



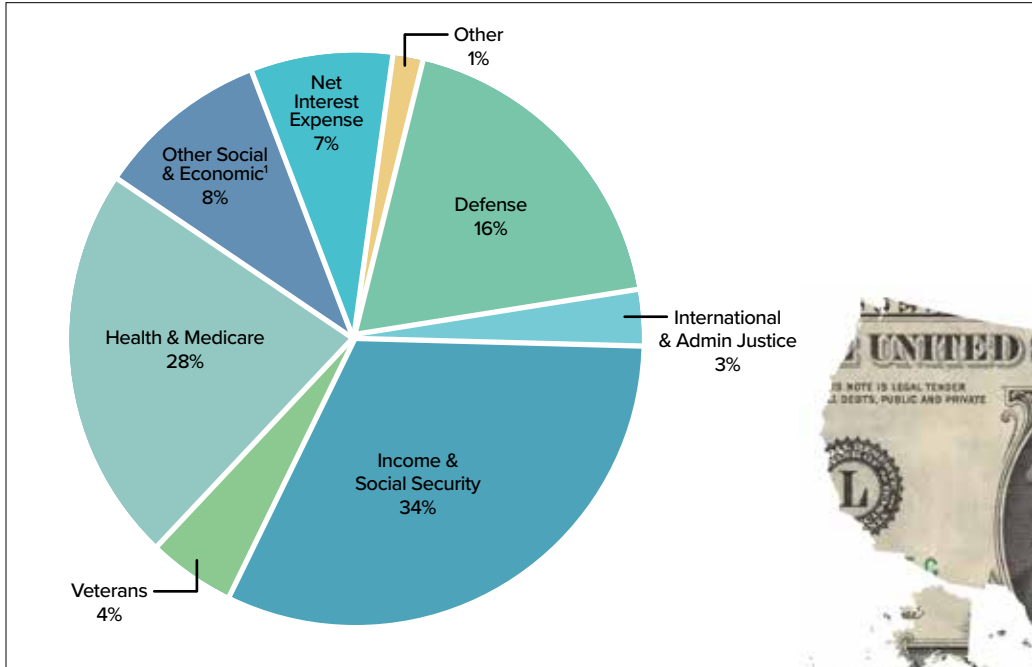
# DEFENSE & INTELLIGENCE BUDGET UPDATES

Presented by  
Corporate Office  
Properties Trust

UPDATED AUGUST 2019

# Total U.S. Federal Budget\*: FY 2019

⊖ Spending on national defense represents 16% of the federal budget

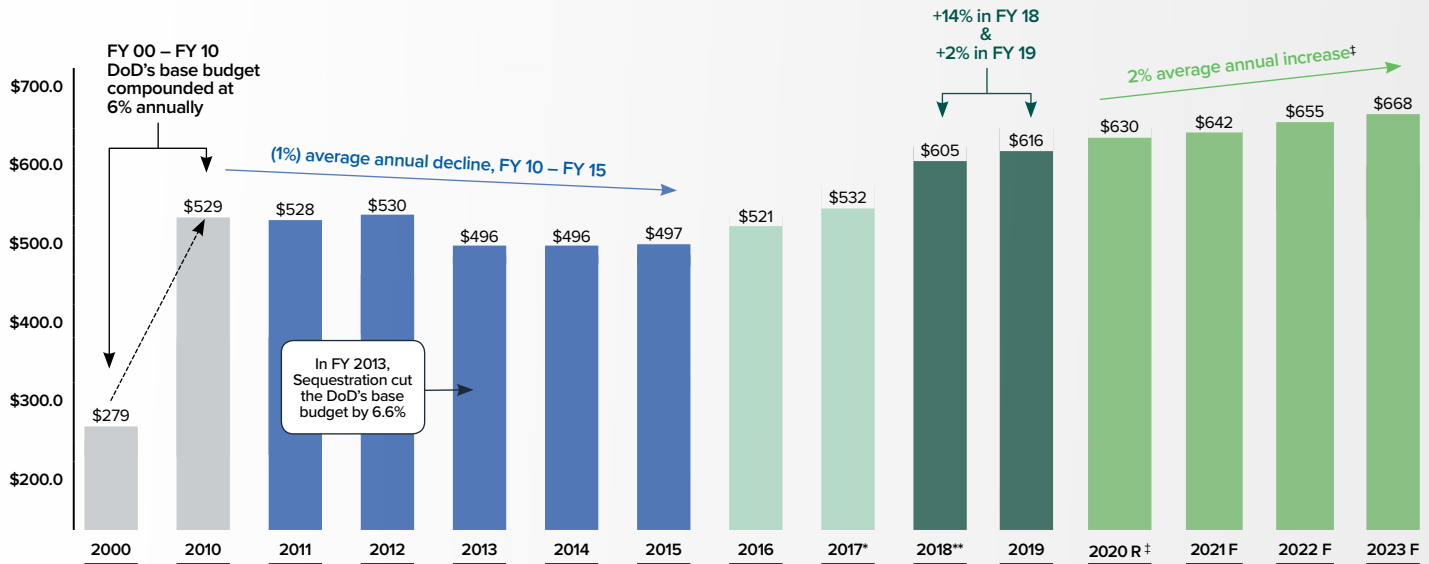


\*Source: Table 1-4: Federal Unified Budget – Budget Authority by Function (FY 2020 “Green Book”)

<sup>1</sup>This category includes General Science, Space & Technology (250), Energy (270), Natural Resources and Environment (300), Agriculture (350), Commerce and Housing Credit (370), Transportation (400), Community and Regional Development (450), and Education, Training, Employment and Social Services (500).



## DoD Base Budget<sup>†</sup> Authorizations



Current dollars, in billions.

Sources: Historical data through FY 2016 are pulled from Tables 1-9 and 2-1 of the National Defense Budget Estimates (“Green Books”); data for FY 2017-FY 2019 are pulled from Tables 1-2 and 2-1 of the FY 2020 Green Book; Capital Alpha Partners; COPT’s IR Department

<sup>†</sup> DoD base budget (051) numbers exclude funding for overseas contingency operations (“OCO”), Atomic Energy Defense Activities (053), Other Defense-Related Activities (054), and mandatory spending.

\* FY 2017 includes \$8.25 billion of “OCO for base budget purposes.” Source: CRS report on final authorizations.

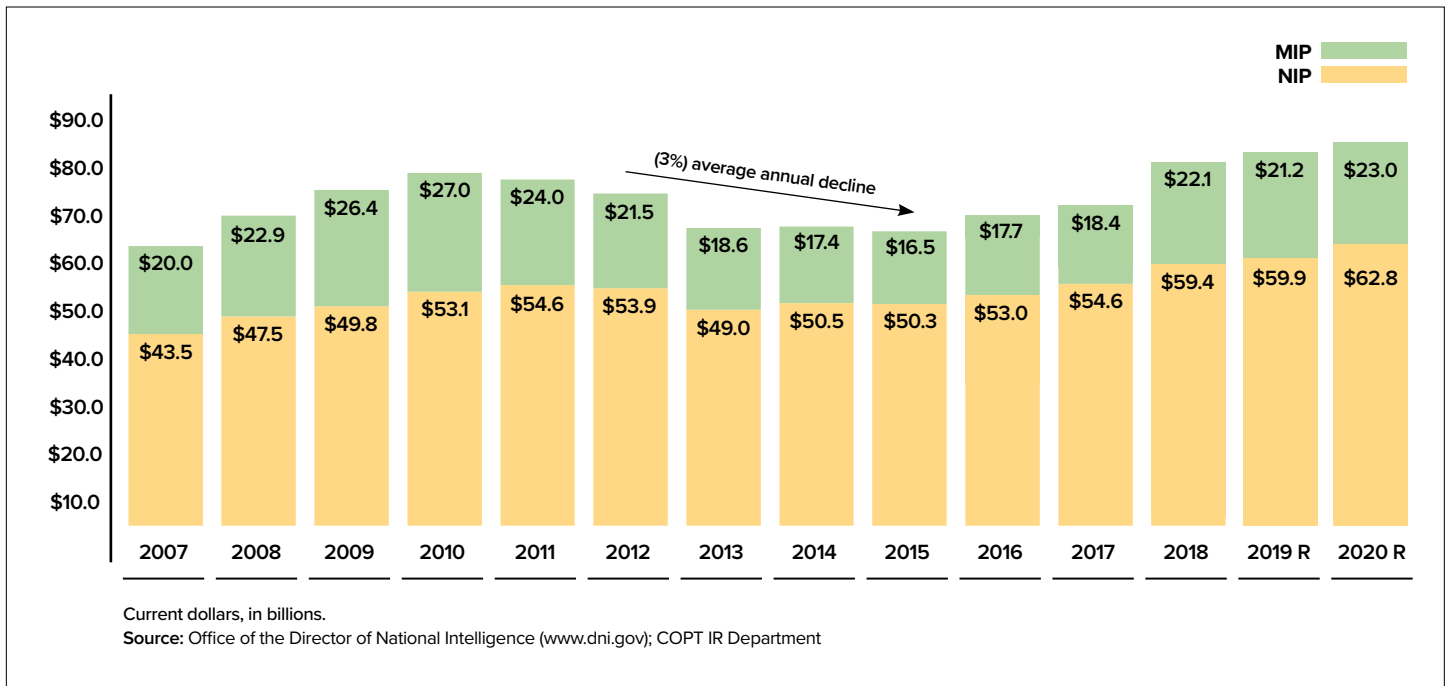
\*\* FY 2018 includes \$5.8 billion of supplemental authorizations for Missile Defense.

<sup>‡</sup> The President’s FY 2020 Budget Request asks for Base + OCO budget authority of \$718.3 billion; the distribution of O&M budget authority between the base and OCO is still uncertain. The \$630 billion estimate assumes a normalized distribution between the two budgets. Forecasted years assume 2% annual increases from the FY 2020 estimate.

# Intelligence Community Budgets have Stabilized

⦿ After five years of 3% average annual reductions between 2011–2015, spending on National and Military Intelligence Programs (“NIP” and “MIP,” respectively) stabilized and has increased an average of 4% annually since.

## INTELLIGENCE COMMUNITY SPENDING

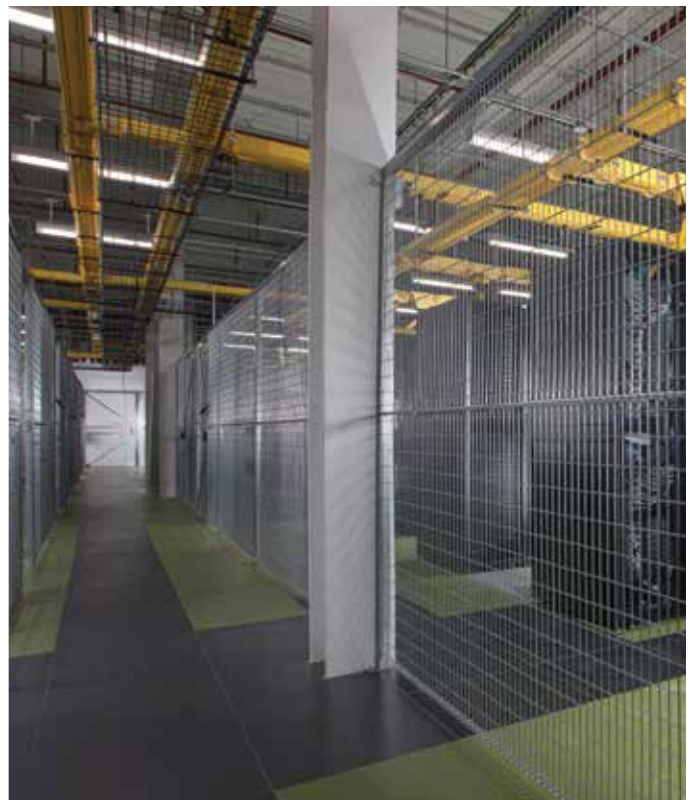
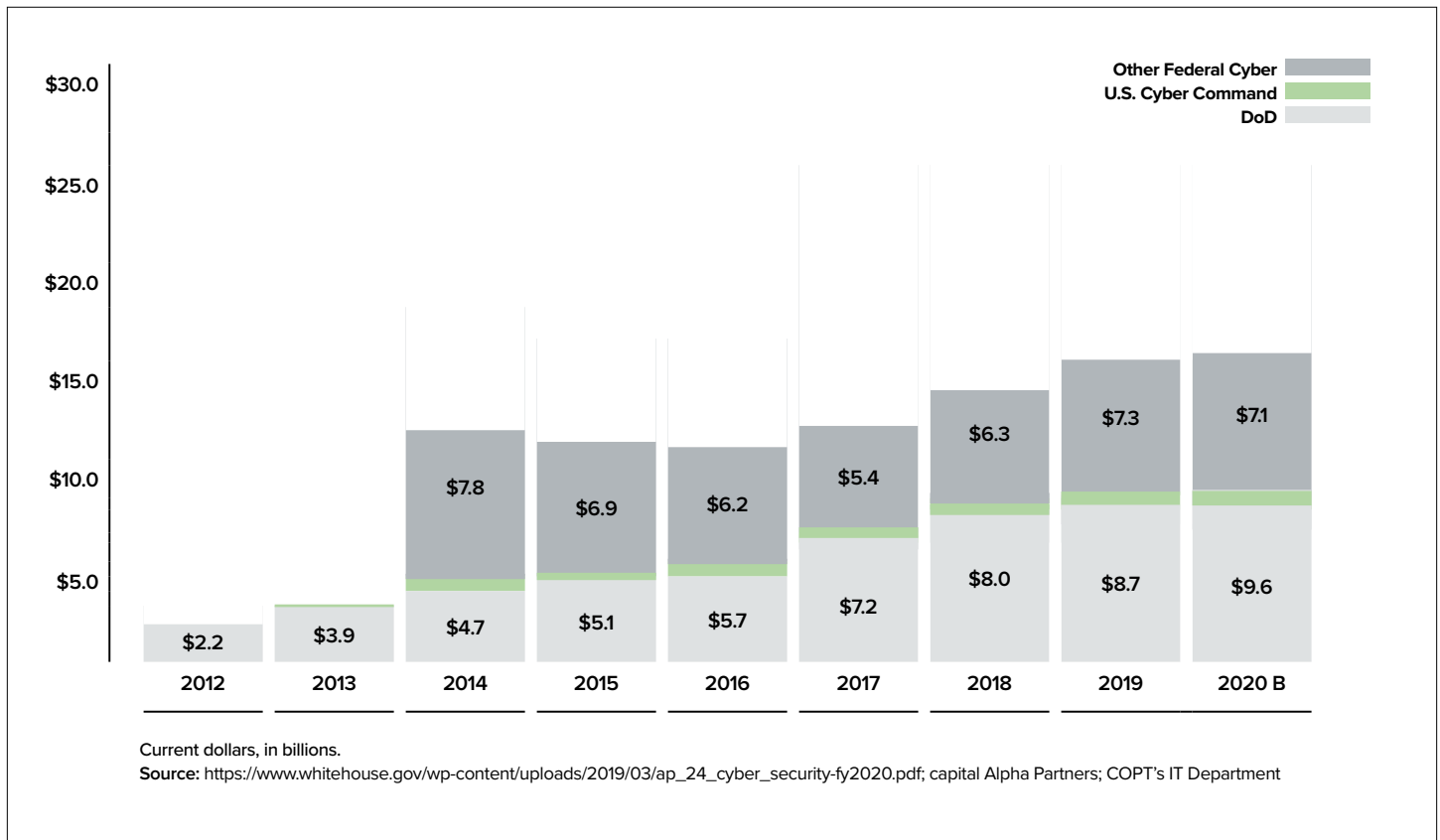




# DoD Cybersecurity Funding Forecasted to Increase

- Since 2012, the DoD's cybersecurity budget has grown at a compound annual rate of 19%
- In fiscal 2020, the \$9.6 billion requested budget would represent an additional 10% increase over fiscal 2019

## U.S. CYBERSECURITY SPENDING

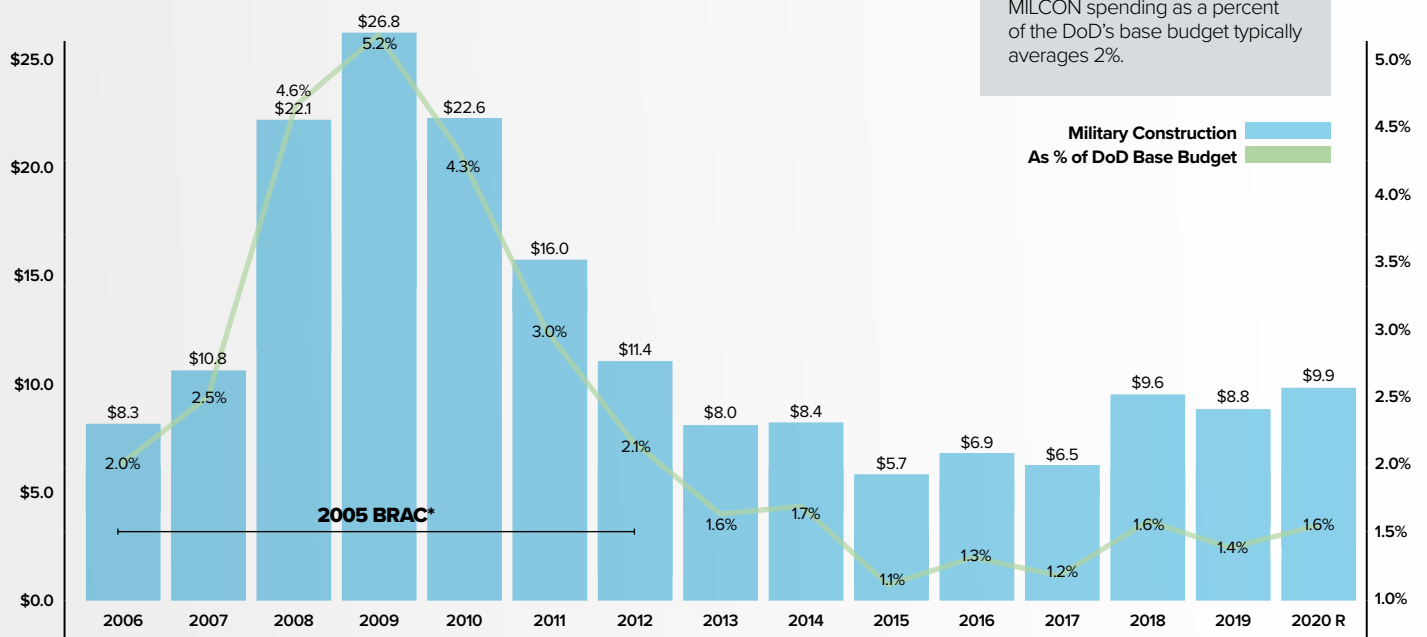




## MILCON Spending Forecasted to Decline

- Within the DoD base budget, Military construction (“MILCON”) spending’s recent peak was in FY 2009 – at \$26.8 billion, or 5.2% of the base budget. The 2005 Base Realignment and Closure (“BRAC”) moves drove elevated MICON spending from 2006–2012.
- MILCON spending, which is spread across all U.S. defense installations worldwide, is forecasted to be less than 2% of the DoD’s base budget going forward
- According to its 2015 Base Structure Report, at September 30, 2014, the DoD’s portfolio of defense installations included 4,855 sites in the U.S. and 42 foreign countries.

### MILITARY CONSTRUCTION APPROPRIATIONS



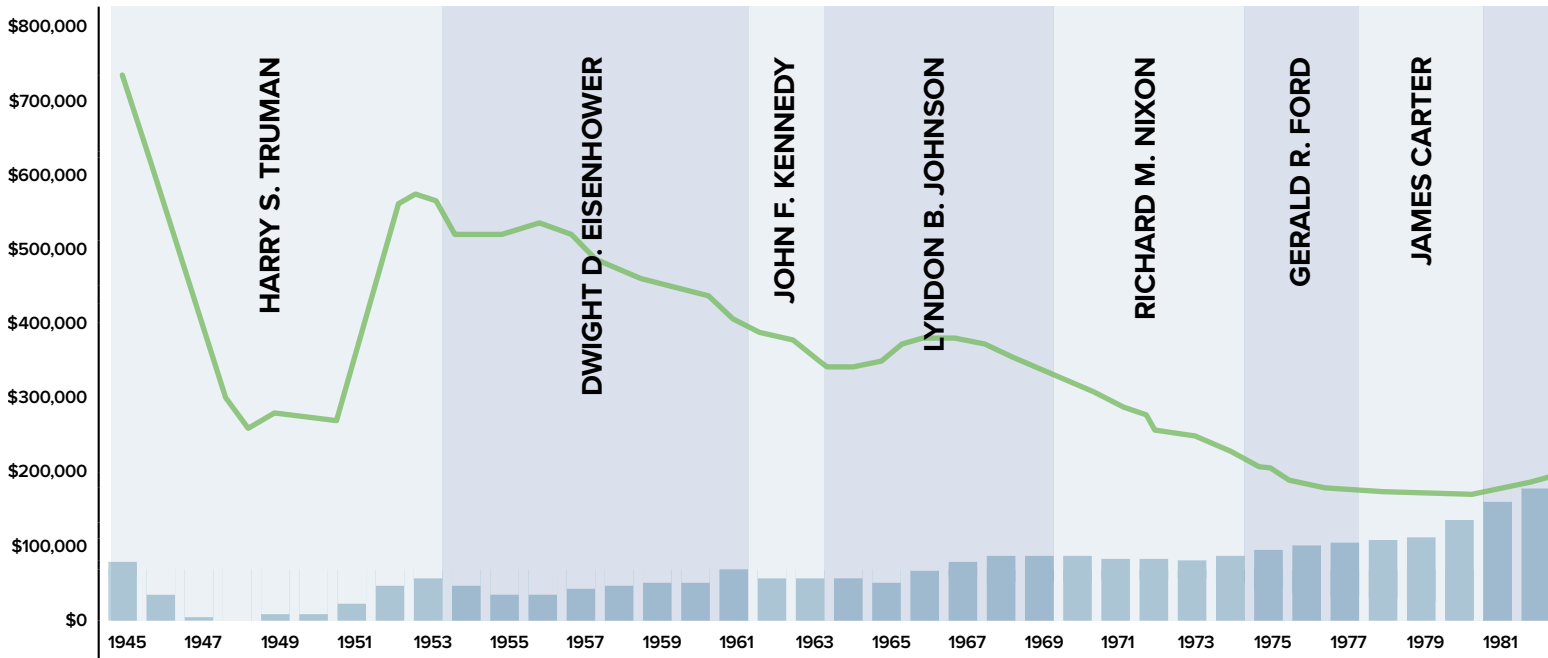
Current dollars, in billions.

Source: National Defense Budget Estimates for FY 2019; Capital Alpha Partners; COPT's IR Department

\* Please refer to our “BRAC Overview” in the ‘COPT Research’ section of investors.copt.com



## National Defense Outlays as a Percent of Total Federal Outlays, by Presidential Administration



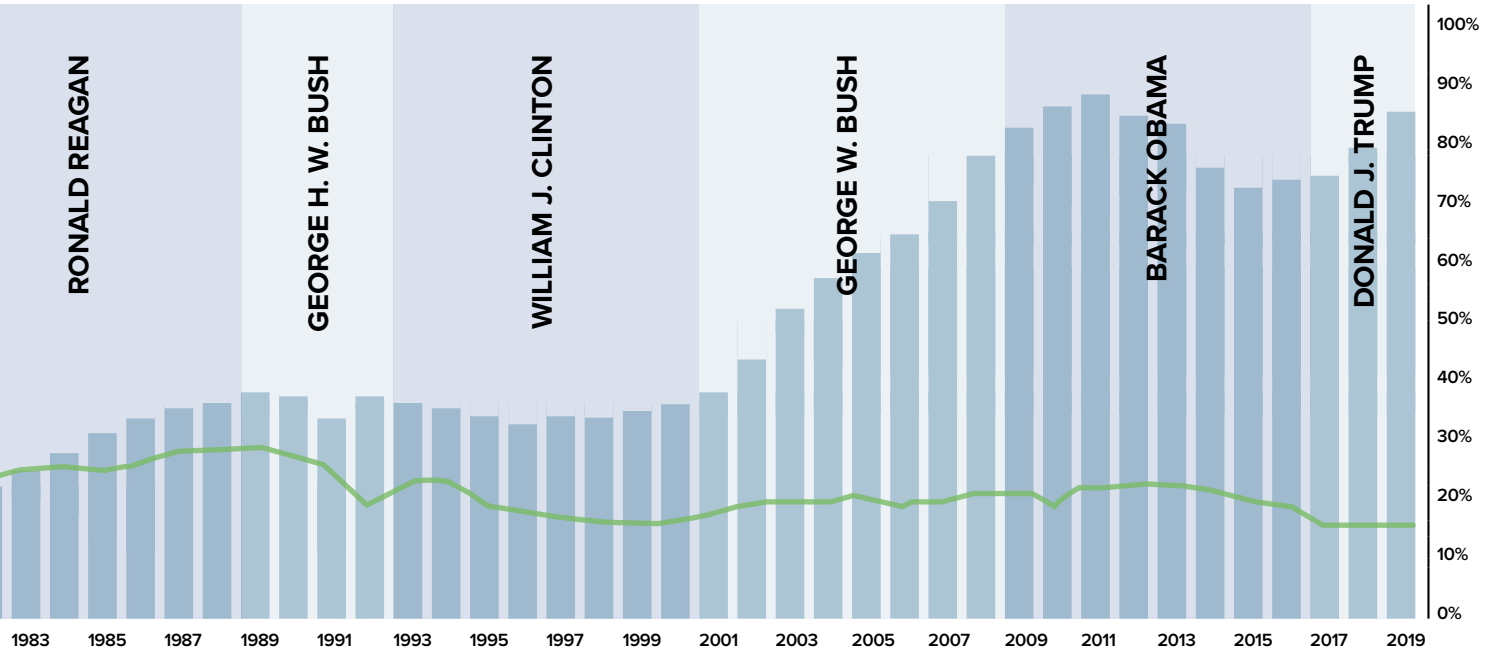
Current dollars, in millions.

Source: Table 7-1: (Total Federal Outlays from the National Defense Budget Estimates) in the Treasury's "Green Books."

\*National Defense (function 050) is comprised of DoD Military (subfunction 051, a.k.a., the Base Budget), Atomic Energy Defense Activities (subfunction 053), and Defense-Related Activities of other federal agencies (e.g., the Department of Justice) (subfunction 054). National Defense does not include Overseas Contingency Operations ("OCO") used to fund wars and military actions on foreign territory.



National Defense\* █  
 Defense/Total Federal █







## Defense Spending Since 1945

U.S. PRESIDENT	ENTERED OFFICE	LEFT OFFICE	CAGR IN DEFENSE SPENDING	MILITARY CONFLICT			
Franklin D. Roosevelt	Mar-33	Apr-45	--	World War II, Sept-1939 - Sept-1945			
Harry S. Truman	Apr-45	Jan-53	-4.9%	Korean War, Jun-1950 - Jul-1953			
Dwight D. Eisenhower	Jan-53	Jan-61	-0.7%	Cold War, 1947–1991			
John F. Kennedy	Jan-61	Nov-63	3.8%				
Lyndon B. Johnson	Nov-63	Jan-69	6.4%			Vietnam War,* 1964–1973	
Richard M. Nixon	Jan-69	Aug-74	-0.6%				
Gerald R. Ford	Aug-74	Jan-77	5.2%				
James Carter	Jan-77	Jan-81	10.1%				
Ronald Reagan	Jan-81	Jan-89	7.6%				
George H. W. Bush	Jan-89	Jan-93	-0.8%	Gulf War, Aug. 1990–Feb. 1991			
William J. Clinton	Jan-93	Jan-01	0.5%				
George W. Bush	Jan-01	Jan-09	9.0%				
Barack Obama	Jan-09	Jan-17	-1.0%	Global War on Terror, Oct. 2001–TBD	War in Afghanistan, Oct. 2001–TBD	Iraq War,** Mar. 2003–Dec. 2011	
Donald J. Trump	Jan-17	TBD	5% expected				

Source: WhiteHouse.gov

\*The Vietnam War lasted from Nov-1955–Apr-1975. U.S. was involved from 1964 through 1973.

\*\*Also known as the Second Gulf War.



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