



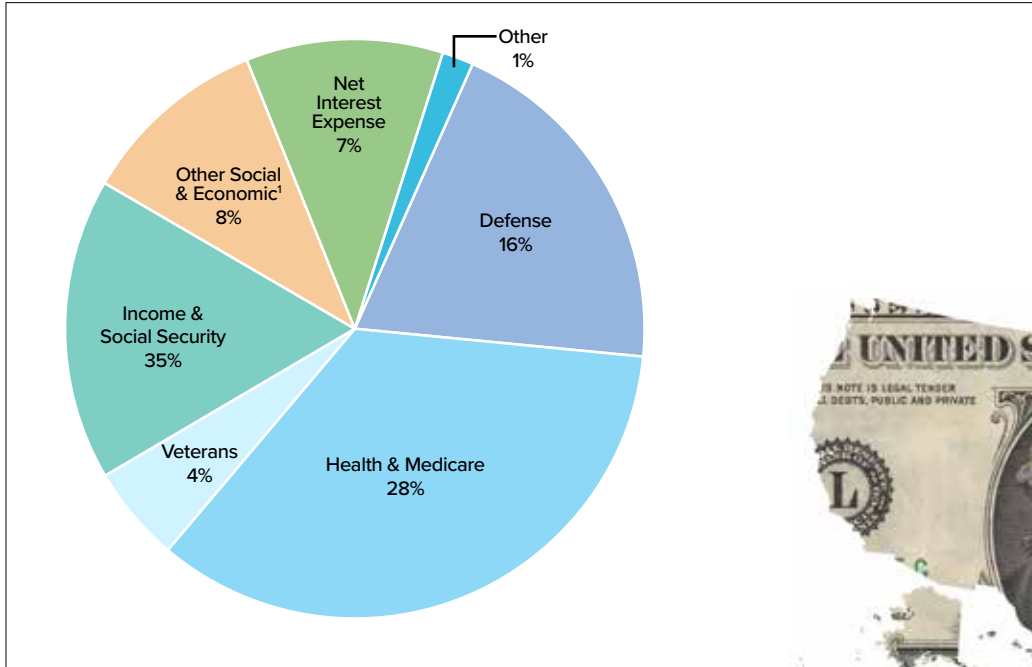
# DEFENSE & INTELLIGENCE BUDGET UPDATES

Presented by  
Corporate Office  
Properties Trust

UPDATED OCTOBER 2018

# Total U.S. Federal Budget\*: FY 2018

⊖ Spending on national defense represents roughly 20% of the federal budget

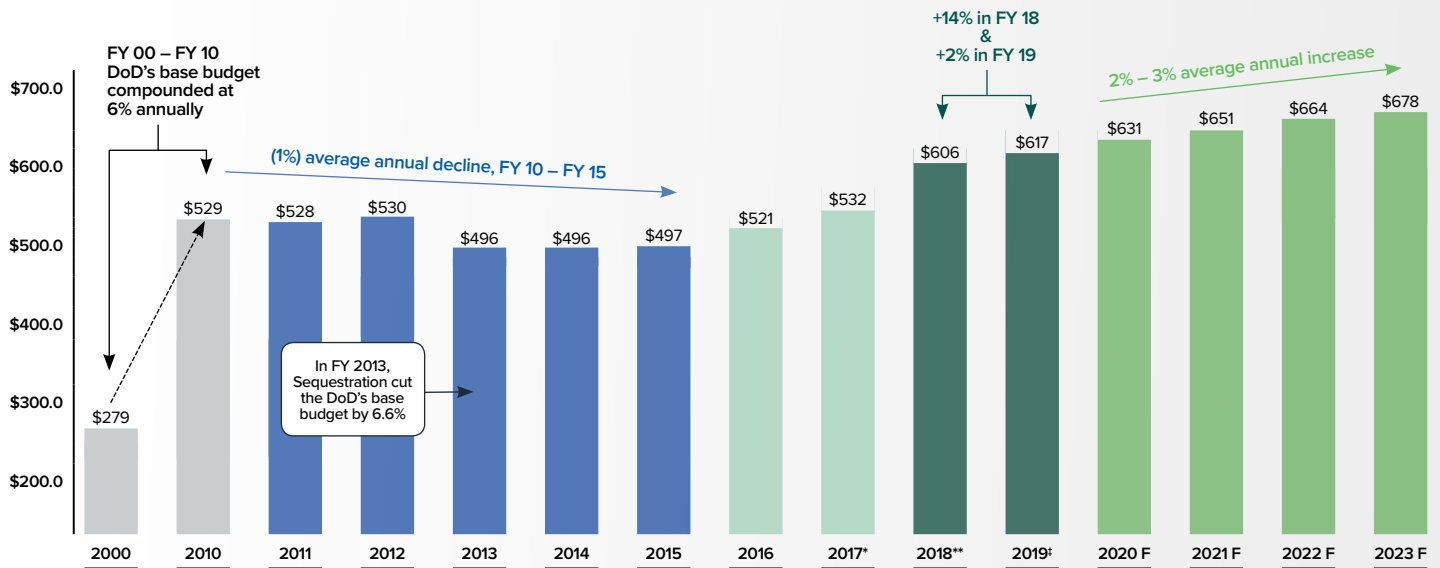


\*Source: Table 1-7: Federal Unified Budget – Budget Authority by Function (FY 2019 “Green Book”)

<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.

Source: Tables 1-9 and 2-1 of the FY 2019 and prior years' National Defense Budget Estimates (“Green Book”); CRS June 28, 2017 report: “Defense: FY 2018 Budget Request, Authorization, and Appropriations;” 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.

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

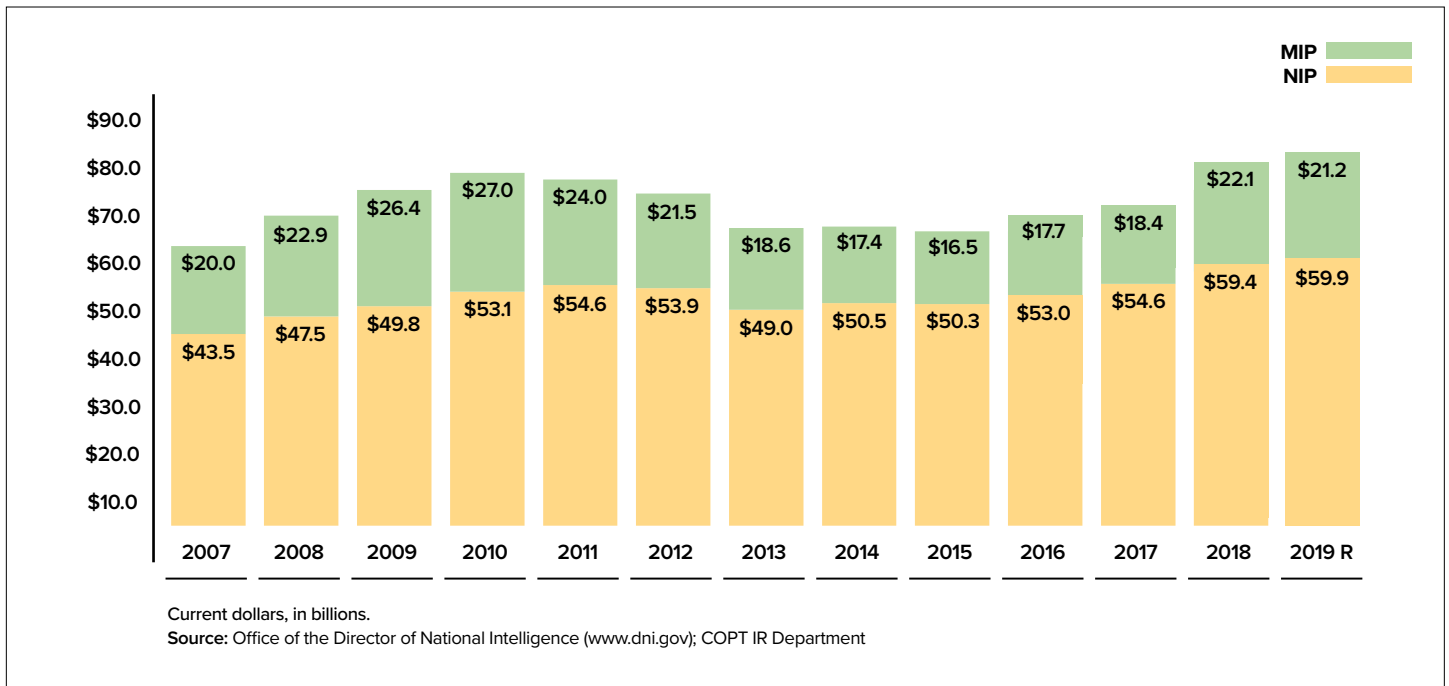
\*\* FY 2018 reflects the FY 2018 NDAA data, as the FY 2019 Green Book does not reflect a full fiscal year of appropriations (only the continuing resolution amount).

<sup>†</sup> FY 2019 reflects amounts authorized in the FY 2019 NDAA (H.R. 5515), which was appropriated and signed into law on September 28, 2018.

# 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.

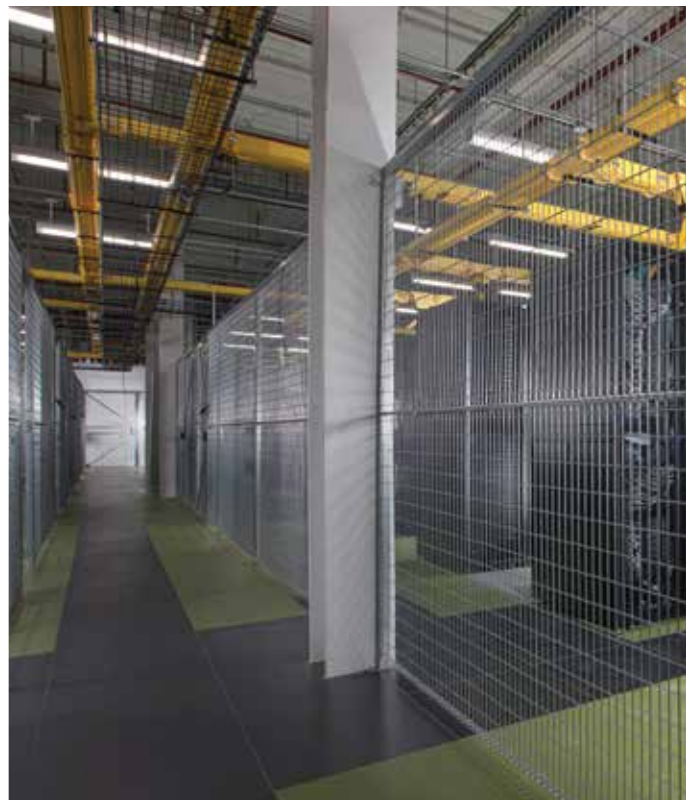
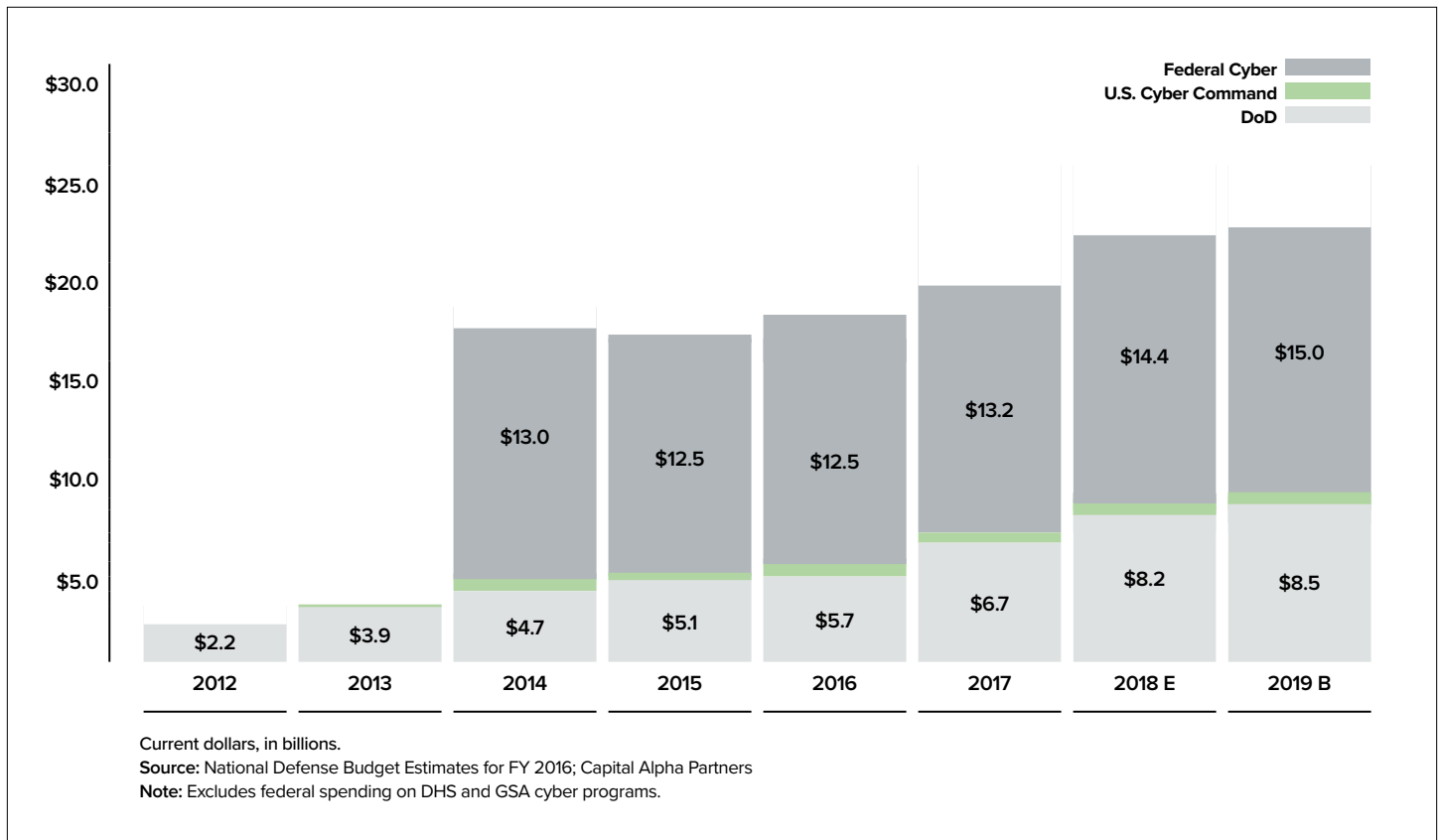
## INTELLIGENCE COMMUNITY SPENDING



# DoD Cybersecurity Funding Forecasted to Increase

- Since 2012, the DoD's cybersecurity budget has grown at a compound annual rate of 20%
- In fiscal 2018, the \$7.9 billion requested budget would represent an additional 18% increase

## U.S. CYBERSECURITY SPENDING

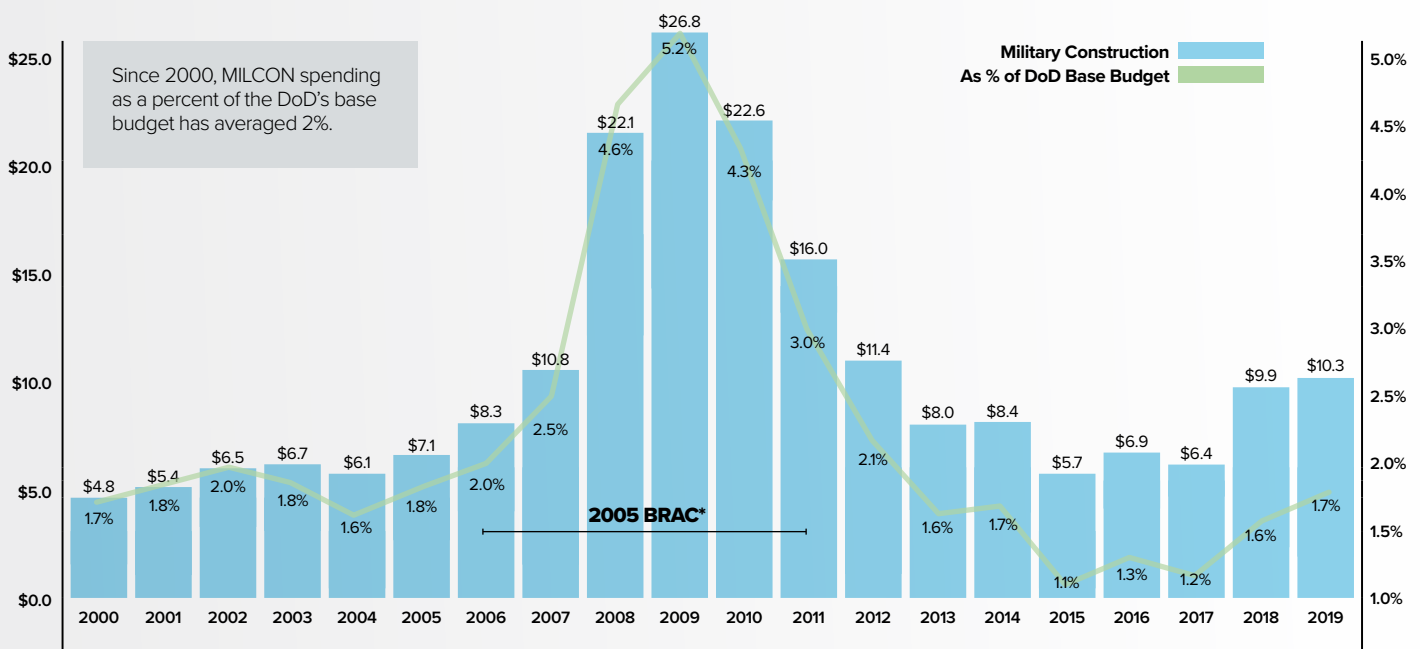




## MILCON Spending Forecasted to Decline

- Within the DoD base budget, Military construction (“MILCON”) spending peaked in FY 2009 at \$26.8 billion, or 5.2% of the base budget
- 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.

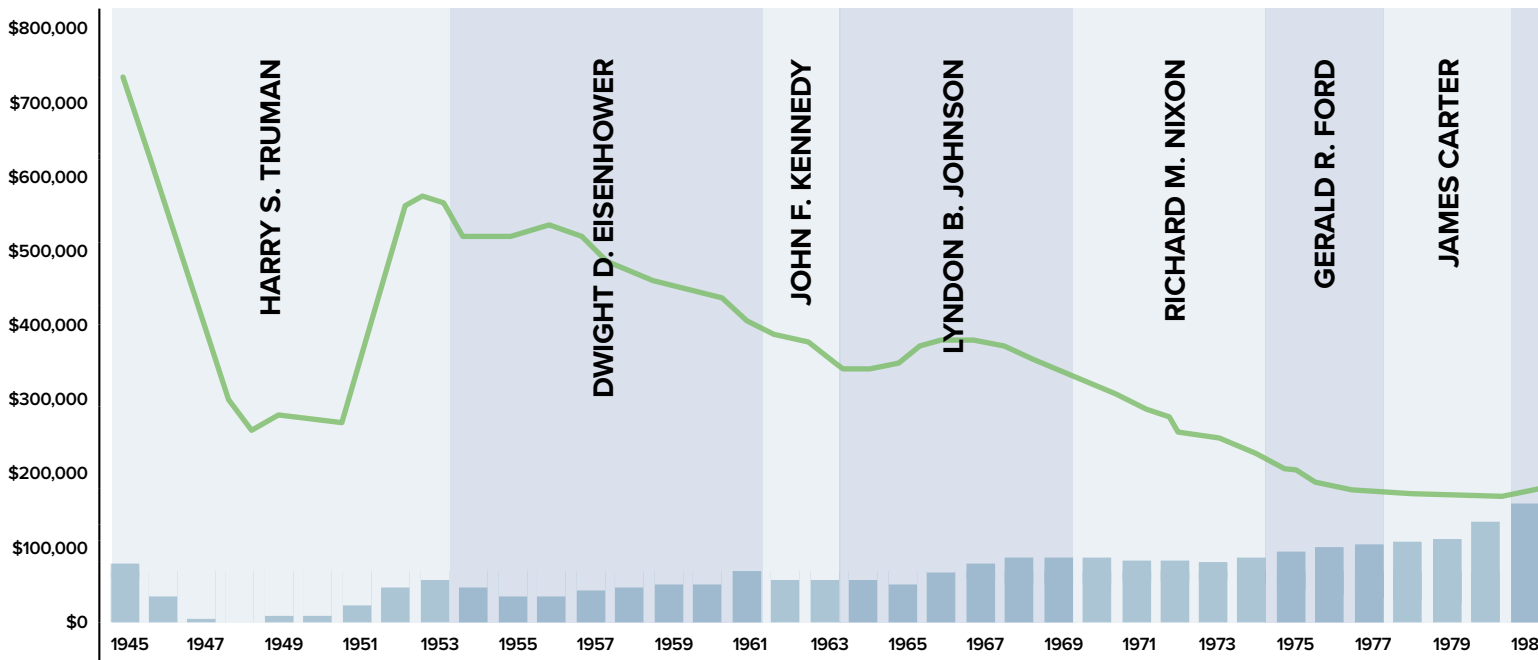
Source: National Defense Budget Estimates for FY 2019; Capital Alpha Partners; COPT’s IR Department

\* Increased MILCON spending between 2006–2011 related to funding 2005 Base Realignment and Closure (“BRAC”) mandates.

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



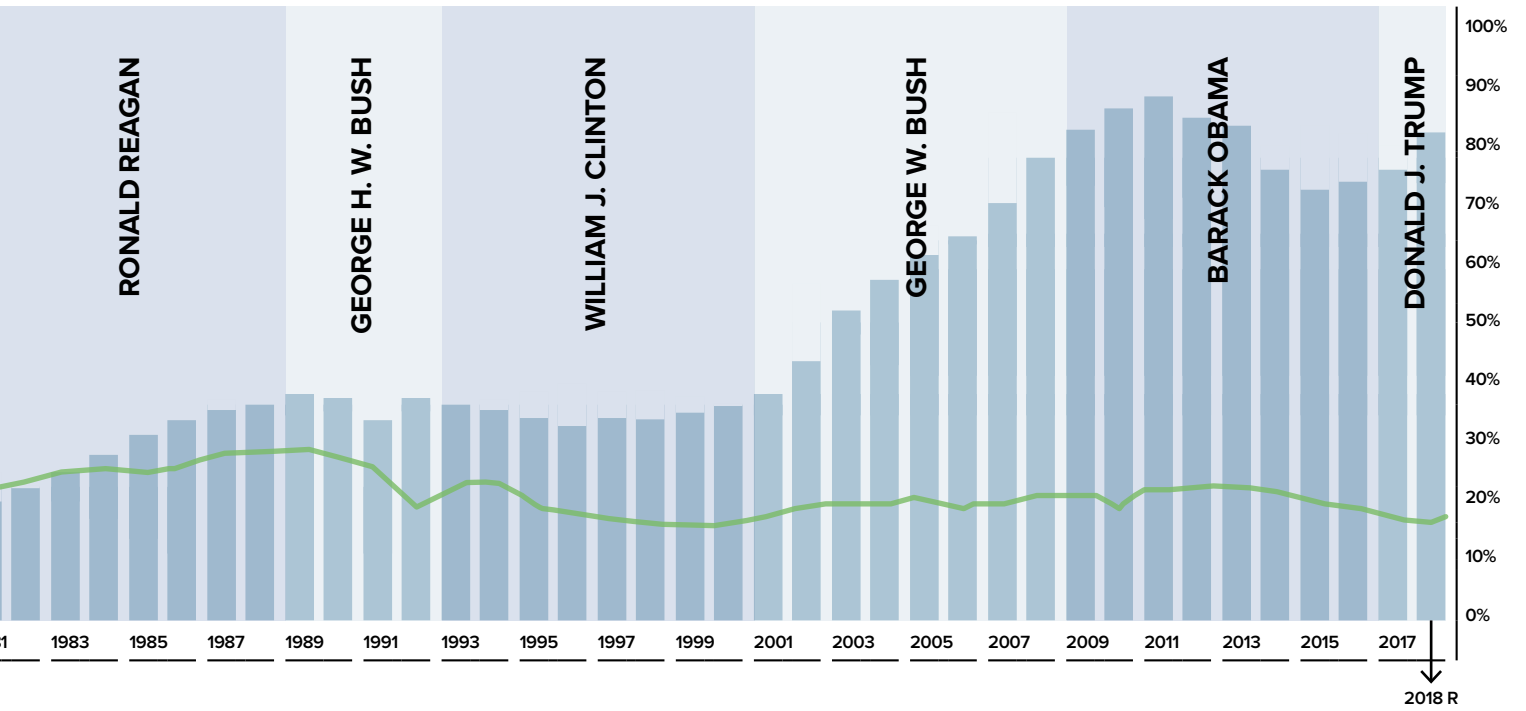
Current dollars, in millions.

Source: Table 7-1: Total Federal Outlays from the National Defense Budget Estimates for FY 2018 (the Fiscal Year 2018 "Green Book").

\*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%	Iraq War,** Mar. 2003–Dec. 2011			
Barack Obama	Jan-09	Jan-17	-1.0%			Global War on Terror, Oct. 2001–TBD	
Donald J. Trump	Jan-17	TBD	5% expected			War in Afghanistan, Oct. 2001–TBD	

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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