



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

DEC 19 2019

COMPTROLLER

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
CHIEF MANAGEMENT OFFICER
CHIEF, NATIONAL GUARD BUREAU
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR OF COST ASSESSMENT AND PROGRAM
EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
CHIEF INFORMATION OFFICER OF THE DEPARTMENT OF
DEFENSE
ASSISTANT SECRETARY OF DEFENSE FOR LEGISLATIVE
AFFAIRS
ASSISTANT TO THE SECRETARY OF DEFENSE FOR PUBLIC
AFFAIRS
DIRECTOR, NET ASSESSMENT
DIRECTOR, STRATEGIC CAPABILITIES OFFICE
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Inflation Guidance – Fiscal Year (FY) 2021 President’s Budget (REVISED)

The attachment provides revised inflation guidance that supersedes the Under Secretary of Defense (Comptroller) memorandum dated December 16, 2019, “Inflation Guidance – Fiscal Year (FY) 2021 President’s Budget.” The FY 2020 civilian pay raise assumption has been updated to reflect 3.1 percent, per the FY 2020 Defense, Military Construction, and Energy and Water Development Appropriations Bills.

A handwritten signature in blue ink that reads "Elaine McCusker".

Elaine McCusker
Acting

Attachment:
As stated

Inflation Guidance – FY 2021 President's Budget **(REVISED)**

PRICE ESCALATION INDICES

(Annual Rates in Percentages)

| <u>Fiscal Year</u> | <u>Proc</u> | <u>RDT&E</u> | <u>Milcon¹ Fam Hsg</u> | <u>O&M</u> | <u>Fuel</u> | <u>Mil Pers² Non-Pay (Excl Med Accrual)</u> | <u>CPI-U Medical</u> |
|---|-------------|------------------------|---------------------------------------|-----------------|-------------|--|--------------------------|
| <u>OUTLAYS</u> | | | | | | | |
| 2019 | 1.9 | 1.9 | 1.9 | 1.9 | 21.4 | 1.9 | 2.2 |
| 2020 | 2.0 | 2.0 | 2.0 | 2.0 | -0.7 | 2.0 | 4.0 |
| 2021 | 2.0 | 2.0 | 2.0 | 2.0 | -5.1 | 2.0 | 3.9 |
| 2022 | 2.0 | 2.0 | 2.0 | 2.0 | 0.4 | 2.0 | 3.9 |
| 2023 | 2.0 | 2.0 | 2.0 | 2.0 | 3.5 | 2.0 | 3.9 |
| 2024 | 2.0 | 2.0 | 2.0 | 2.0 | 2.1 | 2.0 | 3.9 |
| 2025 | 2.0 | 2.0 | 2.0 | 2.0 | 1.7 | 2.0 | 3.9 |
| <u>BUDGET AUTHORITY³</u> | | | | | | | |
| 2019 | 2.0 | 2.0 | 2.0 | 2.0 | 21.4 | 1.9 | 2.8 |
| 2020 | 2.0 | 2.0 | 2.0 | 2.0 | -0.7 | 2.0 | 4.0 |
| 2021 | 2.0 | 2.0 | 2.0 | 2.0 | -5.1 | 2.0 | 3.9 |
| 2022 | 2.0 | 2.0 | 2.0 | 2.0 | 0.4 | 2.0 | 3.9 |
| 2023 | 2.0 | 2.0 | 2.0 | 2.0 | 3.5 | 2.0 | 3.9 |
| 2024 | 2.0 | 2.0 | 2.0 | 2.0 | 2.1 | 2.0 | 3.9 |
| 2025 | 2.0 | 2.0 | 2.0 | 2.0 | 1.7 | 2.0 | 3.9 |
| <u>PAY RAISE ASSUMPTIONS⁴</u> | | | | | | | |
| | | <u>ECI⁵</u> | | <u>Military</u> | | <u>Civilian</u> | |
| 2019 | | 2.6 | | 2.6 | | 1.9 | |
| 2020 | | 3.1 | | 3.1 | | 3.1 | |
| 2021 | | 3.0 | | 3.0 | | 1.0 | |
| 2022 | | - | | 2.6 | | 2.1 | |
| 2023 | | - | | 2.6 | | 2.1 | |
| 2024 | | - | | 2.6 | | 2.1 | |
| 2025 and beyond | | - | | 2.6 | | 2.1 | |

1. Use for Chemical Demilitarization Construction, Defense-Wide.
2. Not to be used to inflate accounts fixed by statute.
3. These are composite rates at the P.L. title level. Inflation rates for specific accounts are a function of their spendout profiles and will vary within each title. DWCF activities use these rates for non-pay inflation.
4. Pay raises are effective January 1 of each year.
5. Employment Cost Index; for use in setting the by-law (37 U.S.C. 1009) military pay raise.

Outlay Rates to be Used for Incremental Changes in Budget Authority (BA) Purchases

(As Percent of BA Purchases; Excludes Pay and Fuel Dollars)

| | <u>FIRST YEAR</u> | <u>SECOND YEAR</u> | <u>THIRD YEAR</u> | <u>FOURTH YEAR</u> | <u>FIFTH YEAR</u> | <u>SIXTH YEAR</u> | <u>SEVENTH YEAR</u> | <u>EIGHTH YEAR</u> | <u>NINTH YEAR</u> | <u>TENTH YEAR</u> |
|---|-----------------------|------------------------|-----------------------|------------------------|-----------------------|-----------------------|-------------------------|------------------------|-----------------------|-----------------------|
| <u>Military Personnel</u> | | | | | | | | | | |
| Military Personnel, Army | 79.87 | 16.11 | 4.02 | | | | | | | |
| Military Personnel, Navy | 82.44 | 14.05 | 3.51 | | | | | | | |
| Military Personnel, MC | 72.30 | 24.01 | 3.69 | | | | | | | |
| Military Personnel, AF | 79.16 | 16.03 | 4.81 | | | | | | | |
| Reserve Personnel, Army | 54.65 | 28.91 | 16.44 | | | | | | | |
| Reserve Personnel, Navy | 80.04 | 16.27 | 3.69 | | | | | | | |
| Reserve Personnel, MC | 80.40 | 19.60 | | | | | | | | |
| Reserve Personnel, AF | 75.89 | 21.09 | 3.02 | | | | | | | |
| National Guard Personnel, A | 75.42 | 20.37 | 4.21 | | | | | | | |
| National Guard Personnel, AF | 85.68 | 10.82 | 3.50 | | | | | | | |
| <u>Operation and Maintenance</u> | | | | | | | | | | |
| O&M, Army | 37.54 | 44.61 | 14.87 | 1.49 | 1.49 | | | | | |
| O&M, Navy | 55.14 | 31.83 | 9.41 | 1.74 | 1.88 | | | | | |
| O&M, Marine Corps | 43.77 | 43.58 | 9.84 | 1.41 | 1.40 | | | | | |
| O&M, Air Force | 43.16 | 36.44 | 13.85 | 5.10 | 1.45 | | | | | |
| O&M, Space Force | 46.29 | 34.43 | 13.08 | 3.72 | 2.48 | | | | | |
| O&M, Defense-wide | 53.89 | 32.02 | 10.89 | 1.92 | 1.28 | | | | | |
| Inspector General | 35.61 | 57.23 | 3.58 | 3.58 | | | | | | |
| O&M, Army Reserve | 45.73 | 41.07 | 8.65 | 2.93 | 1.62 | | | | | |
| O&M, Navy Reserve | 53.53 | 32.65 | 11.05 | 1.88 | 0.89 | | | | | |
| O&M, Marine Corps Reserve | 53.58 | 32.05 | 9.95 | 3.32 | 1.10 | | | | | |
| O&M, Air Force Reserve | 47.17 | 45.00 | 4.89 | 1.17 | 1.77 | | | | | |
| O&M, Army National Guard | 44.04 | 40.42 | 11.66 | 1.71 | 2.17 | | | | | |
| O&M, Air National Guard | 56.45 | 33.04 | 6.01 | 1.95 | 1.05 | 1.50 | | | | |
| Overseas Contingency Ops | 40.00 | 25.00 | 20.00 | 10.00 | 3.50 | 1.50 | | | | |
| Court of Appeals, Armed Forces | 49.89 | 25.05 | 12.53 | 7.52 | 5.01 | | | | | |
| Drug Interdiction | 38.46 | 36.92 | 14.77 | 7.38 | 2.47 | | | | | |
| Defense Health Program | 64.96 | 23.68 | 7.37 | 2.42 | 1.57 | | | | | |
| Environmental Restoration | 50.00 | 25.00 | 25.00 | | | | | | | |
| Overseas Humanitarian | 9.00 | 26.90 | 32.00 | 22.00 | 6.00 | 2.50 | 1.60 | | | |
| Cooperative Threat Reduction | 11.00 | 42.00 | 22.00 | 13.50 | 9.00 | 2.50 | | | | |
| <u>Procurement: Army</u> | | | | | | | | | | |
| Aircraft Procurement, Army | 11.00 | 39.00 | 24.90 | 14.90 | 7.00 | 1.10 | 1.10 | 1.00 | | |
| Missile Procurement, Army | 6.00 | 34.00 | 27.60 | 18.00 | 9.60 | 3.70 | 0.50 | 0.60 | | |
| Procurement of W&TCV | 7.00 | 31.90 | 30.70 | 21.10 | 5.80 | 2.30 | 0.50 | 0.70 | | |
| Procurement of Ammo, Army | 8.00 | 34.70 | 32.60 | 13.20 | 6.10 | 2.50 | 1.80 | 1.10 | | |
| Other Procurement, Army | 16.00 | 38.10 | 28.90 | 8.00 | 4.00 | 3.00 | 1.00 | 1.00 | | |
| Chemical Agents and Mun | 33.50 | 33.67 | 16.78 | 8.97 | 4.43 | 2.65 | | | | |
| <u>Procurement: Navy</u> | | | | | | | | | | |
| Aircraft Procurement, Navy | 17.00 | 31.00 | 29.00 | 12.00 | 4.50 | 3.00 | 2.00 | 1.50 | | |
| Weapons Procurement, Navy | 12.00 | 32.20 | 26.50 | 13.80 | 9.50 | 3.50 | 1.50 | 1.00 | | |
| Procurement of Ammo, N&MC | 9.00 | 32.00 | 24.00 | 21.00 | 7.00 | 4.00 | 2.00 | 1.00 | | |
| Shipbuilding and Conversion | 5.50 | 22.00 | 21.50 | 19.00 | 13.00 | 9.00 | 6.00 | 2.00 | 1.00 | 1.00 |
| National Sea-Based Deterrence | 5.40 | 24.40 | 20.50 | 17.70 | 13.00 | 9.00 | 6.00 | 2.00 | 1.00 | 1.00 |
| Other Procurement, Navy | 20.00 | 42.00 | 20.00 | 9.00 | 4.50 | 2.00 | 1.50 | 1.00 | | |
| Procurement, Marine Corps | 15.00 | 40.00 | 27.20 | 10.90 | 3.50 | 1.40 | 1.00 | 1.00 | | |

Outlay Rates to be Used for Incremental Changes in Budget Authority (BA) Purchases

(As Percent of BA Purchases; Excludes Pay and Fuel Dollars)

| | <u>FIRST</u> <u>YEAR</u> | <u>SECOND</u> <u>YEAR</u> | <u>THIRD</u> <u>YEAR</u> | <u>FOURTH</u> <u>YEAR</u> | <u>FIFTH</u> <u>YEAR</u> | <u>SIXTH</u> <u>YEAR</u> | <u>SEVENTH</u> <u>YEAR</u> | <u>EIGHTH</u> <u>YEAR</u> | <u>NINTH</u> <u>YEAR</u> | <u>TENTH</u> <u>YEAR</u> |
|--|-----------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|-----------------------------|-------------------------------|------------------------------|-----------------------------|-----------------------------|
| <u>Procurement: Air Force</u> | | | | | | | | | | |
| Aircraft Procurement, AF | 7.00 | 25.00 | 28.40 | 23.30 | 8.00 | 5.80 | 1.50 | 1.00 | | |
| Missile Procurement, AF | 13.00 | 33.00 | 22.00 | 15.80 | 7.50 | 5.00 | 2.00 | 1.70 | | |
| Space Procurement, AF | 18.00 | 27.00 | 22.00 | 12.80 | 9.50 | 7.00 | 2.00 | 1.70 | | |
| Procurement of Ammo, AF | 2.00 | 30.00 | 35.00 | 16.00 | 10.00 | 4.00 | 2.00 | 1.00 | | |
| Other Procurement, AF | 70.00 | 18.00 | 5.00 | 3.00 | 2.00 | 1.00 | 1.00 | | | |
| <u>Procurement: Defense-Wide</u> | | | | | | | | | | |
| Procurement, Defense-wide | 17.00 | 38.00 | 23.00 | 7.77 | 6.00 | 2.40 | 5.83 | | | |
| Nat'l Guard and Resv Equip | 1.30 | 15.00 | 30.80 | 25.50 | 16.90 | 7.00 | 2.50 | 1.00 | | |
| Def Production Act Purchases | 55.00 | 20.00 | 15.00 | 5.00 | 5.00 | | | | | |
| <u>RDT&E</u> | | | | | | | | | | |
| RDT&E, Army | 39.24 | 38.65 | 13.20 | 3.98 | 2.83 | 1.05 | 1.05 | | | |
| RDT&E, Navy | 19.59 | 57.74 | 13.83 | 4.82 | 1.29 | 1.13 | 1.60 | | | |
| RDT&E, Air Force | 46.95 | 39.68 | 9.12 | 1.27 | 1.17 | 0.74 | 1.07 | | | |
| RDT&E, Defense-Wide | 38.37 | 36.98 | 20.34 | 1.54 | 1.13 | 0.72 | 0.92 | | | |
| Operational Test and Eval | 40.00 | 39.00 | 14.90 | 2.80 | 1.40 | 0.90 | 1.00 | | | |
| <u>Military Construction</u> | | | | | | | | | | |
| Military Construction, A | 1.00 | 19.00 | 28.00 | 15.00 | 10.00 | 9.00 | 7.00 | 5.50 | 3.00 | 2.50 |
| Military Construction, N&MC | 1.00 | 10.00 | 27.00 | 23.00 | 16.00 | 11.00 | 7.00 | 3.00 | 1.00 | 1.00 |
| Military Construction, AF | 2.00 | 29.68 | 30.00 | 16.00 | 7.00 | 5.00 | 4.00 | 3.00 | 2.00 | 1.32 |
| Military Construction, DW | 2.50 | 15.00 | 23.00 | 18.00 | 15.00 | 11.00 | 8.50 | 4.00 | 2.00 | 1.00 |
| NATO Security Investment | 44.70 | 45.31 | 4.99 | 5.00 | | | | | | |
| Milcon, Army National Guard | 2.00 | 26.66 | 36.00 | 10.50 | 8.30 | 6.80 | 4.00 | 3.40 | 1.00 | 1.34 |
| Milcon, Air National Guard | 2.00 | 41.00 | 33.00 | 10.00 | 7.00 | 3.00 | 1.50 | 1.00 | 0.50 | 1.00 |
| Milcon, Army Reserve | 3.00 | 28.48 | 29.00 | 17.00 | 9.00 | 6.00 | 2.50 | 2.00 | 1.00 | 2.02 |
| Milcon, Navy Reserve | 2.00 | 27.00 | 30.00 | 18.00 | 13.00 | 5.60 | 2.00 | 1.00 | 0.50 | 0.90 |
| Milcon, Air Force Reserve | 1.20 | 22.00 | 32.00 | 19.00 | 12.00 | 8.00 | 2.30 | 1.50 | 1.00 | 1.00 |
| Base Closure, Army | 36.00 | 25.60 | 18.40 | 9.00 | 4.50 | 2.50 | 2.00 | 1.00 | 1.00 | |
| Base Closure, Navy | 29.00 | 46.50 | 12.00 | 4.00 | 3.00 | 2.00 | 1.50 | 1.00 | 1.00 | |
| Base Closure, Air Force | 45.00 | 23.00 | 15.00 | 9.00 | 3.00 | 2.00 | 1.50 | 1.50 | | |
| Base Closure, DW | 22.00 | 36.10 | 26.10 | 8.30 | 4.00 | 2.00 | 1.50 | | | |
| FY 2005 BRAC, Army | 30.00 | 25.00 | 20.00 | 10.00 | 5.00 | 4.00 | 3.00 | 2.00 | 1.00 | |
| FY 2005 BRAC, Navy | 30.00 | 25.00 | 18.00 | 14.00 | 6.00 | 3.00 | 2.00 | 1.00 | 1.00 | |
| FY 2005 BRAC, Air Force | 30.00 | 25.00 | 18.00 | 14.00 | 6.00 | 3.00 | 2.00 | 1.00 | 1.00 | |
| FY 2005 BRAC, DW | 30.00 | 25.00 | 18.00 | 14.00 | 6.00 | 3.00 | 2.00 | 1.00 | 1.00 | |
| <u>Family Housing</u> | | | | | | | | | | |
| FH Construction, Army | 2.00 | 5.00 | 35.00 | 28.00 | 18.00 | 6.00 | 3.00 | 2.00 | 1.00 | |
| FH O&M, Army | 54.57 | 22.71 | 11.36 | 9.09 | 1.48 | 0.79 | | | | |
| FH Construction, N&MC | 2.00 | 15.00 | 34.00 | 20.00 | 12.50 | 7.00 | 4.00 | 3.00 | 1.50 | 1.00 |
| FH O&M, N&MC | 52.46 | 33.45 | 8.93 | 2.41 | 1.21 | 1.54 | | | | |
| FH Construction, Air Force | 2.00 | 12.00 | 25.00 | 20.00 | 15.00 | 11.00 | 5.00 | 4.00 | 3.00 | 3.00 |
| FH O&M, Air Force | 27.77 | 34.41 | 20.52 | 10.26 | 4.83 | 2.21 | | | | |
| FH Construction, DW | 10.00 | 40.00 | 20.00 | 14.00 | 5.00 | 4.00 | 3.00 | 2.00 | 1.00 | 1.00 |
| FH O&M, DW | 71.00 | 14.20 | 9.00 | 4.00 | 0.80 | 1.00 | | | | |
| <u>Nat'l Defense Sealift Fund</u> | | | | | | | | | | |
| | 30.00 | 25.00 | 20.00 | 12.00 | 6.00 | 4.00 | 2.00 | 1.00 | | |