

# THE ARMY BUDGET

The President's Budget for Fiscal Year 2006 includes a request for \$98.6 billion in FY 2006 and \$110.1 billion in FY 2007.<sup>10</sup> The budget provides the Army with the Total Obligational Authority to accomplish its mission of providing forces and capabilities to combatant commanders of joint forces to deter aggression or, if deterrence fails, to defeat America's enemies.

The Army Budget for FY 2006 recognizes the post-9/11 security environment and the demands placed on America's Army. The nation and its Army, as part of the joint force, are engaged in a Global War on Terrorism to defeat America's enemies. In this war, the enemy uses non-traditional means, conducts terrorist operations worldwide with a total disregard for human life, and is not a nation-state with territorial assets. This produces a great deal of uncertainty about the enemy and the threat. It also suggests a security environment that is quite different from that of the previous century, and, unfortunately, is likely to continue for the foreseeable future.

The Army Budget prioritizes resources for the forces fighting and winning the war and for the transformation of the Army as mandated by the current and foreseeable security environments. Successful transformation requires understanding, planning, resources and implementation. The Army Budget includes resources for continuing near-term transformation to support the Army in the GWOT and for long-term transformation to provide essential capabilities for future national security.

The Army, as part of the joint force, is conducting warfighting operations in Iraq and Afghanistan, as well as operations in some 120 other countries. However, the Army Budget for FY 2006 does not include funds for conducting the warfighting operations—those funds will be in a supplemental budget request. The rationale for warfighting operations in a supplemental request is described below:

- Congress does not appropriate funds that may or may not be required by the requesting department or organization. One reason for this policy is the fact that if Congress appropriates funds for *possible* requirements, such an action may result in denying funds to another department that has a firm requirement.
- The scope of "current operations" in a future year is contingent upon the situation at that time. This uncertainty about the future situation and therefore the requirement during budget preparation and submission, some 15 months before the beginning of the year of execution, makes justifying funding too uncertain.
- Therefore, budget proposals for warfighting operations in a future year are within the policy restriction. The Army Budget does not include funds for warfighting operations in a future year. Rather, the President submits a supplemental budget request when the scope of the operations allows for a more definitive budget proposal.

The Army Budget includes funding for organizing, recruiting, equipping, training, supplying and maintaining the force; for construction, maintenance and repair of facilities; and for mobilizing and demobilizing units. This is the statutory mission of the Army as stated in Title 10, United States Code (USC).

In his testimony to the House Armed Services Committee hearings accompanying the budget, the Secretary of the Army discussed four overarching and interrelated strategies, along with 20 implementing initiatives:

In order to accomplish our mission of providing the necessary forces and capabilities to the Combatant Commanders in the support of the National Security and Defense Strategies we have developed and are executing four overarching and

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<sup>10</sup> Includes Base Realignment and Closure (\$0.1 billion); Environmental Restoration, Army (\$0.4 billion); and Army Working Capital Fund (\$0.1 billion).

interrelated strategies supported by 20 different initiatives. Transformation is ingrained in all of these strategies as well as in all of the supporting initiatives. These strategies are:

- First, providing relevant, ready landpower to the combatant commanders;
- Second, training and equipping our Soldiers to serve as warriors and growing adaptive leaders;
- Third, attaining a quality of life for our Soldiers and their families that matches the quality of their service;
- And finally, providing the Infrastructure to enable the force to fulfill its strategic roles and missions.<sup>11</sup>

The Secretary went on to say that he and the Chief of Staff of the Army (CSA) are confident that the Army base budget with supplemental “can accomplish [the Army’s] mission and reach the strategic goal of being ready and relevant both today and tomorrow.”

The Army Budget for FY 2006 is essentially the same as that submitted in FY 2005 and about 5 percent higher than that submitted in FY 2004. However, the FY 2004 budget grew 49 percent with the passage of the supplemental request for the warfighting operations in Iraq and Afghanistan. For FY 2005, a small supplemental was enacted and a larger supplemental is still being considered by Congress, but will likely increase the initial budget submission by more than 50 percent. See table 35.

The budget summary in table 35 gives rise to various observations. First, the Army Budget submissions for FY 2005 and FY 2006, i.e., the basic budgets, are essentially the same. The FY 2006 budget includes both pay raises and inflation, and therefore has less in program dollars. The Army’s total budget, which includes the supplemental(s) for current operations, differs significantly from the basic budget. If the war on terrorism continues at about the same level of operation in FY 2006, the budget proposal will require a significant supplemental.

<div style="text-align: center;"> <b>Table 35</b>  <b>Army Budget Summary</b>  <b>Total Obligational Authority</b>  <b>(\$ billions)</b> </div>				
	FY04	FY05	FY06	FY07
President's Budget <sup>1</sup>	93.9	98.5	98.6	110.1
Supplemental and Adjustments	47.7	16.5	—	—
<b>Total<sup>2</sup></b>	<b>141.6</b>	<b>115.0</b>	<b>98.6</b>	<b>110.1</b>
<sup>1</sup> President's Budget proposal as initially submitted to Congress. <sup>2</sup> Total for FY04 is actual and for FY05 is enacted; includes Title IX. Source: Army FY06 President's Budget Highlights				

**NOTES:**

- *Total Obligational Authority refers to the sum of Budget Authority for a given fiscal year plus unobligated balances from prior years, offsetting collections and transfers that are available for obligation in the fiscal year. All departments actually manage budget execution using TOA.*
- *Unless otherwise noted, all dollar amounts and analyses in this chapter are in terms of TOA.*
- *The tables and figures in this section generally provide dollar data across three or more fiscal years. Budget data across a series of fiscal years are in current dollars, i.e., then-year dollar, unless specifically noted otherwise.*
- *A Glossary of Budget Terms is at the final section of this document.*

**INTRODUCTION**

Budget documents are planning documents that describe future actions and related resources. In the public sector, the executive requests future funding for specific actions from the legislature. The President’s Budget, a comprehensive plan for every department of the Executive Branch of the federal government, describes objectives, programs and actions along with a request for related resources. As part of the President’s Budget, the Army

<sup>11</sup> Secretary of the Army Francis J. Harvey, Opening Statement (As Prepared), Before the House Armed Services Committee, Honorable Francis J. Harvey and General Peter J. Schoomaker, Washington, D.C., 9 February 2005.

Budget requests resources for specific actions in future fiscal years using the congressionally mandated data structure, e.g., appropriation, budget activity, program, function, component and many other types and levels of detail.

The Army budget presents the integration, balancing and prioritizing of funding data for activities, functions and programs for the next fiscal year—or the next two fiscal years when the first is an even year, e.g., FY 2006. The various data provide decision support information for the authorizing or appropriating committees of both houses of Congress. When appropriate, the funding authority often includes restrictions on the use of the various types of money.

### **Army Goal and Budget**

The Army's goal is to provide ready and relevant forces to meet both immediate and future national security needs. For the GWOT and the challenges of the 21st century, a ready and relevant Army requires capabilities not generally anticipated before the 9/11 attacks. The Army recognizes that the national security challenges require continuing the intellectual and organizational transformation begun for the GWOT.

The Army Budget continues to advance the goal by providing for aggressive restructuring:

- *from* a force designed for contingency operations in the post-Cold War era
- *to* a modular force designed for continuous operations.

This budget balances immediate force needs with the development of future force enhancements. The principal themes for accomplishing this are to:

- generate and sustain a force to prevail in the Global War on Terrorism;
- transform and improve Army capabilities:
  - restructure to a modular design
  - rebalance active and reserve forces
  - stabilize units
  - improve effectiveness and identify efficiencies;
- recruit and retain the all-volunteer force;
- accelerate promising technology to improve force protection and to enhance fighting capability;

- repair, reset and recapitalize equipment.

The American Soldier—trained and motivated—is the key to the Army forces and systems. The budget emphasizes manning the force, taking care of Soldiers and families and sustaining the quality of the force through training, equipping and leadership development.

The readiness of Army units is essential for maintaining responsive forces capable of conducting warfighting operations whenever and wherever in the world. Readiness requires training, mobility and sustainment. The budget retains the Army's commitment to funding ground operating tempo (OPTEMPO) and flight training for the units not participating in Operation Iraqi Freedom (OIF) or Operation Enduring Freedom (OEF). However, with the uncertainties of rotational deployments and therefore the units available for readiness training, the Army took some risk with readiness. The Army plans to evaluate these units during the year of execution and mitigate any risks to readiness, as necessary.

Army installations are power-projection platforms, essential to maintaining the premier Army in the world. Soldiers work, train, mobilize and deploy from installations, reaching back to them for support in wartime; Soldiers and their families live on or near installations. The Army Budget provides for selective maintenance of and improvements to this infrastructure.

Transformation initiatives are focusing on organizing, equipping and training Soldiers for the current fight and on producing the premier land force for the future. In response to the current war, the Army continues to adapt to meet the threat, and to identify and accelerate technical and materiel solutions.

The Future Combat Systems program continues to be the materiel centerpiece of the transformation of the Army. In July 2004, the Army restructured the FCS program to accelerate fielding of crucial capabilities to the current force while continuing to work to develop the full FCS capability. The acceleration for the current force involves spiraling the most promising technologies into the force much faster than was previously programmed. This includes providing the current force with advanced capabilities from 18 manned and unmanned ground and air platforms that are linked through a network. This linkage brings unprecedented situational awareness and understanding.

In addition, the Army is pursuing two programs to respond to current warfighting needs:

- The Rapid Fielding Initiative (RFI), which focuses on filling individual Soldier equipment shortfalls quickly by fielding commercial off-the-shelf technology rather than waiting for the standard acquisition process to address the shortages; and
- The Rapid Equipping Force (REF), which focuses on providing operational and technical solutions to the combatant commanders' requirements more quickly than through the normal acquisition cycle. Many of the REF initiatives address force protection requirements for Soldiers; examples include robots, unmanned aerial vehicles (UAVs) and methods to counter improvised explosive devices (IEDs).

The Army Budget reflects a balancing of resources for current operations, readiness, individual development and quality of life for Soldiers and for research, development and acquisition for transformation of the future force. The Army is balancing resources within and across appropriations to ensure that it will be ready to advance the nation's security in peace and war, now and in the decades ahead.

## **ARMY BUDGET AND TRENDS**

Congress requires that the President's Budget include financial data on the prior and current fiscal years as well as the proposal for the next fiscal year. Congress requires this data in terms of appropriations and a great deal of other detail within the appropriations.

A review of this multiyear data in terms of dollars or percentages provides insights. However, any multiyear review requires consideration of what is included in the dollars for the various fiscal years. The prior-year execution data column of the President's Budget, e.g., FY 2004, includes substantial supplemental dollars that cannot be disaggregated from other execution-year dollars. The current-year dollars for FY 2005 include initial, limited supplemental funds that are displayed separately. The budget proposal for FY 2006 does not include funds for contingency operations because the Army was uncertain of the scope of the operation when preparing the budget.

Therefore, multiyear trend data may be misleading with supplemental funds for contingency operations in some years and not in other years.

## **Budget by Appropriation Grouping**

Appropriations are the consolidations of funds for like-type functions. The three components of the Army—active Army, Army National Guard and Army Reserve—have some similar appropriations that are sometimes bundled into appropriation groupings for overall consideration, i.e., Military Personnel, Operation and Maintenance, and Military Construction. The groupings provide an overview of how Army funds are distributed among appropriation functions.

See table 36 for appropriation groupings for the Army's FY 2006 budget.

In peacetime, the Army's Military Personnel appropriations consume the largest amount of dollars followed by Operation and Maintenance; traditionally the two equal nearly 70 percent of the entire budget. In wartime, the O&M expenses for supporting and sustaining the troops exceed MILPERS, as is evident in the FY 2004 column, which includes the supplemental for warfighting operations. Using the FY 2004 data as a model, the O&M group for FY 2005 and FY 2006 will require substantial supplemental funding.

## **Appropriation Grouping Percentages**

A comparison of funding data using percentages instead of actual dollars provides insights into the relative growth and reductions. An important baseline for a multiyear percentage comparison is the FY 1989 budget, which was the last year of the Cold War and does not include supplemental dollars for a war. Interestingly, a comparison of the FY 1989 actual and FY 2006 budget proposal (which does not include warfighting operations) reveals a similar distribution among appropriation groups. Note also that the Defense Working Capital Fund and the Environmental Restoration Army appropriations, which consume .5 percent of the current budget, did not exist in FY 1989. See figure 6.

Figure 6 presents relative dollar data at two points in time. However, the Army budget trend from the end of the Cold War in 1989, except for Operation Desert Storm in 1991, was downward until 2000. The budget was reduced by about 34 percent in the 1990s in real terms, i.e., after adjustments for inflation and mission changes. The Army's endstrength was similarly reduced between FY 1989 and FY 2000. Active Army military

**Army Summary**  
**Total Obligational Authority by Appropriation Grouping**  
(\$ billions <sup>1</sup>)

Appropriation Groupings	FY04 Actuals	FY05 Appropriated <sup>3</sup>	FY06 PB <sup>2</sup> Request	FY07 PB Request
Military Personnel	49.0	40.0	41.4	43.3
Operation and Maintenance	62.4	45.4	31.8	33.1
Procurement	14.7	13.1	11.8	13.5
Research, Development, Test & Evaluation	10.2	10.6	9.7	10.3
Military Construction/BRAC <sup>4</sup>	2.1	2.6	2.0	3.3
Army Family Housing	1.5	1.4	1.4	1.1
Environmental Restoration, Army <sup>5</sup>	—	0.4	0.4	0.4
Chemical Demilitarization <sup>6</sup>	1.5	1.4	—	—
Defense Working Capital Fund <sup>7</sup>	0.2	0.2	0.1	—
Other	—	—	—	5.0
<b>Total</b>	<b>141.6</b>	<b>115.0</b>	<b>98.6</b>	<b>110.1</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> President's Budget.  
<sup>3</sup> Includes Title IX funds.  
<sup>4</sup> Base Realignment and Closure.  
<sup>5</sup> ERA is executed in Operation and Maintenance, Army (FY04) but is budgeted separately in FY05, FY06 and FY07.  
<sup>6</sup> Chemical Demilitarization became an Army appropriation in FY99.  
<sup>7</sup> DWCF, Army became an Army appropriation in FY00.

Source: Army FY06 President's Budget Highlights

strength decreased by 38 percent, reserve component endstrength decreased by 28 percent and the civilian workforce decreased by about 47 percent.

After the reductions of the 1990s, the dollars and endstrengths were leveling off in 2000. The 9/11 attacks and the subsequent GWOT reversed the funding trend. The FY 2003 budget, with supplemental appropriations, was more than 25 percent higher than FY 2001 and FY 2002 levels. The FY 2004 budget with supplemental appropriation was 10 percent greater than the FY 2003 budget. The FY 2005 budget supplemental is still pending, so the final amount is uncertain.

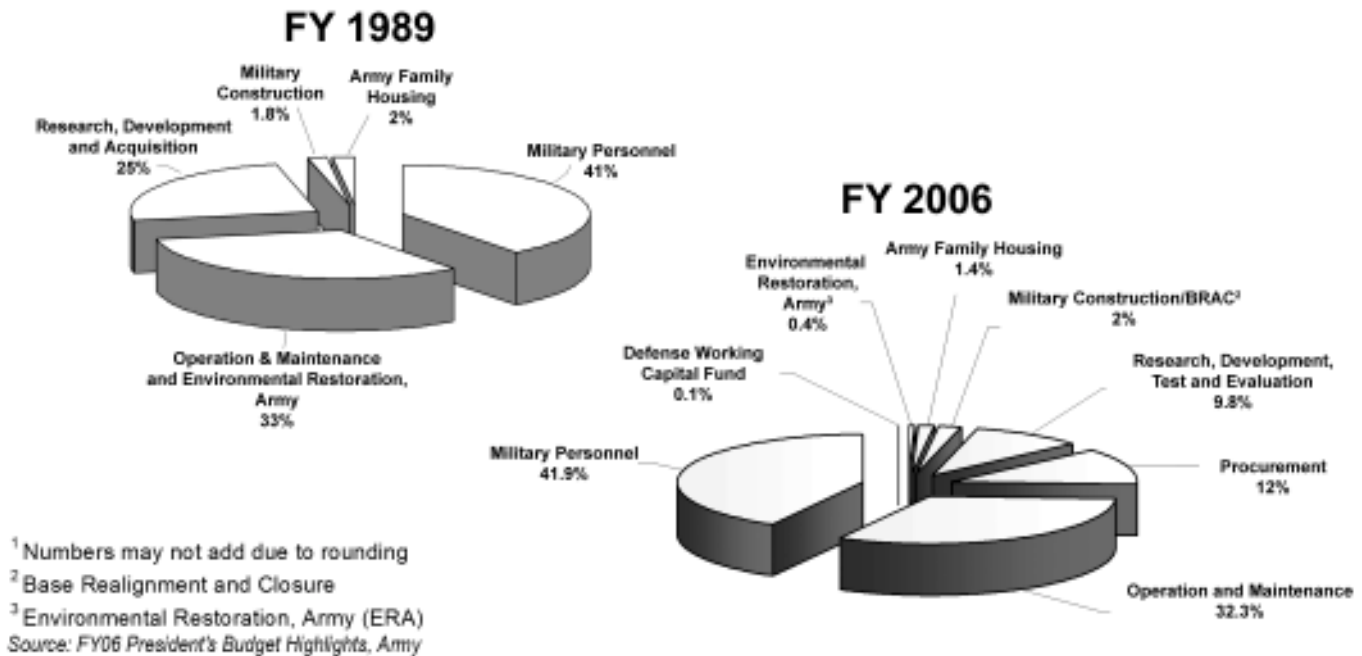
### Army Appropriations

The Army appropriations, listed below, are discussed in the subsequent paragraphs.

- Military Personnel, Army
- Reserve Personnel, Army

- National Guard Personnel, Army
- Operation and Maintenance, Army
- Operation and Maintenance, Army National Guard
- Operation and Maintenance, Army Reserve
- Aircraft Procurement, Army
- Missile Procurement, Army
- Procurement of Weapons and Tracked Combat Vehicles, Army
- Procurement of Ammunition, Army
- Other Procurement, Army
- Research, Development, Test and Evaluation, Army
- Military Construction, Army
- Military Construction, Army National Guard
- Military Construction, Army Reserve

### Army Appropriation Groups (Percentage of Distribution <sup>1</sup>)



- Family Housing Construction, Army
- Family Housing Operations, Army
- Chemical Agents and Munitions Destruction, Army
- Environmental Restoration Fund, Army
- Defense Working Capital Fund, Army

*NOTE: In addition, the Army receives specifically allocated funds for Base Realignment and Closure.*

#### Budget Process Overview

In the 1960s, the Department of Defense initiated a Planning, Programming and Budgeting System (PPBS) to establish a deliberate, sequential process for integrating the various program and resource decisions from across the military departments. The concept was to go from long-term and general planning, to mid-term and programmatic, to near-term and appropriation-functional level of detail. In the 1980s, the Army explicitly added Execution to the title to emphasize the equal importance of reviewing the actual use of the budget data for management insights.

In the past 40 years, the Army and DoD systems have changed a great deal and, arguably, have become too

bureaucratic and nonresponsive for the current security environment. The Secretary of Defense initiated the Joint Defense Capabilities Study (Aldridge Study) in 2003 and is implementing actions to improve business processes within the department. The budget formulation process produces data and reports required by Congress, and these will probably not change. The internal process for producing the data may change.

The budget process involves bringing together the strategic objectives and programs decisions within budget funding controls. The DoD budget controls have their roots in the dollar guidance from OMB. DoD distributes the guidance, or controls, among the services—including the Army—and the DoD agencies.

The Army and other federal departments prepare their budgets using the appropriation structure. The Army submits its budget proposal to the Office of the Secretary of Defense (OSD) for concurrent review with OMB. As approved, the Army budget becomes part of the federal budget the President submits to Congress in February.

The Congressional Budget Office controls the federal budget. The various appropriation and authorization committees and subcommittees of Congress review the budget

proposal within the controls and make their recommendations. Ultimately, the House and Senate form a joint committee to reconcile the differences for approval by both chambers. If all works according to the schedule, Congress sends appropriation acts to the President before the beginning of the fiscal year on 1 October. However, if an agreement on the budget has not been reached by 1 October, Congress passes a Continuing Resolution Act, which allows the departments to continue to operate within stipulated restrictions.

When Congress provides and the President signs the appropriation acts into law, then the Treasury, DoD and next the Army receive funds for execution. Funds are provided by appropriation and carry restrictions. For example, funds generally cannot be moved across appropriations without prior congressional reprogramming approval, and various appropriations expire at the end of one, three or five fiscal years.

## **Budget Documents**

The Army's budget is a formidable document, or more accurately, a formidable set of many documents that include a great deal of data. The many documents with their many different internal forms are complex. There are about 25 documents at the Army website with perhaps 10,000 pages of detail.<sup>12</sup> This chapter peels away some of the complexity by organizing the review for the reader.

The chapter begins with a discussion of the overall budget and subsequently examines appropriation, selected programs and functional data. This review should help the reader understand the Army's intention as well as the resource proposal.

## **ARMY LAND FORCES**

The Army provides land forces to the joint team in support of the National Security and Defense Strategies.

### **Quadrennial Defense Review and Defense Strategy**

After the end of the Cold War, the initial assumption was that the defense establishment could be reduced. In the mid-1990s, after some years of drawdown, Congress directed the Secretary of Defense to conduct a comprehensive examination of national defense strategy, force

structure, force modernization, infrastructure and defense policy, programs and budget plans. This became the first Quadrennial Defense Review in 1997.

The QDR set the strategy and the force-sizing guidance that was implemented by the services. The second QDR was completed in 2001—after 9/11—and set the strategy and the force-sizing guidance for the next four years. The GWOT and the extended national security environment, along with DoD transformation, also significantly influence the FY 2006 budget. The GWOT and the national security environment are also influencing the next (third) QDR that will be completed later in 2005. The 2005 QDR will be a driver in the next budget.

The 2005 QDR expresses four goals—to which the Army contributes—for DoD:

- Assure allies and friends;
- Dissuade future military competition;
- Deter threats and coercion against U.S. interests; and
- If deterrence fails, decisively defeat any adversary.

The 2005 QDR also discusses DoD strategy for pursuing the defense goals (the Army provides land forces for implementing the defense strategy):

- Defend the United States and project U.S. military power;
- Strengthen alliances and partnerships;
- Maintain favorable regional balances; and
- Develop a broad portfolio of military capabilities.

The 2005 QDR will certainly take into account the GWOT and the related security environment that suggests a protracted war and the blurring of the distinctions between war and peace. DoD and the Army have applied these lessons in the FY 2006 budget.

### **Army Implication**

The Army contributes strategic landpower to each element of the strategy. Land forces are essential for wresting control of land and people from hostile forces. Land forces, as operations in Iraq and Afghanistan demonstrate, are essential for restoring civilian control in a hostile

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<sup>12</sup> FY 2006–2007 Budget Materials, available online at <http://www.asafm.army.mil/budget/fybm/fybm.asp>.

environment. Forward presence elsewhere in the world is a significant contributor to stability, and land forces make unique contributions to homeland security as well.

The Army recognizes that to implement the Defense strategy successfully in this dangerous security environment, it must transform its capabilities. The Army must be more expeditionary, joint, rapidly deployable and adaptive; it must possess the capacity to be successful across the entire range of military operations from major combat to post-conflict stability. The Army must provide ready and relevant forces to meet the challenges of the 21st century. This requires continuing the intellectual, organizational and equipping transformation.

The Army is responding by aggressive restructuring forces:

- from a design for *contingency operations* in the post-Cold War era
- to a modular design for *continuous operations*.

### **Army Forces**

The Army consists of the active component (AC), the reserve component (RC), i.e., U.S. Army National Guard and U.S. Army Reserve forces, and the civilian work force.

In prior years, a discussion of the Army forces began with the quantity of the corps, active component and National Guard divisions, armored cavalry regiments and enhanced Separate Brigades in the National Guard. The types and quantities of these units were a general way of expressing the capability of the Army. As evidenced in the FY 2006 budget, this is no longer the case.

### **Initiative: Modular Force**

The Modular Force Initiative is one of nine initiatives under the Army Strategy, providing relevant and ready landpower to combatant commanders. The Army strategy and the harsh realities of the strategic environment are driving the most significant redesign of forces in the past 50 years. The redesign began in FY 2004, and the scope and pace of the changes over the next few years is unprecedented.

The Army is converting from a division-centric structure to a modular brigade combat team structure, i.e., the brigade combat teams (BCTs). The FY 2006 budget

supports the aggressive conversion of the Army to 43 BCTs by the end of the fiscal year. Each new modular brigade is a stand-alone, self-sufficient and standardized tactical force of 3,500–4,000 Soldiers. The BCTs are more rapidly deployable, more capable of independent action and more responsive to regional combat commanders.

In his testimony on the Modular Force before the House Armed Services Committee, the Secretary of the Army stated:

By larger, we mean that we will grow the Operational Army from 33 to 43 Brigade Combat Teams. Let me note here that because the Brigade Combat Team is a much more capable and powerful unit, it is not particularly useful to only talk about the mandated endstrength of the Army. It is more useful to talk about the number of units as well as the combat power of those individual units. Because, at the end of the day, it is the total combat power of the Operational Army that counts.

Consequently, these brigades are more strategically responsive across the broad spectrum of operations required by the 21st century security environment. Furthermore, because of the standardization, a Heavy Brigade Unit of Action in, say, the 3rd Infantry Division, will be exactly the same as any other Heavy Brigade, thus aiding in planning and logistics. Additionally, we are developing standardized Support Brigades and higher headquarters.

This transformational effort will result in a force with a number of key advantages. First, there will be a 30 percent increase in our active component's combat power by 2007, an increase from 33 to 43 Brigade Combat Teams as I previously stated. Second, the number of useable Brigade Combat Teams in the rotational pool will be increased from 48 to 77. Third, the headquarters will be joint-capable and organized the way it will operate in theater. Fourth, future network-centric developments can be readily applied to the modular force design. Finally, and very importantly, when complete, modularity in combination with rebalancing the type of units in both the Active and Reserve Components will significantly reduce the stress on

the force because of a more predictable rotational cycle for all components of the force, coupled with a much longer dwell time at the home base.<sup>13</sup>

To generate additional military personnel for the BCTs and the operational forces, some military billets will be converted to civilian jobs in institutional parts of the Army.

### **Initiative: Rebalancing Active and Reserve Component Units and Skills**

Rebalancing is another of the nine initiatives under the Army Strategy, providing relevant and ready landpower to combatant commanders. During the past 30 years, the Army deliberately assigned responsibility for certain capabilities to the reserve component, e.g., about 66 percent of combat support and 72 percent of combat service support in general, and 98 percent of civil affairs and psychological operations in particular. As the current and foreseeable security environment suggests, the active component needs more of certain capabilities for early deployment, and the reserve component needs more of some types of units and fewer of others.

The ultimate objective is to increase infantry and high-demand units in the active component and reduce the need to immediately mobilize reserve units. Therefore, the Army is rebalancing the mix of units between and also within the components to generate a relevant and versatile force for the GWOT and future threats.

The Army is addressing high-demand unit shortages first, e.g., military police, military intelligence, Special Forces, chemical civil affairs and psychological operations. Approximately 30,000 force structure spaces across all components will be affected initially, and more than 100,000 positions will be altered between FY 2004 and FY 2009.

### **Initiative: Stabilizing Soldiers and Units**

Stabilizing is a third of the nine initiatives under the Army Strategy, providing relevant and ready landpower to combatant commanders. Stabilizing involves both the way the Army assigns Soldiers to units and the management of the force structure for deployments.

In general, Soldiers will be assigned to their posts for greater periods of time compared to the typical tour lengths

today, and Soldiers' assignments to BCTs will be synchronized with the operational cycle of the unit.

As the number of BCTs in the force increases, the operational cycles of the units should be more predictable, with the goal being one deployment every three years for the active component and one deployment every six years for the reserve component. After a deployment, the unit will be in a "reset" status for a year or more and then will be in the pool of ready forces for potential deployment for some number of years.

For the warfighting mission, the combination of the longer time at a post and the predictability of deployments should foster more training proficiency and unit cohesion. For the quality of life for Army families, the stability and predictability should allow more opportunity for deeper roots within a community, continuity of schooling and health care, home ownership and employment.

### **Forces Engaged in Operations**

The Army is conducting operations in Iraq, Afghanistan, and some 120 other countries around the world today and anticipates similar operational levels in FY 2006. As part of the joint and coalition team, the Army is conducting wartime operations in Afghanistan and Iraq, and peacetime operations with allies and friends around the world. As a result of the war and worldwide commitments, current organizations, systems and facilities are and will continue to be stressed.

The Army is executing:

- homeland defense operations (Operation Noble Eagle);
- stability and support operations in the Balkans (Stabilization Force/Kosovo Force);
- peacekeeping operations in the Sinai as part of the Multinational Force and Observers (MFO);
- combat operations in Afghanistan and elsewhere (Operation Enduring Freedom) and in Iraq (Operation Iraqi Freedom); and
- peacetime operations in forward-stationed locations including Korea, Europe and elsewhere.

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<sup>13</sup> Secretary of the Army Francis J. Harvey, Opening Statement (As Prepared) of Honorable Francis J. Harvey and General Peter J. Schoomaker Before the House Armed Services Committee, Washington, D.C., 9 February 2005.

## Endstrength

Endstrength refers to the number of personnel spaces *authorized* by Congress and the *actual* number of Soldiers and civilians in the Army at a point in time. Both authorized and actual endstrength are managed for each of the components: active Army, Army National Guard, Army Reserve and Army civilians. However, budgets and appropriations for people are clearly identifiable for only the military components and not the civilian component.

During the 1990s, endstrength for each of the components was reduced and each reached new, lower levels by FY 2000. The FY 2006 budget proposes endstrengths consistent with those levels—482,400 in the active Army, 350,000 in the Army National Guard, 205,000 in the Army Reserve and 233,000 civilians.

See figures 7, 8 and 9 for endstrength trends for the active, reserve and civilian components from the end of the Cold War to the proposals for FY 2006.

*NOTE: The FY 1989–2004 numbers are actual endstrength, the FY 2005 numbers are authorized levels, and the FY 2006/07 numbers are proposed in the President’s Budget submitted to Congress.*

The actual endstrength of the active Army is currently about 650,000, which includes 30,000 in emergency authorizations and about 140,000 mobilized Army National Guard and Army Reserve Soldiers.

## PERSONNEL BUDGETS

The MILPERS group of appropriations includes all military pay and allowances, i.e., Military Personnel, Army (MPA), National Guard Personnel, Army (NGPA) and Reserve Personnel, Army (RPA). Civilian pay is not centralized in a single appropriation; the majority is in Operation and Maintenance appropriations, but some is included in eight other appropriations.

### Military Personnel

The MILPERS appropriations are single year-specific and centrally managed. The appropriations include funds for pay and allowances, benefits and incentives, subsistence and permanent changes of station for Soldiers. Entitlements, overseas strength and numbers of married Soldiers also impact on these appropriations.

Military Personnel appropriations for the active Army, Army National Guard and Army Reserve are summarized

in table 37. These appropriations comprise about 42 percent of the Army Budget request for FY 2006 prior to any supplemental; civilian pay comprises an estimated 16 percent more of the Army budget.

All the military pay appropriations include a 3.1 percent pay raise in FY 2006, effective on 1 January 2006.

Military Personnel, Army for FY 2006 includes the following:

- 26.4 percent for officer pay;
- 57.1 percent for enlisted pay;
- >1 percent for cadet pay;
- 4.5 percent for subsistence of enlisted personnel;
- 3.6 percent for permanent change of station (PCS) travel;
- >1 percent for other military personnel costs; and
- 7.4 percent for the Medicare-Eligible Retiree Health Fund Contribution.

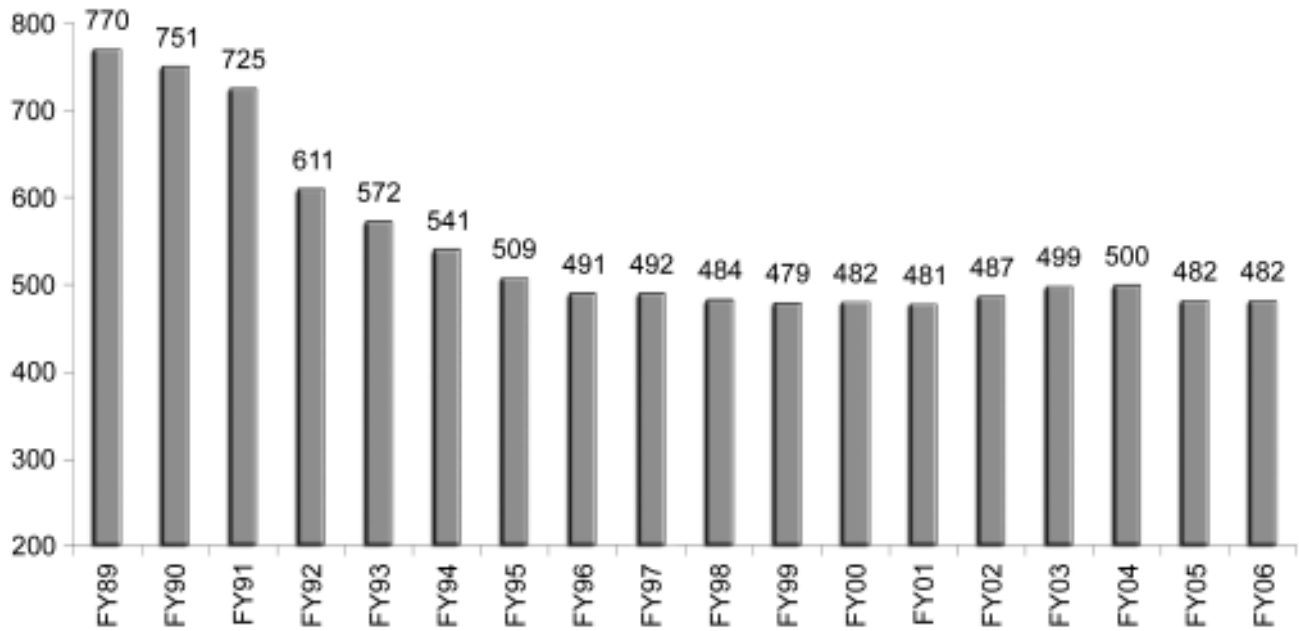
Substantial portions of MPA are for the Basic Allowance for Housing (\$3.9 billion), military retired pay accrual (\$4 billion) and the Medicare-Eligible Retiree Health Fund Contribution (\$2.6 billion). The Basic Allowance for Housing maintains zero out-of-pocket housing costs for military personnel living in nongovernment housing, which as recently as 2001 was 18 percent of the cost for private housing.

The National Guard Personnel, Army appropriation for FY 2006 finances the costs to train, educate and prepare Army National Guard military personnel for their federal missions:

- This includes basic pay, incentive pay, basic allowances for subsistence and housing, clothing, tuition, education benefits, travel and per diem, other pay and allowances, permanent changes of station, hospitalization and disability, death gratuities, retired pay accrual, the government’s share of FICA (Federal Insurance Contributions Act, better known as Social Security contributions), schools, (e.g., career development, refresher training, pilot training, military occupational specialty qualification training, new equipment training) and special training including missions to support combatant commanders’ initiatives to reduce Army personnel tempo (PERSTEMPO).

Figure 7

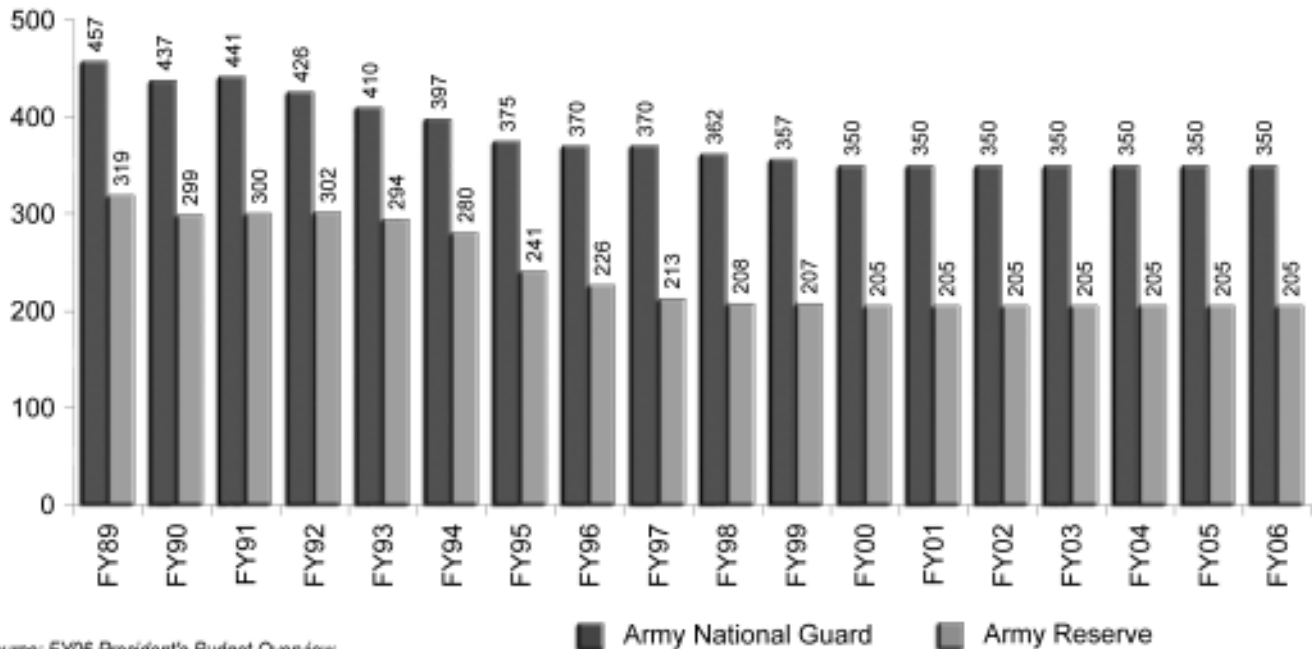
**Active Component Personnel Endstrength  
(Thousands)**



Source: DoD Greenbook Table 7-5

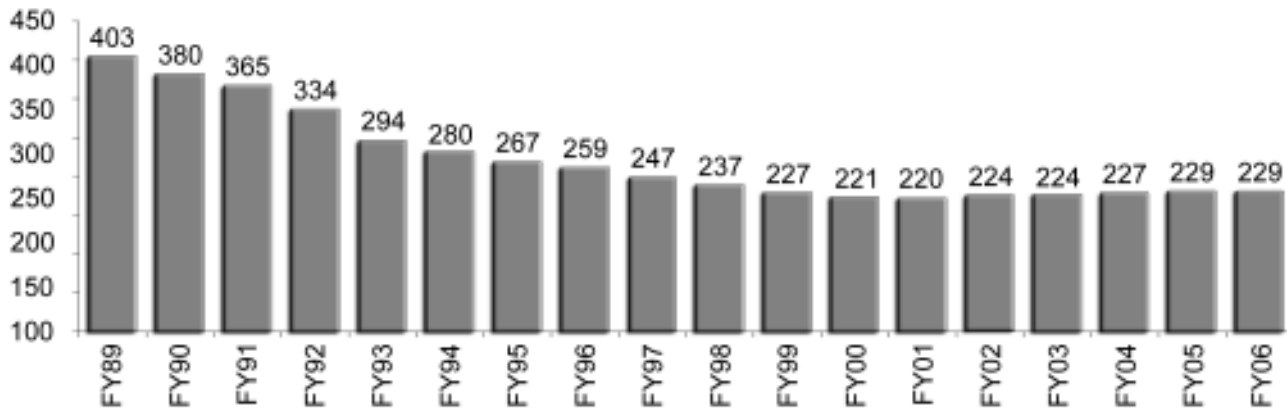
Figure 8

**Reserve Component Personnel Endstrength  
(Thousands)**



Source: FY06 President's Budget Overview

**Civilian Personnel Endstrength  
(Thousands)**



Source: DoD Greenbook Table 7-5

**Military Personnel Appropriation  
(\$ billions\*)**

	FY04	FY05	FY06	FY07
Military Personnel Army (MPA)	40.4	30.3	31.1	32.2
National Guard Personnel Army (NGPA)	5.2	6.0	6.3	6.9
Reserve Personnel Army (RPA)	3.4	3.7	4.0	4.2
<b>Total</b>	<b>49.0</b>	<b>40.0</b>	<b>41.4</b>	<b>43.3</b>
* Numbers may not add due to rounding.				
Source: Army FY06 President's Budget Highlights				

- Additionally, the NGPA appropriation supports homeland defense efforts by providing Active Guard and Reserve (AGR) members for the Ground-Based Midcourse Defense (GMD) mission, and Soldiers for 55 Civil Support Teams (CSTs) and 12 Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) Enhanced Response Force Package (CERFP) teams. At least one CST is in each state and territory as directed in the FY 2003 National Defense Authorization Act. The final 11 Civil Support Teams, established in FY 2005, are on track for certification by 30 September 2007. The 12 CERFP teams consist of 78 members, 80 percent Army National Guard.

These Soldiers are members of M-day (the first day of mobilization) units with the weapons of mass destruction (WMD) response mission as an additional duty. The CERFP teams respond following CSTs and before the full federal response. The teams provide capabilities for casualty extraction, casualty decontamination, limited medical triage and security.

- The NGPA appropriation includes a reduction in Annual Training (AT) and Inactive Duty Training (IDT) due to mobilization. Through FY 2005, the budget includes Defense Health Program Accrual (DHPA); subsequently, it displays the Medicare-Eligible Retiree Health Fund Contribution.

The FY 2006 NGPA is distributed as follows:

- 30.6 percent (\$1.9 billion) for unit and individual training paid drill strength;
- 19.4 percent (\$1.2 billion) for the Medicare-Eligible Retiree Health Fund Contribution;
- 4.8 percent (\$0.3 billion) for school training;
- 3.2 percent (\$0.2 billion) for special training;
- 38.7 percent (\$2.4 billion) for administrative support; and
- 3.2 percent (\$0.2 billion) for education benefits.

The Reserve Personnel, Army appropriation for FY 2006 finances pay, benefits and allowances for Army Reserve Soldiers while on Annual Training, while performing Inactive Duty for Training (weekend drills), while on active duty for school training, special training and special work, and payment for participation in Military Funeral Honors.

- The appropriation also provides funding for 15,270 Army Reserve members serving on active duty in an Active Guard and Reserve status. The AGR Soldiers provide full-time support that enables Army Reserve units to achieve readiness.
- The RPA also provides funds for the Health Professions Scholarship Program (HPSP), the Chaplain Candidate Program (CCP) and College First Program. The budget request fully funds most programs, but it contains a measured/calculated risk in the funding levels for Inactive Duty for Training of Troop Program Units (TPUs).

The FY 2006 RPA appropriation is distributed as follows:

- 32.5 percent (\$1.3 billion) for unit and individual training paid drill strength;
- 17.5 percent (\$0.7 billion) for the Medicare-Eligible Retiree Health Fund Contribution;
- >.1 percent (\$0.02 billion) for Individual Mobilization Augmentees (IMAs) and mobilization training;
- 5.0 percent (\$0.2 billion) for school training;
- 37.5 percent (\$1.5 billion) for administrative support;
- 5.0 percent (\$0.2 billion) for special training; and
- 2.5 percent (\$0.1 billion) for education benefits.

### **Civilian Personnel Pay**

Civilian personnel compensation, unlike military personnel pay, is in the various appropriations where the civilian employees work. The Army Budget for FY 2006 includes about \$15.6 billion for civilian compensation—nearly 16 percent of the budget. The civilian component includes both direct and indirect hires (direct hires are employees on the Army’s payroll, and indirect hires are individuals who work for the Army but are on the payroll of other organizations, e.g., a host nation).

The Army Budget for FY 2006 includes 233,000 civilian employees who work in the following appropriations:

- Direct hires:
  - 54.5 percent (127,000) in Operation and Maintenance, Army (OMA);
  - 12 percent (28,000) in Operation and Maintenance, Army National Guard (OMNG);
  - 5.2 percent (12,000) in Operation and Maintenance, Army Reserve (OMAR);
  - 7.7 percent (18,000) in Research, Development, Test and Evaluation (RDT&E);
  - 2.1 percent (5,000) in Military Construction (MILCON);
  - 0.4 percent (1,000) in Family Housing; and
  - 10.7 percent (25,000) in Defense Working Capital Fund.
- Indirect hires:
  - 6.9 percent (16,000) in OMA; and
  - 0.4 percent (1,000) in Other.

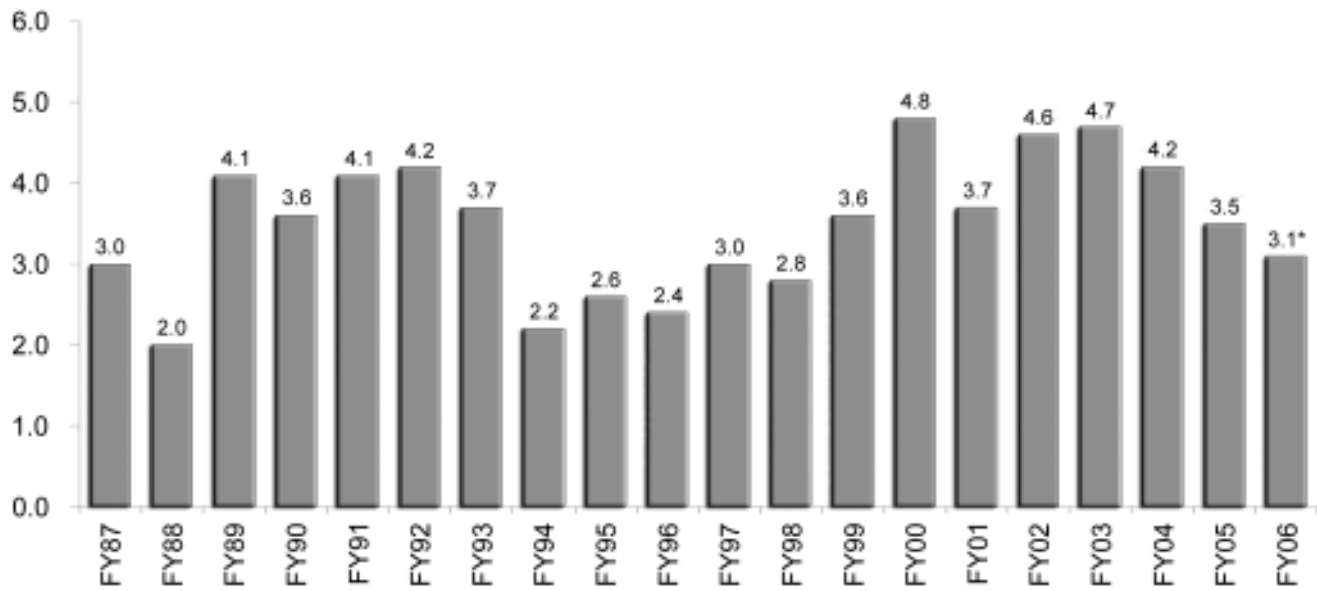
Nearly 72 percent of all Army civilians (direct and indirect hire) are in the O&M group—OMA, OMNG and OMAR. The Army civilian workforce brings knowledge, skills and experience to ensure continuation of operations. Army civilians work side-by-side with Soldiers in more than 50 countries. Army civilians are essential to the readiness of the force and the sustainment of operations in the United States and overseas. Attracting and retaining dedicated and quality civilian employees is both challenging and essential.

### **Pay Rates**

The Army’s budget for FY 2006 includes a military pay raise of 3.1 percent and a civilian pay raise of 2.3 percent beginning on 1 January 2006. Military compensation is the major factor in the MILPERS appropriations; civilian compensation is a major factor in the O&M group of appropriations. Therefore, pay-raise rates are basic indicators of how much those appropriations will increase over time. Figures 10 and 11 show the military and civilian pay raise rates since 1987.

Figure 10

### Military Pay Raise Profile (Percentage)

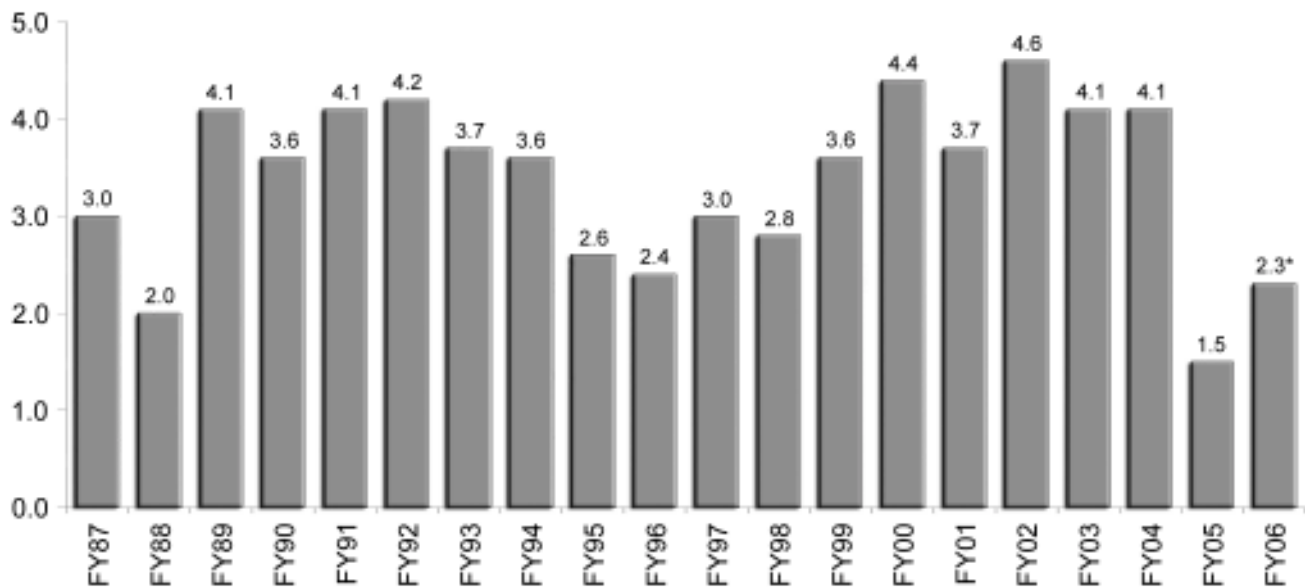


\* FY06 is President's Budget request.

Source: National Defense Budget Estimates FY06, Table 5-3

Figure 11

### Civilian Pay Raise Profile (Percentage)



\* FY06 is President's Budget request.

Source: National Defense Budget Estimates FY06, Table 5-3

## OPERATION AND MAINTENANCE

The Operation and Maintenance appropriations support readiness by funding:

- ground and air operating tempo;
- institutional and collective training;
- recruiting;
- mobilization operations;
- installation management;
- logistics; and
- servicewide support.

O&M also supports programs that benefit Soldiers' families and includes pay and benefits for 72 percent of the Army's civilian component.

In FY 2006, the O&M appropriations account for 32 percent of the Army Budget; by comparison, O&M appropriations with the supplemental dollars for the GWOT in FY 2004 account for 44 percent of Army expenditures. A comparison of FY 2006 and FY 2005 O&M budget appears to show no change, but FY 2006 includes real reductions when pricing adjustments, e.g. inflation and pay raises, are considered. The reductions are for future efficiencies from an examination and reengineering of existing processes and from reductions in OPTEMPO related to unit rotations.

A substantial portion of O&M goes toward preparing for warfighting readiness, i.e., OPTEMPO. The OPTEMPO strategy focuses on those units not participating in Operation Iraqi Freedom or Operation Enduring Freedom. The highly dynamic environment creates uncertainties about rotational deployments, but units preparing to deploy, deployed and returning from deployments are not available for readiness training. Therefore, the Army took some risk in OPTEMPO based on rotations and will evaluate these units during the year of execution and mitigate, as necessary, any risks to readiness.

The O&M group includes three appropriations:

- Operation and Maintenance, Army (OMA) for the active component;
- Operation and Maintenance, Army National Guard (OMNG); and
- Operation and Maintenance, Army Reserve (OMAR).

The O&M appropriations include four Budget Activities (BAs):

- BA1, Operating Forces;
- BA2, Mobilization;
- BA3, Training and Recruiting; and
- BA4, Administration and Servicewide Support.

The active Army OMA uses all four BAs, but the reserve component appropriations use only BA1 and BA4. O&M appropriation, BA and subactivity data are in table 38.

### Operation and Maintenance, Army (OMA) Overview

The OMA budget reflects the Army's commitment to focus resources on warfighting capabilities and value-added functions and to maximize efficiency. The appropriation supports active Army ground OPTEMPO at an overall rate of 850 training miles and a flying hour program at 13.1 flying hours per crew per month.

Overall, the FY 2006 budget includes a \$761.3 million increase for pricing adjustments (e.g., inflation and pay raises) and a \$734.4 million decrease in programmatic adjustments. A large part of the decrease is for savings from the examination and business reengineering initiatives of existing processes, rather than broad decrements to programs. The Army may require congressional action to implement some of these initiatives.

The OMA budget supports modularity through the military-to-civilian conversion initiative. The budget also supports ongoing operations in Kosovo but relies on a supplemental for OIF and OEF.

### Budget Activity 1, Operating Forces

The BA1 includes \$15.3 billion or 15 percent of the entire Army Budget—more than most appropriations. The amount of the budget and the significance of the activities to the Army's mission require a substantial discussion of this Budget Activity. The Operating Forces BA includes three budget activity groups:

- Land Forces—provides resources for distinct facets of the operating forces (e.g., divisions, corps combat forces, corps support forces and echelon above corps forces) and special force-related training activities (i.e., Combat Training Centers, or CTCs).

**Army Operation and Maintenance**  
(*\$ millions* \*)

	FY04	FY05	FY06	FY07
<b>Operation and Maintenance, Army (OMA)</b>				
<b>BA1: Operating Forces</b>				
Land Forces	3,945	4,564	3,861	4,086
Land Forces Readiness	4,307	3,519	3,715	3,756
Land Forces Readiness Support	35,777	21,236	7,726	7,792
<b>BA1 Subtotal</b>	<b>44,029</b>	<b>29,319</b>	<b>15,302</b>	<b>15,634</b>
<b>BA2: Mobilization</b>				
Mobility Operations	536	412	357	452
<b>BA2 Subtotal</b>	<b>536</b>	<b>412</b>	<b>357</b>	<b>452</b>
<b>BA3: Training and Recruiting</b>				
Accession Training	422	393	443	434
Basic Skills and Advanced Training	1,663	1,746	1,930	1,918
Recruiting and Other Training and Education	1,067	1,123	1,161	1,154
<b>BA3 Subtotal</b>	<b>3,152</b>	<b>3,262</b>	<b>3,534</b>	<b>3,506</b>
<b>BA4: Administration and Servicewide Support</b>				
Security Programs	915	957	920	881
Logistics Operations	4,002	1,851	1,895	2,105
Servicewide Support	2,895	2,868	2,978	3,146
Support of Other Nations	342	310	330	334
<b>BA4 Subtotal</b>	<b>8,154</b>	<b>5,986</b>	<b>6,123</b>	<b>6,466</b>
<b>Total OMA</b>	<b>55,871</b>	<b>38,979</b>	<b>25,316</b>	<b>26,058</b>
<b>Operation and Maintenance, Army National Guard (OMNG)</b>				
<b>BA1: Operating Forces</b>				
	4,107	4,157	4,170	4,432
<b>BA4: Administration and Servicewide Support</b>				
	352	293	340	376
<b>Total OMNG</b>	<b>4,459</b>	<b>4,450</b>	<b>4,510</b>	<b>4,808</b>
<b>Operation and Maintenance, Army Reserve (OMAR)</b>				
<b>BA1: Operating Forces</b>				
	1,796	1,828	1,824	2,047
<b>BA4: Administration and Servicewide Support</b>				
	239	160	163	171
<b>Total OMAR</b>	<b>2,035</b>	<b>1,988</b>	<b>1,987</b>	<b>2,218</b>
* Numbers may not add due to rounding.				
Source: Army FY06 President's Budget Highlights and O-1 exhibits				

- Land Forces Readiness—includes key activities essential to operational readiness, such as depot maintenance, participation in joint exercises and combat development.
- Land Force Readiness Support—provides for infrastructure maintenance and support, management headquarters, unified command support and special activities of the operating forces to include contingency operations.

The BA1 supports OPTEMPO and readiness-related initiatives, i.e., the Army Modular Forces Initiative, Rapid Fielding Initiative (e.g., improved protection for Soldiers) and the aviation restructure. The budget reduces both ground and air OPTEMPO funding by 15 percent between FY 2005 and FY 2006 to support other readiness-related initiatives. The OPTEMPO reduction relates to a decrease in both ground and air training events due to nonavailability of units participating in OIF and OEF, i.e., units preparing to deploy, deployed or

recovering from deployment and not available for training events. The Army will evaluate the units' training during the execution year to reassess and mitigate risks to readiness as necessary.

- Ground OPTEMPO encompassing actual miles driven for home station training (HST) and Combat Training Center rotations, as well as virtual miles associated with using simulators, such as the Close Combat Tactical Trainer (CCTT) and the Unit Conduct of Fire Trainer (UCOFT). The mileage metrics for the active Army in FY 2006 are 765 live miles (HST and CTC) and 85 virtual miles (CCTT and UCOFT) for a total of 850 miles.
- Flying Hour Program continues to be funded to achieve recent historical execution levels of 13.1 live flying hours per aircrew per month (h/c/m) for the active component.

The budget supports a rigorous annual program of tough, realistic combat training with Combat Training Center rotations:

- 11 brigade rotations (10 active component and one Army National Guard) through the National Training Center;
- 11 brigade rotations (nine active component and two Army National Guard) through the Joint Readiness Training Center; and
- four brigade rotations through the Combat Maneuver Training Center.

The Battle Command Training Program will conduct three Corps Warfighter exercises and train seven division-level command and staff groups. Additionally, the Army will provide the same realistic combat training for five attack aviation battalions through the Joint Air Ground Center of Excellence program. This program is executed in Europe (Victory Strike Exercise) and at the Western Army National Guard Aviation Training Site.

Other programs grew with the reduction and redistribution of OPTEMPO, including:

- improvements in force protection and survivability for Soldiers through RFI sustainment and improved Organizational Clothing and Individual Equipment (OCIE) (\$123.0 million);

- moving maintenance workload from tactical units to depots and/or contractors through the use of Contractor Logistics Support (CLS) contracts (\$95.6 million);
- air and ground systems Class IX repair parts (\$72.7 million);
- improvements in the Army's capability to train modular brigades, commanders and their staffs through the CTCs and Battle Command Training Program (BCTP) (\$31.7 million); and
- Flying Hour Program (FHP) restructuring that increases the number and mix of pilots and aircraft in aviation units (\$27.7 million).

The FY 2006 budget includes five deep-attack rotations for AH-64 Apache helicopter battalions at the Joint Air Ground Center (JAGC); the goal is six deep-attack rotations per year to provide all AH-64 battalions with the same tough, realistic combat training every two years.

Critical Training Enablers funding increases by \$140.7 million from FY 2005 to FY 2006. This includes a variety of upgrades, improvements and enhancements to individual ranges at the five Army Training Centers (ATCs) where basic training takes place and supports Army Modular Forces and the Task Force Soldier (TF Soldier) initiative.

BA1 increases funds for management and maintenance of land associated with strengthening combined/joint warfighting training capabilities to meet combatant commanders' ground force needs, to support pre- and post-mobilization training by the reserve component, and to support the expansion of 10 brigade combat teams and the addition of two Stryker Brigades by FY 2006.

The FY 2006 budget expands operational capabilities for the Guardian Brigade/CBRNE Command by \$35.1 million. The CBRNE operational headquarters provides technical operations to detect, identify, assess, render safe, dismantle, transfer and dispose of CBRNE incident devices/materials/unexploded ordnance (UXO), and/or improvised explosive devices (IEDs).

BA1 provides funds for developing the Future Force. In FY 2006, the U.S. Army Futures Center will validate science and technology priorities, spiral successful technologies into the current force, lead future force experimentation and synchronize and integrate Army capabilities with joint, interagency and multinational capabilities.

This activity includes funds for essential improvements to mission-critical command and control communications in support of the high tempo of ongoing global military operations. Improvements include systems such as Secure/Nonsecure Internet Protocol Router Network (SIPRNet/NIPRNet), mission-specific voice and data circuits and related engineering and installation. Improvements also include support of worldwide server consolidation, in conjunction with the Global Information Grid Bandwidth Expansion (GIG-BE) program. Additionally, the funding procures commercial satellite airtime to augment military satellite capacity, ensuring uninterrupted support to ongoing operations.

The Depot Maintenance Program increases by \$200 million from FY 2005 to FY 2006 but is funded at 73 percent of requirement. The Depot Maintenance requirements continue to grow with the continual and harder operational flying and driving, and with training under more realistic conditions. The Recapitalization (RECAP) program, to bring equipment to a zero-mileage state, continues to be a major driver of the Depot Maintenance Program and remains fully funded in FY 2006, although the number of systems budgeted in Operation and Maintenance decreases from 11 to 10 in FY 2006 because the High-Mobility Multipurpose Wheeled Vehicle (HMMWV) program transfers to the Procurement Appropriation.

As the Army becomes a modular force, technical support of the systems currently used by the Soldier must be sustained. Sustainment Systems Technical Support (SSTS) pays for the sustainment of 48 additional transitioning weapon systems, based on Army decisions to accelerate fielding of items that directly support mobility, deployment and sustainment.

Installations are platforms for projecting military power, supporting tough, realistic training and providing support to Soldiers, their families and civilians. The budget focuses on four essential installation management tasks: (1) posturing crucial installations as power-projection platforms with robust reachback capabilities; (2) adjusting installation support to meet the needs of an Army at war; (3) providing the required infrastructure to support training and mobilization of active and reserve component Soldiers; and (4) supporting the well-being of Soldiers and their families.

The budget also supports the Army's long-term focus to transform its installations into quality Information Hubs, Combat Preparation and Sustainment Support Centers, Deployment Platforms and Secured Holistic Communities. The activity provides Base Operation Support (BOS) for the day-to-day operations of Army installations at 71.6 percent of requirements; and Sustainment, Restoration and Modernization (SRM) for the sustainment, renovation and modernization of facilities on installation at 91 percent of requirements. Within SRM, the budget provides 91.3 percent of facilities sustainment requirements. BOS and SRM together comprise a network of integrated support services that directly impact Soldier readiness and quality of life.

Additionally, BA1 provides funds to support the cost of repositioning units as a result of the Integrated Global Presence and Basing Strategy (IGPBS) and, beginning in FY 2005, BA1 includes funds for day-to-day operations of forces deployed to Kosovo.

### **Budget Activity 2, Mobilization**

BA2, Mobilization, accounts for less than 2 percent of O&M at \$0.36 billion in FY 2006, down from \$0.41 billion in FY 2005. Although small, mobilization remains essential to Army deployment capability. Most of the funds are for Strategic Mobilization (69.5 percent), with almost all of the balance in Army Prepositioned Stocks (28 percent), and only 2.5 percent in Industrial Preparedness.

- Strategic Mobilization provides the capability to immediately deploy a combat-capable brigade along with a warfighting division and associated force structure to any emergency crisis worldwide. This subactivity group includes the activation and upload of large, medium speed roll-on/roll-off (LMSR) ships for the prepositioned afloat set and container procurements. This subactivity group also funds the Oman Access and the Bahrain Lease for critical storage space. Overall, the Army Power Projection Program (AP3) decreases by \$60 million in FY 2006. This program decrease is primarily the result of two ships being taken out of service and the elimination of maintenance costs for stocks that will not be used in current operations.
- The Army Prepositioned Stocks (APS) subactivity group represents the Army's capability to power-project brigade and unit sets, operational projects and sustainment supplies, immediately from the

continental United States (CONUS), Europe, South-west Asia, South Korea, Japan or Hawaii to trouble spots anywhere in the world. The Army Prepositioned Stocks Program decreased \$4 million due to reduced cost of Care of Supplies in Storage (COSIS) and reduced cyclic maintenance cycles of ships.

- Industrial Preparedness finances industrial analysis to help the Army obtain end item and repair part support (excluding ammunition), and weapon system acquisition. Industrial Preparedness Operations decreased by \$4.7 million due to the elimination of one-time FY 2005 congressional increases for Industrial Mobilization capacity and for the purchase of specialty containers.

### **Budget Activity 3, Training and Recruiting**

BA3, Training and Recruiting, proposes \$3.5 billion in FY 2006, up from \$3.3 billion in FY 2005. This BA includes three activity groups:

- Accession Training—produces trained Soldiers and officers to meet force structure requirements;
- Basic Skill and Advanced Training—produces technically competent leaders; and
- Recruiting, Other Training and Education—ensures recruiting quality Soldiers and provides continuing education for Soldiers and civilians.

The Senior Reserve Officer Training Corps (SROTC) produces more than 70 percent of all U.S. Army officers through scholarships and other support. In FY 2006, the Army consolidates all SROTC scholarships under one account, transferring funds from the Operation and Maintenance Accounts of the Army National Guard and the Army Reserve along with funds from Reserve Personnel, Army to facilitate the management of the SROTC scholarship program.

Increases in FY 2006 include:

- \$59.1 million for the Defense Language Institute (DLI) to achieve greater proficiency across the force, to reduce the backlog of students awaiting language instruction, and to establish a four-week crash course for servicemembers prior to deployment;
- \$46.9 million increase in flight training for changes to the Program of Instruction at the Aviation Center and

School (part of the Army Aviation Flight Training Transition program), along with reducing the size of the student backlog for flight training and training for over-water flight emergencies;

- \$65.1 million in the Basic Skill and Advanced Training subactivity group for increases in demand for repair parts resulting from increases in student throughput and the aging of parts and equipment. The development of training doctrine and materials for the Warrior Ethos curriculum in Initial Entry and Noncommissioned Officer Education System (NCOES) training also drives this increase.
- \$51.7 million for the Army's Civilian Intern Program to bolster its entry-level programs in anticipation of projected losses to the civilian workforce due to retirements beginning in FY 2006.

### **Budget Activity 4, Administration and Servicewide Support**

BA4, Administration and Servicewide Support, proposes \$6.1 billion or 24 percent of all OMA. This BA includes four activity groups:

- Security Programs—supports intelligence and security efforts through the National Foreign Intelligence Program and the Joint Military Intelligence Program;
- Logistics Operations—supports movement of Army materiel worldwide and manages end items, ammunition and logistics support activities;
- Servicewide Support—provides for Army Management Headquarters Activities, the Army Claims program, the Defense Finance and Accounting System (DFAS), telecommunications, information systems, personnel programs and commissaries; and
- Support of Other Nations—fulfills the U.S. commitment to the North Atlantic Treaty Organization (NATO) and supports combatant commanders' security cooperation strategies.

The Global War on Terrorism requires deployments and sustainment of operations over great distances, simultaneously, in multiple locations, at a fast pace and over a long and indeterminate period of time. This type of operations requires a CONUS-based virtual-combat infrastructure to provide real-time support to active Army, Army National Guard and Army Reserve units. BA4

provides funds for centralized programs, including the CONUS-based virtual-combat infrastructure.

Communication and connectivity are essential for the virtual-combat infrastructure, interoperability and maneuverability—and to the success of the Army Modular Force. The budget provides for key readiness enablers for the war and knowledge-based future force, including satellite communications, long-haul communications, the “Connect the Logistician” program computer security and consolidation initiatives such as a single Microsoft Enterprise Agreement.

The Sustainment System Technical Support (SSTS) program provides vital engineering and technical support to postproduction weapon systems. This service is a major readiness factor as the Army modifies and enhances the existing inventory of equipment. Conventional Ammunition Management increases relate directly to increases in combat and training requirements

Army Contracting Agency increases reflect the growth generated by two current pressures: the Global War on Terrorism and the President’s Management Agenda push to outsource. These two pressures increase the number, size and complexity of CONUS-based contracting activities.

## **OMNG Overview**

The Operation and Maintenance, Army National Guard (OMNG) appropriation provides for the needs of Army National Guard Soldiers both on and off the battlefield. OMNG provides for the day-to-day operational and readiness training activities of Army National Guard forces in the 50 States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, the Territory of Guam and the District of Columbia. The FY 2006 budget leverages resources to enhance units, training, and warfighting and homeland security capabilities.

The Army National Guard is and will remain engaged in state missions, homeland defense and security, and multiple and extended overseas deployments. The goal is to have about 25 percent of each state’s Army National Guard force engaged in the warfight, another 25 percent training to replace those already deployed, and at least 50 percent available to the governors for state missions. Additionally, the goal is to have no more than one substantial deployment every six years for Army National Guard Soldiers.

To achieve these goals, the Army National Guard is rebalancing forces nationwide to more evenly distribute the burden and to enhance capabilities in each state. Additionally, the Guard is focusing on readiness—the result of adequate resources to train and relevant training to produce reliable and accessible forces—which is paramount to accomplish the mission.

The Army National Guard is also creating 12 CBRNE Enhanced Force Response Packages (CERFPs). These CERFPs will have civil support teams trained to detect chemical, biological and nuclear agents; ground combat personnel to be used for security missions; engineers trained for search and rescue missions; and medical units equipped to perform mass decontamination and triage. In addition, the Guard’s weapons of mass destruction Civil Support Teams operate daily in civilian communities, providing emergency response when needed. These CSTs have the communications technology capability to communicate immediately with local, state and federal agencies.

OMNG provides funding in two Budget Activities: BA1, Operating Forces, and BA4, Administrative and Servicewide Activities.

## **Budget Activity 1: Operating Forces**

The Operating Forces funds support the same three subactivity groups as the OMA: Land Forces, Land Forces Readiness and Land Forces Readiness Support OPTEMPO. Ground OPTEMPO decreases slightly (2 percent) from FY 2005 to FY 2006 in recognition of the significant number of Soldiers and units mobilized and deployed, i.e., “CONOPS (Concept of Operations) Off-Set.” Current funding is at 96 percent of requirements.

- The Ground OPTEMPO mileage metrics in FY 2006 are 190 live miles (HST and CTC) and 57 virtual miles (CCTT and UCFT) for a total of 247 tank miles.
- The Air OPTEMPO program increases 18 percent from FY 2005 to FY 2006 but is funded at only 78 percent of requirements. The revised funding is based on Army leadership decisions and supports 7.6 hours per crew per month versus the Combined Arms Training Strategy (CATS) of 9.9 hours per crew per month. Mobilization of Army National Guard aviation units beginning in FY 2003 reduced the home station flying hours requirement; but modernization and transformation drive up the cost of home station training.

Readiness increases from FY 2005 to FY 2006 include \$9 million in critical Training Enablers that support Army Modularity with the Task Force Soldier initiative. This increase is a result of the additional operation and maintenance costs to execute training and a variety of upgrades to training ranges.

Institutional Training increases from FY 2005 to FY 2006 by \$24 million. The majority of this increase supports the Army Distance Learning Program for courseware development for Military Occupational Specialty Qualified (MOSQ) courses.

The Depot Maintenance Program increases by \$40 million, or 79 percent of requirements, from FY 2005 to FY 2006, with the majority of the growth supporting Tactical Wheeled Vehicle Maintenance in direct support of Army Modular Forces transformation. The Army National Guard depot maintenance program is based on a “repair and return to user” premise as opposed to an equipment maintenance “float” system. Unlike the active component, the Army National Guard does not have a quantity of selected end items authorized to use as immediate replacements by units when critical equipment is returned to the depot for repair.

For the past several years, risks taken in the budget for Base Operations Support resulted in funds migrating from other mission-essential programs to cover basic services during the year of execution. Between FY 2005 and FY 2006, BOS increases by \$60 million (10 percent) plus other redistributions for 73 percent of requirements, as follows:

- \$26 million for contracted security guards to replace Soldiers for protection of personnel and facilities at designated critical installations;
- \$7 million for Soldier well-being initiatives in the areas of Family Programs and Child and Youth Development Services, including a new program to provide a child-care cost stipend to offset the difference between civilian child-care costs and the cost of using child-care services on an active duty installation;
- \$19 million for Base Communications and Audio Visual;
- \$19 million in Base Operations (BASOPS);
- \$23 million in Real Property services; and

- a decrease of \$35 million in the Environmental Program as part of the Assistant Chief of Staff for Installation Management’s (ACSIM’s) initiative to transfer traditional environmental requirements (Conservation and Compliance) and their associated funding to the responsible proponent.

Additionally, the Facilities Sustainment, Restoration and Modernization program increases a modest \$27 million (7 percent) from FY 2005 to FY 2006. This increase supports the Army National Guard’s Facilities Sustainment program at 93.8 percent of validated requirements for preventive maintenance of utility systems, exterior maintenance of buildings, roof repairs and road repairs.

#### **Budget Activity 4, Administrative and Servicewide Activities**

This activity provides funds for Staff Management, Servicewide Communications, Manpower Management and Other Personnel Support. The FY 2006 budget includes some increases in this activity.

The Army National Guard recruiting effort failed to meet endstrength for the first time in eight years in FY 2004. Additionally, the Guard failed to meet the accession goal of a 50/50 ratio of non-prior service/prior service (NPS/PS). The ratio was 65/35 NPS/PS with training of NPS Soldiers straining limited Army National Guard resources.

The FY 2006 budget increases recruiting advertising by \$32.5 million (49 percent) to remedy the recruiting and retention problems. The budget also provides \$7.6 million for recruiting support to provide command leadership training geared toward monitoring unit attrition and developing viable courses of action to deter high attrition rates in units returning from OIF and OEF deployments. The budget also increases Tuition Assistance by \$14 million (71 percent) from FY 2005 to FY 2006; based on the high cost of education, Soldiers see this as an important benefit in their decision to enlist or reenlist.

The budget increases Base Information Management by \$7 million from FY 2005 to FY 2006. This increase supports the information technology (IT) requirements of the Army National Guard’s alternate, secure sites that will be occupied during periods of national or state emergencies as part of the Continuity of Operations Plan (COOP).

## OMAR Overview

The Operation and Maintenance, Army Reserve appropriation provides funds for operational, logistical, administrative, engineering and management support for the Army Reserve. This includes installation management, maintenance of real property, record maintenance and personnel support to retirees, veterans and their families. The appropriation provides for civilian pay, information systems, networks, telecommunications, supplies, fuel, equipment and base operations support.

The FY 2006 OMAR budget request is \$1.987 billion to support the force of 205,000 Army Reserve Soldiers; this includes 11,621 civilian employees, 8,344 of them military technicians.

Funding is provided in two Budget Activities: BA1, Operating Forces, and BA4, Administrative and Servicewide Activities.

- BA1, Operating Forces, consists of the following Budget Activity Groups (BAGs): Land Forces, Land Forces Readiness and Land Forces Readiness Support. BA1 includes funds for Operations and Force Readiness Support, Land Forces Systems Readiness and Depot Maintenance, Base Operations Support, Facilities Sustainment, Restoration and Modernization, and Management and Operational Headquarters.
  - BA1 is the primary readiness account providing direct support funds for air and ground OPTEMPO for POL (petroleum, oil and lubricants), repair parts (Class IX) and depot level reparable; and indirect by funding contractor services and supplies. The BA also pays for travel and transportation for units during training and for maintenance and military technicians.
  - BA1 also provides funding for Base Operations Support and Facilities Sustainment, Restoration, and Modernization activities that provide and maintain state-of-the-art, community-based installations and training sites.
- BA4, Administration and Servicewide Activities, provides funds for Administration, Servicewide Communications, Personnel and Financial Administration, and Recruiting and Advertising.

### Budget Activity 1: Operating Forces

The Operating Forces funds support the same three subactivity groups as the OMA: Land Forces, Land Forces

Readiness and Land Forces Readiness Support OPTEMPO. The funding level is essentially unchanged from FY 2005 to FY 2006. The budget supports ground OPTEMPO of 189 tank-equivalent miles and aviation at 6.4 live flying hours per aircrew per month.

The activity includes the transfer to the Army National Guard of \$46.4 million for Fort Buchanan, Puerto Rico, and a number of increases and decreases. The largest dollar increases include \$31.5 million for Base Operations, \$25.1 million for Depot Maintenance and \$9.1 million for Medical and Dental Readiness. The greatest decreases include \$134.7 million for Business Reengineering, \$58.6 million for Land Forces Initiatives and \$7.1 million for Real Property Management.

### Budget Activity 4, Administrative and Servicewide Activities

This activity provides funds for Staff Management, Servicewide Communications, Manpower Management and Other Personnel Support. The FY 2006 budget contains transfers, increases and decreases, including a transfer out of \$6.2 million for Senior ROTC Scholarships, an increase of \$4.9 million for Recruiting and a decrease of \$2.3 million for the Army Marketing Program.

## RESEARCH, DEVELOPMENT AND ACQUISITION

The Research, Development and Acquisition (RDA) portion of the budget refers to equipping Soldiers and units with superior materiel that provides the Army with combat overmatch to defeat the enemy quickly, decisively and with minimum casualties. Equipping the force is one of the key elements of transformation.

During the decade after the end of the Cold War, a commonly held view was that the nation had entered a less threatening security environment and therefore could reap a peace dividend. A part of the dividend was realized from skipping a generation of material systems. Unfortunately, the events of 9/11 radically altered the security environment—and confirmed the Army's decision to transform its capabilities.

The overall capability of the U.S. Army—or any army—is generated from a combination of various types of capabilities. These start with the men and woman who join the Army; the doctrine for dealing with the expected and coping with the unexpected; the individual training and

skill of the Soldiers and leaders; the equipment of Soldiers and units; the collective training of the units as part of the Army and joint team; and the sustainment of the force. Clearly, these capabilities are interrelated.

The modernization and recapitalization program continues the transformation of the materiel systems to ensure decisive and comprehensive full-spectrum ground combat capabilities in support of the National Military Strategy. The FY 2006 budget supports a fully integrated modernization and recapitalization program, plus the following:

- continues research and development of the Future Combat Systems, a strategically responsive and networked system-of-systems that will ensure “position advantage” over the enemy;
- spirals mature FCS capabilities to the current force in two-year increments;
- includes funding to purchase Stryker vehicles for a sixth Stryker Brigade Combat Team; and
- accelerates acquisition and fielding of Soldier items to provide deployed troops the latest available equipment, enhancing their combat capability.

### Budget for Top Ten Systems

A small number of Army materiel systems account for a great deal of the RDA dollars. The top 10 programs by

dollar value consume \$9 billion, or 41 percent, of all Army RDA, i.e., the sum of RDT&E and Procurement (\$21.5 billion) in FY 2006. The RDA budget increased by \$0.8 billion from FY 2005, but the amount for the top 10 increased by \$1.3 billion; i.e., the amount for the top 10 increased more than the RDA appropriations. In FY 2005, the top 10 accounted for \$7.6 billion, or 37 percent. The top 10 RDA programs are listed in table 39.

The total dollars for all Army RDA is \$21.5 billion, or 22 percent of the Army budget proposal for FY 2006; the DoD RDA is 35 percent of the DoD budget. The Army RDA portion of the Army budget is smaller than the DoD RDA portion of the DoD budget. This suggests that systems development and acquisition is less dominant in the Army than across DoD.

Army RDT&E increases slightly as a portion of DoD RDA from 13.4 to 14 percent in FY 2006; however, Army Procurement decreases slightly—from 15.3 to 15.1 percent—as a percentage of all DoD Procurement.

Specific procurement and RDT&E data on each of the top systems in the FY 2006 budget are in table 40. While FCS is by far the most costly system, it is still in RDT&E and not yet in Procurement.

The next two sections provide more information on the Army Procurement and RDT&E budget requests.

Table 39

### **Research, Development and Acquisition Programs Army Top Ten by Dollar Value FY 2006 (\$ millions \*)**

Future Combat Systems (FCS)	3,404.80
Interim Armored Vehicle - Stryker	905.1
Patriot	856.1
Apache Longbow Attack Helicopter	793.6
Black Hawk Utility Helicopter (AH-64)	733.1
Chinook Cargo Helicopter Modernization (CH-47)	695.7
Abrams Tank Upgrade (Maneuver Control System)	495.8
Family of Medium Tactical Vehicles (FMTV)	449.6
High-Mobility Artillery Rocket System (HIMARS)	414.0
High-Mobility Multipurpose Wheeled Vehicle (HMMWV)	224.2
<b>Total</b>	<b>8,972.00</b>

\* Dollars include Research, Development, Test & Evaluation plus Procurement.

Source: Army FY06 President's Budget Highlights

**Selected Army Systems**  
(\$ millions)

	Procurement <sup>1</sup>				RDT&E				RDA <sup>2</sup>
	FY04	FY05	FY06	FY07	FY04	FY05	FY06	FY07	FY06
Future Combat Systems (FCS)	—	—	—	—	1,624.5	2,800.7	3,404.8	3,741.0	3,404.8
Interim Armored Vehicle - Stryker (IAV)	962.7	1,524.2	878.4	719.0	57.6	49.7	26.7	13.0	905.1
Chinook Cargo Helicopter Modernization (CH-47)	510.3	857.4	676.0	622.0	14.1	12.4	19.7	—	695.7
Apache Longbow Attack Helicopter	824.8	687.3	683.9	820.0	1.7	—	109.7	122.1	793.6
Patriot <sup>3</sup>	841.9	575.0	567.1	1,131.0	51.3	61.5	289.0	326.0	856.1
Family of Medium Tactical Vehicles (FMTV) <sup>4</sup>	324.7	593.6	449.6	634.0	—	—	—	—	449.6
Black Hawk Utility Helicopter (UH-60)	286.5	531.4	618.1	876.0	155.0	108.4	115.0	59.2	733.1
High-Mobility Artillery Rocket System (HIMARS)	228.5	380.5	299.7	437.0	83.1	105.4	114.3	80.0	414.0
Abrams Tank Upgrade (Maneuver Control System)	297.3	418.1	450.9	412.0	31.7	23.4	44.9	15.0	495.8
High-Mobility Multipurpose Wheeled Vehicle (HMMWV) <sup>5</sup>	1,338.4	432.9	224.2	331.0	—	—	—	—	224.2
Javelin Advanced Antitank Weapon System-Medium (AAWS-M)	133.0	117.3	57.6	66.0	0.9	0.9	—	—	57.6
Family of Heavy Tactical Vehicles (FHTV) <sup>6</sup>	218.8	207.6	207.1	292.0	16.3	19.6	3.4	7.5	210.5
Aerial Common Sensor (ACS)	—	—	—	—	102.8	121.1	164.6	239.4	164.6
Defense Satellite Communications System (DSCS)	94.7	101.5	55.0	52.5	13.3	9.0	11.5	11.8	66.5
Unmanned Aerial Vehicle (UAV)	121.6	131.5	46.0	125.7	43.0	23.0	115.0	102.3	161.0
Bradley Base Sustainment (M2A3)	348.0	226.0	44.0	5.0	—	—	—	—	44.0
Kiowa Warrior Helicopter (Armed OH-58D)	51.0	39.0	24.0	43.0	—	—	—	—	24.0
Utility Fixed-Wing Aircraft (C-37, UC-35)	52.0	12.0	5.0	108.0	—	—	—	—	5.0

<sup>1</sup> Procurement numbers do not include spares.

<sup>2</sup> Research, Development & Acquisition (RDA) equals Procurement plus RDT&E.

<sup>3</sup> Patriot = PAC-3 and Modifications in FY04/05 and Patriot/MEADS Combined Aggregate Program in FY06/07.

<sup>4</sup> FMTV is a series of 2.5- and 5- ton trucks/trailers on a common chassis with varied payloads & missions.

<sup>5</sup> HMMWV totals do not include supplemental appropriations to be requested.

<sup>6</sup> FHTV funding purchases Palletized Load System and associated trailers, flat racks and tracking system.

Source: Army FY06 President's Budget Highlights

## PROCUREMENT APPROPRIATIONS

The Army procurement appropriations support the acquisition of material systems, in particular, transformational capabilities to meet current and future threats.

The procurement appropriations include five specific appropriations:

- Aviation Procurement, Army
- Missiles Procurement, Army
- Weapons and Tracked Combat Vehicles Procurement, Army
- Ammunition Procurement, Army
- Other Procurement, Army.

The five Army procurement appropriations include \$11.8 billion in FY 2006, or 11.9 percent of the budget; in FY 2007, the total is \$13.5 billion, or 12.3 percent of the Army budget.

The funding profile for total Army procurement appropriations from FY 1989 through the current budget proposal is shown in figure 12.

The program dollars in figure 12 clearly show a second year of reductions in procurement funding in FY 2006. Even though the procurement appropriations are down, the Army continues to make difficult choices to accelerate the acquisition of technologies to reduce the risk to Soldiers in combat.

In July 2004, the Army restructured the Future Combat Systems (FCS) program to accelerate crucial capabilities to the current force while continuing to work to develop the full FCS capability. By accelerating FCS, the most promising technologies will be spiraled into the force much faster than previously programmed. FCS acceleration will provide the current force advanced capabilities, including 18 manned and unmanned ground and air platforms linked through the network. This linkage brings unprecedented situational awareness and understanding. Adding these and other technologies to the current force now reduces risk to the front-line Soldier.<sup>14</sup>

The Army budget proposal for each procurement appropriation is shown in table 41.

The distribution of procurement dollars among the five appropriations does not significantly change between FY 2005 and FY 2006:

- 26 percent Aviation Procurement, Army—up from 23 percent in FY 2005;
- 10 percent Missiles Procurement, Army—down from 12 percent;
- 11 percent Weapons and Tracked Combat Vehicles Procurement, Army—down from 14 percent;
- 14 percent Ammunition Procurement, Army—no change; and
- 38 percent Other Procurement, Army—up from 37 percent.

However, only the Ammunition appropriation increases between FY 2005 and FY 2006. The others are reduced, with the Weapons and Tracked Combat Vehicles and Other Procurement appropriations experiencing double-digit reductions:

- -0.5 percent Aviation Procurement, Army;
- -2.4 percent Missiles Procurement, Army;
- -32.5 percent Weapons and Tracked Combat Vehicles Procurement, Army;
- 8.6 percent Ammunition Procurement, Army; and
- -12.1 percent Other Procurement, Army.

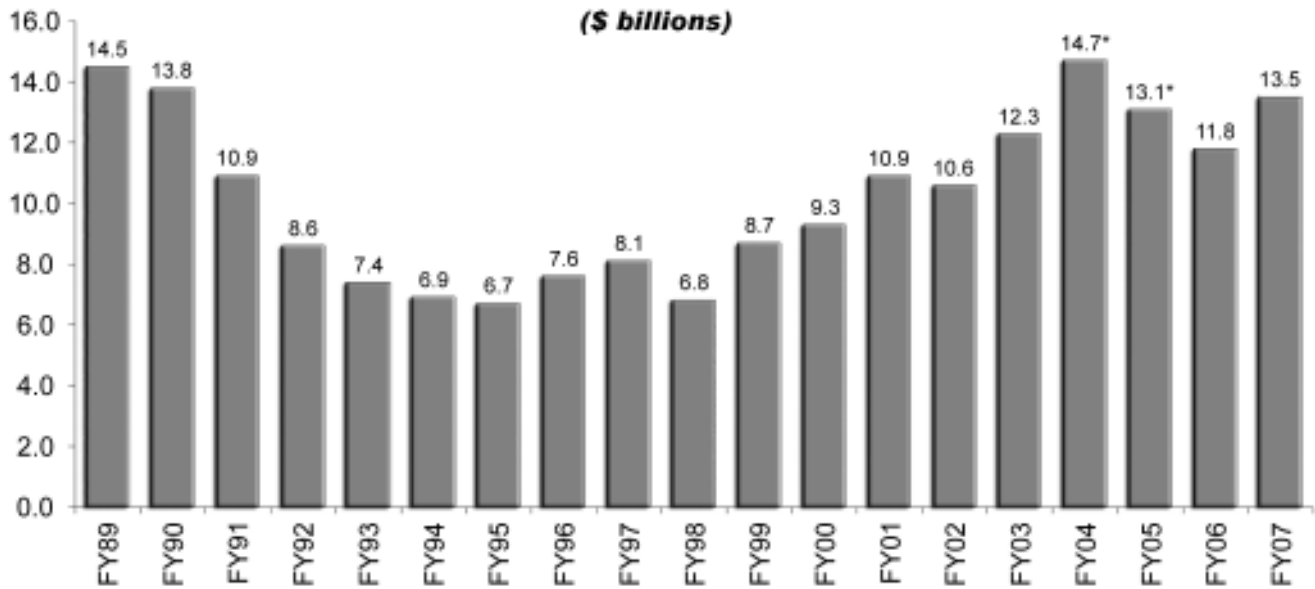
Each Procurement appropriation includes budget activities, such as,

- procuring end items, e.g., Apache Longbow Weapon System;
- modifying existing systems, typically to enhance capability, reduce operating cost and extend system life, e.g., upgrading engines for Kiowa Warrior OH-58D;
- acquiring spares, which are typically depot-level repairables (DLRs); and
- improving facilities that support manufacture and modifying systems.

Additionally, within each appropriation, systems are identified by Budget Line Item Numbers (BLINs). A

<sup>14</sup> U.S. Army News Release, Army Public Affairs, 7 February 2005, subject: The Army Budget – Fiscal Years 2006 and 2007.

**Army Procurement Funding Profile**  
**Total Obligational Authority**  
 (\$ billions)



\* FY04 included congressional adds and supplemental funding. FY05 includes Title IX funding.  
 Source: Army FY06 President's Budget Highlights

**Procurement Summary**  
**by Appropriation**  
 (\$ millions<sup>1</sup>)

	FY04	FY05 <sup>2</sup>	FY06	FY07
Aircraft	2,172	2,815	2,801	3,553
Missiles	1,517	1,302	1,271	1,386
Weapons & Tracked Combat Vehicles	1,998	2,458	1,660	1,488
Ammunition	1,482	1,585	1,721	1,949
Other Procurement	7,525	4,897	4,303	5,146
<b>Total</b>	<b>14,694</b>	<b>13,057</b>	<b>11,756</b>	<b>13,522</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> FY05 includes congressional adds and supplemental funding.  
 Source: Army FY06 President's Budget Highlights and P-1 exhibits

**Aircraft Procurement, Army**

The aviation appropriation includes the procurement of aircraft, aircraft modifications, spares and repair parts, and support equipment and facilities. The Army budget requests more than \$2.8 billion for FY 2006. The funding profile for aircraft procurement since FY 1989, in current dollars, is shown in figure 13.

The aircraft procurement appropriation includes the acquisition of 41 Black Hawk helicopters (\$510 million) in FY 2006 and 45 in FY 2007; 10 Armed Reconnaissance Helicopters (\$70 million); and two new and 21 remanufactured "F" model CH-47 Chinooks (\$469 million).

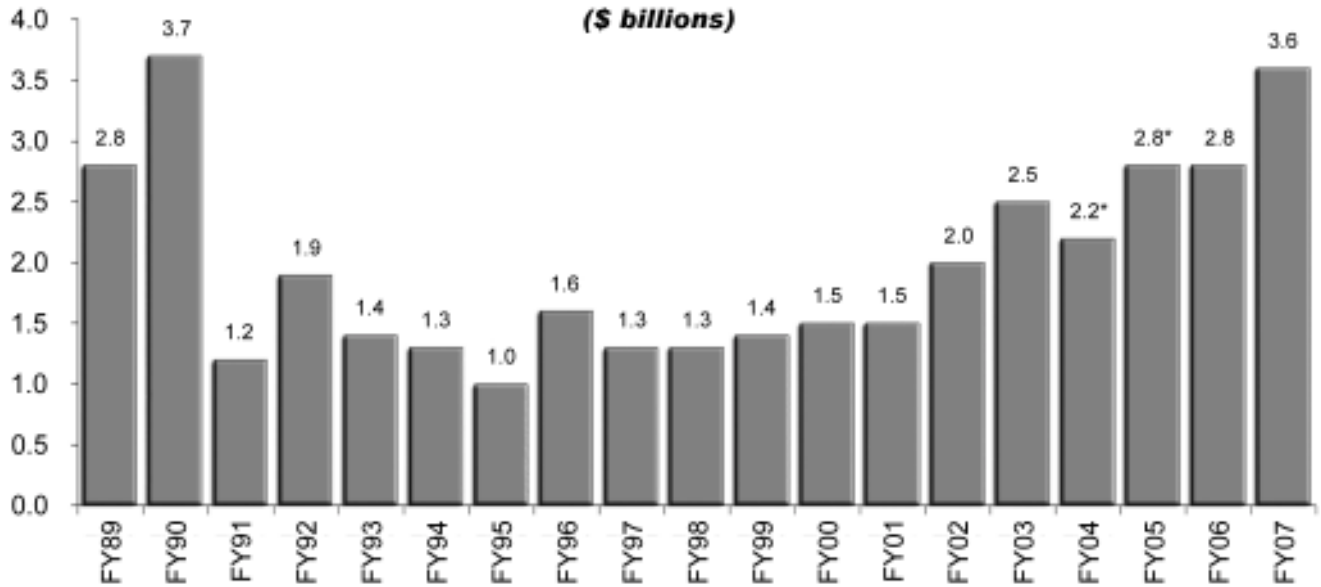
This budget also provides for Apache upgrades/conversions to provide Target Acquisition Designation Sight (TADS)/Pilot Night Vision Sensors (PNVS) and other safety and reliability modifications (\$684 million); 28 Light Utility Helicopters (LUHs) (\$108 million); and aircraft survivability equipment (\$222 million).

See table 42 for Aircraft Procurement data including budget activities and programs.

system may, in fact, be a system of systems, such as the Army Data Distribution System (ADDS), which includes three radio systems.

The next five subparagraphs provide information on each of the Army procurement appropriations.

**Aircraft Procurement Profile**  
**Total Obligational Authority**  
 (\$ billions)



\* FY04 included congressional adds and supplemental funding. FY05 includes Title IX funding.  
 Source: Army FY06 President's Budget Highlights

**Aircraft Procurement, Army**  
 (\$ millions<sup>1</sup>)

	FY04	FY05 <sup>2</sup>	FY06	FY07
Aircraft	306	502	768	1,344
Modification of Aircraft	1,542	1,784	1,570	1,676
Spares & Repair Parts	11	11	4	4
Support Equipment & Facilities	313	518	459	529
<b>Total</b>	<b>2,172</b>	<b>2,815</b>	<b>2,801</b>	<b>3,553</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> FY05 includes congressional adds and supplemental funding.  
 Source: Army FY06 President's Budget Highlights and P-1 exhibit

**Missile Procurement, Army**

This appropriation includes missiles, missile modifications, spares and major parts, and support equipment and facilities. The FY 2006 budget requests \$1.3 billion, about 2.4 percent less than FY 2005 and 16 percent less than FY 2004. The funding profile for missile procurement since FY 1989, in current dollars, is shown in figure 14.

The three-year trend is downward for missile procurement, but it starts to grow in FY 2007. By far the largest program is the procurement of Patriot Advanced Capability 3 (PAC-3) missiles or modifications of Patriot—\$567 million or 46 percent of the appropriation.

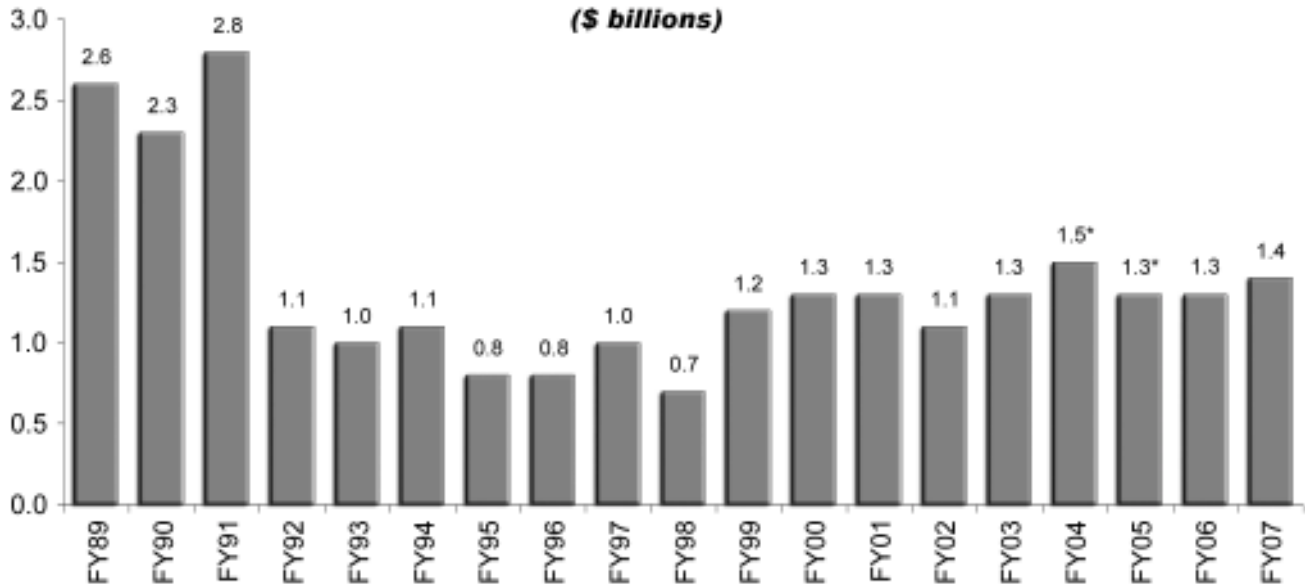
The Missile Procurement appropriation with budget activity and program level of detail is in table 43.

**Weapons and Tracked Combat Vehicles Procurement, Army**

The Weapons and Tracked Combat Vehicles (WTCV) appropriation includes three budget activities: Tracked Combat Vehicles, Weapons and Other Combat Vehicles, and Spares and Repair Parts. The funding profile for WTCV procurement since FY 1989, in current dollars, is shown in figure 15.

The WTCV proposal for FY 2006 is 32 percent below the actual appropriation for FY 2005. The Stryker and M1 programs account for 82 percent of the total appropriation. The proposal includes the procurement of 240 Stryker vehicles for the sixth Stryker Brigade Combat Team (SBCT), fielding of the fifth SBCT and sustainment of

**Missile Procurement Profile**  
**Total Obligational Authority**  
 (\$ billions)



\* FY04 included congressional adds and supplemental funding. FY05 includes Title IX funding.  
 Source: Army FY06 President's Budget Highlights

Table 43

**Missile Procurement, Army**  
 (\$ millions <sup>1</sup>)

	FY04	FY05 <sup>2</sup>	FY06	FY07
Missiles	1,186	1,132	1,108	1,253
Modification of Missiles	273	129	124	97
Spares & Repair Parts	49	34	30	25
Support of Equipment & Facilities	7	9	9	11
<b>Total</b>	<b>1,517</b>	<b>1,302</b>	<b>1,271</b>	<b>1,386</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> FY05 includes congressional adds and supplemental funding.  
 Source: Army FY06 President's Budget Highlights and P-1 exhibit

Table 44

**Weapons and Tracked Combat Vehicles, Army**  
 (\$ millions <sup>1</sup>)

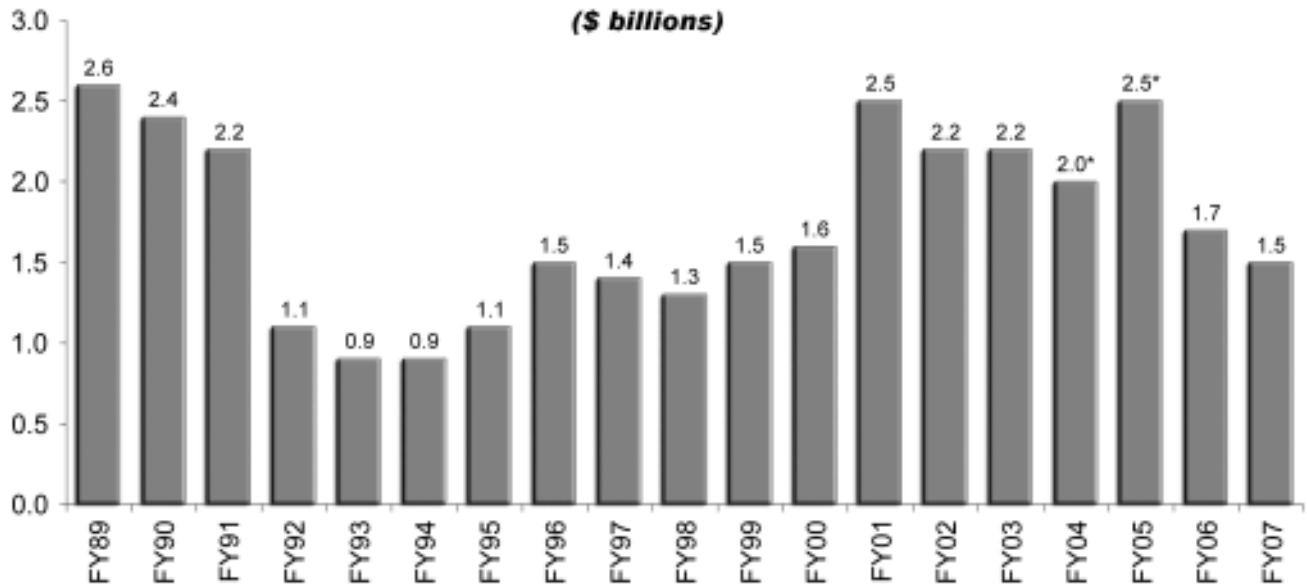
	FY04	FY05 <sup>2</sup>	FY06	FY07
Tracked Combat Vehicles	1,317	1,761	929	726
Modification of Tracked Combat Vehicles	470	528	520	528
Weapons & Other Combat Vehicles	59	94	124	186
Modification of Weapons & Other Combat Vehicles	103	31	69	35
Spares & Repair Parts	18	20	3	0
Support of Equipment & Facilities	31	24	15	13
<b>Total</b>	<b>1,998</b>	<b>2,458</b>	<b>1,660</b>	<b>1,488</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> FY05 includes congressional adds and supplemental funding.  
 Source: Army FY06 President's Budget Highlights and P-1 exhibit

previously fielded SBCTs (\$905 million, or 56 percent of all WCTV). The proposal also includes M1 Abrams Modifications (\$443 million, or 26 percent), which procures 399 AGT-1500 Tiger engines for increased reliability, availability and maintainability.

The WTCV procurement appropriation with budget activity and program level of detail is in table 44.

### Weapons and Tracked Combat Vehicles Procurement Profile Total Obligational Authority



\* FY04 included congressional adds and supplemental funding. FY05 includes Title IX funding.

Source: Army FY06 President's Budget Highlights

#### Ammunition Procurement, Army

This Ammunition Procurement appropriation includes funding for the acquisition of ammunition end items and for ammunition production base support. The FY 2006 budget requests \$1.7 billion (up 11 percent over FY 2005); the FY 2007 budget requests \$1.9 billion. Except for FY 2003, these are the highest ammunition budgets since FY 1991. The increases relate to ammunition consumption in the current war and intense, realistic training.

The funding profile for ammunition procurement since FY 1989, in current dollars, is shown in figure 16.

Ammunition procurement is summarized by various subcategories. In addition to the budget subcategories, ammunition usage is also important. Small- and medium-caliber rounds are the least expensive per round, but the volume is so large that it accounts for 30 percent of the appropriation, up from 27 percent in FY 2005.

An alternative view to the appropriation is in terms of ammunition usage, specifically training ammunition and war reserves. In peacetime, most ammunition procurement is for training. The FY 2006 budget funds training ammunition at 82 percent overall and small arms at 100 percent.

See table 45 for ammunition procurement and table 46 for ammunition usage by category.

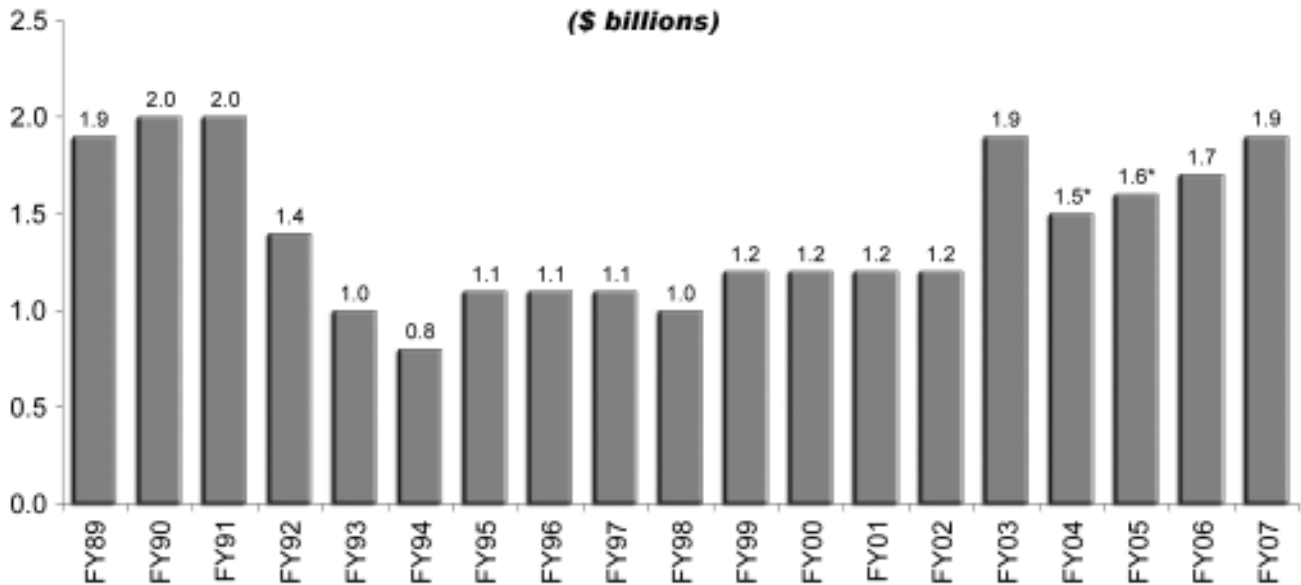
#### Other Procurement, Army

The Other Procurement, Army (OPA) includes three distinct budget activities—tactical and support vehicles (OPA1), communications and electronics equipment (OPA2) and other support equipment (OPA3)—plus spare and repair parts. The funding profile for OPA since FY 1989, in current dollars, is shown in figure 17.

The OPA proposal for FY 2006 is 12 percent lower than FY 2005 and nearly 43 percent lower than FY 2004. Interestingly, OPA increases by nearly 19 percent in FY 2007. This sort of swing is generally not a good business practice since it likely involves layoffs and the loss of skilled employees, followed a couple of years later by recruiting and hiring.

The most substantial part of the decrease is in OPA1, tactical and support vehicles, which goes from 39 to 24 percent between FY 2004 and FY 2006. In part, this is a function of the dramatic increase in armoring tactical wheeled vehicles. In his testimony, the Secretary of the Army noted that the fleet went from 250 armored tactical

**Ammunition Procurement Profile**  
**Total Obligational Authority**  
(\$ billions)



\* FY04 included congressional adds and supplemental funding. FY05 includes Title IX funding.

Source: Army FY06 President's Budget Highlights

Table 45

**Ammunition Procurement, Army**  
(\$ millions<sup>1</sup>)

	FY04	FY05 <sup>2</sup>	FY06	FY07
Small Arms	562	433	523	654
Mortars	135	97	162	134
Tank	190	216	227	212
Artillery	168	233	262	270
Artillery Fuzes	46	41	23	4
Mines & Countermines	22	21	37	154
Rockets	55	144	165	166
Other	87	132	119	125
Miscellaneous	41	52	58	67
Production Base Support	176	216	145	163
<b>Total</b>	<b>1,482</b>	<b>1,585</b>	<b>1,721</b>	<b>1,949</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> FY05 includes congressional adds and supplemental funding.

Source: Army FY06 President's Budget Highlights

wheeled vehicles in Iraq in the fall of 2003 to 32,500 protected vehicles in the Iraq and Afghanistan theaters in the spring of 2005.

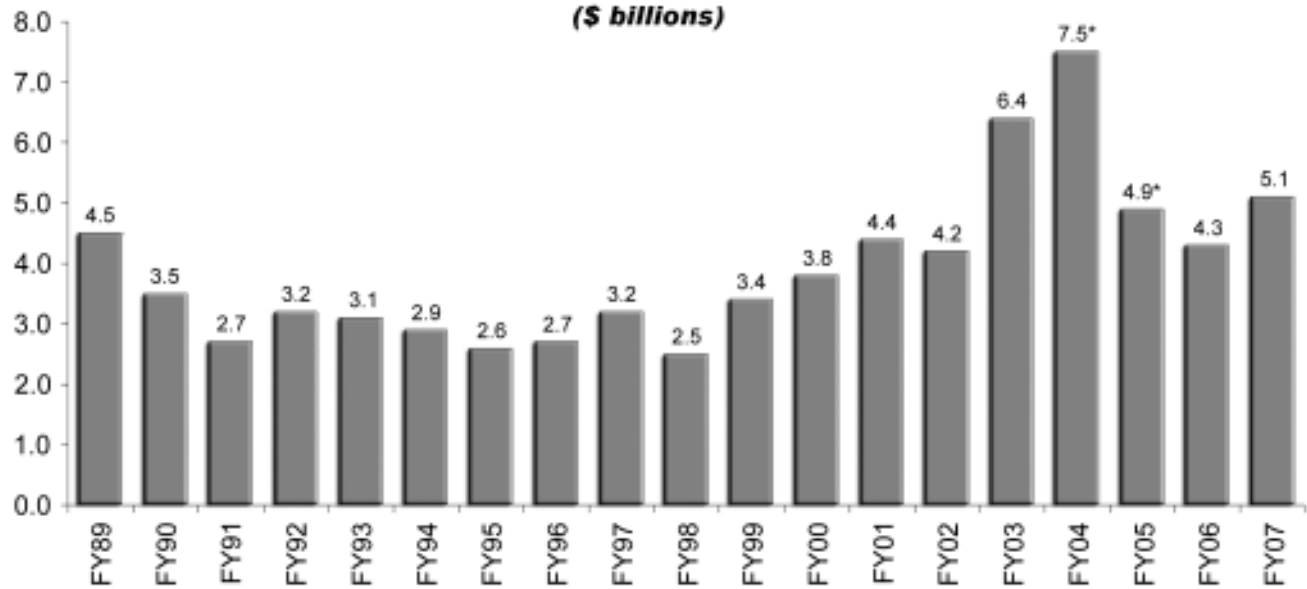
Additionally, the FY 2006 budget includes acquiring 360 up-armored HMMVWs and 1,705 heavy-chassis HMMVWs for \$244 million.

OPA2, communications and electronics, accounts for the most substantial increase, from 43 to nearly 54 percent of all OPA between FY 2004 and FY 2006. OPA2 includes command, control and communications capabilities, automation support and enhanced digitization.

In FY 2006, OPA2 includes a new program to procure low-rate initial production (LRIP) quantities of Warfighter Information Network-Tactical (WIN-T) at \$122 million. These first WIN-Ts are for production verification testing (PVT) and subsequent initial operational testing (IOT). WIN-T is a tactical digital communication system that will provide advanced, commercial based networking capability to the future force.

See table 47 for the multiyear trends by budget activity and programs.

**Other Procurement Profile**  
**Total Obligational Authority**  
**(\$ billions)**



\* FY04 included congressional adds and supplemental funding. FY05 includes Title IX funding.

Source: Army FY06 President's Budget Highlights

Table 46

**Army Ammunition Usage**  
**by Category**  
**(\$ millions<sup>1</sup>)**

	FY04	FY05 <sup>2</sup>	FY06	FY07
Training	992	1,134	1,317	1,423
War Reserves	286	200	227	334
Other	28	35	32	29
Production Base Support	176	216	145	163
<b>Total</b>	<b>1,482</b>	<b>1,585</b>	<b>1,721</b>	<b>1,949</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> FY05 includes congressional adds and supplemental funding.

Source: Army FY06 President's Budget Highlights

Table 47

**Other Procurement, Army**  
**(\$ millions<sup>1</sup>)**

	FY04	FY05 <sup>2</sup>	FY06	FY07
OPA1, Tactical & Support Vehicles	2,903	1,353	1,025	1,497
OPA2, Communications & Electronics Equipment	3,234	2,432	2,309	2,485
OPA3, Other Support Equipment	1,343	1,066	934	1,128
Spares & Repair Parts	45	46	35	35
<b>Total</b>	<b>7,525</b>	<b>4,897</b>	<b>4,303</b>	<b>5,145</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> FY05 includes congressional adds and supplemental funding.

Source: Army FY06 President's Budget Highlights and P-1 exhibit

## RESEARCH AND DEVELOPMENT

The Research, Development, Test and Evaluation appropriation funds the exploration and examination of new technologies that normally precede procurement for operational use. The Army balances the RDT&E programs to satisfy the high-payoff needs of the future force while

seeking and developing critical capabilities for the current force. The Army is applying transformational business practices with the transformation of the force to get technology into the hands of Soldiers in the field at a much more accelerated rate.

The RDT&E proposal is \$9.7 billion for FY 2006, \$10.3 billion for FY 2007. While down slightly in FY 2006, RDT&E remains essentially the same as in the prior two years and 25 to 50 percent higher than at any time in the preceding decade. The Army funding profile for RDT&E from FY 1989 to FY 2007, in current dollars, is displayed in figure 18.

The RDT&E appropriation includes seven Budget Activities:

- BA1, Basic Research;
- BA2, Applied Research;
- BA3, Advanced Technology Development;
- BA4, Advanced Component Development & Prototypes;
- BA5, System Development & Demonstration;
- BA6, Management Support; and
- BA7, Operational Systems Development.

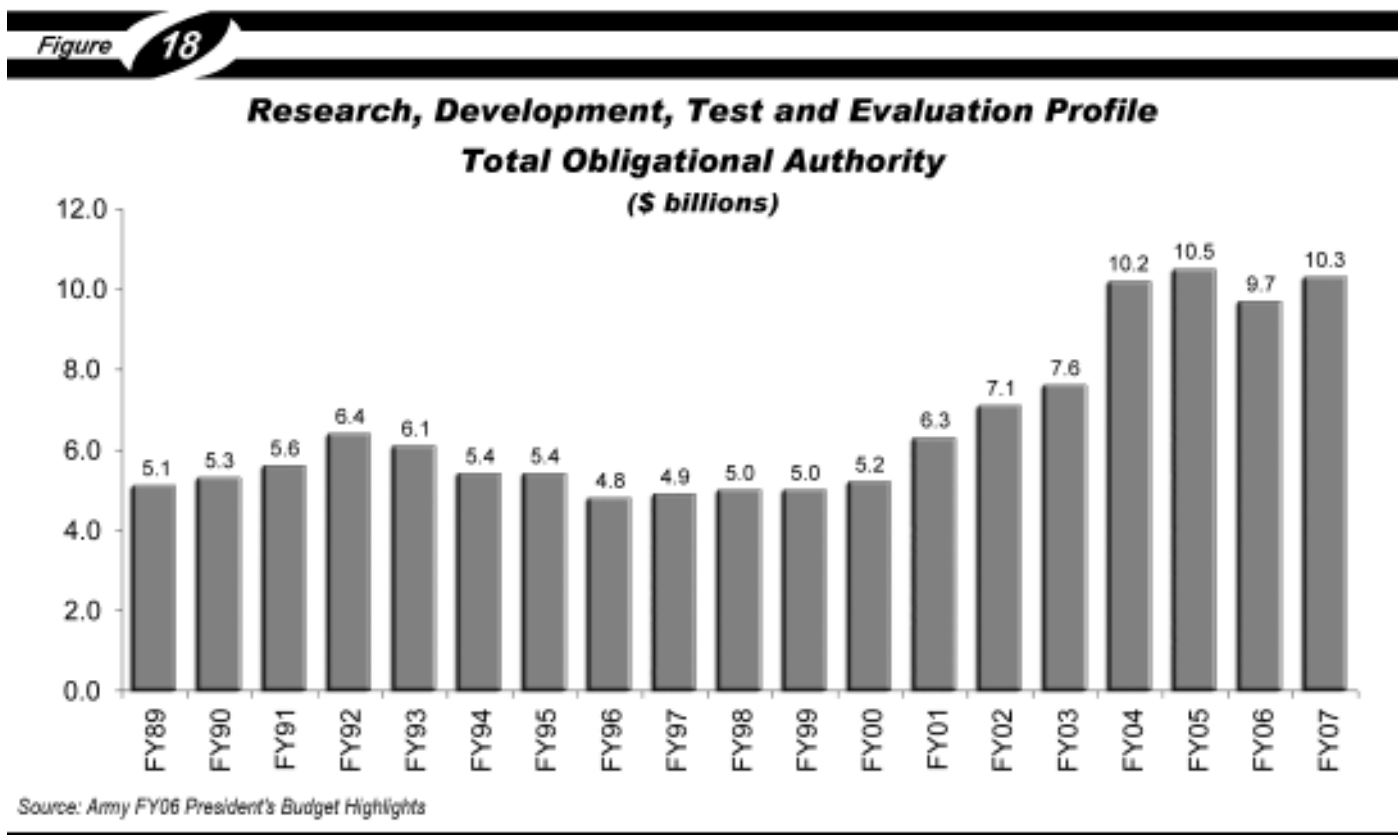
Between FY 2005 and FY 2006, RDT&E is down, but Systems Development & Demonstration (BA5) and Operational Systems Development (BA7) activities are

up. Overall, the RDT&E proposal for FY 2006 is 9.9 percent of the total Army budget and only 14 percent of all DoD RDT&E. The four-year trend for RDT&E funding by Budget Activity is displayed in table 43 above.

Each RDT&E Budget Activity includes Program Elements (PEs), which contain one or more projects. The breadth and scope of the projects is amazing: independent laboratory research; avionics, ballistics, engineering, information, medical and warfighter technologies; test ranges and facilities; and product improvement programs. Information on the Budget Activities and programs is in table 48.

### Science and Technology

The Science and Technology (S&T) Program refers to RDT&E Budget Activities 1 (Basic Research), 2 (Applied Research) and 3 (Advanced Technology Development) collectively. The S&T Program focuses on stimulating high-quality, innovative research and leveraging research into weapon systems for both the Army and the joint team. The S&T Program capitalizes on technology developments from all sources, including the other services, defense agencies, commercial industry and the international community.



**Research, Development,  
Test and Evaluation**  
(*\$ millions*<sup>1</sup>)

	FY04	FY05 <sup>2</sup>	FY06	FY07
Basic Research <sup>3</sup>	369	393	308	318
Applied Research <sup>3</sup>	1,046	1,118	671	700
Advanced Technology Development <sup>3</sup>	1,186	1,385	756	743
Advanced Component Development & Prototypes	875	874	365	425
System Development & Demonstration	4,500	4,580	5,226	5,592
Management Support	1,140	1,174	1,093	1,171
Operational Systems Development	1,086	1,034	1,315	1,384
<b>Total</b>	<b>10,202</b>	<b>10,558</b>	<b>9,734</b>	<b>10,333</b>
<sup>1</sup> Numbers may not add due to rounding.				
<sup>2</sup> FY05 includes congressional adds and supplemental funding.				
<sup>3</sup> Basic Research, Applied Research and Advanced Technology Development together are summarized as Science & Technology and account for almost 18 percent of FY06 RDT&E.				
Source: Army FY06 Presidents Budget Highlights and R-1 exhibit				

The S&T involves investments in research as well as maturing technologies with promising capabilities to accelerate the transition into the current force. These technologies include networked battle command and logistics systems, networked precision missiles and gun-launched munitions, improved intelligence sensors, active and passive protection systems, unmanned ground and air systems and low-cost, multispectral sensors. Already, many are being integrated into the equipment of front-line Soldiers to dramatically improve their capabilities.

The S&T technology initiatives include exploring ways to detect and neutralize mines and IEDs; to improve combat identification; to produce medical technology for self-diagnosis and treatment; and to develop hostile-fire indicators, survivability equipment, training systems and robotics. The Science and Technology community is investigating how to defeat opponents more easily during irregular warfare in complex environments, which include urban terrain, triple-canopy jungle conditions, mountainous locales and caves.

The S&T program accounts for 18 percent of RDT&E in FY 2006—down 40 percent from FY 2005.

### Advanced Component Development and Prototypes

Budget Activity 4, Advanced Component Development and Prototypes, involves examining technologies for Future Combat Systems and Soldiers and assessing advantages and disadvantages of each technology as well as the costs and implementation impacts. If successful, the technology can move into further development or into production. The BA4 program is down to less than 4 percent of the FY 2006 RDT&E. The largest programs include:

- Tactical Warfighter Information Network Demonstration/Validation (DEM/VAL) (\$131 million);
- Air & Missile Defense Systems Engineering (\$83 million); and
- Advanced Tank Armament System (ATAS) (\$27 million).

The Advanced Component Development and Prototypes activity accounts for only 4 percent of RDT&E in FY 2006—down 58 percent from FY 2005.

### System Development & Demonstration

Budget Activity 5, System Development & Demonstration, is by far the largest RDT&E activity with \$5.226 billion, or 54 percent of all RDT&E funds. BA5 increases by 14 percent over FY 2005. The most important programs include:

- Armored Systems Modernization (ASM)—Engineering Development is the primary subsystem of the Future Combat Systems and, by far, the largest RDT&E program at \$3.066 billion. FCS is a family of advanced, networked air- and ground-based maneuver, maneuver support and sustainment systems. FCS will include manned and unmanned platforms networked via a C4ISR architecture, including networked communications, network operations, sensors, battle command systems and manned and unmanned reconnaissance and surveillance capabilities. The Initial Operational Capability (IOC) of an FCS-equipped Unit of Action is in 2014.
- Non-Line-of-Sight Cannon (NLOS-C) is a subsystem of the Future Combat Systems. It will provide a

combined high-rate, sustained volume of long-range precision fire in all weather conditions. Funding for NLOS-C is \$107.6 million.

- Non-Line-of-Sight Launcher (NLOS-L), also a sub-system of FCS, will provide the maneuver commander with immediately responsive, precision fires on high-payoff targets and is coupled with real-time target acquisition and battle damage assessment capabilities. Funding for NLOS-L is \$231.6 million.
- Joint Tactical Radio System (JTRS) program will provide DoD with software programmable, reconfigurable digital radio systems to meet the requirements for interoperability, flexibility, adaptability and information exchange. The program will acquire a family of affordable, scaleable, high-capacity, interoperable Line-of-Sight (LOS) and Beyond-Line-of-Sight (BLOS) radios to support simultaneous networked voice, data and video transmissions with low probability of intercept. Funding for JTRS is \$156.7 million.

## Management Support

Budget Activity 6, Management Support, provides for a wide variety of support activities, but two Program Elements account for 48 percent of all the BA6 dollars: Army Kwajalein Atoll (\$155 million) and Army Test Ranges (\$370 million).

- The U.S. Army Kwajalein Atoll/Ronald Reagan Ballistic Missile Defense Test Site (USAKA/RTS), in the Republic of the Marshall Islands, is a remote, secure activity of the Major Range and Test Facility Base (MRTFB). The RTS consists of a number of sophisticated, one-of-a-kind, radar, optical, telemetry, command/control/communications and data reduction systems. This PE also provides funds for the contractors to accomplish installation operation and maintenance but does not pay for program-specific test costs that are billed to test customers.
- The Major Range and Test Facility Bases PE includes funding to operate a series of test sites, including:
  - White Sands Missile Range (WSMR), New Mexico (including the Electronic Proving Ground, or EPG, at Fort Huachuca, Arizona);
  - Aberdeen Test Center (ATC), Aberdeen Proving Ground (APG), Maryland;

- Yuma Proving Ground (YPG), Arizona (to include management of Army natural environmental testing at Cold Regions Test Center at Forts Greely and Wainwright in Alaska, and Tropic Regions Test Center at Schofield Barracks, Hawaii).
- Aviation Technical Test Center, Fort Rucker, Alabama, and Redstone Technical Test Center, Redstone Arsenal, Alabama, which provide the Army's developmental test capability.

BA 5 accounts for 11 percent of all RDT&E; this BA is down by 9 percent from FY 2005.

## Operational System Development

BA7, Operational System Development, is the final RDT&E Budget Activity. This BA provides support for all BAs by leveraging technology to enhance performance and increase capability. The technology enhancements may be in the form of new systems or product improvement programs for existing systems. BA7 is the second largest BA at \$1.315 billion, or 14 percent of RDT&E; this activity is down by 27 percent from FY 2005.

Three systems and two product improvement programs (PIPs) account for 64 percent of BA7:

- Tactical Unmanned Aerial Vehicles (TUAVs) provide the Army with dedicated day/night reconnaissance, surveillance and target acquisition (RSTA) and intelligence and the tactical warfighting commander with critical battlefield information in the rapid cycle time for success. Near-term RDT&E includes C4I (command, control, communications, computers and intelligence) interoperability and testing, Built-In-Test/Built-In-Test Equipment (BIT/BITE) integration and testing, and initiation of a Small UAV Program. Future initiatives will focus on the transition of technologies that directly support the Army's future force, such as counter-camouflage and other specialty payloads. The Advanced Payload Development & Support efforts will establish the infrastructure to evaluate the maturity of the technology efforts and transition an employable TUAV capability. BA7 includes \$139.6 million for TUAV in FY 2006.
- The Distributed Common Ground System-Army (DCGS-A) will serve as the primary ground system of systems for airborne and ground sensor

platforms defined as Future Force systems. DCGS-A will enable the commander to achieve situational understanding, by leveraging multiple sources of data, information and intelligence, to synchronize the elements of joint and combined-arms combat power. The core functions of DCGS-A are receipt and processing of space, airborne, ground and maritime intelligence, surveillance and reconnaissance (ISR) sensor data; control of select Army and joint ISR sensor systems; intelligence synchronization; ISR planning, reconnaissance and surveillance (R&S) integration; fusion of sensor information; and direction and distribution/dissemination of sensor information. DCGS-A, a key component of Transformation, is funded at \$91.6 million in FY 2006.

- The Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS) uses advanced sensor and networking technologies to provide precision tracking and 360-degree, wide-area, over-the-horizon surveillance of land attack cruise missiles. JLENS is a joint program involving a multiservice effort, with the Army as the lead service and program responsibility assigned to the JLENS Project Office (PO) for Land Attack Cruise Missile Defense (LACMD). The JLENS program is funded at \$106.4 million in FY 2006.
- The Aircraft Mod/Product Improvement Program provides for development of modifications and improvements for the Aerial Common Sensor; the Improved Cargo Helicopter (ICH) Chinook CH-47; UH-60 Black Hawk Recapitalization/Modernization; and the Apache Longbow Block III AH-64. The Aircraft Mod/PIP is funded at \$409.0 million in FY 2006.
- The Multiple Launch Rocket System (MLRS)-High Mobility Artillery Rocket System (HIMARS) PIP is a self-propelled rocket system designed to attack deep targets with precision strike capability. The HIMARS, rocket-launcher mounted on a Family of Medium Tactical Vehicles (FMTV) chassis, is C-130 transportable. The HIMARS is capable of firing either six MLRS Family of Munitions (MFOM) rockets or two Army Tactical Missile System (ATACMS) Family of Munitions (AFOM) missiles. The MLRS-HIMARS PIP is funded at \$114.3 million in FY 2006.

This completes the RDA section of the report.

## INSTALLATIONS

Army installations are an essential building block in generating, maintaining and sustaining the premier Army in the world. Installations include the facilities where Soldiers train, where they and their families live, and where Soldiers and Army civilians work. Installations serve as power-projection platforms for mobilizing and deploying forces and for sustaining operations through reachback.

In his 9 February 2005 testimony to Congress on the budget, the Secretary of the Army discussed the Army leadership's four overarching and interrelated strategies to transform the Army, and some of the 20 supporting initiatives. Army installations enable all four strategies by

- providing relevant, ready manpower to the combatant commanders;
- training and equipping Soldiers to serve as warriors and growing adaptive leaders;
- attaining a quality of life for Soldiers and their families that matches the quality of their service; and
- providing the infrastructure to enable the force to fulfill its strategic roles and missions.

The Secretary's remarks on both the "quality of life" and "infrastructure" strategies recognized the importance of installations:

We are implementing our strategy of attaining a quality of life for our Soldiers and their families that match the quality of their service. . . . Actions such as [the Residential Communities Initiative] sustain our combat power because we enlist Soldiers, but we reenlist families.

The Secretary requested continuing strong congressional support.

This section discusses the appropriations for constructing, renovating and disposing of facilities and infrastructure—Military Construction, Family Housing and Homeowners Assistance, and Base Realignment and Closure (BRAC) appropriations. This section does not include a discussion of Base Operations Support, which is included in the Operation and Maintenance appropriations.

The Army has three Military Construction appropriations: Military Construction, Army (MCA) for the active Army; Military Construction, Army National Guard

(MCARNG); and Military Construction, Army Reserve (MCAR). The military construction projects in each appropriation include modernizing barracks and renovating and constructing new facilities to improve training opportunities, support functions and strategic mobility. MCA also includes new construction, and operation and maintenance for Army Family Housing (AFH).

The MILCON funds remain available for obligation for five years, i.e., FY 2006 dollars can be obligated until September 30, 2010. The MILCON proposal and current- and prior-year data in the President's Budget for FY 2006 are in table 49.

The FY 2006 budget is 24 percent less than that of FY 2005; the FY07 budget is 22 percent greater than that of FY 2006. An important note to remember is that the FY 2004 and FY 2005 totals include congressional additions, the final supplemental for FY 2004 and the initial supplemental appropriation for FY 2005.

The MILCON budget focuses on improving living conditions for Soldiers, support facilities for Soldiers and their families, training facilities to support readiness and facilities to support the stationing of Stryker Brigade Teams. Three key construction categories account for 90 percent of all MILCON:

- Barracks modernization program (\$716 million) to improve quality of life for single Soldiers;
- Army readiness (\$763 million) including maintenance, training, deployment and infrastructure revitalization projects for the active Army; and
- construction for active and National Guard Stryker Brigade Combat Teams in Hawaii and Pennsylvania (\$221 million).

The following subparagraphs discuss MCA, MCNG, MCAR and AFH.

### **Military Construction, Army (MCA)**

The MCA dollars are requested and appropriated for three types of activities: Major Construction, Minor Construction and Planning and Design. Specific statutory restrictions apply to each activity.

- Major Construction provides funding for military construction projects in the United States and overseas,

Table 49

### **Military Construction ( \$ millions <sup>1</sup> )**

	FY04	FY05 <sup>2</sup>	FY06	FY07
Military Construction, Army	1,646	1,981	1,480	1,700
Military Construction, Army National Guard	312	447	327	466
Military Construction, Army Reserve	88	101	106	164
<b>Total</b>	<b>2,046</b>	<b>2,529</b>	<b>1,913</b>	<b>2,330</b>
<sup>1</sup> Numbers may not add due to rounding.				
<sup>2</sup> FY05 includes congressional adds and supplemental funding.				
Source: Army President's FY06 Budget Highlights and DoD Finance Summary Table 1-C				

as authorized in currently effective Military Construction Acts and in this year's request for Authorizations and Appropriations. The Major Construction budget invests primarily in facilities required for people, current readiness and future readiness, such as troop housing, Stryker Brigade Combat Teams and training ranges, along with construction necessary for environmental, revitalization and mission-essential requirements.

- Minor Construction provides for construction of future unspecified projects that have not been individually authorized by law but are determined to be urgent requirements and do not cost more than the amounts specified in 10 USC 2805. Projects awarded with these funds may not exceed \$1.5 million, or \$3.0 million if there is a threat to life, health, or safety.
- Planning & Design provides for necessary planning of military construction projects, including design, host nation support, standards, surveys, studies and other related activities. In general, design funds requested in FY 2006 will be used to design projects in the Army's FY 2007 and FY 2008 programs.

The MCA budget for FY 2006 is 25 percent less than that of FY 2005; the FY 2007 budget is 15 percent greater than that of FY 2006. A summary of the budget by categories is in table 50.

**Military Construction, Army  
Facility Categories  
(\$ millions <sup>1</sup>)**

	FY04 <sup>2</sup>	FY05	FY06	FY07
Operation & Training	348	505	322	330
Maintenance & Production	129	166	113	81
Research & Development	19	56	0	0
Supply & Administration	27	143	40	3
Medical Center/Hospitals	0	0	0	25
Troop Housing/ Community Support	803	834	764	967
Utilities/Real Estate	154	99	60	42
Minor Construction	33	21	20	23
Planning & Design	133	157	161	229
<b>Total</b>	<b>1,646</b>	<b>1,981</b>	<b>1,480</b>	<b>1,700</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> FY04 and FY05 include congressional adds and supplemental funding.

Source: Army FY06 President's Budget Highlights

**Military Construction, Army National Guard (MCARNG)**

The FY 2006 Army National Guard Military Construction appropriation totals \$327 million and focuses on current readiness and transformation to the Future Force. The budget continues the goal of providing state-of-the-art, community-based installations and training sites. Projects address mission needs that facilitate communications, operations, training and equipment sustainment for stationing, sustaining and deploying the force.

The FY 2006 budget provides for facilities to meet Soldiers' needs as they train, mobilize and deploy. The facilities include Readiness Centers, maintenance facilities, training projects and a wetlands crossing. The funds also provide for projects to transform from the Current to Future Force. These include projects for the Army Division Redesign Study, Aviation Transformation, the Range Modernization Program and the Stryker Brigade Combat Team initiative.

The MCARNG budget for FY 2006 is 27 percent less than for FY 2005; the FY 2007 budget is 43 percent greater than that of FY 2006. A summary of the budget by categories is in table 51.

**Military Construction,  
Army National Guard (MCNG)  
Facility Categories  
(\$ millions <sup>1</sup>)**

	FY04 <sup>2</sup>	FY05 <sup>2</sup>	FY06	FY07
Operation and Training	132	188	163	152
Maintenance & Production	110	195	102	240
Administrative	0	0	3	0
Infrastructure	24	16	5	5
Minor Construction	8	9	8	9
Planning & Design	38	39	46	60
<b>Total</b>	<b>312</b>	<b>447</b>	<b>327</b>	<b>466</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> FY04 and FY05 include congressional adds and supplemental funding.

Source: Army FY06 President's Budget Highlights

**Military Construction, Army Reserve (MCAR)**

The FY 2006 Army Reserve Military Construction appropriation totals \$106 million. The MCAR budget provides resources for the Reserve Component Force Support package units, repair of facility deterioration, modernization of the total facilities inventory and management of Army Reserve installations. The program focuses on facility projects to improve readiness and quality of life, preserve and enhance the Army's image across America and conserve and protect the facilities, resources for which the Army Reserve is responsible.

The MCAR budget for FY 2006 is 5 percent greater than for FY 2005; the FY 2007 budget is 55 percent greater than that of FY 2006. A summary of the budget by categories is in table 52.

**Army Family Housing**

The Army Family Housing budget supports the quality of life of Soldiers and their families with funding for more than 120,000 military family housing units worldwide. The support includes operation, maintenance, leasing, privatization and construction of Army family housing and the implementation of the Army Family Housing Master Plan.

The Army's goal is the elimination of inadequate family housing units in 2007 for U.S. installations (including

**Military Construction,  
Army Reserve (MCAR)  
Facility Categories  
(\$ millions <sup>1</sup>)**

	FY04 <sup>2</sup>	FY05 <sup>2</sup>	FY06	FY07
Facility Strategy	37	55	44	112
Revitalization	40	26	32	24
Training Ranges	0	4	13	5
Minor Construction	3	3	3	3
Planning and Design	8	13	14	20
<b>Total</b>	<b>88</b>	<b>101</b>	<b>106</b>	<b>164</b>
<sup>1</sup> Numbers may not add due to rounding.				
<sup>2</sup> FY04 and FY05 include congressional adds and supplemental funding.				
Source: Army FY06 President's Budget Highlights				

Alaska, Hawaii and Puerto Rico) and in 2008 overseas. The FY 2006 budget uses a combination of traditional AFH operations, maintenance and construction funds, Military Personnel Allowance (MPA) Basic Allowance for Housing (BAH) and privatization to support the goal. The AFH budget request is \$1.363 billion.

The AFH budget is based on three major assumptions:

- Global restationing will begin in FY 2006 and continue through FY 2008; therefore, foreign inventory begins to decrease in FY 2006;
- Privatization will continue on schedule; therefore, the Army-owned housing inventory will decline; and
- Independent Duty Leases will decline by one-third in FY 2006.

The combination of global restationing and privatization assumptions is particularly important. As the AFH-owned inventory in the United States decreases with privatization, the ratio of AFH-owned units in foreign countries to those in the United States grows. In FY 2005 the U.S. portion (CONUS plus U.S. overseas) represented 59 percent of the AFH-owned inventory. By FY 2006, the U.S. portion will have decreased to 52 percent of the total owned inventory due to privatization. Because U.S.-owned units in foreign countries are more expensive to operate and are increasing as a percentage of the inventory, the average cost per unit increases.

Privatization provides Soldiers and their families with modern, quality and well-maintained housing. Privatization occurs through the Residential Communities Initiative (RCI) Program. The FY 2006 budget includes privatizing an additional five projects comprising more than 7,900 homes. With privatization, the AFH-owned inventory of housing units decreases, and the MPA budget increases a Soldier's BAH pay for the privatized housing.

The AFH appropriation includes two separate programs or accounts: (1) family housing construction and (2) family housing operations. See table 53.

### AFH Construction

The AFH construction program provides for building new units where analysis indicates such construction will be more economical than revitalizing existing Army housing or when adequate off-post housing is not available.

**Army Family Housing  
(\$ millions <sup>1</sup>)**

	FY04 <sup>2,3</sup>	FY05 <sup>3</sup>	FY06	FY07
<b>Construction</b>				
New/Replace Construction	221	395	232	243
Improvement	146	212	300	221
Planning & Design	32	29	18	14
Privatization Investment <sup>3</sup>	-119	-168	-138	-22
<b>Subtotal</b>	<b>399</b>	<b>468</b>	<b>550</b>	<b>478</b>
<b>Operations</b>				
Operation & Utilities	365	282	270	207
Maintenance	481	402	309	192
Leasing	206	218	214	215
Privatization	29	26	20	25
<b>Subtotal</b>	<b>1,081</b>	<b>928</b>	<b>813</b>	<b>639</b>
<b>Total AFH</b>	<b>1,480</b>	<b>1,396</b>	<b>1,363</b>	<b>1,117</b>
<sup>1</sup> Numbers may not add due to rounding.				
<sup>2</sup> FY04 includes congressional adds.				
<sup>3</sup> FY04 and FY05 Residential Communities Initiative equity transferred to DoD Family Housing Investment Fund.				
Source: FY06 President's Budget Highlights				

The construction program also includes site preparation, demolition and initial outfitting with fixtures and integral equipment, along with associated facilities such as roads, driveways, walks, utility systems and community facilities.

In FY 2006, the Army is seeking authorization to construct 709 family housing units and demolish 914 existing family housing units that are not economical to revitalize. The budget requests \$231.7 million for the construction of the 709 family housing units. Table 54 provides a list of construction locations and costs.

### AFH Operations

The AFH operating account provides for expenses in the following sub-accounts and includes both direct and indirect support, as applicable:

- Management – provides for family housing management, installation administrative support and services provided by Community Homefinding, Relocation and Referral Services.
- Services – provides basic installation service support functions such as refuse collection and disposal, entomology and pest control, snow removal and street cleaning, as well as the family housing’s proportional share of fire and police protection.
- Furnishings – provides for procurement, management, control, moving and handling of furnishings and household equipment; plus maintenance, repair and replacement of existing furnishings and equipment inventory.
- Miscellaneous – provides payments to non-DoD agencies for housing units occupied by Army personnel.
- Utilities Account – provides for the costs of heat, air conditioning, electricity, water and sewage for family housing units and for utilities for privatized housing at Fort Carson, Colorado.

The AFH operating account includes funds for leasing housing in the United States and at foreign locations when a housing deficit exists and the local economy cannot provide adequate support. The leasing program provides for the payment of rent and operating and maintenance costs of privately owned quarters assigned to military families as government quarters plus services such as utilities, refuse collection and maintenance when these services are not part of the contract agreement.

Table 54

### Army Family Housing New Construction

	Units	\$ millions <sup>1</sup>
<b>FY04</b>		
Fort Wainwright, AK	140	64.0
Fort Huachuca, AZ	220	41.0
Fort Riley, KS	62	16.7
Fort Knox, KY	178	41.0
White Sands Missile Range, NM	58	14.6
Fort Sill, OK	120	25.4
Fort Lee, VA	90	18.0
<b>Total</b>	<b>868</b>	<b>220.7</b>
<b>FY05</b>		
Fort Richardson, AK	92	42.0
Fort Wainwright, AK	100	41.0
Fort Wainwright, AK	60	37.0
Fort Wainwright, AK	86	46.0
Fort Huachuca, AZ	205	41.0
Yuma, AZ	55	14.9
Fort Riley, KS	126	33.0
White Sands Missile Range, NM	156	31.0
Fort Sill, OK	247	47.0
Fort Lee, VA	218	46.0
Fort Monroe, VA	68	16.0
<b>Total</b>	<b>1,413</b>	<b>394.9</b>
<b>FY06</b>		
Fort Richardson, AK	107	49
Fort Wainwright, AK	96	49
Fort Wainwright, AK	84	42
Fort Huachula, AZ	131	31
Yuma, AZ	35	11.2
Fort Sill, OK	129	24
Fort Lee, VA	96	19.5
Fort Monroe, VA	21	6
<b>Total</b>	<b>709</b>	<b>231.7</b>
<b>FY07</b>		
Fort Richardson, AK	105	45
Fort Richardson, AK	57	24
Fort Wainwright, AK	90	49
Fort Wainwright, AK	90	48
Fort Huachuca, AZ	119	30
Fort Lee, VA	58	13.4
Fort Wainwright, AK	54	27
Pine Bluff, AR	10	2.6
Fort McCoy, WI	13	4.3
<b>Total</b>	<b>596</b>	<b>243.3</b>

\* Numbers may not add due to rounding.

Source: Army FY06 President's Budget Highlights

## Privatization Program

The Military Housing Privatization Initiatives (MHPI) Act authorizes privatization and the Army's Residential Communities Initiative (RCI) program implements the legislation to improve the well-being of Army families by providing quality, affordable family housing in the United States. Privatization refers to agreements with private developers that typically include a ground lease of the family housing footprint, conveyance of housing units and other facilities to the developer, and an operating agreement describing the partners' responsibilities. Partnership agreements are for a 50-year period with a 25-year option. The Army maintains oversight of housing privatization projects through a portfolio and asset management (PAM) program.

When complete, the RCI program is projected to include about 83,700 family housing units—more than 92 percent of the family housing inventory in the United States. As of January 2005, the Army has transitioned family housing to privatized operations at 21 locations, with a total projected end state of more than 50,300 houses. The Army invested \$291 million in government equity or scoring for these projects, with a scope of work valued at \$5.9 billion during the initial development period. The initial development period refers to the time frame for renovating or replacing (to eliminate inadequate housing) all housing; the period varies from three to 10 years per project. The initial development period also may include new construction to reduce the housing deficit.

The number of housing units entering the inventory is displayed in table 55.

## Homeowners Assistance Fund

This fund reduces the losses incident to the disposal of homes for military, federal civilian personnel and Non-Appropriated Fund employees who are required to relocate as a result of or during the closure or reduction in the scope of operations at the military installations where they are serving or employed. Congress established this fund in recognition of the fact that base closure and reduction actions can have serious economic effects on local communities. In turn, servicemembers and employees frequently cannot dispose of their homes under reasonable terms and conditions and suffer severe financial hardship.

To determine the effect of the realignment or closure action on local communities, a Market Impact Study (MIS)

Table 55

### Army Family Housing Privatization (Residential Communities Initiative)

Fiscal Year	Location	Units
FY04	Fort Sam Houston, TX	925
	Fort Bliss, TX	2,752
	Fort Drum, NY	2,809
	Carlisle Barracks, PA	747
<b>Total</b>		<b>7,233</b>
FY05	Fort Benning, GA	3,959
	Fort Rucker, AL	1,516
	Fort Gordon, GA	876
	Fort Knox, KY	3,099
	Fort Leavenworth, KS	1,586
	Redstone Arsenal, AL	459
<b>Total</b>		<b>11,495</b>
FY06	Fort McPherson, GA	112
	Fort Riley, KS	3,042
	White Sands Missile Range, NM	452
	Fort Campbell, KY (Increment)	200
	Fort Irwin/Moffett Federal Airfield/ Parks Reserve Forces Training Area, CA (Increment)	120
<b>Total</b>		<b>3,926</b>
FY07	U.S. Military Academy, NY	1,001
<b>Total</b>		<b>1,001</b>

Source: Army FY06 President's Budget Highlights

is performed. If the MIS demonstrates sufficient impact on the market and establishes a causal relationship, a program is implemented. Eligible applicants may be reimbursed for certain losses resulting from the sale of their home.

Although the program provides for acquisition of dwellings, the government does so only for the accommodation of the applicant. The homes are then resold by the government. Every effort is made to ensure that each applicant is treated equally and receives the maximum benefits under the law as rapidly as practicable, but with a minimum expenditure of time and money for administration.

The FY 2006 budget requests no additional authorization of appropriations and appropriations to fund Homeowners Assistance Fund program expenses. The total

program estimate for FY 2006 is \$7,439,336 and will be funded with revenue from sales of acquired properties and from prior-year unobligated balances.

### Base Realignment and Closure

The Base Realignment and Closure funds, like the Military Construction and Army Family Housing appropriation, also impact Army installations. DoD has implemented four BRAC rounds, beginning with the Defense Base Realignment and Closure Act of 1988 (Public Law 100-526) and followed by additional rounds in FY 1991, FY 1993 and FY 1995. DoD has begun the process for stating a new round.

As of 13 July 2001, 112 closures and 27 realignments from all four rounds of BRAC were complete. On 14 July 2001, the Army began funding caretaking functions from the BRAC account at all remaining BRAC properties. Caretaking maintains real property assets at levels to protect against degradation during transition.

The FY 2006 budget submission represents the costs and savings of implementing all realignment and closure through FY 2001, and the costs to continue caretaking functions and environmental restoration at the remaining BRAC properties through FY 2007. The Army continues to clean up properties to support property disposal as quickly as available resources allow and to align cleanup resources with reuse schedules as well as commitments that protect human health and the environment. See table 56 for the BRAC request.

In addition to BRAC, the Army has also executed an aggressive overseas closure program, closing 680 installations since 1990. A majority of the closures are in Europe and are comparable to closing 12 of the Army's largest CONUS installations combined. More overseas closures will be implemented as the Army develops plans for repositioning units throughout the world consistent with the Integrated Global Presence and Basing Strategy.

### ARMY ENVIRONMENTAL PROGRAM

The Environmental Restoration, Army (ERA) program focuses on reducing the risks to human health and the environment at active installations and Formerly Used Defense Sites (FUDS). Congress directed DoD to comply with federal, state and local requirements as well as applicable host-nation environmental standards. The

**Table 56**

**Base Realignment and Closure<sup>1</sup>**  
**(\$ millions)**

	FY04	FY05 <sup>2</sup>	FY06	FY07
BRAC – Army portion	73	100	94	50
<sup>1</sup> BRAC is a DoD-centralized summary appropriation with budget year information passed from each DoD component.				
<sup>2</sup> FY05 includes congressional adds and supplemental funding.				
Source: DoD Base Realignment and Closure Account IV Army				

Environmental Restoration program includes compliance, restoration, prevention and conservation projects.

DoD has five Environmental Restoration appropriations: ER-Army, ER-Navy, ER-Air Force, ER-Defensewide and ER-FUDS. The ER appropriations have special transfer authority that allows the department to transfer funds from these appropriations to any other DoD appropriation to finance environmental restoration efforts.

The FY 2006 ERA funds meet all legal agreements and ensure compliance with DoD clean-up goals. The Army ERA data are in table 57.

The ERA program provides funds for

- identification, investigation and cleanup of past contamination (prior to 1986) from hazardous substances and wastes;
- correction of other environmental damage;
- detection of unexploded ordnance; and
- demolition and removal of unsafe buildings, structures and debris.

**Table 57**

**Environmental Restoration, Army**  
**(\$ millions)**

	FY04	FY05 <sup>1</sup>	FY06	FY07
ERA <sup>2</sup>	—	400	408	427
<sup>1</sup> FY05 includes congressional adds and supplemental funding.				
<sup>2</sup> ERA is executed in OMA; therefore, no FY04 actual but \$400 million was in the President's Budget.				
Source: Army FY06 President's Budget Highlights.				

The Army cleanup program is essentially on schedule. The FUDS part of the program is unique in that there are no physical boundaries such as a military installation fence lines to establish a finite limit of potential contaminated sites.

### ARMY WORKING CAPITAL FUND

The Army Working Capital Fund (AWCF), also known as the Defense Working Capital Fund, Army (DWCF, A) operates a number of commercial and industrial facilities in two activity groups under a revolving fund concept.

The two AWCF activity groups are Supply Management and Industrial Operations (the latter formerly known as Depot Maintenance and Ordnance). These activity groups provide supplies, equipment and ordnance necessary to project, sustain and reconstitute forces in peacetime and wartime. These support services are essential to the readiness and sustainability of the operating forces and are an integral part of the total Defense team.

The revolving fund structure encourages these activities to function in a more efficient and cost-effective manner and provides the additional flexibility to manage more effectively facilities under changing workload conditions. The concept supports full cost visibility and full cost recovery while protecting appropriated fund customer accounts from execution-year price changes.

The revolving fund concept involves maintaining a buyer-seller-relationship in which the activity group buys and maintains materiel for sale upon demand to its customers. The primary customer is the Army's current force; other customers include the other services, DoD, other federal agencies and Foreign Military Sales. The activity groups set rates to recover direct and overhead costs, stabilizing the rates during the year of execution to protect customer buying power from price swings.

The FY 2006 budget reflects the increased revenue and expenses associated with supporting the continued efforts in Iraq, Afghanistan and the GWOT. To meet this increased demand, the activities more than doubled expenditures above peacetime levels to purchase, replenish and repair inventory. These expenditures have been offset by substantially higher sales than projected in previous submissions, which were based solely on peacetime levels of execution.

### Revenue and Expenses

Revenue is an indicator of the volume of work completed by the Army Working Capital Fund activity groups. In FY 2006, the ACWF will collect \$13.494 billion for the sale of repair parts, consumable supplies, depot maintenance services and ammunition and will disburse \$10.255 billion for expenses. See table 58 for revenue and expense data.

**Table 58**

**Army Working Capital Fund  
Revenues and Expenses  
(FY06 \$ millions <sup>1</sup>)**

	Revenues	Expenses
Supply Management	9,439	6,148
Industrial Operations <sup>2</sup>	4,056	4,107
<b>Total</b>	<b>13,494</b>	<b>10,255</b>
<sup>1</sup> Numbers may not add due to rounding.		
<sup>2</sup> Previously reported as Depot Maintenance and Ordnance.		
Source: FY06-07 Budget Materials posted on ASAFMC website		

### Customer Rates

Customer rates are set by activity group to recover full costs, i.e., expenses, and adjust for accumulated operating results. In the Supply Management activity group, a surcharge percentage is added to sales to recoup overhead expenses. In the Industrial Operations activity group, customer rates, on a direct labor-hour basis, are adjusted to recover direct and overhead costs. The rates for both activity groups are stabilized so the customer's buying power is protected from price swings during the year of execution.

Table 59 shows the rate changes for both activity groups as a percentage change from the rate charged in the previous year.

### Direct Appropriated Funds

The AWCF receives direct appropriated funds for activity groups to meet mobilization and wartime surge capability not directly related to the cost of doing business and to ensure peacetime customers of competitive stabilized rates. The budget request for direct appropriated funds is in table 60.

**Army Working Capital Fund  
Customer Rate Changes**

	FY04	FY05	FY06	FY07
Supply Management	-0.8%	-1.4%	2.5%	3.2%
Industrial Operations*	—	—	0.7%	2.6%
* Previously reported as Depot Maintenance and Ordnance.				
Source: FY06–07 Budget Materials posted on ASAFMC website				

**Army Working Capital Fund  
Direct Appropriation  
(\$ millions\*)**

	FY04	FY05	FY06	FY07
War Reserve Secondary Items	105.4	84.4	23.2	16.4
Industrial Mobilization Capacity	113.9	99.6	64.0	0.0
Inventory Augmentation	0.0	0.0	19.3	0.0
<b>Total</b>	<b>219.3</b>	<b>184.0</b>	<b>106.5</b>	<b>16.4</b>
* Numbers may not add due to rounding.				
Source: Current Year Budget Materials on ASAFMC website				

The direct appropriations are for:

- War Reserve Secondary Items (WRSI) to procure and store a war reserve inventory of secondary items. If costs to procure and maintain wartime requirements are not funded through a direct appropriation, readiness will be impacted as funding for replacement of peacetime inventory will have to be used for war reserve material.
- Industrial Mobilization Capacity (IMC) includes a request for direct funds for IMC, formerly known as Unutilized Plant Capacity (UPC). This represents funding necessary to compensate the Industrial Operations activity group for the fixed overhead costs of maintaining plant and equipment required by the Army to meet mobilization and wartime surge capability. These funds are not directly related to the cost of doing business.
- Inventory Augmentation supports initial inventory stocks of the new Army Combat Uniform (ACU) at

Military Clothing Sales Stores operated by the Army & Air Force Exchange Service (AAFES).

## ARMY RESERVE COMPONENT

The Army National Guard and Army Reserve continue the tradition of citizen-Soldiers in the 21st century. These citizen-Soldiers voluntarily give of their time and expertise to serve the nation, and when called to arms they answer the call without hesitation. Today, the reserve component (RC) is contributing a little more than half of all the Soldiers deployed or forward stationed in support operations in Iraq, Afghanistan and other theaters, i.e., 113,000 Army National Guard and 47,000 Army Reserve Soldiers are serving with 155,000 active component (AC) Soldiers.

The combatant commanders rely on the Army to provide the forces and capabilities to win combat on land decisively and to conduct sustainment operations. The Army relies on the Army National Guard and Army Reserve to provide forces and capabilities to complement the active component. The nature of this reliance is transforming with the transformation of the combat forces to a brigade-based modular structure and with the current war. The protracted nature of the GWOT gives rise to the prospects of a prolonged or indefinite war, requiring sustainment of a campaign over any number of years—and even greater reliance on the reserve component.

The national security experience of the first few years of the 21st century is very, very different than the assumption about national security at the end of the Cold War. The prior assumption was of a new world order in which conflicts would be less frequent and less threatening to the United States. In turn, this suggested that a “peace dividend” was available, and it was taken. The Army contributed to that dividend with significant reductions in the active, Guard and Reserve endstrength while retaining the Cold War structure. Total Army endstrength was reduced by 33 percent to 1,037,000 soldiers in FY 2000, and has remained at that level. The active component comprises 46 percent and the reserve component 54 percent (34 percent Guard and 20 percent Reserve).

Within the Army endstrength, sustaining a long campaign requires a synchronized, progressive and focused schedule of deployments, engagements, regeneration, refitting and retraining to achieve serial, selective readiness. In a long campaign, the role of the reserve component is

more vital than ever before. To sustain long wars, the Army's goal is to have a rotational schedule with active units capable of deploying to the theater of operations once every three years and the Guard and Reserve capable of deploying once every six years.

A schedule with more predictable rotational cycles will significantly reduce the stress on the force. Along with a schedule, the Army is increasing the pool of rotating units—from 33 to 43 active brigade combat teams, a 30 percent increase in combat power by the end of FY 2006, and a total pool increasing from 48 to 77 combat teams across the active and reserve components. The Army—active, Guard and Reserve—is pursuing interrelated initiatives to enable the increase in the pool and the rotational cycle, including:

- modular forces that move the Army away from a division-centric structure to one built around brigade combat teams;
- restructuring of the active and reserve components to decrease force structure in lower-demand skills and increase high-demand skills and units with a goal of restructuring 44,000 positions by the end of FY 2006 and 100,000 positions by FY 2011; and
- rebalancing of the AC and RC unit mix so that certain early-deploying and high-demand units are in the active component, thus reducing the need to mobilize reserve units immediately.

The Army National Guard and the Army Reserve budgets for FY 2006 include funds to pursue these initiatives. The Army National Guard and the Army Reserve each have three discrete appropriations, and each receives additional support from other appropriations, e.g., Army procurement appropriations. The reserve component appropriations were discussed earlier in the context of the Military Personnel, Operation and Maintenance, and Military Construction appropriation grouping. The appropriations are summarized below.

### Army National Guard

Army National Guard units are in more than 2,800 communities in 50 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands. The National Guard conducts both federal and state missions.

- During peacetime, the National Guard answers to the respective leadership of each of the 50 states, three

territories and the District of Columbia. The governor, through the state's Adjutant General, commands the National Guard and can call the Guard into action during local or statewide emergencies, such as natural disasters or other crises.

- The President can activate the National Guard for participation in federal missions. The combatant commander of the theater of operations commands the federalized Guard units.

For a list of the Army National Guard's key contributions to the Army, see table 61.

<b>Table 61</b>	
<b>Army National Guard Role Within the Army</b>	
<b>The Army National Guard provides . . .</b>	
	61 percent of field artillery
	48 percent of combat units
	42 percent of combat support
	35 percent of combat service support
	33 percent of air defense
<small>Source: National Guard Future Force Allocations</small>	

Following the 11 September 2001 terrorist attacks on the United States, more than 50,000 Guardsmen were activated by both their states and the federal government to provide security at home and to combat terrorism abroad. Currently, 113,000 National Guard Soldiers are supporting operations in Iraq, Afghanistan and other theaters, e.g. Kosovo, Bosnia and the Sinai.

Additionally, the Guard has initiated several dramatic new programs to further increase and improve homeland defense capability while at the same time enhancing warfighting ability. Currently, the Guard has 32 fully certified Weapons of Mass Destruction Civil Support Teams, with 12 more scheduled for the end of FY 2005 and 11 more teams scheduled to stand up in the next four years.

The Army National Guard is actively pursuing the following initiatives:

- organizing 12 Enhanced Response Force Packages to meet U.S. Northern Command's request for capabilities. These force packages will consist of a National

Guard Civil Support Team, an enhanced division medical company with a 150-person per hour decontamination and treatment capability, an enhanced engineer company with specialized search-and-recovery equipment, and a task-trained combat unit capable of supporting law enforcement.

- expanding National Guard involvement in Ground-based Mid-course Missile Defense, Cyber and Information Operations, Space, and Intelligence Operations for both the Army and Air Guard. One model is to emulate the Guard's experience in manning Nike missile batteries in the 1960s and 1970s with traditional and full-time Guardmembers serving together in units under state control and with self-activating orders that automatically brought them into a federal status when the enemy attacked.
- creating National Guard Reaction Forces with dual missions, i.e., training to meet warfighting missions and also training for homeland security missions in support of U.S. Northern Command. The units are already forward deployed throughout the United States and are immediately available to state and federal governments for homeland security purposes.

The Army National Guard budget request is in three appropriations: Military Personnel, Operation and Maintenance and Military Construction. Additionally, other Army appropriations include funds that support the Guard, e.g., the procurement appropriations for equipment acquisitions. Additionally, the Guard receives state funds for state-related functions.

The Army National Guard budget and personnel summaries are in tables 62 and 63.

The National Guard Personnel Army appropriation reduction between FY 2005 and FY 2006 is almost entirely a result of the transfer of funds for the Defense Health Program Accrual from NGPA to a separate appropriation for Medicare Retirement Contributions. The Operation and Maintenance budget for FY 2006 requests \$4.5 billion (\$4.2 billion for operating forces and \$.3 billion for administration and servicewide activities). The Military Construction budget decreases in FY 2006 but recovers in FY 2007.

### Army Reserve

The Army Reserve is composed of citizen-Soldiers who carry their civilian-acquired skills and expertise with

Table 62

### Army National Guard Budget Summary (\$ millions <sup>1</sup>)

	FY04	FY05	FY06	FY07
National Guard Personnel, Army	5,249	5,967	5,123	5,626
Operation & Maintenance, Army National Guard	4,459	4,449	4,510	4,807
Military Construction, Army National Guard	312	446	327	466
<b>Total<sup>2</sup></b>	<b>10,020</b>	<b>10,863</b>	<b>9,960</b>	<b>10,899</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> Total direct program; FY05 includes Title IX.

Source: Army FY06 President's Budget Highlights

Table 63

### Army National Guard Personnel Highlights Military Endstrength (thousands)

	FY04	FY05	FY06	FY07
Selected Reserve	343	350	350	350
Paid Drill Strength	321	323	323	322
Full-time Active Strength	22	27	27	28
Pretrained Personnel/IRR <sup>1</sup>	2	2	2	3
Technicians				
Dual Status	20	25	26	26
Other Than Dual Status	2	2	2	2
Other Civilians <sup>2</sup>	—	—	—	—

<sup>1</sup> Individual Ready Reserve.

<sup>2</sup> Excludes technicians. Other civilians are fewer than 500.

Source: Army FY06 Budget Materials, PB-30G & PB-31R

them to meet the needs of the Army and the nation, then return home with even greater skills and expertise to make their communities better. The Army Reserve includes 1,600 units located in 1,100 Army Reserve Centers all across America.

The Army Reserve is a federal force that provides 30 percent of combat support (CS) and 45 percent of combat service support (CSS) capabilities for peacetime,

contingency and wartime operations. With only about 20 percent of the Army's organized units, the Army Reserve makes up about half of the Army's combat support and a quarter of the Army's mobilization base expansion capability.

Army Reserve units are increasingly part of the joint, interoperable team along with full-time uniformed men and women in the business of fighting and winning the nation's wars. The Army Reserve is no longer an add-on to military operations. Today and for the foreseeable future, Army Reserve Soldiers are engaged around the world in intelligence gathering, investigation, training, legal support, communications, postal and personnel support, engineering, mortuary services, logistic and transportation operations, medical support and civil affairs.

See table 64 for a list of the types of units exclusively or predominately in the Army Reserve.

The Army Reserve has been continuously mobilized since 1995. With the operations in Afghanistan and Iraq, the legacy force structure is being stressed in ways unanticipated or in unforeseen degree and frequency. The heavier-than-anticipated demands for specialized support services units have spread certain parts of the force thin.

The Army has initiated actions to develop a flexible, modular force structure with a proper force mix and depth to relieve the stress on certain high-demand/low-density units. The centerpiece of the change is the Army Reserve Expeditionary Force (AREF) providing expeditionary support force packages within an integrated rotational model. The AREF complements the campaign-quality combat forces.

The Army Reserve accomplishes the mission primarily through the Ready Reserve, consisting of:

- **Selected Reserve.** The Selected Reserve is the most readily available group of Army Reserve soldiers, i.e., the 205,000 endstrength ceiling in the Troop Program Units, Active Guard and Reserve Soldiers and Individual Mobilization Augmentees (IMAs).
- **Individual Ready Reserve.** The IRR includes about 115,000 trained Soldiers who may be called upon, if needed, to replace Soldiers in active and Reserve units. Many in the IRR have left active duty recently and still have a Reserve commitment; others have chosen to remain in the Army Reserve but not as a unit member or IMA.

Table 64

### Army Reserve Role Within the Army

<p><b>The Army Reserve provides . . .</b>  <b>100 percent of the Army's</b>          Chemical Brigades          Internment Brigades          Judge Advocate General Units          Medical Groups          Railway Units          Training and Exercise Divisions          Water Supply Battalions</p>
<p><b>more than two-thirds of the Army's</b>          Chemical Battalions          Civil Affairs Units          Hospitals          Medical Brigades          Motor Battalions          Psychological Operations Units          Theater Signal Commands          Transportation Groups</p>
<p><b>nearly half of the Army's</b>          Adjutant General Units          Petroleum Battalions          Petroleum Groups          Public Affairs Units          Terminal Battalions          Transportation Command</p>
<p><i>Source: Army Reserve Homepage          (http://www.armyreserve.army.mil/usar/mission/role.aspx)</i></p>

The Army Reserve budget request is in three appropriations: Military Personnel, Operation and Maintenance and Military Construction. Additionally, other Army appropriations include funds that support the Reserve, e.g., procurement appropriations for equipment acquisitions.

The Army Reserve budget and personnel summaries are in tables 65 and 66.

The Reserve Personnel Army (RPA) appropriation reduction between FY 2005 and FY 2006 is almost entirely a result of the transfer of funds for the Defense Health Program Accrual from RPA to a separate appropriation for Medicare Retirement Contribution. The Operation and Maintenance budget for FY 2006 requests of nearly \$2 billion includes \$1.8 billion for operating forces and nearly \$.2 billion for administration and

Table 65

**Army Reserve Budget Summary**  
(*\$ millions*<sup>1</sup>)

	FY04	FY05	FY06	FY07
Reserve Personnel, Army	3,328	3,706	3,249	3,470
Operation & Maintenance, Army Reserve	2,035	1,988	1,987	2,217
Military Construction, Army Reserve	88	101	106	164
<b>Total<sup>2</sup></b>	<b>5,451</b>	<b>5,795</b>	<b>5,342</b>	<b>5,851</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> Total direct program; FY05 includes Title IX.  
Source: Army FY06 President's Budget Highlights

Table 66

**Army Reserve Personnel Highlights**  
*Military Endstrength (thousands)\**

	FY04	FY05	FY06	FY07
Selected Reserve	204	205	205	205
Paid Drill Strength	190	190	190	189
Full-time Active Strength	14	15	15	16
Individual Ready Reserve	117	134	132	131
Technicians	8	8	8	9
Dual Status (Military/Civilian)	7	7	8	8
Other Than Dual Status (Civilian)	1	1	1	1
Other Civilians	4	3	3	3

\* Excludes technicians. Numbers may not add due to rounding.  
Source: Army FY06 Budget Materials

servicewide activities. The Military Construction budget remains essentially unchanged.

**BUDGET REVIEW SUMMARY**

The President's Budget includes a request of \$98.6 billion in FY 2006 and \$110.1 billion in FY 2007 for the Army; the FY 2005 proposal was \$99.6 billion prior to the "bridge" supplemental Emergency Wartime Appropriation (Title IX of the Conference Report). The FY 2004

data in the President's Budget is actual expenditures and therefore includes supplemental appropriations.

The Secretary of the Army summed up his opinion of the FY 2006 budget submissions to the House Armed Services Committee as follows:

With these four overarching strategies and twenty supporting initiatives in conjunction with a fully funded base budget request and supplemental, the Chief and I are confident that the Army can accomplish its mission and reach our strategic goal of being ready and relevant both today and tomorrow.<sup>15</sup>

The Army Budget, like all budgets, is a plan. The budget presents future activities, programs and operations, along with an estimate of the resources necessary to implement the plan. In the federal budgeting system, a statutory directive prohibits including requests for contingency operations in the budget. Contingency operations are unexpected, unstable or evolving situations. Budgets for contingency operations are submitted in a supplemental request during the year of execution.

The uncertainty of Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom qualify them as contingency operations. Therefore, the President's Budget for FY 2006 and FY 2007 excludes funds for OEF and OIF because these are contingency operations.

However, the current and prior-year columns of the President's Budget include all appropriated funds—including supplemental funds. The FY 2005 current-year column of the President's Budget includes the basic appropriation and the supplemental "bridge" appropriation provided by Congress, but not the larger supplemental for FY 2005 that is still pending. The FY 2004 prior-year column includes the very large supplemental. In summary, the dollars identified to the various years are not easily compared.

Table 67 provides the President's Budget for FY 2006 with the FY 2005 "bridge" supplemental separated from the initial, base appropriations.

The Army's goal is to provide ready and relevant forces to meet both immediate and future security needs. The GWOT and the uncertainty of future security challenges

<sup>15</sup> Secretary of the Army Francis J. Harvey, Opening Statement (As Prepared) of Honorable Francis J. Harvey and General Peter J. Schoomaker, Before the House Armed Services Committee, Washington, D.C., 9 February 2005.

**President's Budget FY 2006—Army**  
 (\$ billions <sup>1</sup>)

	FY04 Actuals	FY05 Appropriated	FY05 with Title IX <sup>2</sup>	FY06 PB <sup>3</sup> Request	FY07 PB Request
Military Personnel (MILPERS)	49.0	39.0	40.0	41.4	43.3
Operation and Maintenance (O&M)	62.4	31.8	45.4	31.8	33.1
Procurement	14.7	13.1	13.1	11.8	13.5
Research, Development, Test & Evaluation (RDT&E)	10.2	10.5	10.6	9.7	10.3
Military Construction (MILCON)	2.0	2.2	2.5	1.9	2.4
Army Family Housing (AFH)	1.5	1.6	1.4	1.4	1.1
Chemical Demilitarization	1.5	1.4	1.4	—	—
Other	—	—	—	—	5.0
<b>Total<sup>4</sup></b>	<b>141.3</b>	<b>99.6</b>	<b>114.4</b>	<b>98.0</b>	<b>108.7</b>

<sup>1</sup> Numbers may not add due to rounding.  
<sup>2</sup> Emergency Wartime Appropriation (Title IX of the Conference Report).  
<sup>3</sup> President's Budget.  
<sup>4</sup> Totals exclude BRAC, ERA and Army Working Capital Fund.

Source: Army FY06 President's Budget Highlights

require land forces capabilities that were not generally anticipated before the 9/11 attacks. The Army recognizes the national security challenges and the importance of transformation. The Army Budget continues to support the intellectual as well as the organizational transformation of the Army—even as the Army wages war.

The FY 2006 budget requests funds for the Army to provide ready and relevant forces and capabilities to combatant commanders as part of joint forces now as well as in the future. The budget provides funds for developing, acquiring, assimilating, training and using next-generation capabilities—spiraling those capabilities into current systems as soon as available. The budget includes infrastructure initiatives to enable the force to fulfill its strategic roles and missions.

The FY 2006 budget includes funds for quality-of-life initiatives for Soldiers and their families. The budget also reflects cost reductions in infrastructure resulting from plans to streamline organizations; reengineer manufacturing, repair and administrative processes; outsource if appropriate; apply information technology; and empower leaders to make the required changes and hold them accountable.

In actual dollars, the FY 2006 budget requests \$1.6 billion, or 1.6 percent less than the FY 2005 appropriated level. Additionally, the FY 2006 request will have less buying power as a result of price adjustments for the 3.1 percent military pay raise, the 2.3 percent civilian pay raise, inflation and program growth. The program growth refers to program changes that result in the requirement for additional funds to implement changes in program levels.

At the budget group level, Military Personnel increases from FY 2005 to FY 2006 by more than 6 percent, which includes funds for pay raises and program growth, including Basic Allowance for Housing associated with Residential Communities Initiative program shifting from government-owned (and Army Family Housing-funded) to contractor housing. The Operation and Maintenance amount is the same for both years, which means the appropriations are absorbing the civilian pay raise and inflation. The other four appropriation groups are all down for a total of \$2.6 billion, i.e., Procurement is off by 9.9 percent, RDT&E is off by 7.6 percent, Military Construction is off by 13.6 percent and AFH is off by 12.5 percent.

All of this suggests that implementing the cost reduction plans in the baseline budget is very important.

## CONCLUSION

America is at war and will likely remain at war for some years to come. The nation, the joint forces and the Army are fighting an unconventional enemy in a Global War on Terrorism. The future strategic environment is uncertain, but it will likely include state and non-state aggressors that are willing to wage unconventional and continuous war against the United States.

The Army's statutory mission is to prepare, maintain and sustain relevant and ready land forces for the combatant commanders. Currently, the Army is fielding a significant portion of the forces to the combatant commanders for conducting the GWOT. In the future, the Army will likely provide a significant portion of the forces for unconventional and sustained operations.

To accomplish its mission, the Army is developing and executing four overarching and interrelated strategies supported by 20 different initiatives. These strategies are:

- providing relevant, ready landpower to the combatant commanders;
- training and equipping Soldiers to serve as warriors and growing adaptive leaders;
- attaining a quality of life for Soldiers and their families that matches the quality of their service; and
- providing the infrastructure to enable the force to fulfill its strategic roles and missions.

Transformation is integral to the strategies and supporting initiatives. The Army Budget for FY 2006/2007 simultaneously supports the transformation toward the Future Force and sustains the Army at war. This includes pursuing transformational capabilities for the Future Force and, as soon as possible, spiraling next-generation capabilities into the current force.

The Army is rapidly adapting the force to fight in uncertain and largely unforeseeable circumstances against state and non-state enemies that are willing to use whatever means available to them. The Army is recreating itself into a joint and expeditionary force with campaign qualities; this includes improving its agility, its versatility, its range of capabilities and its ability to sustain operations over a long period of time.

The Army is conducting wartime operations and aggressively pursuing a number of interrelated initiatives to produce a joint and expeditionary force with campaign qualities, including

- modular forces built around brigade combat team units of action;
- restructuring 100,000 positions by FY 2011 to increase high-demand skills and units; and
- rebalancing the AC and RC unit mix to move early-deploying units and more of certain high-demand units into the active component to reduce the need to mobilize reserve units early in a conflict.

With these actions, the Army is increasing the pool of BCT units from 33 to 43 active, a 30 percent increase in combat power by the end of FY 2006. The Army is increasing the total force pool (active and reserve components) from 48 to 77 BCTs. This large pool of BCT units permits a rotational schedule with active units capable of deploying to a theater of operations once every three years and reserve component units capable of deploying once every six years.

The Army budget substantially improves capability to mount smaller, shorter-duration operations routinely as well as larger or more protracted campaigns.

