 FYDP. If the department's costs grew at rates consistent with CBO's economic forecast (in areas such as compensation) or historical trends (in areas such as weapons acquisition), they would be about 4 percent higher from 2025 to 2029 and about 5 percent higher from 2025 to 2039. To accommodate those higher costs, DoD would need to scale back its plans or request larger budgets than are anticipated in the 2025 FYDP.

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Unless this report indicates otherwise, all years referred to are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end.

Dollar amounts are expressed in 2025 dollars. To remove the effects of inflation, the Congressional Budget Office adjusted dollar amounts using its projections of the gross domestic product price index. Those projections are available in *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), www.cbo.gov/publication/60039. Dollar amounts attributed to the Department of Defense (DoD) for 2025 to 2029 are based on DoD's nominal estimates and were converted to 2025 dollars in the same way.

In this report, "cost" refers to total obligational authority (TOA), a financial measure used by DoD to identify the funding available for its programs. TOA differs from budget authority, most notably in its adjustment for the timing of rescissions and lapses of prior-year budget authority. In recent years, the difference between TOA and discretionary budget authority in DoD's budget request for the coming year has generally been $1 billion or less.

Numbers may not add up to totals because of rounding.

Previous editions of this report, which CBO publishes annually, are available at https://go.usa.gov/xEnE6. A more detailed description of the analytical methods CBO used to prepare this report is available in *How CBO Projects the Long-Term Costs of the Department of Defense's Future Years Defense Program* (November 2024), www.cbo.gov/publication/60518.

On the cover (clockwise from top left): Marines attach a High Mobility Multipurpose Wheeled Vehicle to a CH-53E Super Stallion helicopter near Yuma, Arizona (U.S. Marine Corps photo by Lance Cpl. Elizabeth Gallagher); an Atlas V rocket launches from Space Launch Complex 41 at Cape Canaveral Space Force Station in Florida (U.S. Space Force photo by Joshua Conti); an Air Force C-17 Globemaster III arrives at an undisclosed location within the U.S. Central Command's area of responsibility (U.S. Air Force photo by Senior Airman Alex Lowe); soldiers drive a Stryker vehicle over a temporary floating bridge during wet gap training on the Imjin River in South Korea (U.S. Army photo by Chin-U Pak); and the aircraft carrier USS *Abraham Lincoln* conducts a replenishment-at-sea with the oiler USNS *Rappahannock* in the South China Sea (U.S. Navy photo by Mass Communication Specialist Seaman Joey Sitter).

Summary

In most years, the Department of Defense (DoD) produces a five-year plan called the Future Years Defense Program (FYDP). That plan is associated with the budget DoD submits to the Congress. The 2025 FYDP, issued in April 2024, comprises DoD's request for appropriations in 2025 and a series of planned budgets for 2026 to 2029.

In this report, the Congressional Budget Office analyzes the 2025 FYDP and summarizes DoD's expectations about the costs of its plans for 2025 to 2029. Because decisions made in the short term can have consequences for the defense budget in the longer term, CBO projected the costs of DoD's 2025 plan through 2039, 10 years beyond the period covered by the current five-year plan.

What Are DoD's Budget Plans According to the 2025 FYDP?

The proposed budget for DoD in 2025 totals $850 billion. In real terms—that is, after removing the effects of inflation—that amount is $15 billion (or 1.7 percent) less than the amount appropriated in 2024 (excluding supplemental appropriations, such as those for aid to Ukraine and Israel and for assistance following natural disasters). Measured in 2025 dollars, the amounts that DoD would request under its current plans increase by a total of 1.9 percent over the remaining four years of the FYDP period.

Within the federal budget, DoD's activities are found under budget function 050, which is titled "national defense." The amounts the Administration requested for that budget function—$850 billion for DoD, $34 billion for the nuclear weapons–related activities of the Department of Energy, and $11 billion for the defense activities of other agencies—equal the $895 billion cap set for security funding for 2025 in the Fiscal Responsibility Act of 2023 (Public Law 118-5). The Fiscal Responsibility Act also includes provisions that could limit discretionary spending from 2026 to 2029. However, the act does not specify separate caps for security and nonsecurity activities in those years, and the caps it sets can be exceeded if lawmakers enact emergency supplemental appropriations.

According to DoD's plans, over the next five years, the costs of the department's day-to-day operations would increase from $522 billion to $537 billion, the costs of acquiring (that is, developing and procuring) new weapons would increase from $311 billion to $313 billion, and the costs of constructing and maintaining infrastructure would decrease from $17.5 billion to $16.0 billion. (All costs in this report are expressed in 2025 dollars.) The slight increase in acquisition costs—0.9 percent over the five-year period—would result from much larger, offsetting changes within that category of spending: As DoD shifts from developing new weapons to purchasing them, development costs would decrease by 10 percent, and procurement costs would increase by 10 percent.

What Would DoD's Plans Cost Beyond the FYDP Period?

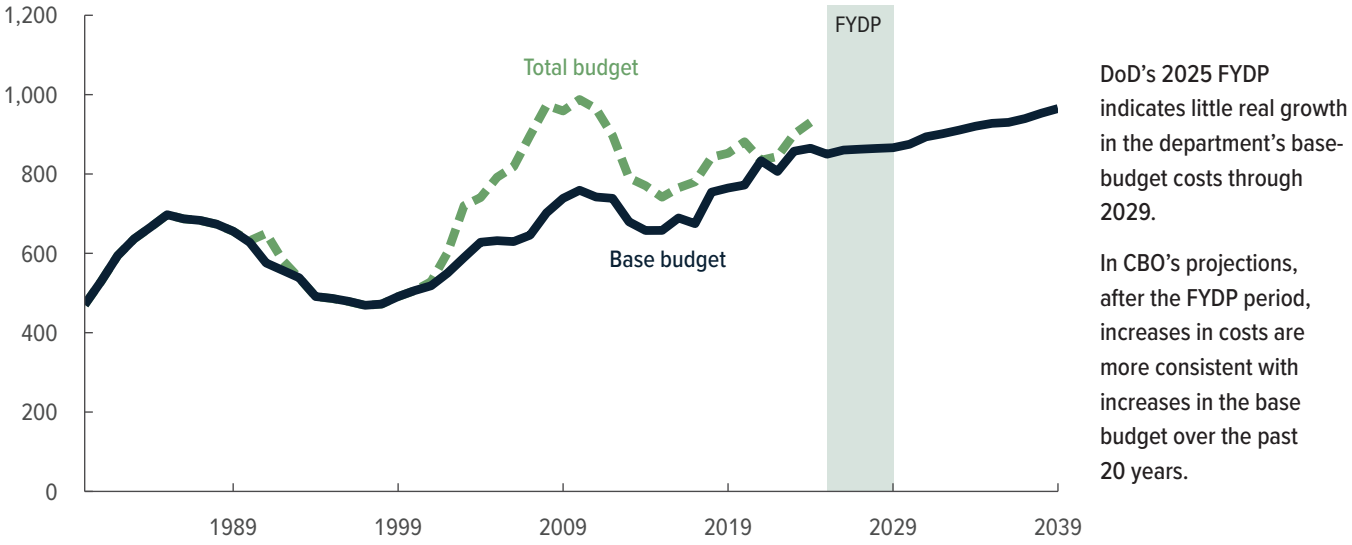
CBO's projections indicate that in the decade after 2029, DoD's annual costs would increase faster than inflation, rising by 11 percent in real terms—from $866 billion to $965 billion (in 2025 dollars; see Figure S-1). Two key factors explain that increase:

- Costs for the compensation of military personnel and for operation and maintenance (O&M) are projected to grow faster than inflation, and
- Costs for the acquisition of weapon systems are projected to increase quickly in the first two years after the FYDP period and then more slowly (on average) thereafter.

Of the $99 billion increase in annual costs that CBO projects between 2029 and 2039, 21 percent would be for military personnel, 43 percent for O&M, 32 percent for developing and purchasing weapon systems, and 4 percent for infrastructure.

Figure S-1.

Historical Funding for DoD's Activities and Projected Costs Through 2039



Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Costs over the FYDP period (2025 to 2029) are DoD's estimates. Costs after 2029 are CBO's projections based on longer-term information from DoD about policies and costs or, if such information is not available, on CBO's analysis.

DoD's total budget consists of base-budget funding (which is appropriated for normal, peacetime operations and other activities that are anticipated during the regular budgeting process) and supplemental funding (which is appropriated for overseas contingency operations and emergencies such as natural disasters).

DoD = Department of Defense; FYDP = Future Years Defense Program.

How Would Costs Change if Growth Followed Historical Patterns?

In many areas of DoD's budget, costs have historically grown more rapidly than DoD has projected in the FYDP. For example, lawmakers have often enacted increases in compensation for military and civilian personnel that are larger than the increases DoD incorporated in its plans. Similarly, DoD has frequently underestimated costs for O&M and for the acquisition of weapon systems, and that pattern may persist in the 2025 FYDP. For example, the 2025 FYDP incorporates increases in military and civilian compensation from 2026 to 2029 that are smaller than increases in compensation costs in CBO's economic forecast.

To examine how such factors might affect DoD's budgets, CBO prepared alternative projections of the costs of implementing DoD's plans. Those projections reflect the assumption that growth in the department's costs would be consistent with trends over the past several decades. In that case, total costs from 2025 to 2029 would be $154 billion (or about 4 percent) higher than DoD indicated in the 2025 FYDP, and total costs from 2025 to 2039 would be $677 billion (or about 5 percent) higher than DoD indicated in the 2025 FYDP and CBO projected for subsequent years using DoD's estimates (see Table S-1). Accommodating those higher costs would require DoD to scale back its plans or request larger budgets than it anticipated in the 2025 FYDP.

What Other Factors Could Change the Costs of DoD's Plans?

DoD's and CBO's projections of the costs of executing DoD's plans reflect the plans as they stood when the department was preparing its 2025 budget. Those plans could change as a result of international events, Congressional decisions, or other factors. Furthermore, even if DoD's plans generally remained unchanged, many program-level policies that underlie the department's projections of its costs might not come to pass. For example, technical difficulties in a weapon development program could cause DoD to cancel the program

Table S-1.

Projections of DoD's Costs Under Alternative Assumptions About Cost Growth

Billions of 2025 dollars

	2025–2029	2025–2039
Total cost of DoD's plans projected using DoD's estimates for 2025 to 2029	**4,303**	**13,519**
Increases under alternative assumptions about cost growth		
Military pay increases at the rate of the ECI starting in 2025	13	63
Civilian pay increases at the rate of the ECI starting in 2025	33	137
MHS costs grow at the projected rate of health care costs in the general economy starting in 2025	7	28
Other O&M costs (adjusted for the size of the military) experience cost growth starting in 2025 consistent with growth since 1980[a]	26	115
Major acquisition programs experience cost growth consistent with cost growth since 1970	76	333
Total increase under alternative assumptions about cost growth	**154**	**677**
Total cost of DoD's plans projected using alternative assumptions about cost growth	**4,457**	**14,196**

Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

DoD = Department of Defense; ECI = employment cost index for wages and salaries of workers in the private sector, as defined by the Bureau of Labor Statistics; MHS = Military Health System; O&M = operation and maintenance.

a. Other O&M is the sum of the O&M and revolving and management fund appropriation titles minus costs for civilian compensation, contractor compensation, and the MHS.

and instead extend the service life of existing weapons. And even if DoD's plans came to pass as currently projected, economic factors such as inflation, labor costs, and the costs of raw materials for weapon systems would remain uncertain.

For those reasons, CBO's projections should not be viewed as predictions of future funding for DoD. Rather, the projections are estimates of the costs of executing the department's 2025 plans under the premise that those plans would not change.

Chapter 1: Costs of the 2025 Future Years Defense Program

The Congressional Budget Office analyzed the costs of the Department of Defense's plans over the five-year period covered by the latest Future Years Defense Program—2025 to 2029—and projected the costs of those plans over an additional 10 years, through 2039.

Nearly all of DoD's funding is provided in appropriations under seven public law titles: military personnel; operation and maintenance; procurement; research, development, test, and evaluation (RDT&E); military construction; family housing; and revolving and management funds. For its analysis, CBO divided that funding into three broad categories, according to the types of activities that are funded:

- Military personnel, O&M, and revolving and management funds make up the **operation and support** (O&S) category. O&S funding covers the costs of DoD's personnel and their day-to-day activities, including military operations and training exercises, maintenance of equipment, and sustainment of facilities.
- Procurement and RDT&E make up the **acquisition** category. Acquisition funding is primarily used to develop and purchase weapons and other equipment that will be effective against modern adversaries.
- Military construction and family housing make up the **infrastructure** category. Infrastructure funding covers the costs of acquiring and modernizing the real property that DoD uses for military training operations, storage of equipment and munitions, military housing, administrative functions, and maintenance. (Real property includes structures, such as piers and runways, as well as buildings.)

DoD's Estimates of Costs in the 2025 FYDP

The proposed budget for DoD in 2025 is $850 billion. That amount is $15 billion (or 1.7 percent) less, in real terms, than the amount the Congress appropriated for 2024 (excluding supplemental appropriations provided in that year).[1] Measured in 2025 dollars, funding for O&S would increase by $3 billion (or 0.7 percent) in 2025, funding for acquisition would decrease by $17 billion (or 5.2 percent), and funding for infrastructure would decrease by $1.6 billion (or 8.1 percent). Although the amount requested for acquisition in 2025 was 5.2 percent smaller than the amount lawmakers enacted for the base budget in 2024, it was only 3.6 percent less than the amount DoD requested for the base budget in 2024.

According to the 2025 FYDP, DoD's annual costs would reach $866 billion in 2029, 1.9 percent more in real terms than the amount requested for 2025. Costs for O&S, which account for roughly two-thirds of DoD's budget, would increase from $522 billion in 2025 to $537 billion in 2029. Costs for acquisition, which account for about one-third of the budget, would increase from $311 billion to $313 billion. And infrastructure costs, which account for about 2 percent of DoD's total costs over the FYDP period, would vary between $16 billion and $22 billion.

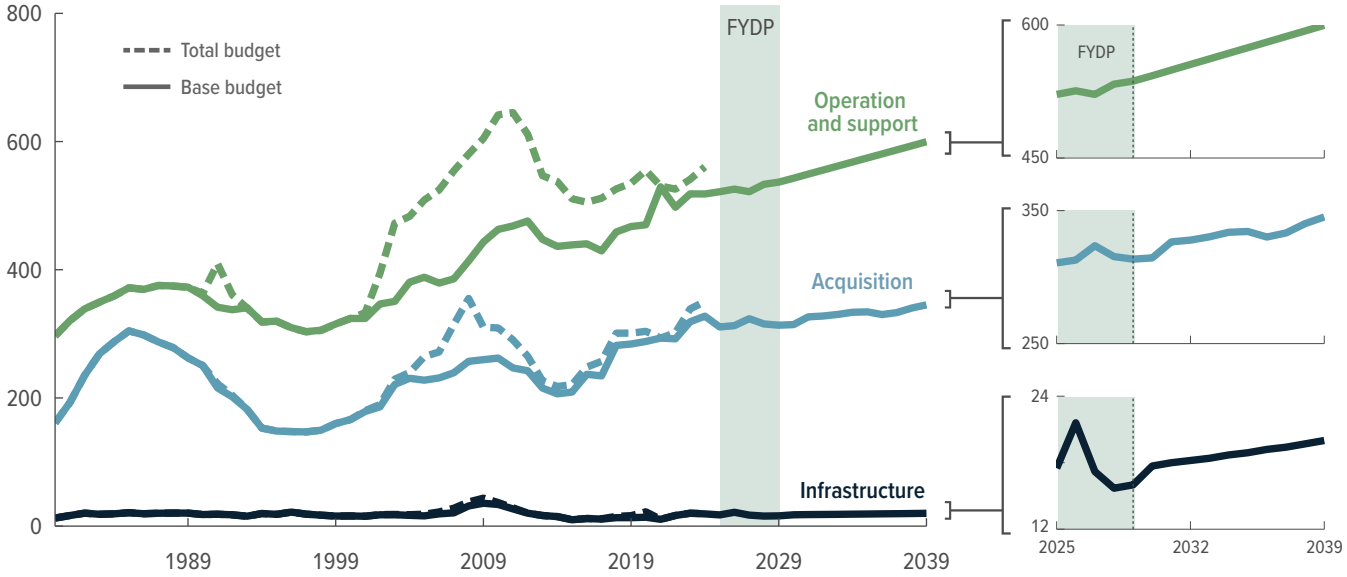
In May 2023, lawmakers enacted the Fiscal Responsibility Act of 2023 (Public Law 118-5), which established caps on discretionary funding for 2024 and 2025 in two broad categories—security and nonsecurity. Taken together, the amounts the Administration requested for security funding (that is, budget function 050) in 2025—$850 billion for DoD, $34 billion for the nuclear weapons–related activities of the Department of Energy, and $11 billion for the defense activities of other agencies—are equal to the act's $895 billion cap on security funding for that year. The Fiscal Responsibility

1. DoD's total budget consists of base-budget funding (which is appropriated for normal, peacetime operations and other activities that are anticipated during the regular budgeting process) and supplemental funding (which is appropriated for overseas contingency operations and emergencies such as natural disasters). Supplemental appropriations for defense in 2024 totaled $69 billion (in 2025 dollars).

Figure 1-1.

Costs for Operation and Support, Acquisition, and Infrastructure in the 2025 FYDP and in CBO's Projections

Billions of 2025 dollars



Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Costs over the FYDP period (2025 to 2029) are DoD's estimates. Costs after 2029 are CBO's projections based on longer-term information from DoD about policies and costs or, if such information is not available, on CBO's analysis.

DoD's total budget consists of base-budget funding (which is appropriated for normal, peacetime operations and other activities that are anticipated during the regular budgeting process) and supplemental funding (which is appropriated for overseas contingency operations and emergencies such as natural disasters).

Funding for operation and support is the sum of the appropriations for military personnel, operation and maintenance, and revolving and management funds. Acquisition funding is the sum of the appropriations for procurement and for research, development, test, and evaluation. Infrastructure funding is the sum of the appropriations for military construction and family housing.

DoD = Department of Defense; FYDP = Future Years Defense Program.

Act also includes provisions that could limit total discretionary spending from 2026 to 2029, but it does not specify separate limits for security and nonsecurity funding in those years. In all years, moreover, the caps set by the Fiscal Responsibility Act could be exceeded with emergency supplemental appropriations.

CBO's Projections of DoD's Costs From 2030 to 2039

On the basis of DoD's estimates in the FYDP (converted by CBO into 2025 dollars), CBO projects that in the 10 years after 2029, the department's annual costs would increase by $99 billion—from DoD's estimate of $866 billion in 2029 to $965 billion in 2039 (see Figure S-1 on page 2). That growth would amount to an average annual increase of 1.1 percent. By comparison, from 2025 to 2029, costs would rise by an average of 0.5 percent per year.

Costs for O&S, acquisition, and infrastructure would all contribute to the increase in the costs of DoD's plans after 2029 (see Figure 1-1):

- Costs for O&S would increase by 1.1 percent per year, on average, rising from DoD's estimate of $537 billion in 2029 to $600 billion in 2039.
- Costs for acquisition would increase by 4.2 percent in the first two years after the FYDP period—from DoD's estimate of $313 billion in 2029 to $327 billion in 2031—and would increase more slowly thereafter, rising to $345 billion in 2039.

Table 1-1.

Methods Used by CBO to Project the Cost of DoD's Plans After the FYDP Period

Area of DoD's budget	CBO's method
Military pay	After 2029, the rate of growth matches CBO's projection of the growth rate for the ECI.
Civilian and contractor pay	After 2029, the rate of growth matches CBO's projection of the growth rate for the ECI.
Military Health System (excluding military pay and civilian pay)	After 2029, projected costs track with CBO's projection of the growth rate for health care spending in the broader economy.
Operation and maintenance (excluding civilian pay and the MHS)	After 2029, projected costs grow at the historical average rate for operation and maintenance.
Acquisition	Projected costs are estimated on a program-by-program basis using information from DoD or CBO's estimates, which are based on previous programs.
Military construction	After 2029, projected costs are equal to their historical average and grow at a rate equal to CBO's projection of the growth rate for construction costs in the broader economy.

Data source: Congressional Budget Office.

This table does not show the methods that CBO used to produce alternative projections of costs. Those alternative projections are based on historical trends and show how DoD's costs might differ from the estimates provided in the 2025 FYDP. For more details, see *How CBO Projects the Long-Term Costs of the Department of Defense's Future Years Defense Program* (November 2024), www.cbo.gov/publication/60518.

DoD = Department of Defense; ECI = employment cost index for wages and salaries of workers in the private sector, as defined by the Bureau of Labor Statistics; FYDP = Future Years Defense Program; MHS = Military Health System.

- Costs for infrastructure would rise steadily after the FYDP period, from DoD's estimate of $16 billion in 2029 to $20 billion in 2039.

CBO's Estimates of DoD's Costs Under Alternative Assumptions About Cost Growth

If DoD's future costs are consistent with historical trends and current economic indicators, they will be larger than the estimates provided by DoD through 2029 and CBO's projections (which are based on DoD's plans) through 2039. Two of the many factors that could make DoD's costs diverge from those estimates are pay raises and the costs of weapon systems. Historically, pay raises have often turned out to be larger than DoD has planned in its FYDPs. The pay raises from 2026 to 2029 reflected in the 2025 FYDP are smaller than those in CBO's current economywide projections, which suggests that they may be underestimates. DoD has also tended to underestimate the costs of weapon systems in its FYDPs.

DoD's tendency to underestimate future costs has been particularly pronounced over the past decade. For the past several years, DoD's FYDPs have anticipated flat or nearly flat funding (in real terms) beyond the budget year, yet DoD's budget (excluding supplemental funding) has increased by nearly 20 percent. Each flat FYDP has been superseded by another one that starts at a higher level.

CBO estimated how DoD's overall costs would change if the projected growth rate of O&S costs from 2030 to 2039 also applied over the FYDP period and if costs to acquire weapon systems grew as they have in the past. In those alternative projections, the costs of DoD's plans are $154 billion (or about 4 percent) higher over the FYDP period. Over the full 2025–2039 period, they are $677 billion (or about 5 percent) higher (see Table S-1 on page 3). Acquisition costs account for about half of that difference. Accommodating those higher costs would require DoD to scale back its plans or request larger budgets than it anticipated in the 2025 FYDP.

How CBO Projected the Costs of DoD's Plans Beyond the FYDP Period

CBO's projections of the costs of DoD's plans for 2030 to 2039 are based on estimates that DoD provided in the 2025 FYDP for 2025 to 2029, on the policies underlying those estimates, on current laws regarding the compensation of military personnel, and on the longer-term acquisition plans that DoD publishes in its official documents (see Table 1-1). The projections also incorporate

CBO's estimates of how the economy will change in the future.[2] For the parts of DoD's budget for which policies and cost estimates were not specified, CBO generally based its projections on anticipated trends in prices and compensation in the broader economy.[3]

CBO's projections also reflect two assumptions—first, that the size and composition of the military and the number of civilian personnel would remain unchanged after 2029 unless DoD has specified otherwise, and second, that for any major weapon system expected to reach the end of its service life before 2039 for which DoD has not yet announced a replacement, DoD would develop and purchase a generally similar but more modern system. For example, the Air Force may need to begin replacing its fleet of C-17 transport aircraft before 2039. Air Force officials have indicated that future airlifters may include capabilities that are not present in today's fleet—but the absence of firm details led CBO to base its estimate of the cost of replacement aircraft on the cost of the C-17.[4]

CBO's estimates of the costs for O&S and infrastructure over the 2030–2039 period are based primarily on the projected size of the force, historical cost growth, and economic factors such as the employment cost index for wages and salaries of workers in the private sector (ECI) and the gross domestic product price index. (The ECI is a measure of the cost of compensating workers that is reported by the Bureau of Labor Statistics.)

CBO's estimates of acquisition costs are based primarily on how spending for individual acquisition programs is expected to change over time. About two-thirds of the total projected cost of acquisition reflects DoD's long-term plans for specific programs and CBO's expectations about other major components of DoD's acquisition portfolio (such as programs that DoD has not yet started but that CBO projects will be needed before 2039). The remaining third, which mainly covers smaller programs, was estimated using past acquisition budgets. (For more details on O&S funding, see Chapter 2; for more details on acquisition funding, see Chapter 3; and for more details on infrastructure funding, see Chapter 4.)

2. Congressional Budget Office, "Historical Data and Economic Projections" (June 2024), www.cbo.gov/data/budget-economic-data#11.

3. For more details on the approaches CBO uses for projecting DoD's long-term costs, see Congressional Budget Office, *How CBO Projects the Long-Term Costs of the Department of Defense's Future Years Defense Program* (November 2024), www.cbo.gov/publication/60518.

4. Brian Everstine, "USAF Accelerates Plans for Next-Generation Airlifter and Tanker," *Aviation Week Network* (November 2, 2022), https://tinyurl.com/2f5htk62.

Chapter 2: Projected Costs of Operation and Support

Funding for operation and support comes from appropriations for three public law titles: military personnel, operation and maintenance, and revolving and management funds. In this analysis, estimates of total O&M funding include the relatively small amount the Department of Defense requested for revolving and management funds because those titles involve similar activities.

O&S funding can be separated into three general categories:

- **Compensation**, which falls under the appropriations for military personnel and O&M (for civilian employees and contractors), includes cash pay, noncash benefits, and accrual payments that fund future retirement benefits for military personnel. For civilians and service contractors, it also includes DoD's contributions for health insurance.
- The **Military Health System** (**MHS**), which falls under the appropriations for military personnel and O&M, keeps military personnel healthy and ready for combat operations. The MHS also provides medical care for personnel, retirees, and their families as part of the military's compensation package.
- **Other O&M**, which covers the remaining costs that fall under the appropriation for O&M, such as those for base operations, fuel, equipment maintenance, spare parts, and transportation.

CBO based its projections of DoD's O&S costs on anticipated growth across those three categories. The sum of the costs in all three categories would exceed total O&S funding because compensation for military and civilian personnel who work in the MHS would be counted twice: once in the compensation category and again in the MHS category (see Figure 2-1). CBO includes that compensation in both categories to present a more complete picture of each category's costs, but it corrects for that double-counting in its presentation of overall O&S costs.

O&S Costs in the 2025 FYDP

Nearly two-thirds of DoD's total budget request for 2025 was for O&S: $182 billion for military personnel and $340 billion for O&M. Adjusted for inflation, the $522 billion requested for O&S in 2025 was $3 billion more than the amount appropriated for the 2024 base budget—an increase of 0.7 percent. By 2029, DoD expects O&S costs to increase slightly (by about 3 percent in real terms), ending the period covered by the Future Years Defense Program $15 billion above the amount requested for 2025.

Growth in O&S during the FYDP period is less than what would be expected on the basis of historical cost growth in other O&M and CBO's projections of real growth in wages, rents, and consumer prices. Although DoD's estimate of a 6.1 percent increase in the military personnel accounts is consistent with projected growth in compensation costs, its estimate of a 1.2 percent increase in O&M funding is well below historical averages. To keep growth in O&M funding below the rate of economywide inflation, DoD will have to find more efficient ways of doing things, adjust the size of the civilian and contract labor forces, adjust the scope of care in the military health care systems, reduce activities in other O&M functions, or adopt some combination of those approaches.

Compensation

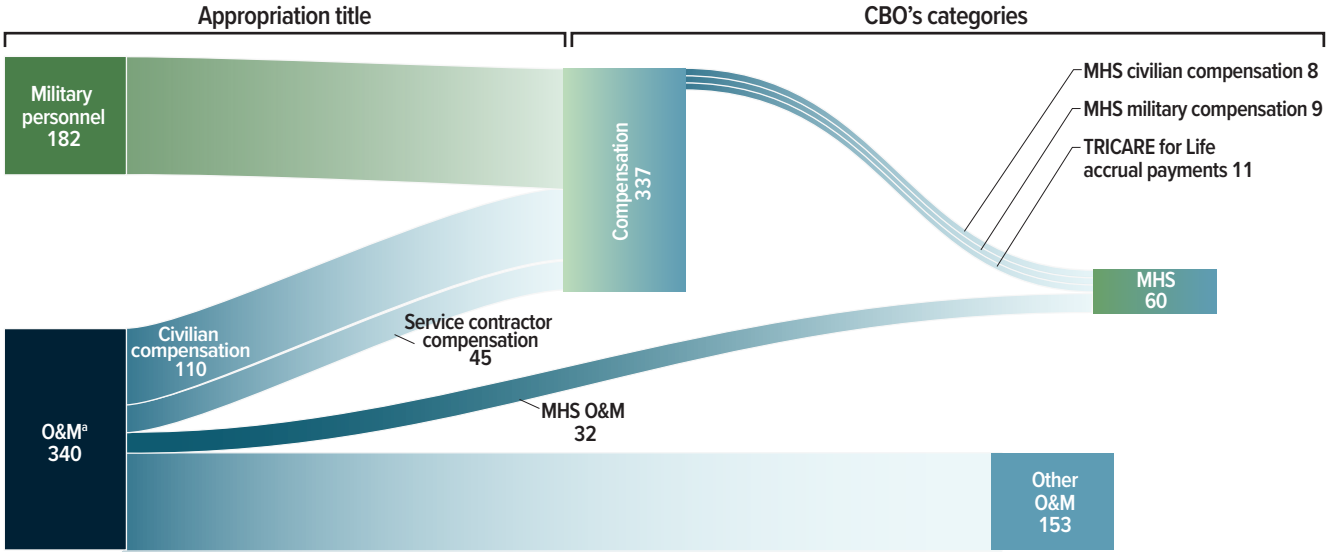
DoD's total workforce comprises full- and part-time military personnel, federal civilians, and service contractors. (Service contractors are hired by private companies under service contracts awarded expressly to augment DoD's military and civilian workforces.) Compensation for the three groups is spread across DoD's budget, but most of it is in the O&S category.

Within the O&S category, total funding for compensation (including DoD's estimates of compensation for service contractors) as categorized by CBO would increase by 4.5 percent over the FYDP period, rising

Figure 2-1.

DoD's Funding Request for Operation and Support in 2025, by Appropriation Title and as Categorized by CBO

Billions of 2025 dollars



Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Funding for operation and support is the sum of DoD's appropriations for military personnel, O&M, and revolving and management funds. The height of the bars is proportional to the funding for each category.

DoD = Department of Defense; MHS = Military Health System; O&M = operation and maintenance.

a. CBO included the relatively small amount in DoD's budget for revolving and management funds with the O&M appropriation because those two titles involve similar activities.

from $337 billion in 2025 to $352 billion in 2029 (see Table 2-1). In its 2025 budget, DoD requested a 4.5 percent pay raise for the military workforce, which is slightly above the employment cost index for wages and salaries of workers in the private sector in calendar year 2025.[1] For civilian employees, DoD requested a 2.0 percent pay raise in 2025, well below the projected ECI for that year. That pay raise is lower than the military pay raise but equal to the pay raise the President proposed for civilian employees throughout the federal government. The military and civilian pay raises do not reflect potential increases in the costs of compensating service contractors hired to support DoD's operations, which CBO estimates could grow with the ECI.[2]

For 2026 to 2029, the FYDP reflects the assumption that, in nominal terms, pay for military personnel will increase by 2.6 percent per year and pay for civilian personnel will increase by 2.1 percent per year. Both amounts are below the average annual increase in the ECI (3.6 percent) that CBO projects over that period.[3] (CBO examines the effect of that difference in the final section of this chapter.)

Military Health System

DoD requested $60 billion in O&S funds for the MHS in 2025. From 2025 to 2029, in DoD's projections,

1. By law, if neither Congress nor the President acts, military pay raises are set to match the ECI from the third quarter three calendar years before the effective date of the pay raise to the third quarter two calendar years before that date. Data from the Bureau of Labor Statistics indicate that under that formula, the military workforce would receive a nominal pay raise of about 4.4 percent in 2025.

2. Congressional Budget Office, "Historical Data and Economic Projections" (June 2024), www.cbo.gov/data/budget-economic-data#11.

3. Ibid.

Table 2-1.

DoD's Operation and Support Costs, by Appropriation Title and as Categorized by CBO

Billions of 2025 dollars

	President's budget request, 2025	End of FYDP period, 2029	CBO's projections based on DoD's plans, 2039
By appropriation title			
Military personnel			
Military compensation	171	180	197
TRICARE for Life accrual payments	11	13	17
Total	**182**	**193**	**214**
Operation and maintenance[a]			
Civilian compensation	110	112	123
Service contractor compensation	45	47	52
O&M in the MHS	32	32	37
Other O&M[b]	153	153	173
Total	**340**	**344**	**386**
Total appropriations for operation and support	**522**	**537**	**600**
By CBO category			
Compensation			
Military personnel[c]	182	193	214
Civilian personnel[c,d]	110	112	123
Contractor personnel[d]	45	47	52
Total	**337**	**352**	**390**
Military Health System[e]			
Military compensation	9	10	11
TRICARE for Life accrual payments	11	13	17
Civilian compensation	8	9	10
O&M in the MHS	32	32	37
Total	**60**	**63**	**74**
Other O&M[b]	153	153	173

Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Funding for operation and support is the sum of DoD's appropriations for military personnel, O&M, and revolving and management funds.

DoD = Department of Defense; FYDP = Future Years Defense Program; MHS = Military Health System; O&M = operation and maintenance.

a. CBO included the relatively small amount in DoD's budget for revolving and management funds with the O&M appropriation because those two titles involve similar activities.

b. Other O&M is the sum of the O&M and revolving and management fund appropriation titles minus costs for civilian compensation, contractor compensation, and the MHS.

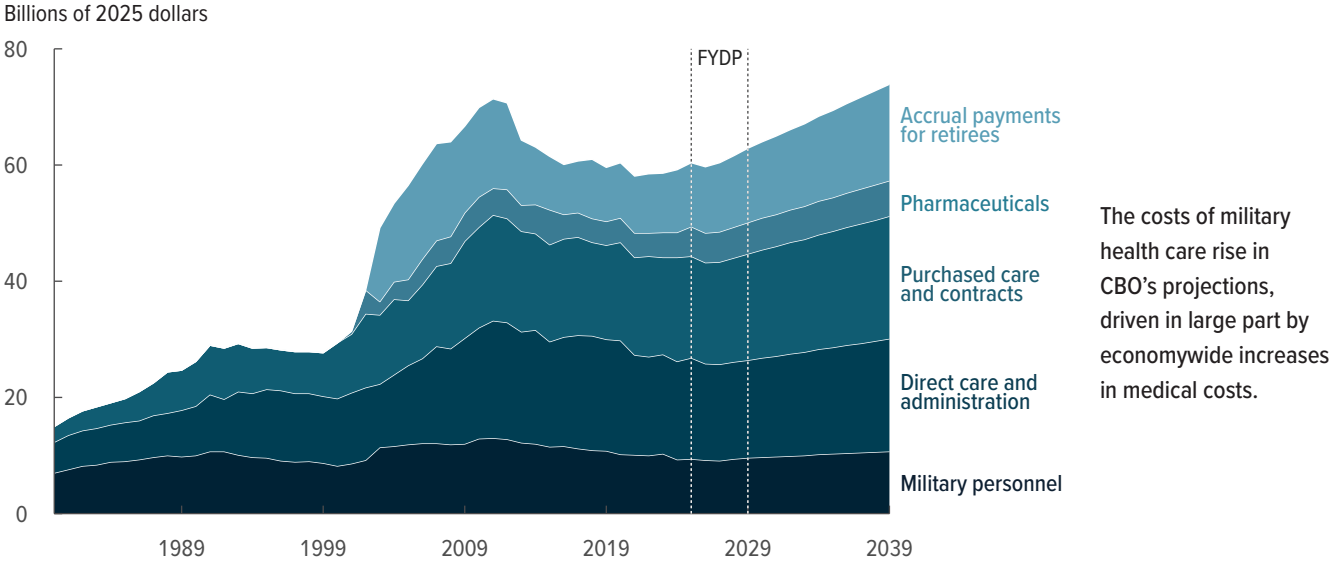
c. Compensation consists of cash pay, noncash benefits, and accrual payments for retirement benefits. For civilians and contractors, it also includes DoD's contributions for health insurance.

d. The amounts shown here do not include compensation for civilian personnel and contractors funded from accounts other than O&M.

e. These amounts do not include spending for the MHS in accounts other than operation and support. The amounts shown for military and civilian pay in the MHS and accrual payments for retirees are also included in the compensation category. Because those costs are included twice, the sum of the components in the lower panel of the table exceeds total appropriations for operation and support in the upper panel.

Figure 2-2.

Costs of the Military Health System in the 2025 FYDP and in CBO's Projections



Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Costs over the FYDP period (2025 to 2029) are DoD's estimates. Costs after 2029 are CBO's projections based on longer-term information from DoD about policies and costs or, if such information is not available, on CBO's analysis.

Before 2001, pharmaceutical costs were not identified separately but were embedded in the costs of two categories: "purchased care and contracts" and "direct care and administration." Since 2001, most pharmaceutical costs have been identified separately, but some are embedded in the category "accrual payments for retirees."

The amounts shown here do not include spending for the Military Health System in accounts other than military personnel and operation and maintenance.

DoD = Department of Defense; FYDP = Future Years Defense Program.

annual MHS costs increase by 4.2 percent in real terms. CBO divides funding for the MHS, which provides health care for military personnel, their families, and military retirees, into five categories (see Figure 2-2):

- Military personnel (for uniformed health care providers),
- Direct care and administration (for government health care facilities and their civilian employees),
- Purchased care and contracts (for private-sector health care providers),
- Pharmaceuticals, and
- Accrual payments for retirees (for health care provided to military retirees and their families through TRICARE for Life).

Funding for the first and last categories is found in the military personnel appropriation, and funding for the middle three categories is found in the O&M appropriation.[4]

The 4.2 percent growth in MHS costs over the FYDP period translates into an average yearly growth rate of about 1 percent, well below DoD's goal of growth at or below about 3.0 percent per year.[5] Adjusted for inflation, costs for military compensation grow by 0.7 percent per year, and costs for TRICARE for Life grow by 3.7 percent per year. DoD's most aggressive assumptions

4. For more information about the MHS, see Congressional Budget Office, *Approaches to Changing Military Health Care* (October 2017), www.cbo.gov/publication/53137.

5. DoD has stated that it aims to keep the rate of cost growth for military beneficiaries enrolled in TRICARE Prime at or below the nationwide rate for civilians in other health care plans; since 2019, according to DoD, its goal has been about 4.5 percent per year (or about 3.0 percent in real terms). See Defense Health Agency, *Evaluation of the TRICARE Program: Fiscal Year 2023 Report to Congress* (February 2023), p. 212, https://tinyurl.com/mtpnd423.

about savings apply to O&M funding for direct care, purchased care, and pharmaceuticals. In the FYDP, that funding increases at an average annual rate of only 0.3 percent (in real terms) from 2025 to 2029.

A key element of DoD's plan to reduce long-term growth in the costs of private-sector care is to attract beneficiaries back to its military treatment facilities. DoD has stated that to reattract beneficiaries, military treatment facilities need to employ sufficient numbers of trained and routinely available health care providers. To keep MHS costs low, DoD plans to employ larger proportions of military personnel at those facilities, which would shift training costs to the military personnel and other O&M accounts.[6]

DoD's plan to hold the annual rate of growth in those costs below 1 percent stands in contrast to CBO's projections of economywide growth in medical costs. In recent years, DoD has been able to slow growth in MHS costs through efficiency initiatives (such as reductions in military personnel and the consolidation of military treatment facilities), but it is uncertain whether, over the next five years, the department will be able to achieve the planned efficiencies that would be necessary to offset projected inflation in medical costs.

Other O&M

Other O&M costs are those that remain after removing funds for the MHS and for the compensation of civilians and service contractors from the O&M appropriation. This category covers thousands of activities in a wide range of areas, such as training, equipment maintenance, the operation of military bases, and purchases of fuel. In the 2025 FYDP, those other O&M costs decrease by about 0.3 percent (in real terms) from 2025 to 2029.

CBO's Projections of O&S Costs From 2030 to 2039

After the period covered by the 2025 FYDP, O&S costs rise steadily in CBO's projections. Those costs increase from DoD's estimate of $537 billion in 2029 to $600 billion in 2039, at an average annual rate of 1.1 percent in real terms (see Figure 1-1 on page 6). Costs for compensation, the MHS, and other O&M are all projected to increase steadily with inflation after 2029.

Compensation

CBO projects that from 2029 to 2039, total annual spending for compensation for military personnel, federal civilians, and service contractors would increase by $37 billion, from $352 billion to $390 billion, at an average annual rate about 1 percentage point above the rate of inflation (see Table 2-1 on page 11).

CBO based its projections of compensation costs after 2029 on current law, which links military pay raises to increases in the ECI unless the Congress or the President act to provide different amounts. After that year, in CBO's long-term economic projections, the ECI increases at an average annual rate 1 percentage point above the rate of economywide inflation.

Other elements of military compensation—such as allowances for rental housing and subsidies for groceries and consumer goods—are also expected to grow faster than inflation. Increases in deferred compensation, in the form of accrual charges for Medicare-eligible retirees' health care, would add about $4 billion to the military personnel accounts by 2039.

CBO projects that after 2029, civilian pay would rise with the ECI, maintaining parity with military pay raises and resulting in an $11 billion increase in compensation costs (in real terms) by 2039. Compensation for service contractors is also projected to grow with the ECI, boosting compensation costs by an additional $5 billion (in real terms).

Military Health System

Three factors contribute to the projected growth in the costs of the MHS after 2029. First, CBO expects the cost of care under the MHS to grow at about the same rate as the cost of health care in the general economy. Second, changes in the demographics of the population under the care of the MHS are expected to change the amount and kinds of care the system provides. Third, CBO's projections reflect the assumption that the compensation of military personnel and federal civilians in the MHS would grow at the same pace as the ECI, as discussed above. Altogether, in CBO's estimation, MHS costs would grow at an average annual rate of 1.6 percent in the decade after the FYDP period, climbing from $63 billion in 2029 to $74 billion in 2039 (see Figure 2-2).

6. Office of the Under Secretary of Defense (Comptroller), *Defense Budget Overview: United States Department of Defense Fiscal Year 2025 Budget Request* (updated April 4, 2024), pp. 4–11, https://tinyurl.com/5n6xe7pb.

Other O&M

CBO projects that after 2029, consistent with long-standing trends, costs for other O&M would increase faster than inflation. To analyze changes in those costs, CBO removed the effects of significant programmatic changes unrelated to cost growth. First, CBO identified the base budget for O&M by subtracting funding from supplemental appropriations, including funding for overseas contingency operations. From 1980 to 2020, that base-budget funding nearly doubled. Adjusted for inflation, costs in each year were 2 percent higher than costs in the previous year, on average. Next, CBO divided that funding by the size of the active component of the force to account for growth in O&M costs due to changes in the size of the force. In each year of the 1980–2020 period, per capita costs for other O&M grew by an average of 1.8 percent. If that trend continued, annual costs for other O&M would increase by $20 billion from 2029 to 2039.

Uncertainty About Projected O&S Costs

CBO's projections are not meant to predict future budgetary outcomes. They are extrapolations of DoD's estimates in the FYDP, made on the premise that most aspects of the current defense plan would remain unchanged. But DoD's plans could change for many reasons. Projections of economic factors that could affect DoD's costs—such as changes in the ECI or health care costs—are also uncertain. Higher- or lower-than-projected inflation over the next five years, for example, could substantially affect the costs of implementing DoD's plans.

CBO's Estimates of O&S Costs Under Alternative Assumptions About Cost Growth

DoD's actual costs could also differ from its estimated costs because several of the department's assumptions about O&S costs over the FYDP period are not consistent with recent trends. Those assumptions cause all three categories of O&S costs to grow at slower rates in DoD's projections for 2025 to 2029 than they do in CBO's projections for 2029 to 2039.

- DoD's plan for a military pay raise of 4.5 percent in 2025 is consistent with expected growth in the ECI, but the department's plans for a 2.0 percent civilian pay raise in that year and for constant annual pay raises of 2.6 percent for military personnel and 2.1 percent for civilian personnel from 2026 to 2029 are not.
- Over the FYDP period, DoD plans for MHS costs to grow by $2.5 billion, at an average annual rate of 1.0 percent, which is much lower than CBO's projection of growth in nationwide health care costs.
- DoD's plans call for other O&M costs to decrease by a total of 0.3 percent over the FYDP period. Historically, however, despite DoD's efforts to improve efficiency and eliminate unnecessary activities, those costs have consistently increased faster than inflation. As noted above, per capita costs for other O&M grew by an average of 1.8 percent each year from 1980 to 2020.

Using alternative assumptions about cost growth that are consistent with those factors, CBO estimates that altogether, O&S costs from 2025 to 2029 would be $79 billion (or about 3 percent) higher under DoD's plans than the department estimated in the 2025 FYDP. Higher costs during the FYDP period would be compounded in later years: CBO estimates that cumulative O&S costs from 2025 to 2039 would be $343 billion (or about 4 percent) higher than implied by DoD's cost estimates in the FYDP (see the first four rows of increases in Table S-1 on page 3).

Chapter 3: Projected Costs of Acquisition

Acquisition accounts for 37 percent of the Department of Defense's funding request for 2025. Acquisition funding comes from the appropriations for procurement and for research, development, test, and evaluation. That funding is used to develop and buy new weapon systems and other major equipment, to upgrade the capabilities or extend the service life of existing weapon systems, and to support research on future technologies.

How CBO Projected Acquisition Costs

The Congressional Budget Office used two approaches to project acquisition costs. For major programs involving the acquisition of new weapon systems or upgrades to existing systems, CBO projected costs and schedules on a program-by-program basis. For smaller programs and general activities related to research and development, CBO made aggregate projections on the basis of policies either stated or implied in DoD's planning documents or on the basis of historical trends and historical relationships between total acquisition funding and the funding for major programs.[1]

CBO based its program-by-program projections not only on the 2025 Future Years Defense Program but also on detailed plans, including those described in Selected Acquisition Reports, that the services have issued for some major systems (such as the Air Force's new trainer aircraft). For other major systems (such as a new assault aircraft for the Army), CBO based its estimates on more general descriptions the services have provided about schedules and costs for development and procurement. For still other systems (for instance, future fighter aircraft that the Navy and Air Force are planning to field in the 2030s), CBO based its estimates on the premise that the services would replace retiring weapon systems with similar but more technologically advanced ones. In those cases, even though DoD may not have developed detailed schedules or cost estimates yet, acquisition can be anticipated if DoD is to maintain the current size and composition of the force when today's weapons reach the end of their service lives.

Acquisition Costs in the 2025 FYDP

DoD's 2025 budget request for acquisition totaled $311 billion: $168 billion for procurement and $143 billion for RDT&E. Adjusted for inflation, that requested funding was 5.2 percent less than the amount appropriated for 2024 (excluding supplemental appropriations) and 3.6 percent less than DoD anticipated for 2025 in its 2024 FYDP. Acquisition costs in the 2025 FYDP climb to $324 billion in 2027 but fall back to $313 billion in 2029.

Costs by Appropriation Title

The $168 billion requested for procurement in 2025 is $8 billion (or about 5 percent) less, in real terms, than the amount appropriated for DoD's base budget in 2024. In the 2025 FYDP, costs for procurement rise to $189 billion in 2027 but decline to $185 billion in 2029, for a net increase of 10 percent over the FYDP period. Adjusted for inflation, DoD's average annual cost for procurement from 2025 to 2029 would be 9 percent higher than the average annual cost from 2001 to 2024, which includes the costs of wars in Afghanistan, Iraq, and Syria.

The increase in procurement costs over the FYDP period would be partially offset by a net decrease of 10 percent in RDT&E costs. The $143 billion requested for RDT&E in 2025 is $9 billion (or about 6 percent) less, in real terms, than the amount appropriated for DoD's base budget in 2024. RDT&E costs would fall further over the next four years, to $129 billion by 2029. The winding down of the development phase for several major weapons programs that are slated to begin production in the later years of the FYDP period contributes to that decrease. Nevertheless, costs for RDT&E would remain substantial compared with past budgets: Annual funding for RDT&E has averaged about $91 billion since 1980 and $109 billion since 2001 (in 2025 dollars).

Since the mid-2010s, RDT&E has accounted for a steadily increasing share of acquisition funding, reaching

1. For more details, see Congressional Budget Office, *How CBO Projects the Long-Term Costs of the Department of Defense's Future Years Defense Program* (November 2024), www.cbo.gov/publication/60518.

44 percent in 2023 (see Figure 3-1). That increase occurred because DoD's shift in focus from counterinsurgency operations to potential conflicts against adversaries with advanced military capabilities required the development of more advanced weapons. The shift from RDT&E back to procurement over the FYDP period—a reversal of the recent trend—reflects the services' plans to begin purchasing the weapons that have been under development.

Costs by Military Department

In the 2025 FYDP, acquisition costs for the Department of the Navy and the Department of the Air Force increase. Acquisition costs for the Department of the Army and defensewide activities decrease.

Department of the Army. The Army's annual acquisition costs would decrease slightly over the FYDP period, from $39 billion in 2025 to $38 billion in 2029 (see Figure 3-2). Costs for procurement would rise by 12 percent (or about $3 billion) as the Army accelerated the modernization of nearly all of its major weapon systems. Costs for RDT&E would decrease by nearly 30 percent (or about $4 billion) as the service shifted from developing weapons to procuring them.

According to the Army's plans, the largest increase in procurement costs over the FYDP period would be for missiles and munitions. Procurement costs for missiles and munitions would climb from $9 billion in 2025 to $12 billion in 2029 as a result of increased purchases of missile defense systems and initial purchases of several new long-range offensive systems. Missiles and munitions would account for 41 percent of the Army's total procurement costs over the FYDP period, significantly more than their average of 30 percent over the previous 10 years.

Costs for combat and support vehicles—including upgrades to Abrams tanks and purchases of Armored Multi-Purpose Vehicles, M10 Booker combat vehicles, and Joint Light Tactical Vehicles—would remain fairly steady, starting at $5.1 billion in 2025 and averaging $5.4 billion per year over the FYDP period. Costs for aircraft—including purchases of UH-60 Black Hawk helicopters, CH-47 Chinook helicopters, and new tilt-rotor aircraft under the Future Long-Range Assault Aircraft program—would also change little, starting at $3.2 billion in 2025 and averaging $3.0 billion per year over the FYDP period.

Annual funding for RDT&E would fall by 27 percent as the development of new systems neared completion.

Department of the Navy. Annual acquisition costs for the Navy and the Marine Corps would increase by 8.6 percent over the first half of the FYDP period, from $103 billion in 2025 to $112 billion in 2027, then fall back to $105 billion in 2029. The peak in acquisition costs results from the Navy's plans for ship procurement. Ship procurement costs funded through the Shipbuilding and Conversion, Navy (SCN) appropriation account would increase from $32 billion in 2025 to $42 billion in 2027 before falling back to $35 billion in 2029.[2]

Excluding costs for ships funded through the SCN account, procurement costs would increase steadily during the FYDP period, at an average rate of 2.4 percent per year. More rapid increases in spending for aircraft (5.6 percent per year, largely due to increased purchases of F-35 fighters and purchases of a replacement for the E-6B nuclear command and control aircraft) and for missiles and munitions (9.1 percent per year, largely due to purchases of hypersonic Conventional Prompt Strike missiles and new nuclear-tipped Trident ballistic missiles) would be partially offset by decreases in other procurement costs.

RDT&E costs would fall by $4.5 billion over the FYDP period. That decrease would largely stem from completing the development of new missile systems.

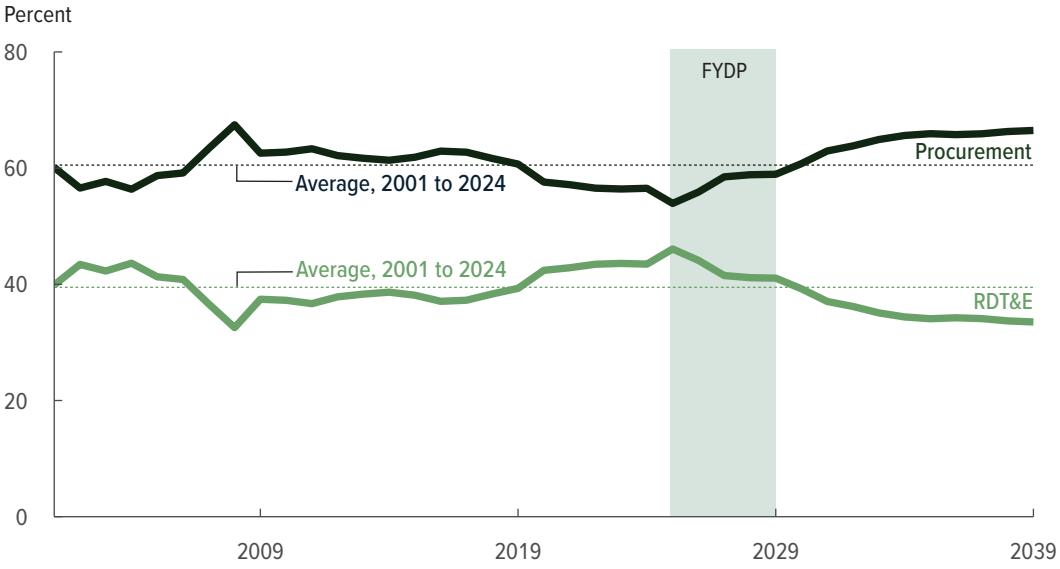
Department of the Air Force. For the Air Force and the Space Force, annual acquisition costs would increase from $90 billion in 2025 to $96 billion in 2029.[3] That increase would be entirely for procurement. Procurement costs would rise by 18 percent, from $33 billion in 2025 to $39 billion in 2029. Costs for aircraft would climb by 13 percent as annual purchase quantities increased for F-35A fighters, T-7A trainers, and B-21 bombers. Costs for missiles and munitions would swell from $4.4 billion in 2025 to $11.4 billion in 2029 as replacements

2. Because individual ships are costly, shipbuilding budgets can vary substantially from year to year, depending on the number and type of ships that are procured.

3. Those costs do not include costs for classified activities performed outside of the Air Force that are funded through the service's procurement and RDT&E accounts. Those costs, which totaled $38 billion in the 2025 budget request, are included when CBO refers to total acquisition costs for DoD. CBO estimated that those costs would not change (in real terms) over the FYDP period.

Figure 3-1.

Share of Acquisition Costs for Procurement and RDT&E in the 2025 FYDP and in CBO's Projections



CBO projects that procurement would account for an increasing share of acquisition costs over the FYDP period and beyond.

Beginning in 2030, that share would exceed the average since 2001.

Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Costs over the FYDP period (2025 to 2029) are DoD's estimates. Costs after 2029 are CBO's projections based on longer-term information from DoD about policies and costs or, if such information is not available, on CBO's analysis.

DoD = Department of Defense; FYDP = Future Years Defense Program; RDT&E = research, development, test, and evaluation.

for today's air-launched nuclear cruise missiles and intercontinental ballistic missiles entered production. Procurement costs for the Space Force would be $4.3 billion in 2025 and would vary thereafter, peaking at $5.8 billion in 2027 but averaging $4.8 billion per year over the FYDP period.

Altogether, costs for RDT&E across the Department of the Air Force would change little, averaging $57 billion per year from 2025 to 2029. However, the Air Force's portion of those costs would rise by $2.5 billion, and the Space Force's portion would fall by a similar amount.

Other DoD Activities. DoD's budget also includes defensewide acquisition funding, which is allocated to defense agencies other than the three military departments. Defensewide appropriations are used for DoD activities that are conducted in conjunction with the services—for example, performing advanced research, developing missile defenses (through the Missile Defense Agency), overseeing special operations, and managing financial and information technology systems. Annual acquisition costs for defensewide programs would decrease by 13 percent over the 2025 FYDP period, from $41 billion in 2025 to $36 billion in 2029. Costs for the Missile Defense Agency would average $9.2 billion per year over that period, accounting for about one-quarter of defensewide acquisition funding.

CBO's Projections of Acquisition Costs From 2030 to 2039

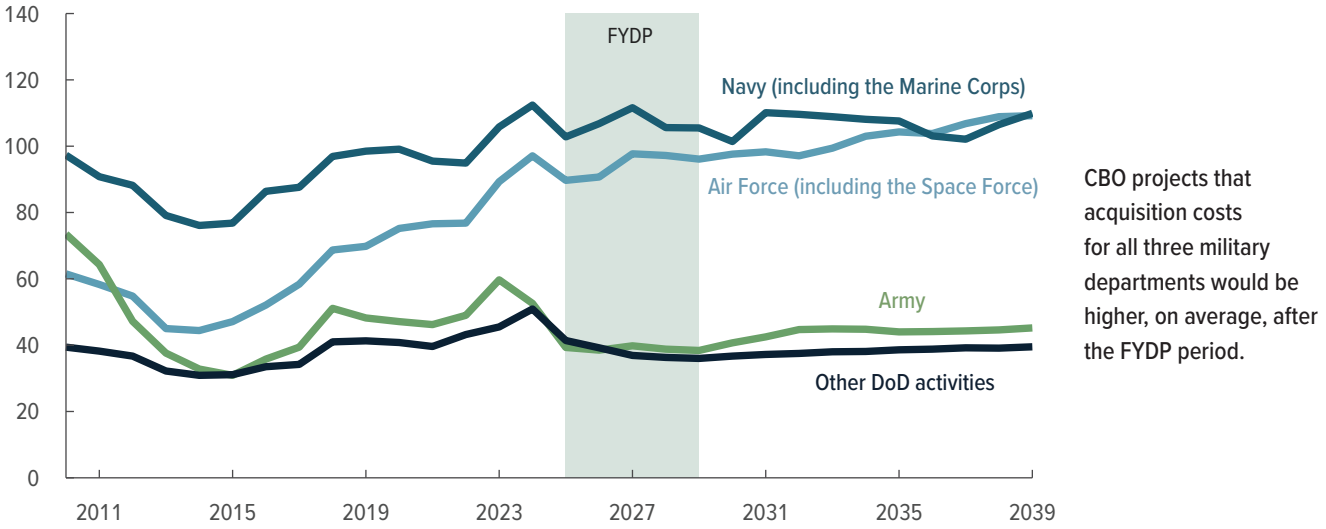
In CBO's projections, DoD's annual acquisition costs rise steadily after the FYDP period, from $313 billion in 2029 to $345 billion in 2039. More than 40 percent of that 10-year increase occurs in the first two years after the FYDP period, from 2029 to 2031, when costs rise by a total of $13 billion (or 4.2 percent). Over the next eight years, costs increase more slowly, climbing by an additional $19 billion, at an average rate of 0.7 percent per year (see Figure 1-1 on page 6).

Costs by Appropriation Title

Procurement costs would climb sharply in the first two years after the FYDP period, reaching $206 billion in 2031, up $21 billion (or 11 percent) from their 2029 total. Such costs would then change more slowly,

Figure 3-2.

Acquisition Costs, by Military Department, in the 2025 FYDP and in CBO's Projections



Data source: Congressional Budget Office. See www.cbo.gov/publication/60665#data.

Costs over the FYDP period (2025 to 2029) are DoD's estimates. Costs after 2029 are CBO's projections based on longer-term information from DoD about policies and costs or, if such information is not available, on CBO's analysis. Costs through 2024 include supplemental funding; costs in later years do not.

Acquisition funding is the sum of the appropriations for procurement and for research, development, test, and evaluation.

Funding shown for the Air Force does not include more than $35 billion each year for classified activities not carried out by the service.

DoD = Department of Defense; FYDP = Future Years Defense Program.

rising an additional 12 percent (to $230 billion) from 2031 to 2039, at an average rate of 1.4 percent per year. The share of acquisition funding that went toward procurement would increase from 59 percent in 2029 to 66 percent in 2039. (Since 2001, that share has averaged 60 percent.) In the 2025 FYDP, DoD officials have stated that they expect several expensive new weapons to enter service in the early 2030s. Meeting those expectations would require sharp increases in funding after 2029.

Costs for RDT&E would decrease from $129 billion in 2029 to $113 billion in 2036 but then increase slightly, to $116 billion, by 2039. That variation in RDT&E costs primarily reflects the timing of major weapon development programs beyond the FYDP period. DoD has not yet articulated specific plans for some weapon-replacement programs; CBO's projections of the cost of those replacement weapons reflect the assumption that DoD would pursue modest advances in technological capabilities. Costs for RDT&E would probably be higher if DoD opted to pursue greater and more complex advances in technology.

Costs by Military Department

Acquisition costs for the military departments and for defensewide activities would generally increase in the 10 years after the 2025 FYDP period, in CBO's estimation.

Department of the Army. In the first three years after the FYDP period, the Army's acquisition costs would increase by 17 percent, rising from $38 billion in 2029 to $45 billion in 2032. Those costs would change little thereafter, remaining at $45 billion in 2039 (see Figure 3-2). On average, procurement costs would be 22 percent higher from 2030 to 2039 than they were over the five-year FYDP period, and costs for RDT&E would be 9 percent lower. As a share of acquisition funding, the Army's procurement funding would average 76 percent from 2030 to 2039—higher than its average of 70 percent over the FYDP period.

Much of the increase in the Army's procurement costs after the FYDP period would be attributable to purchases of Future Long-Range Assault Aircraft and ground

combat vehicles (including a new armored fighting vehicle that would replace today's Bradley vehicles).[4] Costs to procure aircraft would more than double between the end of the FYDP period and 2039, and costs to procure ground combat vehicles would rise by roughly one-half. Costs to procure missiles and munitions would vary slightly between 2029 and 2034 before dropping by 10 percent over the next five years.

Department of the Navy. For the Navy and the Marine Corps, annual acquisition costs would vary between $101 billion and $111 billion from 2030 to 2039, CBO estimates. Over that period, costs would average $107 billion per year—only slightly more than their average of $106 billion per year during the FYDP period. Nearly all of the year-to-year changes would be in costs for procurement. Costs for RDT&E change little from 2030 to 2039 in CBO's projections.

Annual SCN costs in combination with costs for ships' support equipment would average $40 billion from 2030 to 2039 as the Navy continued to upgrade its guided-missile destroyers, to expand its fleet with purchases of a new class of guided-missile frigates, and to replace two of its most expensive classes of ships: aircraft carriers and ballistic missile submarines.[5] Altogether, the Navy's annual costs for ships would range from a high of $45 billion in 2033 to a low of $32 billion in 2037, depending on the number and type of ships planned for a particular year.

The Navy's annual costs for missiles and munitions would continue to increase after the FYDP period, from $12 billion in 2029 to $14 billion in 2033, and would average $14 billion per year thereafter. Increases in costs for some weapon programs (such as Trident D5 modernization) would be partially offset by the completed purchases of other weapons (such as Conventional Prompt Strike missiles).

The Navy's annual aircraft procurement costs would average $19 billion from 2030 to 2039, 6 percent more than during the FYDP period, CBO estimates. Costs resulting from the introduction of new aircraft (such as replacements for the E-6B Mercury nuclear communications aircraft, the F/A-18E/F Super Hornet fighters, the T-45C Goshawk trainers, and the MH-60R/S Seahawk helicopters) would be offset by the completion of current programs to acquire new aircraft (such as the F-35 Joint Strike Fighter and the Marine Corps' CH-53K King Stallion helicopter).

Department of the Air Force. Acquisition costs for the Air Force and the Space Force would rise steadily in the years after the FYDP period, from $96 billion in 2029 to $109 billion in 2039, at an average rate of 1.3 percent per year.[6] That growth in costs would result from programs to modernize many aircraft and other weapon systems, including fighters (the F-35A and the Next-Generation Air Dominance family of systems), bombers (the B-21), trainers (the Advanced Pilot Training aircraft), and nuclear-tipped missiles (the Long-Range Standoff Weapon cruise missile and the Sentinel intercontinental ballistic missile).[7]

Acquisition costs would increase at a faster rate for space systems than for the Department of the Air Force as a whole, rising from $21 billion in 2029 to $30 billion in 2039, at an average rate of 3.4 percent per year. That rapid increase would provide for the development, fielding, and continual upgrading of several large constellations of satellites at low and medium orbital altitudes. Those satellites are expected to improve DoD's

4. For detailed discussions of the Army's ground combat vehicle and aircraft fleets, see Congressional Budget Office, *Projected Acquisition Costs for the Army's Ground Combat Vehicles* (April 2021), www.cbo.gov/publication/57085, and *The Cost of Replacing Today's Army Aviation Fleet* (May 2019), www.cbo.gov/publication/55180. CBO's projections of costs and replacement schedules have changed since the publication of those reports.

5. Congressional Budget Office, *An Analysis of the Navy's 2025 Shipbuilding Plan* (forthcoming) and *How CBO Estimates the Cost of New Ships* (April 2018), www.cbo.gov/publication/53785.

6. Those amounts do not include the classified activities that are funded through the Air Force's acquisition budget but not carried out by the service. CBO projects that those "pass-through" amounts would grow slowly after 2029, averaging $40 billion per year through 2039.

7. Since the release of the 2025 FYDP, the Air Force has paused the development of the Next-Generation Air Dominance program to reassess its requirements and technical approach. Because it is unknown how the pause might affect the program's schedule, CBO's estimates are based on the schedule described in the 2025 FYDP. For details about DoD's aircraft fleets, see Congressional Budget Office, *The Cost of Replacing the Department of Defense's Current Aviation Fleet* (January 2020), www.cbo.gov/publication/55950. (CBO's projections of costs and replacement schedules have changed since the publication of that report.) For details about the modernization of nuclear weapon systems, see Congressional Budget Office, *Projected Costs of U.S. Nuclear Forces, 2023 to 2032* (July 2023), www.cbo.gov/publication/59054.

space-based communications, missile warning, and intelligence, surveillance, and reconnaissance capabilities.

Other DoD Activities. In CBO's projections for 2030 to 2039, defensewide acquisition costs increase by about 1 percent per year in real terms, from $36 billion in 2029 to $40 billion in 2039. Missile defense costs average $9 billion annually—about the same as in the FYDP period. Other costs, such as those for Special Operations Command and other defense agencies, increase by 1.4 percent annually in real terms.

Uncertainty About Projected Acquisition Costs

Like the projections of O&S costs, the projections of DoD's acquisition costs are subject to considerable uncertainty. Much of that uncertainty stems from the fact that DoD's plans and their associated costs could change and the future weapon systems that CBO anticipates, consistent with those plans, might evolve differently. In addition, the military has often underestimated the cost to acquire weapon systems.

Changes in acquisition plans can occur for many reasons. In earlier FYDPs, for example, funding constraints imposed by the Budget Control Act of 2011 (Public Law 112-25) led DoD to curtail its planned acquisition spending. Changes in the military capability of perceived adversaries can also spur changes in DoD's acquisition plans. For instance, DoD had no plans to purchase thousands of mine-resistant vehicles until they became necessary to counter roadside bombs in Iraq. Similarly, DoD did not have programs focused on contending with hypersonic weapons (missiles and projectiles that travel more than five times faster than the speed of sound) until Russia and China began testing such weapons several years ago.

The military services' plans for future space systems and for new command and control systems are particularly uncertain. For example, the Space Force's plans for several new satellite constellations could change substantially as new capabilities are tested and deployed. If fully pursued, those plans are likely to be costly. They might enable DoD to lower costs in other areas, though—by allowing the Air Force to retire some of its reconnaissance aircraft, for instance.

CBO's Estimates of Acquisition Costs Under Alternative Assumptions About Cost Growth

Growth in the costs of weapons programs could cause acquisition costs to differ from DoD's and CBO's projections. According to analyses by the RAND Corporation and the Institute for Defense Analyses (IDA), DoD has tended to underestimate the costs of its major weapons programs.[8] Actual costs could be higher than early estimates for many reasons, including these:

- Overly optimistic expectations about the costs of new systems among DoD and its contractors;
- Changes in economic factors, such as the costs of labor and raw materials;
- Changes in performance requirements, which can necessitate costly design modifications during development;
- Lower-than-anticipated annual funding, which can increase total costs by disrupting established plans and schedules and by extending programs (and their associated overhead costs) over longer periods; and
- Unanticipated technological challenges posed by new systems, including their integration with established systems.

CBO's projections of long-term acquisition costs are based on DoD's estimates and on the quantities of items that would be purchased each year and in total (as specified in DoD's long-range plans). But CBO also prepared alternative estimates based on historical patterns of growth in DoD's acquisition costs. To do so, CBO applied cost-growth factors derived from RAND's and IDA's research to the portfolio of large weapons programs, excluding those for Navy ships, in the 2024 FYDP.[9] For Navy ships, CBO used detailed

8. David L. McNicol and Linda Wu, *Evidence on the Effect of DoD Acquisition Policy and Process on Cost Growth of Major Defense Acquisition Programs*, IDA Paper P-5126 (Institute for Defense Analyses, September 2014), https://tinyurl.com/44xds9nk; Obaid Younossi and others, *Is Weapon System Cost Growth Increasing? A Quantitative Assessment of Completed and Ongoing Programs* (RAND Corporation, 2007), www.rand.org/pubs/monographs/MG588.html; and Mark V. Arena and others, *Historical Cost Growth of Completed Weapon System Programs* (RAND Corporation, 2006), www.rand.org/pubs/technical_reports/TR343.html.

9. For details about how CBO applies those cost-growth factors, see Congressional Budget Office, *How CBO Projects the Long-Term Costs of the Department of Defense's Future Years Defense Program* (November 2024), www.cbo.gov/publication/60518.

estimates that it prepared for its annual analysis of the Navy's shipbuilding plans.

Using the resulting cost estimates instead of DoD's cost estimates raises total projected acquisition costs by 5 percent over the FYDP period and by 8 percent over the 2030–2039 period. Those increases equate to an additional $15 billion per year, on average, from 2025 to 2029 and an additional $26 billion per year, on average, from 2030 to 2039. The potential increases are proportionally larger for the years after the FYDP period because there is greater uncertainty about DoD's acquisition plans over the longer term.

Chapter 4: Projected Costs of Infrastructure

Infrastructure accounts for about 2 percent of the Department of Defense's funding request for 2025. Infrastructure funding comprises appropriations for military construction and for family housing. Appropriations for military construction are used to build and renovate facilities such as buildings, runways, and piers. Appropriations for family housing are used to manage housing on military bases that is not operated and maintained by private companies.

Infrastructure Costs in the 2025 FYDP

DoD requested a total of $17.5 billion for infrastructure in 2025. That amount is about 3 percent more, in real terms, than the department requested for 2024 but 8 percent less than the $19.1 billion the Congress appropriated for that year (excluding supplemental appropriations). The requested funding for infrastructure in 2025 comprises $15.6 billion for military construction and $2.0 billion for family housing.

In the 2025 Future Years Defense Program, annual infrastructure costs increase to $21.6 billion in 2026, then decline to $16.0 billion by 2029. Military construction costs increase by 26 percent from 2025 to 2026, rising from $15.6 billion to $19.6 billion, and then fall to $14.1 billion by 2029. Costs for family housing are relatively steady over the FYDP period, averaging $1.9 billion per year. Since lawmakers enacted the Military Housing Privatization Initiative in 1996, costs to operate and maintain most housing on military bases have been transferred to private companies and are funded through housing allowances in the military personnel appropriation. (Service members can also use those allowances to obtain off-base housing.)

Although military construction costs are distributed among hundreds of projects across the country and around the world, construction projects in two programs account for 14 percent of those costs over the FYDP period. The first is the Navy's Shipyard Infrastructure Optimization Program (SIOP), which is intended to modernize facilities at shipyards, including general equipment (such as cranes), utilities, dry docks, and information technology infrastructure. According to the Navy, military construction costs for the SIOP will total nearly $6 billion over the FYDP period, amounting to about $2 billion in 2025 and 2026 but then dropping rapidly to $77 million by 2029.

The second program that accounts for a large share of such costs over the FYDP period is the Sentinel ballistic missile program—specifically, its military construction component. With the Sentinel program, the Air Force intends to replace the Minuteman III intercontinental ballistic missiles that are part of the nation's strategic nuclear deterrent. The program includes the modernization of 450 launch silos as well as launch control centers and other support facilities scattered throughout the Great Plains region. According to the Air Force, military construction costs associated with the Sentinel program will total nearly $5 billion over the FYDP period, with annual costs ranging from a low of $770 million in 2025 to a high of $1.4 billion in 2028.

Projections of Infrastructure Costs From 2030 to 2039

In CBO's projections, infrastructure costs in DoD's budget increase by an average of 2.3 percent per year after the FYDP period, rising from $16.0 billion in 2029 to $20.0 billion in 2039. Most of that increase reflects CBO's estimate of real growth in the costs of construction in the general economy. CBO applied the projected rate of growth in commercial construction costs to all military construction costs except those associated with the SIOP and the Sentinel program.

For the SIOP, according to DoD's plans, military construction costs would total just $77 million in 2029, the final year of the FYDP period. However, in the Navy's long-term plans, a wide array of additional construction projects under the SIOP are slated to begin in 2030 and

scheduled to continue through the 2030s and into the 2040s.[1] On the basis of the Navy's description of the SIOP, CBO projects that the program will add an average of about $400 million per year (in 2025 dollars) to military construction costs from 2030 to 2039.

For the Sentinel program, CBO's projections are based on the program's Selected Acquisition Report, which indicates military construction costs averaging roughly $2 billion per year from 2030 to 2039. The amounts in that report include the recent growth in the program's military construction costs.

Uncertainty About Projected Infrastructure Costs

Because the infrastructure budget is relatively small and large projects occur on an infrequent basis, plans can vary significantly from year to year. For example, one source of uncertainty in CBO's projections of DoD's infrastructure costs is whether the Congress will authorize a new round of Base Realignment and Closure (BRAC)—a process in which DoD closes and consolidates military bases to streamline its allocation of resources and cut costs. The last round of BRAC began in 2005, but the Congress has not approved a new round since then. Infrastructure costs would change if a new round of BRAC was authorized, but the size and timing of those changes cannot be estimated with confidence.

Infrastructure costs in the SIOP and the Sentinel program are also uncertain. In the SIOP, it remains to be seen how much the Navy will need to invest to improve the performance of the nation's shipbuilding and maintenance infrastructure. Other demands for funding could curtail those investments, or other ways of building and maintaining ships could be adopted. For example, proposed cooperation with foreign shipyards, such as nuclear submarine construction with Australia or icebreaker construction with Canada and Finland, may ease the burdens on domestic shipyards.

The military construction costs for the Sentinel program in the 2025 FYDP are significantly higher than earlier estimates because refurbishing the old silos and their communications infrastructure is proving to be more involved than initially expected. As a result of that cost growth, the Air Force is examining ways to restructure the program. The Air Force's plans to restructure the Sentinel program could lower its costs. Alternatively, its costs could grow further if modernizing silos and launch control centers turns out to be more complex than DoD currently expects.

1. Department of the Navy, *Shipyard Infrastructure Optimization Program: Plan for the Next 5 Years to Accompany Fiscal Year 2024 President's Budget Request* (March 2023).

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About This Document

This report was prepared at the request of the Chairman and the Ranking Member of the Senate Committee on the Budget. In keeping with the Congressional Budget Office's mandate to provide objective, impartial analysis, the report makes no recommendations.

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CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.

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Director
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