

**fiscal year**  
**2007**

**Army Budget**  
**An analysis**

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**An analysis**

**The Institute of Land Warfare**  
**Association of the United States Army**



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# Contents

<b>Foreword</b> .....	<b>vii</b>
<b>The Budget Message of the President of the United States</b> .....	<b>ix</b>
<b>The Federal Budget</b> .....	<b>1</b>
Introduction .....	1
Security Overview .....	2
Non-Security Overview .....	2
Fiscal Outlook .....	3
Balancing the Budget .....	3
Debt, Borrowing and Interest .....	4
Congressional Budget Office Estimates.....	5
Receipts .....	6
Spending .....	7
Process Overview .....	8
Essential Terms .....	9
National Defense Function .....	9
Homeland Security .....	10
<b>The Department of Defense Budget</b> .....	<b>15</b>
Introduction .....	15
National Defense Budget – The Top Line .....	17
FY 2006–2007 Trends .....	18
Budget Analysis – Various Perspectives.....	18
DoD Budget by Title in Current Dollars .....	18
DoD Budget by Title in Constant Dollars .....	19
DoD Budget by Title – Percentage Distribution .....	21
DoD Budget Authority by Service and Defensewide – Current Dollars .....	21
DoD Budget Authority by Service and Defensewide – Constant Dollars .....	22
DoD Budget by Service and Defensewide – Percentage Distribution .....	22
Budget Priorities .....	23
Force Structure .....	24
Personnel .....	25
Endstrength – Military and Civilian .....	25
Military Personnel .....	27
Military Accrual Payments.....	27
Civilian Personnel.....	28
Operation and Maintenance .....	28
Defense Health Program.....	29
Research, Development and Acquisition .....	30
RDA Trends in Current Dollars.....	30
RDA Trends in Constant Dollars.....	31
RDA by Military Services .....	31
Selected Major Weapon Systems.....	31
Special Operations RDA.....	31
Missile Defense Program .....	32
Space Program .....	32
Facilities Investment.....	32
Military Construction .....	36
Family Housing.....	36
Reserve Component.....	37
Defensewide Programs.....	38
Environmental Restoration Program.....	38
Chemical Destruction Program .....	39
Drug Interdiction and Counterdrug Activities .....	39
Base Realignment and Closure.....	39
Management and Revolving Funds .....	40

Defense Working Capital Funds .....	41
Restraining Spending and Managing for Results .....	41
Focusing on the Needs of the Military .....	41
Program Assessment Rating Tool Results .....	42
Analysizing Cost-Effectiveness of Resources .....	42
Assessing and Improving Processes .....	43
Defending America – Now and in the Future .....	43
<b>The Army Budget.....</b>	<b>45</b>
Introduction .....	45
Overview .....	46
Appropriation Group Review .....	47
Budget by Appropriation Grouping.....	47
Budgets by Groups.....	48
Percentage Distribution by Groups .....	48
Budget Background .....	49
Army Appropriations.....	49
Budget Process Overview.....	49
Budget Documents.....	50
Army Land Forces.....	50
Forces Engaged .....	51
Personnel .....	51
Endstrength.....	52
Personnel Budgets.....	54
Military Personnel .....	54
Military Accrual Payments.....	54
Civilian Personnel.....	55
Operation and Maintenance .....	56
Operation and Maintenance, Army (OMA) Overview .....	58
OMARNG Overview.....	60
OMAR Overview .....	60
Research, Development and Acquisition .....	60
Top Ten Weapon Systems .....	61
Research, Development, Test and Acquisition Budget Activities .....	62
Procurement Appropriations.....	64
Aircraft Procurement, Army .....	66
Missile Procurement, Army .....	68
Weapons and Tracked Combat Vehicles Procurement, Army .....	70
Ammunition Procurement, Army.....	74
Other Procurement, Army.....	75
Facilities .....	77
Military Construction, Army.....	77
Military Construction, Army National Guard .....	78
Military Construction, Army Reserve .....	78
Army Family Housing .....	79
Base Realignment and Closure.....	79
Army Environmental Program .....	81
Chemical Demilitarization Program.....	81
Army Working Capital Fund .....	82
Revenues and Expenses.....	82
Direct Appropriated Funds.....	82
Customer Rates .....	82
Reserve Component.....	82
Army National Guard.....	84
Army Reserve .....	85
Summary .....	86
Army Budget Assessment.....	88

<b>Appendix I – Glossary of Budget Terms .....</b>	<b>89</b>
<b>Appendix II – The Budget Process .....</b>	<b>91</b>
<b>Appendix III – Glossary of Acronyms .....</b>	<b>95</b>
<b>Appendix IV – References.....</b>	<b>99</b>
<b>Tables – Federal</b>	
1. President’s Budget Fiscal Year 2007 .....	1
2. Gross Domestic Product and Annual Deficit.....	4
3. Gross Federal Debt by Source .....	5
4. Interest as Percentage of Outlays .....	6
5. Receipts, Outlays and Surplus or Deficits.....	6
6. Gross Domestic Product and Receipts.....	7
7. Federal Receipts Estimates .....	7
8. Federal Spending Fiscal Year 2007 Estimate .....	8
9. Budget Authority by Function and Subfunction – 050 National Defense .....	9
10. Outlays by Function and Subfunction – 050 National Defense .....	10
11. Homeland Security by Agency .....	12
12. Homeland Security by Mission .....	13
<b>Tables – Department of Defense</b>	
13. 050 National Defense Function19al Category .....	17
14. Department of Defense Budget A20uthority by Title (Current Dollars).....	19
15. Department of Defense Budget Authorityby Title (Constant Dollars).....	20
16. Title as Percentage of Department of Defense Budget Authority.....	20
17. Department of Defense Budget Authority by Component (Current \$ billions).....	21
18. Department of Defense Budget Authority by Component (Constant \$ billions).....	22
19. Components as Percentage of Department of Defense Budget Authority .....	23
20. Conventional Forces Summary .....	25
21. Department of Defense Personnel Endstrength.....	26
22. Military Personnel Budget.....	27
23. Medical Accrual in Military Personnel Budgets .....	28
24. Retirement Accrual in Military Personnel Budgets .....	28
25. Operation and Maintenance .....	29
26. Defense Health Program Funding.....	29
27. Defense Health Program Beneficiaries.....	30
28. Research, Development and Acquisition .....	30
29. Research, Development and Acquisition by Military Service.....	32
30. Research, Development and Acquisition Selected Major Weapon Systems – Aircraft .....	33
31. Research, Development and Acquisition Selected Major Weapon Systems – Missiles and Munitions .....	34
32. Research, Development and Acquisition Selected Major Weapon Systems – Vessels.....	34
33. Research, Development and Acquisition Selected Major Weapon Systems – Combat and Wheeled Vehicles.....	35
34. Research, Development and Acquisition Selected Major Weapon Systems – Space and Other .....	35
35. Research, Development and Acquisition—U.S. Special Operations Command .....	36
36. Missile Defense Program Funding by Title.....	36
37. Missile Defense Program Funding by Major Systems .....	36
38. Research, Development and Acquisition, DoD Space Programs.....	37
39. Military Construction.....	37
40. Family Housing .....	38
41. Reserve Component, All Titles.....	38
42. Environmental Restoration Program .....	39
43. Chemical & Munitions Destruction Program .....	39
44. Drug Interdiction and Counterdrug Activities Program .....	39
45. Base Realignment and Closure Account.....	40
46. DefenseWorking Capital Funds Budget Authority .....	41
<b>Tables – Army</b>	
47. Army Budget Summary Total Obligational Authority (TOA) .....	45
48. Army Summary Total Obligational Authority by Appropriation Grouping .....	47
49. President’s Budget Proposal – Army Total Obligational Authority .....	48

50. Military Personnel Appropriations .....	55
51. Civilian Endstrength .....	56
52. Army Operation and Maintenance.....	57
53. Top Ten Army Weapon Systems.....	61
54. Research, Development, Test and Evaluation .....	62
55. Research, Development, Test and Evaluation – Science and Technology .....	63
56. Research, Development, Test and Evaluation – BA4 Advanced Component Development & Prototypes.....	65
57. Research, Development, Test and Evaluation – BA5 System Development & Demonstration.....	65
58. Research, Development, Test and Evaluation – BA6 Management Support.....	66
59. Research, Development, Test and Evaluation – BA7 Operational Systems Development.....	67
60. Procurement Summary by Appropriation.....	68
61. Aircraft Procurement, Army.....	69
62. Missile Procurement, Army.....	71
63. Weapons and Tracked Combat Vehicles Procurement, Army.....	73
64. Ammunition Procurement, Army .....	74
65. Other Procurement, Army .....	76
66. Military Construction .....	77
67. Military Construction, Army (MCA) Facility Categories .....	78
68. Military Construction, Army National Guard (MCARNG) Facility Categories .....	78
69. Military Construction, Army Reserve (MCAR) Facility Categories.....	78
70. Army Family Housing.....	79
71. Army Family Housing New Construction.....	80
72. Army Family Housing Privatization Residential Communities Initiative .....	80
73. Base Realignment and Closure Army Portion.....	81
74. Environmental Restoration, Army (ERA) .....	81
75. Chemical Demilitarization Program.....	81
76. Army Working Capital Fund Revenue and Expenses.....	83
77. Army Working Capital Fund Direct Appropriation.....	83
78. Army Working Capital Fund Customer Rate Changes.....	83
79. Army National Guard Key Contributions .....	84
80. Army National Guard Personnel Summary Military Endstrength .....	84
81. Army National Guard Budget Summary .....	85
82. Army Reserve Personnel Highlights – Military Endstrength.....	85
83. Army Reserve Key Contributions.....	86
84. Army Reserve Budget Summary.....	86
85. President’s Budget FY 2007 – Army.....	88
<b>Figures – Federal</b>	
1. The Federal Government Dollars Fiscal Year 2007 .....	8
2. National Defense Spending Outlays.....	11
3. 050 National Defense Outlays as a Percentage of Gross Domestic Product .....	11
<b>Figures – Department of Defense</b>	
4. Research, Development and Acquisition Budget Authority History – Current Dollars.....	31
5. Research, Development and Acquisition Budget Authority History – Constant Dollars.....	31
<b>Figures – Army</b>	
6. Army Appropriation Groups Percentage of Distribution .....	49
7. Army Global Commitments .....	52
8. Active Component Personnel Endstrength.....	53
9. Reserve Component Personnel Endstrength.....	53
10. Civilian Personnel Endstrength.....	54
11. Military and Civilian Pay Raise Profiles.....	55
12. Army Procurement Profile .....	66
13. Aircraft Procurement Profile .....	67
14. Missile Procurement Profile .....	70
15. Weapons and Tracked Combat Vehicles Procurement Profile .....	72
16. Ammunition Procurement Profile .....	74
17. Other Procurement Profile .....	75

# Foreword

The Army faces many challenges arising from the 11 September 2001 terrorist attacks, the Global War on Terrorism and the operations in Iraq and Afghanistan. At the same time, the Army is transforming and modernizing while maintaining its high operational tempo. These irregular, catastrophic and disruptive challenges are likely to continue, along with more traditional military challenges. To maintain the highest quality force, the Army is pursuing initiatives to produce and sustain a full spectrum of capabilities to defend the homeland, sustain the long war, conduct irregular operations and wage conventional campaigns. To meet the needs of the nation and adapt to the challenges our Soldiers will face, we must continue to improve these capabilities.

The Army is keeping a firm focus on the future. It is pursuing the Future Combat Systems, developing new weapons, communication, surveillance and security technologies, and recapitalizing facilities for Soldiers and their families. The Fiscal Year 2007 President's Budget submitted to Congress includes funds for pursuing the Army's four overarching and interrelated strategies:

- Provide relevant and ready land power for the 21st century security environment.
- Train and equip Soldiers to serve as warriors and grow adaptive leaders.
- Sustain an all-volunteer force composed of highly competent Soldiers who are provided an equally high quality of life.
- Provide infrastructure and support to enable the force to fulfill its strategic roles and missions.

The *Fiscal Year 2007 Army Budget—An Analysis* details the resources required for the Army to accomplish its missions today and tomorrow. It examines the Army's proposed budget in the context of the federal and Department of Defense budgets and breaks down requests according to funding authority and programs, from Soldiers' pay to research and development. It explains budget terminology and procedures, including the supplemental funding process that is necessary for the Army to sustain the current level of operations and provide for Soldiers.

The Association of the United States Army fully supports the Army—active, Army National Guard, Army Reserve, Army civilians and the families and communities who stand behind them all—as it faces its many challenges. *Fiscal Year 2007 Army Budget—An Analysis* is just one of many ways we speak out on issues important to the American Soldier, American landpower and the security of the nation and the world.

GORDON R. SULLIVAN  
General, United States Army Retired  
President, AUSA

September 2006

# The Budget Message of the President of the United States

The 2007 Budget builds on these efforts. Again, I am proposing to hold overall discretionary spending below the rate of inflation and to cut spending in non-security discretionary programs below 2006 levels. My Administration has identified 141 programs that should be terminated or significantly reduced in size. To help bring greater accountability and transparency to the budget process, my Budget proposes reforms so that firm spending limits are put in place, and public funds are used for the best purposes with the broadest benefits.

The 2007 Budget also continues our efforts to improve performance and make sure the taxpayers get the most for their money. My Administration expects to be held accountable for significantly improving the way the Government works. In every program, and in every agency, we are measuring success not by good intentions or by dollars spent, but rather by results achieved.

In the long term, the biggest challenge to our Nation's fiscal health comes from unsustainable growth in entitlement spending. Entitlement programs such as Social Security and Medicare are growing faster than our ability to pay for them, faster than the economy, faster than the rate of inflation, and faster than the population. As more baby boomers retire and collect their benefits, our deficits are projected to grow. There will be fewer people paying into the system, and more retirees collecting benefits. These unfunded liabilities will put an increasing burden on our children and our grandchildren. We do not need to cut these programs, but we do need to slow their growth. We can solve this problem and still meet our Nation's commitment to the elderly, disabled, and poor.

Acting on my recommendations, both houses of Congress have taken an important first step, passing legislation that would produce \$40 billion in savings from mandatory programs and entitlement reforms—the first such savings in nearly a decade. My Budget builds on this progress by proposing \$65 billion more in savings in entitlement programs.

My Budget also includes proposals to address the longer-term challenge arising from unsustainable growth in Medicare, while ensuring modern health care for our seniors. In addition, I will continue to call on Congress to enact comprehensive reform of Social Security for future generations, so that we return the system to firm financial footing, protect the benefits of today's retirees and near-retirees, provide the opportunity for today's young workers to build a secure nest egg they can call their own, and assure our children and grandchildren a retirement benefit that is as good as is available today.

As this Budget shows, we have set clear priorities that meet the most pressing needs of the American people while addressing the long-term challenges that lie ahead. The 2007 Budget will ensure that future generations of Americans have the opportunity to live in a Nation that is more prosperous and more secure. With this Budget, we are protecting our highest ideals and building a brighter future for all.

GEORGE W. BUSH  
The White House

February 6, 2006

# The Federal Budget

## Introduction

In the Budget for the United States Government for Fiscal Year (FY) 2007, the President requests \$2.739 trillion in Budget Authority and \$2.770 trillion in Outlays, i.e., the authority to obligate funds and outlays for actual payments during the fiscal year. FY 2007 begins on 1 October 2006 and ends on 30 September 2007. The budget was prepared during 2005 and submitted by the President to Congress in February 2006.

In addition to the funding proposal for the next fiscal year, the budget includes appropriated funding for the current fiscal year and the actual expenditure data for the prior fiscal year. See **table 1**.

The Office of Management and Budget (OMB), in the Overview of the President's 2007 Budget, observes that the budget continues the President's commitments to:

- fighting and winning the war on terrorism;
- protecting the homeland;
- promoting a strong U.S. economy;
- supporting important domestic initiatives; and
- reducing non-security discretionary spending.<sup>1</sup>

President George W. Bush, in his FY 2007 budget message, specifically mentions a number of priorities, including protecting American citizens and the American homeland; promoting long-term economic strength; reforming public schools; and promoting the

American Competitiveness Initiative that targets funding to advance technology, better prepare American children in math and science, develop and train a high-tech workforce and further strengthen the environment for private-sector innovation and entrepreneurship.<sup>2</sup>

President Bush concludes his budget message by stating, [T]his Budget shows, we have set clear priorities that meet the most pressing needs of the American people while addressing the long-term challenges that lie ahead.<sup>3</sup>

The "pressing needs" and the "long-term challenges" are the outcomes to be achieved, or at least begun, with this budget. The budget also presents thousands of federal programs that will accomplish these outcomes and identifies the resources, in terms of people, dollars and materiel, that are the means for implementing the programs.

Resources available to the federal government are, however, limited. Therefore, the President and the departments set priorities to control the growth in the budget.

The FY 2007 budget requests a 5 percent increase in Budget Authority and a 4 percent increase in Outlays over the President's request for FY 2006. With Outlays of \$2,770 billion, the budget projects a deficit of \$354 billion, i.e., the amount by which expenditures will exceed revenues. The deficit projection is \$69 billion less than in FY 2006 but continues the string of deficits begun in FY 2002.

**Table 1**

**President's Budget Fiscal Year 2007**  
(\$ billions)

	FY05	FY06	FY07
Budget Authority	2,582.9	2,757.8	2,739.4
Outlays	2,472.2	2,708.7	2,770.1

**Source:** Budget of the United States FY 2007 Historical Tables 5.2, 5.1

<sup>1</sup> Office of Management and Budget, Overview of the President's 2007 Budget, available online at <http://www.whitehouse.gov/omb/pdf/overview-07.pdf#search>.

<sup>2</sup> President's Budget Message, 6 February 2006, available online at <http://www.whitehouse.gov/omb/budget/fy2007/message.html>.

<sup>3</sup> *Ibid.*

## Security Overview

This analysis focuses primarily on the goals, programs and resources for maintaining a national defense as requested by the President, the Department of Defense (DoD) and the United States Army. The President's Budget for DoD is commonly described as the base budget, to which supplemental funding is added during the year of execution.

The President's Budget for FY 2007 continues the trend of increasing funds for national defense and homeland security. The FY 2007 budget includes \$439.3 billion for DoD—a 7 percent increase over FY 2006; and the FY 2007 budget is 48 percent higher than the FY 2001 budget. This large increase in the base budget is in response to the terrorist attacks on the United States, changes in national security policy and the DoD-wide initiatives to transform America's military.

The DoD budget requests funds to maintain a high level of military readiness, to develop and procure new weapon systems to ensure U.S. battlefield superiority and to support servicemembers and their families. The base budget includes:

- \$50 billion to support the military's Global War on Terrorism (GWOT) efforts in Afghanistan and Iraq;
- transformation funding for making fundamental changes in technology, organization or doctrine as well as changes in attitudes, values and beliefs. Three major transformational efforts involve:
  - \$1.4 billion for the Global Posture Initiative that includes shifting the military posture from Cold War bases to new areas of strategic importance for likely future engagements; and a total of \$5 billion through FY 2011;
  - \$6.6 billion for Army modularity, increasing the effectiveness of the Army by making its combat and support formations more flexible and self-sustaining; and an additional \$34 billion between FYs 2008 and 2011;
  - continuing enhancements to U.S. Special Operations Command (USSOCOM), including its capability to plan and command global operations; shifting more than 2,000 Marines into USSOCOM, and adding thousands of new Rangers, SEALs, Civil Affairs personnel and other individuals;
- \$5.9 billion for purchasing modularity-related equipment more rapidly, critical to the progress of defeating the terrorists and insurgents in Iraq and consolidating democratic gains in Afghanistan;

- \$3.7 billion for the Army's Future Combat Systems (FCS);
- \$1.9 billion for continuing development and procurement of unmanned aerial vehicles (UAVs) and unmanned ground vehicles (UGVs); this includes \$342 million to start the expansion of the Predator UAV force from 12 to 21 sustained orbits of coverage, greatly enhancing surveillance capabilities;
- \$2.6 billion to build seven new warships including two Littoral Combat Ships (LCS) with associated weapon systems and two DD(X) next-generation destroyers that will provide volume fire support and precision strike up to 83 nautical miles inland;
- \$173.3 million in additional funds for a new triad of smaller nuclear offensive forces, missile defenses and improved command and control infrastructure; and
- \$21 billion in the Defense Health Program in 2007.

The DoD base budget also reflects various initiatives to better use the resources available for national defense. For example, the budget includes:

- infrastructure restructuring including Base Realignment and Closure (BRAC) and the Global Posture Initiative that will ultimately produce \$4.4 billion in annual recurring savings and \$36.5 billion in savings over 20 years;
- privatization of housing to provide 32,377 houses in addition to the 111,289 houses privatized to date; and
- relief from congressional earmarks and prohibitions on efforts to streamline administrative activities. DoD estimates that earmarks consumed approximately \$5.8 billion of the FY 2006 appropriations and affected programs including Science and Technology, Procurement, Operation and Maintenance, Personnel, Military Construction and Family Housing.

## Non-Security Overview

Even as the President's Budget proposes increasing funds for national security, the budget continues the prior-year trend of restraining the growth and actually reducing the funds for non-security. The budget proposes holding overall discretionary spending (i.e., national security and non-security) below the rate of inflation and cutting non-security spending to levels below FY 2006. The budget "calls for major reductions in or total eliminations of 141 federal programs, saving nearly \$15 billion."<sup>4</sup>

The budget also continues to propose slowing the growth in mandatory programs, such as entitlements, by \$65 billion

<sup>4</sup> Testimony of Office of Management and Budget Director Joshua B. Bolten to the Committee on the Budget, United States House of Representatives, 8 February 2006, subject: President's FY 2007 Budget, available online at [http://www.whitehouse.gov/omb/legislative/testimony/director/bolten\\_020806.html](http://www.whitehouse.gov/omb/legislative/testimony/director/bolten_020806.html).

over five years. The President strongly states that the growth in mandatory entitlement programs is unsustainable:

In the long term, the biggest challenge to our Nation's fiscal health comes from unsustainable growth in entitlement spending. Entitlement programs such as Social Security and Medicare are growing faster than our ability to pay for them, faster than the economy, faster than the rate of inflation and faster than the population. As more baby boomers retire and collect their benefits, our deficits are projected to grow. There will be fewer people paying into the system, and more retirees collecting benefits. These unfunded liabilities will put an increasing burden on our children and our grandchildren. We do not need to cut these programs, but we do need to slow their growth. We can solve this problem and still meet our Nation's commitment to the elderly, disabled and poor.<sup>5</sup>

The OMB director's assessment of the long-term problem with the mandatory entitlement programs should trouble all Americans and should stir up a call for remedial action:

Toward the end of the next decade, deficits stemming largely from entitlement programs such as Social Security and Medicare will begin to rise indefinitely. No plausible amount of spending cuts in discretionary accounts or tax increases could possibly solve this problem.<sup>6</sup>

The increases in defense funding, the decreases in non-security discretionary funding and the critical situation with the long-term entitlement programs fuel the disagreements about what is best for the nation. This should also prompt serious dialogue among members of Congress, the American people and public-interest groups, and the formulation of practical solutions.

The President's Budget and the fiscal outlook, as well as the federal budget process, provide a context for better understanding of the DoD and Army budgets. The fiscal environment puts pressure on the President's Budget proposal, and this ripples to the DoD and Army budget proposals. In addition, some portions of the DoD and Army budgets support homeland security; a review of the homeland security budget sheds light on these funds.

Therefore, this analysis includes a review of the fiscal outlook, federal budget process and the President's Budget proposal for homeland security.

## **Fiscal Outlook**

The fiscal outlook, from the budget perspective, refers to whether the federal government will balance the budget, generate a surplus or operate at a deficit. The two key variables determining a balanced budget are revenues and expenditures, i.e., the difference between revenues and expenditures. The budget expresses the expenditure part of the equation. Revenue is a result of tax policy and the economy. With no change in tax policy, federal receipts will be greater during a robust economy than during a weak economy.

If the economy is strong, receipts go up and may exceed outlays; the government may operate at a surplus. If the economy is weak, receipts will go down and may not cover outlays; the government may operate at a deficit. A weak economy adds pressure for holding down federal spending to achieve a balanced budget, or at least reduce the annual deficit.

In his testimony to Congress on the economy, the OMB director observed:

In the past five years, our economy suffered an historic series of shocks, starting with the recession and the terror attacks of 2001 and continuing through the hurricanes last summer. Those events had profound impacts on job creation and on the fiscal outlook.

Despite these challenges, thanks to the productivity and hard work of the American people, our economy is expanding at a healthy pace. In 2005, the economy grew by an estimated 3.5 percent—the third consecutive year of healthy growth.<sup>7</sup>

## **Balancing the Budget**

The ideal circumstance is for the federal government to balance the budget, i.e., where receipts and spending outlays are equal, either annually or over some period of years. Even with the anticipated healthy economy, the FY 2007 Budget outlays of \$2.7 trillion will result in a deficit of \$354 billion. This is the sixth in a string of annual deficits that began in FY 2002. The FY 2007 deficit estimate is smaller than that of FY 2006, and the estimate for each subsequent fiscal year is smaller through FY 2010.

The sum of annual deficits across all fiscal years is the Gross Federal Debt (GFD). The GFD is \$7.9 trillion as of the end of FY 2005 (the last year for actual data)—lower than the

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<sup>5</sup> President's Budget Message, 6 February 2006.

<sup>6</sup> Bolten testimony, 8 February 2006.

<sup>7</sup> *Ibid.*

\$8.1 trillion estimate in the FY 2005 budget. The FY 2007 budget estimates that the GFD will rise to \$9.5 trillion by the end of FY 2007 and to nearly \$11 trillion by FY 2010.

Between FY 2000 and FY 2007, the GFD will increase by 69 percent; between FY 2000 and FY 2010 it will increase by 95 percent. This near-doubling of the debt without an end to its continuing growth should and does alarm many Americans, but it has not sparked a serious bipartisan initiative to correct the problem.

The annual deficits and GFD are a concern because the federal government borrows money to cover the deficit and pays interest on the debt. The borrowing and long-term interest payments divert capital from other uses to servicing debt. The servicing of the debt impacts on the health of the U.S. economy.

The Gross Domestic Product (GDP) is the measure of the health of the U.S. economy. GDP is the total market value, or output, of the goods and services produced by labor and capital located within the United States, regardless of

nationality, during a year. The Bureau of Economic Analysis (BEA) produces the GDP figures and has done so since GDP became the unit of measure in 1991.

The President's Budget forecasts growth in the GDP as well as the GFD. See **table 2** for details.

The budget projects GDP growth of 17 percent between FYs 2007 and 2010, which will generate more revenues. The budget also estimates limits on increases in future federal budgets. The results will be smaller annual federal deficits, which will increase the GFD by 15 percent between FYs 2007 and 2010. This will result in the GFD's increasing in absolute terms but decreasing slightly as a percentage of GDP. This trend is in the right direction, but it does not lessen the debt.

### Debt, Borrowing and Interest

To generate funds to cover the annual deficit, the federal government borrows money from two sources: from other federal accounts, e.g., Social Security, and from the public through the use of debt instruments.

**Table 2**

### Gross Domestic Product and Annual Deficit (\$ billions<sup>1</sup>)

Fiscal Year	Gross Domestic Product	Gross Federal Debt	Annual Federal Deficit	Gross Debt As % of GDP	Annual Deficit/Surplus As % of GDP
FY85 <sup>2</sup>	4,142	1,817	(212)	43.9%	-5.1%
FY90 <sup>2</sup>	5,735	3,206	(221)	55.9%	-3.9%
FY95 <sup>2</sup>	7,325	4,920	(164)	67.2%	-2.2%
FY00 <sup>2</sup>	9,709	5,629	236	58.0%	2.4%
FY01 <sup>2</sup>	10,058	5,770	128	57.4%	1.3%
FY02 <sup>2</sup>	10,377	6,198	(158)	59.7%	-1.5%
FY03 <sup>2</sup>	10,806	6,760	(377)	62.6%	-3.5%
FY04 <sup>2</sup>	11,546	4,355	(413)	37.7%	-3.6%
FY05 <sup>2</sup>	12,290	7,905	(318)	64.3%	-2.6%
FY06	13,030	8,611	(423)	66.1%	-3.2%
FY07	13,761	9,295	(354)	67.5%	-2.6%
FY08	14,521	9,865	(223)	67.9%	-1.5%
FY09	15,296	10,437	(208)	68.2%	-1.4%
FY10	16,102	10,983	(183)	68.2%	-1.1%
FY11	16,955	11,537	(205)	68.0%	-1.2%

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

<sup>2</sup> Actual expenditures; remaining years are estimates.

Source: Budget of the United States FY2007 Historical Tables 1-1, 7-1, 10-1

In the last century, the bulk of the GFD was held by the public, but in 2000 the government began borrowing substantially from other programs to cover the debt. The size and distribution of the debt leads to a number of concerns. Three of the most significant concerns are that:

- the other federal programs, which provide funds to cover the debt, will not be funded in the future;
- foreign governments provide a great deal of the public funds and this increases America’s dependency on other nations; and
- the amount of interest paid to service the debt reduces annual funds available for federal programs.

A summary of the GFD and the funding sources is in **table 3**.

Servicing the debt refers to the government’s paying interest on the money it borrows. The amount of interest is a function of both the size of the debt and the current interest rates. The period between FY 2000 and FY 2007 illustrates this

point. During this period, the debt increases by 69 percent, but interest payments decrease; this is a result of the exceptionally low interest rates. Interest payments went from a high of 15 percent of outlays in FY 1989 to an estimate of 9 percent for FY 2007. See **table 4** for estimates of interest expenses.

With interest rates rising and the GFD increasing, the interest payments as a percentage of federal outlays will increase. In FY 2007, interest payments will consume nearly 9 percent of the budget; by FY 2009 interest payments will consume 10 percent. The result is that 9 or 10 percent of current-year revenues will be unavailable for current-year operations and programs. Clearly, this is not a good situation.

### Congressional Budget Office Estimates

The President’s Budget is not the only source of federal government estimates of receipts and outlay. By federal statute, the Congressional Budget Office (CBO) also estimates budget outcomes for the same years as the President’s Budget. Congress’ intent is for the CBO to provide a neutral benchmark that

**Table 3**

### Gross Federal Debt by Source (\$ billions<sup>1</sup>)

Fiscal Year	Gross Federal Debt	Amount in Federal Government Accounts	Percentage Held by Federal Government	Amount Held by Public	Percentage Held by Public
FY85 <sup>2</sup>	1,817	310	17%	1,507	83%
FY90 <sup>2</sup>	3,206	795	25%	2,411	75%
FY95 <sup>2</sup>	4,921	1,316	27%	3,604	73%
FY00 <sup>2</sup>	5,629	2,219	39%	3,410	61%
FY03 <sup>2</sup>	6,760	2,847	42%	3,913	58%
FY04 <sup>2</sup>	7,355	3,059	42%	4,296	58%
FY05 <sup>2</sup>	7,905	3,313	42%	4,592	58%
FY06	8,611	3,593	42%	5,019	58%
FY07	9,295	3,904	42%	5,391	58%
FY08	9,865	4,232	43%	5,633	57%
FY09	10,437	4,578	44%	5,859	56%
FY10	10,983	4,922	45%	6,061	55%
FY11	11,537	5,251	46%	6,286	54%

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

<sup>2</sup> Actual expenditures; remaining years are estimates.

Source: Budget of the United States FY2007 Historical Table 7-1

process begins with planning. Two important considerations that effect the process are the long lead-times for planning and budget because of the sizes of the organizations, and the fact that funding is limited.

OMB provides funding control guidance to the Executive departments and other agencies, and the departments and agencies prepare and submit budget proposals to OMB. For example, the Army prepares and submits a budget estimate to DoD, and DoD incorporates the Army request in its budget proposal. OMB reviews and integrates the proposals from across the government and makes recommendations to the President.

OMB submits the President's Budget proposal to Congress. Various congressional committees review the proposal and make recommendations to the House and Senate, who prepare their own versions of the bill. A joint committee of the House and Senate reconciles their differences. Congress passes and presents appropriations and authorization acts to the President. The President approves and signs the acts into law.

The sum of the appropriation acts is the actual federal budget, subject to later supplemental acts and rescissions.

The President's Budget for FY 2007 was presented to Congress in February 2006 and should result in funds available on 1 October 2006, the beginning of FY 2007.

In addition to the process, some knowledge of federal budget terms is essential to understand the implications of the various pieces of information.

## Essential Terms

The reader needs to understand the differences between three federal budgetary terms: Budget Authority, Total Obligational Authority and Outlays. All three terms are important, all three may be used for a single fiscal year and each will have different dollar amounts. In general, Budget Authority and Total Obligational Authority refer to funds available for use by government officials, i.e., money in the "checking" account. Outlays refer to the actual payment of funds.

- **Budget Authority (BA)** is the authority provided by law to incur financial obligations that will result in outlays.
- **Total Obligational Authority (TOA)** is the sum of:
  - budget authority provided for a given fiscal year;
  - balances of budget authority brought forward from prior years that remain available for obligation; and

- amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts.

- **Outlays** are the amount of money the federal government actually spends in a given fiscal year. Outlays occur when funds are transferred, checks are issued or cash is distributed to liquidate obligations. Outlays may be for payment of obligations incurred in current or prior years.

In the federal analysis section, figures and tables generally display dollars in terms of BA and Outlays. In the DoD and Army sections, figures and tables generally display dollars in terms of BA or TOA.

For example, the President's Budget proposes \$2,739 billion in BA and \$2,770 billion in Outlays for FY 2007; Outlays are \$31 billion more than BA. In FY 2006, BA is nearly \$50 billion more than Outlays. Some part of the \$50 billion in BA in FY 2006 will result in Outlays in FY 2007 exceeding BA.

A glossary of budget terms (appendix I) provides an explanation of frequently used federal budget terms.

## National Defense Function

Congress allocates budgetary resources using a functional classification system that relates BA and Outlays to various functions. The budget accounts of the various departments are generally placed in the single budget function that best reflects its major purpose, e.g., National Defense. A budget function may include a few subfunctions.

The President's Budget proposes \$513 billion in BA and \$527 billion in Outlays for the functional classification 050 National Defense in FY 2007. The National Defense function includes more than the Department of Defense and is divided into three subfunctions:

- 051 Department of Defense–Military;
- 053 Atomic Energy Defense Activities;
- 054 Defense-related Activities.

The BA for National Defense and the three subfunctions is in **table 9**; the Outlays data are in **table 10**.

The 051 Department of Defense–Military subfunction includes DoD, i.e., the "Pentagon's budget," which comprises the budgets of the services and all other Defense organizations. This section of the analysis examines the 051 Department of Defense–Military Outlays unless otherwise noted. The subsequent DoD section of the budget analysis examines DoD BA.

Table 9

**Budget Authority by Function and Subfunction – 050 National Defense**  
(\$ billions\*)

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
051 Department of Defense–Military	483.9	538.2	491.3	464.2	483.8	493.9	504.2
053 Atomic Energy Defense Activities	17.9	18.1	17.0	16.2	16.6	16.4	16.7
054 Defense-related Activities	4.0	5.6	4.8	4.8	4.9	5.0	5.2
<b>050 Total, National Defense</b>	<b>505.8</b>	<b>561.8</b>	<b>513.0</b>	<b>485.2</b>	<b>505.3</b>	<b>515.3</b>	<b>526.1</b>

\*Numbers may not add due to rounding.  
Source: Budget for Fiscal Year 2007, Historical Tables, Table 5.1

Table 10

**Outlays by Function and Subfunction – 050 National Defense**  
(\$ billions\*)

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
051 Department of Defense–Military	474.2	512.1	504.9	473.2	473.0	486.1	500.9
053 Atomic Energy Defense	18.0	18.7	17.8	16.3	16.5	16.4	16.6
054 Defense-related Activities	3.1	5.1	4.8	4.8	4.9	4.9	5.1
<b>050 Total, National Defense</b>	<b>495.3</b>	<b>535.9</b>	<b>527.4</b>	<b>494.4</b>	<b>494.3</b>	<b>507.4</b>	<b>522.7</b>

\*Numbers may not add due to rounding.  
Source: Budget for Fiscal Year 2007, Historical Tables, Table 3.2

The FY 2007 Outlays estimate of \$527 billion for 050 National Defense equates to 19 percent of all federal Outlays. This is down from 24 percent in FY 1990, at the end of the Cold War (good for domestic programs) but up from 16.5 percent in FY 2000 (not good for domestic programs). In addition, the FY 2007 National Defense Outlays are up 79 percent from FY 2000. See **figure 2** for historical Outlays trends.

Relating National Defense spending to the overall economy provides a macro-level snapshot of defense compared to all other sectors of the economy. The National Defense outlay estimate represents 3.8 percent of GDP, down from 5.2 percent in FY 1990 and up from 3 percent in FY 2000. **Figure 3** illustrates the GDP trend.

National Defense outlays as a percentage of either GDP or federal Outlays do not provide a substantial indication of whether the Outlays proposal is enough or too much. Only a review of the national security objectives, plans and related resources will provide an indication of the adequacy or inadequacy of the funding proposal.

Additionally, the FY 2007 Outlays estimate does not include supplemental funds for operations in Iraqi or

Afghanistan. The scope and duration of these continuing operations will affect the final Outlays amounts for FY 2007 and perhaps some years into the future.

This completes observations on the overall federal budget. DoD and the Army contribute substantially to homeland security. Therefore, a brief review of homeland security is appropriate.

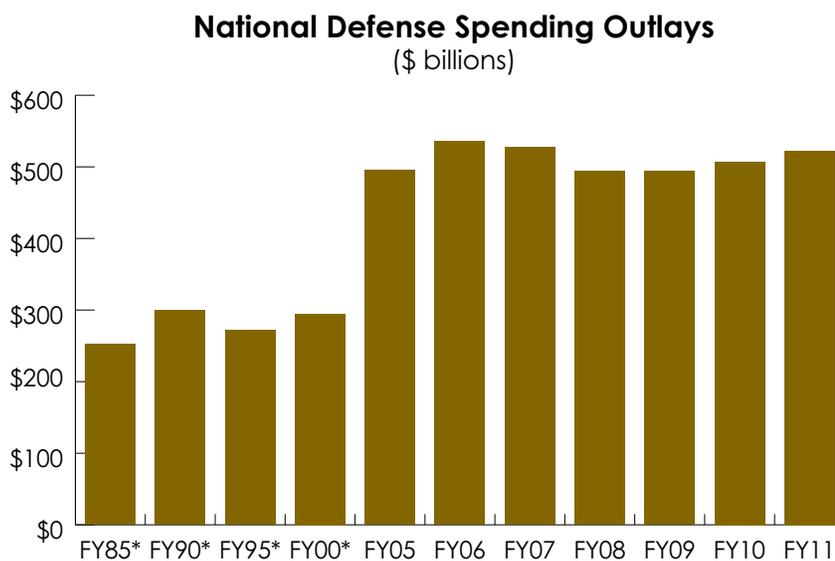
### **Homeland Security**

Homeland security involves protecting the nation from terrorist threats; this mission complements the DoD's mission of deterring or defeating foreign enemies.

When Congress established the Department of Homeland Security (DHS), they recognized that funding for homeland security would involve programs and functions in many government agencies. Consequently, the Homeland Security Act of 2002 requires the President to include an analysis of homeland security funding in his budget proposal. The Analytical Perspectives document contains this analysis. The analysis includes BA by agencies and by homeland security missions.<sup>8</sup>

<sup>8</sup> Office of Management and Budget, "Budget of the United States Government for Fiscal Year 2007," Analytical Perspectives, available online at <http://www.whitehouse.gov/omb/budget/fy2007/pdf/spec.pdf>.

Figure 2

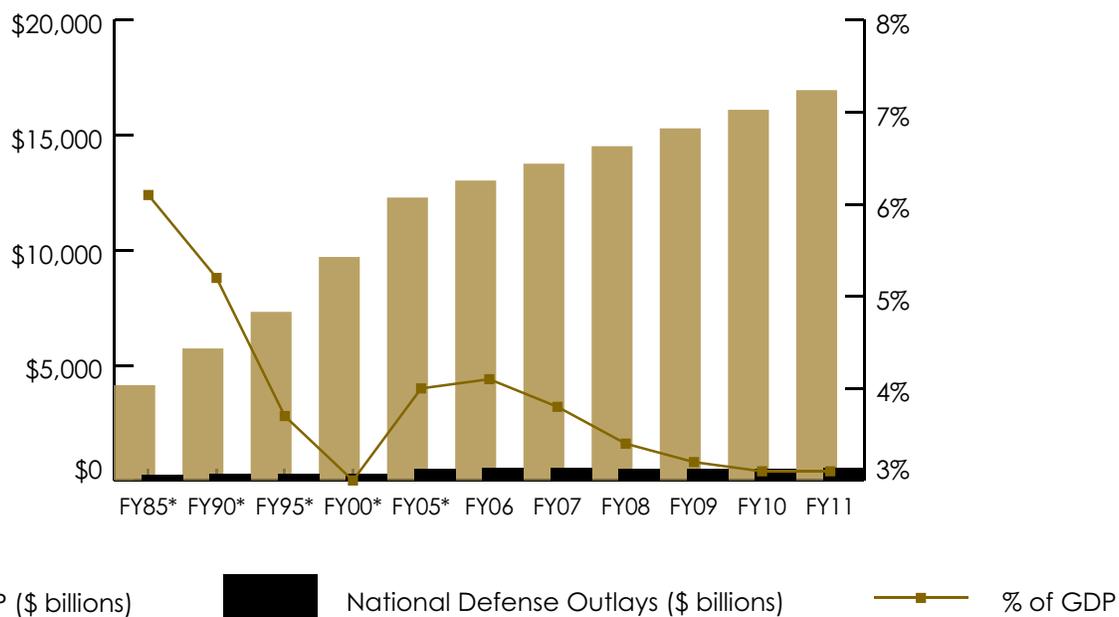


\* Actual spending; remaining years are estimates.

Source: Budget for Fiscal Year 2007, Historical Tables, Table 3-1

Figure 3

### 050 National Defense Outlays as Percentage of Gross Domestic Product



\* Actual spending; remaining years are estimates.

Source: Budget for Fiscal Year 2007, Historical Tables, Tables 10-1 and 3-1

The National Strategy for Homeland Security defines six critical mission areas for homeland security. The agencies categorize their funding data according to the mission areas in the budget analysis. See **table 11** for the mission areas and funding.

The President’s Budget for FY 2007 proposes \$58.3 billion in BA for homeland security across all agencies. This is an increase of more than \$3 billion over the \$55 billion (including supplemental funds) in FY 2006.

The President’s Budget proposal includes \$27.8 billion for DHS—the largest amount for any agency. The DHS budget proposal is for the entire department; however, not all of the funding in the DHS budget proposal is for homeland security. For example, funding for Coast Guard search-and-rescue missions is in the DHS budget, but the mission is not part of homeland security.

The second largest contributor to homeland security is DoD with \$17 billion. Four other departments account for more than a billion dollars each—\$4.6 billion for the Department of Health and Human Services, \$3.3 billion for the Department of Justice, \$1.7 billion for the Department of Energy and \$1.2 billion for the Department of State. These six departments account for 95 percent of all homeland security funds; the other agencies share in the remaining 5 percent. See **table 12**.

Many of the critical homeland security mission areas include the participation of DoD and the Army, and both DHS and DoD benefit from this interaction.

\* \* \* \* \*

*The subsequent sections focus on the DoD and Army budget proposals, and what the funds will buy and provide to the nation.*

**Table 11**

**Homeland Security by Mission**  
(Budget Authority, \$ millions\*)

	FY05		FY06		FY07
	Enacted	Supplement	Enacted	Supplement	Request
Intelligence and Warning	349.8		428.2		604.4
Border and Transportation Security	16,652.3	386.2	18,386.2	159.6	20,177.1
Domestic Counterterrorism	3,974.5	257.3	4,548.0	17.6	4,661.6
Protecting Crucial Infrastructure and Key Assets	17,835.9	849.4			18,350.6
Defending Against Catastrophic Threats	8,146.4	142.8	8,639.8	0.5	888.1
Emergency Preparedness and Response	5,654.5	90.1	4,924.3	15.4	132.2
Other	43.8		112.4		132.2
Project BioShield	2,508.0				
<b>Total Homeland Security</b>	<b>55,165.2</b>	<b>1,725.8</b>	<b>54,852.9</b>	<b>193.1</b>	<b>58,282.9</b>

\* Numbers may not add due to rounding.

Source: Budget of the US Government, FY 2007, Analytical Perspectives, Table 3-2

Table 12

**Homeland Security by Agency**  
(Budget Authority, \$ millions\*)

Agencies	FY05		FY06		FY07
	Enacted	Supplement	Enacted	Supplement	Request
Department of Agriculture	595.9		563.0		650.3
Department of Commerce	166.7		181.1		217.8
Department of Defense	16,107.7	1,080.2	16,440.4		16,697.8
Department of Education	23.9		27.5		25.8
Department of Energy	1,562.0		1,705.2		1,699.6
Department of Health and Human Services	4,229.4		4,229.1	0.1	4,563.3
Department of Homeland Security	23,979.9	569.2	25,499.0	176.9	27,777.0
Department of Housing & Urban Development	2.0		1.9		1.9
Department of Interior	65.0		55.6		55.4
Department of Justice	2,690.8	76.1	2,975.4	16.1	3,279.8
Department of Labor	56.1		48.3		58.7
Department of State	824.1		1,107.9		1,212.5
Department of the Treasury	101.1	0.4	115.8		133.4
Department of Transportation	219.3		181.0		206.0
Department of Veterans Affairs	249.4		308.8		313.4
Corps of Engineers	89.0		72.0		43.0
Environmental Protection Agency	106.3		129.3		183.3
Executive Office of the President	29.5		20.8		24.6
General Services Administration	65.2		98.6		95.9
Social Security Administration	154.7		176.8		183.8
National Aeronautics and Space Administration	220.5		212.6		203.7
National Science Foundation	342.2		344.2		387.4
Postal Service	503.0				
Other Agencies	273.5		288.9		268.7
<b>Total Homeland Security Budget Authority</b>	<b>52,657.2</b>	<b>1,725.8</b>	<b>54,852.9</b>	<b>193.1</b>	<b>58,282.9</b>
Less Department of Defense	(16,107.7)	(1,080.2)	(16,440.4)		(16,697.8)
Non-Defense Homeland Security Budget	36,549.5	645.6	38,412.6	193.1	41,585.1
Less Mandatory Homeland Security Programs	(2,193.6)		(2,232.0)		(2,454.1)
Less Fee-Funded Homeland Security Programs	(3,444.1)		(4,130.0)		(6,022.0)
<b>Net Non-Defense Discretionary</b>	<b>30,911.8</b>	<b>645.6</b>	<b>32,050.6</b>	<b>193.1</b>	<b>33,109.0</b>
<i>Plus Dept of Homeland Security BioShield</i>	<i>2,508.0</i>				
<b>Net Including Project BioShield</b>	<b>33,419.8</b>	<b>645.6</b>	<b>32,050.6</b>	<b>193.1</b>	<b>33,109.0</b>
<b>Total Homeland Security</b>	<b>55,165.2</b>	<b>1,725.8</b>	<b>54,852.9</b>	<b>193.1</b>	<b>58,282.9</b>

\* Numbers may not add due to rounding.

Source: Budget of the US Government, FY 2007, Analytical Perspectives, Table 3-1

# The Department of Defense Budget

## Introduction

President George W. Bush proposes \$491.3 billion in Budget Authority and \$504.9 billion in Outlays for the Department of Defense in Fiscal Year 2007.<sup>9</sup> The BA and Outlay proposals are down from FY 2006 by 8.7 percent and 1.4 percent, respectively.

The President's BA proposal includes "Anticipated Funding for Global War on Terror," i.e., future emergency funding, of \$70 billion in FY 2006 and \$50 billion in FY 2007. The FY 2007 proposal for the Global War on Terrorism is \$20 billion, or approximately 28 percent, less than the FY 2006 funding proposal.

The President's Outlays proposal includes \$30.1 billion in FY 2006 and \$55.9 billion in FY 2007 for "Anticipated Funding for Global War on Terror." The FY 2007 proposal for the GWOT is \$25.8 billion, or nearly 86 percent, more than the FY 2006 proposal. Even with this increase for the GWOT, the total outlays for FY 2007 are slightly less than in FY 2006.

The President's Budget for FY 2007, even with the \$50 billion BA proposal and the \$55.9 billion Outlays proposal for the GWOT, is the first since FY 1997 to reduce BA from the prior fiscal year, and the first since FY 1999 to reduce Outlays.

On the other hand, Secretary of Defense Donald H. Rumsfeld, in testimony to the Senate Armed Services Committee, stated that the BA increased from FY 2006 to FY 2007:

At \$439.3 billion [BA], the President's Department of Defense budget for Fiscal Year 2007 represents a 7 percent increase from what was enacted last year, and continues the necessary growth begun in 2001.<sup>10</sup>

The Secretary's statement of \$439.3 billion BA is less than the President's Budget of \$491.3 billion for BA; yet the Secretary states that his number represents an increase while the President's Budget number reflects a decrease. The two different perspectives—an increase and a decrease—involve supplemental funding.

The federal budget process requires a separate submission for "emergency requirements" to grant supplemental funding. U.S. military operations in Afghanistan and Iraq are emergency requirements under the budget rules. Therefore, DoD has relied on very substantial supplemental funding for these operations and related support since FY 2003.

The Secretary of Defense released slides at his press conference on the budget that shed more light on his statement about an increase:

- For FY 2007, the Secretary's \$439.3 billion is for discretionary dollars only and does not include the \$50 billion in the President's Budget proposal for the GWOT.
- For FY 2006, the Secretary is using \$410.8 billion in BA; this includes neither the \$67.5 billion in emergency supplemental funds that was included with the FY 2006 appropriation act nor the additional \$70 billion supplemental identified in the President's Budget proposal for the GWOT.
- Since the FY 2006 appropriation act was signed into law on 30 December 2006, perhaps it was too late to include the \$67.5 billion in DoD's many detailed tables.<sup>11</sup>

DoD's National Defense Budget Estimates for FY 2007, commonly referred to as the "Green Book," uses the \$439.3

<sup>9</sup> Office of Management and Budget, "Budget of the United States Government for Fiscal Year 2007," Historical Tables, Table 5.2—Budget Authority by Agency, and Table 3.2—Outlays by Function and Subfunction, available online at <http://www.whitehouse.gov/omb/budget/fy2007/pdf/hist.pdf>. Budget authority is the authority, as provided by Congress, to legally obligate the government; it generally is available for one or a number of specified fiscal years. Outlays involve actual payments to liquidate obligations and typically occur in the year of the budget authority and the next few fiscal years.

<sup>10</sup> Testimony of Secretary of Defense Donald H. Rumsfeld, 7 February 2006, to the Senate Armed Services Committee, subject: FY 2007 Posture Statement, available online at <http://armed-services.senate.gov/statemnt/2006/February/Rumsfeld%2002-07-06.pdf>.

<sup>11</sup> Secretary of Defense Donald H. Rumsfeld, DoD News Briefing on Fiscal Year 2007 Budget, Briefing Slides, 6 February 2006, available online at <http://www.defenseink.mil/news/Feb2006/d20060206slides.pdf>.

billion number and corresponding Outlays. This analysis, however, will use the dollar amounts in the President's Budget proposal, i.e., \$491.3 billion in BA and \$504.9 billion in Outlays.

In his remarks on the content of the budget, President Bush emphasized that

My Administration has focused the nation's resources on our highest priority: protecting our citizens and our homeland. Working with Congress, we have given our men and women on the frontlines in the War on Terror the funding they need to defeat the enemy and detect, disrupt and dismantle terrorist plots and operations.<sup>12</sup>

Secretary Rumsfeld described what the budget will enable the department to do as follows:

This budget that is being rolled out today and the Quadrennial Defense Review that was released last week culminate an extraordinary year of collaboration and cooperation between the senior civilian leadership and military leaders in this department. And together, they certainly make sure that we will be able to prosecute the war on terror, that we'll be able to enhance our joint warfighting capabilities, that we will be able to accelerate transformation and that we'll be able to provide proper quality of life for our servicemembers and their families.<sup>13</sup>

In his testimony to Congress, Secretary Rumsfeld described the current and future national security circumstances that influence the budget and highlighted important initiatives:

No nation, no matter how powerful, has the resources or capability to defend everywhere, at every time, against every conceivable type of attack. The only way to protect the American people, therefore, is to provide our military with as wide a range of options as possible—to focus on developing a range of capabilities, rather than preparing to confront any one particular threat.

The way to keep one's balance in a time of war is to consider worst-case scenarios, develop a wide range of tactics, and then plan on being surprised. The major initiatives that have been underway in the Department

over the past five years have been undertaken with this in mind. . . .<sup>14</sup>

We have shifted, for example, from preparing to fight conventional wars—which we are still prepared to do—to a greater emphasis on fighting unconventional, or irregular, or asymmetric, wars against terrorist cells or enemy guerrillas. To that end, we are:

- more than doubling the budget since [FY] 2001 for Special Operations Forces and expanding its size and scope to include a new Marine Corps component. The Special Operations Forces will be the largest they have been in over 30 years, representing a 50 percent increase in personnel from 2001 to 2011;
- increasing skill sets across the force in foreign languages, cultural awareness and information technology; and
- assigning priority to post-conflict and stability operations in the military's overall training and doctrine.

We have also shifted from simply de-conflicting the branches of the armed services—essentially keeping them out of each other's way on the battlefield—to more fully integrating the services in ways that complement and leverage each service's strengths. . . .<sup>15</sup>

One of the most important shifts underway is the role and importance of intelligence. . . .<sup>16</sup>

We are also shifting from the typically American impulse to try to do everything ourselves to helping partners and allies develop their own capacity to better govern and defend themselves.<sup>17</sup>

The President's Budget is the principal resource proposal but not likely the final proposal. As noted above, the federal budget process requires separate submissions for "emergency requirements." Since FY 2003, DoD has relied on very substantial supplemental funding for these operations and related support. As enacted, the supplemental funding provided:

- \$79 billion for FY 2003 (April 2003);
- \$87.5 billion for FY 2004 (November 2003);

<sup>12</sup> President's Budget Message, 6 February 2006.

<sup>13</sup> Secretary of Defense Donald H. Rumsfeld, DoD News Briefing on Fiscal Year 2007 Budget, 6 February 2006, available online at <http://www.defenselink.mil/transcripts/2006/tr20060206-12440.html>.

<sup>14</sup> Rumsfeld testimony re FY 2007 Posture Statement, 7 February 2006, p. 9.

<sup>15</sup> *Ibid.*, p. 10.

<sup>16</sup> *Ibid.*, p. 11.

<sup>17</sup> *Ibid.*

- \$25 billion for FY 2005 (August 2004);
- \$67.55 billion for FY 2006 in emergency supplemental funds for war operations in Iraq and Afghanistan that were included in the Defense Appropriation Act (December 2005).

Congress enacted an additional supplemental for FY 2006 of approximately \$70 billion in June 2006.

In summary, the American taxpayers provide a great deal of money for defense, and the Department of Defense has a duty to act as a responsible steward for the money and the lives of the men and women who serve the country.

### National Defense Budget – The Top Line

The federal government uses a unified or consolidated budget concept that includes 18 broad functional areas, one of which is 050 National Defense. In the federal system, the budget for a department or agency is generally placed in the single budget function that best reflects its major purpose; e.g., DoD is in National Defense. A budget function may include subfunctions. The three National Defense subfunctions are:

- 051 Department of Defense–Military;
- 053 Atomic Energy Defense Activities; and
- 054 Defense-related Activities.

The President’s Budget proposes \$513.0 billion in BA and \$527.4 billion in Outlays for the National Defense function

in FY 2007, which includes \$491.3 billion in BA and \$504.9 in Outlays for DoD. The current and some historical data for BA and Outlays for 050 National Defense and its three subfunctions are in **table 13**. The DoD subfunction accounts for 96 to 98 percent of the National Defense function.

The subsequent analysis focuses on subfunction 051 Department of Defense–Military only. A glossary of budget terms is available for reference at appendix I.

After the Cold War, the nation expected and took a “peace dividend”; DoD’s size and budget were reduced substantially. At the end of the 1990s, the Defense budget began rising slightly, as seen in the FY 2000 data. Between FYs 2000 and 2005 (and particularly after the 11 September 2001 terrorist attacks on the U.S. homeland, hereafter referred to as “9/11”), the budget increased substantially—nearly 67 percent. However, at the same time, the size of the department remained relatively constant in terms of the number of servicemembers and employees. The primary reasons for the substantial increase in dollars without a corresponding increase in endstrength were the high intensity of the operational environment, including the operations in Iraq and Afghanistan, and a large commitment to the transformation of the armed forces.

### FY 2006–2007 Trends

The President’s Budget for DoD includes \$538.1 billion in BA and \$512.1 billion in Outlays in FY 2006, and \$491.3 billion in BA and \$504.9 billion in Outlays in FY 2007. The

**Table 13**

### 050 National Defense Functional Category (Current \$ billions)

Budget Authority	FY85 <sup>1</sup>	FY90 <sup>1</sup>	FY95 <sup>1</sup>	FY00 <sup>1</sup>	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>	FY08 <sup>2</sup>	FY09 <sup>2</sup>	FY10 <sup>2</sup>	FY11 <sup>2</sup>
051 Department of Defense – Military	286.8	292.9	255.7	290.4	483.9	538.1	491.3	464.2	483.8	493.9	504.2
053 Atomic Energy Defense Activities	7.3	9.7	10.1	12.4	17.9	18.1	17.0	16.2	16.6	16.4	16.7
054 Defense-related Activities	0.5	0.7	0.6	1.3	4.0	5.6	4.7	4.8	4.9	5.0	5.2
<b>Total Budget Authority, Defense<sup>3</sup></b>	<b>294.6</b>	<b>303.3</b>	<b>266.4</b>	<b>304.1</b>	<b>505.8</b>	<b>561.8</b>	<b>513.0</b>	<b>485.2</b>	<b>505.3</b>	<b>515.3</b>	<b>526.1</b>
<b>Outlays</b>											
051 Department of Defense-Military	245.1	289.7	259.4	281.2	474.2	512.1	504.9	473.2	472.9	486.1	500.9
053 Atomic Energy Defense	7.1	9.0	11.8	12.1	18.0	18.7	17.8	16.3	16.5	16.4	16.6
054 Defense-related Activities	0.5	0.6	0.9	1.2	3.1	5.1	4.8	4.8	4.9	4.9	5.1
<b>Total Outlays, Defense<sup>3</sup></b>	<b>273.4</b>	<b>299.3</b>	<b>272.1</b>	<b>294.5</b>	<b>495.3</b>	<b>535.9</b>	<b>527.4</b>	<b>494.4</b>	<b>494.3</b>	<b>507.4</b>	<b>522.6</b>

<sup>1</sup> FY85 to FY05 are actual expenditures and include supplemental funds

<sup>2</sup> FY06 and beyond are estimates

<sup>3</sup> Totals may not add due to rounding

Source: Budget for Fiscal Year 2007, Historical Tables, Table 3.2 Outlays and 5.1 Budget Authority

President's Budget also proposes an additional \$70 billion in FY 2006 and \$50 billion in FY 2007 in emergency supplemental funds.

Without these emergency supplemental funds in either fiscal year, the DoD BA decreases by \$46.8 billion, or 8.7 percent and Outlays decrease by \$7.2 billion, or 2.8 percent.

In June 2006, Congress appropriated approximately \$70 billion in emergency supplemental funds, raising the FY 2006 BA total to \$608.1 billion.

Hypothetically, if the \$50 billion supplement for FY 2007 is added to the \$491.3 basic proposal, the FY 2007 total raises to \$541.3 billion. The addition of these two supplemental amounts actually makes the FY 2007 decline greater. With the supplemental funds, the BA declines by \$66.8 billion (from \$608.1 billion to \$541.3 billion), or 11 percent.

The decline continues between FYs 2007 and 2008 with BA decreasing by another \$27.1 billion from the President's basic proposal (\$491.3 billion), or 5.5 percent. If the \$50 billion supplement identified in the President's Budget is added to FY 2007, the decline increases to \$77.1 billion, or 14 percent.

With or without emergency supplemental funds as presently identified by DoD, the DoD budgets for FYs 2007 and 2008 are drawing down.

During FYs 2007 and 2008, the GWOT will continue; operations in Afghanistan and Iraq will likely continue at an uncertain level; transformation will continue; and redeploying units from the combat zones—particularly land forces—will have special requirements, including reset (the rebuilding, modernizing or replacement of equipment).

While it is difficult to draw any conclusions based solely on the top-line dollar data, it is also difficult to assume that the superb capability of the armed forces can be maintained and enhanced while the amount of funding declines. The department's experience as recently as the 1990s suggests that maintaining readiness while decreasing funding may not be achieved by relying largely on double-digit increases in efficiency and effectiveness.

### **Budget Analysis – Various Perspectives**

The department's mission is to deter aggression or otherwise defeat America's enemies rapidly and decisively. The department's strategic priorities are to:

- prevail in irregular warfare operations;
- defend the homeland against advanced threats;
- maintain America's military superiority; and
- support servicemembers and their families.

To accomplish this mission, DoD employs more than 2.8 million active and reserve servicemembers and civilian employees and spends about \$500 billion annually. On the basis of these two metrics—or almost any other metrics—DoD is the largest single employer in the United States.

DoD accomplishes its mission through the combatant commands with the support of the military services and DoD agencies. The DoD budget is a consolidation of the budgets of the services and the DoD agencies. All organizations prepare the budgets using the congressionally mandated functional titles, e.g., Military Personnel (MILPERS) and Operation and Maintenance (O&M).

The following subsections discuss the BA amounts by title, then by service and Defensewide for the other agencies. In some instances, the discussion includes historical data for the past 20 years to add a perspective for better understanding the current funding proposal. In addition, some tables display current or “then year” dollars as the money was spent; and other tables display constant dollars where the “then year” dollars have been adjusted for pay raises and inflation so that all the amounts reflect a common base or buying power.

### **DoD Budget by Title – In Current Dollars**

The DoD budget titles summarize the dollars from all the appropriations in the functional category and from across the services and Defensewide agencies, e.g., MILPERS includes all military pay appropriations for all active and reserve servicemembers in all the services.

The President's Budget for DoD in FY 2007 includes dollars by titles for FY 2005 expenditures, for FY 2006 estimates (since enactment was late) and for FY 2007 proposal amounts. The President's Budget does not include details below the DoD total level, e.g., at title level, beyond FY 2007. See **table 14**.

Table 14 illustrates the ebb and flow of dollars for Defense in five-year intervals to cover major events in history that affected Defense requirements. The FY 1990 budget was the final budget submitted prior to the the fall of the Berlin Wall in November 1989 and the subsequent collapse of the Soviet Union. The 1995 amount reflects the drawdown associated with the “peace dividend.” The FY 2000 amount reflects the decision to increase research, development, acquisition and

Table 14

**Department of Defense Budget Authority by Title**  
(Current \$ billions)

	FY85 <sup>1</sup>	FY90 <sup>1</sup>	FY95 <sup>1</sup>	FY00 <sup>1</sup>	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Personnel	67.8	78.9	71.6	73.8	121.3	115.8	113.1
Operation and Maintenance	77.8	88.4	93.7	108.7	179.2	178.3	152.6
Procurement	96.8	81.4	43.6	55.0	96.6	86.2	84.2
Research, Development, Test and Evaluation	31.3	36.5	34.5	38.7	68.8	71.0	73.4
Military Construction	5.5	5.1	5.4	5.1	7.3	8.9	12.6
Family Housing	2.9	3.1	3.4	3.5	4.1	4.4	4.1
Anticipated Funding for GWOT <sup>3</sup>					—	70.0	50.0
Other	4.7	(0.4)	3.4	5.6	6.6	3.4	1.1
<b>Total Budget Authority, DoD<sup>4</sup></b>	<b>286.8</b>	<b>293.0</b>	<b>255.6</b>	<b>290.4</b>	<b>483.9</b>	<b>538.1</b>	<b>491.3</b>

<sup>1</sup> FY85 to FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and beyond are estimates.

<sup>3</sup> Global War on Terrorism emergency supplemental dollars identified in the budget for FY06 and FY07.

<sup>4</sup> Numbers may not add due to rounding.

Source: Budget for Fiscal Year 2007, Historical Tables, Table 5.1

readiness above inflation. The FY 2005 amount reflects the resources to support the department at war as we have come to know it in the 21st century. The table also illustrates the distribution by title.

The FY 1985 and FY 2000 totals do not include emergency supplemental funds; the FY 2005 total does include emergency funds distributed across the titles; and the FY 2007 total includes an undistributed \$50 billion for emergency supplemental funding, which is 10.2 percent of the Other line.

An interesting observation is that MILPERS remains consistent through the drawdown, and in war or peace. This is consistent with the lack of buildup in military personnel for the current war. O&M increases in support of higher levels of readiness, and the war. As a percentage of the budget, Research, Development, Test and Evaluation (RDT&E) increases substantially.

Procurement is obviously the major bill-payer during the drawdown and the subsequent wartime environment. The persistent low level of funding for Procurement raises a concern about the adequacy of investment funding for the replacement of equipment consumed in the war.

### DoD Budget by Title – In Constant Dollars

Comparisons of current dollar data over long periods of time may be misleading because of pay raises, inflation, program changes and other considerations. For example, between FYs 2000 and 2007,

- The total for DoD increases by 69 percent in current dollars or by 41 percent in constant dollars (with the difference of 28 percent in pay raises, inflation, etc.).
- Research, Development and Acquisition (RDA), i.e., the combination of Procurement and RDT&E, experiences the greatest growth, increasing by 168 percent in current dollars or by 146 percent in constant dollars.
- O&M, on the other hand, does not increase nearly as much as it appears with an increase of 40 percent in current dollars but only 12 percent in constant dollars.

The following tables provide more insights by converting the current dollar amounts to constant dollars in **table 15** and to percentages in **table 16**.

Over the long term, the spending profile in constant dollars (table 15) presents a different story from the profile in current dollars. The FY 1985 dollars are very high, reflecting the buildup during the Reagan administration. The FY 1990 dollars reflect the reductions begun even before the end of the Cold War. The FY 1995 and FY 2000 dollar levels reflect the decade of peace dividends. The FY 2005 budget is nearly as high as and the current budget years exceed the peak budgets of the Reagan years. However, the military and civilian endstrength is only about two-thirds that of FY 1985. Therefore, a logical assumption is that the operations in Afghanistan and Iraq, the GWOT and transformation consume about \$150 billion a year, or about a half billion dollars a day.

Table 15

**Department of Defense Budget Authority by Title**  
(Constant FY07 \$ billions<sup>1</sup>)

	FY85 <sup>2</sup>	FY90 <sup>2</sup>	FY95 <sup>2</sup>	FY00 <sup>2</sup>	FY05 <sup>2</sup>	FY06 <sup>3</sup>	FY07 <sup>3</sup>
Military Personnel	141.1	141.3	108.2	94.3	128.3	118.9	113.1
Operation and Maintenance	145.3	141.3	131.5	135.7	190.0	182.7	152.6
Procurement	157.4	111.3	53.4	63.2	100.9	88.1	84.2
Research, Development, Test and Evaluation	52.2	51.2	43.0	44.7	72.0	72.6	73.4
Military Construction	9.2	7.1	6.7	5.9	7.6	9.1	12.6
Family Housing	4.8	4.3	4.2	4.0	4.3	4.5	4.1
Anticipated Funding for GWOT <sup>4</sup>					—	71.7	50.0
Other	7.7	(0.6)	4.1	6.4	6.9	3.5	1.1
<b>Total Budget Authority, DoD<sup>5</sup></b>	<b>510.0</b>	<b>456.6</b>	<b>347.2</b>	<b>347.8</b>	<b>503.2</b>	<b>547.5</b>	<b>491.3</b>

<sup>1</sup> Constant dollars are FY85 to FY06 current dollars divided by DoD BA deflators in FY07 GreenBook table 5-6.

<sup>2</sup> FY85 to FY05 are actual expenditures and include supplemental funds.

<sup>3</sup> FY06 and beyond are estimates.

<sup>4</sup> Global War on Terrorism emergency supplemental dollars identified in the Budget for FY06 and FY07.

<sup>5</sup> Totals may not add due to rounding.

**Source:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 5-6 BA Deflators Budget for Fiscal Year 2007, Historical Tables, Table 5.1

Table 16

**Titles as Percentage of Department of Defense Budget Authority**

	FY85 <sup>1</sup>	FY90 <sup>1</sup>	FY95 <sup>1</sup>	FY00 <sup>1</sup>	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Personnel	23.6%	26.9%	28.0%	25.4%	25.1%	21.5%	23.0%
Operation and Maintenance	27.1%	30.2%	36.7%	37.4%	37.0%	33.1%	31.1%
Procurement	33.8%	27.8%	17.1%	18.9%	20.0%	16.0%	17.1%
Research, Development, Test and Evaluation	10.9%	12.5%	13.5%	13.3%	14.2%	13.2%	14.9%
Military Construction	1.9%	1.7%	2.1%	1.8%	1.5%	1.7%	2.6%
Family Housing	1.0%	1.1%	1.3%	1.2%	0.8%	0.8%	0.8%
Anticipated Funding for GWOT <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	13.0%	10.2%
<b>Other</b>	<b>1.6%</b>	<b>-0.1%</b>	<b>1.3%</b>	<b>1.9%</b>	<b>1.4%</b>	<b>0.6%</b>	<b>0.2%</b>

<sup>1</sup> FY85 to FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and beyond are estimates.

<sup>3</sup> Global War on Terrorism emergency supplemental dollars identified in the budget for FY06 and FY07

**Source:** Budget for Fiscal Year 2007, Historical Tables, Table 5.1 (Calculated from Table 2 of this analysis.)

## DoD Budget By Title – Percentage Distribution

The analysis by percentage in table 16 focuses on the distribution of the dollars by title for each of the fiscal years and provides insights on the trends by title.

RDA and O&M experience the widest swings between FY 1985 and the current budget.

In FY 1985, the greatest percentage (almost 34 percent) of the Defense budget went into Procurement, and nearly 45 percent went into RDA. Ten years later, in FY 1995, RDA was down to 31 percent; in FY 2005 it was back up to 34 percent. RDA is down again in FYs 2006 and 2007.

The title with the next greatest swing is O&M. In FY 1985, O&M was 27 percent of the total; in FYs 2000 and 2005, O&M increased to 37 percent.

Both O&M and MILPERS are off by about 4 percent in FY 2006, but FY 2006 includes 13 percent in the undistributed, emergency supplemental line for the GWOT. FY 2007 includes an undistributed, emergency supplemental line for the GWOT of 10 percent. Therefore, no more definitive assessment can be made about FYs 2006 and 2007 from the data available.

## DoD Budget By Service and Defensewide – Current Dollars

The military services and the various Defensewide agencies prepare budgets using the appropriation structure; the appropriations summarize the functional titles introduced above. This section summarizes the functional title data to a total amount per service or for all Defense agencies, and provides an analysis at the service and Defensewide levels.

The total amounts are in current-year dollars, i.e., the amounts actually expended during the years of execution

and estimates for future fiscal years. See **table 17** for service funding in current dollars. As mentioned earlier, an analysis of current-year dollars, over long periods of time, may produce misleading results because of pay raises, inflation, program changes and other price adjustments.

A review of current dollars for the services since FY 1985 reveals dramatic downswings, then upswings; swings reflect the perceptions of defense needs of the times. In the decade between FY 1985 and FY 1995, the amount spent for the services went down by 15 to 26 percent across the services. However, the funds expended by Defensewide agencies went up almost 200 percent. The decreases for the services reflect the peace dividend and the transfer of certain common functions from the services to a single Defensewide component.

During the next five years, i.e., by FY 2000, the service budgets were up by 12.4 percent to 15.6 percent; in part, this reflects the recognition that Defense had declined enough. In the next five years, the reaction to 9/11 produced dramatic increases in service budgets of 48 percent for the Navy (including the Marine Corps), 54 percent for the Air Force and 109 percent for the Army. The increases reflect the fact that the nation is at war, specifically a land war.

The execution data includes emergency supplemental funds; however, the budget proposals for FY 2007 do not include emergency supplemental funds. The President's Budget does recognize a need for \$50 billion in FY 2007 but does not include a distribution plan for the services. Without the additional \$50 billion, the Defense total went down by 9 percent between FY 2005 and FY 2007, and with it, the Defense total went up 1.5 percent.

Without the \$50 billion in FY 2007, between FYs 2005 and 2007 the Air Force budget increased by 2 percent, while the Navy/Marine Corps budget decreased by 3.5 percent and

**Table 17**

### Department of Defense Budget Authority by Component (Current \$ billions)

	FY85 <sup>1</sup>	FY90 <sup>1</sup>	FY95 <sup>1</sup>	FY00 <sup>1</sup>	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	74.3	78.5	63.3	73.2	152.8	131.2	110.3
Navy (including Marine Corps)	99.0	99.9	76.9	88.8	131.7	131.9	127.1
Air Force	99.4	92.9	73.9	83.1	127.9	128.5	130.3
Defensewide	14.1	21.7	41.6	45.5	71.5	76.5	73.3
<b>Total Budget Authority, DoD<sup>3</sup></b>	<b>286.8</b>	<b>293.0</b>	<b>255.7</b>	<b>290.5</b>	<b>483.9</b>	<b>468.1</b>	<b>441.0</b>

<sup>1</sup> FY85 to FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and beyond are estimates.

<sup>3</sup> Totals may not add due to rounding.

**Source:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 6-10

the Army budget decreased by 28 percent. Between FY 2005 and FY 2007, the Army budget decreased by \$42.5 billion. This clearly suggests that DoD expects the Army to bear the brunt of the war effort and to fund those operations from emergency supplemental dollars.

Clearly, the land war will continue during FY 2007. Soldiers and Marines are in combat every day, operating their equipment at a much greater tempo than in peacetime and taking combat damage. If the operational tempo remains at the FY 2005 level, the Army will likely need almost all of the \$50 billion in emergency supplemental funds identified in the President’s Budget. In addition, the scenario suggests a requirement for additional funds, probably for years to come, to restore, modernize and replace equipment. Equally clearly, the DoD budget for the Army in FY 2007 puts the Army at financial risk, and perhaps greater risk. Without a substantial emergency supplemental, the DoD baseline budget for the Army will not sustain the current operational level and restore the force for future missions.

### DoD Budget by Service and Defensewide – Constant Dollars

Comparisons of current-dollar data over long periods of time may be misleading because of pay raises, inflation, program changes and other considerations. The use of constant dollars provides a more accurate comparison of real buying power over time. See **table 18** for service funding in constant dollars.

In the decade between FY 1985 and FY 1995, the Army’s buying power went down by 36 percent, the Navy’s (with the Marine Corps) went down by 41 percent and the Air Force’s went down by 43 percent. All remained essentially at those levels of buying power to FY 2000.

In the five years between FY 2000 and FY 2005, the Army’s buying power increased the most significantly—by 80 percent—compared to that of the Navy and Marine Corps, which increased by 28 percent, and the Air Force, which increased by 34 percent.

However, between FY 2005 (the last year for actual experience data) and FY 2007, the Army’s buying power decreased the most significantly, by 31 percent. That of the Navy and Marine Corps decreased by 8 percent, and the Air Force’s decreased by only 3 percent.

If operations and deployments remain about the same, and the size of the Army does not change, this means that DoD’s budget for the Army in FY 2007 would have to increase by almost 50 percent to equal the FY 2005 buying power. Clearly, the entire \$50 billion in emergency supplement funds identified in the President’s Budget would have to be given to the Army to equal the FY 2005 level.

### DoD Budget by Service and Defensewide – Percentage Distribution

The analysis by percentage provides an additional method of comparing the distribution among the services. The percentages are in **table 19**.

Perhaps the most striking observation is that the services’ shares of the funds change at three points in time; the first and second changes relate to external events, but no external event is obvious for precipitating the third.

- In FY 1995, the shares for the Navy (including the Marine Corps) and the Air Force decreased to new levels, and the share for the Defensewide agencies increased. At this time, certain common functions were transferring from the services to the Defense agencies.

**Table 18**

### Department of Defense Budget Authority by Component (Constant FY07 \$ billions<sup>1</sup>)

	FY85 <sup>2</sup>	FY90 <sup>2</sup>	FY95 <sup>2</sup>	FY00 <sup>2</sup>	FY05 <sup>2</sup>	FY06 <sup>3</sup>	FY07 <sup>3</sup>
Army	139.4	126.0	89.2	89.4	160.6	134.3	110.3
Navy (including Marine Corps)	177.7	155.0	105.0	107.9	138.4	134.9	127.1
Air Force	175.4	143.2	100.9	100.5	134.6	131.3	130.3
Defensewide	25.3	31.8	56.5	56.6	76.5	79.0	73.3
<b>Total Budget Authority, DoD<sup>4</sup></b>	<b>517.8</b>	<b>456.0</b>	<b>351.7</b>	<b>354.4</b>	<b>510.1</b>	<b>479.5</b>	<b>441.0</b>

<sup>1</sup> FY85 to FY05 are constant dollars as displayed in DoD Greenbook Table 6-10.

<sup>2</sup> FY85 to FY05 are actual expenditures and include supplemental funds.

<sup>3</sup> FY06 and beyond are estimates.

<sup>4</sup> Numbers may not add due to rounding.

**Source:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 6-10

Table 19

### Components as Percentage of Department of Defense Budget Authority

	FY85 <sup>1</sup>	FY90 <sup>1</sup>	FY95 <sup>1</sup>	FY00 <sup>1</sup>	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	25.9%	26.8%	24.8%	25.2%	31.6%	28.0%	25.0%
Navy (including Marine Corps)	34.5%	34.1%	30.1%	30.6%	27.2%	28.2%	28.8%
Air Force	34.7%	31.7%	28.9%	28.6%	26.4%	27.5%	29.5%
Defensewide	4.9%	7.4%	16.3%	15.7%	14.8%	16.3%	16.6%

<sup>1</sup> FY85 to FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and beyond are estimates.

<sup>3</sup> Percentages for FY06 & FY07 do not reflect emergency supplemental dollars of \$70 billion and \$50 billion identified in the budget.

**Source:** Budget for Fiscal Year 2007, Historical Tables, Table 5.1 (calculated from table 5 of this analysis)

- In FY 2005, once again the Navy/Marine Corps and Air Force shares decreased, while the Army share increased by 6 percent. At this time, the nation was engaged in a land war.
- Between FY 2005 and FY 2007, the DoD budget for the Army decreased by 6.6 percent, while the budgets for the Navy/Marine Corps and Air Force increased by 1.5 percent and 3 percent, respectively. The Army reverts to about 25 percent of the DoD budget in FY 2007 without emergency supplemental funds. The Army would require \$42 billion of the \$50 billion emergency supplemental funds to return to a 31 percent share of the DoD budget.
  - \$760 million between FY 2007 and FY 2011
- Increase Army combat power by expanding and converting 48 regular brigades to 70 fully equipped, manned and trained modular brigade combat teams.
  - \$6.6 billion in FY 2007
  - \$40.6 billion between FY 2007 and FY 2011
- Grow special operations forces (SOF) by more than 14,000. Expand SOF combat battalions from 15 to 19. Complete establishment of Marine Corps Special Operations Command. Initiate a new SOF unmanned aerial vehicle squadron. Expand Navy SEAL commando teams.
  - \$5.1 billion in FY 2007
  - \$28.7 billion between FY 2007 and FY 2011
- Expand unmanned aerial reconnaissance forces. Procure 322 unmanned aerial vehicles. Increase available missions by 75 percent. Expand persistent (24/7) surveillance capability. Expand research and development for future UAVs.
  - \$1.7 billion in FY 2007
  - \$11.6 billion between FY 2007 and FY 2011

### Defend the Homeland Against Advanced Threats

- Improve defenses against catastrophic terrorism. Develop countermeasures against biological and other weapons. Tag, track and locate nuclear weapons and render them safe.
  - \$1.7 billion in FY 2007
  - \$9.3 billion between FY 2007 and FY 2011
- Expand missile defense capability. Protect the United States against intercontinental and theater ballistic missiles.

### Budget Priorities

At the DoD budget press conference, the Secretary of Defense's briefing slides identified four priorities, with a number of initiatives (and near- and long-term funding) for each priority:<sup>18</sup>

#### Prevail in Irregular Warfare Operations

- Expand language and cultural awareness training, including language training for special operations and intelligence units; and increase language training, pay and recruitment of personnel.
  - \$181 million in FY 2007

<sup>18</sup> Rumsfeld, DoD News Briefing on Fiscal Year 2007 Budget, Briefing Slides, 6 February 2006.

Expand coverage in critical areas including producing and fielding additional ground- and sea-based interceptors. Enhance early warning system capability.

- \$10.4 billion in FY 2007
- \$47.5 billion between FY 2007 and FY 2011
- Expand global communications capability. Extend satellite capabilities to deployed troops worldwide. Substantially increase DoD's ability to transmit data.
  - \$0.9 billion in FY 2007
  - \$9.3 billion between FY 2007 and FY 2011

### Maintain America's Military Superiority

- Expand joint air capabilities. Invest in additional air assault capability, including AH-64 Apaches, CH-47 Chinooks, UH-60 Black Hawks and V-22 Ospreys. Invest in weapon systems with increased air dominance and global strike capabilities, including F-22 Raptor and F/A-18 E/F Super Hornet.
  - \$15.1 billion in FY 2007
  - \$88.4 billion between FY 2007 and FY 2011
- Improve joint maritime capabilities. Improve maritime support to joint forces and invest in multimission ships, including two DD(X) destroyers, two Littoral Combat Ships (LCS), one SSN *Virginia*-class submarine, one (LHA(R)) Amphibious Assault Ship and one (T-AKE) logistics ship.
  - \$11.2 billion in FY 2007
  - \$77.5 billion between FY 2007 and FY 2011

### Support Servicemembers and Their Families

- Provide military pay raise of 2.2 percent, expand targeted pay for warrant officers and senior enlisted, and maintain bonuses and retention incentives.
- Improve housing by increasing Basic Allowance for Housing (BAH) by 5.9 percent with no out-of-pocket costs. Eliminate remaining inadequate housing.
- Commence quality-of-life initiatives including 48 new barracks projects, eight child development centers and four dependent education school projects.
- Sustain military health care by placing the program on a fiscally sound foundation for the long term. Health care costs projections indicate a rise of 31 percent from FY 2005 to FY 2011. Do not change the cost for active duty members, but increase the cost share for working age retirees younger than 65 years and adjust pharmacy copays. In FY 1995, the cost share was 73 percent DoD

and 27 percent beneficiary, but today the share is 88 percent DoD and 12 percent beneficiary.

- \$39 billion in FY 2007
- \$211 billion between FY 2007 and FY 2011

This relatively short list of initiatives accounts for more than \$93 billion, or 19 percent, of the \$492 billion in the President's Budget for DoD in FY 2007.

### Force Structure

America's armed forces are fighting a land war while transforming to meet the challenges of the 21st century. The war emphasizes the need to prepare to fight unconventional, irregular or asymmetric wars against terrorists or enemy guerrillas. In addition to the current war, the armed forces must also continue to prepare to fight conventional wars.

The U.S. military is continually adjusting to the war, rapidly evolving in the way it fights and planning and implementing those plans for fielding successful forces for future wars. DoD and the services are transforming the doctrine, organization, technology and equipment, training, attitudes, values and beliefs of Soldiers, Sailors, Airmen and Marines.

The DoD budget must continue to support the current forces fighting the war and transforming so that they are ready to rapidly engage and defeat future enemies.

As part of their transformation, each of the services is innovatively restructuring its forces. **Table 20** provides a summary of the force structure across all services.

The most sweeping force structure changes are occurring in the Army. The Army is moving from a division-based force structure to a modular, brigade-centric force. The primary formation is the brigade combat team (BCT). A BCT is a stand-alone, self-sufficient and standardized force of between 3,500 and 4,000 Soldiers, depending upon the type—infantry, heavy or Stryker. The BCT is much more capable than former brigades—e.g., it includes its own artillery, engineers and supply capabilities—and therefore is more readily deployable and more flexible. The standardization of the BCT in the active and reserve components enables greater interchangeability as part of the Joint Force, thus reducing the frequency of deployment of high-demand units in the former structure.

In his priorities, the Secretary of Defense states that Army combat power is expanding with the conversion of 48 regular brigades to 70 fully equipped, manned and trained modular brigade combat teams. The DoD budget includes \$6.6 billion in FY 2007 and a total of \$40.6 billion between FYs 2007 and 2011 for Army modularity changes.

**Table 20**

**Conventional Forces Summary**

<b>Army</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07*</b>
Active Component (AC) Divisions	10	10	10
Reserve Component (RC) Divisions	8	8	8
AC Armored Cavalry Regiments	2	2	2
AC Brigade Combat Teams	39	42	42
RC Brigade Combat Teams	36	28	28
AC Modular Support Brigades	n/a	75	75
RC Modular Support Brigades	n/a	136	136
<b>Navy</b>			
Aircraft Carriers	12	12	11
Surface Combatants	99	102	106
Amphibious Warfare Ships	34	33	34
Attack Nuclear Submarines	54	55	52
Ballistic & Guided Missile Submarines	18	18	18
Support, Logistics, Mine Ships	64	63	64
Active Force Air Wings	18	18	18
Reserve Forces Air Wings	5	5	4
<b>Air Force</b>			
Active Fighter Squadrons	46	45	44
Reserve Fighter Squadrons	37	38	34
Reserve Air Defense Squadrons	4	4	4
Bombers (Combat-Coded)	96	96	96
<b>Marine Corps</b>			
Expeditionary Forces	3	3	3
Expeditionary Brigades	4	4	4
Active Battalions	52	52	53
Reserve Battalions	21	20	20
Active Force Air Wings	3	3	3
* Army structure decisions still in progress as of August 2006. Sources: HQ Dept. of the Army, Navy Highlights, Air Force Public Affairs Office			

The other substantial force structure change occurs with the growth in special operations forces. Overall, SOF combat battalions will increase from 15 to 19 and SOF forces will grow by more than 14,000 members by FY 2011. A large part of this growth occurs with the establishment of the Marine Corps Special Operations Command. The increases include: for the Army, 600 Rangers and 1,800 Special Forces personnel; for the Navy, 500 SEALs; and for the Air Force, 500 Special

Operations members. The DoD budget includes \$5.1 billion in FY 2007 and a total of \$28.7 billion between FYs 2007 and 2011 for the additional SOF.

**Personnel**

One of DoD’s top priorities is to “support servicemembers and their families.” In his testimony to Congress, the Secretary of Defense recognized the sacrifices made by Soldiers, Sailors, Airmen and Marines:

They are volunteers who could be doing something much easier, safer and better compensated, but they step forward each year to raise their hand and say, “Send me.” They do so fully aware of the risks and are justifiably proud of the noble history they are making.

They have done everything asked of them—and have done it with resilience and courage. We owe it to them—and the country they have sworn to protect—to provide the resources, the capabilities and the innovative institutional culture that will not only win today’s wars, but also best position them to win America’s wars in the decades ahead.<sup>19</sup>

DoD’s priority and the Secretary’s statement express recognition of the importance of servicemembers. The DoD budget includes initiatives to support servicemembers, their families and the civilian work force who aid and support them.

**Endstrength – Military and Civilian**

DoD includes nearly 3 million active, National Guard and Reserve servicemembers and civilian employees. The historical and current endstrength data are in **table 21**.

Endstrength is only one measure of the numbers of people who contribute to national security. Thousands of contractor personnel provide services and support that free up military members and DoD civilians to perform essential military and government functions. Contractor personnel make significant contributions in research, manufacturing and maintenance of equipment, and in many installation support functions.

In addition to servicemembers, the civilian work force and the contractor personnel, DoD provides services and support to millions of family members and retirees. For example, the department provides various health care benefits to 9.2 million servicemembers and their families.<sup>20</sup>

In addition to those large numbers, more than 400,000 servicemembers are serving overseas in more than 120 nations

<sup>19</sup> Rumsfeld testimony re FY 2007 Posture Statement, 7 February 2006, p. 26.

<sup>20</sup> Department of Defense Comptroller Tina Jonas, DoD News Briefing on Fiscal Year 2007 Budget, 6 February 2006, available online at <http://www.defenselink.mil/transcripts/2006/tr20060206-12440.html>.

**Table 21**

**Department of Defense Personnel Endstrength**  
(\$ thousands)

<b>Active Military<sup>4</sup></b>	<b>FY85<sup>1</sup></b>	<b>FY90<sup>1</sup></b>	<b>FY95<sup>1</sup></b>	<b>FY00<sup>1</sup></b>	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
Army	781	751	509	482	492	482	482
Navy	571	583	435	373	362	353	341
Marine Corps	198	197	174	173	180.0	175.0	175
Air Force	602	539	400	356	352	352	334
Active Guard and Reserve, Full-time	55	74	65	65	69.0	74	74
<b>Total Active Military<sup>3</sup></b>	<b>2,207</b>	<b>2,144</b>	<b>1,583</b>	<b>1,449</b>	<b>1,455</b>	<b>1,436</b>	<b>1,406</b>
<b>Selected Reserve<sup>5</sup></b>							
Army	Not Available				522	555	533
Navy	Not Available				76	73	72
Marine Corps	Not Available				40	40	40
Air Force	Not Available				182	181	182
<b>Total Selected Reserve<sup>3</sup></b>	Not Available				<b>820</b>	<b>849</b>	<b>827</b>
<b>Civilians (Full-time equivalents)<sup>4</sup></b>	<b>1,129</b>	<b>1,073</b>	<b>849</b>	<b>698</b>	<b>692</b>	<b>703</b>	<b>702</b>

<sup>1</sup> FY85 to FY05 are actuals.  
<sup>2</sup> FY06 and beyond are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
<sup>4</sup> DoD Greenbook Table 7-5  
<sup>5</sup> DoD Financial Summary Table O  
**Sources:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 7-5 and DoD Financial Summary Table O

or on ships. Many of those deployed are conducting operations in Afghanistan, Iraq and other locations, fighting the GWOT; as part of the Stabilization Force and Kosovo Force in the Balkans; and with the Multinational Force and Observers mission in the Sinai.

With so many units deployed, recurring deployments for many servicemembers is a way of life. Deployments create challenges, such as providing for servicemembers around the world, providing for their families back at home station, acquiring and retaining overall endstrength and maintaining the mix of servicemembers with the requisite skills and training.

DoD, recognizing that deployments place a strain on individual servicemembers and on military families, is pursuing a number of initiatives to produce more combat capability, thereby reducing the burden on individual servicemembers. The initiatives include:

- restructuring, e.g., transforming the Army to a modular, brigade-based force;

- rebalancing, e.g., changing the composition of the force to include more high-demand units and the disposition of the units among the active and reserve components;
- converting military positions to civilian; and
- divesting lower-priority functions.

In addition, DoD is pursuing global stationing initiatives that better position forces around potential future trouble spots and reduce overall overseas stationing. Units are redeploying from overseas garrisons to bases in the United States, and the department is establishing forward operating sites overseas that are more flexible and less intrusive, closer to potential future trouble spots and able to assist in future deployments, if needed.

As the numbers demonstrate, between FYs 1985 and 2000, the nation clearly took a peace dividend. Military endstrength decreased by 34 percent and civilian endstrength decreased by 38 percent. The Air Force and the Army took the largest reductions, 41 percent and 38 percent respectively; the Navy took a 35 percent reduction and the Marine Corps took a 13 percent reduction.

In response to the GWOT, the Army's endstrength increased by 2 percent and that of the Marine Corps increased by 4 percent between FY 2000 and 2005; however, Navy and Air Force endstrength decreased by 3 percent and 1 percent, respectively. Civilian endstrength also decreased slightly. The war is being fought with the troops on hand and without a buildup.

Between FYs 2005 and 2007, Navy and Air Force endstrength continued to decrease, by 6 percent and 5 percent, respectively; Army and Marine Corps endstrength also decreased, by 2 percent and 3 percent, respectively. Civilian endstrength increased slightly.

Although all of the services are smaller in FY 2007, comparing the distribution of the personnel with FY 1985 distribution produces an interesting finding. The Army and Navy continue to constitute about the same percentage with 34 percent and 24 percent, respectively. The Air Force decreases by 3.5 percent to a new total of 24 percent and the Marine Corps increases by 3.4 percent to 12 percent of DoD.

### Military Personnel

The Military Personnel title includes all the military pay appropriations for the services including active and reserve components. The FY 2007 budget includes a 2.2 percent increase in military pay. The budget also includes expanded targeted pay for warrant officers and senior enlisted and maintains bonuses and retention incentives. The Military Personnel budget by component is in **table 22**.<sup>21</sup>

### Military Accrual Payments

In addition to military pay, the Military Personnel title also includes funds for medical and retirement accrual accounts. The accrual method requires the services to pay for estimated future medical and retirement benefits annually.

The department must transfer money into the accrual fund for any policy or program change that has a budgetary consequence, i.e., a future liability, in the fiscal year of the policy or program change. For example, an additional benefit for retirees will trigger the requirement to make a contribution. An increase in endstrength would also trigger the requirement to make a contribution for the larger future retiree population.

The sum of military medical and retirement accruals in FY 2007 is nearly \$27 billion and consumes 23.5 percent of the Military Personnel title, or 5.4 percent of the total DoD budget.

<sup>21</sup> The large dollar amount for the Army in FY 2005 reflects the many Army National Guard and Army Reserve Soldiers on full-time duty.

**Table 22**

### Military Personnel Budget (\$ billions)

Component	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	50.8	45.9	42.6
Navy	27.2	26.8	27.4
Marine Corps	11.4	10.9	11.1
Air Force	30.4	29.8	29.6
Contribution to Military Retirement Fund	1.5	2.3	2.4
<b>Total<sup>3,4</sup></b>	<b>121.3</b>	<b>115.8</b>	<b>113.1</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and beyond are estimates.

<sup>3</sup> Totals may not add due to rounding.

<sup>4</sup> FY05, FY06 and FY07 pay raises are 3.5, 3.1 and 2.2 percent respectively.

**Source:** DoD Financial Summary Tables Fiscal Year 2007 (FAD 730)

**Military Medical Accrual.** The DoD budget for FY 2007 includes \$11.2 billion in military medical accrual. The DoD contribution to the military medical accrual account increased by 10 percent between FY 2005 and FY 2007. In FYs 2005, 2006 and 2007, military medical accrual equated to 8.4 percent, 9.2 percent and 9.9 percent of the Military Personnel budget, and military medical accrual consumed a greater portion of the DoD budget, from 2.1 percent to 2.3 percent, between FY 2005 and FY 2007. See **table 23**.

**Military Retirement Accrual.** The DoD budget for FY 2007 includes \$15.4 billion for military retirement accrual. The DoD contribution to the military retirement accrual account decreased by 4 percent between FY 2005 and FY 2007. In FYs 2005, 2006 and 2007, military retirement accrual equated to 3.3 percent, 2.8 percent and 3.1 percent of the Military Personnel budget, and military retirement accrual consumed a smaller portion of the DoD budget, from 3.3 percent to 3.1 percent, between FY 2005 and FY 2007. See **table 24**.

### Civilian Personnel

Under the federal budget system, the appropriation that employs civilian personnel pays civilian personnel. No central pay appropriation exists as it does for military personnel. Most DoD civilians work in functions that are paid from the Operation and Maintenance appropriations. The number of DoD civilians, with endstrength of 702,000, is about half as large as the active military endstrength of 1,406,000. The President's Budget proposes a 2.2 percent raise for the civil service—the same as the military pay raise for FY 2007.

Table 23

**Medical Accrual  
in Military Personnel Budgets**  
(\$ billions)

Medical Accrual	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Pay, Army	2.4	2.7	2.9
Reserve Personnel, Army	0.7	0.7	0.7
National Guard Personnel, Army	1.1	1.2	1.2
<b>Subtotal Army Medical Accrual</b>	<b>4.2</b>	<b>4.6</b>	<b>4.8</b>
Military Pay, Navy	2.0	2.0	2.1
Reserve Personnel, Navy	0.3	0.3	0.3
<b>Subtotal Navy Medical Accrual</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>
Military Pay, Marine Corps	1.0	1.0	1.1
Reserve Personnel, Marine Corps	0.1	0.1	0.1
<b>Subtotal Marine Corps Medical Accrual</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>
Military Pay, Air Force	2.0	2.0	2.1
Reserve Personnel, Air Force	0.2	0.3	0.3
National Guard Personnel, Air Force	0.4	0.4	0.4
<b>Subtotal Air Force Medical Accrual</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>
<b>Total DoD Medical Accrual<sup>3</sup></b>	<b>10.2</b>	<b>10.6</b>	<b>11.2</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 6-6

## Operation and Maintenance

The Operation and Maintenance appropriations of the active and reserve components of all the services provide the funds to maintain and strengthen warfighting readiness through training, mobility and sustainment programs. The O&M appropriations also support a wide variety of other programs including base operations support, infrastructure and communications, and servicemember and family well-being programs. The O&M funds pay for the vast majority of the civilian workforce who carry out the complete array of support functions, e.g., base support operations, depot maintenance and training.

Between FY 2005 and FY 2007, total O&M decreased by 23 percent. **Table 25** displays O&M funding data for the services and Defensewide activities.

The budget proposal for FY 2007 does not include funds for current operations in Afghanistan and Iraq, but the FY 2005 execution amounts do include emergency supplemental funds. Since these operations involve a land war, the Army

Table 24

**Retirement Accrual  
in Military Personnel Budgets**  
(\$ billions)

Retired Pay Accrual	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Pay, Army	5.2	3.8	4.0
Reserve Personnel, Army	0.3	0.4	0.4
National Guard Personnel, Army	0.5	0.6	0.6
<b>Subtotal Army Retirement Accrual</b>	<b>6.0</b>	<b>4.8</b>	<b>5.0</b>
Military Pay, Navy	3.1	2.9	2.9
Reserve Personnel, Navy	0.2	0.2	0.2
<b>Subtotal Navy Retirement Accrual</b>	<b>3.3</b>	<b>3.1</b>	<b>3.2</b>
Military Pay, Marine Corps	1.4	1.3	1.3
Reserve Personnel, Marine Corps	0.1	0.1	0.1
<b>Subtotal Marine Corps Retirement Accrual</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>
Military Pay, Air Force	3.5	3.2	3.2
Reserve Personnel, Air Force	0.1	0.1	0.1
National Guard Personnel, Air Force	0.3	0.3	0.3
<b>Subtotal Air Force Retirement Accrual</b>	<b>3.7</b>	<b>3.6</b>	<b>3.6</b>
Contributions Receipts for Military Retirement (effect of extra pay day)	1.5	2.3	2.4
<b>Total DoD Retired Pay Accrual<sup>3</sup></b>	<b>16.0</b>	<b>15.2</b>	<b>15.4</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 6-6

receives a very large portion of the emergency supplemental funds.

In FY 2005, with the supplemental funds, the Army consumed \$25 billion more than the next closest service and 34 percent of all DoD O&M.

However, the FY 2007 budget proposes \$32 billion for the Army, or 21 percent of DoD O&M, less than any other service and \$35 billion less than in FY 2005. This is a very substantial change, and it certainly suggests that the department is relying on future supplemental funding. Between FYs 2005 and 2007, O&M decreased by more than 52 percent for the Army, 12 percent for the Navy and 5 percent for the Air Force. O&M for the Defense agencies increased by 5 percent.

**Table 25**

**Operation and Maintenance**  
(\$ billions)

Component	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	67.2	52.2	32.0
Navy (including Marine Corps)	41.7	39.1	36.7
Air Force	41.3	39.8	39.4
Environmental Restoration Fund, Afghanistan & Iraq Security, Emergency Response, Other	7.5	6.5	1.9
Defensewide <sup>3</sup>	40.1	42.3	42.0
<b>Total<sup>4</sup></b>	<b>197.8</b>	<b>179.9</b>	<b>152.0</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Includes Defense Health Program.

<sup>4</sup> Numbers may not add due to rounding.

**Source:** DoD Operation & Maintenance Exhibit O-1

In addition to the distribution by military department, certain mandatory programs consume large amounts of O&M funds, e.g., the Defense Health Program consumes \$20 billion or 4.5 percent of O&M funds.

### Defense Health Program

The three-fold mission of the Defense Health Program (DHP) is to provide health care in support of deployed forces; provide health care benefits for members of the armed services and their families, retirees and others entitled to DoD health care; and conduct research, prevention and professional education and training activities. DHP provides care for servicemembers and their families at Army, Navy and Air Force medical facilities and through the TRICARE system.

DHP includes O&M, Procurement and RDT&E appropriations; however, 95 percent to 98 percent of the funds between FYs 2005 and 2007 were in O&M. Between FYs 2005 and 2007, O&M in DHP increased by 15 percent.

The budget for the program is in **table 26**.

The total in DHP is \$20.7 billion in FY 2007; in addition, DoD will pay \$11.2 billion from MILPERS into the Medical Accrual fund (return to table 23). The total for DHP and the Medical Accrual fund is \$32 billion, or 6.5 percent of the total DoD budget, in FY 2007. This total excludes military pay for servicemembers who are doctors and other medical providers.

In his news briefing, the Secretary of Defense noted that DoD provides one of the best health care programs in

<sup>22</sup> Rumsfeld, DoD News Briefing on Fiscal Year 2007 Budget, 6 February 2006.

the nation and that the department's goal is to maintain exceptional coverage. However, the Secretary also expressed the need to place the program on a fiscally sound foundation for the long term.

In FY 2001, DHP provided benefits to 8.4 million active duty personnel, dependents and retirees and their families. In FY 2007, the number of beneficiaries rises to 9.2 million. For dollar amounts see **table 27**.

In 1995, the DoD cost share was 73 percent and the beneficiary share was 27 percent. Today, the cost share is 88 percent DoD and 12 percent beneficiary.

The ever-increasing numbers of beneficiaries and the shift in the cost-sharing features result in a financially unsound program in the long term. Therefore, the department is proposing an increase in the cost share for working-age retirees younger than 65 to levels less than in FY 1995, and proposing no cost change for active members.<sup>22</sup>

## Research, Development and Acquisition

For more than 50 years, the nation has been very successful in deterring threats from nations with large armies, navies and air forces; however, those threats have not disappeared. In the current century, the nation is contending with irregular warfare operations, including wars of long duration like the GWOT, and a variety of asymmetric or irregular challenges. Maintaining the technological edge to continue to deter and dissuade nation-states and to defeat terrorism is essential to national security.

**Table 26**

**Defense Health Program Funding**  
(\$ billions)

Title	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Operation and Maintenance	17.5	19.4	20.2
Procurement	0.4	0.4	0.4
Research, Development, Test and Evaluation	0.5	0.5	0.1
<b>Total<sup>4,5</sup></b>	<b>18.4</b>	<b>20.3</b>	<b>20.7</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

<sup>4</sup> Defense Health Program includes direct program funds but excludes Medical Accrual account and pay of military health care providers.

**Source:** DoD Defensewide Justification Documentation, PBA-19

**Table 27**

**Defense Health Program Beneficiaries**  
(\$ thousands\*)

Total Eligible	FY05	FY06	FY07
Active duty personnel	1,748.7	1,735.4	1,723.4
Active duty dependents	2,386.6	2,369.3	2,355.8
TRICARE-eligible retirees and family members	3,238.6	3,240.5	3,238.9
Medicare-eligible retirees and family members	1,840.6	1,871.9	1,902.5
<b>Total Average Beneficiaries Worldwide</b>	<b>9,214.5</b>	<b>9,217.1</b>	<b>9,220.6</b>

\* Numbers derived from Managed Care Forecasting & Analysis System (MCFAS) v.6.0.0.1 and Beneficiary Population Forecasting Model v. FY2004.0.4.  
Source: DoD Defense Health Care Justification Materials, PB-11B

DoD uses Research, Development and Acquisition appropriations to pursue advanced technology and investments that provide the capabilities essential for the forces. The RDA budget proposal for FY 2007 is \$157 billion or 32 percent of the total DoD budget proposal. Compared to FY 2005, FY 2007 is down by more than \$10 billion.

RDA includes the Procurement appropriations and the RDT&E appropriations, i.e., \$75 billion and \$69 billion, respectively, in FY 2007. The RDT&E funds enable scientists to pursue new and advanced technologies for potential application in future systems; and Procurement funds provide for investments in weapons and other materiel systems to enhance capabilities. The RDA budgets contribute to transforming military capabilities.

RDT&E and Procurement are shown in **table 28**.

**Table 28**

**Research, Development and Acquisition**  
(\$ billions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
RDT&E	69.3	71.2	73.2
Procurement	98.5	86.6	84.2
<b>Total RDA<sup>3</sup></b>	<b>167.8</b>	<b>157.8</b>	<b>157.4</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
Source: DoD Financial Summary Tables FY2007, P-1 & R-1

Overall, between FYs 2005 and 2007 RDA decreased by 6 percent; the decrease occurred in FY 2006, after which RDA remained level. In part, FY 2005 included emergency supplemental dollars to support the forces engaged in current wartime operations. Individually, RDT&E increased by 5.6 percent and Procurement decreased by 14.5 percent between FYs 2005 and 2007. The trends for the military services vary; a subsequent major subparagraph, after the RDA long-term trends, provides a discussion of the service implications.

### RDA Trends in Current Dollars

A long-term review of Procurement and RDT&E trends adds perspective to our understanding of the President's Budget; therefore, **figures 4 and 5** provide this information at five-year intervals. Figure 4 presents the dollar trends in current year dollars and figure 5 presents the trends in constant dollars, i.e., adjusted to portray the same buying power across all the years.

In figure 4, the 1990s post-Cold War peace dividend is obvious in the Procurement appropriations, which decreased by over \$50 billion, or 55 percent, in the decade between FY 1985 and FY 1995. The next five years, from FY 1995 to FY 2000, show \$11 billion or 26 percent growth; the growth suggests recognition that the dividend may have been too deep. The buildup in the next five years clearly reflects initiatives stemming from 9/11. Between FYs 2000 and 2005, Procurement increased to more than \$96 billion for the first time in 20 years. However, Procurement decreases by \$12 billion, or 13 percent, in the FY 2007 budget proposal. Note that in figure 5, the same amounts converted to constant dollars present quite different insights.

By comparison, RDT&E funding remained fairly constant during the 1980s and 1990s; this reflects the management approach of retaining technology development and skipping a generation of systems procurement. Between FYs 2000 and 2005, RDT&E increased substantially, reflecting the challenges of the irregular and asymmetric warfare operations in Afghanistan and Iraq and the GWOT. The current budget includes a 6 percent increase in RDT&E.

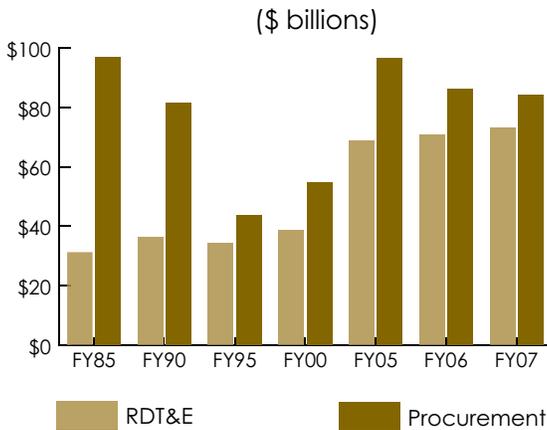
### RDA Trends in Constant Dollars

"Constant dollars" refers to adjustments to current dollars to reflect the same buying power across all the years. This provides a more equitable comparison across time. The RDA budget in constant dollars is in figure 5.

When reviewed in terms of constant dollars, the post-Cold War peace dividend equates to a decrease of \$100 billion, or

Figure 4

**Research, Development and Acquisition Budget Authority History – Current Dollars**



<sup>1</sup> Constant dollars are current year dollars (at the year of execution) adjusted for annual changes in prices.  
<sup>2</sup> FY05 are actual expenditures and include supplemental funds  
<sup>3</sup> FY06 and FY07 are estimates  
**Source:** DoD Greenbook, National Defense Budget Estimates for FY 2007, Table 6-8

proposed a 13 percent decrease between FY 2005 and FY 2007. The FY 2007 proposal of \$84 billion has about one-half the buying power of the FY 1985 budget.

In constant dollars, the RDT&E funding equates to an 18 percent decrease between FY 1985 and FY 1995, and then an increase to FY 2007.

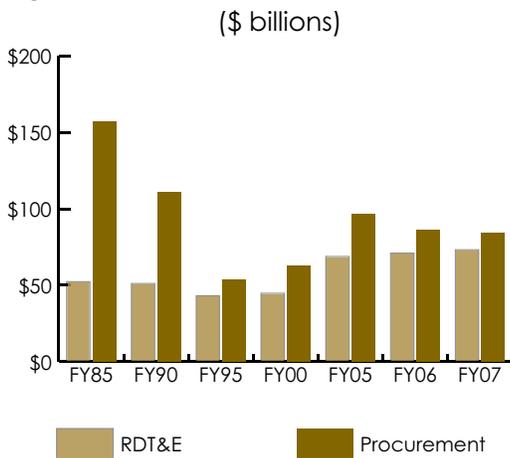
**RDA by Military Services**

The distribution of RDT&E by service or Defensewide organizations remains consistent across the budget; however, the distribution of Procurement funds shifts in FY 2007. The Army Procurement amount is reduced by \$10 billion, from 26 to 20 percent, from FY 2005 to 2007, and the other services and Defensewide organizations receive amounts about equal to those of FY 2005.

In FY 2007, the nation will continue to fight a land war, the Army will continue to transform its forces, and no substantial changes are announced for materiel system programs. Therefore, DoD seems to be relying on emergency supplemental funds to get Army Procurement to FY 2005 levels. See **table 29**.

Figure 5

**Research, Development and Acquisition Budget Authority History – Constant Dollars**



**Source:** DoD Greenbook, National Defense Budget Estimates for FY2007, Table 6-8

**Select Major Weapon Systems**

A list of major Procurement and RDT&E programs in the FY 2007 budget, with dollar amounts, is in **tables 30-34** (pages 33-35). The tables include only those systems with a separate budget line and do not include those systems that combine a group of line items, such as command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR). The sum of the dollars for these systems equals 43 percent of all DoD RDA.

**Special Operations RDA**

In 1987, Congress established the United States Special Operations Command. The primary role of USSOCOM was as a “supporting command” that trained and equipped special operations personnel for the geographic combatant commanders. The Secretary of Defense added a new role as a “supported command” with responsibility for planning DoD’s military effort in the war on terrorism.

The primary focus of USSOCOM is now the GWOT. To fulfill this new role effectively, USSOCOM reorganized and created the Center for Special Operations (CSO), a joint and interagency directorate with responsibility for GWOT-related operational issues.

66 percent, in Procurement buying power between FY 1985 and FY 1995 (versus the actual current-dollar decrease of \$50 billion).

Conversely, the buildup between FY 1995 and FY 2000 equates to an 18 percent increase (versus a 26 percent increase in actual current dollars).

The buildup after 9/11, between FYs 2000 and 2005, equates to 53 percent growth, while the President’s Budget

**Table 29**

**Research, Development and Acquisition  
by Military Service**  
(\$ billions)

<b>RDT&amp;E</b>	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
Army	10.6	11.0	10.9
Navy (including Marine Corps)	17.1	18.7	16.9
Air Force	20.5	21.7	24.4
Defensewide and Other	21.2	19.8	21.0
<b>Total RDT&amp;E<sup>3</sup></b>	<b>69.3</b>	<b>71.2</b>	<b>73.2</b>
<b>Procurement</b>			
Army	26.0	17.2	16.8
Navy (including Marine Corps)	32.5	32.5	31.0
Air Force	36.1	32.8	32.2
Defensewide and Other	4.0	4.0	4.2
<b>Total Procurement<sup>3</sup></b>	<b>98.5</b>	<b>86.6</b>	<b>84.2</b>
<b>Total RDA<sup>3</sup></b>	<b>167.8</b>	<b>157.8</b>	<b>157.4</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** DoD Financial Summary Tables FY2007, P-1 & R-1

Under U.S. Code Title 10, Section 167, USSOCOM exercises budget authority similar to that of the military departments; i.e., the command is responsible for developing and acquiring “special operations-peculiar” equipment. The FY 2007 budget request is \$2 billion—just 1.2 percent of the total DoD RDA. See **table 35** (page 36) for RDT&E and Procurement data.

### Missile Defense Program

The missile defense program includes \$10.4 billion in FY 2007. The vast majority, \$9.7 billion or 93 percent, is for RDT&E; more than \$0.6 billion is for Procurement; and another \$0.1 billion is for O&M. The FY 2007 budget proposal includes about 5 percent growth since FY 2005. See **tables 36 and 37** (page 36) for the budget.

### Space Program

The DoD space program provides support to all operations and services. Space-based products include reconnaissance, surveillance, intelligence, command and control, communications, weather information and navigation support. Space programs are critical force multipliers for all U.S. forces.

Space assets include a constellation of satellites and the associated ground-based systems and facilities. Space systems employ complex and expensive technology. To capitalize on

the investment and assure the best technology for all the users, DoD established the U.S. Space Command as a unified command.

Space programs provide space support, force enhancement and space control:

- Space support involves operations to deploy and sustain military systems in space.
- Force enhancement involves space combat support operations, to include reconnaissance and surveillance, targeting, tactical warning and attack assessment, communications, navigation and environmental monitoring.
- Space control involves operations to ensure and enhance the ability of U.S. and friendly forces to exploit space, while limiting or denying the ability to exploit space to hostile state and non-state adversaries.

The FY 2007 budget requests about \$5.2 billion in RDA, \$3.7 billion in Procurement and \$1.6 billion in RDT&E for space programs. See **table 38** (page 37).

U.S. space forces provide the C4ISR backbone for military deployments and operations.

### Facilities Investment

Various Military Construction and Family Housing appropriations provide funds for investment in DoD facilities and infrastructure and the maintenance of family housing. Ensuring adequate military housing within the United States by the end of FY 2007 is a key goal of the President; the budget contains funds to achieve this goal.

In 2001, DoD was replacing its buildings, i.e., recapitalization, at an average of once every 192 years. Older facilities are often inadequate and consume greater amounts of O&M dollars than newer facilities. The FY 2007 budget continues the initiative to reduce the life cycle of buildings to a more reasonable rate of 67 years by FY 2008.

### Military Construction

The Military Construction (MILCON) appropriations include separate accounts for Army, Navy, Air Force and Defense agencies, and for NATO infrastructure and construction costs associated with base closures. See **table 39**.

### Family Housing

DoD owns more than 300,000 military housing units. The goal is to renovate family quarters on a 35-year cycle, consistent with the President’s goal of adequate military

Table 30

**Research, Development and Acquisition  
Selected Major Weapon Systems – Aircraft**  
(\$ millions)

Service	Aircraft	FY07 <sup>1</sup>		
		Procurement <sup>2</sup>	RDT&E	RDA <sup>3</sup>
Army	AH64-D Longbow Apache Attack Helicopters	794.6	123.4	918.0
	RCH-47 Chinook Cargo Helicopter	620.0	13.0	633.0
	UH-60 Black Hawk Utility Helicopter	740.4	126.9	867.3
	Armed Reconnaissance Helicopter (ARH)	141.4	132.7	274.1
	Light Utility Helicopter (LUH)	198.7	—	198.7
Navy/Marines	E-2C Hawkeye	203.6	499.3	702.9
	EA-6B Prowler	49.0	32.8	81.8
	F/A-18E/F Hornet	2,341.2	31.2	2,372.4
	E/A-18G Growler	905.2	372.4	1,277.6
	H-1 USMC Upgrades	446.7	7.8	454.5
	MH-60R Helicopter	915.8	19.3	935.1
	MH-60S Helicopter	548.6	80.3	628.9
	T-45TS Goshawk	376.4	—	376.4
Air Force/Navy	B-2 Stealth Bomber	191.3	224.2	415.5
	C-17 Airlift Aircraft	2,887.6	173.8	3,061.4
	F-15E Eagle Multimission Fighter	92.9	125.1	218.0
	F-16 Falcon Multimission Fighter	352.1	148.4	500.5
	F-22 Raptor	2,197.4	584.3	2,781.7
DoD/Joint	C-130J/KC-130J Airlift Aircraft	1,342.9	288.8	1,631.7
	Joint Strike Fighter (JSF)	1,260.0	4,030.1	5,290.1
	Joint Primary Aircraft Training System (JPATS)	451.5	—	451.5
	Unmanned Aerial Vehicles (UAV)	906.6	780.1	1,686.7
	V-22 Osprey	1,996.4	295.1	2,291.5

<sup>1</sup> FY07 are estimates.

<sup>2</sup> Procurement includes initial spares.

<sup>3</sup> RDA equals sum of Procurement and RDT&E.

Source: DoD Fiscal Year 2007, Program Acquisition Costs by Weapon Systems

Table 31

**Research, Development and Acquisition**  
**Selected Major Weapon Systems – Missiles and Munitions**  
(\$ millions)

Service	Missiles and Munitions	FY07 <sup>1</sup>		
		Procurement <sup>2</sup>	RDT&E	RDA <sup>3</sup>
Army	High-Mobility Artillery Rocket System (HIMARS)	374.7	71.2	445.9
	Javelin Advanced Antitank Weapon	104.8	—	104.8
Navy	Evolved Seasparrow Missile (ESSM)	99.6	—	99.6
	Rolling Airframe Missile (RAM)	56.9	—	56.9
	Missile (Air Defense)	139.7	185.2	324.9
	Cruise Missile	354.6	18.5	373.1
	Sub-Launched Ballistic Missile	957.6	124.1	1,081.7
Air Force	Sensor Fuzed Weapon (SFW)	118.9	—	118.9
	Wind Corrected Munitions Dispenser (WCMD)	34.7	—	34.7
DoD/Joint	AIM-9X Sidewinder	84.2	16.8	101.0
	Advanced Medium Range Air-to-Air Missile (AMRAAM)	234.6	50.1	284.7
	Joint Air-to-Surface Standoff Missile (JASSM)	187.2	40.9	228.1
	Joint Direct Attack Munition (JDAM)	259.0	15.5	274.5
	Joint Standoff Weapon (JSOW)	125.6	27.4	153.0
	Small Diameter Bomb (SDB)	99.1	114.0	213.1

<sup>1</sup> FY07 are estimates.

<sup>2</sup> Procurement includes initial spares.

<sup>3</sup> RDA equals sum of Procurement and RDT&E.

Source: DoD Fiscal Year 2007, Program Acquisition Costs by Weapon Systems

Table 32

**Research, Development and Acquisition Selected Major Weapon Systems – Vessels**  
(\$ millions)

Service	Vessels	FY07 <sup>1</sup>		
		Procurement <sup>2</sup>	RDT&E	RDA <sup>3</sup>
Navy/Marines	CVN-21 Carrier Replacement Program	784.1	309.0	1,093.1
	DD(X) Destroyer	2,568.1	793.3	3,361.4
	DDG-51 Destroyer	355.8	—	355.8
	Littoral Combat Ship (LCS)	520.7	319.7	840.4
	LPD-17 Amphibious Transport Dock	297.5	—	297.5
	SSN 774 Virginia-class Submarine	2,452.1	169.6	2,621.7
	CVN Refueling Complex Overhaul (RCOH)	1,071.6	—	1,071.6
	T-AKE Auxiliary Dry Dock Cargo Ship	455.0	—	455.0
	LHA Replacement (USMC support)	1,135.9	34.5	1,170.4

<sup>1</sup> FY07 are estimates.

<sup>2</sup> Procurement includes initial spares.

<sup>3</sup> RDA equals sum of Procurement and RDT&E.

Source: DoD Fiscal Year 2007, Program Acquisition Costs by Weapon Systems

Table 33

**Research, Development and Acquisition**  
**Selected Major Weapon Systems – Combat and Wheeled Vehicles**  
(\$ millions)

Service	Combat Vehicles	FY07 <sup>1</sup>		
		Procurement <sup>2</sup>	RDT&E	RDA <sup>3</sup>
Army	Future Combat Systems (FCS)	—	3,745.6	3,745.6
	Tank Upgrade Program	536.6	12.5	549.1
	Interim Armored Vehicle	796.0	13.2	809.2
Marine Corps	MC Expeditionary Fighting Vehicle (EFV)	256.2	188.3	444.5
<b>Wheeled Programs</b>				
Army	Family of Heavy Tactical Vehicles (FHTV)	353.2	—	353.2
	Family of Medium Tactical Vehicles (FMTV)	695.1	1.9	697.0
	High-Mobility Multipurpose Wheeled Vehicles (HMMWV)	582.6	—	582.6

<sup>1</sup> FY07 are estimates.  
<sup>2</sup> Procurement includes initial spares.  
<sup>3</sup> RDA equals sum of Procurement and RDT&E.  
**Source:** DoD Fiscal Year 2007, Program Acquisition Costs by Weapon Systems

Table 34

**Research, Development and Acquisition**  
**Selected Major Weapon Systems – Space and Other**  
(\$ millions)

Service	Space	FY07 <sup>1</sup>		
		Procurement <sup>2</sup>	RDT&E	RDA <sup>3</sup>
Navy	Mobile User Objective System (MUOS)	—	665.3	665.3
Air Force	Advanced Extremely High Frequency Satellite (AEHF)	—	633.3	633.3
	Evolved Expendable Launch Vehicle (EELV)	936.5	18.5	955.0
	Medium Launch Vehicles (MLV)	102.0	—	102.0
	NAVSTAR Global Positioning System	140.4	493.1	633.5
	Space-based Infrared Systems-High (SBIRS-H)	—	668.9	668.9
	Transformational Satellite Communications (TSAT)	—	867.1	867.1
	Space-Based Radar (SBR)	—	266.4	266.4
	Wideband Gapfiller Satellite (WGS)	414.4	37.7	452.1
<b>Other Programs</b>				
DoD/Joint	Missile Defense <sup>4</sup>	696.7	9,705.1	10,401.8
	Chemical Demilitarization <sup>5</sup>	1,408.0	—	1,408.0

<sup>1</sup> FY07 are estimates.  
<sup>2</sup> Procurement includes initial spares.  
<sup>3</sup> RDA equals sum of Procurement and RDT&E.  
<sup>4</sup> Procurement total includes \$137.7 O&S costs.  
<sup>5</sup> Procurement total includes \$131.0 MILCON costs.  
**Source:** DoD Fiscal Year 2007, Program Acquisition Costs by Weapon Systems

Table 35

**Research, Development and Acquisition  
U.S. Special Operations Command**  
(\$ billions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
RDT&E	0.6	0.6	0.4
Procurement	1.7	1.3	1.5
<b>Total RDA<sup>3</sup></b>	<b>2.3</b>	<b>1.9</b>	<b>2.0</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> SOC RDA is included in Defensewide and Other line on RDA by Service Table.

**Source:** DoD Budget Estimates - SOCOM R-1 & P-1

Table 36

**Missile Defense Program Funding by Title**  
(\$ millions)

Title	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
RDT&E	9,256.9	8,067.7	9,705.1
Procurement	536.3	559.7	559.0
Military Construction	—	—	—
Operation and Maintenance	88.2	111.7	137.7
<b>Total<sup>3</sup></b>	<b>9,881.4</b>	<b>8,739.1</b>	<b>10,401.8</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

**Source:** DoD FY2007 Program Acquisition Costs by Weapons System

Table 37

**Missile Defense Program Funding by Major Systems<sup>1</sup>**  
(\$ millions)

	FY05 <sup>2</sup>	FY06 <sup>3</sup>	FY07 <sup>3</sup>
Joint Theater Air & Missile Defense Organization (JTAMDO)	86.4	80.7	54.6
Ballistic Missile Defense (BMD) Midcourse Defense	4,467.7	2,442.2	2,877.0
BMD Boost Defense	472.5	471.7	631.6
BMD Terminal Defense	914.1	1,139.8	1,038.3
BMD Test and Targets	697.8	608.7	591.9
BMD Tech, Sensors & Interceptors	1,063.3	1,552.5	2,158.6
Improvement & PAC-3 <sup>4</sup>	568.4	575.9	569.8
Medium Extended Air Defense System(MEADS)	311.7	288.8	329.6
Other	1,299.5	1,578.8	2,150.7
<b>Total<sup>5</sup></b>	<b>9,881.4</b>	<b>8,739.1</b>	<b>10,401.8</b>

<sup>1</sup> System dollars are from all appropriations.

<sup>2</sup> FY05 are actual expenditures and include supplemental.

<sup>3</sup> FY06 and FY07 are estimates.

<sup>4</sup> Patriot Advanced Capability 3 and Mods.

<sup>5</sup> Numbers may not add due to rounding.

**Source:** DoD FY2007 Program Acquisition Costs by Weapons System

housing in the United States by FY 2007. With construction funds limited, DoD is innovatively using the private sector to achieve this goal.

The Housing Revitalization Act of 1997 established a Family Housing Improvement Fund (FHIF) that authorizes using limited partnerships, making guaranteed loans and conveying DoD-owned property to stimulate private-sector participation. The department is using private-sector capital to replace construction funds in implementing a long-term housing solution.

Privatization of government-owned family housing includes the construction of high-quality homes and the use of housing industry sources to provide housing management for military families. A total of 111,289 houses have been privatized to date, and the FY 2007 budget provides for privatization of another 32,377 houses.

In addition to government-owned family housing units, the MILPERS appropriations provide an allowance that covers total average housing costs to servicemembers who live in private-sector housing.

Table 38

**Research, Development and Acquisition, DoD Space Programs**  
(\$ millions)

Programs	FY07 <sup>1</sup>	
	RDT&E	Procurement <sup>2</sup>
Mobile Objective System (MUOS)	665.3	—
Advanced Extremely High Frequency Satellite (AEHF)	633.3	—
Evolved Expendable Launch Vehicle (EELV)	18.5	936.5
Medium Launch Vehicles	—	102.0
NAVSTAR Global Positioning System (NAVSTAR-GPS)	493.1	140.4
Space-Based Infrared Systems-High (SBIRS-H)	668.9	—
Transformational Satellite (TSAT) Communications	867.1	—
Space Radar System	266.4	—
Wideband Gapfiller Satellite (WGS)	37.7	414.4
<b>Total<sup>3</sup></b>	<b>3,650.3</b>	<b>1,593.3</b>

<sup>1</sup> FY07 are estimates.  
<sup>2</sup> Procurement includes initial spares.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** DoD Fiscal Year 2007, Program Acquisition Costs by Weapon Systems

Table 39

**Military Construction**  
(\$ billions)

Components	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	3.4	2.8	2.7
Navy (including Marine Corps)	1.4	1.5	1.2
Air Force	1.4	1.7	1.3
Defensewide	1.2	2.9	7.4
<b>Total<sup>3</sup></b>	<b>7.3</b>	<b>8.9</b>	<b>12.6</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** DoD Financial Summary Tables Fiscal Year 2007, (FAD 730)

The Family Housing appropriations are unique in that the appropriations include investment and operations funds. Between FYs 2005 and 2007, the distribution shifts substantially. In FY 2005, 64 percent was in operations and 35 percent in construction; in FY 2007, the funds are divided about equally. See **table 40**.

### Reserve Component

The reserve component includes the Army National Guard, the Air National Guard and the Reserve forces of the Army, Navy, Air Force and Marine Corps. The endstrength

of the reserve component makes up 37 percent of the total military endstrength in FY 2007. Return to **table 21** for reserve component endstrength data.

The reserve component's budget includes Military Personnel, Operation and Maintenance and Military Construction appropriations. The reserve component submits a budget for RDT&E or Procurement through the active component, which includes materiel requirements for their reserve component in the active military budgets. On occasion, Congress has provided specific Procurement appropriations for the reserve component. See **table 41** for budget details.

The reserve component accounts for 37 percent of the endstrength of the armed forces but much smaller portions of the DoD budgets for the various appropriations. In FY 2007, reserve component MILPERS accounts for 13 percent of all DoD MILPERS; O&M accounts for 11 percent; and MILCON accounts for 8 percent.

Since 9/11, DoD has mobilized approximately 36 percent of the Selected Reserve. When the Selected Reserve is mobilized, the active component MILPERS and O&M appropriate the pay and support the activated reservists. Most of the mobilizations are concentrated in certain skill sets, for example:

- 86 percent of enlisted installation security forces;
- 69 percent of enlisted law enforcement forces;

**Table 40**

**Family Housing**  
(\$ billions)

Family Housing Operations	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	0.9	0.8	0.7
Navy (including Marine Corps)	0.7	0.6	0.5
Air Force	0.9	0.8	0.8
Defensewide	0.0	0.0	0.0
<b>Subtotal<sup>3</sup></b>	<b>2.5</b>	<b>2.2</b>	<b>2.0</b>
Family Housing Construction			
Army	0.6	0.5	0.6
Navy (including Marine Corps)	—	0.3	0.3
Air Force	0.8	1.3	1.2
Defensewide	0.0	—	—
<b>Subtotal<sup>3</sup></b>	<b>1.4</b>	<b>2.1</b>	<b>2.1</b>
<b>Total<sup>3,4</sup></b>	<b>4.0</b>	<b>4.4</b>	<b>4.1</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
<sup>4</sup> Excludes DoD Family Housing Improvement Fund.  
**Source:** DoD Financial Summary Tables Fiscal Year 2007, FAD 730

- 67 percent of enlisted air crews;
- 65 percent of enlisted special forces;
- 56 percent of civil affairs officers;
- 51 percent of military police officers; and
- 48 percent of intelligence officers.

The fact is that mobilizations continue to occur in high-demand skills, and too many Guard and Reserve members have skills that are in little or no demand. DoD and the services have begun to rebalance the military skill sets within the reserve component, and between the active and reserve components. The budget continues to support this rebalancing.

**Defensewide Programs**

The DoD budget includes a number of specific programs or appropriations. The most significant are described below.

**Environmental Restoration Program**

The Defense Environmental Restoration Program (ERP) provides for the identification, investigation and cleanup of contamination resulting from past DoD activities. Beginning in FY 1997, Congress established five separate accounts: one

**Table 41**

**Reserve Component, All Titles**  
(\$ billions)

Titles	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Personnel			
Reserve <sup>3</sup>	7.9	6.8	7.1
National Guard <sup>4</sup>	9.0	7.6	7.7
Operation and Maintenance			
Reserve <sup>3</sup>	5.9	6.4	6.5
National Guard <sup>4</sup>	9.5	9.4	10.2
Military Construction			
Reserve <sup>3</sup>	0.3	0.4	0.3
National Guard <sup>4</sup>	0.7	1.2	0.7
<b>Total<sup>5</sup></b>	<b>33.3</b>	<b>31.8</b>	<b>32.5</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Reserve include Army, Navy, Marine Corps, Air Force.  
<sup>4</sup> National Guard includes Army and Air Force.  
<sup>5</sup> Numbers may not add due to rounding.  
**Source:** DoD Financial Summary Tables Fiscal Year 2007 (FAD 730)

for each military department, one for Defense agencies and one for Formerly Used Defense Sites (FUDS). The Army acts as the executive agent for FUDS.

The budget proposal identifies ERP in each of the five accounts; however, funds are executed within O&M appropriations. Therefore, no actual execution data are available from the accounting system for ERP. See **table 42** for budget authority proposal.

In addition to the restoration dollars in table 42, environmental funds to support compliance, pollution prevention, conservation and environmental technology are in military department and Defensewide budgets. These other environmental dollars are embedded mostly in O&M, but with some money in RDT&E and MILCON. Military Construction budgets for Base Realignment and Closure (BRAC) often include significant environmental costs.

**Chemical Destruction Program**

The Chemical Demilitarization (Chem-Demil) program is a special program for the complete disposal of the U.S. chemical stockpile. The Army is the executive agent and program manager, with funding provided in a special DoD appropriation for the destruction of chemical agents and munitions and the destruction of any other chemical warfare materials that are not in the chemical weapon stockpile.

**Table 42**

**Environmental Restoration Program**  
(\$ millions)

Component	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army		402.8	413.8
Navy (including Marine Corps)		301.5	304.4
Air Force		401.5	423.9
Defensewide	4.7	27.8	18.4
FUDS <sup>3</sup>		253.8	242.8
<b>Total</b>	<b>4.7</b>	<b>1,387.4</b>	<b>1,403.3</b>

<sup>1</sup> FY05: ERP funds are executed within O&M appropriations and do not show up separately in prior year execution reports; Defensewide amount represents difference between appropriation and amount transferred, which was less than amount appropriated.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Formerly Used Defense Sites.

**Source:** DoD Financial Summary Tables Fiscal Year 2007, FAD 730

The task of disposing of the stockpile of some 30,000 tons of chemical agents, involving about 3.3 million weapons and storage vessels, has been technologically difficult and subject to much controversy with respect to safety and assurance of doing the job in a risk-free way.

In the past, this program was carried as a Defensewide appropriation. While the program includes RDT&E, Procurement and O&M functions, the program is carried in Procurement for funding and accounting purposes. Starting in FY 1999, however, the program package was shifted in total to the Army budget as an additional line under Army Procurement. See **table 43**.

**Drug Interdiction and Counterdrug Activities**

This is a special appropriation to provide DoD support to drug interdiction and counterdrug activities through expanded use of reserve component personnel.

The funds appropriated under this heading are restricted to this purpose and are intended for transfer to appropriations available for use by the reserve component. This applies particularly to the National Guard, who are active in a number of cooperative antidrug programs. See **table 44** for budget amounts.

**Base Realignment and Closure**

Base Realignment and Closure is a congressionally authorized process that allows DoD to reorganize its base structure. Congress authorized the current (fifth) BRAC round in 2005.

<sup>23</sup> Donna Miles, "BRAC Deadline Expires; DoD to Begin Closure, Realignments," American Forces Information Service, 9 November 2005, available online at [http://www.defenselink.mil/news/Nov2005/20051109\\_3280.html](http://www.defenselink.mil/news/Nov2005/20051109_3280.html).

**Table 43**

**Chemical Agents and Munitions Destruction Program**  
(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
RDT&E	—	—	—
Procurement	1,371.9	1,386.8	1,277.3
O&M	—	—	—
<b>Total<sup>3</sup></b>	<b>1,371.9</b>	<b>1,386.8</b>	<b>1,277.3</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

**Source:** DoD Financial Summary Tables Fiscal Year 2007, FAD 730

**Table 44**

**Drug Interdiction and Counterdrug Activities Program**  
(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
<b>Budget Authority</b>		936.1	926.9

<sup>1</sup> FY05: program funds are executed in Defensewide O&M and do not show up separately in prior year execution reports.

<sup>2</sup> FY06 and FY07 are estimates.

**Source:** DoD Financial Summary Tables Fiscal Year 2007, FAD 730

Congress, the administration and DoD recognize that maintaining excessive bases and facilities consumes billions of dollars. However, both Congress and the administration also recognize that bases and facilities support their local economies. Therefore, the decision to close or realign work from bases is always very difficult.

In addition to saving billions of dollars, BRAC is important because it better positions DoD and the military departments for training, operating and deploying. The first BRAC round began in 1988 and was followed by rounds in 1991, 1993 and 1995. According to DoD figures, the first four rounds resulted in 97 major closures, 55 major realignments and 235 minor actions. Closing and realigning these installations saved taxpayers around \$18 billion through FY 2001 and a further \$7 billion per year since.<sup>23</sup>

In general, the BRAC process involves DoD development of a list of installations for closure or realignment, which is then reviewed by an independent commission. The commission prepares its own recommendations and sends them to the President, who sends his approval or disapproval of the commission's list to Congress. If the President approves

the recommendations and Congress does not enact a joint resolution of disapproval, the list becomes binding in 45 legislative days.

In 2005, DoD began with a threat assessment of the future national security environment and then developed a force structure plan and basing requirements to meet these threats. DoD applied legally mandated selection criteria to determine which installations to recommend for realignment and closure. DoD recommended 33 major closures and actions affecting hundreds of installations.

After months of study, installation visits and public hearings around the country, the nine-member BRAC panel approved 86 percent of DoD’s original BRAC recommendations—119 with no change and another 45 with amendments, the panel noted. The panel also rejected 13 recommendations, significantly modified another 13, and made five additional closure or realignment recommendations on its own initiative.<sup>24</sup>

The BRAC commission’s recommendations for reshaping the Defense Department’s infrastructure and force structure officially took effect on 9 November 2005.

By statute, DoD has until 15 September 2007—two years from the date President Bush sent the BRAC commission’s final report to Congress—to begin closing and realigning the installations as contained in the report. The process must be completed by 15 September 2011.

For the BRAC 2005 cost and savings estimates in the DoD budget, see **table 45**. Between FYs 2006 and 2008, implementing BRAC will cost DoD more than \$10 billion; between FYs 2009 and 2011, BRAC will save the department more than \$8 billion. After FY 2011, the process should be complete and therefore costs should be nonexistent or negligible; the annual recurring savings will continue to grow.

### Management and Revolving Funds

DoD uses a number of management and revolving funds to provide industrial and commercial support to customers. The funds operate in a businesslike manner, selling services and products to approved customers, mainly the military departments.

The customers pay for the products and services from their appropriated or nonappropriated monies. The use of a revolving fund simplifies finance and accounting, particularly when two or more appropriations are involved.

The reimbursement from customers, analogous to revenue, finances the cost of operations. The funds operate on a break-even basis over the budget cycle. The funds establish an activity group rate to recover the full costs and to adjust for prior-year operating gains or losses. Gross sales are more than 20 percent of the DoD budget.

Initially, the corpus of the fund is financed with appropriated money from Congress. Subsequently, the fund may request appropriated money for additional capitalization.

**Table 45**

### Base Realignment and Closure Account

(\$ millions)

Costs <sup>1</sup>	FY06	FY07	FY08	FY09	FY10	FY11
One-Time Implementation Costs	1,489.4	5,626.2	5,696.8	2,996.0	1,563.8	921.6
One-Time Costs Outside of the Account	24.0	—	—	—	6.3	5.0
Total One-Time Implementation Costs	1,513.4	5,626.2	5,696.8	2,996.0	1,570.1	926.6
Total Recurring Costs	2.5	153.5	1,658.2	2,352.7	2,644.3	2,701.6
Savings <sup>1</sup>						
One-Time Savings	0.2	69.8	60.0	412.4	495.3	134.8
Recurring Savings	30.1	608.9	1,566.9	3,190.7	4,250.1	5,387.5
<b>Total Savings<sup>2</sup></b>	<b>30.3</b>	<b>678.7</b>	<b>1,626.9</b>	<b>3,603.1</b>	<b>4,745.4</b>	<b>5,522.3</b>
Net Implementation Costs						
Less Estimated Land Revenues	1,483.2	4,947.5	4,069.8	(607.1)	(3,175.4)	(4,595.8)

<sup>1</sup> All costs and savings are estimates.

<sup>2</sup> Implementation of BRAC will involve recurring O&M, MILPERS and other costs that are not explicitly appropriated for BRAC but are associated with the normal functions of the affected BRAC facilities.

**Source:** DoD Base Realignment and Closure, 2005 BRAC Commission, Executive Summary, Estimate Fiscal Year 2007 Budget

<sup>23</sup> Donna Miles, “BRAC Deadline Expires; DoD to Begin Closure, Realignments,” American Forces Information Service, 9 November 2005, available online at [http://www.defenselink.mil/news/Nov2005/20051109\\_3280.html](http://www.defenselink.mil/news/Nov2005/20051109_3280.html).

<sup>24</sup> *Ibid.*

## Defense Working Capital Funds

DoD operates four working capital funds—the Army Working Capital Fund, the Navy Working Capital Fund, the Air Force Working Capital Fund and the Defensewide Working Capital Fund. See **table 46**. In addition, DoD operates a number of lesser revolving and management funds established for control and financial accounting purposes.

The Office of the Secretary of Defense and the military departments define the scope of their working capital funds to best meet their particular requirements. The operations of the four funds include a mix of the following activities:

- supply management;
- depot maintenance;
- ordnance;
- information services;
- commissary operations;
- printing and publications;
- transportation;
- financial operations;
- distribution depots;
- research and development (Navy);
- industrial plant equipment services; and
- defense reutilization and marketing service.

The Defensewide Working Capital Fund provides an example of different activities in a single fund. It finances the operations of the Defense Logistics Agency, Defense Finance

and Accounting Service, Defense Commissary Agency, Defense Information Services Agency and Joint Logistics Systems Center.

A significant amount of appropriated funds pass from the DoD customers through one or more of the working capital funds each year.

## Restraining Spending and Managing for Results

Fighting the Global War on Terror is the Administration's top defense priority, and it requires substantial resources, both through the regular appropriations process and emergency supplemental appropriations. In implementing the Administration's commitment to provide DoD with the resources necessary to fulfill its mission, the Department has taken steps to target resources, spend wisely, restrain funding in selected areas of operation and improve programs and processes.<sup>25</sup>

DoD is pursuing various initiatives to improve the ability of the military to successfully accomplish its missions, capitalize on the resources available, improve processes and shed unneeded assets.

## Focusing on the Needs of the Military

**Evaluating Infrastructure Needs.** DoD participated in the Base Realignment and Closure review in 2005 to ensure that domestic bases are structured appropriately to support operational capabilities. The restructuring also supports DoD's Global Posture Initiative, which transfers thousands of U.S. forces to domestic bases from overseas. These actions, which the President and Congress approved, are projected to save \$36.5 billion over 20 years and, ultimately, result in \$4.4 billion in annual recurring savings.

**Transferring Positions to Civilian Personnel.** DoD is pursuing efforts to ensure all military personnel are performing "military essential" activities. Since FY 2004, DoD has converted more than 20,000 military positions to civilian positions to relieve strain on the military personnel deploying and to free up troops to meet high-priority military missions. DoD plans to convert more than 10,000 additional military positions by the end of FY 2007.

**Developing the National Security Personnel System.** In November 2003, Congress authorized DoD to establish a new civilian personnel management system, the National Security

**Table 46**

### Defense Working Capital Funds Budget Authority

(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Army	2,153.1	106.5	16.4
Navy (including Marine Corps)	1,034.6	83.1	83.8
Air Force	(666.9)	44.6	44.1
Defensewide	4,123.4	3,431.7	1,201.7
<b>Total<sup>3</sup></b>	<b>6,644.2</b>	<b>3,665.9</b>	<b>1,346.0</b>

<sup>1</sup> FY05 are actual expenditures and include supplemental funds.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

**Source:** DoD Financial Summary Tables Fiscal Year 2007, FAD 730

<sup>25</sup> Office of Management and Budget, "Budget of the United States Government, Fiscal Year 2007—Department of Defense," p. 71, available online at <http://www.whitehouse.gov/omb/budget/fy2007/pdf/budget/defense.pdf>.

Personnel System (NSPS). With OMB, DoD has worked with its employees, human capital experts, union representatives and others to develop the new system. The first phase of NSPS began in FY 2006 with more than 11,000 employees. During FY 2007, DoD will evaluate the success of the implementation and begin its second major phase. Once fully implemented, NSPS will cover more than 600,000 civilian DoD employees.

**Assessing Manpower Levels.** In FY 2007, the Army will begin to realign the mix of planned forces, affecting one active and six National Guard brigades. The Air Force will reduce active duty endstrength by about 23,000 from the FY 2006 authorized level. The Navy will continue to acquire new ships with more automation to lessen the need for manpower and continue to reduce the number of sailors in its crews.

**Enhancing Supply Chain Management.** DoD is moving aggressively to apply industry best practices to transform its logistics system. By the end of 2007, radio frequency identification technology will be operative throughout DoD's supply chain. This will vastly increase the ability to track the movement of supplies from the manufacturer to the foxhole to ensure that warfighters are provided what they need, when they need it, at the lowest cost to the taxpayer. Another initiative involves affixing a permanent Unique Item Identifier to each major asset that will enable DoD to track and manage assets at reduced cost by providing a link from the physical identifier on the asset to its unique history (e.g., acquisition cost, maintenance, etc.). Implementation will begin at DoD depots in 2007.

**Liquidating Unneeded Assets.** The budget includes a request to authorize an increase in the sale of industrial metals that were accumulated during the Cold War, but are no longer needed. The worldwide increase in commodity prices should help to generate about \$345 million in receipts to the Treasury over 10 years from these sales. Similarly, the budget proposes to deposit to the Treasury certain other receipts from the sales of real assets and from insurance proceeds, which up to now were used solely for defense spending.

### Program Assessment Rating Tool Results

Program Assessment Rating Tool (PART) is a government-wide process for informing decisions about how to improve program performance.

**Marine Corps Expeditionary Warfare.** The PART review of expeditionary warfare found the Marine Corps is achieving success with its acquisition programs and other operations and

is meeting its annual goals for specific procurement programs. The PART analysis also found that Marine Corps amphibious lift requirement should be more closely coordinated with the requirements of other services. It is under review as part of the 2006 Quadrennial Defense Review (QDR). The PART process helped the Marine Corps and DoD focus on addressing this critical issue and on developing long-term performance measures for expeditionary warfare.

**Missile Defense Programs.** The new ballistic missile defense system consists of multiple integrated sensors, interceptors and battle management capability that will provide defenses for protecting the homeland, friends and allies from both short- and long-range ballistic missile attacks. Currently, the Missile Defense Agency is increasing the numbers of operationally available interceptors in Alaska; however, testing and validation of the system have been slow. The PART process focused attention on the critical need for robust testing of these newly deployed systems. Goals were developed for increased ground and flight tests, quality control and mission assurance to provide greater confidence in U.S. missile defense programs.

**Training and Education.** Military and civilian training and education programs are essential to ensuring the readiness of U.S. military forces and the DoD civilian workforce. The PART evaluation determined that DoD's training and education programs that are directly linked to providing a ready force have clear missions, are well designed and are guided by useful sets of performance measures to guarantee their success. However, the PART evaluation found a need for development of performance measures to demonstrate results for other training and education programs that are not directly linked to readiness.

### Analyzing Cost-Effectiveness of Resources

In the FY 2007 budget, DoD has changed some of its spending priorities and states that it will reduce major systems over the next few years based on their cost-effectiveness and/or potential to counter future threats. Examples of these reductions include:

- restructuring the Air Force KC-X tanker replacement program, saving \$896 million through FY 2011;
- restructuring the Joint Tactical Radio System (JTRS), saving \$233 million in FY 2007;
- replacing the existing Joint Unmanned Combat Air System with a new unmanned aircraft program, for a savings of \$158 million in FY 2007;

- canceling the Joint Strike Fighter (JSF) alternate engine program;
- canceling the T-AOE(X) fast tanker ship, saving \$4.4 billion through FY 2011;
- slowing the development of complex, higher-risk space programs, saving over \$2 billion through FY 2011;
- terminating the existing Aerial Common Sensor (ACS) contract and restructuring the program to prepare for a follow-on effort, for a savings of \$314 million in FY 2007; and
- reducing spending on lower-priority O&M programs, for a total savings of more than \$3 billion in FY 2007.

**Focusing on Priorities.** Congress earmarks funds and prohibits or restricts DoD's ability to target some resources effectively on priorities for warfighter needs. According to DoD, Congress appropriates funding for research, development and procurement that supports unnecessary programs, requires specific manufacturing operations, directs funding to research or development efforts with little military value, or places inefficient restrictions on the procurement of certain items. DoD estimates that earmarks in FY 2006 include approximately \$5.8 billion for programs in Science and Technology, Procurement, Operation and Maintenance, Military Personnel, Military Construction and Family Housing. The department would like reductions in future earmarking to focus resources on programs of highest importance to the warfighter.

### Assessing and Improving Processes

**DoD Acquisition Restructuring.** As part of the QDR, DoD established the Defense Acquisition Performance Assessment Project, an independent panel that examined all aspects of acquisition, including its current structure, requirements process, legal foundations, design methodology and oversight. The panel submitted its recommendations to DoD in December 2005, and at the time of the budget submission they were under review.

**Business Transformation.** DoD established the Defense Business Transformation Agency to improve management and efficiency of core business activities such as financial, property and support services. In FY 2007, this new agency will develop enterprise-wide business processes and use better information technology to increase the visibility of DoD assets, eliminate organizational barriers to efficiency and enable more effective Defense business systems operations. The goal is to focus more resources on serving the military.

**E-Government Programs.** One of the President's Management Agenda items is E-Government, and the Defense Finance and Accounting System (DFAS) has implemented a very significant E-Government program to improve payroll activities. DFAS has migrated more than 81,000 federal agency personnel from agency-centric payroll operations to a consolidated system and now administers the myPay payroll system for nearly three million users from DoD and the Departments of Energy and Health and Human Services. In FY 2007, the Environmental Protection Agency and the Department of Veterans Affairs will gain access to this system.

### Defending America – Now and in the Future

The DoD budget for FY 2007 includes resources for wartime requirements, for a high level of military readiness, for transforming the forces, for developing and procuring new weapon systems to ensure battlefield superiority and for supporting servicemembers and their families. The budget proposes a total of \$491.3 billion in Budget Authority for FY 2007. The total includes \$439.3 billion in discretionary funds, \$50 billion in emergency supplemental funds for the war in Afghanistan and Iraq, and about \$2 billion in mandatory funds. The total FY 2007 budget is 69 percent greater than the peacetime budget of FY 2000 but nearly 9 percent less than the FY 2006 total in the President's Budget.

At the close of the 20th century, the U.S. military possessed an overwhelming superiority in conventional warfare, and the nation was at peace. Yet, in the first decade of the 21st century, the United States is confronting challenges far different from those of the last century, and the nation is at war in Afghanistan and Iraq and against terrorism.

War requires a comprehensive and coordinated use of all instruments of national power, and the military instrument of national power is the armed forces. The armed forces of the United States are on the front lines—taking the fight to the enemy in Iraq, Afghanistan and elsewhere, conducting the war as a joint team and in coalition with partner nations.

The nature of the war over the past five years suggests that it is likely to continue for years to come. In this environment, DoD must provide the best-trained and best-equipped military in the world. The department and the armed forces are evolving rapidly in the way they fight and are transforming to provide the nation with superior forces for the current global environment and possible future wars. DoD has the

opportunity to transform the way it organizes, trains, equips and conducts operations now, because of the superiority of the conventional forces and the security they provide.

DoD's responsibility is to prepare for the future protection of the nation and for fighting any future war when necessary; the department is acting on this. DoD must also provide the taxpayers with the best defense possible with the resources

provided. In return, taxpayers must provide DoD with the resources to retain force superiority in the new and uncertain world. The DoD budget proposal for FY 2007, with the emergency supplemental resources, is less than but close to prior-year expenditures; with no increase in the level of operations, this should enable DoD to accomplish the national security mission.

# The Army Budget

## Introduction

The President's Budget requests \$110.4 billion in Total Obligational Authority for the U.S. Army in Fiscal Year 2007, i.e., 1 October 2006 through 30 September 2007.<sup>26</sup> Some documents display the total TOA as \$111.8 billion, which includes funds for Chemical Demilitarization, an Army executive agent responsibility.<sup>27</sup>

In the President's Budget, the tables and exhibits include three fiscal years: the prior year with actual expenditure amounts from the most recently completed fiscal year; the current year with appropriated amounts if available or estimates; and the proposal for the next two years or one year depending upon whether the budget is for the first or second year of the biannual submission cycle.

The FY 2007 budget is for the second year of the biannual cycle; therefore, the budget proposal is for a single fiscal year. Specifically, the Army budget for FY 2007 includes the prior year (FY 2005), the current year (FY 2006) and the proposal or request for FY 2007.

The FY 2005 budget is \$167.3 billion in actual expenditure—not TOA. The FY 2006 amount is \$131.6 billion TOA, which is an estimate since the enactment was late; it includes \$99.3 billion in the basic budget and \$32.2 billion in a supplemental request.

The preceding paragraphs illustrate the fact that one has to be clear about the type and content of the dollars, e.g., whether the totals are with or without Chemical Demilitarization and whether the amounts are TOA or actual expenditures. Actual expenditures are the amount the federal government spends in a given fiscal year, regardless of the year in which the money was appropriated.

A review of the President's Budget submissions for each of the three fiscal years in the current budget provides an

interesting insight. This comparison reveals almost no change between FYs 2005 and 2006, and an 11.2 percent increase between FYs 2006 and 2007, i.e., \$98.5 billion, \$99.3 billion and \$110.4 billion, respectively. However, most of the \$10 billion increase in the FY 2007 budget proposal is for the pay raise, price growth and new program funds for Base Realignment and Closure. See **table 47**.

Comparing the President's Budget request of \$98.5 billion for FY 2005 with the actual expenditures of \$167 billion, part of the President's Budget request for FY 2007, reveals expenditures exceeding TOA by 59 percent. The President's Budget for FY 2006 proposes \$99 billion plus a supplemental of \$32 billion for operations in Afghanistan, Iraq and the Global War on Terrorism; this brings the total to \$131 billion. This total is more than \$30 billion below FY 2005 actual expenditures. With current operations continuing at about the same level of activity as in FY 2005, the FY 2006 proposal

**Table 47**

### Army Budget Summary Total Obligational Authority (TOA) (\$ billions)

	FY05 <sup>1</sup>	FY06 <sup>3</sup>	FY07 <sup>3</sup>
President's Budget	160.8	99.3	110.4
Supplemental and Adjustments <sup>2</sup>	6.5	32.3	—
<b>Total</b>	<b>167.3</b>	<b>131.6</b>	<b>110.4</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> Afghanistan and Iraq Security Forces Funds.

<sup>3</sup> FY06 and FY07 are estimates (excludes Chemical Demilitarization).

**Source:** FY07 President's Budget Highlights, Army

<sup>26</sup> Total Obligational Authority is the authority, as provided by Congress, to obligate the Government and is generally available for one or a number of specified fiscal years. Total Obligational Authority is the sum of: budget authority provided for a given fiscal year, balances of budget authority brought forward from prior years that remain available for obligation, and amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts. Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for the FY 2007 Budget" (DoD Green Book), Table 6-10, available online at [http://www.dod.mil/comptroller/defbudget/fy2007/fy2007\\_greenbook.pdf](http://www.dod.mil/comptroller/defbudget/fy2007/fy2007_greenbook.pdf).

<sup>27</sup> MG Edgar E. Stanton III, Director of the Army Budget, "Army FY07 Budget Overview" (briefing), available online at <http://www.asafm.army.mil/budget/fybm/FY07/overview.pdf#search=%22%22Budget%20Overview%22%20Stanton%22>.

with the supplemental appears low and the FY 2007 proposal will certainly require a very substantial supplemental.

The President's Budget proposal for the Army does not include funds for operations in Afghanistan or Iraq, but it does include funds for pursuing the Army's four overarching and interrelated strategies:

- Provide relevant and ready landpower for the 21st century security environment;
- Train and equip Soldiers to serve as warriors and grow adaptive leaders;
- Sustain an all-volunteer force composed of highly competent Soldiers who are provided an equally high quality of life; and
- Provide infrastructure and support to enable the force to fulfill its strategic roles and missions.

The federal budget process requires a separate submission for "emergency requirements." U.S. military operations in Afghanistan and Iraq are emergency requirements under the budget rules. Therefore, DoD submits a request for emergency supplemental funding for these operations and related support; and the Army receives a share of the supplemental funds. Since FY 2003, DoD has received more than \$325 billion in five supplemental acts.

## Overview

The Army's FY 2007 budget supports the strategic goal of winning the GWOT by continuing to transform the Army to make it more capable in the future.

This includes, first and foremost, focusing on training and equipping forces for the combatant commanders to win the GWOT. This also involves sustaining the all-volunteer force, accelerating the Future Force Modernization Strategy and accelerating business transformation and process improvements.

The challenges of the 21st century require a full spectrum of Army capabilities to defend the homeland, sustain the long war, conduct irregular operations and wage conventional campaigns. Therefore, the Army is pursuing various initiatives to develop a broader portfolio of capabilities to increase its capacity for meeting these challenges. These include:

- increasing both capability and capacity by creating 70 modular, multipurpose brigade combat teams and more than 200 support brigades that are better able to operate

as elements of joint, expeditionary force packages and to conduct sustained campaigns;

- leveraging the power of joint interdependence to create the freedom to change;
- enhancing capabilities of multipurpose forces, especially for irregular warfare, to enable special operations capabilities to be more focused on complex tasks (including counterterrorism and unconventional warfare);
- recognizing the increased importance of the "human dimension" of war, including:
  - expanding cultural awareness and language capabilities;
  - doubling human intelligence personnel; and
  - integrating psychological operations and civil affairs capabilities with multipurpose forces;
- redesigning tactical and operational headquarters to serve as joint task force headquarters;
- restructuring Army programs to strike the best balance between current and future capability requirements;
- posturing reserve forces to serve as an operational force vice strategic reserve; and
- posturing operational and institutional forces to enhance jointness, readiness, strategic responsiveness and fiscal efficiency.

In addition to force structure, the FY 2007 budget provides for training, readiness and sustaining the all-volunteer force and infrastructure, including:

- a pay raise of 2.2 percent for military across-the-board and additional increases for certain warrant officers and mid-grade senior enlisted personnel;
- a pay raise of 2.2 percent for civilians;
- Apache upgrade and conversions;
- Patriot programs (Patriot Advanced Capability 3 and modifications);
- 100 Strykers;
- training ammunition; and
- barracks modernization.

For an extensive discussion of the current posture of the Army including the budget and future plans, see the 2006 Army Posture Statement.<sup>28</sup>

<sup>28</sup> Secretary of the Army Francis J. Harvey and Army Chief of Staff General Peter J. Schoomaker, "A Statement on the Posture of the United States Army 2006," 10 February 2006, presented to the Committees and Subcommittees of the United States Senate and the House of Representatives, 2nd Session, 109th Congress, available online at <http://www.army.mil/aps/06/>.

## Appropriation Group Review

All budgets are plans; i.e., budgets include proposals for both resources and how the resources will be used. The Army budget is a comprehensive plan that integrates, prioritizes and balances programs, functions and operational requirements and the resources to support them for the next fiscal year.

The Army budget is built with participation from across the Army and includes a great deal of detail, e.g., appropriation, budget activity, program, function, component and many other types and levels of detail. The details support the various decisionmakers and often involve restrictions on the use of appropriated funds.

In addition, Congress requires that the budget include financial data on the prior, current and next fiscal years. However, Congress does not allow requests for funds for “emergency” requirements that are uncertain at the time of the President’s Budget submission for various reasons. In part, Congress does not want to provide funds that are not justified in terms of specific purposes. The occurrence of contingency operations is by definition uncertain, and therefore requires “emergency” fund requests, i.e., supplemental funds.

Since FY 2003, DoD has relied on very substantial supplemental funding for operations in Afghanistan and Iraq and related support. As enacted, the supplemental funding for DoD has been:

- \$79 billion for FY 2003 (April 2003);
- \$87.5 billion for FY 2004 (November 2003);
- \$25 billion for FY 2005 (August 2004); and
- \$67.55 billion for FY 2006 in emergency supplemental funds for war operations in Iraq and Afghanistan that were included in the Defense Appropriation Act (December 2005).

Congress enacted an additional supplemental for FY 2006 of approximately \$70 billion for DoD in June 2006. Over the four fiscal years, Congress appropriated more than \$325 billion in emergency supplemental funds. The inclusion of supplemental funds in the actual expenditure data may make trend data misleading.

## Budget by Appropriation Groups

The Army budget groupings summarize the dollars from all the appropriations in the functional category and include the Army National Guard and Army Reserve; e.g., Military Personnel includes all active and reserve component military pay appropriations. The President’s Budget for FY 2007 includes dollars by titles for FY 2005 expenditures, for FY

2006 estimates (since enactment was late) and for FY 2007 proposal amounts. See **table 48**.

In FY 2007, the Military Personnel group includes the most dollars; however, the total is \$3 billion less than in FY 2006 and nearly \$10 billion or 18 percent less than in FY 2005 without any substantial reduction in military personnel. The next largest group is Operation and Maintenance; FY 2006 is more than \$15 billion below FY 2005, and FY 2007 is \$35 billion or 52 percent below FY 2005. The FY 2007 O&M clearly does not include funds for sustaining the operational deployments; without a substantial change in the level of operational activity, a supplemental in the range of that of FY 2005 seems reasonable. If deployments remain about the same, the FY 2007 budget will require substantial emergency supplemental funding of \$50 billion or more based on FY 2005.

The FY 2007 proposal reflects a slight increase over FY 2006 for the Procurement appropriation but an \$8 billion or 32

**Table 48**

### Army Summary Total Obligational Authority (TOA) BY Appropriation Grouping (\$ billions)

Appropriation Groupings	FY05 Actuals	FY06 Estimate	FY07 Estimate
Military Personnel	51.9	45.9	42.6
Operation and Maintenance	67.2	51.8	32.0
Procurement	24.6	15.8	16.8
Research, Development, Test and Evaluation	10.6	11.0	10.9
Military Construction/ BRAC <sup>1</sup>	3.5	3.8	6.4
Army Family Housing	1.6	1.3	1.3
Environmental Restoration, Army <sup>2</sup>	—	0.4	0.4
Chemical Demilitarization <sup>3</sup>	1.4	1.4	1.4
Defense Working Capital Fund <sup>4</sup>	—	0.1	—
Other	6.5		
<b>Total<sup>5</sup></b>	<b>167.3</b>	<b>131.5</b>	<b>111.8</b>

<sup>1</sup> Base Realignment and Closure.

<sup>2</sup> ERA is executed in OMA (FY05) but is budgeted separately in FY06 and FY07.

<sup>3</sup> Chemical Demilitarization became an Army appropriation in FY99.

<sup>4</sup> DWCF, Army became an Army appropriation in FY00.

<sup>5</sup> Numbers may not add due to rounding.

Source: FY07 President’s Budget Highlights, Army

percent decline from FY 2005. The Procurement appropriation particularly reflects the pace of materiel transformation and the Future Force Modernization Strategy. Army Procurement is only 20 percent of all DoD Procurement.

The Research, Development, Test and Evaluation appropriation remains essentially flat across all three fiscal years and represents only 15 percent of all DoD RDT&E.

The Military Construction appropriation reflects a large increase in FY 2007 of nearly \$3 billion; however, \$3.6 billion of that is for BRAC.

This review at the appropriation-group level illustrates the significance of emergency supplemental funding for the war effort, and a real decline in Procurement funds.

### Budgets by Groups

Interestingly, the President’s Budget proposals for the Army for each of the three fiscal years in the current budget present a consistent baseline level of funding, with the exception of the increases in Procurement and BRAC. The Military Personnel and O&M funds are consistent and reflect the fact that the size of the Army and the level of training remain unchanged. The Procurement appropriation increases by 42 percent between FY 2006 and FY 2007, suggesting some program changes from prior budget proposals; i.e., some materiel systems for resetting or transforming the force are included in the baseline as opposed to the supplemental funding in the prior budgets. See **table 49**.

This is the only discussion of the President’s earlier budget submissions; the following tables and discussions address the President’s Budget for FY 2007; earlier data is actual execution experience and not TOA.

### Percentage Distribution by Groups

An analysis of the appropriation groupings in terms of percentage of the total Army budget, rather than in absolute amounts, allows reasonable comparisons across time. A comparison of the FY 1990 budget—the last submitted to Congress prior to the end of the Cold War and the peace dividends—and the FY 2007 budget reveals some similarities and some significant differences. See **figure 6**.

The comparison shows that O&M, at about 30 percent of the budget, is the only large appropriation group that remains consistent. By FY 2007, the MILPERS group is the largest, picking up more than 11 percent of the budget; and Research,

**Table 49**

### President’s Budget Proposal – Army Total Obligational Authority (TOA) (\$ billions)

Appropriation Groupings	FY05 Pres Bud	FY06 Pres Bud	FY07 Pres Bud
Military Personnel	39.4	41.4	42.6
Operation and Maintenance	32.6	31.8	32.0
Procurement	10.4	11.8	16.8
Research, Development, Test and Evaluation	10.4	9.7	10.9
Military Construction	2.1	1.9	2.7
Army Family Housing	1.6	1.4	1.3
Base Realignment and Closure	—	—	3.6
Chemical Demilitarization	1.4	1.4	1.4
Other	0.6	0.6	0.5
<b>Total<sup>2</sup></b>	<b>98.5</b>	<b>100.0</b>	<b>111.8</b>

<sup>1</sup> Each column displays the President’s Budget submission for the FY.  
<sup>2</sup> Numbers may not add due to rounding.  
**Source:** Army FY07 Budget Overview, MG Edger E. Stanton III, Director of the Army Budget Highlights

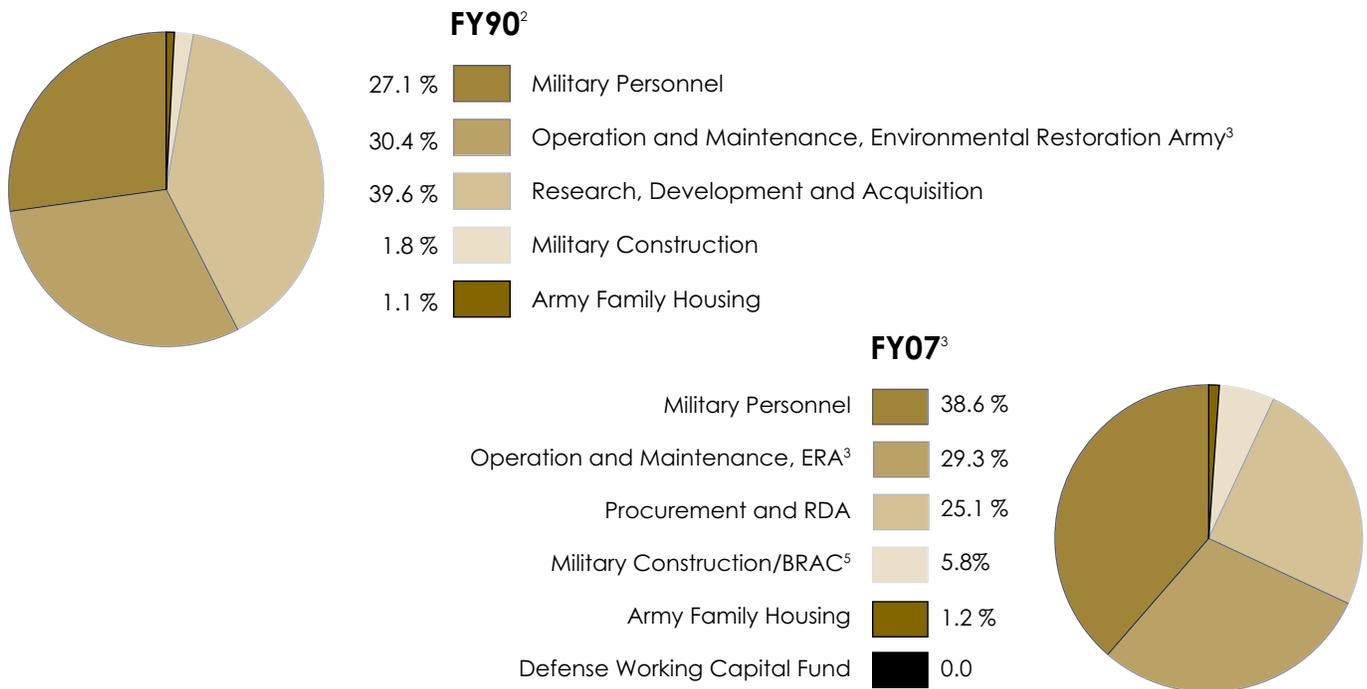
development and Acquisition decreases by more than 14 percent. MILCON with BRAC increases by 4 percent, but almost all of this is BRAC.

In FY 1990, the MILPERS and O&M groups account for nearly 60 percent of the budget; in FY 2007, the two titles account for nearly 70 percent of the Army budget. Supplement funds will largely go to O&M, with a lesser amount to MILPERS. Some may go to RDA, but the RDA percentage will likely decrease since the emergency supplemental is for current operations.

The percentage trends clearly demonstrate that O&M consumes about 30 percent of the Army budget, regardless of the size of the Army. Second, MILPERS is escalating in large part from pay raises and increases in benefits for medical and retirement accruals and housing allowances. Third, the decrease in RDA reflects lesser proportionate investments in materiel systems and modernization than in FY 1990.

Note also that the Chemical Demilitarization, Defense Working Capital Fund and Environmental Restoration Army appropriations, which consume only 2 percent of the current budget, did not exist in FY 1990.

### Army Appropriations Groups Percentage of Distribution<sup>1</sup>



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

<sup>2</sup> FY90 are actuals.

<sup>3</sup> Environmental Restoration, Army (ERA); add to O&M in FY07 to be comparable to FY89 execution.

<sup>4</sup> FY07 are estimates.

<sup>5</sup> Base Realignment and Closure.

Source: Army FY07 President's Budget Highlights

## Budget Background

### Army Appropriations

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

- Military Personnel, Army;
- Reserve Personnel, Army;
- National Guard Personnel, Army;
- Operation and Maintenance, Army;
- Operation and Maintenance, Army Reserve;
- Operation and Maintenance, Army National Guard;
- 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;
- Family Housing Construction, Army;
- Family Housing Operations, Army;
- Chemical Agents and Munitions Destruction, Army;
- Environmental Restoration Fund, Army; and
- Defense Working Capital Fund, Army

In addition, the Army receives specifically allocated funds for BRAC.

### Budget Process Overview

The Army Budget Formulation process is important because it is the process for creating the Army budget proposal, for justifying the Army's proposal to the Office of the Secretary of Defense (OSD) and the Office of Management and Budget for inclusion in the President's Budget, and for justifying the Army's budget to Congress.

The Army Budget Formulation process is a major part of the Army's Planning, Programming, Budgeting and Execution (PPBE) process; Army PPBE supports the DoD PPBE. The federal budget process begins with dollar guidance from OMB, and the DoD distribution of that guidance, or controls, to the Army and other DoD agencies.

The Army Budget Formulation process begins with Program Budget Guidance from the department to the commands and reporting agencies. These agencies prioritize their requirements and develop their budget proposals in terms of dollars and manpower.

The Army and all other federal government departments prepare their budgets using the appropriation structure prescribed by Congress. The Army submits its budget proposal to the Defense Comptroller for joint DoD and OMB review. DoD issues draft Program Budget Decisions (PBDs) and the Army prepares *reclamas*. Ultimately, the Secretary of the Army or the Assistant Secretary for Financial Management and Comptroller meets with DoD leadership to resolve major budget issues. As approved, the Army budget becomes part of the President's Budget that is submitted to Congress in February.

Congress reviews the budget to provide appropriation acts to the President before 1 October, the beginning of the fiscal year. However, if no congressional budget agreement is reached by 1 October, Congress passes Continuing Resolution Acts (CRAs) allowing departments to continue operating within stipulated restrictions.

When the President signs the appropriation acts into law, first the U.S. Treasury, then DoD and next the Army receives funds for execution. The money is provided by appropriations which carry various restrictions. For example, various appropriations expire at the end of one, three or five fiscal years, and money generally cannot be moved across appropriations without prior congressional reprogramming approval.

## Budget Documents

The Army budget is a complex set of many documents. The Army website lists about 25 budget documents with perhaps 10,000 pages of detail.<sup>29</sup> Each document contains many different forms. This review peels away some of the complexity by organizing the information under topical categories and provides insights for understanding the resource proposal.

## Army Land Forces

The Army provides the combatant commanders with trained and ready land forces for the joint team. Land forces are essential for wresting control of land and people from hostile forces. The Army maintains the ability to project land forces anywhere in the world.

In the 20th century, the Army was organized principally for large-scale conventional conflict; the reserve component, postured as a strategic reserve for the large-scale conflict, was not available for immediate use. In addition, during the last decade of the century, the nation withheld funds for the peace dividend and the Army deferred modernization investments.

The 21st century began with 9/11, the subsequent Global War on Terrorism and operations in Iraq and Afghanistan. The Army recognized that it lacked the breadth and depth of capabilities required for this long, irregular war. The 2006 Quadrennial Defense Review and associated analysis present a defense strategy that includes traditional and also irregular, catastrophic and disruptive challenges. To mitigate risk and provide a broader portfolio of capabilities and an increase in options available to the President and combatant commanders, the Army is transforming.

The Army is increasing both its capability and its capacity by creating modular, multipurpose, brigade-based combat and support forces. The brigade-based forces are better able to operate as elements of joint, expeditionary force packages and to conduct sustained campaigns.

The Army is forming 70 brigade combat teams that are the essential fighting units. The BCTs are being organized into three standard designs: infantry, heavy and Stryker. The 70 BCTs are forming a rotational pool that will allow the Army to sustain global commitments, surge forces for unforeseen contingencies and reduce stress on Soldiers and equipment.

The Army is forming more than 200 support brigades organized into two categories: multifunctional and functional:

- The multifunctional brigades will perform operational roles including combat aviation, combat support (maneuver enhancement), sustainment, fires and battlefield surveillance.
- The functional brigades will perform broad support roles on a theater-wide basis including air defense, engineer, explosive ordnance disposal, military police, signal and others.

<sup>29</sup> Assistant Secretary of the Army for Financial Management and Comptroller, "FY 2007 Budget Materials," available online at <http://www.asafm.army.mil/budget/fybm/fybm.asp>.

The support brigades will ensure that Soldiers receive the logistical, engineering, intelligence, protection, aviation and communications capabilities they will need to support the combatant commanders. The specific mix and quantities of the more than 200 support brigades is being refined to meet requirements for both expeditionary and expanded state and homeland defense/homeland security operations. The plan calls for:

- the active component to maintain 42 brigade combat teams (representing one less than the previous force structure) and 75 support brigades;
- the Army National Guard to maintain 106 brigades—28 brigade combat teams and 78 support brigades—and
- the Army Reserve to maintain 58 support brigades.

The Army is also redesigning tactical and operational headquarters to serve as joint task force headquarters.

The Army is preparing the units for the challenges they will face and enhancing the capabilities of multipurpose forces, especially for irregular warfare, to enable special operations capabilities to be more focused on complex tasks, including counterterrorism and unconventional warfare.

Finally, the Army states that it is creating “whole” units that are fully manned, trained, equipped and supported. With fewer resources, the Army cannot create as many whole units; therefore, the Army will build fewer, but whole, units. The Army’s decision is to field a quality force and not weaken itself by fielding partially resourced units.

## Forces Engaged

In the four years since 9/11, the international security environment has changed dramatically. Even as the Army is creating modular, multipurpose, brigade-based combat and support forces, it is also conducting combat operations and supporting worldwide commitments. The military commitments and the demand for Soldiers have increased substantially since 9/11.

The Army continues to provide combatant commanders with a wide range of capabilities to prevail in the GWOT and to sustain U.S. global commitments. As part of the joint team, Army forces are conducting:

- 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 mission;
- combat operations in Afghanistan (Operation Enduring

Freedom, or OEF) and Iraq (Operation Iraqi Freedom, or OIF); and

- peacetime operations at forward stations in Korea, Europe and elsewhere.

Clearly, the Army’s worldwide commitments extend far beyond Iraq and Afghanistan. Approximately 600,000 Soldiers—487,000 active component, 72,000 Army National Guard and 41,000 Army Reserve—are on active duty. About 242,000 Soldiers are serving worldwide in 120 countries. (See **figure 7.**) More than 1,700 Army civilians serve side-by-side with them in the field, and more than 13,000 Soldiers are on duty in the United States specifically fulfilling critical missions to support the GWOT.

America’s Soldiers and Army civilians perform a variety of missions around the world that are vital to America’s national defense.

## Personnel

The Army includes Soldiers in the active component and the reserve component (Army National Guard and Army Reserve) and Army civilians. In addition, thousands of contractor personnel support the Army.

The Soldier, the centerpiece of Army combat systems and forces, is an indispensable element of the joint team. Army civilians are essential to the readiness, support and sustainment of the forces, serving alongside Soldiers around the globe. Contractor personnel today, more than ever before, are also essential to the Army team at home and abroad. They provide services and support in many functional areas that historically were accomplished by Soldiers or Army civilians, as well as producing combat systems and other systems.

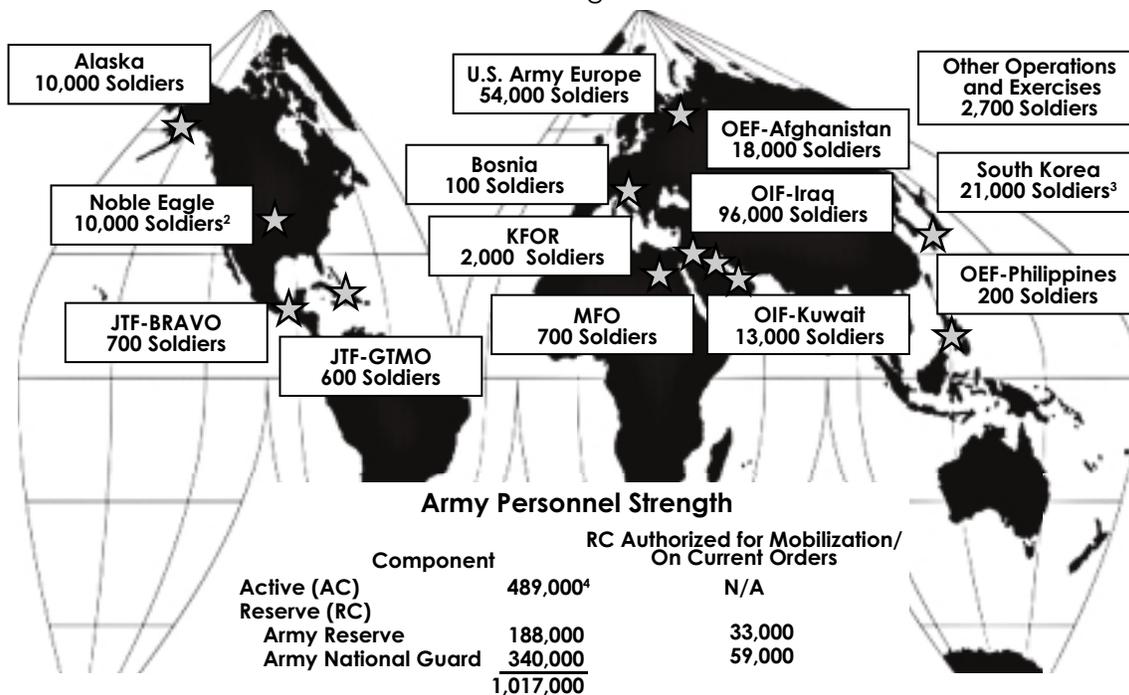
The discussion of Army personnel begins with the Soldier but extends to Army families. They provide support for servicemembers and make sacrifices for the nation. In turn, the Army owes the Soldiers and their families a quality of life equivalent to that enjoyed by most Americans.

The Army budget supports a commitment to retain and recruit the Soldiers necessary to keep it the best army in the world. The budget supports a commitment to meeting adequate quality-of-life standards for Soldiers and their families; to providing a safe and conducive work environment for Soldiers, Army civilians and contractors; and to training and providing professional development opportunities for the people who are the Army.

To sustain the increase in global commitments, the Army is increasing, or “growing,” the operational Army in the active component. The Army’s goal is to grow the operational Army

## Army Global Commitments

242,000<sup>1</sup> Soldiers overseas in 120 countries  
As of 8 August 2006



GTMO = Guantánamo  
JTF = Joint Task Force  
KFOR = Kosovo Force (NATO)

MFO = Multinational Force & Observers  
OEF = Operation Enduring Freedom  
OIF = Operation Iraqi Freedom

<sup>1</sup> Includes active component stationed overseas.

<sup>2</sup> Reserve component mobilized stateside.

<sup>3</sup> Part of active component stationed overseas.

<sup>4</sup> Stationed overseas – 108,000; stationed stateside – 380,000.

Source: Headquarters, Department of the Army

by 40,000 Soldiers by 2008. This means increasing the active component operational force from a baseline of 315,000 Soldiers in 2004 to 355,000 Soldiers in 2008. The Army plans to accomplish this through military-to-civilian conversions and better management of the active Army's Individuals Account (all officers, enlisted and U.S. Military Academy cadets who are part of the total active Army strength but are unavailable to fill force structure positions).

## Endstrength

The term "endstrength" is used to discuss both the number of people *authorized* by Congress and the *actual* number of people 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. Separate Military Personnel appropriations exist for each of the military components but not for the civilian component.

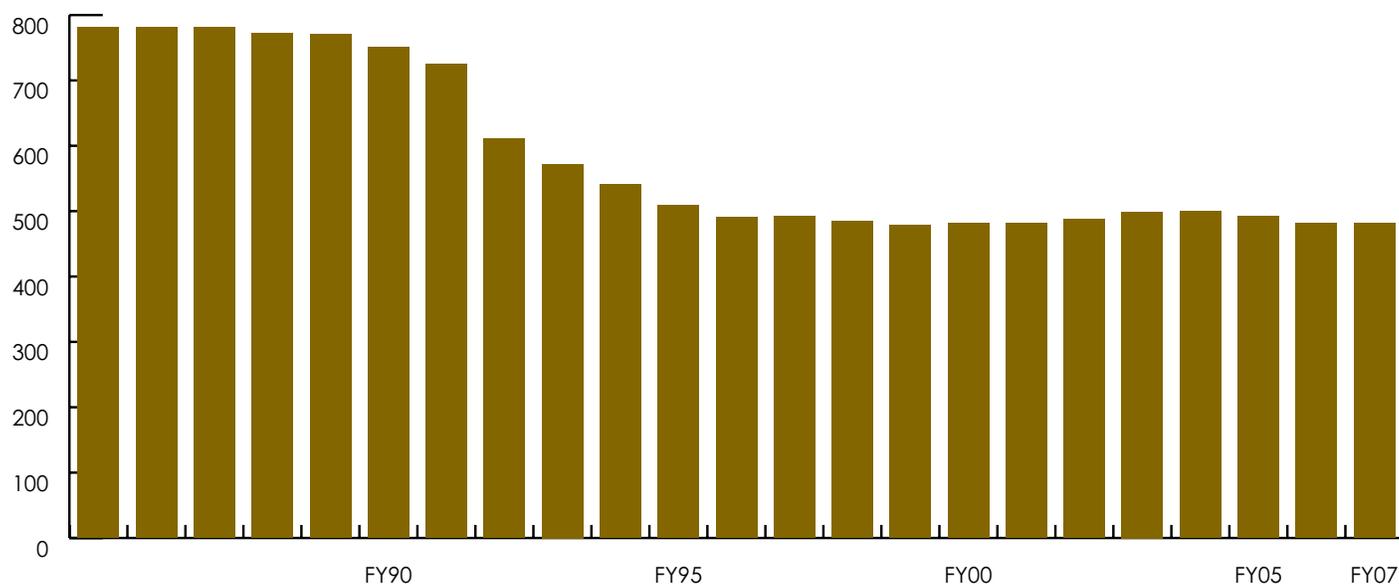
During the 1990s, endstrengths for all components were shifting downward to new, post-Cold War levels that were reached by FY 2000. The Army budget for FY 2007 proposes endstrengths consistent with those levels. See **figures 8, 9 and 10** for endstrength trends from the end of the Cold War to the proposals for FY 2007 for the active, reserve and civilian components.

In the decade between FYs 1985 and 1995, the active endstrength declined by nearly 35 percent; by FY 2000, the active endstrength had declined by another 5 percent, a total of about 40 percent. After 9/11, the active endstrength grew by only 2 percent.

However, since 9/11 the Army National Guard has mobilized more than 329,000 Soldiers for both state and federal missions. On any given day, the Army National Guard provides vital capabilities in virtually every mission area. As of January 2006, more than 72,000 Soldiers from

Figure 8

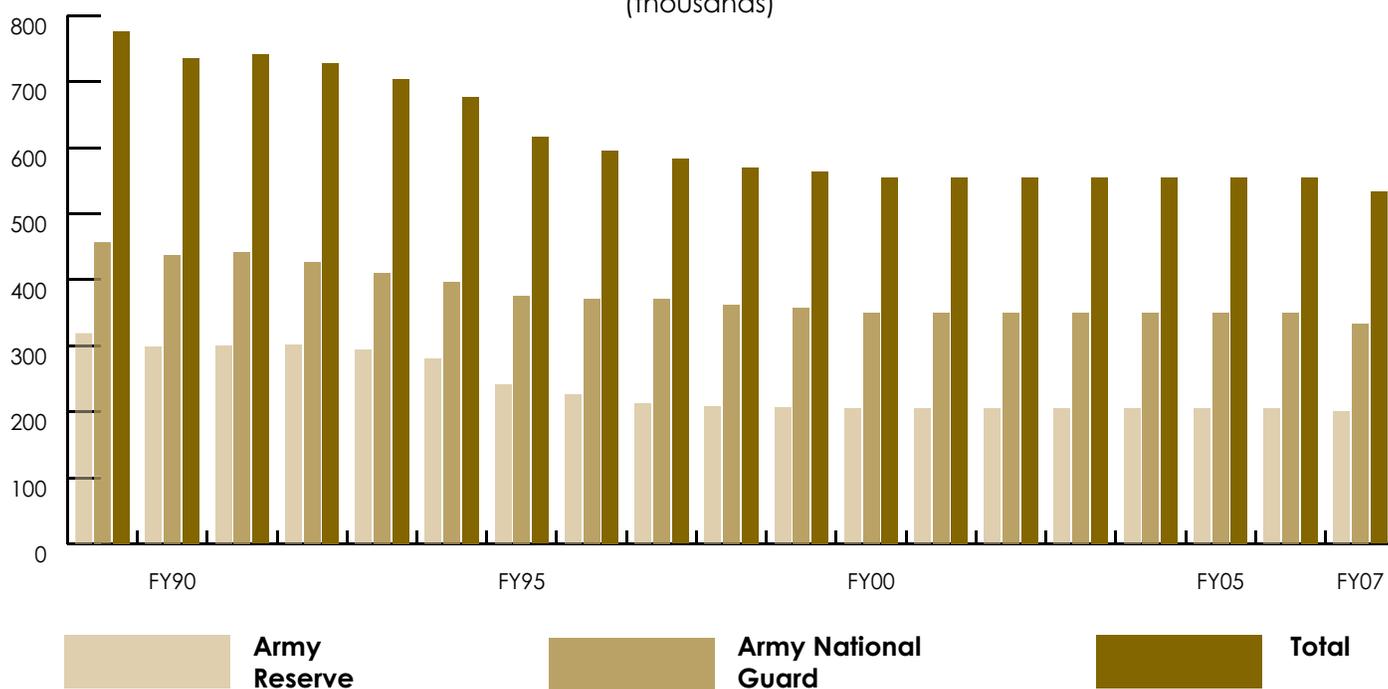
### Active Component Personnel Endstrength (thousands)



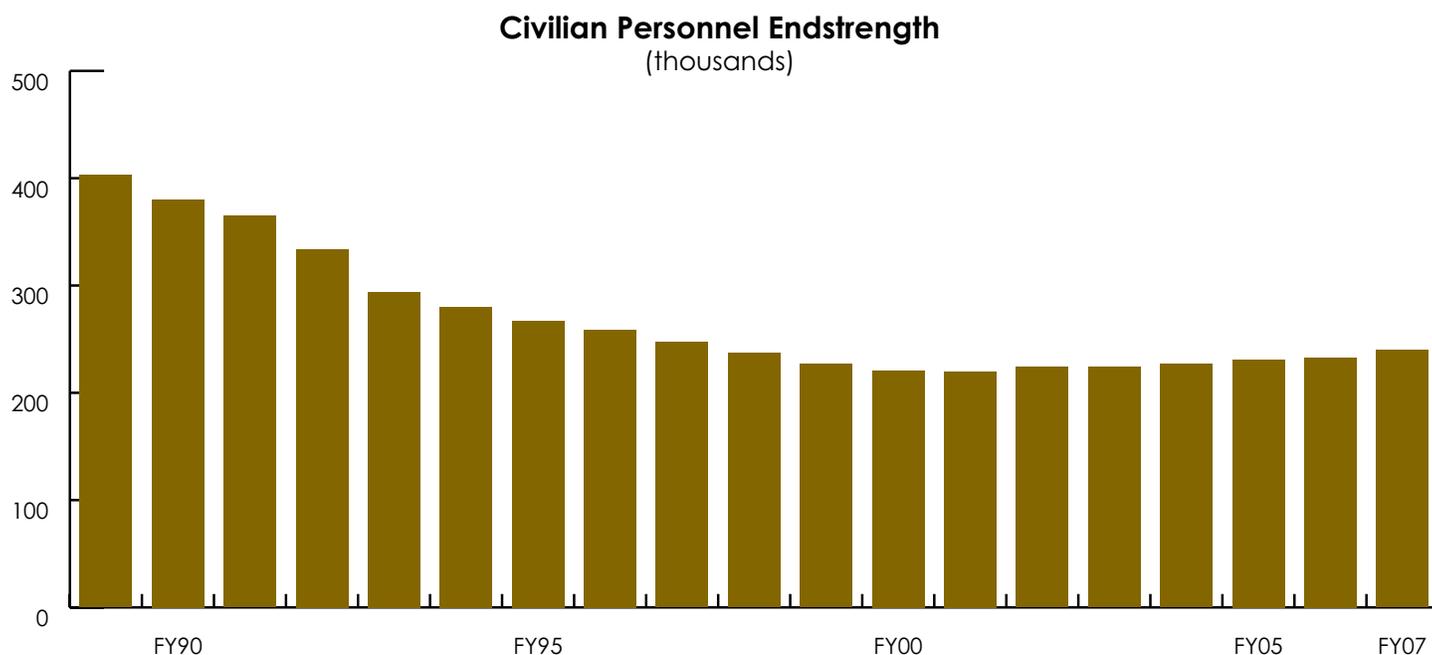
Source: DoD Greenbook Table 7-5

Figure 9

### Reserve Component Personnel Endstrength (thousands)



Source: RPA, NGPA Justification Material - Performance Measures & Evaluation Summary



Source: DoD Greenbook Table 7-5

the Army National Guard are mobilized. The Army Reserve has mobilized over 143,000 Soldiers who, together with their fellow active and Army National Guard Soldiers, have enabled the Army to accomplish its mission at home and abroad.

In the years between FYs 1989 and 1995, reserve component endstrength declined by 21 percent—the Army National Guard by 18 percent and the Army Reserve by 25 percent. By FY 2000, the Army National Guard declined by nearly another 7 percent and the Army Reserve by another 15 percent. In total, the Army National Guard had declined by about 25 percent and the Army Reserve by about 40 percent. Since FY 2000, reserve component endstrength has remained unchanged.

In the years between FYs 1989 and 1995, civilian component endstrength declined by nearly 34 percent; by FY 2000 it had declined another 17 percent. In total, civilian endstrength declined by about 50 percent—the greatest drawdown of any component. Only after 9/11 and continuing into the FY 2007 budget did civilian endstrength grow—by 9 percent.

### Personnel Budgets

Military pay and allowances are included in three appropriations: Military Personnel, Army (MPA); National Guard Personnel, Army (NGPA); and Reserve Personnel, Army

(RPA). Under the federal budget system, there is no similar civilian personnel appropriation; rather, civilian compensation is included where the civilian employees work. In the case of the Army, civilian compensation is in eight appropriations.

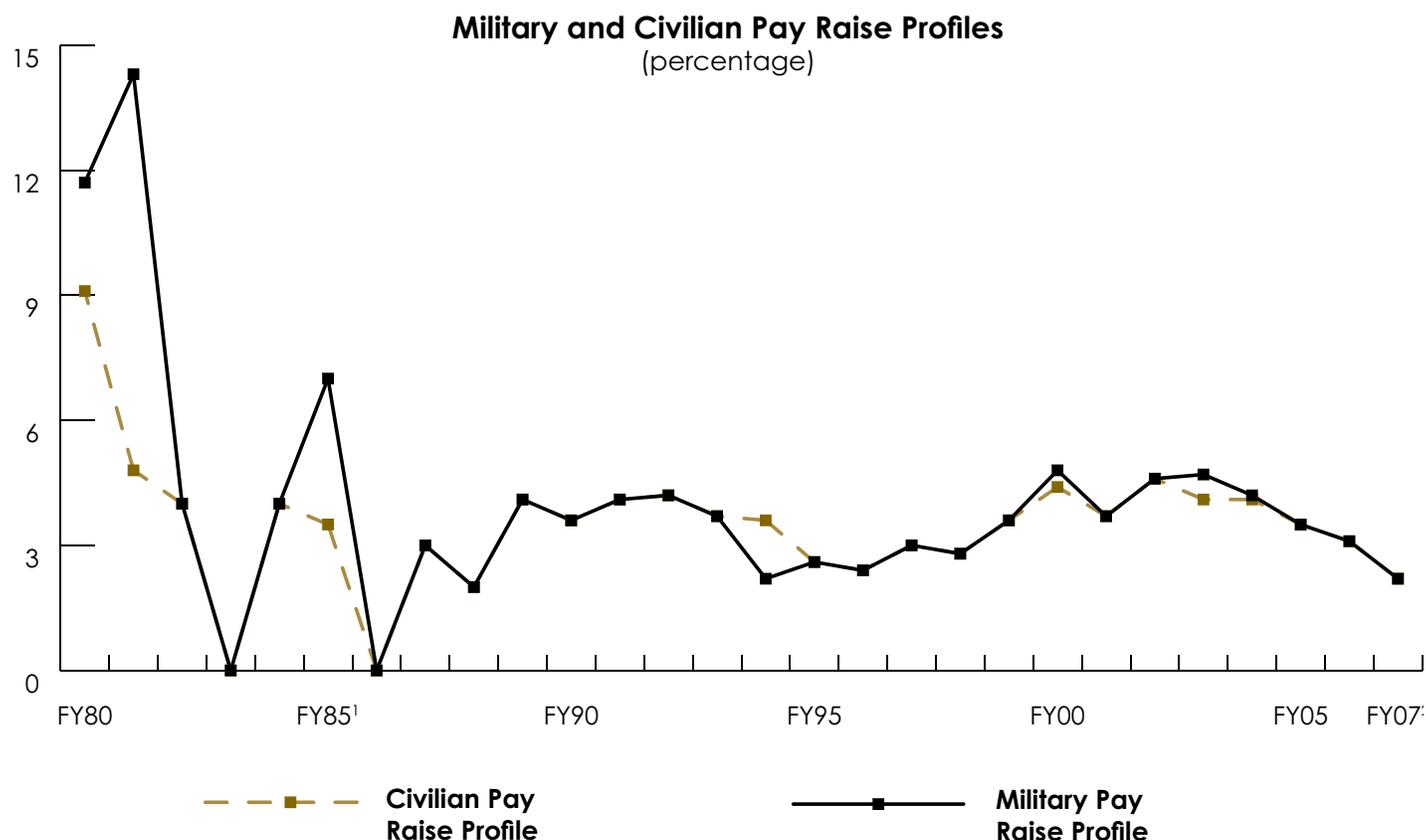
### Military Personnel

Military Personnel appropriations provide the funds for the active and reserve component endstrengths. Program highlights include a 2.2 percent across-the-board pay raise with selective additional increases for certain warrant officers and mid-grade senior enlisted personnel. Funding maintains zero out-of-pocket expenses for housing for Soldiers, and the funds continue the Residential Communities Initiative (RCI). See **figure 11** for both military and civilian pay raise profiles.

MILPERS appropriations for the active Army, Army National Guard and Army Reserve are summarized in **table 50**. These appropriations include about 31 percent of the Army's total budget expenditures in FY 2005; 35 percent in FY 2006 with a supplemental of only \$32 billion; and 38 percent in FY 2007, which does not include any supplemental funds.

### Military Accrual Payments

Nearly \$4.9 billion, or 11.5 percent, of the MILPERS budget proposal is for Retiree and Medical Accruals. An increase in endstrength would also trigger an increase in



<sup>1</sup> Two pay raises in FY85.

<sup>2</sup> FY07 is President's Budget request.

Note: No pay raises in FY83 and FY86.

Source: National Defense Budget Estimates FY2007- Table 5-3

Table 50

### Military Personnel Appropriations (\$ billions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Personnel Army (MPA)	41.8	35.3	32.0
National Guard Personnel Army (NGPA)	6.4	6.5	6.4
Reserve Personnel Army (RPA)	3.7	4.0	4.1
<b>Total MILPERS<sup>3</sup></b>	<b>51.9</b>	<b>45.8</b>	<b>42.5</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

accrual contributions for the future, larger number of retirees. The Army's goal of growing the operational Army by 40,000 Soldiers by 2008 through military-to-civilian conversions and better management of the active Army's Individuals Account does not increase the accrual contributions.

### Civilian Personnel

The Army civilian endstrength is 240,000 or about half as large as the active Army endstrength. The appropriation that employs civilian personnel pays civilian personnel. More than 70 percent of the Army civilian workforce is employed by O&M appropriations. See **table 51**.

Estimates of civilian pay are about \$16 billion. The combination of this \$16 billion plus \$42 billion for MILPERS equals \$58 billion, or 52 percent of the FY 2007 budget proposal.

**Table 51**

**Civilian Endstrength**

Direct Hires	Thousands	Percentage
Operation and Maintenance, Army	132	55.0
Operation and Maintenance, Army National Guard	28	11.7
Operation and Maintenance, Army Reserve	12	5.0
Research, Development, Test and Evaluation	17	7.1
Military Construction	6	2.5
Family Housing	1	0.4
Defense Working Capital Fund	27	11.3
<b>Subtotal</b>	<b>223</b>	
<b>Indirect hires</b>		
Operation and Maintenance, Army	17	7.1
Other	0	0.0
<b>Subtotal</b>	<b>17</b>	
<b>Total</b>	<b>240</b>	<b>100.0%</b>
<b>Source:</b> FY07 President's Budget Highlights, Army		

The President's Budget proposes a 2.2 percent raise for the civil service—the same as the military pay raise for FY 2007. Return to figure 11 for both civilian and military pay raise profiles.

**Operation and Maintenance**

The Operation and Maintenance appropriations contribute directly to the combat readiness of the forces by providing funds for realistic training; equipment maintenance (organizational, intermediate and depot level); responsive logistical support; facilities maintenance; and base support for the well-being of Soldiers and their families.

The Army states that its FY 2007 budget supports balanced priorities for the forces simultaneously at war and transforming to a modular force. However, the budget does not finance the incremental costs of the GWOT (e.g., additional endstrength, resetting the force and contingency operations) or other potential future operations.<sup>30</sup>

<sup>30</sup> Department of the Army, "Fiscal Year (FY) 2007 Budget Estimates," Operation and Maintenance, Army, Justification Book, vol. 1, p. 5, February 2006, available online at <http://www.asafm.army.mil/budget/fybm/FY07/oma/vol1.pdf>.

The O&M group accounts for about 29 percent of the Army's budget for FY 2007 and 40 percent in FY 2005 actual expenditures. The FY 2005 expenditures include funds for the additional endstrength, resetting the force and contingency operations for the GWOT. The FY 2007 budget proposal is for \$32 billion; the FY 2005 expenditures were \$35 billion more than the FY 2007 budget proposal.

The O&M group includes 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 appropriation structure includes four Budget Activity groups:

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

The active component uses all four BA groups; the reserve component uses only two. The BA and subactivities titles suggest that the appropriations provide for training and logistics support of Soldiers. Less obviously, the appropriations also provide for the support of Soldiers in garrisons and their families.

Depending upon the fiscal year, about one-half or more of all the funds are for BA1: Operating Forces, and most of the money is for the OMA appropriation for the active component that provides funds for:

- execution of the Combined Arms Training Strategy for air and ground operational tempo (OPTEMPO);
- Army's Baseline Depot Maintenance Program;
- Army commitment to improve Base Support/Sustainment, Restoration and Maintenance for Soldiers and families;
- ongoing Kosovo operations, relying on supplemental funds for OIF and OEF;
- implementation of efficiencies as an element of Army Business Transformation; and
- training Soldiers, units and leaders to succeed in the current operational environment.

See **table 52** for O&M dollars by BA for each component.

O&M for the active component, OMA, shows great differences by fiscal year; however, O&M for the reserve component is relatively consistent from year to year. The FY 2005 actual column includes the FY 2005 supplemental,

Table 52

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

Operation and Maintenance, Army (OMA)	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
<b>BA1: Operating Forces</b>			
Land Forces	4,385	3,435	3,885
Land Forces Readiness	4,960	4,395	3,518
Land Forces Readiness Support	39,122	27,053	7,627
<b>BA1 Subtotal</b>	<b>48,467</b>	<b>34,883</b>	<b>15,030</b>
<b>BA2: Mobilization</b>			
Mobility Operations	425	359	269
<b>BA2 Subtotal</b>	<b>425</b>	<b>359</b>	<b>269</b>
<b>BA3: Training and Recruiting</b>			
Accession Training	392	428	470
Basic Skills and Advanced Training	1,660	1,895	1,939
Recruiting and Other Training and Education	1,193	1,494	1,205
<b>BA3 Subtotal</b>	<b>3,245</b>	<b>3,817</b>	<b>3,614</b>
<b>BA4: Administration and Servicewide Support</b>			
Security Programs	957	1,148	783
Logistics Operations	2,555	2,161	1,629
Servicewide Support	4,309	2,807	3,223
Support of Other Nations	369	331	354
<b>BA4 Subtotal</b>	<b>8,190</b>	<b>6,447</b>	<b>5,989</b>
<b>Total</b>	<b>60,327</b>	<b>45,506</b>	<b>24,902</b>
<b>Operation and Maintenance, Army National Guard (OMARNG)<sup>3</sup></b>			
BA1: Operating Forces	4,434	4,239	4,470
BA4: Administration and Servicewide Support	438	469	368
<b>Total OMARNG</b>	<b>4,872</b>	<b>4,708</b>	<b>4,838</b>
<b>Operation and Maintenance, Army Reserve (OMAR)</b>			
BA1: Operating Forces	1,833	1,827	2,134
BA4: Administration and Servicewide Support	184	184	165
<b>Total OMAR</b>	<b>2,017</b>	<b>2,011</b>	<b>2,299</b>
<sup>1</sup> FY05 are actuals and include Title IX. <sup>2</sup> FY06 and FY07 are estimates. <sup>3</sup> Numbers may not add due to rounding; FY05 and FY06 include supplemental funding. <b>Source:</b> Army FY07 President's Budget Highlights and O-1 exhibits			

transfers from the Iraq Freedom Fund and FY 2005 Title IX funds, which are obviously significant in OMA. The FY 2006 column includes the President's basic budget plus the initial supplemental request.

The Army justification book states that the FY 2007 budget estimate provides for program growth of \$464.8 million and pricing adjustments of \$704.1 million (e.g., inflation, fuel and pay raises) over the FY 2006 level for OMA. Presumably, this statement refers to a comparison of the FY 2006 budget without war-related and disaster supplemental funds.

One other point that is not obvious from the dollars alone is that approximately 72 percent of the Army's civilian workforce is engaged in various O&M functions across the Budget Authority.

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

The Army must provide relevant and ready landpower to combatant commanders in support of a unified joint force. OMA provides the funds to prepare the forces to meet present and potential challenges and to maintain the vitality of the all-volunteer force.

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

At \$15 billion in FY 2007, BA1 equals nearly half of the appropriation and 13 percent of the entire Army budget—more than most appropriations. BA1 includes three subactivity groups (SAGs):

- 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 (CTCs);
- 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.

In the budget, the Army states that it remains committed to fully executing its OPTEMPO strategy for those units not committed to OIF/OEF. The ground training strategy includes a combination of actual miles driven for home station training (HST) and CTC rotations as well as virtual miles associated with using simulators. The mileage metrics are based on the Army's Combined Arms Training Strategy (CATS) for the active component and are Live (HST and CTC)—809 miles and Virtual (simulators)—90 miles, for a total of 899 miles.

The Flying Hour Program (FHP) metric, also based on the CATS for the active component, is an average of 14.5 hours per crew per month.

While fully executing its OPTEMPO, the Army continues to remove dollars for OPTEMPO and related funding from the base budget for units participating in OIF and OEF. These units, which are preparing to deploy, will be deployed or are recovering from deployment, engage in programmed training events less frequently.

In addition to the heavy usage of equipment in OIF and OEF, training today involves flying and driving weapon systems and equipment harder, further and under more realistic conditions than in the past. This higher level of OPTEMPO has a direct impact on the quantity of items requiring depot maintenance and on the amount of work performed on individual pieces of equipment.

The Depot Maintenance Program increases from FY 2006 to FY 2007 by more than \$188.1 million for a one-time congressional action and by \$333.4 million for support of overhauls such as:

- two additional helicopters (an MH-47E helicopter and an AH-64D helicopter);
- 135 shop shelters, part of the Recapitalization Program;
- 365 M872 trailers of various configurations;
- 25 Bradley Fighting Vehicle Systems (BFVS) of various configurations;
- 32 additional M1A1/M1E1 Abrams Integrated Management (AIM) recapitalization vehicles; and
- the overhaul of 184 additional Mobile Subscriber Equipment (MSE) units.

Base Operations Support (BOS) and Sustainment, Restoration and Modernization (SRM) are part of the Land Forces Readiness Support SAG. These are critical programs to operate and sustain installation infrastructure and the environment. BOS resources go toward the day-to-day operation of Army installations, while SRM resources pay for the sustainment, renovation and modernization of Army facilities. BOS decreases by \$164.9 million due to the Army's dramatically changing its business processes for supporting installations.

### **Budget Activity 2: Mobilization**

The FY 2007 budget requests \$269 million in FY 2007, a decrease of \$71.8 million. BA2 includes three SAGs: Strategic Mobilization, Army Prepositioned Stocks (APS) and 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 SAG includes the activation and upload of large, medium-speed, roll-on/roll-off (LMSR) ships for the prepositioned afloat set and container procurements. It also funds the Oman Access and the Bahrain Lease for critical storage space.
- The APS SAG 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, Southwest Asia, South Korea, Japan, Hawaii and trouble spots anywhere in the world.
- Industrial Preparedness finances industrial analysis to help the Army obtain end-item and repair-part support (excluding ammunition) and weapon system acquisition.

The decrease is primarily the result of the rescheduled reconfiguration of one heavy brigade combat team (HBCT); a decrease of \$34 million for the APS program due to reduced cost for Care of Supplies in Storage (COSIS) and reduced cyclic maintenance cycles of ships; and a decrease of \$11.1 million for Industrial Preparedness Operations due to the elimination of civilian pay costs for this program, which will be terminated in FY 2008.

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

The FY 2007 budget requests \$3.6 billion for Training and Recruiting activities. BA3 includes three activity groups:

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

Some of the significant changes in the Training and Recruiting BA are:

- an increase of \$14.1 million for Officer Acquisition that supports implementation of the Language Immersion Program at the United States Military Academy;
- an increase of \$7.7 million for Recruit Training;
- an increase of \$10.3 million for One Station Training;
- an increase of \$35.5 million for Recruiting and Advertising Initiatives.
- an increase of \$20.8 million for Education and Training Programs;

- an increase of \$6.6 million for all 1,645 JROTC schools to purchase school supplies and upgrade information technology equipment;
- an increase of \$6.3 million for Specialized Skill Training and the expansion of the Defense Language Institute's Translator Aide Program; and
- an increase of \$10.6 million for Military Entrance Processing Command.

### **Budget Activity 4: Administration and Servicewide Activities**

The FY 2007 budget for Administration and Servicewide Activities is \$5.9 billion and plays a critical role in meeting the Army's objective of providing integrated global joint operational support. By capitalizing on modern information technology and business processes, BA4 enables reductions in major overseas buildups, improves the global positioning of Army assets, facilitates total Army operations abroad and transitions the current force into the Army modular force, while achieving maximum value per dollar appropriated at home.

BA4 includes four SAGs:

- Security Programs—supports intelligence and security efforts through the National Foreign Intelligence Program, Joint Military Intelligence Program and Security and Intelligence Activities;
- 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 U.S. commitment to NATO and supports combatant commanders' security cooperation strategies.

Significant increases in funding are for Servicewide Communications to ensure CONUS reachback capability including satellite communications, long-haul communications, the expansion of the grid-bandwidth, and the Army's portion of the Defense Communications System (\$136 million).

Funding for Logistic Support Activities increases for the implementation of the Joint Unique Identification Program that assigns a unique identification number for inventory management purposes to all tangible property and equipment procured by the Army (\$21 million).

## OMARNG Overview

The Operation and Maintenance National Guard appropriation provides the funds to prepare Army National Guard forces to support the nation's global operations and homeland defense/homeland security missions, now and in the future. OMNG provides funds for the day-to-day operational and readiness training activities of the Army National Guard forces in the 50 states, Puerto Rico, the U.S. Virgin Islands, the Territory of Guam and the District of Columbia.

The budget levels across the three fiscal years, from execution to the proposal for FY 2007, remain consistent. The budget proposes the same level as in the past for training and maintaining Army National Guard units. Funding is provided in two budget activities, BA1: Operating Forces, and BA4: Administration and Servicewide Activities.

### Budget Activity 1: Operating Forces

BA1: Operating Forces funds support the same three subactivity groups as OMA—Land Forces, Land Forces Readiness and Land Forces Readiness Support.

### Budget Activity 4: Administrative and Servicewide Activities

This activity provides funds for Staff Management, Servicewide Communications, Manpower Management and Other Personnel Support.

## OMAR Overview

The Operation and Maintenance, Army Reserve appropriation provides funds for operational, logistical, administrative, engineering and management support for the Army Reserve. In addition, the OMAR appropriation supports the Army in areas including 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. Funding is provided in two budget activities, BA1: Operating Forces, and BA4: Administration and Servicewide Activities.

The FY 2007 OMAR budget request is \$2.3 billion, which provides training and support for a force of 200,000 Army Reserve Soldiers and 11,786 civilian employees, including 8,507 military technicians. This budget request is for 5,000 *fewer* Army Reserve Soldiers and 165 *more* civilian employees, of whom 163 are military technicians.

## Budget Activity 1: Operating Forces

BA1: Operating Forces includes the same three SAGs as the OMA: Land Forces, Land Forces Readiness and Land Forces Readiness Support. The funding level increases by slightly less than 3 percent between FY 2006 and FY 2007.

The budget supports ground OPTEMPO at 154 tank-equivalent miles and aviation at 6.2 live flying hours per aircrew per month.

The largest program increases are:

- \$157.5 million for Land Forces;
- \$58.3 million for Base Operations Support;
- \$35.7 million for Depot Maintenance; and
- \$16.7 million for Facility Sustainment.

### Budget Activity 4: Administrative and Servicewide Activities

BA4 provides funds for Staff Management, Servicewide Communications, Manpower Management and Other Personnel Support. The activities include dollars for civilian pay and other support costs (travel, contracts, supplies and services) for civilian and military for Army Management Headquarters Activities, including the Office, Chief, Army Reserve (OCAR)/United States Army Reserve Command (USARC). The program is very small, with no major changes.

## Research, Development and Acquisition

The Research, Development and Acquisition budget provides funds for exploring new and mature technologies for use by the warfighters and for modernizing and recapitalizing equipment and systems. The purpose of the RDA programs is to make available the full spectrum of ground combat capabilities that are crucial to giving a decisive advantage to Soldiers and Army forces.

Having the decisive edge is critical in war. The nation is at war today, and every indication is that it will be at war against terrorism for a long time. The Army, as part of the joint team, is fighting the war, while simultaneously transforming and modernizing the force so that it is also ready and relevant for future challenges across the spectrum of operations.

The Army today is engaged in ways that were never predicted and is adapting every day. The Army is rapidly evolving from a force dependent on divisions to deter and to wage war against traditional adversaries into a force that

depends on modular brigades, which are specially designed for the full range of nontraditional challenges and adversaries.

At the start of the GWOT, many Army units—especially reserve component units—were under-equipped and not immediately ready for deployment. The Army had to pool equipment from across the force to equip deploying Soldiers and units. The equipment shortages were largely due to years of insufficient investments in equipment modernization; the Army is trying to prevent future equipment shortages.

The RDA budget balances the materiel needs of the forces fighting the war today with modernizing and recapitalizing the force for future challenges. The Army is accomplishing these two goals by concurrently capitalizing on capabilities from long-term transformation programs as soon as available, i.e., spiraling capabilities into the current force rather than waiting for the complete new system.

The RDA budget supports investigating, acquiring and fielding technical and materiel solutions quickly to meet

Soldiers' needs today. The RDA budget includes the RDT&E and Procurement appropriations.

### Top Ten Weapon Systems

The Army's top ten weapon systems, in terms of RDA funding in FY 2007, are listed in **table 53**.<sup>31</sup>

The Army acquires and uses thousands of materiel and other systems each year. However, the top ten systems in terms of RDA dollars consume 41 percent of all RDT&E and 34 percent of all Procurement funds in FY 2007.

The RDA for these ten systems in FY 2007 is about \$1 billion greater than in FY 2006. The RDT&E appropriation increases by \$578 million, or 15 percent; and the Procurement appropriations increase by \$399 million, or 7.5 percent. The RDT&E increases at twice the rate of Procurement. If the Army is going to avoid future equipment shortages, Procurement dollars must be increased by an amount equal to or greater than RDT&E.

**Table 53**

### Top Ten Army Weapon Systems (\$ millions)

	RDT&E		Procurement <sup>1</sup>		RDA <sup>2</sup>	RDA <sup>2</sup>
	FY06	FY07	FY06	FY07	FY06	FY07
Future Combat Systems (FCS)	3,123.2	3,745.6	—	—	3,123.2	3,745.6
Interim Armored Vehicle (IAV) - Stryker	26.7	13.2	1,049.4	796.0	1,076.1	809.2
Patriot <sup>3</sup>	305.0	340.1	559.7	559.0	864.7	899.1
AH-64 Apache Longbow Attack Helicopter	109.7	123.4	698.4	794.6	808.1	918.0
UH-60 Black Hawk Utility Helicopter	121.9	126.9	680.9	740.4	802.8	867.3
CH-47 Chinook Cargo Helicopter Modernization	43.1	13.0	697.7	620.0	740.8	633.0
Abrams Tank Upgrade (Maneuver Control System)	12.0	12.5	448.1	536.6	460.1	549.1
Family of Medium Tactical Vehicles (FMTV) <sup>4</sup>	16.4	1.9	486.5	695.1	502.9	697.0
High-Mobility Artillery Rocket System (HIMARS)	111.9	71.2	288.4	374.7	400.3	445.9
High-Mobility Multipurpose Wheeled Vehicle (HMMWV) <sup>5</sup>	—	—	391.3	582.6	391.3	582.6
<b>Totals</b>	<b>3,869.9</b>	<b>4,447.8</b>	<b>5,300.4</b>	<b>5,699.0</b>	<b>9,170.3</b>	<b>10,146.8</b>

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

<sup>2</sup> Research, Development & Acquisition (RDA) equals Procurement plus Research, Development, Test and Evaluation.

<sup>3</sup> Patriot = 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 and missions.

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

**Source:** Army FY07 President's Budget Highlights

<sup>31</sup> Department of the Army, "The Army Budget—Fiscal Year 2007," U.S. Army News Release, 6 February 2006, includes a list of the Army's top ten RDA programs that differs from this list. The second item on the news release list is Training Ammunition at \$1.4 billion, which is a mix of ammunition versus a single system. In addition, the items on the news release list were not RDA but either RDT&E or Procurement. Therefore, the news release list differs from table 51 in terms of entries and the dollar amounts. This also exemplifies a recurring problem with this year's budget data, i.e., often inconsistent data from various government sources that purports to represent the same thing. The news release is available online at <http://www.asafm.army.mil/budget/fybm/FY07/greentop.pdf#search>.

## Research, Development, Test and Evaluation

The Research, Development, Test and Evaluation appropriation provides funds for exploring and examining technologies and transitioning technology into weapon systems, system upgrades or other products for the warfighter.

The RDT&E budget for FY 2007 provides \$3.7 billion, i.e., 34 percent of all RDT&E, for Future Combat Systems to continue to advance the new technologies and, when available, to spiral emerging capabilities for the warfighters. The Army held its first Technology Demonstration of the FCS program, successfully demonstrating several of the FCS platforms and proving the emerging technologies. FCS also completed a program functional review at the combined-system level and is currently conducting more detailed functional reviews for each of the platforms.

In addition to FCS, the FY 2007 budget allows the Army to move forward with delivery of the first iterations of the new Battle Command Control Network, with Unattended Ground Sensors and Intelligent Munition Systems and the Non-Line-of-Sight Launch System. The budget continues the system development and demonstration activities for the Patriot/Medium Extended Air Defense System (MEADS) Combined Aggregate Program (CAP).

The overall RDT&E budget remains relatively consistent across the three years in the President's Budget, with a \$578 million increase over FY 2006. However, Army RDT&E is only 15 percent of all DoD RDT&E in FY 2007.

The RDT&E appropriation includes seven Budget Activities, and each BA includes Program Elements (PEs) that contain one or more projects. The breadth and scope of the projects are remarkable, e.g., independent laboratory research; avionics, ballistics, engineering, information, medical and warfighter technologies; test ranges and facilities; and product improvement programs. See **table 54**.

The follow paragraphs provide information on BAs, PEs and selected projects.

### Budget Activities 1-3: Science and Technology

Collectively, BA1: Research, BA2: Applied Research and BA3: Advanced Technology Development comprise the Science and Technology (S&T) program. The S&T program for FY 2007 accounts for \$1.7 billion or 16 percent of the RDT&E budget, down by \$1.3 billion from FY 2006. The Army Science and Technology Master Plan focuses on developing and transitioning technology into weapon systems, system upgrades or other products for the warfighter.

**Table 54**

### Research, Development, Test and Evaluation (\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Basic Research <sup>3</sup>	393	372	312
Applied Research <sup>3</sup>	1,138	1,250	685
Advanced Technology Development <sup>3</sup>	1,480	1,389	722
Advanced Component Development & Prototypes	871	507	441
System Development & Demonstration	4,371	5,053	6,239
Management Support	1,197	1,139	1,164
Operational Systems Development	1,127	1,308	1,293
<b>Total<sup>4</sup></b>	<b>10,577</b>	<b>11,018</b>	<b>10,856</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Basic Research, Applied Research and Advanced Technology Development together are summarized as Science & Technology.

<sup>4</sup> Numbers may not add due to rounding.

**Source:** Army FY07 President's Budget Highlights and R-1 exhibit

A list of the high-dollar PEs in the S&T budget for FY 2007 is in **table 55**.

The S&T program provides the Army with sustained overmatch in both human and materiel systems and prevents technological surprises. The program both stimulates high-quality, innovative research and leverages research from other services, Defense agencies and the commercial industry and international communities. The S&T program supports a vigorous accumulation of technology investments that can shift the military advantage to the Army and the joint force in the future, and the S&T investments accelerate the transition of proven technologies to enhance current force capabilities. The budget balances seeking and developing high-payoff needs of the future force with the critical capabilities for the current force.

To get technology into the hands of Soldiers in the field much faster, the Army is also synchronizing the development of operational concepts with transformational acquisition business practices.

### Budget Activity 4: Advanced Component Development & Prototypes

BA4 involves examining technologies for FCS and Soldiers and assessing advantages and disadvantages of

Table 55

**Research, Development, Test and Evaluation  
Science and Technology**

Total Obligation Authority (\$ millions)

	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
<b>BA1: Basic Research</b>	<b>393</b>	<b>372</b>	<b>312</b>
Defense Research Sciences	164	174	138
University and Industry Research Centers	100	100	86
University Research Science	83	77	69
In-house Laboratory Independent Research	23	21	19
Force Health Protection	22	—	—
<b>BA2: Applied Research</b>	<b>1,138</b>	<b>1,250</b>	<b>685</b>
Medical Technology	187	280	75
Combat Vehicle and Automotive Technology	110	93	59
Missile Technology	79	91	59
Ballistic Technology	55	52	52
Military Engineering Technology	52	50	50
Other	655	684	390
<b>BA3: Advanced Technology Development</b>	<b>1,480</b>	<b>1,389</b>	<b>722</b>
Warfighter Advanced Technology	79	77	46
Medical	300	301	51
Aviation	93	106	65
Weapons & Munitions	84	102	75
Combat Vehicle & Automotive	285	242	110
Combating Terrorism Technology	30	10	7
Missile & Rocket Advanced Technology	136	114	42
Landmine Warfare & Barrier	37	30	25
Night Vision	102	102	44
Electronic Warfare Advanced Tech	58	60	44
Advanced Tactical Computer Science & Sensor Technology	52	45	65
Other	224	200	148
<b>Science and Technology Total<sup>3</sup></b>	<b>3,011</b>	<b>3,011</b>	<b>1,719</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights and R-1 exhibits

each technology, their costs and implementation impact. If successful, the technology can move into further development or into production.

The BA4 program is down by more than 50 percent from FY 2005. A list of the BA4 PEs/projects is in **table 56**.

### **Budget Activity 5: System Development and Demonstration**

BA5 is by far the largest RDT&E activity with \$6.2 billion, or 58 percent of all RDT&E funds; it is the only activity with a substantial increase—24 percent—in FY 2007.

A list of the BA5 PEs/projects is in **table 57**.

### **Budget Activity 6: Management Support**

BA6 provides for a wide variety of support activities. Two PEs account for 49 percent of all the BA6 dollars: Army Kwajalein Atoll (\$179 million) and Army Test Ranges (\$390 million). A list of the BA6 PEs/projects is in **table 58**.

### **Budget Activity 7: Operational System Development**

The Budget Activities form a continuum from basic research (BA1) to developing operational systems (BA7), which leverages 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.

Two PEs, Joint Land Attack Cruise Missile Defense (JLENS) and Aircraft Modifications and Product Improvement Programs (PIPs), account for 44 percent of BA7. A list of the BA7 PEs/projects is in **table 59**.

## **Procurement Appropriations**

The Army Procurement budget for FY 2007 is \$16.8 billion—\$1 billion above the FY 2006 proposal. The Army Procurement budget is 15 percent of the total Army budget and 20 percent of all DoD Procurement.

The FY 2007 budget is approaching the levels of the FY 1990 budget from the end of the Cold War. A review of Procurement funding since FY 1990 illustrates the post-Cold War reductions, the slow growth beginning in the late 1990s and the increases after 9/11 and for the GWOT.

In FY 1990, the last Cold War budget, Procurement expenditures were \$13.8 billion. By FY 1995, Procurement reached its low point at one-half the FY 1990 level. Then Procurement expenditures began a slow upward trend that reached a peak in FY 2005. Clearly, the FY 2005 expenditures include emergency supplemental funds for modernizing and resetting the operational forces deployed or returning from the theater of operations. The Procurement trends from FY 1990 to FY 2007 are in **figure 12**.

To more equitably compare dollars from two different points in time, analysts convert the dollars to a common base year. If the FY 1990 expenditures of \$13.8 billion are converted to constant dollars with today's buying power, those expenditures equate to \$18.9 billion in buying power. Therefore, the FY 1990 Procurement buying power exceeds the FY 2006 and FY 2007 budgets by \$3 billion and \$2 billion, respectively. However, the comparison is not so simple since the Army of FY 1990 was larger but was not transforming.

Consideration of FY 1990 buying power and the \$24.6 billion expenditure in FY 2005 suggests that the FY 2007 budget proposal lacks adequate funds to reset the force at the FY 2005 level or to modernize the force at the FY 1990 level without emergency supplemental funds.

The Army Procurement funds are actually the summation of five separate appropriations:

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

The budget proposal for each of the five Procurement appropriations is presented in **table 60**.<sup>32</sup>

The FY 2007 Procurement budget is 6 percent greater than the FY 2006 amount, but both are substantially below the FY 2005 expenditures. Only the Aircraft Procurement appropriation is up from FY 2005 to FY 2007; the other four are down. The Other Procurement Army (OPA) appropriation decreases by the greatest dollar amount—over \$5 billion—and is by far the largest Procurement appropriation. The Weapons and Tracked Combat Vehicles (WCTV) appropriation decreases by the greatest percentage—nearly 54 percent.

<sup>32</sup> Each Procurement appropriation includes budget activities for procuring end items, e.g., Apache Longbow Weapon Systems, Stryker-64D; modifying existing systems, typically to enhance capability, reduce operating cost and extend system life, e.g., upgrading engines; acquiring spares, which are typically depot-level repairables (DLRs); and improving facilities that support the manufacture and modification of systems. In addition, systems within each appropriation are identified by a budget line item number (BLIN). A system may, in fact, be a system of systems, such as the Army Data Distribution System (ADDS), which includes three radio systems.

Table 56

**Research, Development, Test and Evaluation**  
**BA4 Advanced Component Development & Prototypes**  
 Total Obligation Authority (\$ millions)

<b>BA4: Advanced Component Development &amp; Prototypes</b>	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
Army Missile Defense System Integration (Demonstration/Validation)	32	48	12
Army Missile Defense System Integration	110	81	11
Air and Missile Defense Systems Engineering	109	100	143
Advanced Tank Armament System (ATAS)	50	26	5
Soldier Support & Survivability	19	3	3
Warfighter Information Network – Tactical (Demonstration/Validation)	95	98	158
Aviation – Advanced Development	23	7	6
Tactical Support Development – Advanced Development (TIARA)	15	19	20
Medical Systems – Advanced Development	20	23	12
Meads Concepts – Demonstration/Validation	251	—	—
Logistics & Engineering Equipment – Advanced Development	9	13	13
Other	138	89	58
<b>Total<sup>3</sup></b>	<b>871</b>	<b>507</b>	<b>441</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** Army FY07 President's Budget Highlights and R-1 exhibits

Table 57

**Research, Development, Test and Evaluation**  
**BA5 System Development & Demonstration**  
 Total Obligation Authority (\$ millions)

<b>BA5: System Development &amp; Demonstration</b>	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
Armed, Deployable OH-58D	43	92	133
Joint Tactical Radio System	151	140	832
Armored Systems Modernization (ASM) – Engineering Development	2,098	2,746	3,310
Non-Line-of-Sight Launch System	120	231	323
Non-Line-of-Sight Cannon	287	146	112
Non-System Training Devices – Engineering Development	43	60	122
Weapons & Munitions Engineering Development	150	104	131
Command, Control & Communications	218	319	11
Landmine Warfare/Barrier – Engineering Development	57	74	118
Artillery Munitions Engineering and Manufacturing Development	137	115	103
Patriot/MEADS Combined Aggregate Program	—	285	330
Other	1,067	741	714
<b>Total<sup>3</sup></b>	<b>4,371</b>	<b>5,053</b>	<b>6,239</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** Army FY07 President's Budget Highlights and R-1 exhibits

**Table 58**

**Research, Development, Test & Evaluation (RDT&E)  
BA6 Management Support**  
Total Obligation Authority (\$ millions)

<b>BA6: Management Support</b>	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
Major Test & Evaluation	66	66	65
Army Kwajalein Atoll	139	153	179
Concept Experimentation	21	38	22
Army Test Ranges/Facilities	188	364	390
Army Technology Test Instrumentation and Targets	72	68	74
Survivability/Lethality Analysis	44	42	41
DoD High Energy Laser Test Facility	17	19	17
Support of Operation Testing	70	76	80
Army Evaluation Center	57	56	60
Program-wide Activities	59	53	72
Other	464	204	164
<b>Total</b>	<b>1,197</b>	<b>1,139</b>	<b>1,164</b>

<sup>1</sup> FY05 are actuals and include Title IX

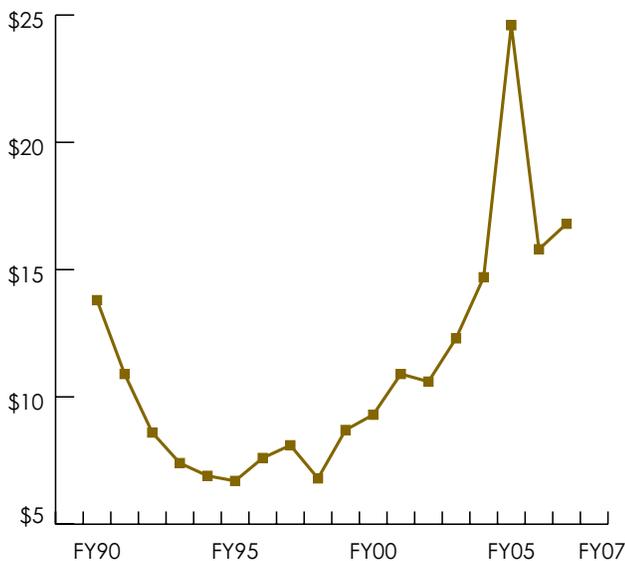
<sup>2</sup> FY06 and FY07 are estimates

<sup>3</sup> Numbers may not add due to rounding

**Source:** Army FY07 President's Budget Highlights and R-1 exhibits

**Figure 12**

**Army Procurement Profile**  
Total Obligation Authority (\$ billions)\*



\* FY04 and FY05 include congressional adds and supplemental funding, Title IX.  
**Source:** Army FY07 President's Budget Highlights

The percentage distribution among the five appropriations in FY 2007 is:

- 21 percent Aviation Procurement, Army;
- 8 percent Missiles Procurement, Army;
- 14 percent Weapons and Tracked Combat Vehicles Procurement, Army;
- 11 percent Ammunition Procurement, Army; and
- 46 percent Other Procurement, Army.

**Aircraft Procurement, Army**

The Aircraft Procurement, Army appropriation includes funds for the procurement of aircraft, aircraft modifications, spare parts, and repair and support equipment and facilities. The FY 2007 budget proposal is nearly \$3.6 billion, up 25 percent from the FY 2006 estimate and nearly 14 percent from FY 2005 actual expenditures. However, it is not quite up to the FY 1990 level in current dollars and would be considerably under the FY 1990 level in buying power.

A review of the Aircraft Procurement trends since FY 1990, even in current dollars, illustrates the substantial reduction in Procurement in the 1990s. See **figure 13**.

**Table 59**

**Research, Development, Test & Evaluation (RDT&E)  
BA7: Operational Systems Development**

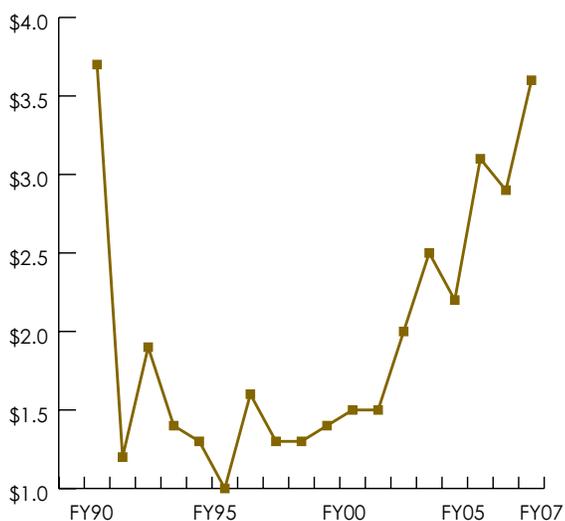
TOA (\$ millions)

<b>BA7: Operational Systems Development</b>	<b>FY05<sup>1</sup></b>	<b>FY06<sup>2</sup></b>	<b>FY07<sup>2</sup></b>
Multiple Launch Rocket System Product Improvement Program (PIP)	105	114	75
Joint Land Attack Cruise Missiles Defense (JLENS)	79	106	264
NATO Joint Stars	1	1	1
End Item Industrial Preparation Activities	100	112	68
Maneuver Control	31	41	38
Aircraft Modification - PIPs	298	337	302
Force XXI Battle Command, Brigade and Below (FBCB2)	44	20	26
Missile/Air Defense PIP	32	16	11
Other Missile PIP		18	20
Global Combat Support System	90	68	55
Satellite Communications (SATCOM) Ground Environment	52	58	41
Tactical Unmanned Aerial Vehicles	54	147	114
Distributed Common Ground System (Joint Military Intelligence Program, or JMIP)	54	92	121
Other	187	178	157
<b>Total</b>	<b>1,127</b>	<b>1,308</b>	<b>1,293</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** Army FY07 President's Budget Highlights and R-1 exhibits

**Figure 13**

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



\* FY04,05 include congressional adds and supplemental funding; FY06 includes Title IX Funding.

**Source:** Army FY07 President's Budget Highlights

From FY 1990, the last budget of the Cold War, to FY 1995, Army aircraft expenditures decreased by 73 percent. From FY 1996 to FY 2001, there was a slight increase. From FY 2002 to FY 2007, after 9/11, the Aircraft Procurement appropriation increased by 80 percent. The substantial swings in the program represent substantial challenges to the industrial base and therefore to the Army.

The Aircraft Procurement appropriation by BA and lines within the activities is in **table 61**.

The three largest programs in dollar amounts account for 60 percent of the FY 2007 budget:

- **UH-60M aircraft.** The budget procures 38 aircraft, which includes two that will become Commander in Chief Hawk aircraft, continues fielding and provides for Program Management Office operations.

FY 2007 procures both Economic Order Quantity (EOQ) and long lead items on the proposed FY 2007–2011 airframe multiyear contract. Advance procurement is also

Table 60

**Procurement Summary by Appropriation**  
(\$ millions)

Appropriation	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Aircraft Procurement	3,135	2,850	3,566
Missiles Procurement	1,593	1,239	1,351
Weapons and Tracked Combat Vehicles	4,970	2,234	2,302
Ammunition Procurement	2,034	1,984	1,903
Other Procurement	12,910	7,528	7,719
<b>Total<sup>3</sup></b>	<b>24,642</b>	<b>15,835</b>	<b>16,841</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** Army FY07 President's Budget Highlights and P-1 exhibits

required for government-furnished equipment (GFE) items, including the T700-GE-701D engine, Integrated Hover Infrared Suppression System (IHIRSS) and some avionics items, since their leadtime exceeds the leadtime of the aircraft (with long-lead funding).

The current multiservice, airframe multiyear contract began in FY 2002 and concludes in FY 2006. A follow-on five-year multiyear, multiservice contract covering requirements for FYs 2007–2011 to procure the Army's UH-60M and the Navy's MH-60S and MH-60R aircraft is planned.

- **AH-64 Apache Modifications.** Apache Longbow provides an adverse weather, fire-and-forget missile capability that increases lethality and survivability.

The AH-64 Modifications upgrade program encompasses modification of an additional 96 AH-64A Apaches to the AH-64D Apache Longbow configuration (Block II) as well as upgrades to 501 aircraft systems for the AH-64D series to the Apache Longbow Block III configuration. Apache Modernizations provide near-term improvements to the Apache fleet, focusing on reliability and safety (R&S) upgrades and addressing operational deficiencies. The Modernized Target Acquisition Designation Sight/Pilot Night Vision Sensor (M-TADS/PNVS) program provides a second-generation FLIR (SGF) sensor suite to the Apache.

The FY 2007 budget also provides advanced Procurement funds to support deliveries of airframes for AH-64A Apaches which will be remanufactured to the common AH-64D configuration, bringing the total of AH-64A to AH-64D conversions to 597.

- **CH-47 Chinook.** The Chinook is the Army's only heavy-lift transport helicopter with a useful load of up to 25,000 pounds.

The Chinook transports troops (including air assault), supplies, weapons and other cargo in general support operations; its secondary missions include medical evacuation, aircraft recovery, parachute drops, disaster relief and search and rescue. The CH-47, vital to the GWOT and homeland security, is expected to remain the Army's heavy lift helicopter until at least the 2025 timeframe.

FY 2007 funding procures safety and operational modifications to the CH-47D fleet and trainers to maintain the latest configuration. The major modifications are conversion of the T55-L-712 to T55-GA-714A engines, engine fire extinguisher, engine filtration system, low-maintenance rotor hub and Aviation Combined Arms Tactical Trainer, and conversion of 15 CH-47Ds to CH-47Fs, two new-build CH-47Fs, six MH-47G special operations aircraft, ballistic protection systems and special test sets, kits and outfits to equip new Chinook units forming under the Army's Aviation Transformation Plan.

### Missile Procurement, Army

The Missile Procurement, Army appropriation includes funds for the procurement of missiles, missile modifications, spare parts and support equipment and facilities. The budget proposal for FY 2007 is nearly \$1.4 billion—9 percent more than FY 2007 but 15 percent less than FY 2005 expenditures. Missile Procurement funding trends since FY 1990, in current dollars, are shown in **figure 14**.

Table 61

**Aircraft Procurement, Army**  
Total Obligation Authority (\$ millions)

Aircraft	FY05 <sup>1</sup>		FY06 <sup>2</sup>		FY07 <sup>2</sup>	
	QTY	\$	QTY	\$	QTY	\$
Utility Fixed-Wing Cargo Aircraft				5		109
Utility Fixed-Wing Medium Range (MR) Aircraft	1	—		4		4
UH-60 Black Hawk (Multiyear Procurement, or MYP)	43	507	49	681	38	740
TH-67 Training Helicopter		13				
Armed Reconnaissance Helicopter (ARH)						141
Helicopter, Light Utility		2		71		199
<b>Subtotal</b>	<b>44</b>	<b>522</b>	<b>49</b>	<b>761</b>	<b>38</b>	<b>1,193</b>
<b>Modifications</b>						
Guardrail/Airborne Reconnaissance Low (ARL)		53		19		106
AH-64 Apache Modifications		44		615		795
CH-47 Chinook Cargo Helicopter Modifications (MYP)		852		698		620
Utility/Cargo Airplane Modifications		10		13		10
Aircraft Long-Range Modifications		1		1		1
Longbow		870		83		—
UH-60 Black Hawk Modifications		75		59		31
Kiowa Warrior		36		24		44
Airborne Avionics		58		93		156
Army Global Air Traffic Management (AGATM) Rollup		59		31		32
<b>Subtotal</b>		<b>2,058</b>		<b>1,636</b>		<b>1,795</b>
<b>Spares</b>						
Spare Parts (Aircraft)		10		4		9
<b>Subtotal</b>		<b>10</b>		<b>4</b>		<b>9</b>
<b>Support Equipment &amp; Facilities</b>						
Aircraft Survivability Equipment		334		220		334
Airborne Command & Control		28		28		40
Avionics Support Equipment		5		3		5
Common Ground Equipment		35		62		65
Aircrew Integrated Systems		32		32		35
Air Traffic Control		55		62		86
Industrial Facilities		45		41		2
Launcher 2.75 Rocket		2		2		2
Airborne Communications		9		—		—
<b>Subtotal</b>		<b>545</b>		<b>450</b>		<b>569</b>
<b>Total<sup>3</sup></b>		<b>3,135</b>		<b>2,851</b>		<b>3,566</b>

<sup>1</sup> FY05 are actuals and include Title IX.

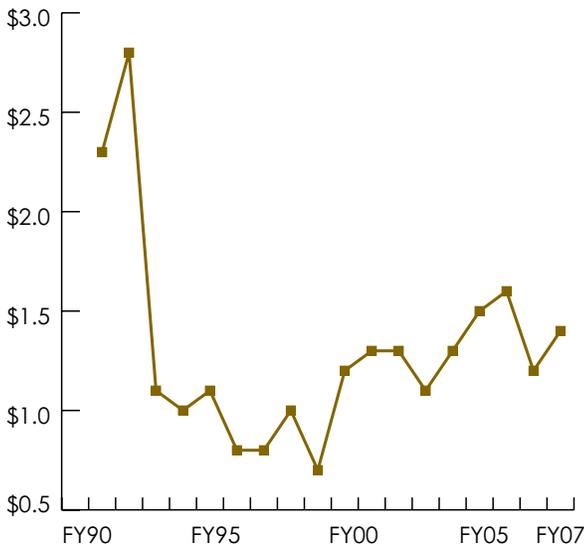
<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

Figure 14

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



\* FY04,05 include congressional adds and supplemental funding; FY06 includes Title IX Funding.

Source: Army FY07 President's Budget Highlights

Since FY 1990, the maximum expenditure on missiles was \$2.8 billion in FY 1991. Expenditures declined by 75 percent to a low point of \$0.7 billion in FY 1998. The very next year, missile expenditures increased by 71 percent and remained at about that level for five years. The FY 2005 expenditure is the highest amount in nearly 15 years. In the period since 9/11, i.e., from FY 2002 to FY 2007, the Missile Procurement appropriation increased by 27 percent. The Missile Procurement appropriation by BA and lines within the activities is in **table 62**.

Two missile systems account for 53 percent of the Missile Procurement proposal in FY 2007:

- **Patriot PAC-3.** Patriot is an advanced surface-to-air guided missile system with a high probability of kill, capable of operating in the presence of Electronic Countermeasures (ECM) and able to conduct multiple simultaneous engagements against high-performance air-breathing targets and ballistic missiles likely to be encountered by U.S. forces.

The Patriot Advanced Capability 3 (PAC-3) program is a result of a series of integrated, phased system improvements in combination with the PAC-3 missile, which uses hit-to-kill technology. Radar enhancements, communications

upgrades and increased command, control and computer capability will increase Patriot's effectiveness, survivability, flexibility of defense design, footprint and detection of smaller low-radar cross-section targets.

The FY 2007 budget supports procurement of 108 PAC-3 missiles.

- **HIMARS.** The M142 High Mobility Artillery Rocket System (HIMARS) launcher is a C-130 transportable, wheeled, indirect fire, rocket/missile launcher capable of firing all rockets and missiles in the current and future Multiple Launch Rocket System (MLRS) Family of Munitions (MFOM) and Army Tactical Missile System (ATACMS) Family of Munitions (AFOM).

The HIMARS launcher has extensive commonality with the MLRS M270A1 tracked launcher and consists of a fire control system, a carrier (FMTV XM1140 automotive chassis) and a launcher-loader module (LLM) that performs all operations necessary to complete a fire mission. The MFOM and AFOM are families of rockets and missiles capable of attacking a variety of tactical and operational targets, providing the requisite range and lethality to support maneuver commanders out to 300 kilometers.

HIMARS satisfies the Army's digitization requirements by interfacing with the Advanced Field Artillery Tactical Data System (AFATDS) fire support command and control system. HIMARS is interoperable with existing MLRS units in terms of communications and reloading capabilities. HIMARS is one of the Army's core systems of the fires brigade.

The FY 2007 budget procures 50 HIMARS launchers, trainers and associated support items of equipment. The approved Army Acquisition Objective is 888.

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

The Weapons and Tracked Combat Vehicles appropriation includes funds for three budget activities: Tracked Combat Vehicles, Weapons and Other Combat Vehicles; Spares and Repair Parts; and Support Equipment and Facilities. The Army budget proposal for FY 2007 is \$2.3 billion—about 3 percent greater than for FY 2006 but nearly 54 percent below FY 2005 expenditures. The WTCV procurement trend since the end of the Cold War in FY 1990, in current dollars, is shown in **figure 15**.

From FY 1990 to FY 1993, WTCV expenditure dropped by more than 62 percent and held at this low level in FY 1994.

Table 62

**Missile Procurement, Army**  
Total Obligation Authority (\$ millions)

Missiles	FY05 <sup>1</sup>		FY06 <sup>2</sup>		FY07 <sup>2</sup>	
	Qty	\$	Qty	\$	Qty	\$
Patriot Advanced Capability 3 (PAC-3)	108	497	108	483	108	489
Surface-Launched Advanced Medium-Range Air-to-Air Missile (AMRAAM) System		2		19		22
Hellfire		106		79		
Javelin	1,038	253	300	57	300	105
Tube-launched, Optically-tracked, Wire-guided (TOW) 2 System	2,256	78	1,353	76	949	64
Guided Multiple Launch Rocket System (MLRS) Rockets	954	111	822	123	702	148
MLRS Reduced Range Practice Rockets	822	7	900	8	3,762	21
MLRS Launchers		21		21		
High Mobility Artillery Rocket System (HIMARS)	37	158	35	165	50	227
Army Tactical Missile System (ATACMS)	156	161	45	58	43	61
<b>Subtotal</b>		<b>1,394</b>		<b>1,089</b>		<b>1,137</b>
<b>Modifications of Missiles</b>						
Patriot		66		76		70
Javelin				14		10
Improved Target Acquisition System (ITAS)/TOW		79		9		84
MLRS		19		14		7
Hellfire		7		—		—
HIMARS		3		8		9
<b>Subtotal</b>		<b>174</b>		<b>121</b>		<b>180</b>
<b>Spares &amp; Repair Parts</b>		<b>15</b>		<b>19</b>		<b>26</b>
<b>Support Equipment &amp; Facilities</b>						
Air Defense Targets		6		6		4
Production Base Support		3		3		4
<b>Subtotal</b>		<b>9</b>		<b>9</b>		<b>8</b>
<b>Total<sup>3</sup></b>		<b>1,592</b>		<b>1,238</b>		<b>1,351</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

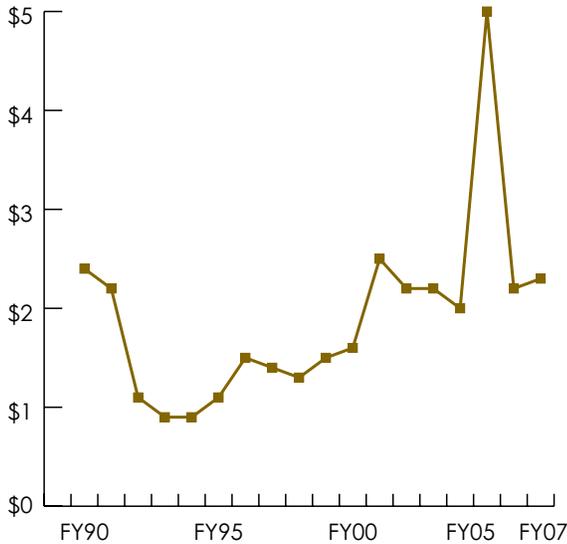
<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

Figure 15

## Weapons and Tracked Combat Vehicles Procurement Profile

Total Obligation Authority (\$ billions)\*



\* FY04,05 include congressional adds and supplemental funding; FY06 includes Title IX funding.

Source: Army FY07 President's Budget Highlights

Then, between FYs 1994 and 1996, WTCV expenditure increased by nearly 67 percent and remained at about that level until FY 2001. In FY 2001, WTCV increased by another 67 percent. Between FY 2002 and FY 2007, the post-9/11 period, the WTCV appropriation increased by 4.5 percent, the smallest increase in any Procurement appropriation. The large increases and decreases in short periods of time suggest challenges for the industrial base and the Army.

The WTCV proposal by BA and lines within the activities is in **table 63**.

Three WCTV systems account for 63 percent of the appropriation:

- **Bradley.** The Bradley Base Sustainment Program upgrades earlier variants of the Bradley into A2 Operation Desert Storm (ODS) and the A3 standards. The Bradley A3 is more lethal, survivable and sustainable and provides enhanced command and control, allows shared situational awareness and enemy/friendly force location.

The Bradley A3 will receive spiral technology integration from Future Combat Systems. FY 2006 funds the annual deliveries and fielding of the FY 2004 production contract. Due to administrative and production lead times, vehicles procured in FY 2004 will be fielded through FY 2006.

The FY 2007 budget procures 16 Bradley A3s and 90 ODS vehicles in support of modularization and modernization of the Bradley fleet, and funds the fielding of the various Bradley vehicles to active and reserve component forces to meet the fleet mix supporting the Army campaign plan for heavy brigade combat teams.

- **Stryker.** The Stryker provides a common platform/common chassis design that reduces requirements for repair parts and logistics support in the area of operations. The Stryker brigade combat team (SBCT) includes the following Stryker vehicles:
  - Infantry Carrier Vehicle (ICV)—carries an infantry squad with individual equipment and provides supporting fires during dismounted assault;
  - Reconnaissance Vehicle (RV);
  - Mobile Gun System (MGS);
  - Mortar Carrier (MC)—includes 120mm, 81mm, and 60mm mortars;
  - Commander's Vehicle (CV)—for brigade and infantry battalion commanders;
  - Fire Support Vehicle (FSV);
  - Engineer Squad Vehicle (ESV);
  - Medical Evacuation Vehicle (MEV);
  - Antitank Guided Missile Vehicle (ATGM); and
  - Nuclear, Biological, Chemical Reconnaissance Vehicle (NBCRV).

The FY 2007 budget procures 100 Stryker vehicles for the sixth and seventh Stryker BCTs.

- **Abrams Modifications.** The M1 Abrams Tank Modification program applies user-approved modifications to the fielded Abrams family of vehicles. The FY 2007 budget procures numerous components and required safety modifications to correct or alleviate operational deficiencies identified during testing and training exercises or in combat.
- Situational Awareness improvements incorporate System Enhancement Program (SEP) technologies into the M1A1 fleet from lessons learned during OIF and Blue Force Tracking (BFT) that gives commanders current information about their location relative to friendly forces.
- Survivability improvements include frontal armor and turret side armor upgrades as well as the non-primary

Table 63

## Weapons and Tracked Combat Vehicles Procurement, Army

Total Obligation Authority (\$ millions)

Tracked Combat Vehicles	FY05 <sup>1</sup>		FY06 <sup>2</sup>		FY07 <sup>2</sup>	
	Qty	\$	Qty	\$	Qty	\$
Abrams		11		11		2
Bradley	447	1,542		96	106	290
Stryker	575	1,434	340	1,049	100	796
<b>Subtotal</b>		<b>2,987</b>		<b>1,156</b>		<b>1,088</b>
<b>Modifications of Tracked Combat Vehicles</b>						
Carrier Mods 113		220		62		23
Fire Support Team (FIST) Vehicle Modification		—		—		32
Bradley Fighting Vehicle System (BFVS) Modification		185		66		70
Howitzer M109A6 Paladin		19		15		29
Modification of In-Service Vehicle Equipment FIST		1		—		—
Field Artillery Ammunition Support Vehicle (FAASV) Product Improvement Program (PIP) to Fleet		7		6		—
Improved Recovery Vehicle		142		—		36
Armored Vehicle Launch Bridge		2		—		66
M1 Abrams Modification & Retrofit		129		441		365
System Enhancement Program (SEP) M1A2		574		—		171
<b>Subtotal</b>		<b>1,279</b>		<b>590</b>		<b>792</b>
<b>Weapons and Other Combat Vehicles</b>						
Howitzer, Light Towed, 105mm, M119		58		—		20
Integrated Air Burst Weapon System		—		—		32
Armored Machine Gun 7.62 M240		97		32		43
Machine Gun, 5.56mm Squad Automatic Weapon (SAW)		22		4		37
MK-19 Grenade Machine Gun (40mm)		24		9		2
M16 Rifle		—		8		2
Mortar Systems		54		15		—
Sniper Rifle M107, .50-calibre		13		10		8
XM110 Semi-Automatic Sniper System		—		—		15
Carbine M4, 5.56mm		65		66		2
Shotgun, Modular Accessory System		—		5		—
Common Remotely Operated Weapons Stations (CROWS)		90		75		—
Howitzer, 155mm, Light Weight		37		47		187
<b>Subtotal</b>		<b>460</b>		<b>271</b>		<b>348</b>
<b>Modifications of Weapons and Other Combat Vehicles</b>		<b>177</b>		<b>178</b>		<b>48</b>
<b>Spares and Repair Parts</b>		<b>8</b>		<b>5</b>		<b>—</b>
<b>Support Equipment &amp; Facilities</b>		<b>59</b>		<b>33</b>		<b>25</b>
<b>Total<sup>3</sup></b>		<b>4,970</b>		<b>2,233</b>		<b>2,301</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

power source (NPS). The Tank Urban Survivability Kit (TUSK) is an add-on kit for M1A1 and M1A2 series tanks to increase crew survivability in urban environments.

- The Power Train Improvement & Integration Optimization Program (i.e., Total Integration Engine Revitalization, or TIGER, and Transmission Enterprise) is the centerpiece of efforts to provide more reliability, durability and a single standard for the vehicle's power train.
- Key safety improvements include the Driver's Hatch Interlock, the Eyesafe Laser Range Finder (ELRF) and changes to prevent fires originating in the nuclear, biological and chemical (NBC) filter system.

### Ammunition Procurement, Army

The Ammunition Procurement appropriation includes funding for the acquisition of ammunition end items and ammunition production base support. The Army budget proposal for FY 2007 is \$1.9 billion—about 4 percent less than for FY 2006 and 6 percent less than the FY 2005 actual expenditures.

The Ammunition Procurement funding trends since FY 1990, in current dollars, are shown in **figure 16**.

The long-term trend shows a 60 percent decline between FYs 1990 and 1994, and an increase of nearly 38 percent in FY 1995. From FY 1995 to FY 2002, the expenditure level was comparatively consistent. Since 9/11 and the subsequent GWOT, i.e., from FY 2002 to FY 2007, the Ammunition appropriation increased by 58 percent. The FY 2005 expenditures and FYs 2006 and 2007 Budget proposals are consistent.

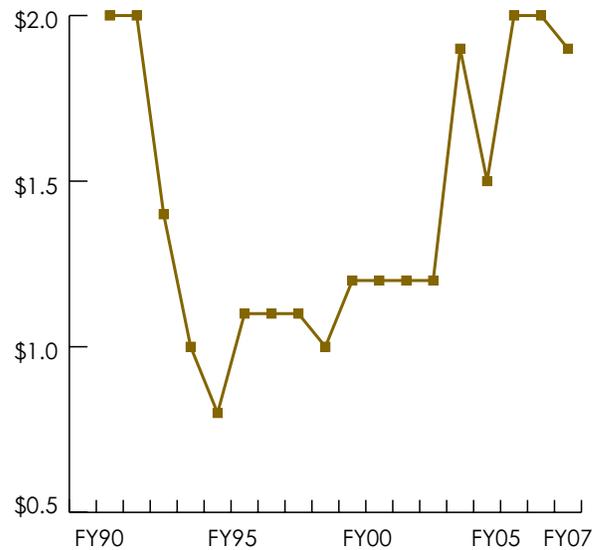
Specific information on the Ammunition Procurement proposal by BA and lines within the activities is in **table 64**.

The ammunition lines are grouped based on the size of the rounds or weapon platforms and include training and tactical ammunition. Three budget lines account for nearly 59 percent of the appropriation:

- **Small and Medium Calibre.** This line includes all types of 5.56mm, 7.62mm, 9mm, 20mm, 25mm, 30mm, 40mm and .50-calibre ammunition.
- The small-calibre ammunition strategy consists of four steps: First, maximize Lake City Army Ammunition Plant (LCAAP) in Independence, Missouri, to 1.2 billion cartridges; second, contract for commercial capacity of 300 million cartridges; third, increase LCAAP capacity by an additional 300 million cartridges; and fourth, increase commercial capacity by an additional 200 million cartridges. This item is included in this

Figure 16

### Ammunition Procurement Profile Total Obligation Authority (\$ billions)\*



\* FY04,05 include congressional adds and supplemental funding; FY06 includes Title IX Funding.

Source: Army FY07 President's Budget Highlights

Table 64

### Ammunition Procurement, Army Total Obligation Authority (\$ millions)

Categories	FY05	FY06	FY07
Small and Medium Calibre	743	643	638
Mortars	229	130	134
Tank	210	225	211
Artillery	206	280	269
Artillery Fuzes	41	23	4
Mines/Countermine	18	36	95
Rockets	156	167	144
Other	110	247	125
Miscellaneous	48	65	62
Production Base Support	273	167	221
<b>Total</b>	<b>2,034</b>	<b>1,983</b>	<b>1,903</b>
<b>Programs</b>			
Training	n/a	n/a	1,353
War Reserve	n/a	n/a	304
Other	n/a	n/a	25
Production Base Support	273	167	221
<b>Total</b>	<b>2,034</b>	<b>1,983</b>	<b>1,903</b>

Source: Army FY07 President's Budget Highlights

acquisition strategy. Commercial capacity requirements will be determined yearly based on total small- and medium-calibre requirements.

- **Tank.** This line includes all types of 105mm, 120mm tank training and 120mm tank tactical ammunition.
- **Artillery.** This line includes all types of 75mm, 105mm, 155mm, 155mm extended range XM982 (Excalibur) and Modular Artillery Charge System (MACS).

### Other Procurement, Army

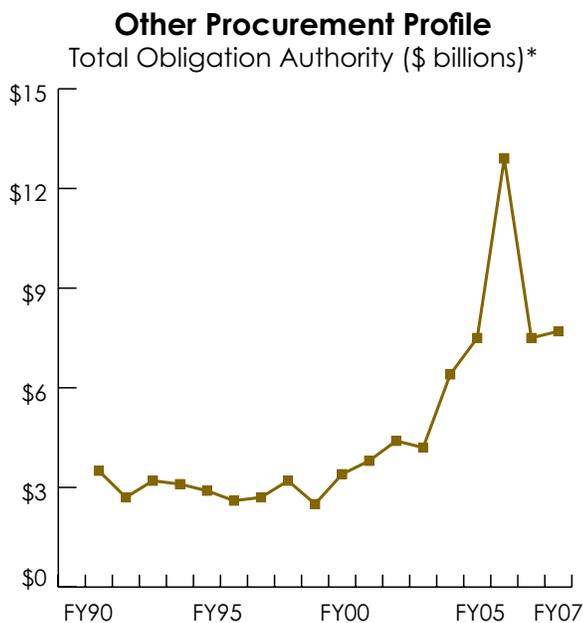
The Other Procurement, Army appropriation includes three principal budget activities plus spare and repair parts. The three principal activities involve very different types of equipment:

- OPA1: Tactical, Non-Tactical and Support Vehicles;
- OPA2: Communications and Electronics Equipment; and
- OPA3: Other Support Equipment.

The Army budget proposal for FY 2007 is \$7.7 billion—about 46 percent of all Procurement dollars and nearly 7 percent of the entire Army budget for FY 2007. The OPA funding trend since FY 1990, in current dollars, is shown in **figure 17**.

The annual OPA expenditures since the end of the Cold War are perhaps the most volatile of the Procurement appropriations. Between FYs 1990 and 1995, OPA expenditures decreased by nearly 26 percent. In FY 1997, OPA was

**Figure 17**



\* FY04,05 include congressional adds and supplemental funding; FY06 includes Title IX Funding.  
Source: Army FY07 President’s Budget Highlights

up by 23 percent, but the next year (FY 1998) it was down by 22 percent. Then OPA increased in the next three consecutive years (FYs 1999, 2000 and 2001) by 36 percent, 12 percent and 16 percent, respectively. After 9/11 and the GWOT, OPA increased between FYs 2002 and 2007 by over 83 percent—the largest increase of any Procurement appropriation.

The OPA budget proposal by BA and lines within the activities is in **table 65**.

A combination of seven OPA lines or groups of lines—two in OPA1, three in OPA2 and two in OPA3—account for 55 percent of the appropriation.

### OPA1: Tactical and Support Vehicles

- **Wheeled Vehicles.** The High-Mobility Multipurpose Wheeled Vehicle (HMMWV, commonly referred to as “Humvee”) is a lightweight, highperformance, four-wheel drive, air transportable and air droppable family of tactical vehicles. The vehicle has a diesel engine, automatic transmission and a payload capacity of 3,500 pounds.

The Up-Armored HMMWV (M1114) provides its crew complete ballistic protection against antitank and antipersonnel mines, and 360-degree protection against 7.62 NATO armor-piercing munitions.

The M1151 replaces the M1025A2 Armament Carrier; the M1152 replaces the M1097A2 Heavy HMMWV and the M1113 Expanded Capacity Vehicle. Both the M1151 and M1152 are built on an Expanded Capacity Vehicle (ECV) chassis which provides additional carrying capacity. Both are produced with an integrated armor package and both have the capability to accept add-on armor kits.

In FY 2007, the Armored M1151s and M1152s will be used in lieu of M1114 Up-Armored HMMWVs in both the Military Police and Special Operations Forces Light Tactical Vehicle modernization programs. These vehicles will also support the Rangers, Ground Mobility Systems, the Knight program, the Army National Guard Division Redesign Study (ADRS) and other Army Data Interchange requirements.

The FY 2007 budget procures 3,091 HMMWVs with variants to include armored ambulances, M1151s, and M1152s with integrated armor. FY 2007 also funds safety initiatives as well as a new repowered engine which will be incorporated during production. The Army combined with the Marine Corps meets armored HMMWV requirements in FY 2007.

- **Family of Medium Tactical Vehicles.** The FMTV is a complete series of trucks and trailers, based on a common

Table 65

**Other Procurement, Army**  
Total Obligation Authority (\$ millions)

<b>OPA1: Tactical, Non-Tactical &amp; Support Vehicles</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Wheeled Vehicles (High-Mobility Multipurpose Wheeled Vehicles, or HMMWV)	939	391	583
HMMWV Recapitalization Program	176	496	35
Family of Medium Tactical Vehicles (FMTV)	1,081	441	695
Family of Heavy Tactical Vehicles (FHTV)	612	237	353
Modification of In-Service Equipment	1,193	62	3
Armored Security Vehicles	613	76	155
All Other Vehicles & Trailers	311	158	325
<b>Subtotal - Tactical &amp; Support</b>	<b>4,925</b>	<b>1,861</b>	<b>2,149</b>
Heavy Armored Sedan	5	3	1
Passenger Carrying Vehicles	1	—	1
Other Non-Tactical Vehicles	1	—	3
<b>Subtotal - Non-Tactical</b>	<b>7</b>	<b>3</b>	<b>5</b>
<b>Subtotal OPA1</b>	<b>4,932</b>	<b>1,864</b>	<b>2,154</b>
<b>OPA2: Communication &amp; Electronic Equipment</b>			
Joint Communications	4	104	5
Satellite Communications	327	201	251
Command, Control and Communications (C3) System	24	18	25
Combat Communications	1,765	1,493	638
Intelligence Communications	9	1	1
Information Security	129	74	105
Long-Haul Communications	209	67	89
Base Communications	439	339	338
Electronic Equipment – All Categories	3,013	2,196	2,439
<b>Subtotal</b>	<b>5,919</b>	<b>4,493</b>	<b>3,891</b>
<b>OPA3: Other Support Equipment</b>			
Smoke/Obscurant Systems	4	3	42
Bridging Equipment	63	32	150
Engineer Equipment (Non-Construction)	140	52	288
Combat Service Support Equipment	86	119	124
Petroleum Equipment	62	60	69
Water Equipment	59	9	10
Medical Equipment	35	49	20
Maintenance Equipment	60	11	58
Construction Equipment	68	53	147
Rail Float Containerization Equipment	10	20	21
Generators	129	43	69
Materiel Handling Equipment	4	4	21
Training Equipment	491	418	379
Test Measuring & Diagnostic Equipment	96	22	62
Other Support Equipment	707	242	181
<b>Subtotal</b>	<b>2,014</b>	<b>1,137</b>	<b>1,641</b>
<b>OPA4: Spares &amp; Repair Parts</b>			
Initial Spares - OPA2	44	33	31
Initial Spares - OPA3	1	1	2
<b>Subtotal</b>	<b>45</b>	<b>34</b>	<b>33</b>
<b>Total OPA</b>	<b>12,910</b>	<b>7,528</b>	<b>7,719</b>

Source: Army FY07 President's Budget Highlights

chassis, that vary by payload and mission. The Light Medium Tactical Vehicle (LMTV), consisting of cargo and van models, has a 2.5-ton capacity. The Medium Tactical Vehicle (MTV), consisting of cargo, tractor, van, wrecker, tanker and dump truck models, has a 5-ton capacity. The MTV utilizes the Load Handling System (LHS), and has a higher-capacity dump.

FMTV performs over 55 percent of the Army's local and line haul and unit resupply missions in combat, combat support and combat service support units. Commonality among variants significantly reduces operation and maintenance costs.

Extended applications of the FMTV include support to other Army requirements such as Towed Artillery Digitization (TAD) and High-Mobility Artillery Rocket System (HIMARS).

The FY 2007 budget procures a combination 2.5-ton and 5-ton trucks and trailers for a total of 4,119 trucks.

### OPA2: Communications and Electronics Equipment

In OPA2, individual lines are grouped by functions. The three largest groups are:

- Combat Communications—includes the Single Channel Ground and Airborne Radio System (SINCGARS) family (\$116 million), Bridge to Future Networks (\$340 million) and Improved High Frequency Family of Radios (\$91 million);
- Electronic Equipment-Tactical Surveillance—includes Night Vision Devices (\$320 million), Long-Range Advanced Scout Surveillance Systems (\$179 million), Night Vision Thermal Weapon Sight (\$209 million) and Force XXI Battle Command Brigade & Below (FBCB2) (\$160 million); and
- Electronic Equipment-Tactical C-2—includes Air and Missile Defense Planning and Control System (AMD PCS) (\$69 million), LOGTECH (\$97 million), Single Army Logistics Enterprise (SALE) (\$122 million) and Mounted Battle Command on the Move (MBCOTM) (\$79 million).

### OPA3: Other Support Equipment

In OPA3, individual lines are grouped by functions. The two largest groups are:

- Engineer Equip (Non-Construct), which includes Hand-held Standoff Minefield Detection System (HSTAMIDS) (\$53 million) and Ground Standoff Minefield Detection System (GSTAMIDS) (\$197 million); and

- Training Equipment, which includes Training Devices Non-System (\$243 million) and Aviation Combined Arms Tactical Trainer (AVCATT) (\$70 million).

### Facilities

The Army facilities in the United States and around the world provide the power-projection platforms for deployments and sustainment of operations. The facilities also provide the physical places and infrastructure where Soldiers train, where Soldiers, Army civilians and contractors work and where military families live. This section discusses the appropriations for construction, renovation and disposal of facilities and infrastructure. The appropriations include the MILCON group, Family Housing and BRAC.

The Army Military Construction appropriations include Military Construction, Army (MCA) for the active Army; Military Construction, Army National Guard (MCARNG); and Military Construction, Army Reserve (MCAR). The Military Construction projects support the missions of the active and reserve components by providing new and renovated facilities to support mission training requirements and strategic mobility, and modernized barracks. The MCA are multiyear appropriations with the FY 2007 appropriation remaining available until 30 September 2011.

The MILCON data from the FY 2007 budget is in **table 66**.

The three MILCON budget proposals are discussed separately.

**Table 66**

#### Military Construction (\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Military Construction, Army	2,831.0	1,757.0	2,059.0
Military Construction, Army National Guard	447.0	892.0	473.0
Military Construction, Army Reserve	101.0	151.0	166.0
<b>Total<sup>3</sup></b>	<b>3,379.0</b>	<b>2,800.0</b>	<b>2,698.0</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

**Source:** Army President's FY07 Budget Highlights and DoD Fin Summary Tables, 1-C

### Military Construction, Army

The FY 2007 MCA budget provides money for projects to improve the working and living conditions of Soldiers in the United States and overseas. The Major Construction budget invests primarily in facilities required for current and future

readiness including training ranges; for Soldiers including troop housing; and for environmental, revitalization and mission-essential requirements.

The Minor Construction activity provides for construction of future unspecified projects that have not been individually authorized by law but are determined to be urgent requirements. These projects may not exceed \$1.5 million (\$3 million if a threat to life, health or safety exists).

The Planning & Design activity provides for planning MILCON projects including design, host nation support, standards, surveys and studies. In general, design funds requested in FY 2005 will be used to design projects in FY 2006 and FY 2007 programs.

Congress also requests information on overseas construction. The FY 2007 budget includes \$1.6 billion for barracks, community facilities and readiness projects and another \$398 million for Army modular forces projects. See **table 67** for information on the types of facilities in the budget proposal.

**Table 67**

**Military Construction, Army (MCA)  
Facility Categories**  
(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Operation & Training	799	426	448
Maintenance & Production	197	116	133
Research & Development	56	20	—
Supply & Administration	217	80	31
Medical Center/Hospitals	59	—	—
Troop Housing/Community Support	1,012	837	1,188
Utilities/Real Estate	193	23	10
Supporting Activities	78	63	13
Minor Construction	21	24	23
Planning & Design	196	168	213
<b>Total<sup>3</sup></b>	<b>2,831</b>	<b>1,757</b>	<b>2,059</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

**Military Construction, National Guard**

The FY 2007 MCNG appropriation totals \$473 million and focuses on investments in maintenance and supply facilities, ranges, training facilities, readiness centers, minor construction and planning and design. 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.

See **table 68** for information on the types of facilities in the budget proposal.

**Table 68**

**Military Construction, Army National Guard  
(MCARNG) Facility Categories**  
(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Operation and Training	188	510	152
Maintenance and Production	195	227	240
Administrative	—	17	—
Infrastructure	16	36	3
Minor Construction	9	15	21
Planning and Design	39	87	57
<b>Total<sup>3</sup></b>	<b>447</b>	<b>892</b>	<b>473</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

**Military Construction, Army Reserve**

The FY 2007 MCAR appropriation totals \$166 million, of which \$130 million is for Reserve training facilities and ranges. 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.

See **table 69** for information on the types of facilities in the budget proposal.

**Table 69**

**Military Construction, Army Reserve (MCAR)  
Facility Categories**  
(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Facility Strategy	46	59	125
Revitalization	35	51	14
Training Ranges	4	24	5
Minor Construction	3	3	3
Planning & Design	13	14	20
<b>Total<sup>3</sup></b>	<b>101</b>	<b>151</b>	<b>166</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

Source: Army FY07 President's Budget Highlights

## Army Family Housing

The Army Family Housing (AFH) budget supports the operation, maintenance, leasing, privatization and construction of Army family housing worldwide and the implementation of the Army Family Housing Master Plan. The AFH appropriation includes two separate accounts: Family Housing Construction and Family Housing Operations.

The AFH construction program provides for building new housing units at locations where building is more economical than revitalizing, or where adequate off-post housing is not available. 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.

The AFH operating account provides for expenses and includes reimbursement authority that allows the account to incur costs for services and repair of damages and then to be reimbursed by collection of payments. A list of the sub-accounts with information on both direct and indirect support, as applicable, follows:

- **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 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 utilities for privatized housing.

The Army's 2007 budget requests \$1.3 billion to improve or eliminate inadequate family housing for Soldiers and their families. The budget request supports the DoD goal of funding the elimination of inadequate family housing units at U.S. installations (including Alaska, Hawaii and Puerto Rico) in FY 2007 and overseas in FY 2008. The AFH budget is in **table 70**.

The Army continues to make progress in eliminating inadequate family housing with a combination of new

**Table 70**

### Army Family Housing (\$ millions)

Construction	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
New/Replacement Construction	395	229	242
Improvement	210	297	337
Planning & Design	21	28	16
Privatization Investment <sup>3</sup>	(168)	(138)	(157)
<b>Subtotal AFH Construction<sup>4</sup></b>	<b>626</b>	<b>554</b>	<b>595</b>
Operations			
Operation & Utilities	329	250	231
Maintenance	386	258	205
Leasing	210	233	215
Privatization	(26)	(29)	(26)
<b>Subtotal AFH Operations<sup>4</sup></b>	<b>951</b>	<b>770</b>	<b>677</b>
<b>Total AFH</b>	<b>1,577</b>	<b>1,324</b>	<b>1,272</b>
<sup>1</sup> FY05 are actuals and include Title IX			
<sup>2</sup> FY06 and FY07 are estimates			
<sup>3</sup> FY 05 Residential Communities Initiative equity transferred to DoD FH Investment Fund			
<sup>4</sup> Numbers may not add due to rounding			
<b>Source:</b> Army FY07 President's Budget Highlights			

construction and the housing privatization program. A list of new construction projects is in **table 71**.

In addition to new construction, the Army is making progress in eliminating inadequate family housing with the housing privatization program. In FY 2007, the Residential Communities Initiative program will privatize an additional three new projects and expand three existing projects, with approximately 2,939 homes. With privatization, AFH requirements decrease and Military Personnel, Army (MPA) Basic Allowance for Housing (BAH) increases. The privatization partner depends on the Soldiers' BAH to fund the privatization projects. A list of privatization sites is in **table 72**.

### Base Realignment and Closure

In addition to the Military Construction appropriations, Congress appropriates funds for Base Realignment and Closure. The Defense Base Realignment and Closure Act of 1988 (Public Law 100-526) initiated the first round of BRAC to identify and close unneeded military installations in the United States.

Congress authorized three additional rounds in FYs 1991, 1993 and 1995. As of 13 July 2001, the closures (112) and realignments (27) from the first four rounds of BRAC were complete. In addition, the Army has executed an aggressive overseas closure program since FY 1990. The Army closed

Table 71

### Army Family Housing New Construction

FY05	Units	\$ Millions <sup>1</sup>
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
<b>Total</b>	<b>1,345</b>	<b>378.9*</b>
<b>FY06</b>		
Fort Richardson, AK	117	48.5
Fort Wainwright, AK	96	48.5
Fort Wainwright, AK	84	41.5
Fort Huachula, AZ	131	30.5
Yuma, AZ	35	11.2
Fort Sill, OK	129	23.7
Fort Lee, VA	96	19.5
Fort Monroe, VA	21	6.0
<b>Total</b>	<b>709</b>	<b>229.4*</b>
<b>FY07</b>		
Fort Richardson, AK	105	45.0
Fort Richardson, AK	57	25.0
Fort Wainwright, AK	90	50.0
Fort Wainwright, AK	86	50.0
Fort Huachuca, AZ	119	32.0
Fort Wainwright, AK	58	32.0
Pine Bluff, AR	10	2.9
Fort McCoy, WI	13	4.9
<b>Total</b>	<b>538</b>	<b>241.8*</b>
* Numbers may not add due to rounding. Source: FY07 President's Budget Highlights		

680 installations overseas, the majority in Europe; this was comparable to closing 12 of the Army's largest installations.

In 2005, Congress authorized the current (fifth) BRAC round. DoD began with a threat assessment of the future national security environment, then developed a force structure plan and basing requirements to meet these threats. DoD

Table 72

### Army Family Housing Privatization Residential Communities Initiative

FY05	Units
Fort Benning, GA	4,200
Fort Rucker, AL	1,476
Fort Gordon, GA	876
Fort Knox, KY	2,837
Fort Leavenworth, KS	1,583
Redstone Arsenal, AL	463
<b>Total</b>	<b>13,677</b>
<b>FY06</b>	
Fort Riley, KS	3,052
White Sands Missile Range, NM	315
Fort Campbell, KY (Increment)	200
Fort Irwin/Moffett Federal Airfield/Parks Reserve Forces Training Area, CA (Increment)	120
<b>Total</b>	<b>3,687</b>
<b>FY07</b>	
U.S. Military Academy, NY	966
Fort Lee, VA	1,324
Fort McNair, DC	29
Fort Drum, NY Expansion	358
Fort Bliss, TX Expansion	90
Fort Irwin, CA Expansion	172
<b>Total</b>	<b>2,939</b>
Source: FY07 President's Budget Highlights	

applied legally mandated selection criteria to determine which installations to recommend for realignment or closure.

The Army portion of BRAC 2005 will close 12 active and 175 reserve installations; eight active component leased facilities; and 211 Army National Guard facilities (upon agreement of the state governors). The Army will create Training Centers of Excellence at Fort Sill, OK, Fort Benning, GA, and Fort Lee, VA, and Joint Technical Research Facilities in Huntsville, AL; and will realign the Army Reserve command and control structure. The Army intends to execute 76 MILCON projects and conduct Environmental Condition of Property studies for disposal and transfer of property, as well as cleanup efforts at closing installations in FY07. The budget proposal for BRAC is in **table 73**.

The FY 2007 budget for BRAC activities is more than \$3.6 billion, with \$882.5 million of this amount planned for

**Table 73**

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

FY05 <sup>2</sup>	FY06 <sup>3</sup>	FY07 <sup>3</sup>
103	972	3,660

<sup>1</sup> BRAC is a DoD-centralized summary appropriation with budget year information passed from each DoD component.

<sup>2</sup> FY05 actuals include initial and supplemental appropriations.

<sup>3</sup> FY06 and FY07 are estimates.

**Source:** FY07 President's Budget Highlights

Global Posture Initiative actions. By statute, DoD has until 15 September 2007—two years from the date President Bush sent the BRAC commission's final report to Congress—to begin closing and realigning the installations as contained in the report. The process must be completed by 15 September 2011.

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

DoD has five Environmental Restoration (ER) 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 2007 ERA appropriation allows compliance with DoD cleanup goals. The ERA data are in **table 74**.

The ERA program provides funds for:

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

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

**Table 74**

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

FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
—	402.8	413.8

<sup>1</sup> ERA is executed in OMA; therefore, no FY05 actual, but \$400 million was in the President's Budget for FY05.

<sup>2</sup> FY06 and FY07 are estimates.

**Source:** Army FY06 President's Budget Highlights

**Chemical Demilitarization Program**

The Chemical Demilitarization Program is a national program of high significance to the Army, the Departments of Defense and State, the administration, Congress and the world. The program provides for the destruction of the U.S. stockpile of lethal chemical agents and munitions and related (non-stockpile) materiel.

The FY 2007 budget proposes nearly \$1.3 billion in the Chemical Agents and Munitions Destruction, Army (CAMD,A) account and \$0.1 billion in the Chemical Demilitarization Construction, Defense account for the Chemical Demilitarization Program.

The FY 2007 budget proposes funding as seen in **table 75**.

The O&M BA provides for the management, technical and operational support required for chemical demilitarization under the Chemical Stockpile Disposal Project (CSDP) and Alternative Technologies & Approaches Project (ATAP), and emergency response activities under the Chemical Stockpile Emergency Preparedness Project (CSEPP). It also provides

**Table 75**

**Chemical Demilitarization Program**  
(\$ millions)

Chemical Agents and Munitions Destruction	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
Operation and Maintenance	1,088	1,204	1,046
Research and Development	205	67	231
Procurement	79	115	—
<b>Total</b>	<b>1,372</b>	<b>1,386</b>	<b>1,277</b>
Chemical Demilitarization Construction, Defense	82	—	131

<sup>1</sup> FY05 are actuals.

<sup>2</sup> FY06 and FY07 are estimates.

**Source:** FY2007 Budget Estimate, Chemical Agents and Munitions Destruction, February 2006

for the support required for remediation of other chemical warfare materiel under the Non-Stockpile Chemical Materiel Project (NSCMP).

The Research & Development BA provides funds to continue research and development efforts for innovative accessing and chemical treatment processes technologies, and to complete installation and systemization of the Wet Air Oxidation unit located at the selected Toxic Storage Disposal Facility (TSDF). Funds are also required for environmental monitoring support to perform studies, provide technical assistance for compliance with Army regulations and modernize equipment for future needs.

No Procurement funds are being requested in FY 2007 as a result of a review of the Chemical Demilitarization program and reprioritization of program requirements. Sufficient Procurement funds exist from prior years to fund FY 2007 Procurement needs.

The FY 2007 Construction activities include completion of design activities and continuation of preliminary construction activities for the Assembled Chemical Weapons Alternatives (ACWA) program. The ACWA program is a separately managed part of the Chemical Demilitarization Program, responsible for implementing alternative (non-incineration) technologies for the destruction of the chemical weapons stockpiles at the Pueblo Chemical Depot in Colorado and the Blue Grass Army Depot in Kentucky.

## 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 that provide essential readiness and sustainability support services to the warfighting forces. The AWCF includes Supply Management, Depot Maintenance and Ordnance activity groups and operates under the revolving fund concept.

The revolving fund concept involves maintaining a buyer-seller relationship in which a particular working capital group buys and maintains materiel and, upon demand, sells the materiel to its customers. The primary customer is the Army and particularly the current force; other customers include the other services, DoD, other federal agencies and Foreign Military Sales. A key objective of the working capital fund is to have support services available upon demand—and this is particularly important as the Army continues to wage the GWOT.

Another important objective of the working capital group is to set rates and prices to recover direct and overhead costs and to stabilize the rates during the year of execution thereby protecting customers, the operational units, from price fluctuations.

## Revenues and Expenses

The AWCF incurs expenses for all that it buys and for the services it provides; the AWCF generates revenue based on the quantity and price for the materiel it sells and the services it provides. The revenue reflects the annual dollar volume of business; at \$13.2 billion in FY 2007, AWCF is a big business. See **table 76** for information on revenues and expenses.

To the extent that revenues and expenses are out of balance, the Working Capital group resets future rates and prices to rebalance the operation.

## Direct Appropriated Funds

The AWCF receives direct appropriated funds for working capital groups to meet mobilization and wartime surge capability that is not directly related to the cost of doing business. Appropriated funds can also ensure competitive, stabilized rates for peacetime customers. The budget request for direct appropriated funds is in **table 77**.

## Customer Rates

The customer rates vary among the following activity groups:

- **Supply Management**, which buys and maintains assigned stocks of materiel for sale to its customers;
- **Industrial Operations**, which maintains end items and depot-level reparables (DLRs); and manufactures, renovates, stores and demilitarizes munitions for all services within DoD and for foreign military customers. (Note: This previously comprised two groups, Depot Maintenance and Ordnance.)

In general, activity group rates are set to recover full costs and adjust for accumulated operating results. Rate changes are expressed as a percentage change from the rate charged in the previous year. The rate changes in the budget are in **table 78**.<sup>33</sup>

## Reserve Component

The reserve component includes the Army National Guard and the Army Reserve. Since 9/11 and the GWOT, the Army National Guard has mobilized more than 329,000 Soldiers for both state and federal missions and the Army

<sup>33</sup> For Supply Management, the FY 2006 and FY 2007 surcharge rate increase recoups prior-year losses and restores the cash position. For Industrial Operations, the FY 2006 and FY 2007 rate increase recoups prior-year losses

Table 76

**Army Working Capital Fund  
Revenue and Expenses**  
(\$ millions)

Revenue	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
<b>Supply Management</b>			
Gross Revenue	11,611.2	12,087.3	11,001.2
Less Credit	2,159.7	2,291.7	2,508.3
Net Revenue	9,451.5	9,795.6	8,492.9
Industrial Operations <sup>3</sup>	4,551.5	5,754.1	4,784.4
<b>Total<sup>4</sup></b>	<b>14,003.0</b>	<b>15,549.7</b>	<b>13,277.3</b>
<b>Expenses</b>			
Supply Management	9,174.1	9,520.4	8,007.3
Industrial Operations <sup>3</sup>	4,361.2	5,759.5	5,301.4
<b>Total<sup>4</sup></b>	<b>13,535.3</b>	<b>15,279.9</b>	<b>13,308.7</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Previously reported as Depot Maintenance and Ordnance.  
<sup>4</sup> Numbers may not add due to rounding.  
**Source:** FY2007 Budget Estimate, Army Working Capital Fund, February 2006

Table 77

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

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY07 <sup>2</sup>
War Reserve Secondary Items	84.4	23.2	16.4
Industrial Mobilization Capacity	99.6	64.0	—
Inventory Augmentation	—	19.3	—
<b>Total<sup>3</sup></b>	<b>184.0</b>	<b>106.5</b>	<b>16.4</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** FY2007 Budget Estimate, Army Working Capital Fund, February 2006

Table 78

**Army Working Capital Fund  
Customer Rate Changes**

	FY05	FY06	FY07
Supply Management	-1.4%	2.5%	4.4%
Industrial Operations*	n/a	0.7%	5.5%

\* Previously reported as Depot Maintenance and Ordnance.  
**Source:** FY2007 Budget Estimate, Army Working Capital Fund, February 2005

Reserve has mobilized more than 143,000 Soldiers. The reserve component enables the Army to accomplish its mission at home and abroad.

The reserve component is a substantial part of the Army's land forces capabilities. The combined active and reserve component endstrength is and has been 1,037,000 Soldiers since FY 2000. The reserve component contributes nearly 54 percent of the total Soldiers in the Army, with the Army National Guard contributing nearly 34 percent and the Army Reserve contributing nearly 20 percent.

The Army National Guard has a unique dual mission that consists of both federal and state roles. For the state mission, the governor, through the state adjutant general, commands the Guard forces and can call the Guard into action during local or statewide emergencies, such as storms, fires, earthquakes or civil disturbances. The President can mobilize the National Guard, putting them in federal duty status for participation in federal missions, such as deployments to Bosnia, Kosovo, the Middle East and other locations for the GWOT. When federalized, the combatant commander of the theater of operations commands the Guard units.

Each state and territory and the District of Columbia has its own National Guard. Even when not federalized, the Army National Guard has a federal obligation or mission: to maintain properly trained and equipped units available

for prompt mobilization for war, national emergency or as otherwise needed.

The Army Reserve is a community-based federal operational force that provides trained and ready Soldiers and units with the critical capabilities to complement joint expeditionary and domestic operations. It provides combat support and combat service support capabilities necessary to support national strategy during peacetime, contingencies and war, and provides about half of the Army’s combat support and a quarter of the Army’s mobilization base expansion capability.

When the Army is ordered to deploy, the Army Reserve’s deployment support and transportation terminal units are called first, both for embarkation and debarkation; the Army Reserve’s combat support and combat service support forces open and operate the deployed theater base.

From the end of the Cold War in FY 1990 to FY 2000, the reserve component decreased by about 26 percent in structure and strength. During this period, the structure and focus of the Army National Guard shifted to combat elements, and the Army Reserve shifted to combat service support. With the demands of the GWOT over the past couple of years, DoD concluded that the Guard and Reserve forces contain too few high-demand skills and too many skills with little or no demand. The reserve component has begun to restructure and rebalance its skills with the mix of active and reserve component forces.

The Army National Guard and the Army Reserve each have three distinct appropriations in addition to support from other Army appropriations, such as Army Procurement. The reserve component appropriations—discussed in the earlier appropriation groupings Military Personnel, Operation and Maintenance and Military Construction—are summarized below.

### Army National Guard

The Army National Guard continues its historic dual mission of providing the individual states with units trained and equipped to protect life and property while providing the nation with units ready to defend the United States and its interests around the world.

After 9/11, more than 50,000 Guardsmen were called up by states and the federal government to provide security at home and combat terrorism abroad; since then, the Army National Guard has mobilized more than 329,000 Soldiers for both state and federal missions.

In addition to its direct role in the overseas wars, the Army National Guard remains the Army’s primary force conducting operations in Kosovo, Bosnia and the Sinai with almost 6,000 Guard personnel. What were once active-component missions are now principally missions of the Army National Guard.

With the new modular structure, the Army National Guard will maintain 106 brigades—including 28 brigade combat teams and 78 support brigades. The Guard will maintain eight divisional headquarters designed in an infantry and armored mix identical to that of the active component. This modular capability will provide a new level of flexibility to Army National Guard organizations as they support the full spectrum of military operations.

**Table 79** lists key contributions of the Army National Guard to the total force.

The Army National Guard includes a mix of citizen-Soldiers including dual-status technicians who are members of the Guard on full-time active status. See **table 80**.

**Table 79**

#### Army National Guard Key Contributions

<b>44%</b>	Combat units (including Field Artillery and Air Defense)
<b>9%</b>	Field Artillery (20% of combat structure)
<b>1%</b>	Air Defense (2% of combat structure)
<b>19%</b>	Combat Support
<b>27%</b>	Combat Service Support
<b>Source:</b> National Guard Future Force Allocations (NGB-ARF-F)	

**Table 80**

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

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Selected Reserve	334	345	339
Paid Drill Strength	311	321	312
Full-time Active Strength	23	25	27
Pretrained Personnel–Individual Ready Reserve	3	3	4
<b>Technicians</b>			
Dual Status	21	26	25
Other Than Dual Status	2	2	2
Other Civilians* (excludes technicians)	0	1	1
* Other civilians are fewer than 500; totals may not add due to rounding.			
<b>Source:</b> Army FY07 Budget Materials, PB-30G & PB-31R			

Three appropriations apply directly to the Army National Guard: Military Personnel, Operation and Maintenance and Military Construction. The three federal appropriations fund specific requirements but not all the costs. Some federal support costs, including most equipment acquisitions, are provided through Army Procurement appropriations. In addition, the Guard also receives state funds for state-related functions. The Army National Guard appropriation data is in **table 81**.

**Table 81**

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

	FY05 <sup>2</sup>	FY06 <sup>3</sup>	FY06- Title IX	FY07 <sup>3</sup>
National Guard Personnel, Army	6,364	16,993	422	6,486
Operation & Maintenance, Army National Guard	4,872	4,441	267	4,839
Military Construction, Army National Guard	447	518	374	473
<b>Total</b>	<b>11,683</b>	<b>11,042</b>	<b>1,063</b>	<b>11,798</b>

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

<sup>2</sup> FY05 are actuals and include Title IX.

<sup>3</sup> FY06 and FY07 are estimates; FY06 includes Title IX estimate.

**Source:** Army FY07 President's Budget Highlights

The National Guard Personnel, Army appropriation includes the federal funds to pay Army National Guard Soldiers and related personnel programs. The O&M budget for FY 2007 includes \$4.5 billion for operating forces and \$368 million for administration and servicewide activities. The MILCON budget allots \$395 million for Construction, \$57 million for Planning & Design and \$21 million for Minor Construction.

**Army Reserve**

The Army Reserve provides trained and ready Soldiers and units with critical combat support and combat service support capabilities during peacetime, contingencies and war. The Army Reserve fulfills this mission daily by supporting the active Army. The daily level of Soldiers and units activated is evidence of the ongoing transformation of the Army Reserve from a force in reserve to an auxiliary force fully engaged in joint expeditionary operations and support to civil authorities.

The Army Reserve encompasses four groups of Soldiers totaling more than one million Army Reserve members today and in FY 2007 (numbers are as of 31 December 2005):

- **Selected Reserve**—the most readily available group of Army Reserve Soldiers, i.e., the 187,974 endstrength ceiling in the Troop Program Units (TPUs), Active Guard and Reserve (AGR) Soldiers and Individual Mobilization Augmentees (IMAs);
- **Individual Ready Reserve (IRR)**—includes 109,765 trained Soldiers who may be called upon to replace Soldiers in active and Army Reserve units (many in the IRR have left active duty and still have a Reserve commitment, while others have chosen to remain in the Army Reserve but not as a unit member or IMA);
- **Standby Reserve**—consists of 1,607 Soldiers; and
- **Retired Reserve**—consists of approximately 758,258 retirees from the Army (active Army, Army National Guard and Army Reserve) who remain part of the Army Reserve family.

In the event of an emergency, the President can mobilize all members of the Selected Reserve and up to 30,000 IRR members. Since 1990, and especially since 9/11, more than 143,000 Army Reserve Soldiers have been mobilized for and have participated in every Army operation at home and abroad.

The Army Reserve comprises a mix of citizen-Soldiers including dual-status technicians who are members of the Reserve on full-time active status. See **table 82**.

While the Army Reserve makes up only 20 percent of the Army's organized units, it provides about half of the Army's combat support and a quarter of the Army's mobilization base

**Table 82**

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

	FY05	FY06	FY07
Selected Reserve	185	184	181
Paid Drill Strength	169	184	181
Full-time Active Strength	15	15	15
Individual Ready Reserve	117	134	132
<b>Technicians</b>			
Dual Status (Military/Civilian)	7	8	8
Other Than Dual Status (Civilian)	1	1	1
Other Civilians (excludes technicians)	3	3	3

**Source:** Army FY07 Budget Materials, PB-30G & PB-31R

expansion capability, and it costs only 5 percent of the Army budget. A list of the key contributions by types of units is in **table 83**.

As part of its conversion to a modular brigade structure, the Army is adopting a new support brigade structure. The support brigades will provide logistical, engineering, intelligence, protection, aviation and communications capabilities. The support brigades are being organized into two categories: multifunctional support brigades and functional support brigades:

- The multifunctional brigades will perform operational roles including combat aviation, combat support (maneuver enhancement), sustainment, fires and battlefield surveillance.
- The functional brigades will perform broad support roles on a theater-wide basis including air defense, engineer, explosive ordnance disposal, military police, signal and others.

The current plan is for the Army Reserve to convert to and maintain 58 support brigades. The specific mix and quantities

of support brigades are being refined to meet requirements for both expeditionary and expanded state and homeland defense/homeland security operations.

The Army Reserve controls three appropriations: MILPERS, O&M and MILCON. The three appropriations fund specific requirements but not all of the Army Reserve's costs; e.g., the Army Reserve receives equipment purchased by the Army Procurement appropriation.

The Army Reserve appropriation data from the FY 2007 budget is in **table 84**.

The Reserve Personnel, Army appropriation provides funds for pay and benefits of Army Reserve Soldiers. The O&M budget for FY 2007 includes \$2,134 million for operating forces and \$165 million for administration and servicewide activities. The MILCON budget allots \$143 million for Construction, \$20 million for Planning & Design and \$2 million for Minor Construction.

**Table 83**

**Army Reserve Key Contributions**

Type of Unit	
One Hundred Percent	Chemical Brigades
	Internment Brigades
	Judge Advocate General Units
	Medical Groups
	Railway Units
	Training & Exercise Divisions
	Water Supply Battalions
More Than Two-Thirds	Civil Affairs Units
	Psychological Operations Units
	Transportation Groups
	Motor Battalions
	Chemical Battalions
	Hospitals
	Medical Brigades
	Theater Signal Commands
Nearly Half	Petroleum Battalions
	Adjutant General Units
	Petroleum Groups
	Transportation Command
	Terminal Battalions
	Public Affairs

**Source:** Army Reserve Homepage

**Table 84**

**Army Reserve Budget Summary**

(\$ millions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY06 - Title IX	FY07 <sup>2</sup>
Reserve Personnel Army	3,706	3,858	148	4,148
Operation and Maintenance Army Reserve	2,017	1,949	62	2,299
Military Construction Army Reserve	101	151	—	167
<b>Total<sup>3</sup></b>	<b>5,824</b>	<b>5,958</b>	<b>210</b>	<b>6,614</b>

<sup>1</sup> FY05 are actuals and include Title IX.  
<sup>2</sup> FY06 and FY07 are estimates.  
<sup>3</sup> Numbers may not add due to rounding.  
**Source:** Army FY07 President's Budget Highlights

**Summary**

The President's Budget is the principal document for presenting the Army's case for resources to Congress. The budget presents the plan for the next year or two, and it justifies the resources necessary to execute the plan. To the extent that the Army's plan and resource justification are convincing, Congress generally appropriates funds and provides authorizations.

The current and recent Army budgets present various initiatives to develop a broader portfolio of capabilities and to increase the Army's capacity for meeting the challenges of the

21st century. The challenges arise from 9/11, the GWOT and the operations in Iraq and Afghanistan. The National Security Strategy suggests that irregular, catastrophic and disruptive challenges are likely to continue, as well as traditional military challenges.<sup>34</sup> Therefore, the Army is pursuing initiatives and requesting funds in the budget to produce and sustain a full spectrum of capabilities to defend the homeland, sustain the long war, conduct irregular operations and wage conventional campaigns.

The Army's worldwide commitments, which extend far beyond Iraq and Afghanistan, are a key element of the challenges. Approximately 600,000 Soldiers—487,000 active component, 72,000 Army National Guard and 41,000 Army Reserve—are on active duty. Approximately 242,000 Soldiers are serving worldwide in 120 countries, and more than 1,700 Army civilians serve side-by-side with Soldiers in the field. In addition, more than 13,000 Soldiers are on duty in the United States specifically fulfilling critical missions to support the GWOT.

The long and irregular nature of the conflicts in Iraq, Afghanistan and elsewhere is another key element of the challenges to the Army. Early in the war, the Army recognized that it lacked the breadth and depth of capabilities required for these operations. Therefore, it is pursuing four overarching and interrelated strategies:

- Provide relevant and ready manpower for the 21st century security environment;
- Train and equip Soldiers to serve as warriors and grow adaptive leaders;
- Sustain an all-volunteer force composed of highly competent Soldiers who are provided an equally high quality of life; and
- Provide infrastructure and support to enable the force to fulfill its strategic roles and missions.

Consistent with the strategy, the Army budget includes various initiatives to develop a broader portfolio of capabilities and to increase its capacity for meeting the challenges. These include:

- increasing both capability and capacity by creating 70 modular, multipurpose, brigade combat teams and more than 200 support brigades that are better able to operate as elements of joint, expeditionary force packages and to conduct sustained campaigns;
- leveraging the power of joint interdependence to create the freedom to change;
- enhancing capabilities of multipurpose forces, especially

for irregular warfare, to enable special operations capabilities to be more focused on complex tasks (including counterterrorism and unconventional warfare);

- recognizing the increased importance of the “human dimension” of war, including:
  - expanding cultural awareness and language capabilities;
  - doubling human intelligence personnel, integrating psychological operations and civil affairs capabilities with multipurpose forces;
  - redesigning tactical and operational headquarters to serve as joint task force headquarters;
- restructuring Army programs to strike the best balance between current and future capability requirements;
- upgrading and converting Apache;
- procuring Patriot programs, e.g., Patriot Advanced Capability 3 and modifications;
- procuring 100 Strykers;
- posturing reserve component forces to serve as an operational force vice strategic reserve; and
- posturing operational and institutional forces to enhance jointness, readiness, strategic responsiveness and fiscal efficiency.

The budget also provides for quality-of-life enhancements such as the elimination of inadequate housing through the use of innovative solutions such as privatization of housing with the RCI program.

The Army is pursuing infrastructure initiatives to enable the force to fulfill its strategic roles and missions primarily through the Global Posture Initiative actions and the current BRAC round. The Army budget requests \$3.6 billion to close 12 active and 175 Army Reserve installations; eight active component leased facilities; and 211 Army National Guard facilities, upon agreement of the state governors.

Overall, the President's Budget proposal for the Army is \$110.4 billion (\$111.8 billion with Chemical Demilitarization) for FY 2007. This is the baseline budget, without emergency supplemental funds for current operations including Iraq and Afghanistan. The budget is distributed as follows:

- The Military Personnel group accounts for 38 percent of the budget. Nearly \$4.9 billion or 11.5 percent of the MILPERS group is for Retiree and Medical Accruals.
- The Operation and Maintenance group accounts for nearly 29 percent.

<sup>34</sup> President George W. Bush, *The National Security Strategy of the United States of America*, March 2006, available online at <http://www.whitehouse.gov/nsc/nss/2006/>.

- The Procurement group accounts for 15 percent.
- The Research, Development, Test and Evaluation appropriation accounts for 9.7 percent.
- The Military Construction group and Base Realignment and Closure account for 5.7 percent.
- Army Family Housing accounts for 1.2 percent.
- All others account for less than 3 percent.

The Army baseline budget for FY 2007 is 22.8 percent of the DoD budget—the smallest share of any of the military services. The budget proposal for the primary Army appropriations for transforming materiel capabilities and modernization is below the department average; i.e., Army Procurement is only 20 percent of DoD Procurement and Army RDT&E is only 15 percent of DoD RDT&E.

### Army Budget Assessment

A comparison of the President’s Budget proposals for the Army for FYs 2005, 2006 and 2007 reveals a generally consistent baseline funding level, i.e., \$98.5 billion, \$99.3 billion and \$110.4 billion, respectively. The FY 2007 increase of \$11 billion, or 11 percent, is mostly for pay raises, price growth and new program funds for BRAC.

The most recent year with actual expenditure experience is FY 2005; that year the Army spent \$167.3 billion. The actual expenditures include emergency supplemental funds for current operations. The FY 2005 expenditures were more than \$69 billion over the President’s Budget proposal, and the FY 2005 expenditures are more than \$55 billion over the FY 2007 baseline proposal. See **table 85**.

With no substantial changes in programs or the operational levels of the war from FY 2005, and with pay raises and increases in prices offset by business process improvements, the Army will need a supplement of between \$55 billion and \$69 billion just to retain programs and maintain operations at the same level as in FY 2005.

A \$55 billion to \$69 billion supplemental is very large—particularly after so many years of supplemental funding. To fund such a huge supplemental without an increase in federal revenues, i.e., no tax increase, requires:

- either decrementing the other budgets in DoD, or alternatively, decrementing budgets of all the other federal departments and agencies that have discretionary funds. However, DoD already consumes about half of all the discretionary funds available for the entire federal government, and more growth in Defense and more reductions in the rest of the government will be a difficult action;

**Table 85**

### President’s Budget FY 2007 – Army (\$ billions)

	FY05 <sup>1</sup>	FY06 <sup>2</sup>	FY06 Title IX	FY07 <sup>2</sup>
Military Personnel	51.9	40.5	5.2	42.6
Operation and Maintenance	67.2	30.0	21.9	32.0
Procurement	24.6	11.0	4.8	16.8
Research, Development, Test & Evaluation	10.6	11.0	—	10.9
Military Construction	3.3	2.4	0.4	2.8
Army Family Housing	1.6	1.3	—	1.3
Chemical Demilitarization	1.4	1.4	—	—
Other <sup>4</sup>	6.6	1.5	—	4.1
<b>Total</b> <sup>3,4</sup>	<b>167.3</b>	<b>99.3</b>	<b>32.3</b>	<b>110.4</b>

<sup>1</sup> FY05 are actuals and include Title IX.

<sup>2</sup> FY06 and FY07 are estimates.

<sup>3</sup> Numbers may not add due to rounding.

<sup>4</sup> Numbers exclude Base Realignment and Closure, Environmental Restriction Army and Army Working Capital Fund.

**Source:** FY07 President’s Budget Highlights, Army

- or increasing the deficit and the long-term debt by whatever is unavailable from decrements elsewhere.

Neither alternative is attractive or very likely.

Any shortfall in the supplemental funds for the cost of operations or resetting the force after the operations, or preparing the next cohort of forces for deployment to the operational theater, will have to be covered from the baseline. The Army will have to make tough decisions, such as reducing funds for preparing Soldiers and leaders for the challenges they will face, and/or reducing funds for continuing transformation and modernization, and/or reducing funds for realigning the global posture of the forces.

This assessment supports the recommendation of the Secretary of the Army and the Army Chief of Staff:

To continue to meet the needs of the combatant commanders and the nation, the Army will require the full support of the resources requested in the base Budget and in supplemental appropriations.

Secretary of the Army Francis J. Harvey and  
Army Chief of Staff General Peter J. Schoomaker,  
*2006 Posture Statement*, 10 February 2006<sup>35</sup>

<sup>35</sup> Harvey and Schoomaker, “A Statement on the Posture of the United States Army 2006,” 10 February 2006.

## Appendix I

# Glossary of Budget Terms

**Appropriation** is the specific authority to obligate and expend funds provided for in appropriation bills, which are prepared by the appropriation committees, passed by Congress and signed into law by the President. Appropriations are provided in line-item detail. The time over which monies may be obligated is specified, varying from one year for personnel and operation and maintenance to two years for research, development, test and evaluation and three years (normally) for procurement and construction (extended to five years for shipbuilding).

**Authorization** is substantive legislation that provides the authority for an agency to carry out a particular program. Authorization may be annual, for a specified number of years, or indefinite. Most national defense activities require annual authorization before Congress may appropriate funds.

**Budget authority** (BA) is the authority to enter into obligations that will result in the payment of government funds. Budget authority is normally provided in the form of appropriations. The defense budget as presented to Congress is expressed in terms of budget authority.

**Constant dollars** measure the value of purchased goods and services at price levels that are the same as the base or reference year. Constant dollars do not reflect adjustments for inflationary changes that have occurred or are forecast to occur outside the base year.

**Current or “then year” dollars** are the dollar figures in the budget (or in the accounting records) actually associated with the stated date (past, present or projected). When a price or cost is stated in current dollars, it contains all inflationary increases expected to occur in a program over the duration of the spendout of an appropriation. Current dollars are also called “then year” dollars or “budget” dollars.

**Deficit** is the amount by which outlays exceed receipts. The reverse is called “surplus.”

**The Department of Defense (DoD) Budget**, which carries the Federal Account Number 051, includes funding of DoD itself. The budget that comes under the jurisdiction of the Secretary of Defense, it is frequently referred to as the “Pentagon budget.”

**Discretionary spending** is what the President and Congress must decide to spend for the next fiscal year through 13 annual appropriation bills. Two of the annual appropriation bills (the Department of Defense Appropriation Bill and the Military Construction Appropriation Bill) pertain to the Department of Defense.

**Emergency spending** is spending which the President and Congress have designated as an emergency requirement. Such spending is not subject to limits established on discretionary spending or “pay-as-you-go” rules established for direct (mandatory) spending.

**Entitlement authority** is a provision of law that legally obligates the federal government to make specified payments to any person or government that meets the eligibility requirements established by that law. Example: Social Security.

**Fiscal year** (FY) is the federal government’s accounting period. It begins 1 October and ends 30 September, and is designated by the calendar year in which it ends.

**Gross domestic product** (GDP) measures the market value of all goods and services produced during a particular period by individuals, businesses and government in the United States, whether they are U.S. or foreign citizens or American-owned or foreign-owned firms. GDP is currently used as the most reliable indicator of U.S. economic activity.

**Gross national product** (GNP) measures the market value of all goods and services produced during a particular period by U.S. individuals, businesses and government, including income earned by U.S.-owned corporations overseas and by U.S. residents working abroad but excluding income earned in the United States by residents of other nations.

**National Defense Budget**, which carries the Federal Account Number 050 as a designator, includes not only the Department of Defense (military) budget, but also funding for defense-related activities of the Department of Energy (primarily weapons activities and related support) and miscellaneous military activities of federal agencies.

**Obligations** are binding agreements that will result in outlays, immediately or in the future.

**Outlays** are the measure of government spending. They are the payments actually made for goods and services and interest payments during a particular year. These payments (outlays) lag obligations because of the sequential cycle of congressional appropriations, contracting, placing orders, receiving goods or services and (finally) making payments.

**Receipts** are collections from taxes or other payments to the federal government.

**Supplemental appropriation** is enacted subsequent to a regular annual appropriations act when the need for funds is too urgent to be postponed until the next regular annual appropriation act.

**Total Obligational Authority (TOA)** is a DoD term that includes the total value of the direct program regardless of the method of financing. As a practical matter TOA totals in the aggregate do not differ significantly from budget authority (BA). TOA is used in managing the service budgets, as it is the most accurate reflection of program value. The differences are attributed principally to offsetting receipts, such as recoveries from foreign military sales, and financing adjustments. For example, application of sales receipts will increase TOA but not BA. Legislation transferring unobligated funds for which the purpose has changed are reflected in the BA with no effect on TOA.

## Appendix II

# The Budget Process

This appendix provides a summarized description of the budget process at the national (federal) level.

The overall process has three fundamental phases: formulation; subsequent actions by Congress and the President to provide a legally executable budget; and actual execution.

The entire cycle is a continuum. While the last approved budget is being executed, the next budget is undergoing review and approval in Congress. When passed by Congress and signed by the President, it becomes the Budget of the United States for the following fiscal year. Concurrently, formulation of the next budget for submission to Congress is taking place within the departments and agencies.

For purposes of this paper, we will focus primarily on formulation and on the review and approval aspects of the cycle.

### *The Budget of the United States*

First is a review of the overall process at the national level, followed by a description of actions within the Department of Defense (DoD) providing the DoD part of the President’s Budget.

From an overall perspective, this process has a lead time of at least nine months before formal submission to Congress and 18 months before the fiscal year actually begins. In the spring, the President establishes general budget and policy guidelines while the Office of Management and Budget (OMB), working with federal departments and agencies, establishes policy directives and levels covering the budget year plus the four following years.

The budget calendar for major budget events during the review and approval process is summarized in the figure below.

Budget Calendar	
<i>Date</i>	<i>Action</i>
<b>Between first Monday in January and first Monday in February</b>	Transmission of the President's Budget to Congress
<b>April 15</b>	Action on the congressional budget resolution scheduled for completion
<b>May 15</b>	House consideration of annual appropriations bills may begin
<b>June 15</b>	Action on reconciliation scheduled for completion
<b>June 30</b>	Action on appropriations by the House scheduled for completion
<b>Throughout this period</b>	Hearings; committee reports; reconciliation by conference committees; floor votes; appropriate bills; more floor votes; more floor votes; signature or veto by the President
<b>October 1</b>	Fiscal year begins
<b>Post-October 1</b>	Continuing resolution if all appropriations bills not yet signed

Most agencies submit budget requests to OMB in the fall, followed by a review of details and resolution of issues. For the Department of Defense, the OMB review is concurrent with the review in the Office of the Secretary of Defense (OSD) during the September-to-December period. By the end of December, all decisions are complete, including issues requiring involvement by the President or other White House policy officials. The budget is then finalized and budget documents prepared. This is now the President's Budget.

Transmittal to Congress is scheduled by law on or after the first Monday in February of each year. As a practical matter, this has been an early February event, and additional delays sometimes occur in special cases such as a new President.

Congress receives the budget proposals and approves, modifies or disapproves them. Through the process of a budget resolution, it agrees on levels for total spending, receipts and other matters. This resolution provides the framework for congressional committees to prepare the required appropriations bills. In so doing, Congress votes on budget authority—the authority to incur legally binding authorizations of the government. In a separate process, Congress usually enacts legislation that authorizes agencies to carry out particular programs and may limit the amounts that can be appropriated for various programs. Normally, authorizations precede appropriations, but this is not always the case.

The Congressional Act of 1994 requires that Congress consider budget totals before completing action on the separate appropriations. To do this, the budget committees formulate a budget resolution setting levels for budget authority, both in total and by functional areas (such as national defense, energy, transportation, etc.). The budget resolution is scheduled for adoption by the whole Congress by April 15, but delays are frequent. This resolution allocates amounts to the appropriations committees that have jurisdiction over the programs, and these committees are required, in turn, to allocate amounts to their respective subcommittees. Budget resolutions are not laws and do not require presidential approval.

The appropriations committees in both the House and Senate are divided into subcommittees that hold hearings and review detailed budget justification in their jurisdictional areas. Appropriations bills are initiated in the House. After a bill has been approved by the committee and the whole House, it is forwarded to the Senate, where a similar review takes place. When disagreements occur between the two houses of Congress, a conference committee meets to resolve these differences. The report of the conference committee is returned to both houses for approval. It then goes to the President as an enrolled bill for approval or veto.

If actions on one or more appropriations bills are not completed by the beginning of the fiscal year (October 1), Congress enacts a continuing resolution to authorize continued operations at some designated level for a specified time, pending a regular appropriation. Continuing resolutions require presidential approval and signature.

So far, the actions described pertain to annual appropriations included in 13 separate appropriations bills. These apply to what is described as discretionary spending because of the need for annual budget authority by Congress. While the majority of federal programs are dependent on annual appropriations, the discretionary portion covers only about one-third of annual federal outlays. The rest of federal expenditures come from budget authority in permanent laws which do not need to be reenacted annually. This applies to the large entitlement programs and the interest on the public debt, which are funded by permanent law. Therefore, the majority of outlays in a year are not controlled through separate appropriations actions for the year. The terms used are “discretionary” for the annual appropriations and “direct spending” for those based on permanent laws.

Congress may enact new legislation or change existing legislation relating to direct spending, but need take no action on an annual basis, in which case the spending continues in accordance with existing law. Without legislative change, it is on automatic pilot.

For more information on the budget process at the federal level, see *A Citizen's Guide to the Federal Budget, Fiscal Year 2002* and *A Brief Introduction to the Federal Budget Process*, Congressional Research Report 96-912, updated October 20, 1997.

## **The Department of Defense Budget Process**

Agencies of the U.S. government submit and justify budget packages for inclusion in the President's Budget. The Department of Defense budget is an important segment of the discretionary funding portion.

The DoD budget submitted for inclusion in the President's Budget is a product of its Planning, Programming and Budgeting System (PPBS). DoD prepares a Future Years Defense Program (FYDP) spanning six years; the FYDP is periodically updated. The first for the FYDP is the basis for the next budget requiring congressional action. Actually, a two-year budget is prepared in even-numbered years, but Congress acts on only one year at a time, and the second year's budget is updated and resubmitted the following year.

The specific calendar of events varies somewhat from year to year, but the basic cycle goes something like this:

Defense Fiscal Guidance (DFG) provided in March is followed by revised programs from the services. This is in the form of a Program Objective Memorandum (POM) each service provides to OSD in May or early June. The OSD review leads to a Program Decision Memorandum (PDM) in August/September. In the meantime, budgets for the next fiscal year are being prepared based on OSD guidance and directives. Budget Execution Submissions (BESs) are made to OSD by the beginning of October, and the DoD budget now undergoes a detailed review within OSD.

The October-to-December review is actually a joint review by OSD and OMB. Decisions are made through a series of Program Decision Memoranda under supervision of a senior review panel, the Defense Resources Board. After the Secretary of Defense makes final decisions on major issues, the budget is presented to OMB and the President for final review and incorporation into the President's Budget.

With OMB and presidential approval, the backup documentation for submission to Congress is completed and the DoD budget request (now part of the President's Budget) is delivered in early February.

Next comes the congressional justification, review and approval period, ending with the authorization and appropriations bills, passed by Congress and signed by the President. Ideally, all this is completed by the beginning of the fiscal year on October 1. If not, operations continue with an appropriate Continuing Resolution. A schematic of the basic flow is shown in the figure on page 94.

After a series of hearings, Congress provides both authorization and appropriations bills. While authorization is important for program approvals, it is the appropriations bills that provide DoD with the authority to obligate funds and make payments (Outlays) against these obligations.

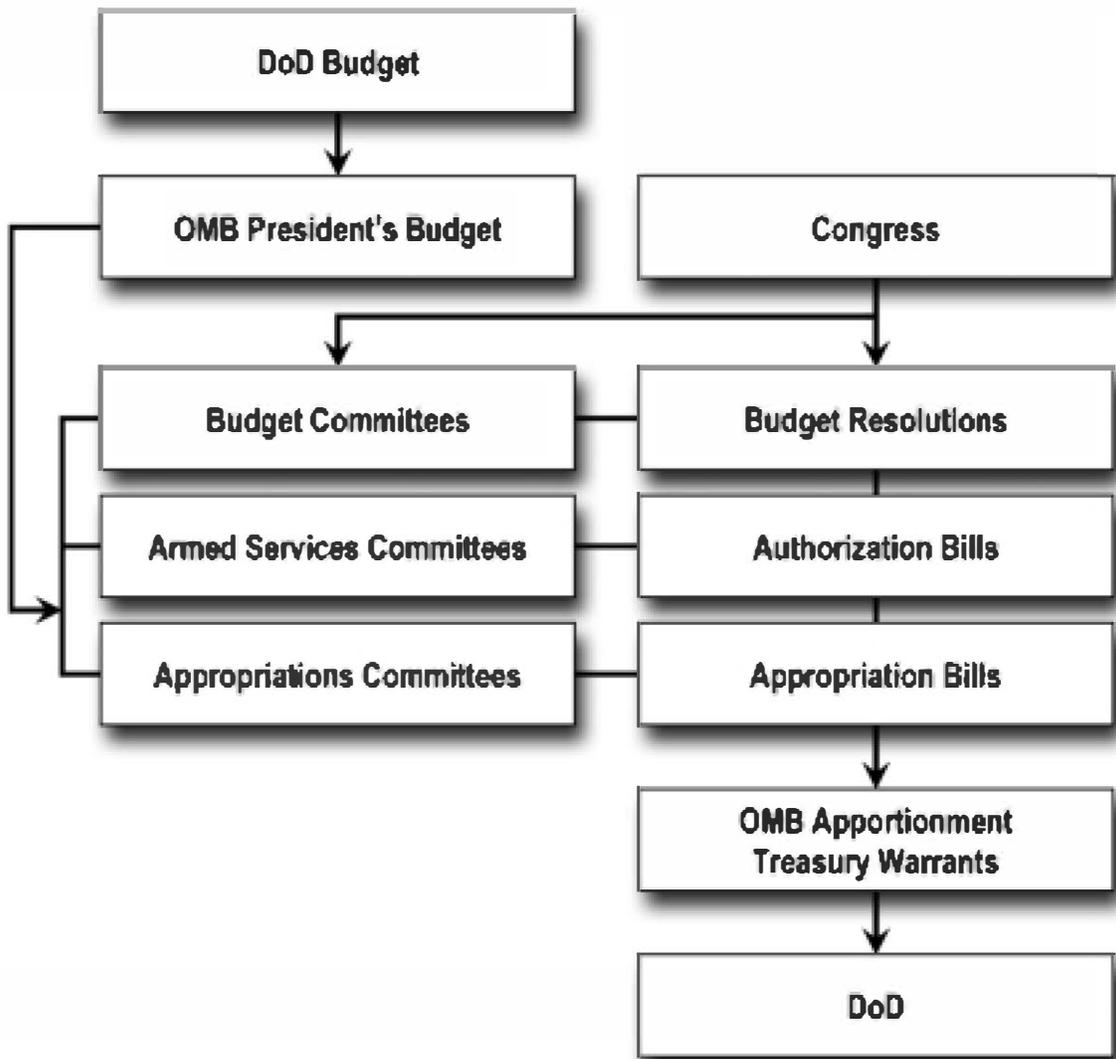
Appropriations for the Department of Defense are covered by two separate bills: the Military Construction Appropriations Bill, which addresses Military Construction and Family Housing, and the Department of Defense Appropriations Bill for all other DoD appropriations. These bills incorporate a number of individual appropriations covering Military Personnel, Operation and Maintenance, Procurement, RDT&E (Research, Development, Test and Evaluation), Military Construction and Family Housing. They are identified in the appropriations bills by title and military service.

At the start of the new fiscal year, providing the bills are passed and signed by the President, the execution phase begins. Before funds can be obligated, however, OMB must apportion the funds to DoD and Treasury warrants must be issued. DoD, in turn, subapportions for further allocation to operating agencies.

The services play a subordinate role to DoD in all of this, in both the formulation and justification of their respective portions of the DoD budget. All the services conform to the same calendar and procedures with respect to the DoD budget process.

At any one time a number of concurrent actions involving different budgets are occurring. Using the Department of the Army (DA) as an example, the present budget-related actions look something like this: DA is executing the FY 2006 budget that extends through September 2006 while concurrently justifying its portion of the FY 2007 Army budget in Congress. At the same time DA is also engaged in the Pentagon in updating the program through FY 2013 and getting ready for the next Army budget proposal to DoD. This remains a dynamic, ongoing process.\*

## DoD Budget Process



\* The POM normally includes six fiscal years and begins with an even-numbered fiscal year; the following year, the services submit an update for the second fiscal year and the out years of the prior POM. In “normal” times, the Army would have submitted its POM for FYs 2008–2013. However, we live in exceptional times. For the first time in more than 40 years, the Army did not submit a POM as requested by OSD. Apparently the Army has told OSD that the times are too unpredictable for them to prepare a year-by-year definitive POM. The Army has been discussing the situation and the financial implications with OSD and may provide some extended fiscal year data with its budget proposal for FY 2008.

## Appendix III

# Glossary of Acronyms

<b>AC</b>	Active Component	<b>BCT</b>	Brigade Combat Team
<b>ACS</b>	Aerial Common Sensor	<b>BEA</b>	Bureau of Economic Analysis
<b>ACWA</b>	Assembled Chemical Weapons Alternative	<b>BES</b>	Budget Execution Submission
<b>ADDS</b>	Army Data Distribution System	<b>BFT</b>	Blue Force Tracking
<b>ADRS</b>	Army National Guard Division Redesign Study	<b>BFVS</b>	Bradley Fighting Vehicle System
<b>AEHF</b>	Advanced Extremely High Frequency Satellite	<b>BLIN</b>	Budget Line Item Number
<b>AFATDS</b>	Advanced Field Artillery Tactical Data System	<b>BMD</b>	Ballistic Missile Defense
<b>AFH</b>	Army Family Housing	<b>BOS</b>	Base Operations Support
<b>AFOM</b>	Army TACMS Family of Munitions	<b>BRAC</b>	Base Realignment and Closure
<b>AGATM</b>	Army Global Air Traffic Management	<b>C2</b>	Command and Control
<b>AGR</b>	Active Guard and Reserve	<b>C3</b>	Command, Control and Communications
<b>AIM</b>	Abrams Integrated Management	<b>C4ISR</b>	Command, Control, Communica- tions, Computers, Intelligence, Surveillance and Reconnaissance
<b>AMD</b>	Air and Missile Defense	<b>CAMD,A</b>	Chemical Agents and Munitions Destruction, Army
<b>AMD PCS</b>	AMD Planning and Control System	<b>CAP</b>	Combined Aggregate Program
<b>AMRAAM</b>	Advanced Medium-Range Air-to-Air Missile	<b>CATS</b>	Combined Arms Training Strategy
<b>APA</b>	Aircraft Procurement, Army	<b>CBO</b>	Congressional Budget Office
<b>APS</b>	Army Prepositioned Stocks	<b>CONUS</b>	Continental United States
<b>ARH</b>	Armed Reconnaissance Helicopter	<b>COSIS</b>	Care of Supplies in Storage
<b>ARL</b>	Airborne Reconnaissance Low	<b>CRA</b>	Continuing Resolution Act
<b>ATACMS</b>	(or Army TACMS) Army Tactical Missile System	<b>CROWS</b>	Common Remotely Operated Weapons Station
<b>ATAP</b>	Alternative Technologies and Approaches Project	<b>CSDP</b>	Chemical Stockpile Disposal Program
<b>ATAS</b>	Advanced Tank Armament System	<b>CSEPP</b>	Chemical Stockpile Emergency Preparedness Project
<b>ATGM</b>	Antitank Guided Missile	<b>CSO</b>	Center for Special Operations
<b>AVCATT</b>	Aviation Combined Arms Tactical Trainer	<b>CTC</b>	Combat Training Center
<b>AWCF</b>	Army Working Capital Fund	<b>DA</b>	Department of the Army
<b>BA</b>	Budget Authority	<b>DFAS</b>	Defense Finance and Accounting Service
<b>BAH</b>	Basic Allowance for Housing	<b>DFG</b>	Defense Fiscal Guidance
		<b>DHP</b>	Defense Health Program

<b>DHS</b>	Department of Homeland Security	<b>GWOT</b>	Global War on Terrorism
<b>DLR</b>	Depot-Level Repairable	<b>HIMARS</b>	High-Mobility Artillery Rocket System
<b>DoD</b>	Department of Defense	<b>HMMWV</b>	(or Humvee) High-Mobility Multi-purpose Wheeled Vehicle
<b>DWCEA</b>	Defense Working Capital Fund, Army	<b>HST</b>	Home Station Training
<b>ECM</b>	Electronic Countermeasures	<b>IAB</b>	Interim Armored Vehicle
<b>ECV</b>	Expanded Capacity Vehicle	<b>ICV</b>	Infantry Carrier Vehicle
<b>EELV</b>	Evolved Expendable Launch Vehicle	<b>IGPBS</b>	Integrated Global Presence and Basing Strategy
<b>EFV</b>	Expeditionary Fighting Vehicle	<b>IHIRSS</b>	Integrated Hover Infrared Suppression System
<b>ELRF</b>	Eyesafe Laser Range Finder	<b>IMA</b>	Individual Mobilization Augmentee
<b>EOQ</b>	Economic Order Quantity	<b>IRR</b>	Individual Ready Reserve
<b>ER</b>	Environmental Restoration	<b>ITAS</b>	Improved Target Acquisition System
<b>ERA</b>	Environmental Restoration, Army	<b>JASSM</b>	Joint Air-to-Surface Standoff Missile
<b>ERP</b>	Environmental Restoration Program	<b>JDAM</b>	Joint Direct Attack Munition
<b>ESSM</b>	Evolved Seasparrow Missile	<b>JLENS</b>	Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System
<b>ESV</b>	Engineer Squad Vehicle	<b>JMIP</b>	Joint Military Intelligence Program
<b>EW</b>	Electronic Warfare	<b>JPATS</b>	Joint Primary Aircraft Training System
<b>FAASV</b>	Field Artillery Ammunition Support Vehicle	<b>JROTC</b>	Junior Reserve Officer Training Corps
<b>FBCB2</b>	Force XXI Battle Command Brigade and Below	<b>JSF</b>	Joint Strike Fighter
<b>FCS</b>	Future Combat Systems	<b>JSOW</b>	Joint Standoff Weapon
<b>FHIF</b>	Family Housing Improvement Fund	<b>JTAMDO</b>	Joint Theater Air and Missile Defense Organization
<b>FHP</b>	Flying Hour Program	<b>JTRS</b>	Joint Tactical Radio System
<b>FHTV</b>	Family of Heavy Tactical Vehicles	<b>LCAAP</b>	Lake City Army Ammunition Plant
<b>FIST</b>	Fire Support Team	<b>LCS</b>	Littoral Combat Ship
<b>FLIR</b>	Forward-Looking Infrared	<b>LHS</b>	Load Handling System
<b>FMTV</b>	Family of Medium Tactical Vehicles	<b>LLM</b>	Launch-Loader Module
<b>FSV</b>	Fire Support Vehicle	<b>LMSR</b>	Large, Medium-Speed Roll-on/Roll-off
<b>FUDS</b>	Formerly Used Defense Site	<b>LMTV</b>	Light Medium Tactical Vehicle
<b>FY</b>	Fiscal Year	<b>LUH</b>	Light Utility Helicopter
<b>FYDP</b>	Future Years Defense Plan	<b>MACS</b>	Modular Artillery Charge System
<b>GDP</b>	Gross Domestic Product	<b>MBCOTM</b>	Mounted Battle Command on the Move
<b>GFD</b>	Gross Federal Debt		
<b>GFE</b>	Government-Furnished Equipment		
<b>GNP</b>	Gross National Product		
<b>GSTAMIDS</b>	Ground Standoff Minefield Detection System		

<b>MCA</b>	Military Construction, Army	<b>OMAR</b>	Operation and Maintenance, Army Reserve
<b>MCAR</b>	Military Construction, Army Reserve	<b>OMB</b>	Office of Management and Budget
<b>MCARNG</b>	Military Construction, Army National Guard	<b>OMARNG</b>	Operation and Maintenance, Army National Guard
<b>MEADS</b>	Medium Extended Air Defense System	<b>OPA</b>	Other Procurement, Army
<b>MEV</b>	Medical Evacuation Vehicle	<b>OPA1</b>	Other Procurement, Tactical and Support Vehicles
<b>MFO</b>	Multinational Force and Observers	<b>OPA2</b>	Other Procurement, Communications and Electronics
<b>MFOM</b>	MLRS Family of Missiles	<b>OPA3</b>	Other Procurement, Other Support Equipment
<b>MGS</b>	Mobile Gun System	<b>OPTEMPO</b>	Operational Tempo
<b>MILCON</b>	Military Construction	<b>OSD</b>	Office of the Secretary of Defense
<b>MILPERS</b>	Military Personnel	<b>PAC-3</b>	Patriot Advanced Capability-3
<b>MLRS</b>	Multiple Launch Rocket System	<b>PART</b>	Program Assessment Rating Tool
<b>MLV</b>	Medium Launch Vehicle	<b>PBD</b>	Program Budget Decision
<b>MPA</b>	Military Personnel, Army	<b>PDM</b>	Program Decision Memorandum
<b>MR</b>	Medium Range	<b>PE</b>	Program Element
<b>M-TADS/PNVS</b>	Modernized Target Acquisition Designation Sight/Pilot Night Vision Sensor	<b>PIP</b>	Product Improvement Program
<b>MUOS</b>	Mobile User Objective System	<b>POM</b>	Program Objective Memorandum
<b>MYP</b>	Multiyear Procurement	<b>PPBE</b>	Planning, Programming, Budgeting and Execution
<b>NATO</b>	North Atlantic Treaty Organization	<b>QDR</b>	Quadrennial Defense Review
<b>NAVSTAR</b>	Navigation System Using Time and Ranging	<b>R&amp;S</b>	Reliability and Safety
<b>NAVSTAR-GPS</b>	NAVSTAR Global Positioning System	<b>RAM</b>	Rolling Airframe Missile
<b>NBC</b>	Nuclear, Biological, Chemical	<b>RC</b>	Reserve Component
<b>NBCRV</b>	NBC Reconnaissance Vehicle	<b>RCI</b>	Residential Communities Initiative, also known as the 1996 Military Housing Initiative
<b>NGPA</b>	National Guard Personnel, Army	<b>RCOH</b>	Refueling Complex Overhaul
<b>NPS</b>	Non-primary Power Source	<b>RDA</b>	Research, Development and Acquisition
<b>NSCMP</b>	Non-Stockpile Chemical Materiel Project	<b>RDT&amp;E</b>	Research, Development, Test and Evaluation
<b>NSPS</b>	National Security Personnel System	<b>RPA</b>	Reserve Personnel, Army
<b>O&amp;M</b>	Operation and Maintenance	<b>RV</b>	Reconnaissance Vehicle
<b>OCAR</b>	Office, Chief, Army Reserve	<b>S&amp;T</b>	Science and Technology
<b>ODS</b>	Operation Desert Storm	<b>SAG</b>	Sub-activity Group
<b>OEF</b>	Operation Enduring Freedom		
<b>OIF</b>	Operation Iraqi Freedom		
<b>OMA</b>	Operation and Maintenance, Army		

<b>SALE</b>	Single Army Logistics Enterprise	<b>TIGER</b>	Total Integration Engine Revitalization
<b>SAMAS</b>	Structure and Manpower Allocation System	<b>TOA</b>	Total Obligational Authority
<b>SASC</b>	Senate Armed Services Committee	<b>TOW</b>	Tube-launched, Optically-tracked, Wire-guided
<b>SATCOM</b>	Satellite Communications	<b>TPU</b>	Troop Program Unit
<b>SAW</b>	Squad Automatic Weapon	<b>TRICARE</b>	Department of Defense Triple-option Health Care Program
<b>SBIRS-H</b>	Space-Based Infrared Systems-High	<b>TSAT</b>	Transformational Satellite
<b>SDB</b>	Small Diameter Bomb	<b>TSDF</b>	Toxic Storage Disposal Facility
<b>SEAL</b>	Sea-Air-Land (Navy special operations)	<b>TUAV</b>	Tactical Unmanned Aerial Vehicle
<b>SELRES</b>	Selected Reserve	<b>TUSK</b>	Tank Urban Survivability Kit
<b>SEP</b>	System Enhancement Program	<b>UAV</b>	Unmanned Aerial Vehicle
<b>SFW</b>	Sensor Fuzed Weapon	<b>UGV</b>	Unmanned Ground Vehicle
<b>SGF</b>	Second-Generation FLIR	<b>USARC</b>	U.S. Army Reserve Command
<b>SINGARS</b>	Single Channel Ground and Airborne Radio System	<b>USSOCOM</b>	U.S. Special Operations Command
<b>SOF</b>	Special Operations Forces	<b>WCMD</b>	Wind Corrected Munitions Dispenser
<b>SRM</b>	Sustainment, Restoration and Modernization	<b>WGS</b>	Wideband Gapfiller Satellite
<b>TAD</b>	Towed Artillery Digitization	<b>WTCV</b>	Weapons and Tracked Combat Vehicles

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2007 will be a pivotal year for the Army. We will continue to conduct operations while transforming the force, its global infrastructure, and all of our supporting business processes. The resources provided to the Army in 2007 and beyond will enable the Army to maintain the momentum of key programs, while accelerating aspects of our transformation. Moreover, this funding will determine our ability to continue to accomplish our mission and to be postured to meet future commitments.

Secretary of the Army Francis J. Harvey  
and Army Chief of Staff General Peter J. Schoomaker,  
“A Statement on the Posture of the United States Army 2006,”  
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of the United States Senate and the House of Representatives

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