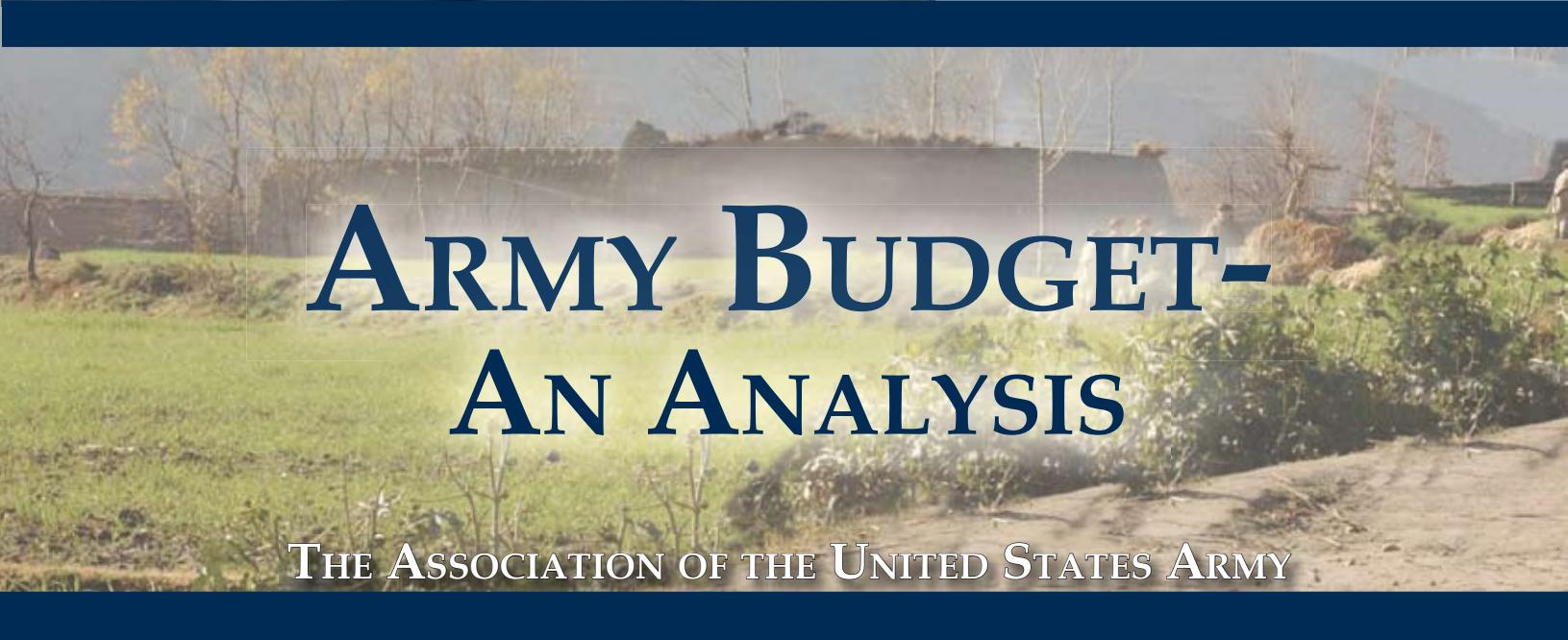




FISCAL YEAR
2009



ARMY BUDGET- AN ANALYSIS

THE ASSOCIATION OF THE UNITED STATES ARMY

Fiscal Year 2009

Army Budget

An Analysis



The Institute of Land Warfare
Association of the United States Army



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Foreword

The U.S. Army has been engaged for nearly seven years in continuous conflict while undertaking a revolutionary modernization of its forces to better meet the many challenges facing the nation and its warfighters. The purpose of this transformation is to equip America's Soldiers with better weapons, defenses and technologies, organize Soldiers into more agile, responsive units and ensure victory in any combat situation.

In addition to facing today's challenges, the Army is keeping a firm focus on the future. It is accelerating the fielding of Future Combat Systems into the current force, developing new weapons, communication, surveillance and security technologies, and recapitalizing facilities for Soldiers and their families. Continuous modernization is the key to enhancing our capabilities and maintaining a technological advantage over any enemy we will face.

Reconciling these two elements—current and future requirements—is a focus of the Fiscal Year 2009 Army budget. It places an emphasis on the concept of restoring balance—the need to generate land force capabilities beyond current operations. To execute current operations, reset our forces while maintaining a high operational tempo, and develop future capabilities to sustain the highest-quality force requires timely, predictable and comprehensive funding. The next year will bring a new administration with its own strategy for pursuing the war on terrorism; the Army cannot afford to languish without proper funding during the transition.

Fiscal Year 2009 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 DoD budgets and breaks down requests according to funding authority and programs, from Soldiers' pay to research and development. The analysis 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 and their families.

The Association of the United States Army fully supports the Army—active Army, 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 2009 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 2008

The Budget Message of the President of the United States

At www.budget.gov, Americans will find the budget of the Federal Government for Fiscal Year 2009. Two key principles guided the development of my Budget—keeping America safe and ensuring our continued prosperity.

As we enter this New Year, our economy retains a solid foundation despite some challenges, revenues have reached record levels, and we have reduced the Federal deficit by \$250 billion since 2004. Thanks to the hard work of the American people and spending discipline in Washington, we are now on a path to balance the budget by 2012. Our formula for achieving a balanced budget is simple: create the conditions for economic growth, keep taxes low, and spend taxpayer dollars wisely or not at all.

As Commander in Chief, my highest priority is the security of the American people. So my Budget invests substantial resources to protect the United States from those who would do us harm. Continuing our Nation's efforts to combat terrorism around the globe, my Budget provides our men and women in uniform the tools they need to succeed in Afghanistan and Iraq, and it furnishes the resources needed for our civilians to help those nations achieve economic and political stabilization. My Budget also strengthens our overseas diplomatic capabilities and development efforts, advances our political and economic interests abroad, and improves the lives of people around the world.

Here at home, we are blessed to live in a country that rewards hard work and innovation. In our flexible and dynamic economy, people can pursue their dreams, turn ideas into enterprises, and provide for their families.

As we look back over the past 7 years, we see the economy has successfully responded to substantial challenges, including a recession, terrorist attacks, corporate scandals, wars, and devastating natural disasters. It is a measure of our economy's resilience and the effectiveness of pro-growth policies that our economy has absorbed these shocks, grown for 6 straight years, and had the longest period of uninterrupted job growth on record. Yet mixed indicators confirm that economic growth cannot be taken for granted. To insure against the risk of an economic downturn, I will work with the Congress to pass a growth plan that will provide immediate, meaningful, and temporary help to our economy.

Americans have real concerns about their ability to afford healthcare coverage, pay rising energy bills, and meet monthly mortgage payments. They expect their elected leaders in Washington to address these pressures on our economy. So my Budget puts forth proposals to make health care more affordable and accessible, reduce our dependence on oil, and help Americans struggling to keep their homes.

Above all, my Budget continues the pro-growth policies that have helped promote innovation and entrepreneurship. I will not jeopardize our country's continued prosperity with a tax increase. Higher taxes would only lead to more wasteful spending in Washington—putting at risk both economic growth and a balanced budget.

As we work to keep taxes low, we must do more to restrain spending. My Budget proposes to keep non-security discretionary spending growth below 1 percent for 2009 and then hold it at that level for the next 4 years. It also cuts spending on projects that are not achieving results—because good intentions alone do not justify a program that is not working.

One of the best ways to reduce waste and increase accountability is to make Federal spending more transparent. To help Americans see where their money is being spent, we have launched a website called www.USASpending.gov, and to help Americans see the kind of results they are getting for their money, we launched www.ExpectMore.gov. I invite all Americans to log on and find out for themselves how their hard-earned tax dollars are being spent.

Billions of those tax dollars go to something called earmarks. Earmarks are special-interest items that are slipped into big spending bills or committee reports, often at the last hour, without discussion or debate. Last January, I asked

the Congress to reform earmarks, and lawmakers took some modest steps in that direction. But they failed to end the practice of concealing earmarks in report language—and they continued to fund thousands of them. So I will take steps to advance earmark reform. I also call on the Congress to adopt the legislative line-item veto, which gives the legislative and executive branches a tool to help eliminate wasteful spending. Common-sense reform will help prevent billions of taxpayers' dollars from being spent on unnecessary and unjustified projects.

As we take these steps to address discretionary spending, we also need to confront the biggest challenge to the Federal budget: the unsustainable growth in entitlement spending. Many Americans depend on programs like Social Security, Medicare, and Medicaid, and we have an obligation to make sure they are sound for our children and grandchildren. If we do not address this challenge, we will leave our children three bad options: huge tax increases, huge deficits, or huge cuts in benefits. The longer we put off the problem, the more difficult, unfair, and expensive a solution becomes.

My Budget works to slow the rate of growth of these programs in the short term, which will save \$208 billion over 5 years. This step alone would reduce Medicare's 75-year unfunded obligation by nearly one-third. My Administration cannot solve this problem alone, though. We need a commitment from the Congress to reform and improve these vital programs so they can serve future generations of Americans.

In my 2009 Budget, I have set clear priorities that will help us meet our Nation's most pressing needs while addressing the long-term challenges ahead. With pro-growth policies and spending discipline, we will balance the budget in 2012, keep the tax burden low, and provide for our national security. And that will help make our country safer and more prosperous.

GEORGE W. BUSH
The White House

4 February 2008

The Federal Budget

Introduction

All budgets are plans, i.e., budgets focus on the nature of the mission and what is to be accomplished, and the resources to make it happen. President George W. Bush describes his plan for Fiscal Year (FY) 2009 in the *Budget for the United States Government, Fiscal Year 2009*. The President requires \$3.026 trillion in Budget Authority and \$3.107 trillion in Outlays to support his plan, i.e., the authority to obligate funds and the funds necessary to make payments during the fiscal year. The President's Budget includes plans for allocating the money among the departments and agencies, plans for spending the money on specific programs and projects, and plans for raising the money.

Since this is the final year of President Bush's term of office, the FY 2009 Budget is the President's final set of plans for the federal government.

The American federal budget system follows a sequential flow: first the President formulates a budget, i.e., a plan; then Congress reviews and modifies the President's budget plan, appropriating funds and authorizing programs and even personnel; finally, the President executes the bulk of the federal budget through the departments and agencies.

President Bush's FY 2009 Budget is the first step in the federal budget process. The President's budget message for FY 2009 begins with recurring themes from his previous budgets: "Two key principles guided the development of my Budget—keeping America safe and ensuring our continued prosperity."¹

With regard to "keeping America safe," President Bush goes on to say:

As Commander in Chief, my highest priority is the security of the American people. So my Budget invests substantial resources to protect the United States from those who would do us harm. Continuing our Nation's efforts to combat terrorism around the

globe, my Budget provides our men and women in uniform the tools they need to succeed in Afghanistan and Iraq.²

Further, the President recognizes that "keeping America safe" requires more than military forces:

[My Budget] furnishes the resources needed for our civilians to help those nations achieve economic and political stabilization. My Budget also strengthens our overseas diplomatic capabilities and development efforts, advances our political and economic interests abroad, and improves the lives of people around the world.³

With this latter point, President Bush suggests that other means, in addition to military force, should receive special attention in advancing national security. This statement reflects a more expansive approach to national security than any of his earlier budget messages.

Advancing the United States' core principles of freedom, democracy, political stability and economic prosperity to people around the world is a way of promoting American national security. The nation needs to use all means available to promote these principles. With this approach, the United States may earn moral influence and international respect; our enemies—state or non-state terrorists—cannot flourish in such an environment.

As evidenced by the experience of the past seven years, having the preeminent military force in the world and the wisdom to be flexible and responsive on the battlefield is not enough. As Sun Tzu might say, to win without fighting is the supreme victory. This broader approach to national security is clearly evident in comments by the major presidential candidates, leading to the conclusion that this approach is likely to be more prominent in future budget plans.

In almost all of the remainder of his message, the President focuses on the second principle—"ensuring

our continued prosperity." This volume of concern suggests it is a priority, but the small percentage of and lack of growth in resources do not confirm it. However, this too may change with a new administration.

The President expresses concerns that are shared by most Americans:

As we look back over the past seven years, we see the economy has successfully responded to substantial challenges. . . . Yet mixed indicators confirm that economic growth cannot be taken for granted. To insure against the risk of an economic downturn, I will work with the Congress to pass a growth plan that will provide immediate, meaningful, and temporary help to our economy.⁴

Americans have real concerns about their ability to afford healthcare coverage, pay rising energy bills, and meet monthly mortgage payments. They expect their elected leaders in Washington to address these pressures on our economy.

This same emphasis is evident in the testimony of the Director of the Office of Management and Budget (OMB), Jim Nussle. He began his testimony to Congress with the statement, "The President's FY09 Budget focuses our resources on our nation's highest priorities: the security of the American people and the prosperity of our economy."⁵ OMB oversees the preparation of the federal budget and ensures that agency reports, rules, testimony and proposed legislation are consistent with the President's Budget and with administration policies.⁶

Mr. Nussle further states, "The Budget invests substantial resources to protect the United States from those who would do us harm." He then discusses the economic downturn, tax relief, health care, congressional earmarks (i.e., resources for special-interest projects not included in the Budget) and holding down discretionary spending while working on the challenge of mandatory spending. Near the end of his testimony, he returns to national security and specifically discusses supplemental funding for the war on terrorism.⁷

Clearly, Congress shares the principles expressed by the President of "keeping America safe and ensuring our continued prosperity;" however, Congress and individual members have different opinions about the priorities for allocating resources to support these principles and about raising the money. Within the federal budget system, congressional majorities have responsibility for

shaping the ultimate plan for the federal government—Congress appropriates the funds and authorizes specific programs and personnel levels.

This section discusses the budget for the United States government from a national perspective.

The Budget Top Line

The FY 2009 Budget requests \$3.026 trillion in Budget Authority (an increase of only 0.4 percent over FY 2008) and \$3.107 trillion in Outlays (an increase of 6 percent over FY 2008). The nominal increase in Budget Authority actually suggests a decrease in buying power, considering pay raises of 3.5 percent and inflation.

The budget data support comparative analysis because the budget tables include, as a minimum, the amounts expended during the last completed fiscal year, the amount appropriated for the current year and the President's request for the next budget year. These top-line FY 2009 Budget totals are in **table 1**.

A comparison of the annual data in table 1 reveals an increase in Budget Authority of 5.2 percent between FYs 2007 and 2008, and an increase of 0.4 percent between FYs 2008 and 2009. This sort of comparison provides a starting point for analysis; arriving at an accurate understanding of the differences requires some knowledge about the content of the totals. For example, the FY 2007 total includes all supplemental funding, such as \$174 billion for the war on terrorism; the FY 2008 total includes only the bridge supplemental, not the larger second supplemental recently signed by the President. Similarly, the FY 2009 amount does not include all of the likely supplemental funding.

On an annual basis, the Outlays increase by 7.4 percent between FYs 2007 and 2008, and 6 percent between FYs 2008 and 2009. The FY 2009 Outlays exceed Budget Authority because expenditures from earlier years plus the budget year will exceed the Budget Authority for the budget year.

Table 1

President's Budget Fiscal Year 2009
(\$ billions)

	FY07 ¹	FY08 ²	FY09 ³
Budget Authority	2,863	3,013	3,026
Outlays	2,730	2,931	3,107

¹ FY07 are actual amounts.

² FY08 are appropriated amounts.

³ FY09 are budget proposals.

Source: Budget of the United States Government, Fiscal Year 2009, Historical Tables 5.2, 4.1

This top-line Outlay information is important for analyzing whether the Budget is balanced, i.e., whether revenues equal expenditures. If expenditures exceed revenues, then the federal government will operate at a deficit and will borrow money to generate cash for Outlays. Federal borrowing has negative implications for the national economy. A basic understanding of the top-line dollars and their implications is important to appreciate the competing national priorities that affect the DoD and Army budgets.

As one drills down from this top-line, the Budget includes specific information on the funding requests by agency and on the use of the funding. An analysis of the Budget details provides insights into the President's plan for the federal government.

The budget of the United States government includes a series of documents:

- *Budget of the United States Government, Fiscal Year 2009* contains the Budget Message of the President, information on the President's budget and management priorities and budget overviews organized by agency.
- *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2009* contains analyses to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective. This volume includes economic and accounting analyses; information on federal receipts and collections; analyses of federal spending; information on federal borrowing and debt; baseline or current services estimates; and other technical presentations.
- *Analytical Perspectives, Supplemental Materials* contains several detailed tables, including tables showing the budget by agency and account, and by function, subfunction and program.
- *Historical Tables, Budget of the United States Government, Fiscal Year 2009* provides data on budget receipts, outlays, surpluses or deficits, federal debt and federal employment over an extended time period, generally from 1940 or earlier to 2009. To the extent feasible, the data have been adjusted to provide consistency with the 2009 Budget and to provide comparability over time.
- *Budget of the United States Government, Fiscal Year 2009 – Appendix* contains detailed information on the various appropriations and funds that constitute

the budget and is designed primarily for the use of the Appropriations Committee.

- Additional supporting documents include Major Savings and Reforms; Federal Credit Supplement; Object Class Analysis, Balances of Budget Authority; The Budget System and Concepts; Updated Report on Information Technology (IT) Spending for the Federal Government; Spreadsheets; and more.

The subsequent paragraphs in this section draw from these materials and present an analysis of the economic outlook, the deficit and debt, discretionary and mandatory funding and the distribution of the discretionary funds between defense and non-defense. The analysis requires an understanding of certain key terms and conditions that are discussed in this section.

The Budget Overview

The *Overview of the President's 2009 Budget* highlights the major points of interest from the President's perspective and is organized into three sections:

Keeping America Safe

- **Provide a strong defense by:**
 - investing substantial resources to maintain high levels of military readiness and to continue the transformation of the military;
 - supporting a democratic Iraq and Afghanistan so that they become allies in the war on terrorism; and
 - obtaining emergency funding for the troops in harm's way.
- **Provide for international engagement by:**
 - supporting Iraq and Afghanistan, promoting stability in the Middle East, continuing commitments to Africa and launching a new common security initiative in the Americas;
 - helping to build healthier and more prosperous societies through various initiatives, such as the President's Emergency Plan for AIDS Relief; and
 - investing resources to increase diplomatic and development capabilities, including civilian experts who can deploy quickly to respond to crises and execute stabilization and reconstruction efforts in post-conflict countries.
- **Provide for homeland security by:**
 - enhancing border security by investing in 2,200 new border patrol agents and, together with FY

- 2008 funding, providing \$2 billion to construct a system to protect the borders using a mix of additional fencing and current and next generation technology;
- o starting a new Southwest Border Enforcement Initiative to increase investigators, prosecutors, marshals and detention capabilities;
 - o expanding programs to verify employment, which helps participating U.S. employers hire and maintain a legal workforce; and
 - o improving coordination and providing training and support in immigration law for state and local law enforcement officials.

Keeping America Prosperous

- **Provide economic growth by** presenting policies to prevent tax increases, open new markets for U.S. exports through trade agreements, increase energy production and reform the mortgage markets.
- **Provide quality education by:**
 - o building on the No Child Left Behind program; providing \$14.3 billion in Title 1 funding for low-income schools, which is a 63 percent increase since 2001; and providing \$1 billion to continue effective, research-based literacy instruction through Reading First;
 - o expanding school choice and charter school options for students in need and emphasizing the math and science education components of the American Competitiveness Initiative;
 - o implementing the new College Cost Reduction and Access Act with a maximum Pell Grant of \$4,800 in 2009 and rising to \$5,400 by 2012; and
 - o providing nearly \$95 billion in financial aid to help almost 11 million students and their families pay for college.
- **Provide affordable health care by:**
 - o fostering a marketplace for health care, encouraging competition and improving efficiency; and
 - o replacing the existing – and unlimited – tax exclusion for employer-sponsored insurance with a standard deduction, which levels the playing field for Americans who purchase health care individually rather than through their employers.

- **Provide energy security by:**
 - o doubling the capacity of the Strategic Petroleum Reserve; and
 - o accelerating technological breakthroughs that include developing carbon capture and storage technologies, licensing new nuclear plants and investing to make solar power cost-competitive with conventional electricity by 2015.
- **Provide housing and encourage homeownership by:**
 - o providing \$65 million for the Housing Counseling program (a 30 percent increase over 2008) and \$150 million to help educate consumers, combat foreclosures and promote a healthier housing market;
 - o increasing mortgage financing options for homebuyers and homeowners by modernizing the Federal Housing Administration (FHA); and
 - v allowing families who have become delinquent on their mortgage payments as a result of their loan resets, as well as those who are current, to qualify for refinancing under the FHA Secure program.

Fiscal Responsibility

- **Provide spending discipline by:**
 - o limiting the rate of growth in total discretionary spending to no faster than that of the economy, and holding the rate of growth for non-security discretionary spending to less than 1 percent; and
 - o proposing to terminate or reduce 151 programs for a savings of more than \$18 billion.
- **Provide common-sense budget reforms to improve transparency and accountability in government spending, including a line-item veto that would allow the President to strike unwarranted earmarks and other wasteful and unnecessary spending.**
- **Provide responsible steps to secure the future by:**
 - o addressing the unsustainable growth in Medicare, Medicaid and Social Security because spending on these and other mandatory programs would consume all available resources at the current level of revenues – crowding out defense, homeland security, education and all discretionary spending – by 2040; and

- o proposing immediate reforms to mandatory spending that would save \$208 billion over five years – this is only 2.3 percent of mandatory spending.⁸

Background on the Federal Budget

This section provides essential information on the terms and data to better understand the Budget. The next section focuses on the fiscal environment that strongly influences the top-line of the Budget.

Budget Terms

The federal government uses various terms to characterize the authority to obligate and account for budget expenditures, and other terms to control the use of funds.

Funding Authority. This refers to the various types of funding power granted by Congress that allow agencies to obligate the government to make payments or to make payments on behalf of the government. Three types of funding authority are important in this analysis: Budget Authority, Total Obligational Authority and Outlay Authority. Each type has a unique definition and, therefore, each will be a different dollar amount for the same fiscal year.

- **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:
 - o Budget Authority for a given fiscal year;
 - o balances of Budget Authority brought forward from prior years that remain available for obligation in the fiscal year; and
 - o amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts.
- **Outlay Authority** is the authority to make actual payments for liquidating obligations, including interest payments, during a 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 the current or prior years.

In summary, Budget Authority and Total Obligational Authority refer to funds available for use by government officials, which is somewhat analogous to

the monies available in a person's checking and savings accounts. Outlays refer to the actual amount of cash on hand to make payments during the fiscal year, i.e., to liquidate the checks.

This section uses Budget Authority and Outlays in tables and figures. Outlays are important in the federal analysis because the relationship between Outlays and revenues drives the federal debt or surplus, which is an overall federal issue and not an individual department issue. The DoD and Army sections display dollars in terms of Budget Authority or Total Obligational Authority because the agencies focus on the availability of funds to support programs and projects.

Appropriations and Authorizations. An appropriation provides legal authority for federal agencies to incur obligations and to make payments out of the U.S. Treasury for specified purposes. Appropriations bills, such as the Department of Defense bill and the Department of Homeland Security bill, are considered every year by the Congress. Appropriations bills may include supplemental bills.

An authorization is an act of Congress that establishes or continues a federal program or agency and sets forth the guidelines to which it must adhere. Authorizations also include bills that require federal action that may include payments such as the Social Security authorization, which requires federal payments to all qualified citizens.

Discretionary and Mandatory. These terms refer to whether or not the funds are controllable through the annual congressional appropriation process. BA and Outlays may be discretionary or mandatory.

- **Discretionary funds** are those annually appropriated by Congress and enacted into law, such as funds for defense, homeland security, space exploration, foreign aid, agriculture, commerce, highway construction, justice and law enforcement, education and housing.
- **Mandatory funds** flow from enacted authorization laws – i.e., laws that may have been enacted years before that set criteria for an entitlement – and not from the annual appropriations process. Examples include Social Security, Medicare and Medicaid.

The *Glossary of Budget Terms* in the final section of this document provides an explanation of frequently used federal budget terms.

Budget Data

All the budgetary tables and figures in this analysis display Budget Authority, Total Obligational Authority or Outlays, or some combination of the three. The content of each type varies across time—the President’s plan for the budget year is an estimate, the current-year amount reflects congressional appropriations and the prior-year amount reflects actual outlays for the completed fiscal year.

- The prior-year and earlier BA dollars are *actual appropriated amounts* including supplemental and rescission actions. The prior-year and earlier Outlay dollars are the sum of actual obligations, expenditures and disbursements during the fiscal year regardless of the fiscal year of the BA and include supplemental dollars.
- The current-year BA and Outlay dollars—in this case FY 2008—summarizes the entire BA and Outlay authority enacted at the time the Budget was prepared. It includes supplemental dollars appropriated, but it does not include supplemental requests not yet enacted.
- The budget-year and any future-year BA and Outlay dollars are *estimates* and do not include supplemental requests; however, the FY 2009 Budget does include an additional entry for an initial supplemental request.

The budget formulation process involves “bottom up” input from perhaps thousands of organizations. With so many participants and so many organizational layers, the process requires fairly substantial lead time. For example, the FY 2009 Budget incorporates proposals that were prepared, reviewed, integrated, analyzed, modified and consolidated across the government during calendar year 2007. This formulation process culminates with the President’s Budget submission to Congress in February 2008. The congressional

appropriation process, ideally, takes about seven or eight months from budget submission to enactment by the beginning of the fiscal year on 1 October. Actual execution begins on 1 October, about a year and a half after the initial estimates were made.

National Defense Classification

Congress uses a functional classification system to allocate budgetary resources that is not synonymous with the agencies of government. Agency budgets are generally placed in the single budget function that best reflects the agency’s major purpose; for example, DoD is placed in National Defense. A budget function may include a few subfunctions, and some portion of an agency’s budget may be assigned to a subfunction; for example, part of the Department of Energy’s budget for nuclear energy is in a subfunction of National Defense.

The President’s Budget proposes \$611 billion in BA and \$675 billion in Outlays for the functional classification 050 National Defense in FY 2009. The National Defense function includes more than just DoD and is divided into three subfunctions:

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

The BA for National Defense and its three subfunctions is in **table 2**.

The Department of Defense–Military subfunction includes DoD’s budget for the services and Defense agencies. The BA for the subfunction is \$588 billion in FY 2009—a decrease of nearly 12 percent from FY 2008, but a 103 percent increase from the \$290 billion in the pre-war on terrorism budget for FY 2000.

BA decreases in FY 2010 by another 10 percent. In FY 2011 and beyond, BA increases by 1 to 2 percent annually.

Table 2

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

	FY07 ¹	FY08 ²	FY09	FY10	FY11	FY12	FY13
051 Department of Defense–Military	602.9	670.5	588.3	527.0	533.1	542.4	552.7
053 Atomic Energy Defense Activities	17.2	16.4	17.2	17.1	17.3	16.9	17.1
054 Defense-related Activities	5.7	6.3	5.7	5.7	5.9	5.8	5.9
Total³	625.8	693.2	611.1	549.8	556.3	565.1	575.6

¹ FY07 are actual amounts.

² FY08 are appropriated amounts. Remaining years are estimates.

³ Numbers may not add due to rounding.

Source: *Budget of the United States Government, Fiscal Year 2009*, Historical Table 5-1

The Outlays for the National Defense function in FY 2009 total \$675 billion. The Outlay estimate for the Department of Defense-Military subfunction in FY 2009 is \$651 billion—an increase of 11 percent from FY 2008 and an increase of 129 percent from the pre-war on terrorism Outlays in FY 2000. Outlays decrease by 12 percent and 5 percent in FY 2010 and FY 2011 respectively; in FY 2012 and FY 2013 Outlays increase by about 1 percent per year.

See **table 3** for Outlay data; **figure 1** provides historical Outlay trends.

The FY 2001 to FY 2007 Outlays include supplemental funding for the war on terrorism; FY 2008 includes the first bridge supplemental but not the recently enacted larger war supplemental. The FY 2009 and forward estimates do not include supplemental funds for operations in Iraq or Afghanistan. The scope and duration of these continuing operations will affect the final Outlay amounts for FY 2008 and beyond.

National Defense Outlays as a percentage of either Gross Domestic Product (GDP) or federal Outlays does not provide a substantial indication of whether the

Table 3

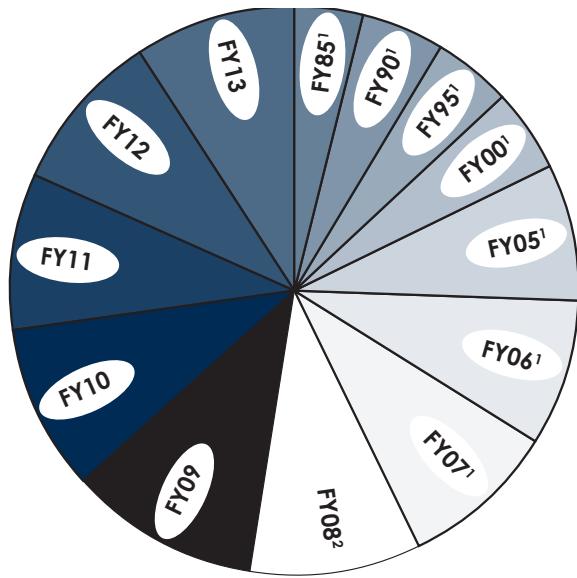
Outlays by Function and Subfunction – 050 National Defense (\$ billions)

	FY07 ¹	FY08 ²	FY09	FY10	FY11	FY12	FY13
051 Department of Defense–Military	529.8	583.1	651.2	566.7	537.7	540.9	549.3
053 Atomic Energy Defense Activities	17.1	17.8	18.2	18.0	17.2	16.9	17.0
054 Defense-related Activities	5.7	6.4	5.7	5.7	5.8	5.8	5.9
Total³	552.6	607.3	675.1	590.4	560.7	563.7	572.1
050 National defense as % of all Outlays	20.2%	20.7%	21.7%	19.1%	17.7%	17.5%	16.8%
050 National defense as % of GDP	4.0%	4.2%	4.5%	3.7%	3.4%	3.2%	3.1%

¹ FY07 are actual amounts.
² FY08 are appropriated amounts. Remaining years are estimates.
³ Numbers may not add due to rounding.
Source: Budget of the United States Government, Fiscal Year 2009, Historical Tables 3.2, 3.1

Figure 1

National Defense Spending Outlays (\$ billions)



Fiscal Year	National Defense Outlays	Percentage of Change ²
FY85 ¹	252.7	
FY86 ¹	299.3	18.4%
FY87 ¹	272.1	-9.1%
FY88 ¹	294.5	8.2%
FY89 ¹	495.3	68.2%
FY90 ¹	521.8	5.4%
FY91 ¹	552.6	5.9%
FY92 ²	607.3	9.9%
FY93 ²	675.1	11.2%
FY94 ²	590.4	-12.5%
FY95 ²	560.7	-5.0%
FY96 ²	563.7	0.5%
FY97 ²	572.1	1.5%

¹ FY85-FY07 are actual spending.
² FY08 is enacted. Remaining years are estimates.
³ Percentage for 5 year intervals to FY05.
Source: Budget of the United States Government, Fiscal Year 2009, Historical Table 3-1

proposal for National Defense is enough, too much or too little. Only an assessment of the national security objectives, plans and related resources could provide an indication of the adequacy or inadequacy of the funding proposal.

At best, a comparison of National Defense Outlays to GDP provides relational points of reference for comparisons at other points in time. For example, the National Defense Outlays as percentages of the GDP were:

- 5.2 percent in FY 1990 at the end of the Cold War;
- 3 percent in FY 2000 at the end of the “peace dividend” decade; and
- 4.5 percent in FY 2009 with operations in Afghanistan, Iraq and the war on terrorism.

See **figure 2** for National Defense Outlays as a percentage of GDP.

Discretionary for Defense

The federal budget contains discretionary funds—funds appropriated explicitly by Congress in the annual appropriation process. The total of all discretionary funds in the federal budget proposal for FY 2009 is

\$1.212 trillion.⁹ The National Security subtotal is \$730 billion or 60 percent of the total federal discretionary funds.¹⁰

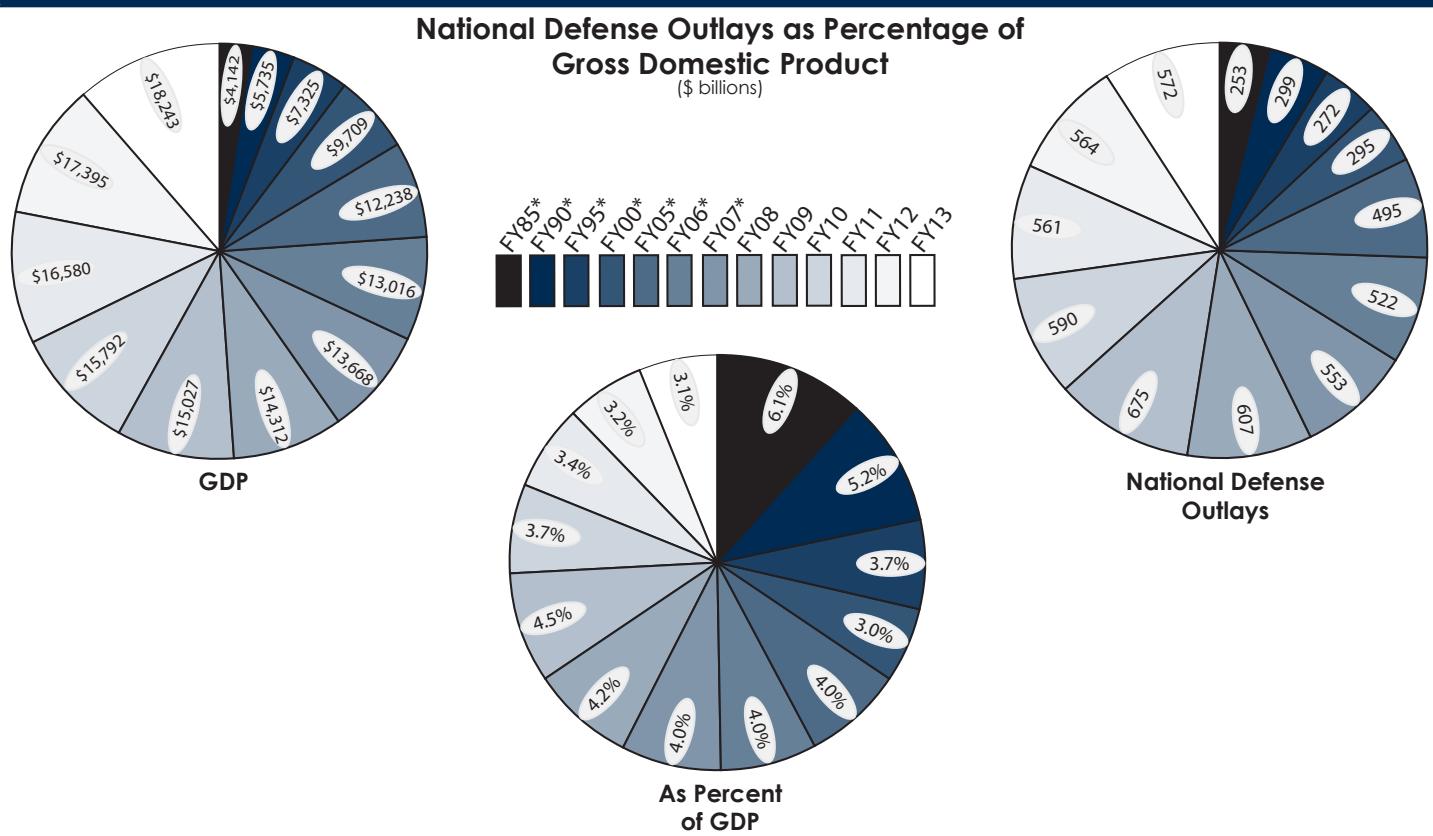
The other 40 percent of discretionary funds support the rest of the federal government—agriculture, commerce, education, housing, highway construction, justice and law enforcement, space exploration, foreign aid, etc. This distribution reflects the President’s priorities, but it also contributes to concerns of members of Congress and many other Americans about DoD requirements and underfunding domestic programs. See **table 4** for data by category.

The *Overview of the President’s 2009 Budget* includes specific overviews for each agency—including DoD.¹¹ The DoD overview includes the following funding and program insights:

Support national defense and fund America’s troops by:

- supporting military readiness by providing \$515.4 billion for DoD’s base budget—an increase of nearly 74 percent over FY 2001—and sustaining regular

Figure 2



*Actual spending; remaining years are estimates.

Source: *Budget of the United States Government, Fiscal Year 2009, Historical Tables 3-1 and 10-1*

Table 4
Budget Summary by Category
 (\$ billions)

Discretionary	FY07²	FY08	FY09	FY10	FY11	FY12	FY13
Security ¹	594	656	730	646	619	623	633
Non-security	448	481	482	455	440	432	429
Subtotal	1,042	1,137	1,212	1,100	1,059	1,056	1,062
Mandatory							
Social Security	581	610	644	681	720	763	842 ³
Medicare	371	391	408	422	455	449	500
Medicaid and SCHIP ⁴	197	211	224	239	256	276	297
Other	302	338	360	368	387	378	395
Subtotal	1,451	1,551	1,636	1,711	1,818	1,866	2,034
Net interest	237	244	260	280	294	300	302
Total	2,730	2,931	3,107	3,091	3,171	3,222	3,399
Receipts	2,568	2,521	2,700	2,931	3,076	3,270	3,428
Deficit(-)/surplus(+)	-162	-410	-407	-160	-95	+48	+29

¹ Security includes Department of Defense, Homeland Security Activities Governmentwide and International Affairs.

² FY 2007 are actual amounts. Remaining years are estimates.

³ Total includes current program plus personal accounts.

⁴ State Children's Health Insurance Program.

Source: Budget of the United States Government, Fiscal Year 2009, Summary Table S-8

and irregular warfighting capabilities, responding to evolving threats and supporting servicemembers and their families; and

- providing resources for the war on terrorism by providing \$70.0 billion as an emergency allowance to support activities related to the war on terrorism into FY 2009 and noting that additional funding will be requested once the specific needs of the troops are better known.

Prepare the force and develop capabilities by:

- growing the force by providing \$20.5 billion to continue efforts to increase the size of the active Army to 547,400 and the Marine Corps to 202,000;
- continuing to reorganize the Army by supporting the Army's transformation from a division-centric force to a modular force composed of more flexible and self-sustaining fighting units with increased mobility and combat power;
- maintaining the nation's military skills and operational readiness by providing \$159.7 billion to support daily operational needs, maintain combat readiness and training standards, and support recruitment and retention efforts;
- continuing to enhance special operations by providing \$5.7 billion for the U.S. Special Operations Command to train and equip forces;

- strengthening the National Guard and Reserve by providing \$49.1 billion to recruit, train, equip and sustain National Guard and Reserve units;
- standing up U.S. Africa Command (AFRICOM) by providing \$389 million to establish a new command to strengthen ties with African governments, institutions and organizations;
- building partnership capacity by providing \$750 million to support allies in developing and improving their capability to provide for defense and the war on terrorism;
- recapitalizing aging aircraft fleets by providing \$17.3 billion to continue modernization of tactical aircraft fleets, develop and procure fighter aircraft for the Air Force, Navy and Marine Corps, and to continue investments in the aerial refueling and cargo airlift fleets;
- improving technology to support the troops by providing:
 - \$7.5 billion to support Army and Marine Corps efforts to provide survivable, capable and modern tactical vehicles and vehicle armor to the entire force;
 - \$12.7 billion to continue procurement of transformational warships, such as the

- first CVN-21 aircraft carrier, *Virginia*-class submarines and DDG-1000 destroyers;
- \$1.8 billion to continue development and procurement of major unmanned aerial vehicles to conduct combat and military support missions; and
- \$496 million to combat improvised explosive devices through attacking the terrorist network, defeating the device and training the force;
- maintaining leadership in space by providing \$10.7 billion in investment funds to build a robust, secure and protected space-based capability, which includes advanced communications and early-warning and navigation satellites;
- enhancing missile defense by providing \$10.4 billion to continue to develop, test and field missile defense systems to protect America, its allies and deployed forces; and
- strengthening intelligence and security capabilities by providing funds for:

military intelligence operations to provide strategic, departmental and tactical information; counterintelligence activities to protect U.S. forces from espionage and terrorist attacks both at home and abroad; and

improved security of U.S. networks and protection of defense information with an increase of more than \$300 million.

Care for the all-volunteer force, wounded warriors and their families by:

- compensating servicemembers by providing a 3.4 percent pay raise for military personnel;
- providing high-quality medical care with \$42.8 billion for the Defense Health Program, including \$10 billion in mandatory funding (more than double the FY 2001 level);
- sustaining the health care system by aligning military health care premiums and co-payments for retirees under age 65 with general health insurance plans to ensure the sustainability of a high-quality health care system while preventing unnecessary tradeoffs with crucial military capabilities;
- caring for wounded warriors by continuing to implement recommendations made by the

Commission on Care for America's Returning Wounded Warriors; and

- supporting servicemembers and their families by providing for activities such as family support programs and child care programs for military dependents.

Strengthen infrastructure for the 21st century by:

- providing \$9.1 billion for DoD to continue its efforts to shift military infrastructure as recommended by the Base Realignment and Closure Commission;
- adjusting global posture by providing \$649 million for new basing that will continue the shift of defense posture from legacy Cold War relationships and forces overseas to new structures that provide more strategic flexibility;
- supporting readiness and environmental protection by providing \$40 million for the Readiness and Environmental Protection Initiative, which has protected over 48,000 acres around military bases to date; and
- improving housing for retired veterans by launching a \$76 million major dormitory renovation at the Washington Armed Forces Retirement Home and continuing the rebuilding of the Gulfport Home in Mississippi.

Major savings and reforms. DoD proposes to streamline and simplify the acquisition system to provide lasting solutions for cost and schedule control; reduced time for decisionmaking; alignment in the skills of the workforce; improved centers of excellence; and ever-improving levels of cost-effective support to the warfighter.

Support for the war on terrorism. In addition to the FY 2009 baseline budget for Defense, an additional \$70 billion is in an initial supplemental request accompanying the Budget. As in prior years, an additional supplemental request is likely based on the evolving circumstances. The total amount of funds enacted since FY 2001 for the war on terrorism plus the most recent request for FY 2009 approaches \$800 billion. See **table 5** for funding by fiscal year.

Discretionary for Non-Defense

The President's Budget proposes \$482 billion in discretionary funds for the entire federal government that is not included in national security.¹² This is 39 percent

Table 5

Increasing Support for Defense Operations in the War on Terrorism (\$ billions*)

Enacted								Enacted To Date	Requested FY09	Total
FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08			
9.3	8.3	62.2	62	100.5	114.5	174	182.7	713.5	70	783.5

* Funding levels exclude budget authority for Operation Noble Eagle, which covers homeland defense and civil support missions in effect since 11 September 2001. Funding levels include funding for the Intelligence Community.

Sources: OMB, Department of Defense Budget FY 2009; DoD FY 2008 Global War on Terror Pending Request, February 2008

of the total discretionary portion of the Budget, i.e., 40 percent of \$1.212 trillion. In the case of many federal programs, the term discretionary is somewhat misleading since a large portion of the funds are for pay and essential services.

In his budget message, the President notes that:

Americans have real concerns about their ability to afford healthcare coverage, pay rising energy bills, and meet monthly mortgage payments. They expect their elected leaders in Washington to address these pressures on our economy. So this Budget puts forth proposals to make health care more affordable and accessible, reduce our dependence on foreign oil, and help Americans struggling to keep their homes.¹³

The non-security discretionary funds apply to these concerns plus agriculture, commerce, education, housing, highway construction, justice and law enforcement, space exploration, foreign aid and more. See **table 6** (p. 12) for BA by agency.

The Overview of the President's 2009 Budget specifically addresses certain discretionary funding, such as providing \$14.3 billion in Title 1 funding for low-income schools; \$1 billion to research-based literacy instruction through Reading First and \$95 billion in financial aid to help almost 11 million students and their families pay for college. The President's Budget also provides \$65 million for the Housing Counseling program and \$150 million to help educate consumers, combat foreclosures and promote a healthier housing market.

The \$482 billion for non-security discretionary funds is the same amount as in FY 2008. In fact, the percentage distribution is a reversal from FY 2000, when non-security was the greater amount with 53 percent and security was at 47 percent. The bottom line is that the civilian agencies and non-security programs are competing for a smaller share of federal resources. The basic cap on non-security domestic program funding

and the continuing growth in security-related funding continue to be of concern for many members of Congress and many other Americans.

Homeland Security

The Department of Homeland Security (DHS) operates with discretionary non-defense funds. The Homeland Security Act of 2002 established DHS with the primary mission to:

- prevent terrorist attacks within the United States;
- reduce the vulnerability of the United States to terrorism; and
- minimize the damage, and assist in the recovery, from terrorist attacks that do occur within the United States.

The Homeland Security Act charges DHS with the responsibility for information analysis and infrastructure protection; chemical, biological, radiological, nuclear and related countermeasures; border and transportation security; emergency preparedness and response; and coordination (including the provision of training and equipment) with other executive agencies, state and local government personnel, agencies and authorities, the private sector and other entities.

DHS consolidated a large number of organizations and functions to accomplish this mission. In addition, a vast national network of organizations and institutions involved in efforts to secure the nation were not consolidated in DHS, but DHS has the responsibility to unify and lead the national efforts.

DoD is responsible for homeland defense—i.e., to protect U.S. sovereignty, territory, domestic population and critical defense infrastructure against external threats and aggression, or other threats as directed by the President. DoD provides this protection by generating ready and capable military forces—forces to deter conflict or, if deterrence fails, to fight and win the nation's wars;

Table 6
Discretionary Budgetary Authority By Agency
 (\$ billions*)

Agency	FY00 Actual	FY07 Actual	FY08 Enacted	FY09 Request	Change from FY08–09		Change from FY00–09		
	Dollar	Percent	Dollar	Average % per year	Overall %				
Judicial Branch	3.7	5.6	5.8	6.3	0.4	8%	2.6	8%	72%
Legislative Branch	2.5	3.9	4.0	4.7	0.7	18%	2.2	10%	87%
Executive Branch									
Agriculture	17.0	25.3	23.8	20.8	-3.0	-13%	3.8	3%	23%
Commerce	8.7	6.6	6.9	8.2	1.3	18%	-0.5	-1%	-6%
Defense–Military	287.3	600.9	668.6	585.4	-83.1	-12%	298.2	12%	104%
Education	29.4	57.8	57.2	59.2	2.0	4%	29.8	11%	102%
Energy	17.7	23.7	23.9	25.0	1.1	5%	7.3	5%	41%
Health and Human Services	45.4	70.8	72.2	70.4	-1.8	-3%	25.0	6%	55%
Homeland Security	14.5	39.4	40.7	37.6	-3.1	-8%	23.1	18%	159%
Housing and Urban Development	21.1	37.0	40.4	38.5	-1.9	-5%	17.4	9%	82%
Interior	8.5	11.0	11.3	10.6	-0.7	-6%	2.2	3%	26%
Justice	16.1	23.0	23.1	20.3	-2.9	-12%	4.1	3%	26%
Labor	8.8	11.7	11.4	10.5	-0.9	-8%	1.8	2%	20%
State	7.8	16.4	22.2	18.5	-3.7	-17%	10.8	15%	138%
Transportation	10.4	15.8	15.7	11.5	-4.2	-27%	1.1	1%	11%
Treasury	9.2	11.5	12.0	12.5	0.5	4%	3.2	4%	35%
Veterans Affairs	20.9	38.1	43.1	44.8	1.6	4%	23.9	13%	115%
Corps of Engineers	4.1	7.0	5.6	10.5	4.9	88%	6.4	17%	155%
Other Defense–Civil Programs	0.1	0.2	0.2	0.2	0.0	5%	0.0	4%	34%
Environmental Protection Agency	7.6	7.7	7.5	7.1	-0.3	-4%	-0.4	-1%	-6%
Executive Office of the President	0.3	0.3	0.3	0.4	0.0	6%	0.1	3%	31%
General Services Administration	-0.3	0.2	0.3	0.5	0.3	88%	0.8	-32%	-289%
International Assistance Programs	13.6	20.1	17.3	19.0	1.7	10%	5.4	4%	39%
National Aeronautics and Space Administration	13.6	16.3	17.1	17.6	0.5	3%	4.0	3%	30%
National Science Foundation	3.9	5.9	6.0	6.9	0.8	14%	2.9	8%	75%
Office of Personnel Management	0.2	0.3	0.2	0.2	0.0	-6%	0.0	2%	17%
Small Business Administration	0.9	0.6	0.6	0.7	0.1	15%	-0.2	-3%	-26%
Social Security Administration	5.7	7.7	8.0	8.4	0.4	5%	2.8	5%	49%
Other Agencies	5.8	7.4	8.2	7.3	-0.9	-11%	1.5	3%	25%
Total Discretionary	584.4	1,072.3	1,153.8	1,063.6	-90.2	-8%	479.2	9%	82%
Total Discretionary for Executive Branch	578.2	1,062.8	1,143.9	1,052.5	-91.4	-8%	474.4	9%	82%
Total Discretionary for Executive Branch less Defense	290.8	461.8	475.3	467.1	-8.3	-2%	176.2	7%	61%

* Numbers may not add due to rounding.

Source: *Budget of the United States Government, Fiscal Year 2009, Historical Table 5.4—Discretionary Budget Authority by Agency: 1976–2009*

to contribute to an international environment of peace; and to support civil authorities at home and abroad in times of crisis.

DoD contributes to homeland security through its military missions overseas, homeland defense and support to civil authorities. Homeland defense includes domestic air defense, maritime intercept operations, land-based defense of critical infrastructure and assets and, when directed by the President or the Secretary of Defense, the protection of the United States and its territories from attack.

In summary, the DHS and DoD missions are complementary, both focusing on deterrence and prevention or, failing that, protection and response.

The President's Budget for FY 2009 proposes \$66 billion in Budget Authority for homeland security across all departments. This is an increase of 2 percent over the FY 2008 base budget plus supplemental funds. The largest amount is for DHS at \$32.8 billion. The DHS budget proposal is for the entire department, but not all DHS funds are for homeland security. For example, funding for Coast Guard search-and-rescue missions is in the DHS budget, but this is not part of the homeland security function. See **table 7** (p. 14) for funding by department.

DHS and five other departments account for 95 percent of all homeland security funds:

- \$17.6 billion for DoD (discretionary defense funds);
- \$4.4 billion for the Department of Health and Human Services;
- \$3.3 billion for the Department of Justice;
- \$1.8 billion for the Department of Energy; and
- \$1.4 billion for the Department of State.

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 8** (p. 15) for funding by mission areas.

The FY 2009 funding proposes increases for each mission area except Emergency Preparedness and Response, which decreases by nearly 11 percent. The Defending Against Catastrophic Threats mission area experiences the greatest increase at more than 9 percent. DoD and the Army participate in many of these mission areas, and DHS and DoD benefit from this interaction.

Mandatory Funds

The mandatory portion of the FY 2009 Budget is \$1.636 trillion, or 53 percent of total Outlays. Mandatory programs involve statutory entitlements that obligate the federal government to make payments subject to some criteria until the law is amended or repealed, e.g., to make Social Security payments to all who meet the qualification requirements. Return to table 4 (p. 9) for the budget amount by entitlement program.

See **table 9** (p. 15) for mandatory Outlays by category.

With mandatory programs consuming more than half of the budget, once again the President expresses his concerns and the need for reform:

As we take these steps to address discretionary spending, we also need to confront the biggest challenge to the Federal budget: the unsustainable growth in entitlement spending. Many Americans depend on programs like Social Security, Medicare, and Medicaid, and we have an obligation to make sure they are sound for our children and grandchildren. If we do not address this challenge, we will leave our children three bad options: huge tax increases, huge deficits, or huge cuts in benefits. The longer we put off the problem, the more difficult, unfair, and expensive a solution becomes.

My Budget works to slow the rate of growth of these programs in the short term, which will save \$208 billion over 5 years. This step alone would reduce Medicare's 75-year unfunded obligation by nearly one-third. My Administration cannot solve this problem alone, though. We need a commitment from the Congress to reform and improve these vital programs so they can serve future generations of Americans.¹⁴

Last year, OMB effectively described the looming disaster for the entire budget as a result of doing nothing about entitlements:

[O]ur longer-term budgetary challenge [is] the unsustainable growth in Medicare, Medicaid, and Social Security. By 2040, spending on these and other mandatory programs will crowd out all discretionary spending—for defense, homeland security, or education—unless we take steps to reform these programs.¹⁵

That statement is as true today as it was last year, and so far, there has been no substantial initiative to remedy the situation.

Table 7

Homeland Security By Agency (Budget Authority, \$ millions)

Agency	FY07		FY08		FY09
	Actual	Supplement	Enacted	Supplement	Request
Department of Agriculture	540.5		570.0		690.9
Department of Commerce	205.0		206.9		262.3
Department of Defense	16,538.3		17,374.4		17,645.9
Department of Education	26.2		27.1		30.3
Department of Energy	1,719.2		1,828.7		1,942.9
Department of Health and Human Services	4,327.0		4,300.6		4,456.7
Department of Homeland Security	26,851.9	2,695.6	30,100.6	2,639.7	32,817.1
Department of Housing and Urban Development	1.9		1.9		4.1
Department of Interior	47.8		49.6		43.5
Department of Justice	3,306.4	211.3	3,273.5	249.5	3,794.9
Department of Labor	49.4		47.5		51.4
Department of State	1,241.6		1,961.5		2,456.6
Department of Transportation	205.7		205.3		221.2
Department of the Treasury	126.8		116.0		126.6
Department of Veterans Affairs	259.8		271.7		348.1
Corps of Engineers	42.0		42.0		42.0
Environmental Protection Agency	166.7		138.1		170.3
Executive Office of the President	20.8		21.2		20.7
General Services Administration	168.2		143.0	225.0	119.4
National Aeronautics and Space Administration	199.2		205.2		203.0
National Science Foundation	385.4		373.9		379.0
Office of Personnel Management	2.8		2.3		2.5
Social Security Administration	194.0		212.6		221.5
Smithsonian Institution	80.7		93.1		96.6
Other Agencies	212.6		241.7		140.0
Total,¹ Homeland Security Budget Authority (BA)	56,925.9	2,906.9	61,808.4	3,114.3	66,302.5
Non-Defense Homeland Security BA excluding PSIC² & BioShield	40,387.5	2,906.9	44,434.0	3,114.3	48,656.6
Less Mandatory Homeland Security Programs	-2,435.5		-2,871.7		-3,223.9
Less Fee-Funded Homeland Security Programs	-4,534.4		-5,347.7		-5,355.3
Net Non-Defense Discretionary BA	33,417.7	2,906.9	36,214.3	3,114.3	40,077.3
Plus Mandatory PSIC Grants	1,000.0				
Plus BioShield					2,175.0
Net Non-Defense Discretionary BA	34,417.7	2,906.9	36,214.6	3,114.3	42,252.3

¹ Numbers may not add due to rounding.² Public Safety Interoperable Communications.**Source:** *Budget of the United States Government, Fiscal Year 2009, Summary Table S-5 and Analytical Perspectives, Table 3-1*

Table 8**Homeland Security by Mission**

(Budget Authority, \$ millions)

	FY07		FY08		FY09
	Actual	Supplemental	Enacted	Supplemental	Request
Intelligence and Warning	670.8	15.2	682.70	39.1	765.9
Border and Transportation Security	19,365.3	2,253.6	22,286.8	2,842.7	25,712.5
Domestic Counterterrorism	5,026.6	222.8	4,896.8	154.7	5,392.9
Protecting Crucial Infrastructure and Key Assets	18,388.2	228.5	19,926.1	15.8	20,164.5
Defending Against Catastrophic Threats	8,595.9	149.9	8,278.1	2.0	9,054.8
Emergency Preparedness and Response	4,822.2	37.0	5,551.4	60.0	5,013.1
Other	56.9		186.5		198.8
Total Homeland Security	56,925.9	2,906.9	61,808.4	3,114.3	66,302.5
Plus Mandatory PSIC ¹ Grants	1,000.0				
Plus BioShield					2,175.0
Total Homeland Security plus Grants²	57,925.9	2,906.9	61,808.4	3,114.3	68,477.5

¹ Public Safety Interoperable Communications.² Numbers may not add due to rounding.**Source:** Budget of the United States Government, Fiscal Year 2009, Analytical Perspectives Table 3-2**Table 9****Mandatory Outlays By Category**

(\$ billions*)

Category	FY00 Actual	FY07 Actual	FY08 Enacted	FY09 Request	Change from FY08–09		Change from FY00–09		
					Dollar	Percent	Dollar	Average % per year	Overall %
Human Resource Programs	129.3	226.0	240.9	251.3	10.4	4%	121.9	10%	94%
Medicare	194.1	370.8	391.3	407.9	16.6	4%	213.8	12%	110%
Income Security	212.3	309.6	329.9	343.4	13.5	4%	131.1	7%	62%
Social Security	406.0	581.4	610.4	644.1	33.8	6%	238.1	7%	59%
Veterans Benefits and Services	26.3	37.6	44.8	47.5	2.7	6%	21.2	9%	80%
Other mandatory programs	-16.7	-74.4	-66.4	-58.6	7.8	-12%	-41.9	28%	251%
Total	951.4	1,451.0	1,550.8	1,635.6	84.8	5%	684.2	8%	72%

* Numbers may not add due to rounding.

Source: Budget of the United States Government, Fiscal Year 2009, Historical Table 8.5

The long-term entitlement situation and the continuing, increasing demands for funds to support the war on terrorism are reducing the amount of funds available for non-security discretionary agencies. This is a serious dilemma that requires comprehensive consideration by the members of Congress, academia, public interest groups and the American people. Their goal should be to design, develop and implement a practical solution.

Fiscal Outlook

In general, the President, members of Congress and most other Americans want a balanced budget, i.e.,

receipts equaling outlays. When receipts exceed outlays, a surplus occurs; when outlays exceed receipts, a deficit occurs. The Budget expresses the outlay or expenditure part of the equation; the fiscal environment focuses on the receipts part of the equation.

Receipts, or revenue, are primarily a function of two variables: the size of the economy and the tax policy that draws revenue from the economy. When the economy is strong and growing and tax policy remains constant, then revenue or federal receipts increase. When the economy is weak and tax policy remains constant,

receipts decrease. Tax policy can be modified to generate revenue, but the President, members of Congress, economists and academia, the business community and American citizens have differing opinions about the results of tax policy modification.

One opinion is that if the economy remains constant and the tax policy is modified to increase either the tax rates or the scope of applicability, then receipts will increase. An alternative opinion is that if the economy remains constant and the tax policy is modified to decrease either the tax rate or the scope of applicability, then the additional money in the non-government sector will be spent by people and businesses. Over time, this will stimulate the economy and ultimately increase receipts. This is the theory advocated by President Bush's administration.

Regardless of the economic theory, with no changes in tax policy and a growing economy, receipts increase. With greater receipts, it is easier to balance the budget or generate a surplus. The history of the late 1990s illustrates this point—a strong economy generated budget surpluses. Clearly, the fiscal outlook is important to the federal budget.

Beginning in FY 2002, the federal budgets have generated a string of deficits that peaked in FY 2004 at \$413 billion. The FY 2009 Budget estimates a deficit of \$407 billion. However, the President continues to state, as he did in previous budgets, that "we are now on a path to balance the budget by 2012."¹⁶

Achieving this objective would be a good development. However, the economic slow-down in the spring of 2008 may reduce receipts, and the operations in Iraq and Afghanistan, other actions in the war on terrorism and restoration and transformation of the military after seven continuous years of war may increase funding requirements. The next administration will need to assess this as well as the requirements in domestic programs, which have operated within tight controls for the past seven years.

Gross Domestic Product

The Gross Domestic Product is a measure of the size of the U.S. economy. The 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 of the corporate entity, during a year. The GDP became the unit of measure in 1991, replacing

the Gross National Product. The Bureau of Economic Analysis produces the GDP figures.

The FY 2009 Budget forecasts a 5 percent increase in GDP over FY 2008 and a cumulative increase during this administration of 49 percent from FY 2001 to FY 2009. The annual growth has ranged from 3.2 to 6.4 percent. The growth of the economy contributed to an increase of federal receipts and a three-year decline in the annual deficits between FY 2005 and FY 2007.

The Budget forecasts continuing growth in GDP through FY 2013, and the rate of growth is greater than increases in government outlays. This produces an annual budget surplus beginning in FY 2012. See **table 10**.

An analysis of the data at table 10 reveals a 49 percent increase in GDP between FY 2001 and FY 2009, and an 80 percent increase in the Gross Federal Debt (GFD) during the same period. The GFD is the sum of all annual deficits offset by surpluses. The annual deficits are a function of Receipts and Outlays as summarized in table 4 (p. 9). Between FY 2001 and FY 2008, the GFD increases by 60 percent more than the economy; this is not a healthy trend.

The Budget forecasts improvements during the next administration, but this may be only in the short term because of the long-term fiscal challenges from entitlement programs.

Gross Federal Debt

The Gross Federal Debt is the sum of all annual deficits and surpluses across the fiscal years. A large GFD causes the federal government to borrow to meet outlay requirements, and later to service this debt. The surplus and deficit data since FY 1985 and the cumulative GFD trends are displayed in **figure 3** (p. 18).

The GFD for the most recently completed fiscal year was \$8.951 trillion at the end of FY 2007. This is an increase of \$500 billion over FY 2006, or about the size of the DoD budget. The \$8.951 trillion actual amount is just slightly lower than the estimate for FY 2007 of \$9.008 trillion in the President's Budget for FY 2008.

During the current administration, between FYS 2001 and 2009, the GFD increased by \$4.643 trillion or 81 percent, i.e., from \$5.770 trillion to \$10.413 trillion. In the President's Budget for FY 2009, the GFD estimate continues to grow to \$12.276 trillion by FY 2013, which is a slower rate of growth.

Table 10**Gross Domestic Product and Annual Deficit**(\$ billions¹)

Fiscal Year	Gross Domestic Product	Gross Federal Debt	Gross Debt as % of GDP	Annual Deficit/Surplus	Annual Deficit/Surplus as % of GDP
FY85 ²	4,142	1,817	43.9%	-212	-5.1%
FY90 ²	5,735	3,206	55.9%	-221	-3.9%
FY95 ²	7,325	4,920	67.2%	-164	-2.2%
FY00 ²	9,709	5,629	58.0%	236	2.4%
FY01 ²	10,058	5,770	57.4%	128	1.3%
FY02 ²	10,377	6,198	59.7%	-158	-1.5%
FY03 ²	10,808	6,760	62.5%	-377	-3.5%
FY04 ²	11,500	7,355	64.0%	-413	-3.6%
FY05 ²	12,238	7,905	64.6%	-318	-2.6%
FY06 ²	13,016	8,451	64.9%	-248	-1.9%
FY07 ²	13,668	8,951	65.5%	-162	-1.2%
FY08	14,312	9,654	67.5%	-410	-2.9%
FY09	15,027	10,413	69.3%	-407	-2.7%
FY10	15,792	10,954	69.4%	-160	-1.0%
FY11	16,580	11,456	69.1%	-95	-0.6%
FY12	17,395	11,868	68.2%	48	0.3%
FY13	18,243	12,276	67.3%	29	0.2%

¹ Numbers may not add due to rounding.² FY07 and earlier years are actual amounts. Remaining years are estimates.**Source:** *Budget of the United States Government, Fiscal Year 2009, Historical Tables 1-1, 7-1 and 10-1*

The annual deficits and the resulting GFD are concerns for several reasons. First, the federal government borrows money to cover the deficit, then pays interest on the amount it borrows. If revenues are not adequate to pay the interest, then additional borrowing pays the interest and adds to the annual deficit. The annual deficit increases the GFD in a continuing spiral if unchecked by surpluses. Second, the borrowing and interest payments divert capital from productive uses in the economy. Thus, when the government borrows, it takes money out of the economy; arguably, this is not good for economic growth.

The 81 percent increase in GFD since FY 2001, plus the continuing increases through FY 2013, is of concern to many Americans, but it has not sparked a serious and productive bipartisan initiative to correct the problem.

Balancing the Budget

Formulating a balanced budget is certainly the goal of the government. However, there is no constitutional or statutory mandate to balance the federal budget.

Achieving a balanced budget requires controlling spending within forecasts of receipts. Estimating com-

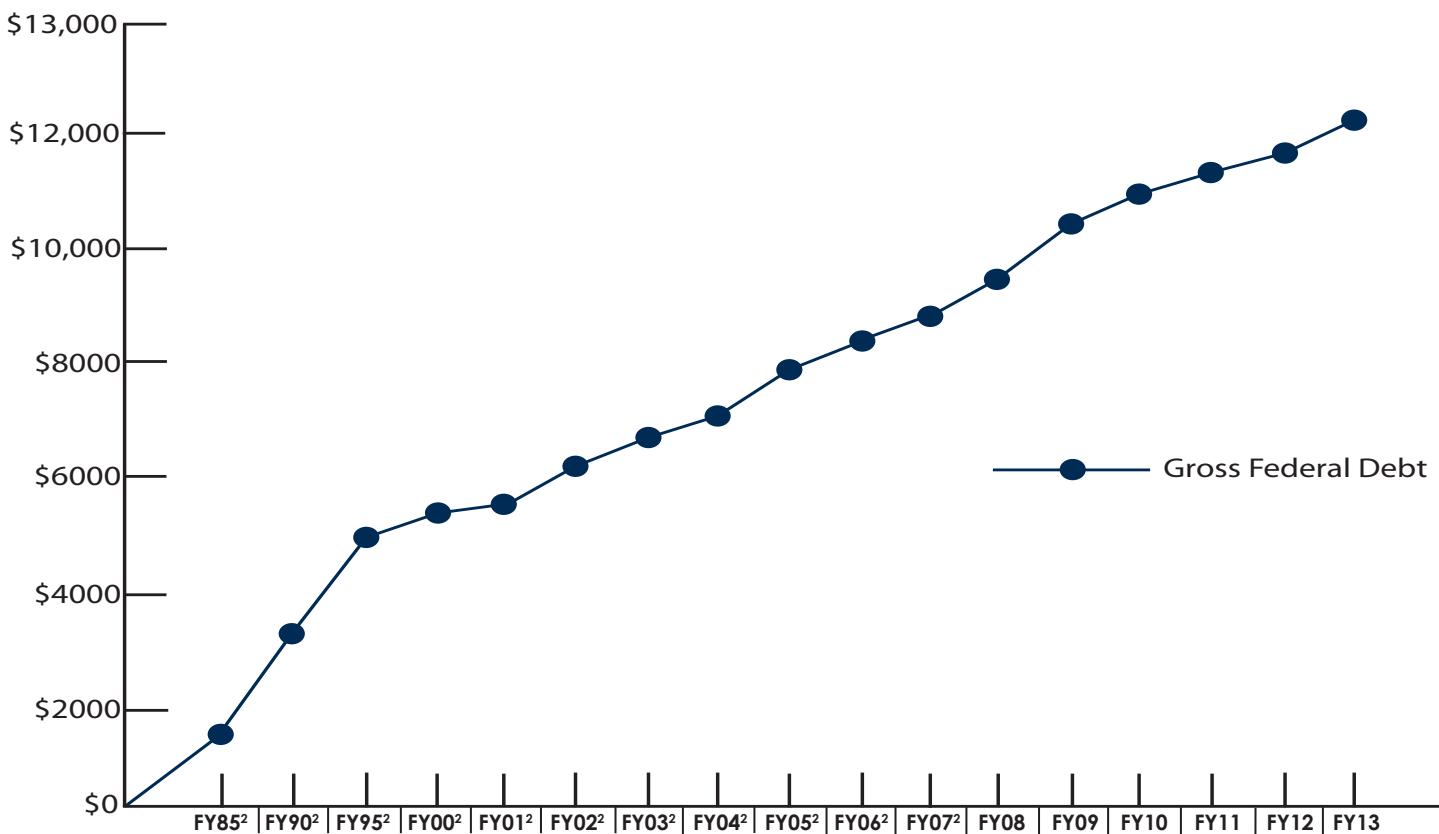
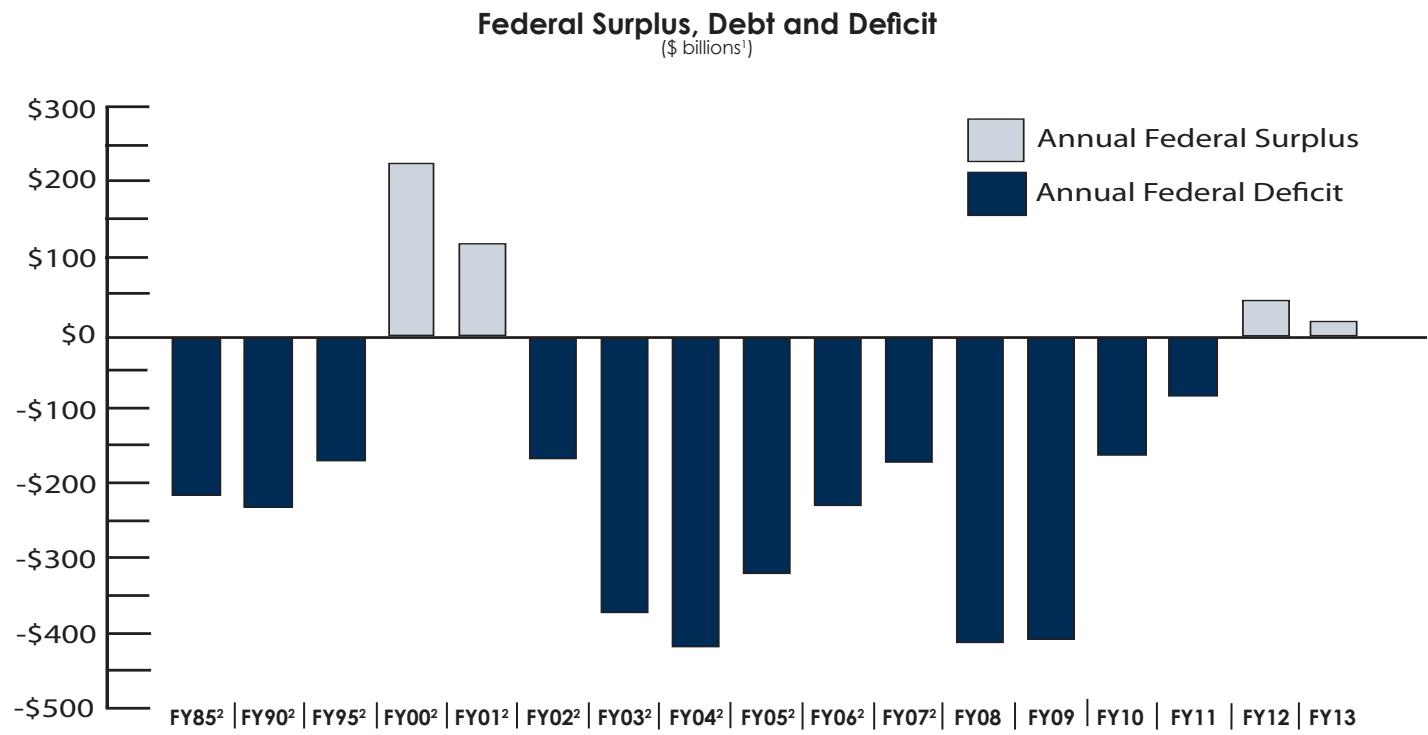
parable spending and receipts is difficult—but getting it close from year to year is good. The President’s Budget projects nearly balanced budgets in FY 2011 with a deficit of \$95 billion and in FY 2012 with a surplus of \$48 billion.

Receipts. Federal receipts are analogous to revenue in the corporate world or to personal income. See **table 11** (p. 19) for data on receipts and GDP.

Between FY 1985 and FY 2000, federal receipts increased at rates greater than GDP growth. By FY 2000, receipts were nearly 21 percent of GDP. However, between FY 2000 and FY 2005, GDP grew by 26 percent, but receipts increased by only 6 percent. Receipts decreased from nearly 21 percent to nearly 18 percent of GDP. The reductions in receipts are due, in large part, to a weaker economy, a collapse in capital gains because of the stock market downturn and tax cuts.

Between FY 2005 and FY 2009, GDP grows by 23 percent and receipts increase by 25 percent—receipts increase more than GDP growth. This is a reversal of the FY 2000–2005 trend.

Figure 3



¹ Numbers may not add due to rounding.

² Actual expenditures; remaining years are estimates.

Source: Budget of the United States Government, Fiscal Year 2009, Historical Tables 1-1, 7-1 and 10-1

Table 11

Gross Domestic Product and Receipts (\$ billions)

	FY85¹	FY90¹	FY95¹	FY00¹	FY05¹	FY06¹	FY07²	FY08	FY09	FY10	FY11	FY12	FY13
GDP	4,142	5,735	7,325	9,709	12,238	13,016	13,668	14,312	15,027	15,792	16,580	17,395	18,243
Percentage of increase ²		38.5%	27.7%	32.5%	26.0%				22.8%	29.0%			
Receipts	734	1,032	1,352	2,025	2,154	2,407	2,568	2,521	2,700	2,931	3,076	3,270	3,428
Receipts as % of GDP	17.1%	18.0%	18.5%	20.9%	17.6%	18.5%	18.8%	17.6%	18.0%	18.6%	18.6%	18.8%	18.8%

¹ FY85-07 are actual amounts and include Title IX Supplements. Remaining years are budget proposals.

² Percentages for FY90, FY95, FY00, FY05 and FY10 are for the previous five years; percentage for FY09 is from FY05.

Sources: Budget of the United States Government, Fiscal Year 2009, Historical Table 1-1; Summary Table S-9

The President's Budget identifies four specific sources of the receipts, plus "other." The FY 2009 distribution is:

- 47 percent from individual income taxes;
- 35 percent from Social Security receipts;
- 13 percent from corporate income taxes;
- 3 percent from excise taxes; and
- 3 percent from other sources.

The mix of revenue remains fairly consistent between FYs 2007 and 2009. Going further back to the start of the administration, the FY 2000 contributions, as shown below, were very similar:

- 50 percent from individual income taxes;
- 32 percent from Social Security receipts;
- 10 percent from corporate income taxes;
- 3 percent from excise taxes; and
- 5 percent from other sources.

The mix has changed only slightly between FY 2000 and FY 2009, with Social Security receipts increasing by 3 percent and individual income tax decreasing by 3 percent. Since the current receipts for entitlements

exceed entitlement payments, the federal government borrows from the Social Security funds to meet current outlay requirements. As more people become eligible for entitlements in the future, the government will no longer be able to borrow from Social Security receipts and, eventually, the other general revenues will need to pay back all that has been borrowed to keep Social Security solvent for as long as possible. See **table 12**.

Spending. Spending is the focus of most budget analyses and the focus of the DoD and Army sections of this book. Federal spending may be discretionary, mandatory or interest payments.

- **Discretionary** outlays are for what the President proposes in the Budget and Congress provides through the annual appropriations bills. Examples include appropriations for defense, homeland security, agriculture, commerce, foreign aid, justice and law enforcement, education, housing, highway construction, space exploration and others.
- **Mandatory** outlays are controlled by permanent law and are not provided annual appropriations, e.g., Social Security, Medicare and Medicaid. In addition, some Budget Authority in annual

Table 12

Federal Receipts Estimates (\$ billions)

	2007¹	2008	2009	2010	2011	2012	2013
Individual Income Taxes	1,164	1,220	1,259	1,417	1,499	1,600	1,709
Social Security Receipts	870	910	949	1,004	1,060	1,111	1,169
Corporate Income Taxes	370	345	339	339	357	391	380
Excise Taxes	65	69	69	61	66	69	70
All Other	100	-23	83	110	95	99	101
Total²	2,568	2,521	2,700	2,931	3,076	3,270	3,428

¹ FY07 are actual data. Remaining years are estimates.

² Numbers may not add due to rounding.

Sources: Budget of the United States Government, Fiscal Year 2009, Summary Table S-9

appropriations is treated as mandatory when the authorization legislation either entitles beneficiaries who meet the legal criteria for eligibility to receive payments or obligates the federal government to make payments until the law is amended or repealed.

- **Interest** outlays are to meet obligations to those holding federal debt instruments. The federal government pays interest when due.

The President's Budget for FY 2009 proposes discretionary outlays of \$1.212 trillion, mandatory outlays of \$1.636 trillion and interest outlays of \$260 billion. These amounts equate to:

- 39 percent discretionary; within discretionary:
 - 60 percent is for national security; and
 - 40 percent is for all other non-security functions and includes 4 percent for DHS and 36 percent for the rest of the federal government.
- 53 percent mandatory; within mandatory:
 - 40 percent is for Social Security,
 - 25 percent is for Medicare,
 - 14 percent is for Medicaid and State Children's Health Insurance Program (SCHIP); and
 - 22 percent is for all other entitlements.
- 8 percent interest for payments to holders of the national debt.

Prior to the war on terrorism and the establishment of DHS, non-defense was \$320 billion or 52 percent of

discretionary funds in FY 2000. In FY 2009, non-defense was \$433 billion or only 36 percent of discretionary funds. In those nine years, non-defense spending increased by \$113 billion or 35 percent. These facts give rise to a concern about the adequacy of the funds for all the programs and services of the entire federal government, excluding national security and homeland security. See **table 13** for spending data.

In summary, the FY 2009 receipts and outlay estimates are expressed as percentages in **figure 4**.

Borrowing and Interest

When spending exceeds receipts, the federal government needs to borrow money to liquidate obligations. The federal government borrows money from other federal accounts, such as Social Security, and private sources through the sale of debt instruments.

Prior to FY 2000, the largest percentage of the GFD was held by the private sector. However, since FY 2000, the government has been borrowing substantially from other federal programs. The size and distribution of the GFD leads to a number of concerns, among them that:

- other federal programs, which provide funds to cover the GFD, will be unfunded in the future;
- foreign governments, who hold a great deal of the public debt instruments, may have increasing influence on the United States; and
- servicing the debt, i.e., making interest payments, will consume tax receipts, either increase the annual

Table 13

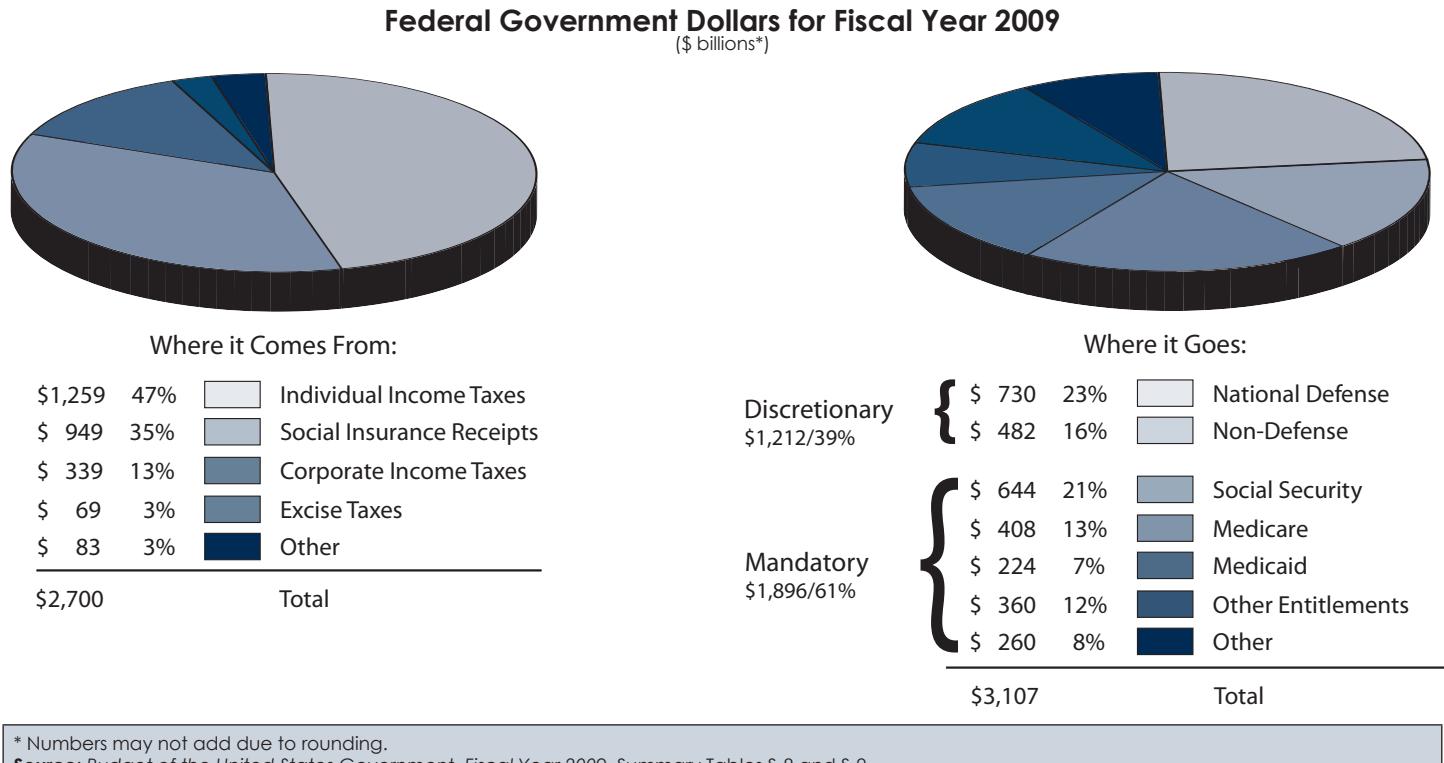
Federal Spending – Fiscal Year 2009 Estimate (\$ billions*)

Discretionary	FY07	FY08	FY09	FY10	FY11	FY12	FY13
National Defense	594	656	730	646	619	623	633
Non-Defense	448	481	482	455	440	432	429
Subtotal	1,042	1,137	1,212	1,100	1,059	1,056	1,062
Mandatory							
Social security	581	610	644	681	720	763	842
Medicare	371	391	408	422	455	449	500
Medicaid & SCHIP	197	211	224	239	256	276	297
Other entitlements	302	338	360	368	387	378	395
Subtotal	1,451	1,551	1,636	1,711	1,818	1,856	2,034
Net Interest	237	244	260	280	294	300	302
Total	2,730	2,931	3,107	3,091	3,171	3,222	3,399

* Numbers may not add due to rounding.

Source: *Budget of the United States Government, Fiscal Year 2009*, Historical Table 8.1; Summary Table S-8

Figure 4



deficit or reduce the annual surplus, and deprive the economy of more productive uses of that money.

A summary of the GFD and the funding sources is in **table 14** (p. 22).

The interest payments to service the GFD are a function of both the amount of the GFD and interest rates. The GFD increases with each deficit or decreases with each surplus, but interest rates are independent of government action to the extent that the Federal Reserve, an independent agency, sets the prime rate that influences all other rates.

Even though the federal government began operating at a deficit in FY 2002, Outlays for interest continued to decline for another two years. This is an indication of the impact of low interest rates. See **table 15** (p. 22) for interest payments.

Interest payments, i.e., net interest as shown in table 15, decreased from year to year in FYs 2001, 2002 and 2003. However, starting in FY 2004, interest payments increased for three years, with a 24 percent increase from FYs 2005 to 2006. After FY 2006, interest payments continue to increase but at only 1 percent to 7.6 percent annually.

With the reductions in interest rates during FYs 2008 and 2009, interest payments decrease as a percentage of

Outlays. However, even with low interest rates, interest payments climb to more than 9 percent in FYs 2010, 2011 and 2012. From FYs 2004 to 2010, interest climbs from 7 percent to 9 percent of all Outlays. This means that 10 percent of the FY 2010 Budget is not for homeland security, nor defense, nor civilian programs, but simply to pay interest on earlier debt. Clearly, this is not a good situation.

Congressional Budget Office Estimates

Article 1, Section 8 of the Constitution gives Congress the sole authority for laying and collecting taxes and for paying national debts. As part of the Congressional Budget and Impoundment Control Act of 1974, Congress created the Congressional Budget Office (CBO) as an agency within the legislative branch to provide a neutral benchmark for measuring the effects of taxes and spending proposals. CBO produces an independent estimate of Receipts and Outlays for the same years in the President's Budget.

The differences between the President's Budget and the CBO estimates of the deficits or surpluses are significant from FY 2008 to 2013. It is interesting to note that in FYs 2008 and 2009, the CBO estimates of the deficits are much smaller than in the President's Budget, after which CBO's estimates of the deficit are much larger than in

Table 14

Gross Federal Debt by Source (\$ billions)

Fiscal Year	Gross Federal Debt	Amount in Federal Government Accounts ¹	Percentage Held by Federal Government ¹	Amount Held by Public ¹	Percentage Held by Public ¹
FY85 ²	1,817	310	17%	1,507	83%
FY90 ²	3,206	795	25%	2,411	75%
FY95 ²	4,921	1,316	27%	3,604	73%
FY00 ²	5,629	2,219	39%	3,410	61%
FY03 ²	6,760	2,847	42%	3,913	58%
FY04 ²	7,355	3,059	42%	4,296	58%
FY05 ²	7,905	3,313	42%	4,592	58%
FY06 ²	8,451	3,622	43%	4,829	57%
FY07 ²	8,951	3,916	44%	5,305	59%
FY08	9,654	4,226	44%	5,429	56%
FY09	10,413	4,557	44%	5,856	56%
FY10	10,954	4,923	45%	6,031	55%
FY11	11,456	5,317	46%	6,140	54%
FY12	11,868	5,759	49%	6,109	51%
FY13	12,276	6,179	50%	6,097	50%

¹ Numbers may not add due to rounding² FY07 are actual amounts. Remaining years are estimates.

Source: Budget of the United States Government, Fiscal Year 2009, Historical Table 7-1

Table 15

Interest as Percentage of Outlays (\$ billions)

	FY00 ¹	FY01 ¹	FY02 ¹	FY03 ¹	FY04 ¹	FY05 ¹	FY06 ¹	FY07 ¹	FY08 ²	FY09	FY10	FY11	FY12	FY13
Net interest	222.9	206.2	170.9	153.1	160.2	184.0	226.6	237.1	243.9	260.2	280.0	293.5	299.9	302.5
Outlays	1,789.2	1,863.2	2,011.2	2,160.1	2,293.0	2,472.2	2,655.4	2,730.2	2,931.2	3,107.4	3,091.3	3,171.2	3,221.8	3,398.9
Interest as % of outlays	12.5%	11.1%	8.5%	7.1%	7.0%	7.4%	8.5%	8.7%	8.3%	8.4%	9.1%	9.3%	9.3%	8.9%

¹ FY00–07 are actual amounts and include Title IX Supplements.² FY08 are appropriated amounts. Remaining years are budget proposals.

Source: Budget of the United States Government, Fiscal Year 2009, Historical Table 6.1

the President's Budget. A comparison of the President's Budget and the CBO estimates of surpluses or deficits is in **table 16**.

The differences between the President's Budget and the CBO estimates are a result of different spending and revenue assumptions. Examples of the different assumptions include:

- a \$50 billion raise in discretionary spending for national defense in the President's Budget in FY 2009; and
- a \$94 billion reduction in revenues because the President's Budget proposes extending higher

exemption levels for the alternative minimum tax through the end of FY 2008 and other changes in tax policies.

Observations

The federal government will operate at a deficit until FY 2012, as discussed earlier in this section. The annual deficits will result in increases to the GFD.

The Budget estimates the following financial data for FY 2009:

- \$15.027 trillion for the GDP;
- \$2.7 trillion in receipts to the federal government;

Table 16

Comparisons of Surplus/Deficit Estimates
(\$ billions)

	FY07*	FY08	FY09	FY10	FY11	FY12	FY13
President's Budget	-162	-410	-407	-160	-95	48	29
Congressional Budget Office estimate of President's Budget	-162	-219	-198	-241	-117	87	61
Difference between President's Budget and Congressional Budget Office estimate	0.0%	-46.6%	-51.4%	50.6%	23.2%	81.3%	110.3%

* FY07 are actual amounts. Remaining years are estimates.

Sources: *Budget of the United States Government, Fiscal Year 2009, Historical Table 1-1; CBO Budget & Economic Outlook: Fiscal Years 2008-2018, Table 1*

- \$1.212 trillion in discretionary spending, including \$730 billion in security discretionary spending and \$482 billion in non-security discretionary spending;
- \$1.551 trillion in mandatory spending;
- \$260 billion in interest payments on the GFD;
- a \$407 billion annual deficit; and
- a \$10.413 trillion GFD.

GFD will approach two-thirds of the GDP and interest payments will approach 30 percent of non-security discretionary spending. This is not a good state of affairs. These figures raise concerns about national prosperity, and a nearly universal shared conclusion is that the country has to reduce the GFD. Reducing the GFD requires eliminating the annual deficit and generating annual surpluses.

The President's Budget focuses on controlling discretionary outlays and modifying mandatory programs. However, controlling discretionary outlays is very difficult because about 60 percent are spent on security, and security requirements—as evidenced by the perennial supplemental requests—are growing.

Controlling the 40 percent of the budget that is for other non-security outlays has been the focus of the current administration for the past seven years. These

funds are spread among so many agencies that there simply is no big-payoff item. In addition, controlling mandatory entitlement programs requires modifying, at the very least, what people believe is due to them from their government. Defining how to modify entitlements requires vision, wisdom, moral courage and cooperation across party lines and the branches of government. Changing entitlements requires bipartisan leadership from both ends of Pennsylvania Avenue.

The other half of the deficit equation is receipts, and receipts are a function of the health of the economy and taxing policy. In FY 2009, the Budget estimates 23 percent growth in GDP since FY 2005 and a 25 percent increase in federal receipts. The federal government will take in receipts at a rate greater than the growth of the economy. A couple of questions come to mind: How much can the federal government take in before it becomes a drain on the economy? And what is the fairest way of raising revenue, i.e., who is to be taxed and at what rate? These are questions that deserve serious discussion, bipartisan solutions and the leadership to make it happen.

The subsequent sections of this analysis focus on the DoD and Army budget proposals and what the funds will buy and provide to the nation.

Endnotes

- ¹ *Budget of the U.S. Government, Fiscal Year 2009, The Budget Message of the President*, p. 1, available online at <http://www.whitehouse.gov/omb/budget/fy2009/message.html>.
- ² *Ibid.*
- ³ *Ibid.*
- ⁴ *Ibid.*, pp. 1–2.
- ⁵ Testimony of Office of Management and Budget Director Jim Nussle to the United States Senate Budget Committee, 5 February 2008, subject: President's FY 2009 Budget, available online at http://www.whitehouse.gov/omb/legislative/testimony/director/nussle_020508.html.
- ⁶ Office of Management and Budget, "OMB's Mission," available online at <http://www.whitehouse.gov/omb/organization/role.html>.
- ⁷ Nussle Testimony on the President's FY 2009 Budget, 5 February 2008.
- ⁸ Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2009, Overview of the President's 2009 Budget*, available online at <http://www.whitehouse.gov/omb/budget/fy2009/overview.html>.
- ⁹ Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2009, Summary Table S-8, Budget Summary by Category*, available online at <http://www.whitehouse.gov/omb/budget/fy2009/summarytables.html>.
- ¹⁰ *Ibid.*
- ¹¹ Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2009, Department of Defense*, available online at <http://www.whitehouse.gov/omb/budget/fy2009/defense.html>.
- ¹² Non-security is used in this paragraph to be consistent with the *Budget of the United States Government, Fiscal Year 2009, Summary Tables*, which exclude non-DoD national security funds.
- ¹³ Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2009, The Budget Message Of The President*, available online at <http://www.whitehouse.gov/omb/budget/fy2009/message.html>.
- ¹⁴ OMB, *Budget Message of the President*.
- ¹⁵ Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2008, Overview of the President's 2008 Budget*, available online at <http://www.whitehouse.gov/omb/budget/fy2008/overview.html>.
- ¹⁶ OMB, *Budget Message of the President*.

The Department of Defense Budget

Introduction

In his prepared statement for Congress on the Department of Defense (DoD) budget, Secretary Robert M. Gates notes that:

The investment in defense spending being presented today is \$515.4 billion, or about 3.4 percent of our Gross Domestic Product. This request is a 7.5 percent increase – or \$35.9 billion – over last year's enacted level. When accounting for inflation, this translates into a real increase of about five and a half percent.¹

In addition to the base budget, the Secretary states that DoD is also submitting a request for emergency funding for the war on terrorism. The two submissions for Fiscal Year 2009 are \$515.4 billion in discretionary authority in the base budget and \$70 billion in an emergency bridge request for the war on terrorism, adding up to \$585.4 billion *total* in the proposal for FY 2009.² As a reference point, the DoD budget proposal for FY 2008 included \$481.4 billion in discretionary authority and \$141.7 billion in an emergency supplemental for the war on terrorism, a sum of \$623.1 billion *total* in the proposal for FY 2008.³

The FY 2008 actual enacted base budget is \$479.5 billion—almost \$2 billion less than the President's proposal for DoD. A comparison of the FY 2008 enacted budget plus the supplemental for the war on terrorism to the FY 2009 budget proposal is in **figure 5** (p. 26).

The FY 2009 base budget proposal is \$35.9 billion greater than the enacted FY 2008 base budget, an increase of more than 7 percent; accounting for inflation, this translates into a real increase of about 5.5 percent.⁴ The greatest portion of this increase—\$14.9 billion or 41.5 percent—is for operations, readiness and support. See **figure 6** (p. 26) for the distribution of the increase.

In contrast to the base budget increase, the FY 2009 emergency bridge proposal is 50 percent less than the

FY 2008 bridge proposal. Even with drawdowns in the number of surge forces, it seems unlikely that a 50 percent reduction in the bridge request is practical. Secretary Gates seems to recognize this when he observes that the \$70 billion is an initial estimate and lacks specificity. He goes on to say that the next administration will need to submit a better estimate:

In short, while I would like to be in a position to give you a realistic estimate of what the Department will need for FY 2009 supplemental funds, I simply cannot at this point. There are too many significant variables in play.⁵

With a total budget of \$585 billion, or more with supplemental funds, the DoD budget is very large. A simple comparison with the discretionary budgets of the next three largest federal departments provides an indication of how much: \$70.4 billion for the Department of Health and Human Services; \$44.8 billion for Veterans Affairs; and \$38.5 billion for Housing and Urban Development.⁶ The three combined equal only 26 percent of the DoD proposal. As discussed in the federal chapter, DoD consumes more than 55 percent of all federal discretionary dollars.

In his prepared remarks for the Budget Committee, Deputy Secretary of Defense Gordon England said:

While \$515.4 billion is by any standard a lot of money – Secretary Gates has referred to the Defense Budget as “staggering” – and altogether sufficient, when combined with required supplemental funding, to support the nation’s defense needs, it affords significantly less flexibility in spending than may, at first, be obvious. As is true in any budget, much of it is consumed by what can be considered fixed costs.⁷

Deputy Secretary England offers an alternate perspective on the size of the budget by comparing the FY 2009 budget proposal to the current Gross Domestic Product and also comparing earlier wartime budgets

Figure 5

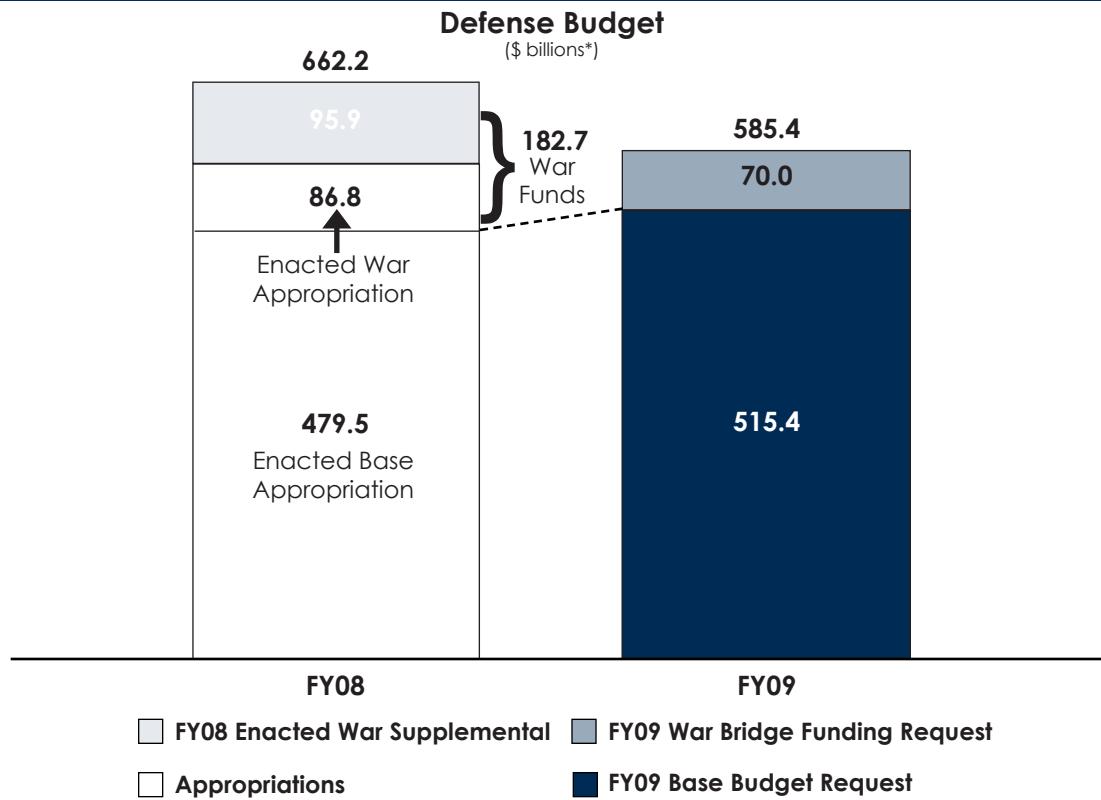
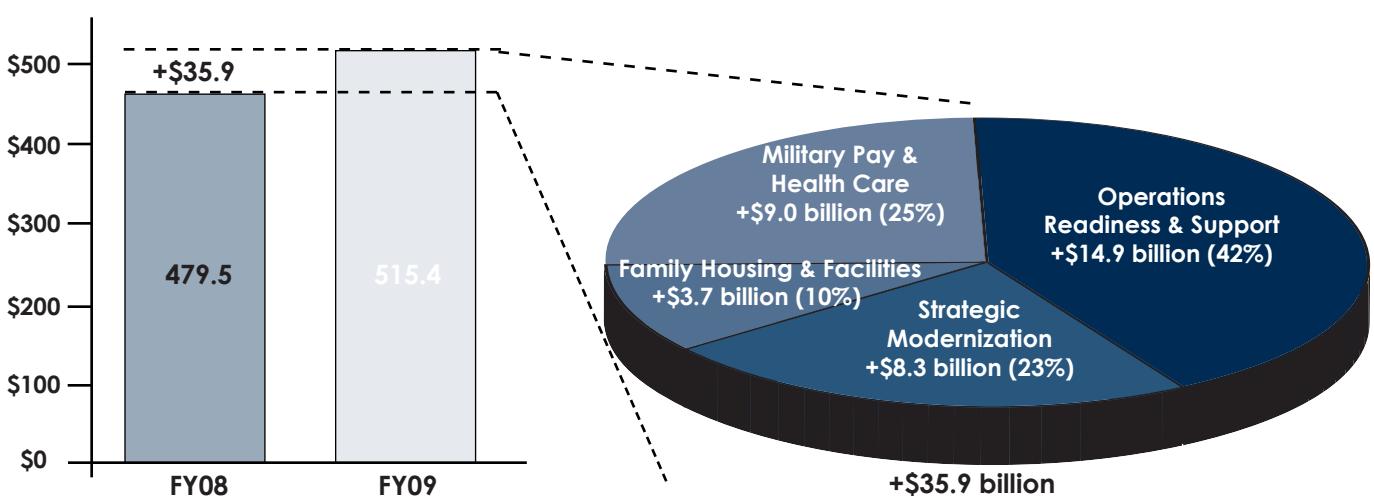


Figure 6

Budget Provides Real Increases to Support the Warfighter (\$ billions*)



Base budget increases by \$35.9 billion or 7.5% (5.4% when adjusted for inflation) from FY 2008 to FY 2009.

* Numbers may not add due to rounding.

Source: FY 2009 DoD Budget Request, FY 2008 DoD Appropriations

to their respective GDP. The Defense budget has been 4 percent of GDP since FY 2004; it was 4.4 percent of GDP for Operation Desert Storm; 9 percent of GDP for the Vietnam War; 11.7 percent of GDP for the Korean War; and 34.5 percent of GDP for World War II in 1945.⁸ Thus, the DoD budget consumes a great deal of resources, but not as much of the GDP as during wartime in prior eras.

The comparison of Defense spending to GDP suggests that more of the economy could be directed toward Defense; however, this selective comparison fails to consider the ratio of all federal spending to GDP. The average of all federal outlays for 1953, 1968, 1991 and 2007 is 20.8 percent of GDP; the estimate of federal outlays for FY 2009 is 20.7 percent in the President's Budget. Overall federal consumption is the same as in those earlier years.

Therefore, to increase Defense spending as a percentage of GDP, the federal government would have to take a larger bite out of the economy. Alternatively, to keep the federal consumption about the same, the government would need to cut nondefense discretionary spending or mandatory entitlement spending, or some mix of both. In addition, the simple comparison of the Defense budget to GDP does not address the paramount question—is the Defense budget proposal sufficient to provide for the national defense?

DoD Budget and the Federal Conundrum

One other very important and relevant observation is that the DoD budget is at the center of the federal budget conundrum, because DoD consumes a huge portion of the discretionary budget. The Defense proposal supports both the troops fighting the war on terrorism and the restoration of military capabilities depleted after seven years of conflict. The nondefense discretionary funds support all the domestic program requirements excluding the entitlements. Any increase in Defense spending, without an increase in revenue, is in effect a zero-sum game that requires taking funds from domestic requirements or increasing the national debt.

If resources are inadequate—whether for Defense or nondefense—the options are to:

- reduce the scope of what is to be accomplished;
- identify alternate, less resource-intensive means;
- add more resources; or
- some combination of these options.

None of these options is attractive to those responsible for accomplishing the respective missions and programs, to some advocates or groups of the electorate, or to some elected representatives and officials.

This chapter of the budget analysis examines the DoD budget in terms of what the funding is for and the funding trends. Given the size, scope and diversity of DoD and its budget, this analysis does not examine the tens of thousands of details that are aggregated into the funding proposals, as the various DoD budget submissions contain more than 38,000 pages of material.⁹ Rather, this analysis sheds some light at the macro level on whether the budget is sufficient considering both the scope of what is to be accomplished and the resource trends. The analysis begins with the goals and objectives, then the external environment and challenges, then the programs and actions to achieve the goals, and the resources necessary to carry out the plan.

Strategic Goals

The strategic goals of the United States are rooted in the Preamble to the Constitution, which went into effect on 4 March 1789. The Preamble summarizes the general purpose of the federal government:

*We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.*¹⁰

Since the passage of the Goldwater-Nichols Act of 1986, members of the executive branch have periodically drafted national strategic goals for the President's consideration. The President approves and submits the National Security Strategy (NSS) of the United States to Congress. The NSS stipulates the goals and strategy for providing for the common defense, promoting the general welfare and securing the blessings of liberty. In the most recent NSS (16 March 2006), President Bush wrote:

Our national security strategy is founded upon two pillars. The first pillar is promoting freedom, justice, and human dignity – working to end tyranny, to promote effective democracies, and to extend prosperity through free and fair trade and wise development policies. . . . Peace and international stability are most reliably built on a foundation of freedom.

*The second pillar of our strategy is confronting the challenges of our time by leading a growing community of democracies.*¹¹

The NSS states the national security goal as follows:

The goal of our statecraft is to help create a world of democratic, well-governed states that can meet the needs of their citizens and conduct themselves responsibly in the international system. This is the best way to provide enduring security for the American people.¹²

Essentially, the NSS recognizes that national security flows from an international environment similar to our own aspirations for justice, tranquility, common defense, general welfare and liberty.

In his budget for FY 2009, the President expresses two principles that are clearly consistent with the NSS: "Two key principles guided the development of my Budget—keeping America safe and ensuring our continued prosperity."¹³ The President goes on to say:

As Commander in Chief, my highest priority is the security of the American people. So my Budget invests substantial resources to protect the United States from those who would do us harm. Continuing our nation's efforts to combat terrorism around the globe, my Budget provides our men and women in uniform the tools they need to succeed in Afghanistan and Iraq and it furnishes the resources needed for our civilians to help those nations achieve economic and political stabilization. My Budget also strengthens our overseas diplomatic capabilities and development efforts, advances our political and economic interests abroad, and improves the lives of people around the world.¹⁴

The national goals have been remarkably consistent for more than two hundred years; however, the strategy, emphasis and priorities for achieving the goals have changed—in large part due to the strategic environment.

Strategic Environment

The strategic environment presents various challenges to achieving the security goals, and the challenges change over time. In the early part of the last century, the international challenges arose from fascist dictatorships, eventually leading to World War II. For the next 45 years, the Cold War dominated the strategic environment. In 1989, the Cold War ended abruptly and democracies began to emerge around the world. In fact, today more nations are free, peaceful and prosperous than at almost any point in history. However, this new freedom has

provided an opportunity for the expression of ethnic, tribal and sectarian differences in some parts of the world. These expressions of differences sometimes lead to extremism and ultimately terrorism. The terrorists are able to act beyond the local and regional area in an unprecedented manner, in part because of access to worldwide communications and transportation. The horrific events of 11 September 2001 demonstrated their ability and intent to act worldwide, and specifically against the United States.

The U.S. military response to the 11 September 2001 attacks began on 7 October 2001 with U.S. and British forces launching combat operations against terrorist training camps and infrastructure in Afghanistan. Many al Qaeda leaders were captured or killed in what ultimately was named Operation Enduring Freedom. The United States is continuing to prosecute this war along with NATO operations in Afghanistan.

In 2002 and into 2003, the United States alleged that Iraq was pursuing the development of and was in possession of weapons of mass destruction. The United States and other nations concluded that this was an imminent threat to U.S., European and Middle East interests and security. On 20 March 2003, U.S. and British troops invaded Iraq with support from a multinational coalition of some 40 nations that provided equipment, services, security and smaller numbers of forces; thus began Operation Iraqi Freedom.

American military forces are presently pursuing the war on terrorism in Afghanistan, Iraq and around the world. In addition, along with allies and friends, the U.S. military is assisting the new governments of Afghanistan and Iraq in establishing an environment that will enable the people of those countries to pursue justice, tranquility, common defense, general welfare and liberty.

The Secretary of Defense describes the strategic environment as follows:

Before getting into the components of the [budget] request, I thought it might be useful to consider it quickly in light of the current strategic landscape, a landscape still being shaped by forces unleashed by the end of the Cold War nearly two decades ago. In recent years old hatreds and conflicts have combined with new threats and forces of instability—challenges made more dangerous and prolific by modern technology. Among them: terrorism, extremism and violent jihadism; ethnic, tribal and sectarian conflict;

*proliferation of dangerous weapons and materials; failed and failing states; nations discontented with their role in the international order; and rising and resurgent powers whose future paths are uncertain.*¹⁵

This is an overview of the security challenges confronting the United States during the opening years of the 21st century. The DoD budget proposal is for resources to meet the immediate challenges and to produce a military capable of prevailing in the challenges of the next twenty years.

The DoD Posture Statement concludes, "In this strategic environment, the resources we devote to defense should be at the level to adequately meet those challenges."¹⁶

Budget Priorities and Resources

The current threats are—and those in the future will likely be—irregular but undefined challenges that require an emphasis on a different facet of the military mission than during the Cold War. In various documents dating from the Cold War and initially advanced by President George W. Bush and DoD, the military's mission was to deter aggression or otherwise defeat America's enemies rapidly and decisively.

However, the strategic environment, as characterized by the 11 September 2001 attacks, requires a much greater emphasis on an earlier facet of the military's mission—to provide a basic level of security to a territory as a necessary precondition for progress in the political, economic and governance arenas. This facet of the military's mission was evident in Western U.S. states in the 19th century and is now evident in operations in places such as Afghanistan, Iraq, Kosovo, Bosnia and the Sinai. The Defense budget proposal recognizes this security mission as well as the deterrence and conventional operations against a hostile nation-state mission.

In fact, Chairman of the Joint Chiefs of Staff Admiral Michael G. Mullen expresses the need to support both the strategic military priorities that drive the DoD budget and the nonmilitary means to provide for national security. Admiral Mullen summarizes the military priorities as follows:

- Increase stability and defend our vital national interests in the broader Middle East.
- Reset, reconstitute and revitalize the armed forces.
- Deter conflict and be prepared to defeat foes globally by rebalancing our strategic risk.¹⁷

Admiral Mullen emphasizes the need to increase nonmilitary capacity as a means for promoting stability and defending vital national interests. He specifically recommends to Congress that more emphasis be placed on building the capacity of:

- other government agencies, such as the Department of State, the United States Agency for International Development, the Department of Agriculture, the Department of the Treasury and the Department of Commerce, et al.; and
- foreign partners to counter threats including terrorism and to promote regional stability.¹⁸

The President's defense budget distributes the base budget and emergency supplemental in terms of the following priorities:

- Sustain the commitment to prevail in the war on terrorism.
- Increase ground combat capabilities.
- Improve force readiness.
- Develop the combat capabilities needed to meet future threats.
- Improve the quality of life for servicemembers and their families.¹⁹

A summary of the Secretary's testimony follows.

Strategic Modernization – Future Combat Capabilities

The FY 2009 budget proposes \$183.8 billion in strategic modernization to develop combat capabilities to meet future threats, a 4.7 percent increase over the previously-enacted level. This category includes more than \$104 billion for procurement and \$79 billion for Research, Development, Test and Evaluation (RDT&E). The following eight categories of materiel are included in strategic modernization:

- Aircraft—\$45.6 billion;
- Communications and Mission Support Systems—\$68.5 billion;
- Ground Capabilities—\$9.2 billion;
- Missile Defense—\$10.5 billion;
- Munitions and Missiles—\$11 billion;
- Science and Technology—\$11.5 billion;
- Shipbuilding and Maritime Systems—\$16.9 billion; and
- Space-based and Related Programs—\$10.7 billion.

In his budget testimony, the Secretary expresses concerns with the low funding for basic research in recent budgets and notes that basic research may lead to opportunities to better meet strategic challenges, such as irregular warfare, weapons of mass destruction and disruptive technologies. Therefore, the budget proposes an increase of \$0.3 billion for basic research to develop future joint combat capabilities, the components of which are listed in **figure 7**, and a 2 percent increase in real annual growth for the next five years. In total, the budget proposes \$1.7 billion for basic research, which includes a fundamental, peer-reviewed initiative.

Readiness, Operations and Support – Improve Force Readiness

The FY 2009 budget proposes \$158.3 billion for operations and training, as well as facilities and base support. This is a 10.4 percent increase over FY 2008's enacted level. The budget invests in readiness measured in terms of tank miles driven per month, ship steaming days underway per quarter and flying hours per month. The total includes:

- \$68 billion to maintain combat readiness focused on next-to-deploy units;
- \$33.1 billion for logistical, intelligence and service-wide support;
- \$32.6 billion for facility and base support;
- \$11.8 billion for equipment maintenance to accommodate increased requirements, expanded scopes of work for repair and refurbishment of equipment, and the transition of systems from development to sustainment in the field;
- \$10.7 billion for training, recruiting and retention to ensure that the all-volunteer force has the right people with the right skills; and
- \$2.2 billion for sealift efforts and commissary support.

Quality of Life – Improvement for Servicemembers and Families

The FY 2009 budget proposes \$149.4 billion in military pay and health care, and \$23.9 billion for

Figure 7

Development of Future Combat Capabilities

**+\$10.5 billion
FY08–FY09**

Joint Ground Capabilities	Joint Maritime Capabilities	Joint Air Capabilities	Space-based Capabilities
<ul style="list-style-type: none"> • Future Combat Systems: <ul style="list-style-type: none"> – Ground and air systems • 119 Stryker Vehicles • 5,249 High Mobility Multi-purpose Wheeled Vehicles • 1,061 Heavy Tactical Vehicles • 3,187 Medium Tactical Vehicles • 29 M1A1 Abrams Tank Upgrades • Chemical Weapons Demilitarization 	<ul style="list-style-type: none"> • CVN 21 Carrier Replacement • 1 Virginia-class Submarine • 1 DDG-1000 Destroyer • 2 Littoral Combat Ships • 2 T-AKE Auxiliary Dry Cargo Ships • CVN Refueling Complex Overhaul • 2 Joint High Speed Vessels 	<ul style="list-style-type: none"> • 16 F-35 Joint Strike Fighters • 20 F-22A Raptors • 36 V-22 Ospreys • 23 F/A-18 Hornets • 22 E/A-18G Growlers • 16 CH-47 Chinooks • VH-71 Helicopter • KC-X Aerial Refueling Tanker • 59 Predators, Reapers and Warriors 	<ul style="list-style-type: none"> • 2 Space-Based Infrared Systems • 4 Expendable Launch Vehicles • GPS Satellite • 1 Mobile User Objective System • Transformational Satellite • Advanced Extremely High Frequency Satellite • Wideband Global SATCOM • Ballistic Missile Defense

Basic Research +\$0.3 billion in FY09 (+\$1.4 billion FY09–FY13)

Budget strengthens joint capabilities to meet future threats.

Research is from FY 2008 Request.
Source: FY 2009 DoD Budget Request

housing and facilities for servicemembers and their families. The increase in Military Pay and Benefits is 9.8 percent over the FY 2008 enacted level and includes a 3.4 percent increase in military pay and a 2.9 percent increase in civilian pay. The total for these quality-of-life improvements includes:

- Military Pay and Benefits—\$107.8 billion;
- Health Care—\$41.6 billion;
- Family Housing—\$3.2 billion;
- Base Realignment and Closure Implementation—\$9.5 billion; and
- Training Centers and Base Infrastructure—\$11.2 billion.²⁰

Increase Ground Forces

The Army and Marine Corps require strength increases to relieve the stress on the force and enable the nation to meet its commitments at home and abroad. This is a continuation of the growth that began last year and is expected to continue through FY 2013.

• U.S. Army

- The FY 2009 budget proposes an increase of \$15.5 billion for the Army to increase active endstrength by 7,000 over that requested for FY 2008, for a total of 532,400 at the end of FY 2009. This also includes funds for the cumulative cost of personnel added as part of a temporary increase in endstrength after 11 September 2001, an increase previously paid for by supplemental appropriations.
- In FY 2009, the Army will increase the number of active Army brigade combat teams (BCTs) by two for a total of 42. The Army plans to grow its active ranks to 547,400 by 2012, with a goal of 48 BCTs.

• U.S. Marine Corps

- The FY 2009 budget proposes an increase of \$5 billion for the Marine Corps to increase endstrength by 5,000 over that requested for FY 2008, for a total of 194,000 at the end of FY 2009. This also includes funds for the cumulative cost of personnel added after 11 September 2001.
- The Marine Corps plans to grow its endstrength to 202,000 by FY 2011, to achieve three balanced Marine Expeditionary Force units and to increase time at home station between deployments.

War Funding – Sustain the Commitment to Prevail in the War on Terrorism

Congress appropriated \$86.8 billion for the war based on the emergency bridge proposal for FY 2008; an additional supplemental of \$161.9 billion was enacted in June 2008, guaranteeing war funds well into 2009.²¹ The FY 2009 budget proposal includes a request for \$70 billion in emergency bridge funding that would also cover war costs into 2009. The National Defense Authorization Act for 2007 requires DoD to provide an estimate of costs for the war on terrorism. However, DoD's position is that it is unable to prepare a detailed estimate, in part because there are too many significant variables in play, such as what, if any, adjustments to troop levels will actually occur in Iraq, and how the next administration will conduct the war.²² Therefore, the Secretary has stated,

[W]hile I would like to be in a position to give you a realistic estimate of what the Department will need for FY 2009 supplemental funds, I simply cannot at this point.²³

The initial bridge and the additional supplemental enacted for FY 2008 total \$182.7 billion. The FY 2007 total supplemental for the war was \$173.6 billion. The FY 2008 amount is an increase of 5 percent. However, the FY 2009 proposal is only \$70 billion, or \$112.7 billion less than the total enacted for FY 2008. While the next administration will continue to strive to achieve stability and better living conditions in Afghanistan and Iraq, the situation will not likely warrant such a large reduction. The FY 2009 proposal appears to be very optimistic—and will likely require some significant upward revision by the next administration.

The budget supplemental trend since the start of the war on terrorism is displayed in **table 17** (p. 32). Including the enacted funds for FY 2008 and proposals for FY 2009, the total cost of the war is approaching \$800 billion.

This completes the overview of the DoD budget. In the words of Secretary Gates, this request:

provides the resources needed to respond to current threats while preparing for a range of conventional and irregular challenges that our nation may face in the years ahead.²⁴

National Defense Budget

The federal government uses a unified or consolidated budget technique that separates the budget

Table 17

Increasing Support for Defense Operations in the War on Terrorism¹ (Budget Authority, \$ billions)

Enacted ²								Enacted To Date:	President's Budget Request 2009	Total All Years:
FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08			
9.3	8.3	62.2	62.0	100.5	114.5	173.6	182.7	713.1	70.0	783.1

¹ Funding levels include budget authority for the intelligence community.

² Funding levels exclude budget authority for Operation Noble Eagle that covers homeland defense and civil support missions in effect since the terrorist attacks on 11 September 2001.

Source: *Budget for the United States Government, Fiscal Year 2009, Summary Table S-2*

proposal into 20 functional areas. Some of the functional areas include a few subfunctions. Typically, the budget for an entire department or agency is placed in a single budget function or the subfunction that best reflects its major purpose.

One of the 20 functions is 050 National Defense; the DoD budget is in a subfunction identified as 051 Department of Defense–Military. The National Defense function includes three subfunctions:

- 051 Department of Defense–Military
- 053 Atomic Energy Defense Activities
- 054 Defense-Related Activities

Note that comparisons of the dollar amounts in the functional area to the Defense budget data may reveal differences. In part, this is due to the fact that the Office of Management and Budget and DoD documents sometimes include different data for the same fiscal years. For example, one document may include the budget proposals for FYs 2008 and 2009, while another document may include the enacted amount for FY 2008 and the proposal for FY 2009.

National Defense Trends

The President's Budget proposes \$588.3 billion in Budget Authority (BA) and \$651.2 billion in Outlays in subfunction 051 Department of Defense–Military for FY 2009. Note that:

- Secretary Gates, in his testimony, discusses a total budget of \$585.4 billion—about \$3 billion less—for the base budget and emergency supplemental. The reason for the difference is unspecified.
- President Bush's budget proposal submitted last year for FY 2009 was \$562.9 billion in BA and \$579.0 billion in Outlays. The growth in BA is about 4.5 percent and exceeds pay raises and inflation.

The President's Budget includes proposals for FY 2009–2013 and Historical Tables that go back, in some instances, to the founding of the country. **Table 18** provides the BA and Outlay data in five-year intervals from FY 1985 to FY 2005, and annually thereafter. This 20-year summary plus the last year of actual data illustrates the Defense budget and management problem—substantial swings between buildups and drawdowns:

- the buildup during the Reagan administration—\$286.8 billion in FY 1985;
- the status at the end of the Cold War—\$292.9 billion in FY 1990;
- the drawdowns during the Clinton administration—\$255.7 billion in FY 1995;
- the perceived new baseline for DoD—\$290.4 billion in FY 2000;
- the early war on terrorism buildup—\$483.9 billion in FY 2005;
- the last year of actual data—\$602.9 billion in FY 2007.

This pattern of growth and substantial reductions is difficult for DoD, the services, servicemembers and the supporting industrial base to absorb.

The budget trend for 051 Department of Defense–Military, from FY 2000 to FY 2009, clearly reflects growth—101 percent in BA and 129 percent in Outlays. However, from FY 2009 to FY 2013, the budget proposes reductions of 6 percent in BA and nearly 16 percent in Outlays. This trend for the future is a concern because all of the military forces, particularly the Army and the Marine Corps, have been engaged in intensive combat operations since 7 October 2001 with Operation Enduring Freedom in Afghanistan and since 20 March 2003 with Operation Iraqi Freedom. Nearly seven years of constant combat operations produces a tremendous stress on

Table 18

050 National Defense Functional Category
(\$ billions)

	FY85 ¹	FY90 ¹	FY95 ¹	FY00 ¹	FY05 ¹	FY06 ¹	FY07 ¹	FY08 ²	FY09 ³	FY10	FY11	FY12	FY13
Budget Authority													
051 Department of Defense—Military	286.8	292.9	255.7	290.4	483.9	593.8	602.9	670.5	588.3	527.0	533.1	542.4	552.7
053 Atomic Energy Defense Activities	7.3	9.7	10.1	12.4	17.9	17.4	17.2	16.4	17.2	17.1	17.3	16.9	17.1
054 Defense-related Activities	0.5	0.7	0.6	1.3	4.0	5.9	5.7	6.3	5.7	5.7	5.9	5.8	5.9
Total Budget Authority, Defense⁴	265.2	303.3	266.4	304.1	505.8	617.2	625.8	693.2	611.2	549.8	556.3	565.1	575.7
Outlays													
051 Department of Defense—Military	245.1	289.7	259.4	281.2	474.1	499.3	529.8	583.1	651.2	566.7	537.7	540.9	549.3
053 Atomic Energy Defense Activities	7.1	9.0	11.8	12.1	18.0	17.5	17.1	17.8	18.2	18.0	17.2	16.9	17.0
054 Defense-related Activities	0.5	0.6	0.9	1.2	3.2	5.1	5.7	6.4	5.7	5.7	5.8	5.8	5.9
Total Outlays, Defense⁴	273.4	299.3	272.1	294.5	495.3	521.8	552.6	606.5	675.1	590.4	560.7	563.6	572.2

¹ FY85 to FY07 are actual expenditures.

² FY08 is enacted which includes war funding bridge but not larger supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals. Remaining years are estimates.

⁴ Totals may not add due to rounding.

Source: *Budget of the United States Government, Fiscal Year 2009, Historical Tables 5.1—Budget Authority and 3.2—Outlays*

the equipment, logistics support and servicemembers themselves. The assumption that the operational demands will be less rigorous and, therefore, less costly, seems very questionable when compared to the need to reset the existing forces and grow the Army and Marine Corps.

Budget Analysis – Top Line

The top-line analysis focuses on the DoD budget data at the next level of detail below the National Defense Category, discussed above.

DoD involves thousands of organizations with hundreds of different functions, and all are integrated within vertical chains-of-command. Almost all of these organizations prepare budget requests that are aggregated through their organizational chains. Illustrating its size and diversity, DoD:

- trains and maintains a fighting force of 2.2 million Soldiers, Sailors, Airmen and Marines;
- employs a highly dedicated workforce of 700,000 civilian personnel with a wide range of professions and technical skills;

- provides world-class health care for 9.2 million eligible servicemembers, families and retirees;
- procures and maintains an arsenal of the world's most advanced weapon systems;
- maintains 545,000 facilities at 5,300 sites in the United States and around the globe; and
- maintains vital intelligence capabilities.

The budget details for the pay, benefits, equipping, training, maintaining facilities, etc., across the organizations are aggregated into appropriations, which are the typical focus of budgeting within the military departments. The appropriations from across the services and other Defense activities are aggregated into eight budget titles. The budget titles are groupings of like appropriations from among the approximately 75 DoD appropriations. Each budget title reflects the specific purpose for the funds and is subject to different legal and regulatory constraints, including various time periods for obligating the funds. The annual appropriations acts use the following budget titles:

- Military Personnel (MILPERS);
- Operation and Maintenance (O&M);

- Procurement;
- Research, Development, Test and Evaluation (RDT&E);
- Military Construction (MILCON);
- Family Housing;
- Revolving and Management Funds; and
- Other Related Agencies.²⁵

This top-line analysis examines the budget in terms of budget titles and military services, current and constant dollars and percentage of distribution. The subheadings for the top-line analysis are:

- title in current dollars;
- title in constant dollars;
- title by percentage of distribution;
- service and Defensewide – current dollars;
- service and Defensewide – constant dollars; and
- service and Defensewide – percentage of distribution.

The top-line analyses begin with data from FY 1985 and continue to FY 2000 at five-year intervals, and annually thereafter. The constant dollar tables provide insights into changes in buying power at each point in time; the percentage tables provide insights into priorities at each point in time.

DoD Budget by Title – In Current Dollars

The military services and the various Defensewide activities prepare budgets using the appropriation structure; DoD summarizes that data by titles. A DoD budget title is the grouping of all the appropriations in a functional category from across the services and Defensewide agencies. For example, the Military Personnel title includes the military pay and benefits appropriations for all active and reserve military servicemembers from all military services. Current and select historical data in current or “then year” dollars are in **table 19**.

Between FYs 2000 and 2009, the total BA for Defense increases by 78 percent. However, the FY 2009 total BA is for the base budget only and does not include emergency supplemental funds. Therefore, comparisons of FY 2009 to earlier fund levels do not accurately reflect changes.

Assuming there is no substantial change in the number of Soldiers on active duty, that deployments and operations remain at about the same level, and that resetting the force proceeds at approximately the level of FY 2007, a reasonable conclusion is that DoD requires approximately \$600 billion or more for pay raises and inflation. Alternatively, these and other assumptions—such as that force deployments will decrease and force resetting will increase since there are two more years of wear-and-tear on equipment—require specific analyses into the details.

Table 19

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

	FY85 ¹	FY90 ¹	FY95 ¹	FY00 ¹	FY05 ¹	FY06 ¹	FY07 ¹	FY08 ²	FY09 ³
Military Personnel	67.8	78.9	71.6	73.8	121.3	128.5	131.8	120.3	128.9
Operation and Maintenance	77.8	88.4	93.7	108.7	179.2	213.5	240.3	222.3	180.4
Procurement	96.8	81.4	43.6	55.0	96.6	105.4	133.8	126.2	104.2
Research, Development, Test and Evaluation	31.3	36.5	34.5	38.7	68.8	72.9	77.5	76.5	79.6
Military Construction	5.5	5.1	5.4	5.1	7.3	9.5	14.0	17.8	21.2
Family Housing	2.9	3.1	3.4	3.5	4.1	4.4	4.0	2.9	3.2
Other	4.7	-0.4	3.4	5.6	6.6	2.3	0.9	2.3	0.7
Total Budget Authority, DoD⁴	286.8	293.0	255.7	290.5	483.9	536.5	602.2	568.2	518.3

¹ FY85 to FY07 are actual expenditures (including war supplementals).

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ Totals may not add due to rounding.

Source: Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-8

Between FYs 2007 and 2009, the three largest titles had the following changes:

- Military Personnel decreased by 2 percent, which suggests that military pay has moved from the supplemental to the base budget.
- Operation and Maintenance decreased by 25 percent, which suggests a serious shortfall unless there is either substantial supplemental funding or a substantial reduction in operation and maintenance.
- Procurement decreased by 22 percent, which suggests a reduction in fielding of new equipment.

Only two titles were increased since FY 2007. Military Construction is the larger of the two at 51.4 percent, but this title has a relatively small dollar amount. RDT&E increased by 2.7 percent.

DoD Budget by Title – In Constant Dollars

Constant dollars are a measure of spending (or revenues) in a given year that has been adjusted for differences in prices (such as inflation) between that year and a base year. The use of constant dollars for comparisons of data over long periods of time allows for comparisons of consistent buying power. For example, the change in the total BA for DoD between FYs 1985 and 2009 is an increase of 80.7 percent in current dollars but a decrease of 6.9 percent in constant dollars.

Neither the FY 1985 nor the FY 2009 dollars include funding for war operations, so the comparison is straightforward. However, the FY 1985 data include funds for post-Vietnam restoration and a military end-strength that was 50 percent larger than it is today.

A comparison between FYs 2000 and 2009 is generally valid because data for both years exclude war funding and there was comparable military endstrength. The total BA increases by 35.8 percent in constant dollars versus 78.4 percent in current dollars—the difference is a result of pay increases and inflation.

Between FYs 2000 and 2009, the three largest titles had the following changes in constant dollars:

- Military Personnel increased by 28 percent, which represents the greater number of servicemembers on active duty.
- Operation and Maintenance increased by 20 percent, which may relate to the increases in active duty personnel and land forces and more rigorous training for active and reserve forces.
- Procurement increased by 57 percent, which suggests equipment transformation.

The largest increase was in Military Construction at 242 percent, but this title has a relatively small dollar amount. See **table 20**.

DoD Budget by Title – Percentage Distribution

Converting the dollar amounts for each title to a percentage of the total distribution by fiscal year provides insights into shifting priorities across time. **Table 21** (p. 36) presents current dollars by title as a percentage of total dollars for each fiscal year.

In FY 2009, Operation and Maintenance consumes the greatest percentage of the budget—34.8 percent—as it does in every fiscal year.

Table 20

Department of Defense Budget Authority by Title – Constant Dollars (\$ billions)

	FY85¹	FY90¹	FY95¹	FY00¹	FY05¹	FY07¹	FY08²	FY09³
Military Personnel	150.7	150.8	115.5	100.5	136.7	140.0	124.0	128.9
Operation and Maintenance	163.2	159.0	147.9	150.6	203.8	255.1	227.5	180.4
Procurement	165.0	116.6	56.1	66.2	105.2	139.1	128.7	104.2
Research, Development, Test and Evaluation	55.1	53.7	45.3	47.1	75.4	80.9	78.1	79.6
Military Construction	9.7	7.5	7.1	6.2	7.9	14.5	18.1	21.2
Family Housing	5.1	4.7	4.4	4.3	4.5	4.2	2.9	3.2
Other	8.0	-0.6	4.7	6.7	7.3	1.0	2.3	0.7
Total Budget Authority, DoD⁴	556.8	491.7	381.1	381.6	540.8	634.8	581.7	518.3

¹ FY85 to FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ Totals may not add due to rounding.

Source: Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-8

Table 21**Department of Defense Budget Authority by Title as Percentage of Annual Total**

	FY85¹	FY90¹	FY95¹	FY00¹	FY05¹	FY06¹	FY07¹	FY08²	FY09³
Military Personnel	23.6%	26.9%	28.0%	25.4%	25.1%	24.0%	21.9%	21.2%	24.9%
Operation and Maintenance	27.1%	30.2%	36.6%	37.4%	37.0%	39.8%	39.9%	39.1%	34.8%
Procurement	33.8%	27.8%	17.1%	18.9%	20.0%	19.6%	22.2%	22.2%	20.1%
Research, Development, Test and Evaluation	10.9%	12.5%	13.5%	13.3%	14.2%	13.6%	12.9%	13.5%	15.4%
Military Construction	1.9%	1.7%	2.1%	1.8%	1.5%	1.8%	2.3%	3.1%	4.1%
Family Housing	1.0%	1.1%	1.3%	1.2%	0.8%	0.8%	0.7%	0.5%	0.6%
Other	1.6%	-0.1%	1.3%	1.9%	1.7%	0.4%	0.1%	0.4%	0.1%

¹ FY85 to FY07 are actual expenditures.
² FY08 is enacted, includes bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.

Source: (calculated from) Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-8

Military Personnel, the next largest, is nearly 5 percent greater than Procurement. A review of these two titles from FY 1995 to FY 2009 reveals a similar makeup. However, a comparison with FY 1985 reveals a very different distribution. The FY 1985 budget was at the peak of the defense budget buildup—or restoration, depending upon the point of view—during President Reagan’s administration. In FY 1985, military end-strength was 50 percent larger than it will be in FY 2009; however, despite the larger number of servicemembers, in FY 1985 Procurement exceeds Military Personnel outlays by 10 percent. The FY 1985 distribution suggests a profile for modernization—or transformation of materiel systems—that has been missing for more than 20 years.

DoD Budget by Service and Defensewide – Current Dollars

A review of the DoD budget by service and Defensewide agencies over time also provides high-level insights.

This review, like the prior review of the appropriation titles, includes current dollars, constant dollars and the percentage of distribution annually.

The following data are presented in **table 22**: Between FYs 1985 and 1995, the DoD budget decreased by 10.8 percent with greater decreases in the services and a 195 percent increase in Defensewide agencies. The Defensewide increase reflects programmatic transfers from the services. Between FYs 1985 and 1995, Army funds decreased by 14.8 percent, Navy/Marine Corps funds by 22.3 percent and Air Force funds by 25.7 percent. Defensewide activities had the only increase, but a substantial one, at 195 percent.

Between FYs 1995 and 2000, DoD experienced a 13.6 percent increase in funding, with increases that were shared nearly equally among the services:

- Army – 15.6 percent;
- Navy/Marine Corps – 15.5 percent;

Table 22**Department of Defense Budget Authority by Component – Current Dollars
(\$ billions)**

	FY85¹	FY90¹	FY95¹	FY00¹	FY05¹	FY07¹	FY08²	FY09³
Army	74.3	78.5	63.3	73.2	152.8	218.5	175.4	139.0
Navy/Marine Corps	99.0	99.9	76.9	88.8	131.7	150.3	147.7	149.0
Air Force	99.4	92.9	73.9	83.1	127.9	148.9	139.2	143.7
Defensewide	14.1	21.7	41.6	45.5	71.5	84.5	105.9	86.6
Total Budget Authority, DoD⁴	286.8	293.0	255.7	290.5	483.9	602.2	568.2	518.3

¹ FY85 to FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal and does not include any war supplementals.⁴ Totals may not add due to rounding.**Source:** Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-10

- Air Force—12.4 percent; and
- Defensewide activities—9.4 percent.

In the seven years between FYs 2000 and 2007 (the last year of actual data and including the war supplemental funds), the Defense budget increases 107.3 percent. The Army's budget increase was nearly twice that of the other services, which is consistent with the land wars in Afghanistan and Iraq:

- Army—198.5 percent;
- Navy/Marine Corps—69.3 percent;
- Air Force—79.2 percent; and
- Defensewide activities—85.7 percent.

The FY 2009 proposals are for the base budget and do not include the bridge supplemental. Without supplemental funds, the DoD base proposal is \$518.3 billion, or 13.9 percent below the FY 2007 actual expenditures. The difference for the Army, with a decrease of 36.4 percent, is catastrophic. The Navy/Marine Corps decreased by 0.9 percent, the Air Force by 3.5 percent; Defensewide activities increased by 2.5 percent.

Without supplemental funds, the base proposal for the Army is \$79.5 billion, or 39.3 percent below the FY 2007 actual expenditures; the rest of the DoD budget is only \$4.4 billion below FY 2007. The point of this comparison is that the Army is critically dependent on supplemental funds. Depending upon supplemental funding is unwise for any number of reasons, including the fact that supplemental funds come at some unspecified time during the fiscal year and often late in the fiscal year, which seriously impacts most management decisions including training and readiness.

DoD Budget by Service and Defensewide – Constant Dollars

The use of constant dollars for reviewing trends across time provides more accurate insights because it reflects real buying power, but it does not reflect programmatic changes. The difference in funding between FYs 1985 and 2009 is dramatic—the DoD budget increases by 80.7 percent in current dollars, but decreases by 6.9 percent in constant dollars. In terms of absolute buying power, the Defense base budget proposal for FY 2009 has nearly 7 percent less buying power than in FY 1985. The constant dollar data are in **table 23**.

However, neither current nor constant dollar data reflect adjustments for substantive programmatic changes; e.g., between FYs 1985 and 2009, military endstrength decreased by 34.5 percent, reducing the amount of military pay funds necessary in FY 2009.

The FY 1985–2000 data in constant dollars illustrate reductions in buying power consistent with military drawdowns and the transfer of certain programs from the services to Defensewide activities. Perhaps the more significant comparison is between FYs 2000 and 2007, since FY 2000 predates the war on terrorism and is the most recent year that includes war supplemental funds. The Defense total increases by 66.4 percent, with the Army receiving a much greater percentage than the other services. The increases are:

- Army—140.7 percent;
- Navy/Marine Corps—36.6 percent;
- Air Force—44.6 percent; and
- Defensewide activities—45.9 percent.

Table 23

Department of Defense Budget Authority by Component – Constant Dollars (\$ billions)

	FY85 ¹	FY90 ¹	FY95 ¹	FY00 ¹	FY05 ¹	FY07 ¹	FY08 ²	FY09 ³
Army	148.4	134.3	95.3	95.2	169.5	229.1	179.6	139.0
Navy/Marine Corps	191.2	167.2	113.5	115.8	146.5	158.2	151.0	149.0
Air Force	190.5	156.7	109.8	108.7	143.0	157.2	142.0	143.7
Defensewide	26.6	33.5	62.5	61.9	81.7	90.3	109.1	86.6
Total Budget Authority, DoD⁴	556.8	491.7	381.1	381.6	540.8	634.8	581.7	518.3

¹ FY85 to FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ Numbers may not add due to rounding.

Source: Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-10

Without the supplemental dollars in FY 2009, DoD's buying power decreases 18.4 percent from FY 2007, with a much greater decrease in buying power for the Army:

- Army—39.3 percent;
- Navy/Marine Corps—5.8 percent;
- Air Force—8.6 percent; and
- Defensewide activities—4.1 percent.

A loss of 39.3 percent in buying power for the Army in two years would be debilitating.

DoD Budget by Service and Defensewide – Percentage Distribution

The percentages analysis provides another way of comparing the budget distribution among the services. The percentages are in **table 24**.

Between FYs 1985 and 1995, approximately 11 percent of the distribution shifts from the services to Defensewide agencies. From FY 1995 to FY 2000, the distribution remains constant. However, the distribution between FYs 2000 and 2007 changes, with a large increase for the Army as a result of the war on terrorism and particularly the land war operations. In FYs 2008 and 2009, the Army share drops to 30.9 percent and 26.8 percent, respectively, with only the bridge supplemental funding added in FY 2008 and no supplemental funding added in FY 2009.

A comparison of the FY 2000 distribution (which predates the war on terrorism,) and the FY 2009 distribution (which does not include war supplemental funds) shows an increase for the Army and Defensewide activities and a decrease for the Navy/Marine Corps and the Air Force. This suggests a change in the distribution of the DoD base budget among the services.

Military Forces

The military services—Army, Navy/Marine Corps and Air Force—organize, recruit, equip, train, maintain and supply, and mobilize and demobilize the military forces. The services produce and provide the military forces to the Unified Combatant Commands (UCC).

Combatant Commands

As of January 2008, DoD had nine UCCs—five regional UCCs (each responsible for a geographical area)²⁶ and four functional UCCs. The Unified Command Plan (UCP) establishes the missions and geographic responsibilities among the combatant commanders.²⁷

A UCC or combatant command is a joint military command composed of forces from two or more services, and has a broad and continuing mission. The combatant commanders are responsible for integrating and synchronizing ready combat and support forces to execute assigned missions.

Except for U.S. Special Operations Command, the funding for UCCs is embedded in the military services' budgets. As requested by Congress, the FY 2009 budget includes O&M funds to improve UCC resource visibility. Specifically, the budget includes \$8.6 billion for the UCCs, excluding U.S. Transportation Command which has \$10.5 billion in Budget Authority.²⁸ The funds allow the UCCs to:

- sustain current operations;
- continue the stand-up and operational costs of the newly established U.S. Africa Command (AFRICOM);
- continue to support specific combatant command-building partnership initiatives;

Table 24

Component as Percentage of Department of Defense Budget Authority

	FY85 ¹	FY90 ¹	FY95 ¹	FY00 ¹	FY05 ¹	FY07 ¹	FY08 ²	FY09 ³
Army	25.9%	26.8%	24.8%	25.2%	31.6%	36.3%	30.9%	26.8%
Navy/Marine Corps	35.5%	34.1%	30.1%	30.6%	27.2%	25.0%	26.0%	28.7%
Air Force	34.7%	31.7%	28.9%	28.6%	26.4%	24.7%	24.5%	27.7%
Defensewide	4.9%	7.4%	16.3%	15.7%	14.8%	14.0%	18.6%	16.7%

¹ FY85 to FY07 are actual data.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

Source: (calculated from) Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-3

- support the overarching combined exercise program for all combatant commands;
- support the further expansion of interagency coordination and integration in the combatant command headquarters;
- improve U.S. Pacific Command's interoperability and communications with coalition partners; and
- support U.S. Strategic Command's expansion of its Combating Weapons of Mass Destruction mission and its cyber and space operations.

The UCCs are currently conducting the war on terrorism. The war has involved nearly seven years of continuous combat and has generated a capacity and sustainment issue—particularly for the ground forces. In addition to the war, military forces are forward deployed around the world, conducting intense counter-insurgency training and training for the full spectrum of operations. This environment involves all of the armed forces operating at a very high tempo, which accelerates normal wear and tear and adds to sustainment requirements.

Military Services

The services produce, train and maintain, and provide the military forces to the UCCs. After nearly seven continuous years of war, the services—particularly the Army and the Marine Corps—are resetting, reconstituting and revitalizing the forces. The services are also transforming their doctrine, equipment, military skills and training to produce future armed forces essential to the joint team. In addition, DoD is expanding the Army, the Marine Corps and special operations forces of all branches to sustain operational demands and allow more time at home station for ground forces.

Admiral Michael G. Mullen, Chairman of the Joint Chiefs of Staff, observes,

Our all-volunteer force continues to meet the requirements and demands of national security, but with great sacrifice. . . . Our servicemembers, in particular our ground forces and their families, are under significant strain. However, they remain dedicated, they are resilient and combat-hardened, and they are taking the fight to our enemies. I do not take their service for granted and recognize that their resilience has limits. I am extremely concerned about the toll the current pace of operations is taking on them and on their families, on our equipment and on our ability to respond to crises and contingencies beyond

ongoing operations in Iraq and Afghanistan. . . . This continuation of the “Grow the Force” initiative is a long-term plan to restore the broad range of capabilities necessary to meet future challenges and restore a capacity for sustained action. This commitment encompasses nearly 33 percent of the total real growth of the DoD budget from fiscal year 2008 to 2009.²⁹

The Army plans to increase the number of active BCTs by one (for a total of 44 brigade-size units—43 BCTs and one armored cavalry regiment) in FY 2009; this is due in part to an increase in endstrength of 7,000 Soldiers, which raises the Army endstrength to 532,400. The Army plans to grow the force to a total of 48 active and 28 Army National Guard BCTs by FY 2012 with an increase of 65,000 Soldiers (to 547,400) in the active ranks by 2012.

The Marine Corps plans to increase fielding of full and balanced Marine Expeditionary Force units from 2.5 to 3 by FY 2011, in part from the 5,000-Marine increase in FY 2009 and growth in the number of Marines from 194,000 in FY 2009 to 202,000 in FY 2011. In addition, the FY 2009 budget supports an increase of five special operations battalions by FY 2013. The DoD budget requests funds to continue to support the growth in ground forces, resetting returning forces and transforming the armed forces for the future. A summary of the force structure across all services is in **table 25** (p. 40).

Personnel

This section includes discussions and data on military and civilian endstrengths, the funding proposal for the Military Personnel budget title and specific information on accrual funding. With regard to the men and women who volunteer to serve in the armed forces, Admiral Mullen observes:

[They] answer the noble call to defend our nation and the spouses, children and parents who support them are our most valuable national asset. . . . Our men and women in uniform serve our nation, accepting unwelcome separation from their loved ones, long hard work under difficult circumstances, and in some cases making the ultimate sacrifice.

Military families are equally deserving of our gratitude. They bear the brunt of the loneliness, the uncertainty, and the grief that too often comes home when our Armed Forces are at war. We must provide our servicemembers and their families with the leadership, the resources and the support required to . . . win our nation’s wars.³⁰

Table 25**Conventional Forces Summary**

Army¹	FY05	FY06	FY07	FY08	FY09
Active Component (AC) Divisions	10	10	10	10	10
Reserve Component (RC) Divisions	8	8	8	8	8
AC Armored Cavalry	1	1	1	1	1
RC Armored Cavalry	1	0	0	0	0
AC Brigade Combat Teams	37	40	41	42	43
RC Brigade Combat Teams	35	36	36	30	29
AC Modular Support Brigades	79	75	83	87	93
RC Modular Support Brigades	113	128	132	147	151
Navy²					
Aircraft Carriers	12	12	11	11	11
Surface Combatants	99	102	104	108	111
Littoral Combat Ships				1	2
Amphibious Warfare Ships	34	33	31	32	31
Attack Nuclear Submarines	54	55	52	52	48
Ballistic and Guided Missile Submarines	18	18	18	18	18
Support, Logistics, Maritime Prepositioning Ships	64	63	64	62	62
Active Force Air Wings	18	18	18	18	18
Reserve Forces Air Wings	5	5	3	3	3
Air Force³					
Active Fighter Squadrons	46	45	44	40	38
Reserve Fighter Squadrons	37	38	34	31*	29
Reserve Air Defense Squadrons	4	4	4	4	4
Bombers (Combat-Coded)	96	96	96	96	96
Marine Corps²					
Expeditionary Forces	3	3	3	3	3
Expeditionary Brigades	4	3	3	3	3
Active Battalions	52	49	51	51	27**
Reserve Battalions	21	20	20	20	9**
Active Force Air Wings	3	3	3	3	3

* Includes three Air Force Reserve and 28 Air National Guard Squadrons.

** Infantry Battalions

Sources: ¹ 2008 U.S. Army Posture Statement; ² Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapons Systems, p. 200 and Office of Budget, Department of the Navy, *Highlights of the Department of the Navy FY 2009 Budget*, pp. 4-12, 4-17 and 4-18; ³ Air Force Public Affairs Office

In addition to servicemembers, thousands of dedicated civilian personnel contribute significantly to the effectiveness of the armed forces and to the well-being of servicemembers and their families. These employees of the services and Defense agencies also serve around the world—including some forward-deployed in combat theaters of operations. They, too, are an essential component of America's defense capability.

DoD recognizes the sacrifices and contributions of Soldiers, Sailors, Airmen and Marines, and their families. Therefore, one of DoD's top priorities is military pay, health care, housing and quality of life for servicemembers and their families.

The FY 2009 budget proposes \$149.4 billion in military pay, health care, housing and quality of life for service personnel and their families. This is a 9.8 percent increase over the FY 2008 enacted level and includes:

- a 3.4 percent increase in military pay and a 2.9 percent increase in civilian pay;
- \$107.8 billion in military pay and benefits;
- \$41.6 billion in health care;
- \$3.2 billion in Family Housing;
- \$9.5 billion for Base Realignment and Closure implementation; and
- \$11.2 billion for training centers and base infrastructure.

Endstrength

The DoD budget proposes a total endstrength of almost three million active, National Guard and Reserve servicemembers and civilian employees in FY 2009—an increase of 22,000 over the last actual experience in FY 2007. The FY 2009 total includes 1.5 million active duty Soldiers, 839,000 selected reserve component Soldiers and 713,000 civilian personnel. The proposal includes a slight increase in the number of active servicemembers and a larger increase for the Selected Reserve and the civilian workforce. The changes are discussed in the military and civilian subsections below.

Military personnel serve in positions that involve essentially military functions; civilian employees serve in positions that involve essentially government functions. In addition, DoD relies upon thousands of contractor personnel who free up servicemembers and DoD civilians for other duties. The contractor personnel provide a wide range of support functions including research and the manufacture and maintenance of equipment.

They also provide services and support to the military servicemembers and their families, retirees and their families, and the civilian workforce as authorized.

Military Endstrength. The DoD budget proposes a military endstrength of 2.3 million personnel with 1.5 million on active duty and 839,000 in the Selected Reserve. The budget proposal and historical military endstrength data are in **table 26**.

The endstrength reductions from FY 1985 to FY 2000 were substantial—34.3 percent in the active component and 20.4 percent in the Selected Reserve. The difference in the rate of decline resulted in the Selected Reserve increasing from 32.7 percent to 37.1 percent of total military personnel; the nation was placing a greater reliance on the Selected Reserve.

Between FY 2000 and the FY 2009 proposal, both the active and Selected Reserve endstrengths declined slightly, with the Selected Reserve's decline slightly greater than that of the active component. However, the Army grows overall by 10.4 percent and the Marine Corps by 12.1 percent, with declines in the other services.

In FY 2009, the active Army accounts for 36.8 percent of all DoD active military endstrength, an increase from 33.3 percent in FY 2000. Similarly, the Army Selected Reserve accounts for 66.5 percent of all DoD reserve

endstrength, an increase from 64.3 percent in FY 2000. These increases are part of the multiyear growth of land forces as summarized in **figure 8** (p. 42). In summary, the Army grows by 65,000 between FYs 2007 and 2012; the Marine Corps grows by 27,000 between FYs 2007 and 2012.

Civilian Endstrength. The DoD budget proposes a civilian endstrength of 713,000, an increase of 18,000 from the actual endstrength for FY 2007.

Between FYs 1985 and 2000, civilian endstrength declined by 29.8 percent. However, since FY 2000, civilian endstrength has increased by a modest 2.1 percent. The civilian endstrength data are also in **table 26**.

Military Personnel

The Military Personnel budget title includes the military pay appropriations for all the active and reserve components of the services. The FY 2009 budget includes a 3.4 percent increase in military pay. The Military Personnel breakdown by component is in **table 27** (p. 42).

In FY 2007, the last year with actual data, the Army consumed 43 percent of all DoD MILPERS funds; recall that the Army endstrength is 47.7 percent of the total DoD military endstrength. This is likely a result of a

Table 26

Department of Defense Personnel Endstrength (thousands)

Active Military	FY85 ²	FY90 ²	FY95 ²	FY00 ²	FY05 ²	FY06 ²	FY07 ²	FY08 ³	FY09 ³
Army	781	751	509	482	492	505	522	489	532
Navy	571	583	435	373	362	350	338	328	325
Marine Corps	198	197	174	173	180	180	186	180	194
Air Force	602	539	400	356	352	349	333	329	317
Active Guard and Reserve, Full-time	55	74	65	65	69	74	72	76	77
Subtotal¹	2,207	2,144	1,583	1,449	1,455	1,458	1,451	1,402	1,445
Selected Reserve									
Army	718	740	604	549	522	536	543	550	558
Navy	129	152	100	87	76	71	70	68	67
Marine Corps	41	44	40	39	40	40	39	40	40
Air Force	185	202	188	179	182	180	177	174	174
Subtotal¹	1,073	1,138	933	854	820	826	829	832	839
Total Military¹	3,280	3,282	2,516	2,303	2,275	2,284	2,280	2,234	2,284
Civilians (Full-time equivalents)⁴	1,129	1,073	849	698	692	700	695	708	713

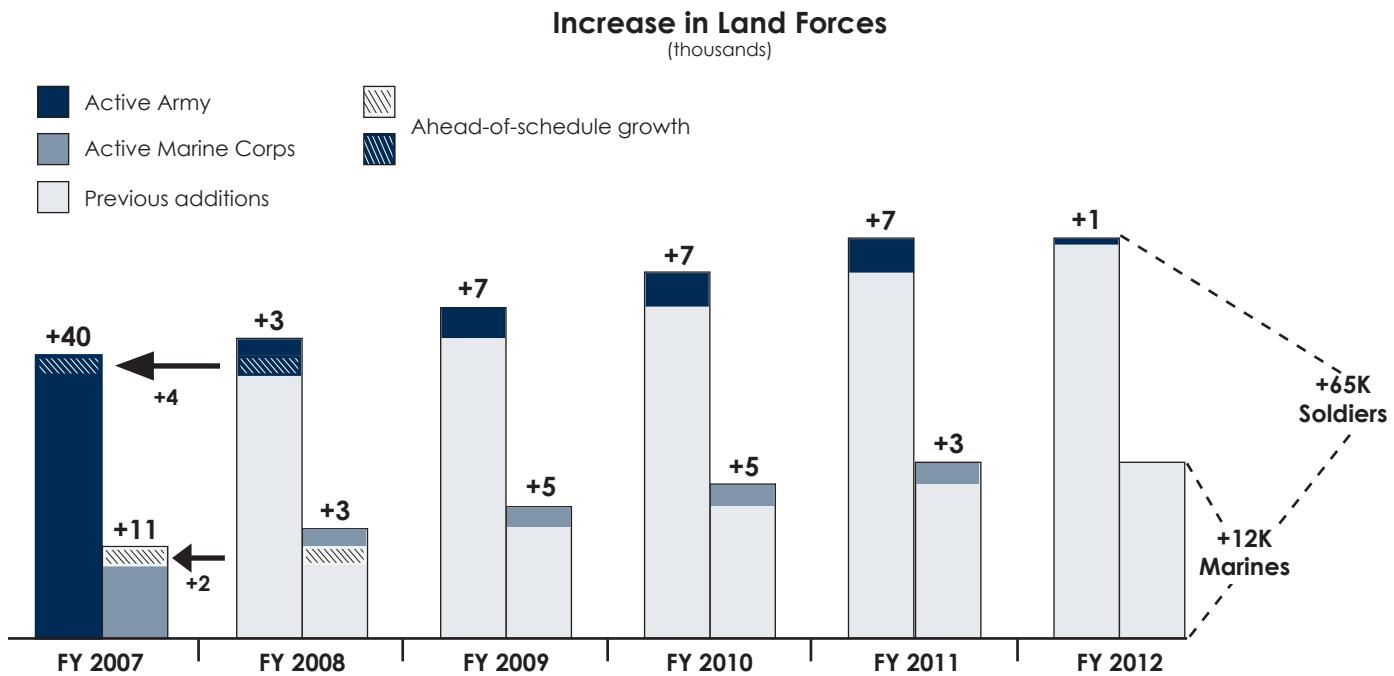
¹ Numbers may not add due to rounding.

² FY85 to FY07 are actual data.

³ FY08 and FY09 are estimates.

Sources: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Tables 7-5 and 3-2

Figure 8



Numbers may not add due to rounding.

Source: FY 2009 DoD Budget Request, FY 2008 Budget; FY 2007 Supplemental

Table 27

Military Personnel Budget (\$ billions)

Component	FY07 ¹	FY08 ²	FY09 ³
Army	56.7	47.0	51.8
Navy	28.3	27.4	27.9
Marine Corps	12.6	12.2	13.6
Air Force	31.8	30.9	31.9
Contribution to Military Retirement Fund	2.5	2.8	3.7
Total⁴	131.8	120.3	128.9

¹ FY07 is actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ Numbers may not add due to rounding.

Source: DoD Financial Summary Tables Fiscal Year 2009 (FAD 730-BA); Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-6

Military Accrual Payments

In addition to military pay and allowances, the MILPERS title includes contributions to two accrual accounts—medical and retirement. The accrual method requires the services to estimate future medical and retirement benefits annually, and to contribute that amount from the current budget. The following paragraphs provide information on each of the accrual accounts.

Military Medical Accrual. The DoD budget for FY 2009 includes \$10.4 billion for military medical accrual. The FY 2009 contribution is down from the \$11.2 billion actual expenditure in FY 2007. The military medical accrual accounts consume 8.1 percent of all Military Personnel funds and 2 percent of the base budget for FY 2009.

The Army provides 46.2 percent of the military medical accrual accounts, which is consistent with the Army endstrength equaling 47.7 percent of all military endstrength for FY 2009. See **table 28** (p. 43) for medical accrual data.

Military Retirement Accrual. The DoD budget for FY 2009 does not specifically identify military retirement accrual, but it does include \$15.6 billion for that purpose. The DoD contribution to the military retirement accrual

lower grade structure and a greater proportion of the endstrength in the Selected Reserve.

In the DoD basic budget for FYs 2008 and 2009, the Army consumes 39.1 percent and 40.2 percent, respectively; the Army provides 46.7 and 46.5 percent of the total active and selected reserve forces. Between FYs 2007 and 2009, MILPERS funds increase faster than endstrength for the Army.

Table 28

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

Medical Accrual	FY07 ¹	FY08 ²	FY09 ³
Military Pay, Army	2.9	3.1	2.9
Reserve Personnel, Army	0.7	0.7	0.7
National Guard Personnel, Army	1.2	1.3	1.2
Subtotal	4.8	5.1	4.8
Military Pay, Navy	2.1	1.9	1.8
Reserve Personnel, Navy	0.3	0.3	0.2
Subtotal	2.4	2.2	2.0
Military Pay, Marine Corps	1.1	1.1	1.1
Reserve Personnel, Marine Corps	0.1	0.1	0.1
Subtotal	1.2	1.2	1.2
Military Pay, Air Force	2.1	2.0	1.8
Reserve Personnel, Air Force	0.3	0.3	0.2
National Guard Personnel, Air Force	0.4	0.4	0.4
Subtotal	2.8	2.7	2.4
Total⁴	11.2	11.2	10.4

¹ FY07 is actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal and does not include any war supplements.⁴ Numbers may not add due to rounding.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-6

Table 29

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

	FY05 ¹	FY06 ¹	FY07 ¹	FY08 ²	FY09 ²
Military Pay, Army	5.2	3.8	n/a	n/a	n/a
Reserve Personnel, Army	0.3	0.4	n/a	n/a	n/a
National Guard Personnel, Army	0.5	0.6	n/a	n/a	n/a
Subtotal	6.0	4.8	6.8	5.7	6.3
Military Pay, Navy	3.1	2.9	2.9	n/a	n/a
Reserve Personnel, Navy	0.2	0.2	0.2	n/a	n/a
Subtotal³	3.3	3.1	3.1	4.9	5.2
Military Pay, Marine Corps	1.4	1.3	1.3	n/a	n/a
Reserve Personnel, Marine Corps	0.1	0.1	0.1	n/a	n/a
Subtotal	1.5	1.3	1.4	n/a	n/a
Military Pay, Air Force	3.5	3.2	3.2	n/a	n/a
Reserve Personnel, Air Force	0.1	0.1	0.1	n/a	n/a
National Guard Personnel, Air Force	0.3	0.3	0.3	n/a	n/a
Subtotal	3.7	3.6	3.8	3.9	4.1
Contributions Receipts for Military Retirement (effect of extra pay day)	1.5	2.3	2.4	n/a	n/a
Total⁴	16.0	15.2	19.0	14.5	15.6

¹ FY05 to FY07 are actual expenditures.² FY08 is a budget estimate; FY09 data are not available.³ FY08 and FY09 Navy numbers also include Marine Corps.⁴ Numbers may not add due to rounding.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008

equals 12.1 percent of the total Military Personnel proposal and 3.2 percent of the total DoD budget proposal. See **table 29** for retirement accrual data.

The sum of the medical and retirement accruals in the FY 2009 budget proposal accounts for 20.2 percent of MILPERS funds and 5 percent of the total DoD base budget. The accruals are a function of military endstrength and the statutes and policies that authorize the benefits and therefore the entitlements.

Civilian Personnel

The federal budget system has no single appropriation for civilian personnel pay; rather, the appropriation that employs the civilian personnel pays them. Most DoD civilian personnel work in operation and maintenance functions and therefore most civilian pay is in the O&M budget title. However, the federal government categorizes civilian personnel into four

groups: General Service, Wage Board, Foreign National Direct Hires and Indirect Hires. A summary of civilian pay by these categories is in **table 30** (p. 44).

Civilian pay is a function of endstrength and work hours, with growth in the total as a function of increases in endstrength and pay. The President proposes a 2.9 percent pay increase for the civilian workforce, but Congress favors a 3.4 percent pay increase, which matches the military pay increase.

The civilian endstrength, like the military endstrength, declined dramatically from FY 1985 to FY 2000 – by 38.2 percent – but it increases by 2.1 percent between FYs 2000 to 2009. The FY 2009 endstrength increases by 5,000 employees, or 0.7 percent, from FY 2008.

Table 30

Civilian Pay (\$ billions)			
	FY07 ¹	FY08 ²	FY09 ²
General Schedule	47.7	50.2	52.2
Wage Board	9.5	9.8	10.1
Total in the United States	57.2	60.0	62.3
Foreign National Direct Hires	0.4	0.4	0.5
Total with Direct Hires	57.6	60.4	62.8
Indirect Hires	1.2	1.2	1.2
Total Civilian Pay³	58.8	61.6	64.0

¹ FY07 is actual expenditures.
² FY08 and FY09 are estimates.
³ Numbers may not add due to rounding.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-14

The funds for civilian pay may not be sufficient, however, because those funds increase by only 1.9 percent from FY 2008 to FY 2009, which does not seem adequate to cover a 2.9 percent pay increase and a 0.7 percent endstrength increase.

Operation and Maintenance

The FY 2009 budget proposes \$179.8 billion for Operation and Maintenance, which includes appropriations for both the active and reserve components. The O&M appropriation includes funds for individual training, unit training to maintain readiness, sustaining the forces, supporting mobilization and supporting current operations.

Secretary Gates' testimony and the DoD FY 2009 Budget Request briefing provide summary information on a significant part of O&M, including:

- \$68 billion for readiness, measured in terms of tank miles driven per month, ship steaming days underway per quarter and flying hours per month;
- \$33.1 billion for intelligence, logistics and service-wide support;
- \$7.4 billion for training;
- \$3.3 billion for recruiting and retention;
- \$11.8 billion for equipment maintenance;
- \$32.6 billion for facility and base support; and
- \$2.2 billion for sealift efforts and commissary support.³¹

The O&M appropriation consumes the largest part of the DoD budget at 34.7 percent. In FY 2007, the actual

expenditure was \$239.9 billion, or 39.8 percent of all funds, including supplemental funds. The O&M data are in **table 31**.

The difference between the FY 2007 expenditure and the FY 2009 proposal is \$60 billion, or a 25 percent decrease; however, for the Army, the difference is 51 percent. A great deal of this relates to the lack of supplemental funding. The DoD base budget's O&M request is only 49 percent of the most recent actual O&M expenditures for the Army; this raises a concern about the adequacy of the O&M funds for the Army in the base budget.

Defense Health Program

The Defense Health Program (DHP) provides funding for medical and dental services to active servicemembers and their families and to other eligible beneficiaries worldwide. The DHP provides veterinary services, medical command headquarters, specialized services for the training of medical personnel and occupational and industrial health care. The DHP also includes funds for TRICARE benefits that provide for the health care of eligible active duty family members, retired servicemembers and their families, and the eligible surviving members of deceased active duty and retired servicemembers.

The DHP includes O&M, Procurement and RDT&E appropriations, and Medicare-Eligible Retiree Health Care Fund (MERHCF) accrual funds. O&M and MERHCF

Table 31

Operation and Maintenance (\$ billions)			
Component	FY07 ¹	FY08 ²	FY09 ³
Army	81.3	71.6	39.8
Navy/Marine Corps	46.6	46.7	42.0
Air Force	48.3	45.2	44.9
Environmental Restoration Fund, Security Funds, Emergency Response, Other	12.9	9.7	2.6
Defensewide ⁴	50.8	50.2	50.5
Total⁵	239.9	223.4	179.8

¹ FY07 is actuals expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.
⁴ Includes Defense Health Program.
⁵ Numbers may not add due to rounding and do not include indefinite accounts like National Science Center, Lease and Disposal of DoD Real Property, and DoD Overseas Military Facility Investment Recovery.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 3-1

provide more than 98 percent of DHP funds, with 71.7 percent and 26.7 percent, respectively. The O&M in DHP accounts for 12.5 percent of all DoD O&M. The total DHP funding request for FY 2009 is \$32.2 billion, an increase of 75 percent since FY 2005. The budget for the DHP is in **table 32**.

The DHP is just one component of DoD health support of the armed forces. In addition to DHP funding, DoD provides \$10.4 billion in the Medical Accrual fund (return to table 28, p. 43) from MILPERS. The sum of these two is more than \$42 billion for health support of servicemembers and other eligible beneficiaries. The \$42 billion is 8.2 percent of the total DoD base budget in FY 2009 and does not include military pay for military doctors and other medical and health care providers.

In FY 2001, DHP provided benefits to 8.4 million active duty personnel and retirees and their families. In FY 2009, the number will rise to 9.2 million eligible beneficiaries.³²

The beneficiary population drives health costs, and the number of servicemembers is a key driver of the beneficiary population. Between FYs 2000 and 2009, active duty endstrength across DoD decreases slightly, so the beneficiary population is likely to remain relatively flat.

Research, Development and Acquisition

The FY 2009 base budget includes \$183.7 billion for Research, Development and Acquisition (RDA).

Table 32

Defense Health Care Program Funding (\$ billions)

Title	FY05 ¹	FY07 ¹	FY08 ²	FY09 ³
Operation and Maintenance	17.5	22.8	22.6	23.1
Procurement	0.4	0.5	0.4	0.3
Research, Development, Test and Evaluation	0.5	0.8	0.5	0.2
MERHCF ⁴ receipts		7.3	7.9	8.6
Total⁵	18.4	31.4	31.4	32.2

¹ FY05 and FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.
⁴ Medicare-Eligible Retiree Health Care Fund (MERHCF)
⁵ Numbers may not add due to rounding. Defense Health Care Program includes direct Health Care costs but excludes Medical Accrual account and pay of military health care providers.

Source: DoD Defensewide Justification Documentation, PBA-19

This is the combination of \$79.6 billion in RDT&E and \$104.1 billion in Procurement. In his testimony, Deputy Secretary of Defense England states that the proposal is “an increase of \$8.3 billion over the Fiscal Year 2008 enacted level of \$175.5 billion.”³³

A comparison of the RDA proposal to the FY 2007 expenditures, which include supplemental funding, reveals a 13 percent reduction. A comparison with the enacted amount for FY 2008, which includes a bridge supplemental for the war on terrorism but not the larger second supplemental, reveals a 9.4 percent reduction.³⁴

The difference between Deputy Secretary of Defense England’s statement of the FY 2008 enacted amount (\$175.5 billion) and the amount stated in the DoD Green Book (\$202.7 billion) is not explained in published sources. The \$27.2 billion difference may be due to the fact that some of the enacted funds in the bridge supplemental are in RDA.

Admiral Mullen discusses Procurement needs in the context of current usage, which involves operating sometimes at five to six times above peacetime levels and in extremely demanding environments:

In addition to taking care of our people, we must repair, rebuild and replace the equipment that has been destroyed, damaged, stressed and worn out beyond economic repair after years of combat operations. . . . [S]ervice equipment has been used at higher rates and in harsher conditions than anticipated. In addition to the wear and tear experienced by our ground vehicles in Iraq and Afghanistan, our airframes and ships are aging beyond their intended service lives. Indeed, since Desert Storm 17 years ago, the U.S. Air Force and U.S. Navy have flown near-continuous combat missions over the Middle East and the Balkans.³⁵

In addition to replacing worn equipment and older technology, the RDA budget focuses on modern, transformational technologies and materiel to provide the capabilities to defeat future threats.

RDA Trends in Current Dollars

Between FYs 1985 and 2000, RDT&E funds increased by nearly 24 percent, while Procurement funds decreased by 43 percent, reflecting deliberate decisions at the end of the Cold War to “skip a generation” of equipment acquisitions. Between FYs 2000 and 2007, Procurement expenditures increased by 144 percent and RDT&E increased by 100 percent. Certainly this growth is driven,

in part, by the extreme usage levels discussed by Admiral Mullen, and by the need to replace aging equipment after the “skipping a generation” policies of the 1990s.

The Procurement proposals decline in both FYs 2008 and 2009, but RDT&E declines only in FY 2008 and increases in FY 2009. The 22 percent drop in Procurement from FY 2007 to FY 2009 suggests a substantial reliance on supplemental funds for replacing worn or obsolete equipment. (FY 2007 and earlier years include supplemental funds, FY 2008 includes only the bridge supplemental, and FY 2009 does not include any supplemental funds.) See **figure 9** for trend data.

An analysis in current dollars provides a profile of decisions and patterns across the years. Consistent decisions are particularly important for RDA because most of the funds are spent in the private sector making materiel. Inconsistent decisions result in hiring and then laying off employees, and the departure of technically skilled workers.

RDA Trends in Constant Dollars

In constant dollars, RDT&E decreased in buying power by 14 percent and Procurement decreased by

nearly 60 percent between FYs 1985 and 2000, a reduction that outpaced the 34 percent reduction in active military endstrength for the same 15 years. The RDA budget in constant dollars is in **figure 10**.

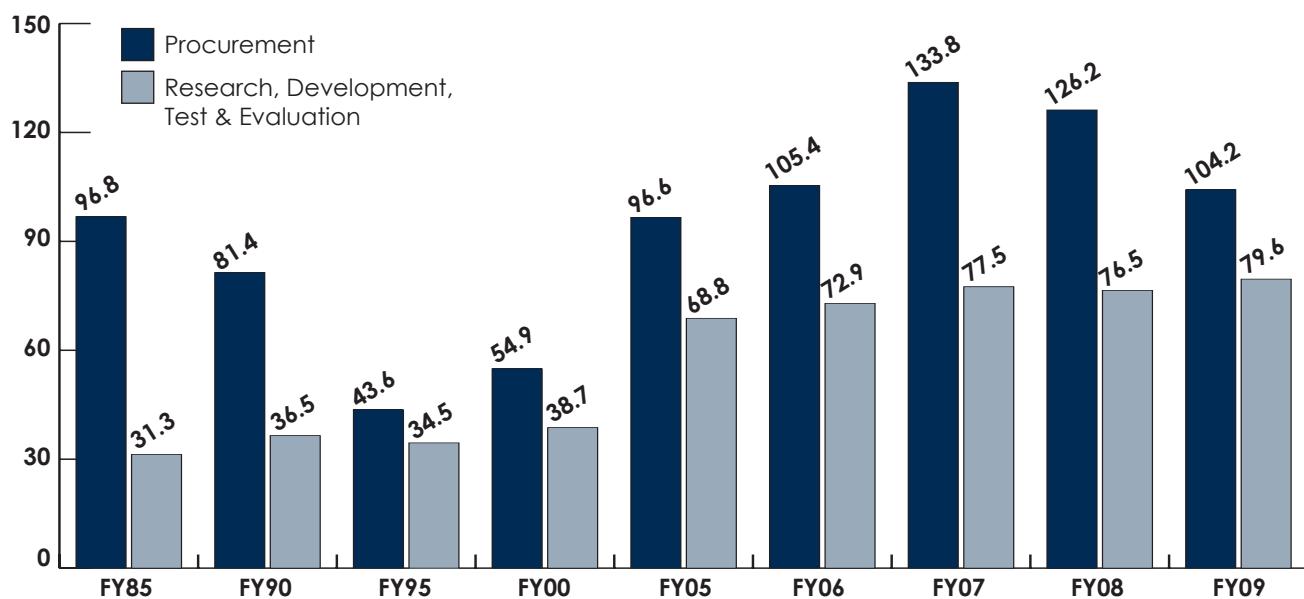
From FY 2000 to FY 2007, RDT&E increased by nearly 72 percent and Procurement increased by 110 percent in constant dollars. In FYs 2008 and 2009, Procurement declines by 25 percent and RDT&E by only 1.6 percent in real buying power. Bear in mind, however, that the FY 2007 and earlier years include supplemental funds, the FY 2008 data include only the bridge supplemental, and FY 2009 does not include any supplemental funds.

RDA by Military Services

The RDT&E distribution remains fairly consistent among the services and Defensewide organizations from FYs 2007 to 2009—the Air Force’s portion increases by about 14.2 percent while those of the other services and DoD agencies decline. The Procurement distribution changes dramatically for the Army, dropping by more than 48 percent. The Navy loses only 2.5 percent and the Air Force loses almost 11 percent. See **table 33** for RDA data.

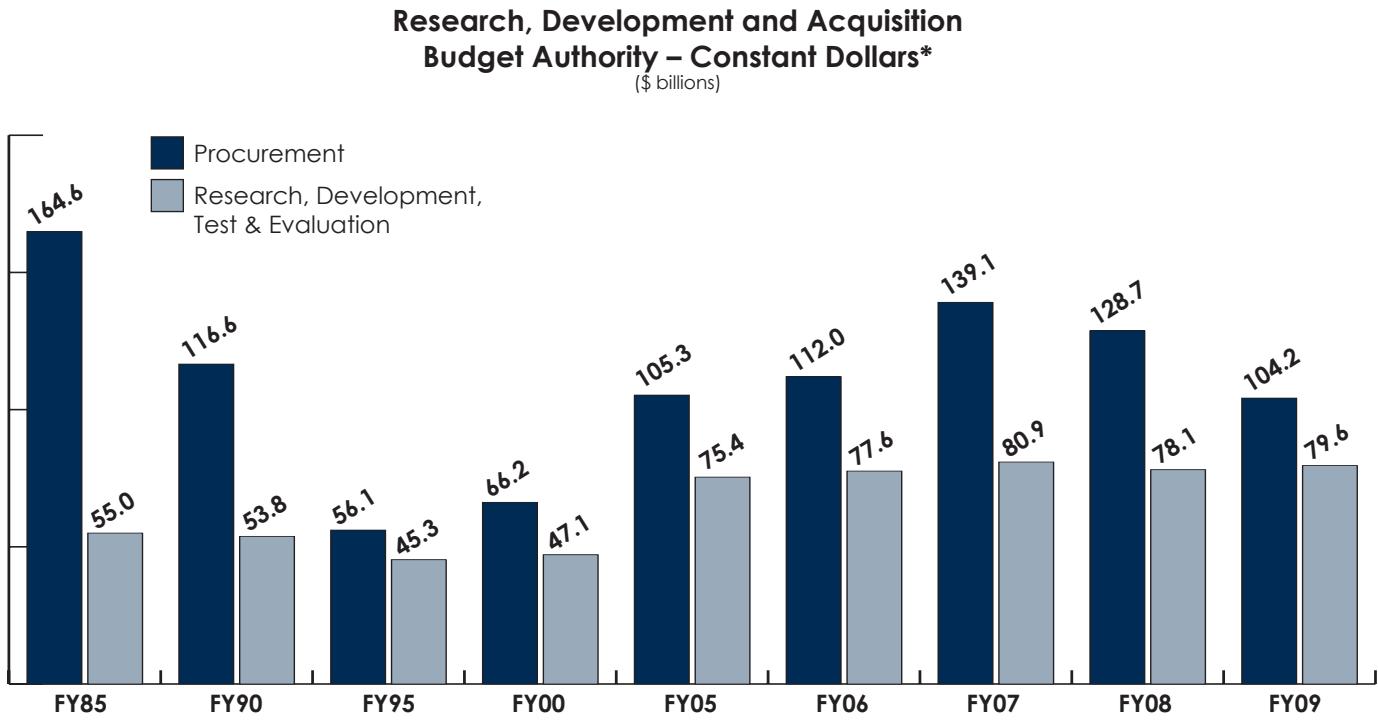
Figure 9

Research, Development and Acquisition Budget Authority – Current Dollars (\$ billions)



Source: FY 2008 GWOT Request and Amendments, FY 2008 MRAP and GWOT Appropriations

Figure 10



* Constant dollars are current year dollars (at the year of execution) adjusted for annual changes in prices.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-8

Table 33

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

RDT&E	FY07 ¹	FY08 ²	FY09 ³
Army	11.3	12.0	10.5
Navy/Marine Corps	19.6	17.8	19.3
Air Force	24.6	26.1	28.1
Defensewide and Other	22.0	20.7	21.7
Total RDT&E⁴	77.5	76.6	79.6
Procurement			
Army	48.6	31.6	25.0
Navy/Marine Corps	40.1	38.7	39.1
Air Force	39.5	33.0	35.2
Defensewide and Other	5.5	22.9	4.8
Total Procurement⁴	133.7	126.2	104.1
Total RDA⁴	211.2	202.8	183.7

¹ FY07 is actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplemental.

⁴ Numbers may not add due to rounding.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 3-1

Between FYs 2007 and 2009, RDA for the Army declines by \$24.4 billion, or 40.7 percent. If the Army requires funding at the FY 2007 level to replace worn-out equipment and continue transformation, then it appears as though the Army and DoD are relying on a great deal of supplemental funding.

Select Major Weapon Systems

The “Program Acquisition Costs by Weapon Systems” section of the DoD budget provides a list of 79 major weapon systems that account for nearly 51 percent of all Procurement and 38 percent of all RDT&E funds in FY 2009. The list includes only those systems with a separate budget line and does not include systems that combine a group of line items, such as command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR).

The major weapon systems list with RDA funding is in **tables 34–38**; table 34 (p. 48) contains aircraft; table 35 (p. 49) contains missiles and munitions; table 36 (p. 49) contains missile defense and ground vehicles; table 37 (p. 50) contains shipbuilding and maritime systems; and table 38 (p. 50) contains space and command, control, communications, computers and intelligence (C4I).

Table 34

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

Service	Aircraft	FY09 ¹		
		Procurement ²	RDT&E	RDA ³
Army	AH-64 Longbow Apache Attack Helicopter	637.4	198.4	835.8
	Armed Reconnaissance Helicopter (ARH)	438.8	135.7	574.5
	CH-47 Chinook Cargo Helicopter	1,167.7	9.9	1,177.6
	Light Utility Helicopter (LUH)	224.5		224.5
	UH-60 Black Hawk Utility Helicopter	1,063.1	33.9	1,097.0
<hr/>				
Navy/ Marine Corps	E-2C/D Hawkeye	589.1	538.3	1,127.4
	E-6 Mercury	88.9	47.5	136.4
	EA-18G Growler	1,651.6	128.9	1,780.5
	EA-6B Prowler	33.4	106.9	140.3
	F/A-18E/F Hornet	1,911.3	71.2	1,982.5
	H-1 Huey/Super Cobra	474.1	3.8	477.9
	MH-60R Multimission Helicopter	1,185.8	70.3	1,256.1
	MH-60S Fleet Combat Support Helicopter	549.7	47.3	597.0
	P-8A Poseidon	110.6	1,132.0	1,242.6
	VH-71 Executive Helicopter		1,047.8	1,047.8
<hr/>				
Air Force	A-10 Thunderbolt	144.1		144.1
	B-2 Spirit	330.4	351.4	681.8
	C-17 Globemaster	699.1	236.0	935.1
	C-5 Galaxy	583.1	125.1	708.2
	CSAR-X Combat Search and Rescue Helicopter	15.0	305.1	320.1
	F-16 Falcon	273.7	124.0	397.7
	F-15E Eagle	12.3	184.2	196.5
	F-22 Raptor	3,381.2	700.3	4,081.5
	KC-X New Tanker	61.7	831.8	893.5
<hr/>				
DoD/Joint	C-130J/KC-130J Hercules Airlift Aircraft	731.6	225.0	956.6
	RQ-4 Global Hawk	712.2	284.3	996.5
	Joint Cargo Aircraft (JCA)	269.6	29.8	299.4
	F-35 Joint Strike Fighter (JSF)	3,671.6	3,056.7	6,728.3
	Predator and Reaper Unmanned Aircraft Systems (UAS)	714.2	81.1	795.3
	V-22 Osprey	2,643.7	87.4	2,731.1
	T-6A Texan II Joint Primary Aircraft Training System (JPATS)	322.5		322.5
	Shadow and Raven UAS	50.5	10.2	60.7

¹ FY09 data are estimates.² Procurement includes initial spares.³ RDA equals sum of Procurement and Research, Development, Test & Evaluation.**Source:** Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapon Systems

Table 35

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

Service	Missiles/Munitions	FY09 ¹		
		Procurement ²	RDT&E	RDA ³
Army	Javelin Advanced Antitank Weapon	259.3		259.3
	High Mobility Artillery Rocket System (HIMARS)	338.9	52.2	391.1
Navy	Evolved Seaspark Missile (ESSM)	85.1		85.1
	Rolling Airframe Missile (RAM)	74.3		74.3
	Standard Family of Missiles	228.0	234.7	462.7
	Tactical Cruise Missile	281.1	14.2	295.3
	Trident II Ballistic Missile	1,093.2	45.5	1,138.7
DoD/Joint	Advanced Medium Range Air-to-Air Missile (AMRAAM)	441.5	62.8	504.3
	Air Intercept Missile-9X (AIM-9X)	134.7	12.4	147.1
	Chemical Demilitarization ⁴	1,486.0		1,486.0
	Joint Air-to-Ground Missile (JAGM)		180.8	180.8
	Joint Air-to-Surface Standoff Missile (JASSM)	240.3	13.0	253.3
	Joint Direct Attack Munition (JDAM)	115.0		115.0
	Joint Standoff Weapon (JSOW)	149.1	22.5	171.6
	Small Diameter Bomb (SDB)	133.2	144.7	277.9

¹ FY09 data are estimates.² Procurement includes initial spares.³ RDA equals sum of Procurement and Research, Development, Test & Evaluation.⁴ Excludes Military Construction.**Source:** Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapon Systems**Table 36**

**Research, Development and Acquisition
Selected Major Weapon Systems – Missile Defense and Ground Vehicles**
(\$ millions)

Service	Missile Defense	FY09 ¹		
		Procurement ²	RDT&E	RDA ³
DoD/Joint	Patriot/Medium Extended Air Defense System Combined Aggregate Program (MEADS CAP)	31.0	431.3	462.3
	Patriot/Patriot Advanced Capability-3 (PAC-3)	512.1	11.2	523.3
	Missile Defense ⁴	40.5	8,946.0	8,986.5
	Ground Vehicles			
Army	Armored Security Vehicle (ASV)	195.4		195.4
	Family of Heavy Tactical Vehicles (FHTV)	923.3	2.9	926.2
	Family of Medium Tactical Vehicles (FMTV)	944.7	2.0	946.7
	M1 Abrams Tank Upgrade Program	692.7	35.0	727.7
	Stryker Family of Armored Vehicles	1,175.0	108.0	1,283.0
	High Mobility Multipurpose Wheeled Vehicle (HMMWV)	947.0	42.7	989.7
Marine Corps	Expeditionary Fighting Vehicle (EFV)		316.1	316.1
DoD/Joint	Joint Light Tactical Vehicle (JLTV)		66.2	66.2

¹ FY09 data are estimates.² Procurement includes initial spares.³ RDA equals sum of Procurement and Research, Development, Test & Evaluation.⁴ Excludes Military Construction and Base Realignment and Closure.**Source:** Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapon Systems

Table 37

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

Service	Shipbuilding and Maritime Systems	FY09 ¹		
		Procurement ²	RDT&E	RDA ³
Navy/ Marine Corps	CVN-21 Carrier Replacement	3,926.5	261.6	4,188.1
	DDG 1000 Destroyer (formerly DD[X])	2,553.7	678.9	3,232.6
	Landing Helicopter Assault (LHA) Ship		2.4	2.4
	Littoral Combat Ship (LCS)	920.0	371.0	1,291.0
	LPD-17 Amphibious Transport Dock Ship	103.2	1.0	104.2
	SSN 774 Virginia-Class Submarine	3,423.6	167.4	3,591.0
	CVN Refueling Complex Overhaul (RCOH)	628.0		628.0
	T-AKE Auxiliary Dry Cargo and Ammunition Ship	962.4		962.4
DoD/Joint	Joint High Speed Vessel (JHSV)	344.8	14.9	359.7

¹ FY09 data are estimates.² Procurement includes initial spares.³ RDA equals sum of Procurement and Research, Development, Test & Evaluation.**Source:** Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapon Systems**Table 38**

**Research, Development and Acquisition
Selected Major Weapon Systems – Space and Command,
Control, Communications, Computers and Intelligence**
(\$ millions)

Service	Space	FY09 ¹		
		Procurement ²	RDT&E	RDA ³
Navy	Mobile User Objective System (MUOS)	507.5	516.8	1,024.3
Air Force	Advanced Extremely High Frequency (AEHF) Satellite	16.6	388.0	404.6
	Evolved Expendable Launch Vehicle (EELV)	1,205.3	33.7	1,239.0
	Global Positioning System (GPS)	135.6	819.0	954.6
	National Polar-Orbiting Operational Environmental Satellite System (NPOESS)		289.5	289.5
	Space-based Infrared Systems (SBIRS)	1,798.4	529.8	2,328.2
	Transformational Satellite Communications (TSAT)		843.0	843.0
	Wideband Global Satellite Communications (WGS)	22.5	12.4	34.9
	C4I			
Army	Future Combat Systems (FCS)	331.2	3,226.5	3,557.7
	Single Channel Ground and Airborne Radio (SINCGARS)	84.9		84.9
	Warfighter Information Network-Tactical (WIN-T)	287.6	414.4	702.0
DoD/Joint	Joint Tactical Radio System (JTRS)	18.3	834.7	853.0

¹ FY09 data are estimates.² Procurement includes initial spares.³ RDA equals sum of Procurement and Research, Development, Test & Evaluation.**Source:** Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapon Systems

Special Operations RDA

Special operations forces (SOF) possess a unique statutory charter as well as unique capabilities. In 1987, the U.S. Special Operations Command (USSOCOM) was formed with the mission of organizing, training and equipping special operations forces from the Army, Navy and Air Force, and for the combatant commanders. With the war on terrorism, USSOCOM's mission was expanded to lead, plan, synchronize and, as directed, execute global operations against terrorist networks.

U.S. Code Title 10, Section 167, provides certain budget authority to USSOCOM similar to that of the military departments, which is unique among the combatant commands. The command is responsible for developing and acquiring "special operations-peculiar" equipment. The FY 2009 budget request is \$1.9 billion—1 percent of the total DoD RDA. See **table 39** for USSOCOM RDT&E and Procurement data.

The following—the five largest weapon systems or groups of line items—account for 41.2 percent of the USSOCOM RDA budget proposal for FY 2009:

- \$315.4 million for SOF Operational Enhancements;
- \$201.1 million for CV-22 SOF Modification;
- \$98.1 million for the MH-60 SOF Modernization Program;
- \$67.2 million for Communications Equipment and Electronics; and
- \$67.1 million for SOF Ordnance Replenishment.

Table 39

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

	FY05 ¹	FY07 ¹	FY08 ²	FY09 ³
RDT&E ⁴	0.6	0.6	0.4	0.4
Procurement ⁵	1.7	2.6	2.0	1.5
Total RDA	2.3	3.2	2.4	1.9

¹ FY05 and FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

Source: ⁴ Department of Defense Budget Fiscal Year 2009, RDT&E Programs, Exhibit R-1; ⁵ United States Special Operations Command Fiscal Year 2009 Budget Estimates, February 2008, Exhibit P-1

Missile Defense Program

The purpose of the Missile Defense Program is "to defend the United States, its deployed forces, friends and allies against all ranges of enemy ballistic missiles in all phases of flight."³⁶ In a statement to Congress, Secretary Gates noted that the 2009 base budget

provides \$10.4 billion to continue developing, testing and fielding a multilayered system to protect the United States and its allies from tactical and strategic ballistic missile attack.³⁷

The mission of missile defense and the program are the responsibility of the Missile Defense Agency (MDA), established in January 2002. MDA is the successor to the Ballistic Missile Defense Organization and the Strategic Defense Initiative Organization.

In the budget proposal, MDA states:

The threat can never be predicted with certainty, so MDA has used a flexible "capabilities-based" strategy to exploit technological opportunities and place capability in the war fighters' hands far more quickly than could have occurred under a traditional acquisition approach. The Agency has focused on adding capabilities with demonstrated military utility to meet current threats rather than meeting static requirements defined years earlier.³⁸

The current and potential threats are evolving with the proliferation of increasingly sophisticated ballistic missile systems and associated technologies and expertise. Illustrative of the changes is the fact that in 1972, eight nations had deployed a ballistic missile capability, while today some 30 nations have a ballistic missile capability. In 2007, more than 100 foreign ballistic missiles were launched around the world.

The Missile Defense Program focuses, in particular, on the threat from North Korea and Iran but remains flexible to address emerging threats given the wide and dangerous proliferation of ballistic missile technologies.³⁹

The FY 2009 proposal is at about the same level as that of FY 2007, but with a slight shift away from RDT&E and into Procurement and fielding. See **table 40** (p. 52) for Missile Defense appropriation data.

The FY 2009 budget continues to support the development and fielding of an integrated, layered ballistic missile defense system to protect the nation,

Table 40
Missile Defense Program Funding By Title
 (\$ millions)

Title	FY07 ¹	FY08 ²	FY09 ³
RDT&E	9,720.7	8,932.9	9,333.2
Procurement	494.6	469.7	583.6
Military Construction			285.0
Joint Theater Air and Missile Defense Organization (JTAMDO)	52.3	53.7	55.3
Base Realignment and Closure (BRAC)		103.2	160.0
Total⁴	10,267.6	9,559.5	10,257.1

¹ FY07 is actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.
⁴ Numbers may not add due to rounding.

Source: Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapons Systems

deployed forces, allies and friendly nations. DoD continues to increase Ballistic Missile Defense (BMD) capabilities by adding more interceptors, deploying additional radars, enhancing command and control systems and conducting realistic and challenging ground and flight tests. See **table 41** for a list of funds by major BMD programs.

Space Program

The FY 2009 budget provides \$10.7 billion for space programs—an increase of \$1.6 billion from FY 2008.⁴⁰ The DoD space program includes reconnaissance,

surveillance, intelligence, command and control, communications, weather information and navigation systems.

Space-based capabilities are integral to every military operation and provide critical force multipliers for the combatant commands. In addition, the civilian government agencies, the commercial sector and the public rely on commercial space capabilities—and that reliance continues to grow. This widespread dependence on space systems and space capabilities makes protecting space assets critical.

Threats to space assets are diverse and increasing. Potential future threats include antisatellite capability as tested by China in January 2007, jamming of satellite communications links, direct attacks on space-related ground sites, high-energy lasers and the potential proliferation of nuclear weapons.

Protection requires the ability for rapid recognition and attribution of space events for timely consideration of response options. The DoD space program focuses on protecting capabilities by developing space situational awareness (SSA) and command and control capabilities. SSA focuses on rapid recognition and understanding of space events:

The SSA initiative includes tracking all manmade objects in space, discerning the intent of others who operate in space, knowing the status of our own forces in real-time and understanding the natural environment and its effect upon space operations –

Table 41
Missile Defense Program Funding by Major Systems¹
 (\$ millions)

	FY05 ²	FY07 ²	FY08 ³	FY09 ⁴
Joint Theater Air & Missile Defense Organization (JTAMDO)	86.4	52.3	53.7	55.3
Ballistic Missile Defense (BMD) Midcourse Defense	4,467.7	2,985.1	2,243.2	2,076.7
BMD Boost Defense	472.5	622.2	510.2	421.2
BMD Terminal Defense	914.1	1,082.5	1,045.3	1,019.1
BMD Test and Targets	697.8			
BMD Technology, Aegis, Sensors and Interceptors	1,063.3	2,165.6	2,160.9	2,740.3
Patriot/Medium Extended Air Defense System Combined Aggregate Program (MEADS CAP)	880.1	834.0	850.5	985.6
Other	1,299.5	2,525.8	2,695.5	3,119.0
Total⁵	9,881.4	10,267.5	9,559.3	10,417.2

¹ System dollars are from all appropriations.

² FY05 and FY07 are actual expenditures.

³ FY08 is enacted, including bridge supplemental but not larger war supplemental.

⁴ FY09 is the base budget proposal and does not include any war supplementals.

⁵ Numbers may not add due to rounding.

Source: Department of Defense FY 2009 Budget Request, Summary Justification, Major Weapons Systems

simply stated, SSA is foundational for all space operations. By fusing intelligence on potential adversaries, space surveillance information on all space systems in orbit, status of friendly systems and space weather, we will be able to not only know what objects are in space and where, but we will also understand the purpose of these objects, their capabilities, and their owners' intent. This comprehensive knowledge enables decisionmakers to rapidly and effectively select courses of action to ensure our sustained freedom of action in space.⁴¹

Illustrative of the size and scope of the situational awareness and data fusion requirements is the fact that the DoD Joint Functional Component Command for Space (JFCC SPACE) is currently tracking more than 18,000 man-made objects, from active satellites to debris.

The budget strengthens joint space-based capabilities in several categories, including Space-based Infrared Systems, communications satellites, Global Positioning System satellites, environmental satellites, Advanced Extremely High Frequency satellites and launch vehicles. Return to table 38 (p. 50) for the space budget by major systems.

Facilities and Infrastructure Investment

DoD's military installations, including facilities, infrastructure and the associated environment, are key assets of America's security. Installations sustain home stationing and forward presence of U.S. forces and contribute to military readiness and wartime effectiveness. DoD facilities and infrastructure also support the families of the all-volunteer force.

DoD's responsibility is to deliver productive, safe, environmentally sound and efficient workplaces, and offer the best quality of life possible for military members and their families, as well as the civilian and contractor workforce. DoD currently manages more than 545,000 facilities on approximately 5,300 sites on 30 million acres of land in the United States and around the world, with a total value of more than \$640 billion.

The FY 2009 budget provides funds for improvements in the quality of military installations that include:

- \$17.4 billion for facilities sustainment and recapitalization;
- \$7.7 billion for Facilities Operations, formerly referred to as Real Property Services, for functions

such as utilities, fire protection, custodial services and grounds maintenance;

- \$24.4 billion for facilities investment, which is an increase of \$3.2 billion from FY 2008 and includes Military Construction and Family Housing;
- \$4.3 billion for environmental sustainment; and
- \$3.2 billion to construct new family housing to accommodate the Grow the Force initiative, improve existing housing and eliminate inadequate housing overseas.⁴²

Military Construction

The Military Construction title includes separate appropriations for the Army, Navy, Air Force and Defense agencies and is a significant source of facilities investment funding. The FY 2009 budget for facilities and infrastructure includes \$24.4 billion for MILCON and other facilities investment funds as listed below:

- \$11.3 billion for Military Construction;
- \$241 million for NATO Security Investment Program;
- \$393 million for Base Realignment and Closure 1995;
- \$9.1 billion for Base Realignment and Closure 2005;
- \$1.5 billion for Family Housing Construction/Improvements;
- \$1.7 billion for Family Housing Operation and Maintenance;
- \$134 million for Chemical Demilitarization;
- \$1 million for the Family Housing Improvement Fund;
- \$80 million for the Energy Conservation Investment Program; and
- \$5 million for Homeowners Assistance.⁴³

See **table 42** (p. 54) for the Military Construction budget proposal by service.

Family Housing

DoD's responsibility is to provide quality housing to military families; therefore, the department has been eliminating inadequate housing. DoD's approach is to work with the local community to provide housing for military families. If the private market cannot supply sufficient quantities of quality and affordable housing,

Table 42

Military Construction (\$ billions)				
Components	FY05¹	FY07¹	FY08²	FY09³
Army	3.4	3.2	3.9	4.6
Navy/Marine Corps	1.4	1.5	2.2	3.1
Air Force	1.4	1.1	1.1	0.9
Defensewide	1.2	1.0	1.6	1.8
Total⁴	7.3	6.8	8.8	10.4

¹ FY05 and FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.
⁴ Numbers may not add due to rounding.

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-6

DoD attempts to use privatization to supply housing. Only if this is not feasible does it provide government-owned or government-leased housing.

In the early 1990s, DoD recognized that more than 60 percent of DoD-owned family housing, or approximately 180,000 units, were inadequate, and affordable private housing was unavailable. The traditional means for remedying the problem was Military Construction; however, the costs were projected to be \$20 billion and to take 30 years to complete at expected funding levels. DoD proposed private-sector participation to replace construction funds in implementing a long-term housing solution.

Congress authorized the Military Housing Privatization Initiative with the National Defense Authorization Act of 1996. The Housing Revitalization Act of 1997 established a Family Housing Improvement Fund and authorized entering into limited partnerships, making guaranteed loans and conveying DoD-owned property to stimulate private-sector participation.

Privatization has enabled the military services to leverage housing dollars by 12 to 1, with \$2 billion in federal investments generating \$24 billion in housing development at privatized installations. As of the end of 2007, the services privatized more than 80 percent of the domestic inventory and eliminated 92 percent of inadequate family housing units in the continental United States and territories. The Air Force is addressing some remaining inadequate units in FY 2008. The FY 2009 budget enables privatization of 12,324 additional homes.⁴⁴ See **table 43** for Family Housing funds by service.

Table 43

Family Housing (\$ billions)				
Family Housing Operations	FY05¹	FY07¹	FY08²	FY09³
Army	0.9	0.7	0.7	0.7
Navy/Marine Corps	0.7	0.5	0.4	0.4
Air Force	0.9	0.8	0.7	0.6
Defensewide	0.0			
Subtotal³	2.5	2.0	1.8	1.7
Family Housing Construction				
Army	0.6	0.6	0.4	0.7
Navy/Marine Corps		0.1	0.3	0.4
Air Force	0.8	1.2	0.3	0.4
Defensewide	0.0			
Subtotal³	1.4	1.9	1.0	1.5
Total^{4,5}	3.9	3.9	2.8	3.2

¹ FY05 and FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.
⁴ Numbers may not add due to rounding.
⁵ Excludes DoD Family Housing Improvement Fund.

Source: DoD Financial Summary Tables Fiscal Year 2009 (FAD 769)

Reserve Component

The reserve component includes the Army and Air National Guards, and the Reserve forces of the Army, Navy, Air Force, Marine Corps and Coast Guard. Reserve component servicemembers are volunteers, recruited locally. They are assigned to one of three categories—the Ready Reserve, which includes the Selected Reserve, the Individual Ready Reserve and the Inactive National Guard; the Standby Reserve; and the Retired Reserve.⁴⁵

The budget includes funding for the Ready Reserve, with the emphasis on the Selected Reserve forces who train to the same standards as the active force. The Standby Reserve and the Retired Reserve are not funded and can be activated only under a full mobilization with a formal declaration of war by Congress.

Since 2001, the reserve component has been transitioning to an operational reserve force from a strategic reserve. As an operational reserve force, the reserve component is moving toward a rotational status with a goal of not more than one year mobilized in a six-year period. When mobilized, reservists receive the same pay and allowances as full-time active component personnel.

The National Guard is subject to state and territorial laws that define its use in peacetime; the services' Reserve forces are federal troops and are always subject to federal control.

The reserve component provides nearly 37 percent of the total military endstrength but receives only 7.4 percent of the base budget in FY 2009. (Return to table 19 (p. 34) for the base budget and to table 26 (p. 41) for endstrength data.) See **table 44** for National Guard and Reserve funding data by title.

Large numbers of reserve component servicemembers, particularly in the Army and Marine Corps, have served on active duty since the beginning of Operation Noble Eagle on 25 September 2001, and have continued on active duty during Operations Enduring Freedom and Iraqi Freedom. As of June 2008:

- 700,358 reservists have been mobilized, i.e., are involuntarily on active duty in a federal status;
- 609,475 reservists have been demobilized;⁴⁶ and
- 114,066 reservists remain mobilized.⁴⁷

Defensewide Programs

In addition to the appropriations that are grouped into titles, the DoD budget includes a number of other smaller dollar amount appropriations and specific programs of particular congressional interest. The most significant are described below.

Table 44

Reserve Component – All Services (\$ billions)

Military Personnel	FY05 ¹	FY07 ¹	FY08 ²	FY09 ³
Reserve ⁴	7.9	8.7	8.8	8.6
National Guard ⁵	9.0	10.9	10.2	9.9
Operation and Maintenance				
Reserve ⁴	5.9	6.8	6.8	7.3
National Guard ⁵	9.5	11.0	11.6	11.8
Military Construction				
Reserve ⁴	0.3	0.3	0.2	0.4
National Guard ⁵	0.7	0.6	0.8	0.6
Total⁶	33.3	38.3	38.4	38.6

¹ FY05 and FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ Includes Army, Navy, Marine Corps and Air Force.

⁵ Includes Army and Air National Guards.

⁶ Numbers may not add due to rounding and include MEDICARE Retirement Contributions.

Source: DoD Financial Summary Tables Fiscal Year 2009 (FAD 730)

Environmental Restoration Program

DoD serves as the custodian and environmental steward of nearly 30 million acres of land at more than 3,700 locations. The military's first environmental mandate from Congress was in 1872 for custodial responsibility to protect the natural resources at Yellowstone National Park. The environmental responsibility today includes activities at active installations, Base Realignment and Closure (BRAC) installations and Formerly Used Defense Sites (FUDS).

The Defense Environmental Restoration Program has evolved over the last 20 years to include enhancing the overall sustainability of land, air and water resources, and supporting the military mission. Today, DoD categorizes environmental programs into four areas:

- Conservation – to protect and enhance the natural and cultural resources;
- Restoration – to identify, assess and remediate contamination from hazardous substances, military munitions and pollutants from previous military operations in the Defense Environmental Restoration Program;
- Compliance – to ensure that DoD operations meet or exceed federal, state, local and host nation environmental requirements; and
- Pollution Prevention – to promote the reduction or elimination of the amount of waste, including hazardous and toxic chemicals, that enters the environment by focusing on the source of pollution instead of the end result.

The DoD funds for Conservation, Compliance and Pollution Prevention programs are in a number of appropriations. The bulk is in O&M, with other funds in Military Construction, RDT&E, Procurement and the Defense Working Capital Fund.

The DoD funds for Restoration activities are in the Environmental Restoration (ER) and BRAC accounts. In FY 1997, Congress established five separate ER accounts, one each for the Army, Navy, Air Force, Defense Agencies and FUDS. The Army is the executive agent for management of FUDS properties and the U.S. Army Corps of Engineers is the executor for all aspects of the program.

The ER funds are executed within O&M appropriations; therefore, no actual execution data are available from the accounting system for the ER program.

The Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and various other laws and regulations require DoD to submit an annual report to Congress. See **table 45** for budget information from that annual report.⁴⁸ The Army, Navy, Marine Corps, Air Force and Defense agencies calculate budget estimates based on environmental needs at the installation level, and DoD consolidates the estimates in the annual report to Congress. Slight fluctuations in funding among the five programs reflect evolving requirements. Overall, the environmental programs, excluding BRAC, increased by 9.4 percent between FYs 2005 and 2009.

Chemical Destruction Program

As a signatory of the Chemical Weapons Convention (CWC), which went into force in 1997, the United States has an obligation to destroy stockpiles of chemical agents, munitions and any other chemical warfare materials that are not in the chemical weapon stockpile. The purpose of the DoD Chemical Demilitarization Program is to destroy those chemical weapons. The task involves disposing of some 30,000 tons of chemical agents and about 3.3 million weapons and storage vessels. In 1991, DoD designated the Secretary of the Army as the Defense Executive Agent for the program and assigned the destruction of chemical warfare-related materiel to the Army. The Army's Chemical Materials Agency mission includes that of the former Program Manager for Chemical Demilitarization.

The FY 2009 budget for the Chemical Demilitarization Program focuses on achieving the long-term outcome of compliance with the CWC, while meeting

the annual performance objectives of no chemical releases and zero exposures to ensure worker, public and environmental safety. See **table 46**.

In the DoD budget justification material, the RDT&E, Procurement and O&M requests for Chemical Demilitarization are carried as a single line entry in the Procurement budget title. The Military Construction request is carried in the MILCON title.

Counter Narcotics Program

The Counter Narcotics (CN) Program is another special line entry in the DoD budget. Most CN activities involve combating narcotics trafficking and include detection and monitoring of drug movement using military command, control, communications and intelligence resources, as well as military operational planning capabilities.

The CN activities involve extensive use of reserve component personnel. The funds appropriated under this line are restricted to the CN purpose and may be transferred to appropriations that are available for use by the reserve component. This applies particularly to the Army National Guard, which is active in a number of cooperative antidrug programs. See **table 47** for budget data.

Base Realignment and Closure

The current BRAC round consists of the 2005 Base Closure and Realignment Commission's recommendations that became law on 9 November 2005. This round, identified as BRAC 2005, is the largest round; it includes recommendations affecting more than 800 locations across the nation through 25 major closures,

Table 45

Environmental Restoration Program (\$ millions)

	FY05¹	FY06¹	FY07¹	FY08²	FY09³
Conservation	188	204	300	294	330
Environmental Restoration (ER)	1,348	1,377	1,383	1,484	1,506
Compliance	1,685	1,543	1,431	1,597	1,660
Pollution Prevention	125	125	130	158	163
Subtotal⁴	3,346	3,249	3,244	3,533	3,659
Base Realignment and Closure ER Compliance	250	569	493	551	455
Total⁴	3,596	3,818	3,737	4,084	4,114

¹ FY05 to FY07 are actual expenditures.

² FY08 is an estimate.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: Defense Environmental Programs Annual Report to Congress, Fiscal Year 2007, Appendix B: Environmental Management Budget Overview

Table 46

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

	FY07 ¹	FY08 ²	FY09 ³
Research, Development, Test and Evaluation	230.1		
Procurement	1,272.4	1,512.7	1,485.6
Operation and Maintenance			
Construction	131.0	104.2	134.3
Total⁴	1,403.4	1,616.9	1,619.9

¹ FY07 is actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal and does not include any war supplementals.
⁴ Numbers may not add due to rounding.

Source: DoD Financial Summary Tables Fiscal Year 2009 (FAD 730)

Table 47

Counter Narcotics Program Budget Authority
(\$ millions)

FY07 ¹	FY08 ²	FY09 ³
115.6	1,177.4	1,060.5

¹ Program funds were executed in Defensewide Operation & Maintenance and did not show up separately in prior year execution reports.
² Enacted, including bridge supplemental but not larger war supplemental.
³ Base budget proposal; does not include any war supplementals.

Source: DoD Financial Summary Tables Fiscal Year 2009 (FAD 730)

24 major realignments and 765 lesser actions.⁴⁹ BRAC 2005 has a six-year implementation period, from November 2005 to September 2011. The round focuses on the reconfiguration of operational capacity to maximize warfighting capability and efficiency.

The first BRAC round began on 3 May 1988, when Secretary of Defense Frank C. Carlucci chartered

the Base Realignment and Closure Commission to recommend military installations within the United States, its commonwealths, territories and possessions for realignment and closure. Secretary Carlucci and subsequent Secretaries of Defense, Presidents and Congress recognized that DoD was maintaining excessive bases and facilities, which consume a great deal of resources and billions of dollars. However, all the parties also recognized that DoD bases and facilities are economic engines for local communities and even regions. Therefore, the decision to close or even realign work among bases is very contentious. Since 1988, the actions of each President and Congress indicate their acceptance of the BRAC approach as a fair way of addressing this difficult issue.

The first BRAC round began with the enactment of the Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, on 24 October 1988. Subsequently, Congress enacted rounds in 1991, 1993 and 1995. DoD credits the four BRAC rounds with 97 major closures, 55 major realignments and 235 minor actions. DoD estimates that the closings and realignments in the four rounds saved around \$18 billion through FY 2001 and a further \$7 billion per year since.⁵⁰ The costs and savings estimates for BRAC 2005, the current and fifth round, are in **table 48**.

BRAC 2005 focuses on reconfiguring operational capacity, including a great deal of military construction, which makes up approximately 70 percent of this BRAC program compared to about 33 percent in previous BRAC rounds. As a result, the original estimates for the round have increased as construction costs have grown.

Table 48

**Base Realignment and Closure Account 2005
Costs and Savings by Fiscal Year**
(\$ millions)

Costs	2006	2007	2008	2009	2010	2011	2006-2011
One-time BRAC Account	1,502.5	5,622.9	8,174.3	9,065.4	5,557.7	2,176.7	32,099.5
One-time Non-BRAC Accounts	27.9	5.8	7.0	87.2	143.2	135.8	406.9
Annual Recurring, Non-BRAC Account	2.0	155.0	552.9	1,062.4	1,542.9	1,882.7	5,197.9
Total Costs	1,532.4	5,783.7	8,734.2	10,215.0	7,243.8	4,195.2	37,704.3
Savings							
One-Time Savings		107.7	90.2	149.9	119.1	215.2	682.1
Recurring Savings	54.1	647.3	1,548.4	2,801.4	4,298.2	5,409.9	14,759.3
Total Savings	54.1	755.0	1,638.6	2,951.3	4,417.3	5,625.1	15,441.4

Source: 2005 BRAC Commission, Executive Summary, Fiscal Year 2009 Budget Estimates, Exhibit BC-02, "BRAC Implementation Cost"

In part, the construction in this round relates to DoD and Army decisions to recapitalize facilities to accommodate larger Army units and a growing force, to improve facilities such as training ranges, reserve component infrastructure and quality-of-life facilities, and to accelerate the closure of Walter Reed Army Medical Center and apply lessons learned to improve other medical facilities.

Working Capital and Revolving Funds

DoD operates a number of industrial and commercial activities using Working Capital and Revolving Funds in order to be efficient and responsive to the warfighting needs. The funds operate in a commercial business manner—they sell their services and products to the military services and other authorized customers, and charge rates that generally recover the cost of their operations.

The intent is for the funds to operate on a break-even basis over the budget cycle. The funds establish an activity group rate to recover the full costs plus any adjustment for prior-year operating gains or losses. The funds charge the customers at the established rates, and the payments are effectively revenue to the funds. The payments from other Defense organizations are generally from appropriated funds, which then become part of the fund's cash on hand.

Initially, Congress finances the corpus of the funds with appropriated money. From time to time, the fund may request additional appropriated money from Congress for capitalization.

With the war on terrorism, the mix and volumes of material have changed. For example, the department purchased certain items to have on hand in case they were required, but some of these items (such as preventive vaccines) may never be purchased by customers. Therefore, FY 2009 continues to include an infusion of appropriated funds. See **table 49**.

The department 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. In addition, DoD operates five other revolving funds for control and financial accounting purposes—Pentagon Reservation Maintenance Revolving Fund, Buildings Maintenance Fund, National Defense Stockpile Transaction Fund, Conventional Ammunition Working Capital Fund, and Defense Coalition Support Account.

Table 49

Defense Management and Revolving Funds Budget Authority

(\$ millions)

	FY07¹	FY08²	FY09³
Army	-191.6	724.9	102.2
Navy/Marine Corps	-707.2	14.0	1.6
Air Force	666.1	60.2	61.5
Defensewide including Defense Commissary Agency	2,163.8	1,548.6	1,324.0
Army Conventional Ammunition			
Total⁴	1,931.1	2,347.7	1,489.3

¹ FY07 is actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ Numbers may not add due to rounding.

Source: DoD Financial Summary Tables Fiscal Year 2009 (FAD 730)

The four working capital funds include a mix of the activities listed below:

- 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 includes Defense Logistics Agency, Defense Finance and Accounting Service and Defense Information Services Agency. Each organization operates different activities within the single Defensewide fund.

Defending America – Now and in the Future

In his message to Congress and the American people on the FY 2009 budget proposal, the President states, “Two key principles guided the development of my Budget—keeping America safe and ensuring our continued prosperity.”⁵¹

Keeping America safe requires both military and nonmilitary means as observed by both Chairman of the Joint Chiefs of Staff Admiral Mullen and Secretary of Defense Gates. Admiral Mullen advised Congress that the nation needs to support both military and nonmilitary means to provide for national security; he suggested the need to increase the nonmilitary capacity for promoting national interests. The explicit recognition of this need for increases in nonmilitary capacity by DoD is a very important consideration, but beyond the scope of this analysis. The DoD budget and this analysis focus on the military resources to provide for national security.

The DoD base budget proposal for FY 2009 is \$515.5 billion; the emergency supplemental proposal is \$70 billion. A comparison with the FY 2007 actual expenditures and the FY 2008 enacted budget provides some perspective on the FY 2009 proposals. **Table 50** summarizes the budget situation.

The total FY 2009 budget of \$585.5 billion is \$16.7 billion less than in FY 2007 and \$76.7 billion less than in FY 2008. The actual impact of these reductions is greater due to annual pay raises, inflation and other price growth, which reduces real buying power by about 3 percent annually. While buying power is decreasing, the demands for resources will increase with each additional year of very hard wear and tear and combat damage to equipment, and a slight increase in military endstrength.

This leads to the conclusion that DoD and the next administration will have to deal with serious funding shortfalls, as shown throughout this analysis.

Table 50

Department of Defense Budget Comparisons (\$ billions)

	FY07 ¹	FY08 ²	FY09 ³
Base Budget	428.6	479.5	515.5
Change from prior year		12%	8%
Change from FY07			20%
Supplementals	173.6	182.7	70.0
Change from prior year		5%	-62%
Change from FY07			-60%
Total	602.2	662.2	585.5
Change from prior year		10%	-12%
Change from FY07			-3%

Sources: ¹ Table 17 for GWOT and table 19 for total Budget Authority; ² 30 June 2008 supplemental of \$95.9 for DoD in FY 2008; ³ Figure 5 and 30 June 2008 supplemental of \$65.9 for DoD in FY 2009.

Priorities and the International Environment

The Defense budget focuses on three priority areas: support for the troops fighting the war on terrorism; actions to restore, reconstitute and revitalize depleted military capabilities after seven years of conflict; and modernization of combat capabilities to deter or defeat future threats.

Substantive and subsequent resource proposals in all three priority areas consider current and future threats. Secretary Gates has described developments in the international environment that impact current and likely future threats, including ethnic, tribal and sectarian conflicts that are promoted by extremists and carried out through terrorism; proliferation of dangerous weapons and materials; failed and failing states; nations discontented with their role in the international order; and rising and resurgent powers whose future paths are uncertain.⁵²

This situation is unlike conventional wars; in this environment, the enemy persists with no traditional armed forces or clear center of gravity, and employs ruthless tactics. The war on terrorism is a clear example of this environment with an elusive, flexible and ruthless enemy. Unfortunately, modern technology and globalization make the threat more rapidly exportable, more prolific and more dangerous, as the enemy couples modern technology and military capabilities with terrorist tactics.

The idea that the present environment will persist for the foreseeable future drives the DoD budget. This presumption leads to some fundamental questions: Is this environment likely to persist for many years, or is it an anomaly? How much emphasis should be placed on this environment? To what extent is this preparing for the “last war”?

National and Financial Environment

Many Americans and a majority of Congress are weary of the current approach and, specifically, the use of American military forces in Iraq. In addition, most Americans and members of Congress are very concerned with the President’s second principle underlying the FY 2009 budget proposal—“ensuring our continued prosperity.”

The President’s budget proposes Outlays of \$3.107 trillion, or 20.7 percent of the Gross Domestic Product, for FY 2009. Most economists and policymakers do agree that the budget, and particularly a deficit, relates to national prosperity. The budget includes the forecast

of a \$407 billion deficit in FY 2009, which increases the GFD to \$10.413 trillion. The interest payments on this debt are \$260 billion, or 8 percent of the budget, i.e., 8 percent of the budget goes to pay debt instruments that are often held by other nations. With the current economic downturn, the deficit will be greater, the GFD will increase, and the interest payments will consume more of the budget than in the FY 2009 proposal.

From another perspective, the federal budget Outlays for FY 2009 are virtually identical to the average Outlays in prior war years. The average Outlay is 20.8 percent of GDP for 1953 (Korean War), 1968 (Vietnam War), 1991 (Operation Desert Storm) and 2007 (war on terrorism); the FY 2009 federal budget is 20.7 percent of GDP. The federal budget is consuming about the same amount of GDP as in other war years, but DoD is consuming far less. This is a function of the current mix of mandatory and discretionary funds.

FY 2009 DoD Budget and Comparison

The DoD budget proposal for FY 2009 includes a base budget and an emergency budget request for the war on terrorism. The two submissions total \$585.4 billion in FY 2009.⁵³ Secretary Gates testified that the FY 2009 base budget proposal is \$35.9 billion or more than 7 percent greater than the FY 2008 base budget, and that "accounting for inflation, this translates into a real increase of about 5.5 percent."⁵⁴ The greatest portion of the increase is for operations, readiness and support at \$14.9 billion—41.5 percent of the \$35.9 billion.

DoD notes that the base budget proposes:

- \$158.3 billion (31 percent of the base budget) for operations, readiness, training and base support, which is a 10.4 percent increase over the FY 2008 enacted level;
- \$149.4 billion (29 percent) for military pay, health care and quality of life for service personnel and their families;
- \$183.8 billion (35 percent) for strategic modernization to develop the combat capabilities to meet future threats; and
- \$23.9 billion (5 percent) for Family Housing and Facilities.

In contrast to the real growth in the base budget, the FY 2009 emergency bridge proposal is \$112.7 billion, or 62 percent less than the enacted amount including the 30 June 2008 supplemental.

Congress initially appropriated \$86.8 billion, or 46 percent of the President's \$189.3 billion request for the war on terrorism. However, Congress debated the remaining \$102.5 billion for months—while forces were in combat. On 26 June 2008, Congress reached agreement on a \$186.5 billion supplemental that included more than just Defense; the President signed the bill on 30 June 2008. The DoD portion of the supplemental is \$161.8 billion, with \$95.9 for FY 2008 and \$65.9 billion for FY 2009.

This process and the amounts appropriated for FY 2008 lead to a couple of key observations: Congress did not pass the FY 2008 supplemental until eight months into the fiscal year—somehow DoD got by for eight months with only \$86.8 billion of the \$189.3 billion requested. This funding (\$95.9 billion plus the initial supplemental of \$86.8 billion) for FY 2008 equals a total of \$182.7 billion—\$6.6 billion less than the \$189.3 billion requested.

These numbers suggest that the current proposal of a \$70 billion supplemental for FY 2009 is very low compared to the experience in the current and recent years. Even with a drawdown in the number of surge forces deployed to Iraq, the DoD emergency supplemental budget proposal of \$70 billion appears to be far short of requirements. Secretary Gates observes that the \$70 billion is an initial estimate and lacks specificity. He goes on to say that the next administration will need to submit a better estimate.

While data on the Army portion of the DoD supplemental proposal are unavailable, an indication of the impact on the Army can be gathered from a comparison between FY 2007 actual data and the FY 2009 proposal. In FY 2007, Army expenditures were \$218.5 billion, including base and supplemental funds; in FY 2009 the base budget proposal for the Army is \$139.0 billion, or \$79.5 billion less than for FY 2007. The Army difference of \$79.5 billion exceeds the entire FY 2009 supplemental proposal of \$70 billion.

Conclusion

This comparative analysis of funding and the fact that the military will have been at war for seven years leads to the conclusion that the military will be seriously challenged and unlikely to be able to pursue the war, reset its forces and modernize at a level comparable to recent years. Yet, the FY 2009 budget proposal may be the best case for the fiscal year based on the strong

differences of opinion over the war strategy and the amount of supplemental funding Congress appropriated this year.

In the final analysis, if resources are inadequate—whether for defense or any other program—there are really only four fundamental options:

- add more resources;
- reduce the scope of what is to be accomplished;
- identify alternative, less resource-intensive ways and means; or
- some combination of these options.

Adding more to defense requires either pulling more from the discretionary funds that support all the civilian agencies and domestic programs or pulling more funds out of the economy by either raising taxes or increasing the deficit-cumulative debt-interest payments. These options are not consistent with promoting national prosperity.

If adding more funds is not an acceptable option, then the other alternative is to reduce the defense demands. This leads to perhaps the paramount questions: What are the national interests? What is the strategy to secure those interests? What forces are needed for the military

component of national security? Is the Defense budget proposal sufficient to provide for the military forces needed for national security? What are the risks that arise from lesser funding?⁵⁵

None of the options presented above are attractive to those responsible for accomplishing the respective missions and running the programs, to various advocate groups, to some portion of the electorate or to some elected representatives.

America's Soldiers, Sailors, Marines and Airmen risk their lives and endure many and long deployments that separate them from their families; families endure the anguish of having loved ones in combat and the need to carry on perhaps for months or years without their servicemember at home. The nation owes them the best training, equipment and support. Members of Congress and the administration owe them well-reasoned decisions on where and when to risk their lives. After the decision is made and until a new decision changes the course, the administration and Congress need to support the troops with adequate and timely resources. The Department of Defense has a duty to act as a responsible steward for the lives of the men and women who serve the country, and for all other resources provided for defense.

Endnotes

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² *Ibid.*

³ AUSA's *Fiscal Year 2008 Army Budget – An Analysis*, October 2007, p. 19, available online at <http://www3.usa.org/webpub/deptlw.nsf/byid/rboh-78rqxh>. The amount of the supplemental enacted on 30 June 2008 was \$162 billion.

⁴ Posture Statement to the Senate Armed Services Committee, as delivered by Secretary of Defense Robert M. Gates, 6 February 2008, available online at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1213>.

⁵ Statement by Secretary Gates to the House Armed Services Committee, 6 February 2008.

⁶ Office of Management and Budget Summary Tables, Table S-3, "Discretionary Funding by Major Agency," available online at <http://www.whitehouse.gov/omb/budget/fy2009/summarytables.html>.

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⁸ *Ibid.*

⁹ Secretary of Defense Robert M. Gates, Under Secretary of Defense (Comptroller) Tina Jonas and Director, Force Structure, Resources and Assessment for the Joint Staff , Vice Admiral Steve Stanley, "DoD News Briefing on Fiscal Year 2008 Budget," 5 February 2007, available online at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=3881>.

- ¹⁰ The Constitution of the United States, Preamble, available online at <http://www.constitutioncenter.org/explore/TheU.S.Constitution/index.shtml>.
- ¹¹ President George W. Bush, *The National Security Strategy of the United States of America*, Introduction, 16 March 2006, available online at <http://www.whitehouse.gov/nsc/nss/2006/intro.html>.
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- ¹³ Office of Management and Budget, Budget of the U.S. Government, Fiscal Year 2009, The Budget Message of the President, 4 February 2008, available online at <http://www.whitehouse.gov/omb/budget/fy2009/message.html>.
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- ¹⁵ Statement by Secretary Gates to the House Armed Services Committee, 6 February 2008.
- ¹⁶ Statement by Secretary Gates to the Senate Armed Services Committee, 6 February 2008.
- ¹⁷ Posture Statement to the Senate Armed Services Committee by U.S. Navy Admiral Michael G. Mullen, Chairman, Joint Chiefs of Staff, 6 February 2008, on the Fiscal Year 2009 Defense Budget, available online at <http://armed-services.senate.gov/statemnt/2008/February/Mullen%2002-06-08.pdf>.
- ¹⁸ *Ibid.*
- ¹⁹ "Fiscal 2009 Department of Defense Budget Released," News Release No. 90-08, U.S. Department of Defense, Office of the Assistant Secretary of Defense (Public Affairs), 4 February 2008, available online at http://www.defenselink.mil/comptroller/defbudget/fy2009/2009_Budget_Rollout_Release.pdf.
- ²⁰ U.S. Department of Defense, Fiscal Year 2009 Budget Request, Budget Roll-out Briefing, 4 February 2008, available online at http://www.ndia.org/Content/NavigationMenu/Advocacy/Action_Items/FY2009_Budget_Slides.pdf.
- ²¹ Paul Kane, "Senate Passes Broad War Funding Measure," The Washington Post, 27 June 2008, p. A2, available online at <http://www.washingtonpost.com/wp-dyn/content/article/2008/06/26/AR2008062604076.html>.
- ²² Statement by Secretary Gates to the Senate Armed Services Committee, 6 February 2008.
- ²³ Statement by Secretary Gates to the House Armed Services Committee, 6 February 2008.
- ²⁴ Opening Statement to the Senate Appropriations Committee for Defense by Secretary of Defense Robert M. Gates, 20 May 2008, available online at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1244>.
- ²⁵ Office of Management and Budget, Budget of the United States Government, Fiscal Year 2009, Department of Defense, p. 49, available online at <http://www.gpoaccess.gov/usbudget/fy09/pdf/budget/defense.pdf>.
- ²⁶ U.S. Africa Command (AFRICOM), established on 1 October 2007 as a sub-unified command under U.S. European Command (EUCOM), is expected to become the tenth Unified Combatant Command on 1 October 2008.
- ²⁷ Additional information about the Unified Command Plan is available online at <http://www.defenselink.mil/specials/unifiedcommand/>.
- ²⁸ U.S. Department of Defense Fiscal Year 2009 Budget Request, Summary Justification, 4 February 2008, p. 95, available online at http://www.defenselink.mil/comptroller/defbudget/fy2009/FY2009_Budget_Request_Justification.pdf.
- ²⁹ Posture Statement by Admiral Mullen, 6 February 2008.
- ³⁰ *Ibid.*
- ³¹ Statement by Secretary Gates to the Senate Armed Services Committee, 6 February 2008.
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- ³⁴ Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, available online at http://www.defenselink.mil/comptroller/defbudget/fy2009/fy2009_greenbook.pdf.
- ³⁵ Posture Statement by Admiral Mullen, 6 February 2008.

³⁶ Missile Defense Agency Fiscal Year 2009 Budget Estimates Overview, 08-MDA-3199, 23 January 2008, available online at <http://www.mda.mil/mdalink/pdf/budgetfy09.pdf>.

³⁷ Statement by Secretary Gates to the Senate Armed Services Committee, 6 February 2008.

³⁸ Missile Defense Agency Fiscal Year 2009 Budget Estimates Overview.

³⁹ *Ibid.*

⁴⁰ "Fiscal 2009 Department of Defense Budget Released," News Release No. 90-08, 4 February 2008.

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⁴² Statement of Mr. Wayne Arny, Deputy Under Secretary of Defense (Installations and Environment), before the Subcommittee on Readiness of the House Armed Services Committee, 28 February 2008, available online at [http://www.acq.osd.mil/housing/docs/FY09_DUSD_IE_Posture_FINAL-HCS_official%20\(2\).pdf](http://www.acq.osd.mil/housing/docs/FY09_DUSD_IE_Posture_FINAL-HCS_official%20(2).pdf).

⁴³ *Ibid.*

⁴⁴ Statement of Mr. Arny to the Subcommittee on Readiness of the House Armed Services Committee, 28 February 2008.

⁴⁵ U.S. Department of Defense Fiscal Year 2009 Budget Request, Summary Justification, p. 107.

⁴⁶ Office of the Assistant Secretary for Reserve Affairs Information Briefing, Third Quarter FY 2008, June 2008, available online at <http://www.defenselink.mil/ra/documents/RA%20101%20brief%203rd%20Q%20FY%2008.pdf>.

⁴⁷ "National Guard (In Federal Status) and Reserve Mobilized as of June 25, 2008," News Release No. 513-08, U.S. Department of Defense, Office of the Assistant Secretary of Defense (Public Affairs), 25 June 2008, available online at <http://www.defenselink.mil/releases/release.aspx?releaseid=12012>.

⁴⁸ Defense Environmental Programs Fiscal Year 2007 Annual Report to Congress, available online at <https://www.denix.osd.mil/portal/page/portal/denix/environment/ARC/FY2007>.

⁴⁹ Statement of Mr. Arny to the Subcommittee on Readiness of the House Armed Services Committee, 28 February 2008.

⁵⁰ 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.

⁵¹ OMB, Budget Message of the President.

⁵² Statement by Secretary Gates to the House Armed Services Committee, 6 February 2008.

⁵³ *Ibid.*

⁵⁴ Posture Statement by Secretary of Defense Gates, 6 February 2008.

⁵⁵ The DoD budget includes more than 38,000 pages of justification material that presumably, in the aggregate, answers these questions.

The Army Budget

Introduction

The Army base budget proposal is \$140.7 billion in Total Obligational Authority (TOA) for Fiscal Year (FY) 2009, i.e., 1 October 2008 to 30 September 2009. The proposal is \$12 billion greater than the FY 2008 base budget.

A few years ago, the President began submitting a base budget and an emergency supplemental proposal for the war on terrorism concurrently. For FY 2009, the DoD base budget proposal is \$515.4 billion; the emergency supplemental proposal is \$70 billion. The DoD base budget includes the Army proposal of \$140.7 billion; the DoD emergency supplemental proposal includes an undisclosed amount for the Army. The lack of supplemental data for the Army makes conducting this analysis difficult and raises serious concerns about the adequacy of the likely total funding.

The Army budget presents plans for sustaining the current war, for generating adequate quantities of land forces with the capabilities to meet unspecified future threats and for adequately providing for Soldiers and their families.

Since 11 September 2001, the primary focus of Army plans and budgets has been on sustaining the war effort. The size and duration of the warfighting operations stretch and stress the Army, minimizing the focus on generating other land force capabilities. The Army recognizes this problem and includes funding for remedial actions in the budget to generate land force capabilities and capacity for more than just current operations.

Secretary of the Army Pete Geren and Chief of Staff of the Army General George W. Casey, Jr., have described the need to generate land force capabilities beyond current operations as regaining balance after nearly seven years of continuous war. The Army press release on the FY 2009 budget describes this balance as follows:

The FY 2009 budget is structured, first and foremost, to provide trained and equipped forces to the combatant

commanders, balancing immediate warfighting needs with the development of future enhancements. The Army will focus on regaining balance in the near term in order to provide strategic flexibility and to build capacity for future challenges.¹

Secretary Geren began his testimony to Congress on the base budget as follows:

As is always the case, our budget is mostly about people, and operations and maintenance to support our people – personnel, operations and maintenance make up two-thirds of the Army budget. As Creighton Abrams reminded us often: "People are not in the Army – they are the Army." And our budget reflects that reality.²

General Casey stated to Congress that the Army requires the base budget plus the supplemental proposal to continue to restore balance:

The last two years, you've given us the funding to begin the process of putting the Army back in balance. This budget before you, the war on terror supplemental that will accompany it, and the balance of the fiscal year '08 war on terror supplemental will allow this process to continue.³

As the Chief of Staff noted, the Army budget for FY 2009 plus the war on terrorism supplemental are necessary for continuing to restore balance in the Army, a process which requires adequate resources to:

- complete current operations effectively, i.e., to engage and destroy the enemy and assist the host countries in achieving a basic level of peace that will enable personal dignity, economic growth and political stability; and
- generate the capability and capacity to deter future challenges or decisively defeat future enemies.

Adequate emergency supplemental funding is essential to restore balance, but the following top-line analysis indicates that the current proposal lacks adequate funding.

Top-Line Analysis

The analysis in this chapter begins with the budget totals, or top line, and subsequently examines the individual appropriations. In response to congressional requirements, the budget presents funding data for three fiscal years—the prior year (FY 2007), current year (FY 2008) and budget year (FY 2009).

The FY 2009 base budget proposal and supplemental amounts are in **table 51**.

Three points are evident from the data in table 51:

- Base budget proposals are increasing annually.
- Emergency supplemental proposals are decreasing.
- Total funding decreases without substantial emergency supplemental funds.

An analysis of the data in table 51, plus the data from table 17 (p. 32) on supplemental funding for the war on terrorism, reveals the following:

- In FY 2007, the Army actually obligated \$109.3 billion or 63 percent of the \$173.6 billion in the DoD supplemental funds for the war on terrorism (return to table 17).
- Assuming that the Army again receives 63 percent of DoD supplemental funds, it will receive \$60 billion of the \$95.9 billion supplemental for FY 2008 enacted on 30 June 2008 (see table 51, footnote 5). In FY 2008, the Army initially received \$48.7 billion in emergency supplemental funds;

adding the estimate of \$60 billion from the June supplemental creates a total supplemental of \$109 billion for FY 2008, which is the same amount as the FY 2007 supplemental. Adding the \$109 billion supplemental funding to the \$128.9 billion appropriated base budget for FY 2008 produces a total of \$238 billion, exceeding the FY 2007 total by \$17 billion.

The total top-line experience in FY 2007 and the estimate for FY 2008 suggest that the Army requires a total of \$221 billion to \$238 billion annually to sustain current operations and continue to make progress on regaining balance in the Army. These amounts assume no appreciable change in the level of operations or program content, nor do the amounts consider pay raises, inflation and other program growth.

For FY 2009, the DoD emergency supplemental proposal is \$70 billion; Congress appropriated only \$65.9 billion in the 30 June 2008 supplemental. Assuming that the Army continues to receive 63 percent of emergency supplemental funding, it can anticipate receiving \$41.5 billion from the \$65.9 billion DoD supplemental for FY 2009. Adding this \$41.5 billion to the base of \$140.7 billion equals a total of \$182 billion, \$39 billion less than the \$221 billion experience in FY 2007, and \$56 billion less than the \$238 billion estimate for FY 2008, calculated above.

The Army will need about \$240 billion total for FY 2009 to sustain the war effort and restore balance when pay raises, inflation and a couple more years of very high operational tempo are considered. If the Army receives only \$182 billion, it will be underfunded by about \$60 billion.

A \$60 billion dollar shortfall is a disaster in any year, but is even worse in the first year of a new administration. A new administration requires time to nominate and confirm appointees, then time to decide on a budget proposal. Submitting a supplemental proposal to Congress by April 2009 will be a challenge, and half the fiscal year will be over before Congress begins consideration of an additional FY 2009 supplemental. Therefore, the Army needs to prepare an additional FY 2009 emergency supplemental proposal of about \$60 billion, or some part of it, for action by the current administration. Any balance for consideration by the next administration would likely accompany the FY 2010 budget proposal in April or May 2009.

Table 51

Army Budget Summary Total Obligational Authority (\$ billions)

	FY07 ¹	FY08 ²	FY09 ³
President's Budget	112.0	128.9	140.7
Supplemental and Adjustments ⁴	109.3	48.7	
Total	221.3	177.6	140.7

¹ FY07 is actual expenditure, including base budget and all war supplementals. It includes Iraqi and Afghan Security Forces Funds, Joint Improvised Explosive Device Defeat Fund (JIEDDF) and Army Working Capital Fund.

² FY08 is enacted base, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal and does not include any war supplementals.

⁴ The second FY 2008 war supplemental was enacted on 30 June 2008; the Army will receive a substantial portion of the \$95.9 billion for FY 2008 and \$65.9 billion for FY 2009.

Sources: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008; Army FY09 Budget Overview, MG Edgar E. Stanton III, Director of the Army Budget, February 2008

Budgeting Basics

The Army budget proposals to Congress are for either of two types of authority to obligate the government to pay: Budget Authority (BA) and Total Obligational Authority. Each has a unique definition and therefore each will have different dollar amounts for the same fiscal year.

- **Budget Authority** is the authority provided by law to incur financial obligations that will result in Outlays.
- **Total Obligational Authority** is the sum of:
 1. Budget Authority for a given fiscal year;
 2. balances of Budget Authority brought forward from prior years that remain available for obligation in the fiscal year; and
 3. amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts.

The federal budget process requires a separate submission for “emergency requirements,” i.e., where the future circumstances are unknown or unpredictable. As the emergency situation becomes clearer, the administration submits a supplemental proposal to Congress. The military operations in Afghanistan and Iraq have been considered such an emergency situation; hence, there are emergency supplemental budget proposals.

The Army budget is prepared in current dollars; therefore, all tables and figures are in current dollars

unless specifically noted otherwise. The difference between current and constant dollars is:

- **Current dollars** are a measure of spending or revenues in a given year that has *not* been adjusted for differences in prices (such as inflation).
- **Constant dollars** are a measure of spending (or revenues) in a given year that has been adjusted for differences in prices (such as inflation) between that year and a base year.

The Budget in Constant Dollars

A comparison of the Army budget in current and constant dollars is one way of evaluating the top line. The DoD Green Book is the source of the current and constant dollars data, but the Green Book uses Budget Authority, which is different from the TOA data in table 51. See **table 52**.

In constant dollars, i.e., constant buying power, the Army budget for FY 2007 increases by nearly 22 percent over FY 2006; FY 2006 and FY 2007 are a good comparison as both include all supplemental funds. BA decreases in FYs 2008 and 2009, but FY 2008 has only partial supplement funds and FY 2009 has no supplemental funds. Therefore, comparisons require great care to address the differences.

Based on BA in constant dollars, the Army needs a total of \$229 billion in FY 2009 to match the buying power of FY 2007. The FY 2009 BA is \$139 billion, requiring \$90 billion in supplemental funding to match the FY 2007 expenditures. The entire DoD supplemental proposal

Table 52

Army Budget Summary Budget Authority (\$ billions)

		FY05 ¹	FY06 ¹	FY07 ¹	FY08 ²	FY09 ⁴	FY10 ³	FY11 ³	FY12 ³	FY13 ³
Budget Authority	Current Dollars	152.8	174.9	218.5	175.4	139.0	142.4	141.3	142.8	142.7
	Constant Dollars	169.5	188.1	229.1	179.6	139.0	139.0	134.6	132.7	129.3
	Percentage of Real Growth ⁴	-3.50%	10.9%	21.8%	-21.6%	-22.6%	0.1%	-3.2%	-1.4%	-2.6%
Total Obligational Authority	Current Dollars	167.3	176.5	221.1	176.0	139.0	142.5	141.4	143.0	142.8
	Constant Dollars	185.3	189.7	231.8	180.2	139.0	139.2	134.7	132.9	129.5
	Percentage of Real Growth ⁴	13.9%	2.4%	22.2%	-22.3%	-22.9%	0.1%	-3.2%	-1.4%	-2.6%

¹ FY05 to FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental. The second FY 2008 war supplemental was enacted on 30 June 2008; the Army will receive a substantial portion of the \$95.9 billion for FY 2008 and \$65.9 billion for FY 2009.

³ FY09 to FY13 are the base budget proposals.

⁴ Real growth from prior year in constant dollars.

Source: Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-10

was \$70 billion, and Congress appropriated \$65.9 billion for FY 2009. If the Army receives 63 percent of the supplemental, as in FY 2007, it will receive \$41.5 billion of the \$65.9 billion. Subtracting this \$41.5 billion from the \$90 billion required leaves a shortfall of \$48.5 billion.

Observations

The constant-dollar analysis suggests a shortfall of approximately \$48.5 billion of the BA; the prior Army TOA analysis suggests a shortfall of approximately \$60 billion.

The consequences of any supplemental shortfall are aggravated by the fact that some portions of the Army's basic functions and operations have been funded with supplemental appropriations. The *2008 Army Posture Statement* notes that over the past six years

. . . the Army has received increasing proportions of its funding through supplemental and [Global War on Terrorism (GWOT)] appropriations. This recurring reliance on GWOT funds and a natural overlap between base and GWOT programs means that the Army's base budget does not fully cover the cost of both current and future readiness requirements. Because the GWOT planning horizon is compressed and the timing and amount of funding is unpredictable, some base programs would be at risk if supplemental funding is precipitously reduced or delayed. An orderly restoration of the balance between base and GWOT requirements is essential to maintain Army capabilities for future contingencies.⁴

The arguable shortfall in supplemental funds and the necessity of the funds to balance the Army suggest that the Army needs to prepare and make the case for an additional emergency supplemental submission to the next administration—regardless of party. It needs to support its request with solid justification material and have it ready for the transition team in mid-November.

Budget Overview

In his opening remarks to Congress on the Army budget, General Casey described the continuing security concerns for the Army and the Army's four imperatives to serve the nation today and in the next decades.

The Chief of Staff's concerns for the future include "a period of protracted confrontation among state, non-state and individual actors who are increasingly willing to use violence to accomplish their strategic or their political and ideological objectives." He notes that some global trends

are "going in the wrong direction" and exacerbating this situation, including "the double-edged swords of technology and globalization, doubling of populations in developing countries, terrorist organizations seeking weapons of mass destruction [and] terrorist safe havens in ungoverned spaces." General Casey's conclusion is that the next decade will be one of persistent conflict; in this environment the Army must be "versatile enough to adapt rapidly to the unexpected circumstances we will surely face."⁵

Restoring Balance

For nearly seven years, the Army been fully engaged in the wars in Afghanistan and Iraq, as well as in many other places across the world and at home. General Casey's observation on the cumulative effect of this long war is that the Army is "out of balance, consumed by the current fight and unable to do the things we know we need to do to properly sustain our all-volunteer force and restore our flexibility for an uncertain future." In his view, the Army is not broken and it is not hollow, but it is not "where we need to be."⁶

The *2008 Army Posture Statement* discusses the issue of balance, describing the Army as the "best led, best trained and best equipped Army in the world."⁷ However, it is out of balance; ready forces are consumed in current operations as fast as the Army can build them. Three key contributors to this situation are:

- a high operational tempo that provides insufficient recovery time for personnel, families and equipment;
- training that focuses on counterinsurgency operations to the exclusion of other capabilities; and
- missions assigned to the reserve component for which they were not originally intended nor adequately resourced.⁸

In this context, the Army's top priority is to restore balance over the next several years, which it is doing by "growing the Army" and pursuing four imperatives—sustain, prepare, reset and transform.

Grow the Army. According to the *2008 Army Posture Statement*, almost 600,000 Soldiers are serving on active duty; more than 250,000 of them are deployed or forward stationed to nearly 80 countries worldwide.⁹ Yet, the endstrength of the active Army is only 489,400 in FY 2008. The 100,000 difference between the number of Soldiers on active duty and the active Army endstrength

is being made up by the reserve component. To meet the wartime requirements, the Army has activated significant numbers of reserve component units and Soldiers over the past seven years.

In January 2007, the President requested, and Congress approved, an increase of 74,200 Soldiers for the Army. The “Grow the Army” initiative, to be completed by FY 2012, includes increases of:

- 65,000 Soldiers for the active Army;
- 8,200 Soldiers for the Army National Guard; and
- 1,000 Soldiers for the Army Reserve.¹⁰

Sustain. Sustain Soldiers, families and Army civilians in a way that recognizes the quality of their service, and maintains the quality and viability of the all-volunteer force.

Prepare. Prepare Soldiers, units and equipment for success in the current conflict, especially in Iraq and Afghanistan.

Reset. Retrain and revitalize Soldiers, revitalize family support, return equipment to appropriate operational condition and restore readiness and depth in the force for future deployments and other contingencies.

Transform. Improve continuously to meet the needs of the combatant commanders in the changing security environment of the 21st century. “For us transformation is a holistic effort. We want to adapt how we train, how we fight, how we modernize, how we sustain our Soldiers, families and civilians, and how we station our forces.”¹¹

Appropriation Group Review

All budgets are plans, i.e., budgets lay out both what an organization plans to accomplish during a period of time in the future and the amount of resources necessary to execute the plan. The Army budget is a comprehensive plan that integrates, prioritizes and balances operational, functional and programmatic requirements. The Army presents this plan, along with thousands of pages of justification material, to the Office of the Secretary of Defense, the Office of Management and Budget and, ultimately, Congress.

The Army budget is built with participation from across the Army and includes a great deal of detailed data, such as appropriation, budget activity, program, function, component and many other types and levels of detail. The data support the various decisionmakers

up the chain-of-command. In addition, the details often verify compliance with limitations on the use of various appropriated funds.

In addition to being forward-looking, all federal budgets begin with the most recently completed fiscal year (the prior year), then the current year to provide a baseline and trend information. However, comparisons across the years are more challenging with the advent of annual supplemental budgets. The prior-year data include all supplemental funds, while the current-year data may include supplemental proposals or appropriated funds as of the date the data were prepared. These differences need to be considered when making multiyear comparisons and conducting trend analyses.

Budget by Appropriation Group

The appropriation groups, or titles, are the sum of all the appropriations for a common functional category; e.g., Military Personnel for the active component, the Army National Guard and the Army Reserve. The budget for FY 2009 includes dollars by titles for FY 2007 prior-year expenditures, for the current year and for FY 2009 proposals. See **table 53** (p. 70).

The FY 2007 prior-year total exceeds the total in each subsequent year because of the emergency supplemental funding for the war. With those supplemental funds, Operation and Maintenance (O&M) consumes the greatest portion of the budget at nearly 37 percent, followed by Military Personnel (MILPERS) at nearly 26 percent, for a combined total of 62.5 percent in FY 2007.

In FY 2008, O&M increases to 40 percent and MILPERS increases to 26.5 percent; together the two consume almost 67 percent of the FY 2008 budget. The FY 2008 budget includes the initial war supplemental but not the 30 June 2008 supplemental.

The FY 2009 budget proposal does not include any supplemental funds. MILPERS consumes the greatest absolute amount of the budget at nearly 37 percent of the total. O&M drops by nearly \$42 billion from the FY 2007 actual experience and consumes only 28 percent of the budget total. The two groups together consume 65 percent of the base budget. Also in FY 2009, Procurement drops by nearly \$19 billion or 43 percent from the actual experience in FY 2007.

The sum of the O&M and Procurement decreases from FY 2007 to FY 2009 is \$60 billion, plus a drop of \$5 billion in MILPERS—a total decrease of \$65 billion. The Other group—which includes Iraqi and Afghan Security

Table 53

Army Summary
Total Obligational Authority by Appropriation Group
 (\$ billions)

Appropriation Group	FY07 ¹	FY08 ²	FY09 ³
Military Personnel	57.2	47.1	51.8
Operation and Maintenance	81.3	71.7	39.6
Procurement	43.1	27.2	24.6
Research, Development, Test and Evaluation	11.4	12.0	10.5
Military Construction/Base Realignment and Closure	7.7	8.6	10.4
Army Family Housing	1.3	0.9	1.4
Environmental Restoration, Army ⁴		0.4	0.4
Chemical Demilitarization	1.4	1.6	1.6
Army Working Capital Fund	0.6	0.7	0.1
Other ⁵	17.3	7.3	0.5
Total⁶	221.3	177.6	140.7

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ ERA is executed in OMA (FY07), but the budget proposal requires a specific appropriation line.

⁵ Includes Iraqi and Afghan Security Forces Funds, Joint Improvised Explosive Device Defeat Fund.

⁶ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Forces Funds and the Joint Improvised Explosive Device Defeat Fund—decreases by nearly \$17 billion.

Percentage Distribution by Group

A comparison of the distribution among the appropriation groups at various points in time may provide insights that would not be obvious from a dollar comparison. This analysis compares the distribution in three budgets, displayed in figure 11:

- FY 1990 budget—the last budget prior to the end of the Cold War;
- FY 2000 budget—the end of the “peace dividend” reductions and before emergency supplemental appropriations; and
- FY 2009—the budget proposal.

The MILPERS group is consistent across the three sample years. The O&M appropriation group is 5 to 7 percent less in FY 2009 than in the earlier, non-wartime years. This is inconsistent with the greater operational tempo and combat damage during wartime and suggests a shortfall.

The Military Construction group reflects the greatest growth, which is consistent with Base Realignment and Closure (BRAC), the Global Defense Posture Realignment (GDPR) and Army facilities improvement initiatives.

Budget Background

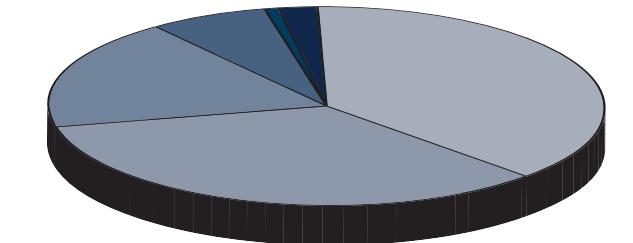
Army Appropriations

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

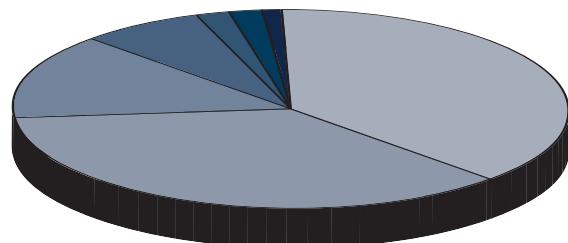
- Military Personnel, Army;
- Reserve Personnel, Army;
- National Guard Personnel, Army;
- Operation and Maintenance, Army;
- Operation and Maintenance, Army Reserve;
- Operation and Maintenance, Army National Guard;
- Aircraft Procurement, Army;
- Missile Procurement, Army;
- Procurement of Weapons 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;

Figure 11

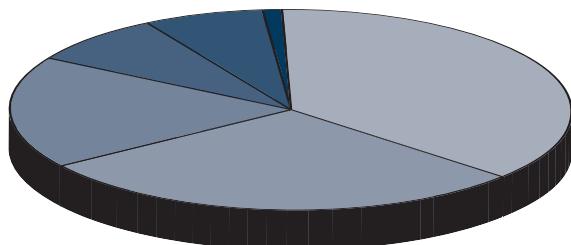
Army Appropriation Groups Percentage of Distribution¹



FY 1990 ²	
Military Personnel	38%
Operation and Maintenance, and ERA ⁴	34%
RDA ⁵	18%
Military Construction	7%
Army Family Housing	1%
Chemical Demilitarization	2%
Other	0%
Total	100.4%



FY 2000 ²	
Military Personnel	38%
Operation and Maintenance, and ERA ⁴	36%
RDA ⁵	14%
Military Construction	7%
Army Family Housing	2%
Chemical Demilitarization	2%
Other	1%
Total	100.2%



FY 2009 ³	
Military Personnel	37%
Operation and Maintenance, and ERA ⁴	29%
RDA ⁵	18%
Military Construction	8%
Army Family Housing	7%
Chemical Demilitarization	1%
Other	0%
Total	100.1%

¹ Numbers may not add due to rounding.

² FY90 and FY00 are actual expenditures.

³ FY09 reflects budget proposal estimates.

⁴ Environmental Restoration, Army (ERA) added to O&M in FY09 to be comparable to FY90 actuals.

⁵ Research, Development and Acquisition

Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 6-19; for FY 1990.

- 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 funds specifically allocated for BRAC.

Budget Formulation Process

The Army Budget Formulation process is a critical phase of its Planning, Programming, Budgeting and Execution (PPBE) process. Army Budget Formulation responds to DoD PPBE; DoD PPBE responds to the federal process that is governed by OMB and responsive to Congress.

The budget formulation is critical because it produces the only product—the budget—that is approved by DoD and the President, and submitted to Congress for authorizations and appropriations.

The federal budget formulation process begins with dollar guidance from OMB to the departments, including DoD. DoD distributes the guidance, or controls, to the services and other DoD agencies. Headquarters, Department of the Army distributes the dollar controls and promulgates guidance among the Army commands, Army service component commands and direct reporting units.

The Army, like all federal government departments, prepares its budget using the appropriation structure prescribed by Congress. The Army process includes accumulating and integrating budget proposals from across the Army; reviewing, analyzing and prioritizing the budget requests; obtaining approval; and preparing hundreds of exhibits and other detailed justification materials.

The Army submits its budget proposal to the DoD Comptroller for joint DoD and OMB review. DoD issues draft Program Budget Decisions and the Army prepares reclamas. At the end of the process, the Secretary of the Army or the Assistant Secretary of the Army for Financial Management and Comptroller (ASA[FM&C]) meets with the Secretary or Deputy Secretary of Defense 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 with the intent of providing appropriation acts to the President before the

beginning of the fiscal year on 1 October. However, if no congressional budget agreement is reached by 1 October, Congress passes Continuing Resolution Acts, which allow the 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 various appropriations carry specific restrictions. For example, most appropriations expire at the end of one, three or five fiscal years; money generally cannot be moved across appropriations without prior congressional reprogramming approval.

Budget Documents

The Army budget includes many appropriation-specific documents. In fact, the ASA(FM&C) lists about 35 documents that contain perhaps 10,000 pages of detail.¹²

In addition to actual budget documents, other documents such as the *2008 Army Posture Statement* and prepared remarks on the budget for Congress provide other pertinent information on the budget and the need for resources. This analysis integrates key information from the many sources, organizes the information under topical categories and provides insights on the budget.

Army Land Forces

Land forces are essential for wresting control of land and people from hostile forces. Land forces are essential for defense and stability operations in environments where governments are nonexistent, unstable or contending with counterinsurgency. As part of the joint force, the Army provides to the combatant commanders trained and ready land forces capable of operating across the spectrum of operations.

The U.S. Army is the finest army ever fielded, as evidenced by the speed and lethality of its operations as part of the joint force on the battlefields in Afghanistan and Iraq. This success has driven adversaries and enemies to seek asymmetric means and methods to offset American military dominance.

In the current war, the enemy consists of geographically dispersed, nonstate terrorists with little to no infrastructure or institutions to target. The enemy does not share the values of Americans or free peoples everywhere—democracy, freedom of action and individual rights. The enemy's highest priority is to win at

any cost. The enemy has no moral revulsion for killing and maiming noncombatants, and the enemy deliberately strikes at noncombatants as well as combatants. The enemy's intent is to create fear and thereby paralyze those they wish to dominate and those they wish to defeat. Regrettably, so long as groups believe that terrorism is an effective means of attaining their ends, this strategy is likely to persist.

The Army must continuously produce land forces to support current operations. It is seeking to balance continuous demands with the requirement to generate adequate quantities of forces for the full spectrum of operations. The FY 2009 budget supports achieving balance in the Army, in part by fielding a modular force and growing the Army.

Modular Brigade Force

The Modular Force involves a comprehensive transformation of the Army from a division-based to a brigade-based structure. The new brigade structures have greater capabilities than prior brigades within divisions. These capabilities enable the forces to better fight the current fight, to be more responsive to catastrophic and disruptive crises and to conduct conventional warfighting.

The modular brigades include combat and support units. The combat units include Infantry, Heavy and Stryker brigade combat teams (BCTs). The support units include:

- multifunctional support brigades that perform operational roles including Combat Aviation, Combat Support (Maneuver Enhancement), Sustainment, Fires and Battlefield Surveillance; and
- functional support brigades that perform broad support roles—including Intelligence, Signal, Fires, Engineering, Explosive Ordnance Disposal, Military Police and others—on a theater-wide basis.

The specific mix and quantities of the support brigades continues to be refined to meet both expeditionary and expanded state and homeland defense/homeland security operational requirements. The Army is also redesigning tactical and operational headquarters to serve as joint task force headquarters.

The budget supports increasing the quantity of available brigades (both BCTs and support brigades), creating a larger pool for rotations and unforeseen deployments. The increase will relieve the stress on Soldiers and equipment and improve the Army's capacity

to sustain global commitments and to surge forces for unforeseen contingencies. The plan is to complete the conversion to the modular design for the active Army by FY 2011 and for the Army National Guard and Army Reserve by FY 2013. The FY 2009 budget supports the following modular conversions:

- converting two BCTs in the active Army, bringing the total to 43 of 48;
- converting two multifunctional brigades in the active Army, three in the Army National Guard and one in the Army Reserve; and
- converting six functional brigades in the active Army and one in the Army Reserve.

The budget also supports implementing substantial structural changes to the institutional base of the Army as it transforms to the generating force base. The combination of growth, reorganization and rebalance will enable the Army to build strategic and operational depth and to better meet the requirements of the combatant commanders.

Army Force Generation

In addition to the modular brigade structure, the Army is pursuing other initiatives to meet the challenges of persistent conflict, including the Army Force Generation (ARFORGEN) process and the conversion of the reserve component from a strategic reserve to an operational reserve.

The ARFORGEN process involves systematically increasing unit readiness through time, and increasing the availability of trained, ready and cohesive units. The ARFORGEN process includes allocating resources based on a unit's mission and deployment sequence, regardless of component.

The process involves a six-year cycle in which units proceed through three pools to meet operational requirements with increased predictability. The pools are:

- **Reset and Train.** These forces redeploy from operations, receive and stabilize personnel, reset equipment and conduct individual and collective training. The phase culminates in a brigade-level collective training event. Units in this force pool are neither ready nor available for major combat operations; however, they should be ready to respond to homeland defense requirements and provide defense support to civil authorities.

- **Ready.** These forces continue mission-specific collective training and are eligible for sourcing if necessary to meet joint requirements. Their collective training is designed to focus on directed Mission Essential Task List tasks, such as stability operations.
- **Available.** These forces are in their planned deployment windows and are fully trained, equipped and resourced to meet operational requirements.

The ARFORGEN process supports the transition of reserve component units from a strategic reserve to an operational force. The planning objective for the active component is one year deployed to two years at home station. The planning objective for involuntary mobilization of Army National Guard and Army Reserve units is one year mobilized to five years demobilized.

The ARFORGEN process incorporates the Army's decision to field a quality force and not weaken itself by fielding partially-resourced units. Therefore, the Army is creating "whole" units that are fully manned, trained, equipped and supported—as opposed to past practices when some units lacked the requisite personnel and equipment.

Forces Engaged

Since the terrorist attacks on America seven years ago, the Army has been conducting continuous combat operations, as well as supporting homeland security and worldwide commitments. The Army is meeting the operational requirements, but it is consuming ready forces as soon as they are available and with great stress to Soldiers.

Defense Secretary Gates observes:

The U.S. Army today is a battle-hardened force whose volunteer Soldiers have performed with courage, resourcefulness, and resilience in the most grueling conditions. They've done so under the unforgiving glare of the 24-hour news cycle that leaves little room for error, serving in an institution largely organized, trained and equipped in a different era for a different kind of conflict. And they've done all this with a country, a government—and in some cases a defense department—that has not been placed on a war footing.¹³

Army Secretary Geren and General Casey summarize the situation as follows:

Our Nation has been at war for over six years. Our Army—Active, Guard and Reserve—has been a leader in this war and has been fully engaged in Iraq, Afghanistan and defending the homeland. We also have provided support, most notably by the Army National Guard and Army Reserve, to civil authorities during domestic emergencies. Today, of the Nation's nearly one million Soldiers, almost 600,000 are serving on active duty and over 250,000 are deployed to nearly 80 countries worldwide.¹⁴

The Army budget supports providing combatant commanders with a wide range of capabilities to prevail in the war on terrorism and sustain global commitments. The budget enables Army forces, as part of the joint team, to continue 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 (MFO);
- combat operations in Afghanistan (Operation Enduring Freedom) and Iraq (Operation Iraqi Freedom); and
- peacetime operations at forward stations in Korea, Europe and elsewhere.

The Army's worldwide commitments are illustrated in **figure 12**. In addition to overseas deployments, thousands of Soldiers are on active duty in the United States supporting war operations.

Since 11 September 2001, more than 498,000 active, 360,000 Army National Guard and 167,000 Army Reserve Soldiers have been deployed in support of combatant commanders in Iraq, Afghanistan, Guantánamo Bay, the Balkans, the Sinai and elsewhere. In addition, more than 150,000 active, Army National Guard and Army Reserve Soldiers have helped to secure the homeland by providing security augmentation for key assets, airports, special events and Air Force bases.¹⁵ To sustain this level of engagement, more than 70,000 Soldiers from the reserve component serve on active duty annually. See **table 54**.

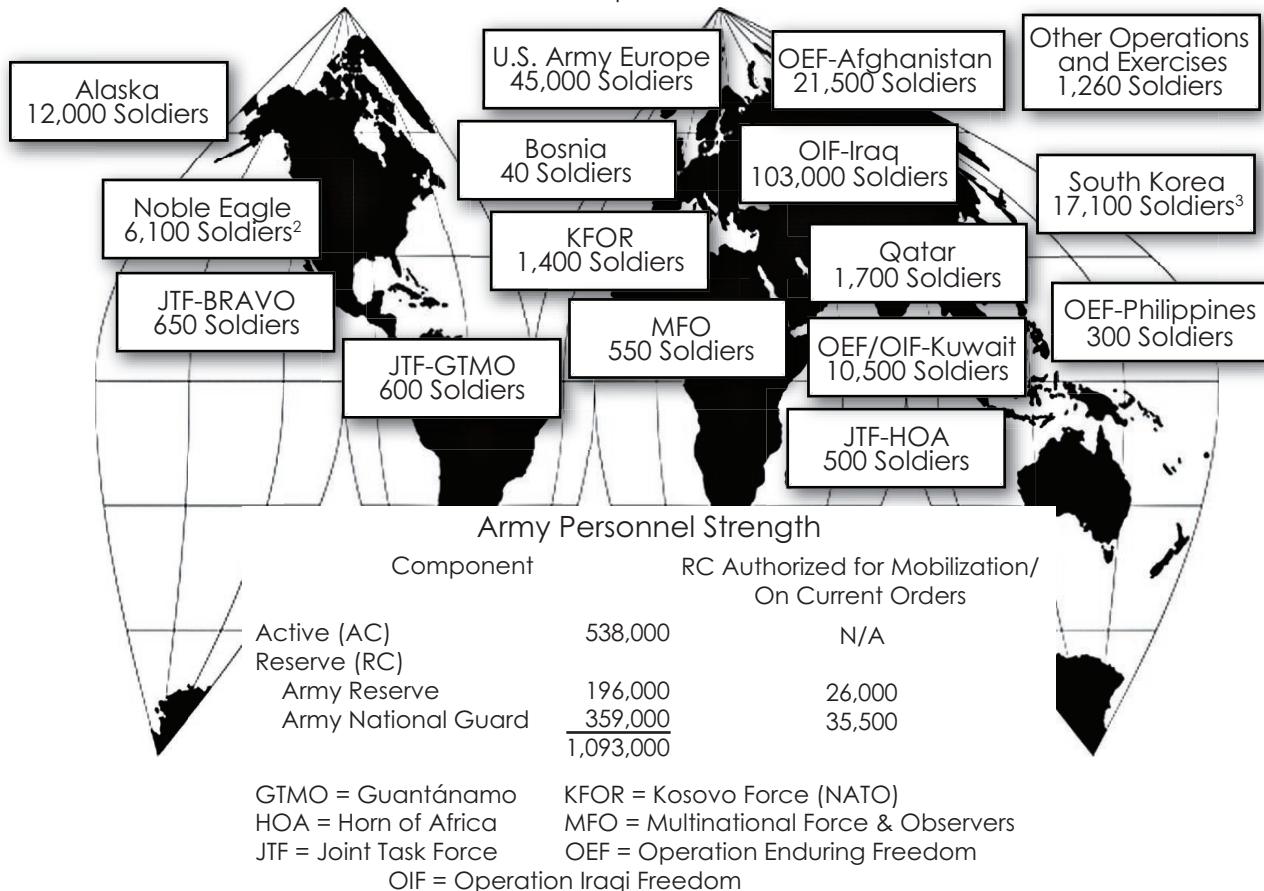
Personnel

The American Soldier is the Army's ultimate capability and the centerpiece of combat formations. Soldiers operate high-technology systems and provide

Figure 12

Army Global Commitments

244,000 Soldiers deployed/forward stationed
in nearly 80 countries overseas¹
as of 2 September 2008



¹ Includes active component stationed overseas.

² Reserve component mobilized stateside.

³ Part of active component stationed overseas.

Source: HQ, Department of the Army

Table 54

Active Duty Strength (thousands)

	FY07	FY08	FY09*
Active Component	482	489	532
Army National Guard	46	52	38
Army Reserve	28	21	25
Total	556	562	595

Source: Army FY 2009 Budget Overview, February 2008.

“boots on the ground” to close with the enemy in close combat. Soldiers also interact with the populace in peace engagements and in complex counterinsurgency situations. The American Soldier serves in either the active Army, the Army National Guard or the Army Reserve.

Soldiers receive support from the Army civilian workforce and thousands of contractor personnel. In addition, Soldiers receive support from Army families. More than half of the Soldiers are married, and Soldiers have more than 470,000 children. Army families endure hardships and sacrifice for their Soldiers.

The Army budget supports:

- retaining and recruiting quality Soldiers to sustain the all-volunteer Army;
- the Army’s commitment to meet adequate quality-of-life standards for Soldiers and their families;
- a commitment to provide a safe and conducive work environment for Soldiers, Army civilians and contractors; and

- a commitment to training and professional development for the Soldiers and civilians who are the Army.

Endstrength

Endstrength refers to the number of Soldiers and Army civilians authorized by Congress, and the actual number at a point in time, typically the final day of the fiscal year for reporting to Congress. The authorized endstrength is distributed down across the Army. The actual endstrength is reported up from organizations based on the number of Soldiers and civilians on board. Endstrength is managed separately by each component—active, Army National Guard, Army Reserve and Army civilians.

From the end of the Cold War to about FY 2000, the endstrength trend was declining for all components. The post-FY 2000 levels are relatively consistent, until approval of the Grow the Army initiative. See **figure 13** for endstrength trends from the Cold War to the proposals for FY 2009 for the active, Army National Guard, Army Reserve and civilian components.

In January 2007, the President announced a plan to increase the overall strength of the Army and Marine Corps to better pursue the war on terrorism, to reduce excessive demands on land forces and to reduce the stress on Soldiers and Marines. Under this plan, Army endstrength will increase as follows:

- active component by 65,000 (from 482,400 in the FY 2007 President's Budget request to 547,400 in FY 2012);
- Army National Guard by 8,200 (from 350,000 in the FY 2007 President's Budget request to 358,200 in FY 2013); and
- Army Reserve by 6,000 (from 200,000 in the FY 2007 President's Budget request to 206,000 in FY 2013).

The FY 2009 budget supports the following endstrength:

- 532,400 in the active component, an increase of 43,000 over the FY 2008 request;
- 352,600 in the Army National Guard, an increase of 1,300 over FY 2008; and
- 205,000 in the Army Reserve (no change).

The military endstrength for each component is funded by a separate appropriation.

Military Personnel

Military pay and allowances are included in three appropriations:

- Military Personnel, Army (MPA);
- National Guard Personnel, Army (NGPA); and
- Reserve Personnel, Army (RPA).

Each of the three Military Personnel appropriations is centrally managed and provides the funds for pay and allowances, monetary benefits and incentives and subsistence. The active and reserve component appropriations differ—e.g., MPA also provides for permanent change of station costs for Soldiers. NGPA and RPA provide for certain training costs, such as annual training, inactive duty training (drills), active duty for school training or special training. The reserve appropriations also provide pay and benefits for Army National Guard and Army Reserve Soldiers, who provide the backbone of managing day-to-day requirements; supporting unit and Soldier mobilization and demobilization; and recruiting and retaining a quality force.

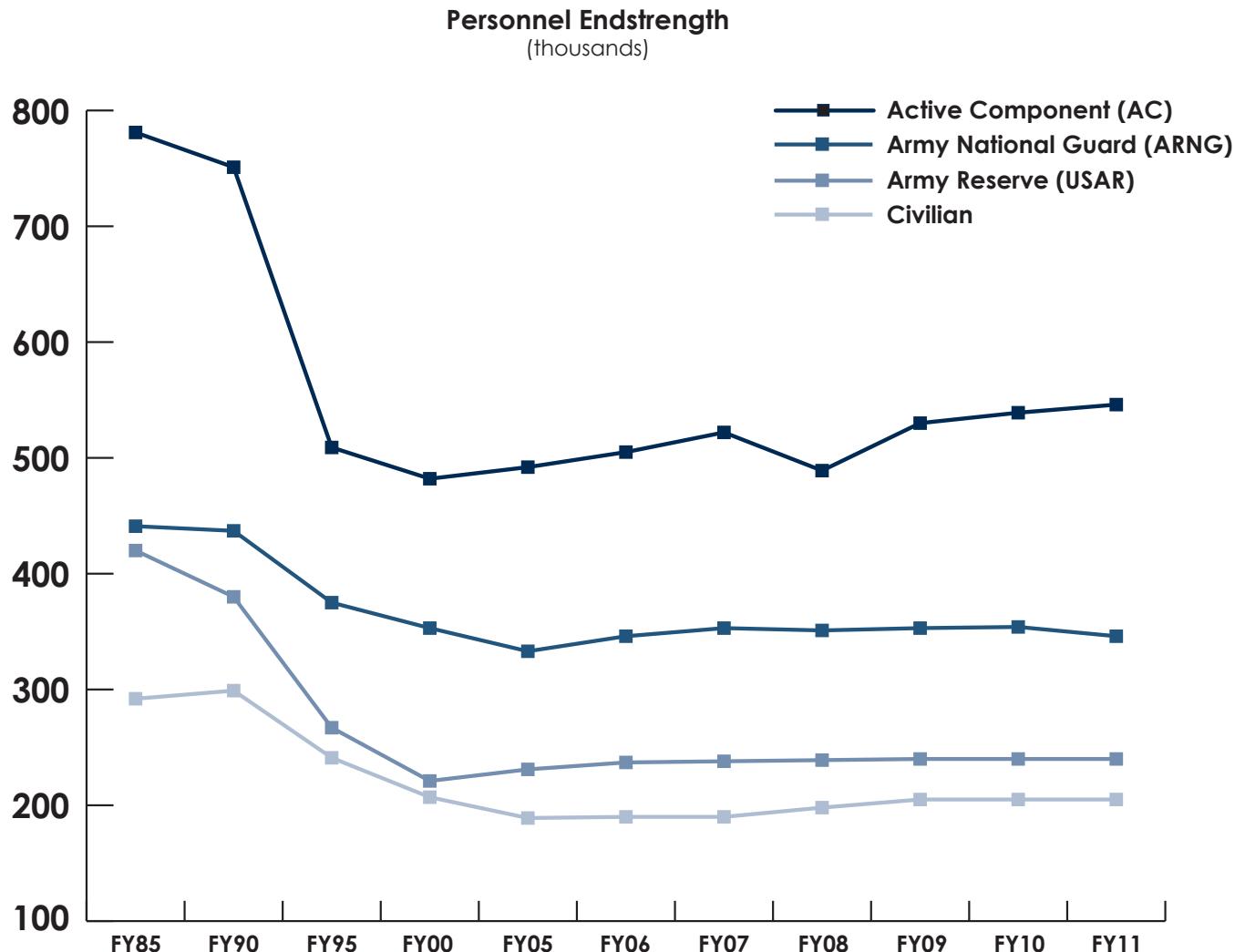
The MPA appropriation supports all Soldiers on active duty regardless of their component. The military personnel appropriations pay for entitlements; Congress authorizes entitlements in statutes. Endstrength is one of the primary cost drivers for entitlements; other cost drivers include the number of Soldiers deployed and where deployed, military specialties, etc. The President's Budget for the Military Personnel appropriations is in **table 55**.

MPA pays all Soldiers on active duty regardless of component. The number of Soldiers on active duty in FY 2009 will increase to 595,000. With the Grow the Army initiative, the active component endstrength increases by 43,000 in FY 2009; the actual number of reserve component Soldiers on active duty is unknown.

The \$9 billion decrease in MPA dollars from FY 2007 to FY 2008 is inconsistent with the additional 33,000 Soldiers on active duty. The logical conclusion is that the Army is relying on supplemental funds to correct the funding shortfall.

The FY 2009 increase of \$3.9 billion over FY 2008 stems mainly from “an increase in endstrength of about 43,000 Soldiers for a total of about 532,400 by the end of FY 2009. In past years, funding for those extra

Figure 13



Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 7-5 for AC and Civilian component; Department of the Army Fiscal Year FY 2009 Budget Estimates, Military Personnel Justification Books, February 2008

Table 55

Military Personnel Appropriations¹ (\$ billions)

	FY07 ²	FY08 ³	FY09 ⁴
Military Personnel, Army (MPA)	44.6	35.5	39.4
National Guard Personnel, Army (NGPA)	8.4	7.2	7.8
Reserve Personnel, Army (RPA)	4.3	4.4	4.6
Total⁵	57.3	47.1	51.8

¹ Includes Medicare Retiree Contributions.

² FY07 are actual expenditures.

³ FY08 is enacted, including bridge supplemental but not larger war supplemental.

⁴ FY09 is the base budget proposal.

⁵ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Soldiers has been included in the supplemental budget request.¹⁶ However, the amount is arguably inadequate if the total number of Soldiers on active duty remains at about 591,000, as it was in FY 2007.

Military Accrual Accounts

Military accrual accounts—for retirement and health care—are a function of interest rates and endstrength. The increase in military endstrength will increase contributions to the Retired Pay Accrual and Health Accrual accounts. The total Military Accrual payments in the FY 2009 budget proposal are \$11.4 billion, or 22 percent of the Military Personnel group.

The Retired Pay Accrual account consumes \$6.6 billion or 12.7 percent of the Military Personnel budget proposal in FY 2009. The Health Accrual account

consumes \$4.8 billion or 9.3 percent of the Military Personnel budget proposal in FY 2009. See **table 56** for Military Accrual data.

Table 56

Military Retired Pay Accruals (\$ billions)			
Retired Pay Accrual	FY07¹	FY08²	FY09³
Military Personnel, Army (MPA)	5.1	4.7	5.2
National Guard Personnel, Army (NGPA)	0.8	0.8	0.9
Reserve Personnel, Army (RPA)	0.4	0.4	0.5
Subtotal⁴	6.3	5.9	6.6
Health Fund Contribution⁵			
MPA	2.9	3.1	2.9
NGPA	1.2	1.3	1.2
RPA	0.7	0.7	0.7
Subtotal⁴	4.8	5.1	4.8
Total⁴	11.1	11.0	11.4

¹ FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal.
⁴ Numbers may not add due to rounding.
⁵ Medicare-eligible Retiree Health Fund Contribution (MERHFC).
Source: Department of the Army Fiscal Year FY 2009 Budget Estimates, Justification Books, February 2008, for MPA, NGPA and RPA

Between FY 2007 and FY 2008, Retired Pay Accrual decreases and Health Accrual increases. However, between FY 2008 and FY 2009, Retired Pay Accrual increases by \$0.7 billion, as does Health Accrual by \$0.4 billion.

Civilian Personnel

The Army civilian endstrength is 239,900, or about 45 percent of the active component endstrength in FY 2009. The federal budget system includes a military personnel appropriation but not a civilian personnel appropriation; the appropriation for the organization that employs the civilian personnel pays the civilian personnel. See **table 57**.

In total, civilian pay consumes 11.4 percent of the FY 2009 budget proposal. O&M employs more than 61 percent of the civilian workforce; civilian pay consumes more than 25 percent of the O&M appropriation group. Civilian pay consumes more than 20 percent of Research, Development, Test and Evaluation (RDT&E) but less than 10 percent of the remaining appropriations. See **table 58**.

Table 57

Direct hires	FY09	Percentage
Operation and Maintenance, Army	131.7	54.9%
Operation and Maintenance, Army National Guard	28.1	11.7%
Operation and Maintenance, Army Reserve	11.9	5.0%
Research, Development, Test and Evaluation	17.4	7.3%
Military Construction	5.5	2.3%
Family Housing	0.5	0.2%
Army Working Capital Fund	28.2	11.8%
Subtotal	223.3	93.1%
Indirect hires		
Operation and Maintenance, Army	15.8	6.6%
Other	0.8	0.3%
Subtotal	16.6	6.9%
Total	239.9	100.0%

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Pay Raise Rates

Military compensation accounts for the major portion of the Military Personnel appropriations; civilian compensation is a major factor in the O&M appropriations. Therefore, pay raise rates are key contributors to increases in the Military Personnel appropriations and the O&M appropriations. The President's Budget proposal for FY 2009 includes a military pay raise of 3.4 percent and a civilian pay raise of 2.9 percent beginning on 1 January 2009. The House Appropriations Committee approved a civilian pay raise rate of 3.9 percent; the final increase is pending.

From FY 2000 up to and including FY 2009, the cumulative military pay raises are 38.2 percent and the cumulative civilian pay raises are 34.1 percent. Future military pay raises in the President's Budget exceed civilian pay raises by 1.1 percent for each year from FY 2009 to FY 2011. See **figure 14** (p. 80) for military and civilian pay raise rates from FY 1980 to FY 2011.

Operation and Maintenance

The Operation and Maintenance appropriations include funds for the day-to-day costs of operating the Army—for conducting training and achieving

Table 58

Full-Time Equivalents and Dollars¹
(\$ millions)

Direct Hires	FY07²		FY08³		FY09⁴	
	FTE⁵	Dollars	FTE	Dollars	FTE	Dollars
Operation and Maintenance, Army (OMA)	86,898	7,157.6	87,940	7,067.0	87,881	7,315.1
Operation and Maintenance, Army National Guard	26,497	1,801.3	28,626	2,025.0	29,349	2,102.8
Operation and Maintenance, Army Reserve	9,902	0.7	12,084	0.8	12,158	0.9
Research, Development, Test and Evaluation (RDT&E)	8,132	937.0	17,434	2,089.3	17,388	2,137.5
Military Construction, Army (MCA)	848	74.5	5,493	483.9	5,490	495.7
Army Family Housing (AFH)	505	37.3	563	43.1	516	40.4
Army Working Capital Fund (AWCF)	25,079	1,978.0	28,184	2,268.7	29,848	2,457.4
Subtotal		11,986.4		13,977.8		14,549.8
Indirect Hires						
OMA	12,224	0.5	10,536	0.6	10,487	0.6
RDT&E	0		0		0	
MCA	0		228	4.7	229	5.1
AFH	347	20.1	357	22.4	354	23.7
AWCF	0		188	10.8	186	11.0
Subtotal		20.6		38.5		40.4
Total		12,007.0		14,016.3		14,590.2

¹ Dollars relate to FTE, not endstrength.

² FY07 are actual expenditures.

³ FY08 is enacted, including bridge supplemental but not larger war supplemental.

⁴ FY09 is the base budget proposal.

⁵ Full-time equivalents.

Source: OP-8 CABS Report, Budget Version 2352, BP 1.0; Department of the Army Fiscal Year 2009 Budget Estimates, Additional Accompanying Exhibits, Operation and Maintenance, Army Reserve, Justification Book, February 2008

readiness, sustaining the forces, managing the force, installation operations and Soldier and family programs, war operations and more. The O&M appropriations contribute to the four imperatives: sustain, prepare, reset and transform.

The O&M group accounts for 28.3 percent of the Army base budget for FY 2009. This is substantially smaller than the 36.7 percent experience in FY 2007 and the 40.4 percent appropriated in FY 2008. Similarly, this is substantially less than the 40 percent experience in FY 2005 and FY 2006.

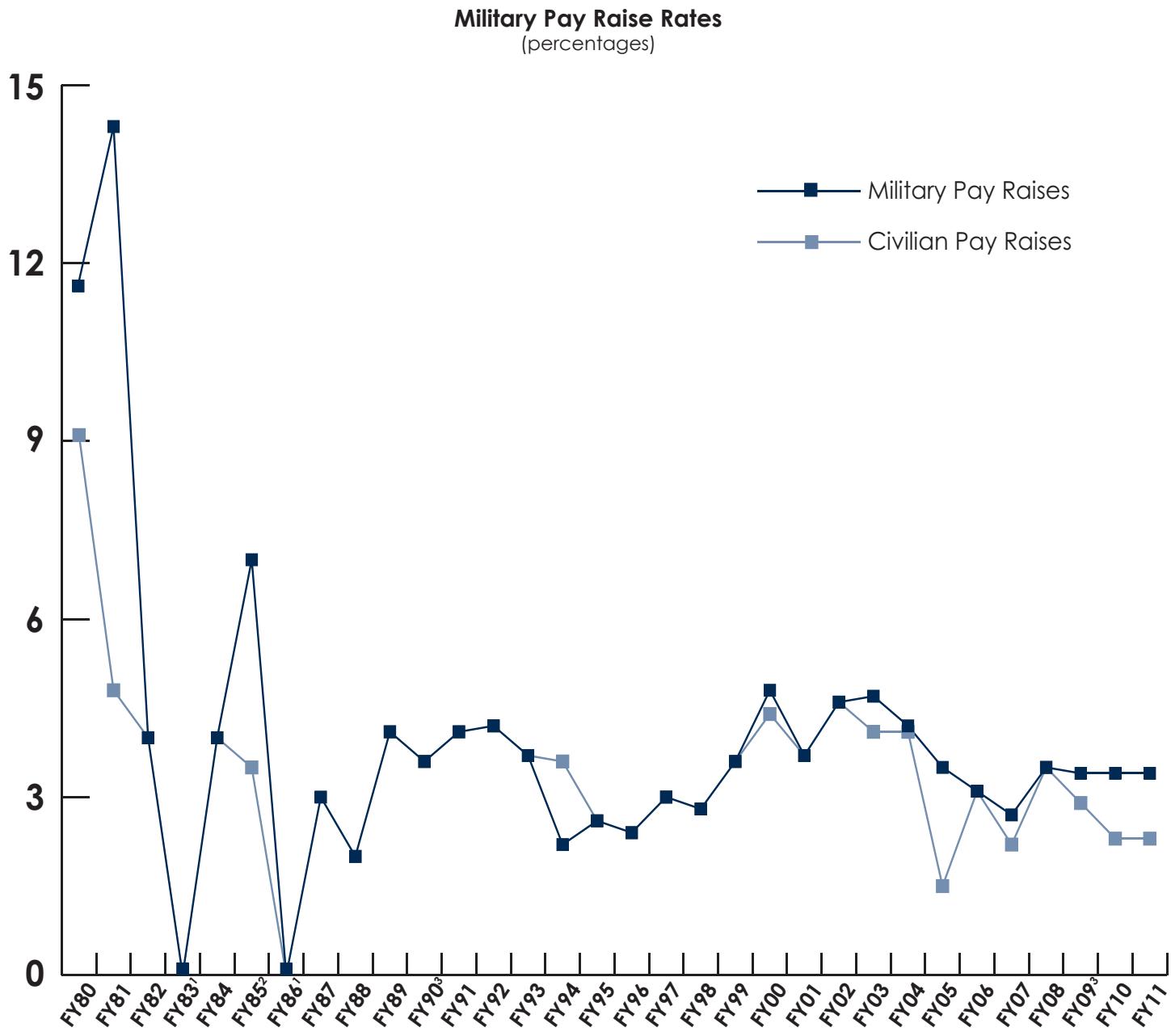
Clearly, the O&M base budget includes little, if any, funding for operations in Afghanistan and Iraq, indicating that the appropriation relies heavily on supplemental funds. The O&M group includes Operation and Maintenance, Army (OMA) for the active

component; Operation and Maintenance, Army National Guard (OMNG); and Operation and Maintenance, Army Reserve (OMAR). The O&M accounts include up to four Budget Activities (BAs). Each BA includes Budget Activity Groups (BAGs), and each BAG includes subactivity groups (SAGs). The title of each activity or subactivity is generally descriptive of the purposes, projects or types of activities financed by it. The four BAs are:

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

The reserve component uses only two of the four BAs, BA1: Operating Forces and BA4: Administration and Servicewide Support.

Figure 14



¹ No pay raises in FY83 and FY86.

² Two pay raises in FY85.

³ FY09 is President's budget request.

Source: Office of the Under Secretary Of Defense (Comptroller), National Defense Budget Estimates for FY 2009 (DoD Green Book), March 2008, Table 5-3

The budget data on OMA, OMNG and OMAR with BA and BAG data are in **table 59**.

Operation and Maintenance, Army Overview

The OMA appropriation provides funds to prepare trained and ready active forces to meet present wartime requirements and potential future challenges anywhere in the world. The appropriation provides funds for recruiting and training the all-volunteer force, sustaining

Army training, acquiring fuel and supplies, maintaining equipment, conducting installation management and supporting Soldier and family programs. The appropriation also provides the DoD contribution to the North Atlantic Treaty Organization (NATO) and funds the Army's executive agent responsibilities for U.S. European Command (USEUCOM), U.S. Southern Command (USSOUTHCOM) and U.S. Africa Command (USAFRICOM).

Table 59

Army Operation and Maintenance (\$ millions)

Operation and Maintenance, Army (OMA)	FY07¹	FY08²	FY09³
BA1: Operating Forces			
Land Forces	2,625	4,103	5,196
Land Forces Readiness	2,683	3,053	3,183
Land Forces Readiness Support	54,356	42,150	10,525
Subtotal BA1	59,664	49,306	18,904
BA2: Mobilization			
Mobility Operations	228	351	327
Subtotal BA2	228	351	327
BA3: Training and Recruiting			
Accession Training	446	574	721
Basic Skills and Advanced Training	1,681	2,032	2,590
Recruiting and Other Training and Education	1,118	1,249	1,412
Subtotal BA3	3,245	3,855	4,723
BA4: Administration and Servicewide Support			
Security Programs	1,391	1,861	876
Logistics Operations	4,028	3,950	2,143
Servicewide Support	3,992	3,322	3,840
Support of Other Nations	387	404	430
Subtotal BA4	9,798	9,537	7,289
Subtotal OMA⁴	72,934	63,049	31,243
Operation and Maintenance, Army National Guard (OMNG)			
BA1: Operating Forces	5,234	5,708	5,434
BA4: Administration and Servicewide Support	634	357	441
Subtotal OMNG⁴	5,869	6,065	5,876
Operation and Maintenance, Army Reserve (OMAR)			
BA1: Operating Forces	2,263	2,446	2,514
BA4: Administration and Servicewide Support	188	129	129
Subtotal OMAR⁴	2,451	2,575	2,642
Total Operation and Maintenance^{4,5}	81,253	71,689	39,761

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

⁵ Excludes Iraqi and Afghan Security Forces Funds and Joint Improvised Explosive Device Defeat Fund.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and O-1 exhibits

Budget Activity 1: Operating Forces

In the base budget, Budget Activity 1 (BA1) includes \$18.9 billion in FY 2009, consuming 60 percent of the OMA appropriation and more than 13 percent of the entire Army base budget. BA1 is larger than many appropriations.

Though large, the funding proposal for BA1 is \$30 billion, or nearly 62 percent less than that of FY 2008, and more than \$40 billion or 68 percent less than the FY

2007 experience. Clearly, the Army is relying on a great deal of supplemental funding to remedy this situation. In fact, this BA will probably consume nearly the entire Army portion of the 30 June 2008 supplemental funds for FY 2009, assuming the Army receives 63 percent of the DoD's \$65.9 billion.

BA1 includes three BAGs:

- **Land Forces (\$5.2 billion)** provides resources for the operating forces such as BCTs, modular support

brigades, echelons-above-brigade, theater-level assets and special force-related training activities. This BAG increases by nearly \$1.1 billion over FY 2008.

- **Land Forces Readiness (\$3.2 billion)** includes activities essential to operational readiness, such as depot maintenance, participation in joint exercises, communications infrastructure, intelligence support for combatant commands and combat development. This BAG increases by \$0.1 billion over FY 2008.
- **Land Forces Readiness Support (\$10.5 billion)** provides for infrastructure maintenance and support, management headquarters, unified command support and special activities of the operating forces to include contingency operations. This BAG decreases by more than \$31.1 billion from FY 2008.¹⁷

BA1 provides the resources to execute the ground operational tempo (OPTEMPO) and flying-hour training strategy for units that are not committed to Operation Iraqi Freedom or Operation Enduring Freedom. "However, in recognition of the uncertainties inherent in this highly dynamic period of rotational deployments, the Army continues to assume risk in this portion of the budget."¹⁸

The ground training strategy is designed with a combination of actual miles driven for home station training (HST) and Combat Training Center (CTC) rotations, plus virtual miles associated with using simulators, such as the Close Combat Tactical Trainer (CCTT) and the Unit Conduct of Fire Trainer (UCOFT). The mileage metrics based on the Army's Combined Arms Training Strategy for the active component are 846 miles for ground training—761 miles for live (HST and CTC) and 85 miles for virtual (CCTT and UCOFT)—and 13.1 hours per crew per month for the Flying Hour Program. In the OMA exhibit, the Army notes, "The FY 2009 budget funds 608 miles and 12.3 hours per crew per month,"¹⁹ numbers that are less than the metrics in the Combined Arms Training Strategy.

The CTC rotations, providing tough, realistic combat training, are funded by BA1, which includes:

- 10 active component brigade rotations through the National Training Center (Fort Irwin, California);
- 10 brigade rotations (eight active component and two Army National Guard) through the Joint Readiness Training Center (Fort Polk, Louisiana);

- eight brigade rotations through the Joint Multinational Readiness Center (Hohenfels, Germany); and
 - three corps warfighter exercises and training for seven division-level command and staff groups in the Battle Command Training Program.
- The Land Forces Readiness BAG includes SAGs for:
- **Depot Maintenance**, which increases by \$78 million in FY 2009 to a total of \$737.3 million. The Depot Maintenance program sustains the investment in weapon systems by extending the useful life of mission-critical weapon systems and by providing Post Production Software Support for fielded weapon systems. The intensity of the OPTEMPO directly impacts the quantity of items requiring depot maintenance and the amount of work being performed on individual weapon systems and equipment.

As a result, the Depot Maintenance program includes Recapitalization Overhaul Programs for: the UH-60A Black Hawk Helicopter, the CH-47D Chinook Helicopter, the M88A1 Recovery Vehicle, the M9 Armored Combat Earthmover (ACE), Patriot, Firefinder (AN/TPQ-37 Antenna), Electronic Shop Shelters, M1A1 Abrams Integrated Management for the 21st Century (AIM XXI) tanks and M1A2 Abrams System Enhancement Program (SEP) tanks.²⁰

- **Base Operations Support (BOS)**, which increases by \$643.8 million in FY 2009 to a total of \$7.3 billion. BOS finances the active Army's installation services worldwide. BOS is vital to all aspects of training and readiness, operating and maintaining installations that serve as power-projection platforms and providing essential programs that promote quality of life for Soldiers and their families.²¹
- **Sustainment, Restoration and Modernization (SRM)**, which decreases by \$438.8 million in FY 2009 to a total of \$2.1 billion. SRM finances worldwide operations, activities, and initiatives necessary to maintain and sustain the Army's facilities; restores facilities to industry standards; and modernizes facilities to meet the full range of tasks necessary to provide relevant and ready landpower for the nation. The facilities are community-based installations and training sites.

The locations include power-projection and support platforms with information infrastructure that support reach-back capabilities. This program includes facility sustainment, facility restoration and modernization (facilities recapitalization) and the demolition/disposal programs that support the reduction of excess and obsolete inventory.²²

Budget Activity 2: Mobilization

Budget Activity 2 (BA2) is \$0.3 billion in the FY 2009 base budget—\$24 million less than that of FY 2008 but \$99 million more than for FY 2007. This inconsistency prohibits any conclusion based solely on comparative analysis. BA2 includes three BAGs:

- **Strategic Mobilization** funding increases by \$8.5 million in FY 2009 to a total of \$204.6 million. Strategic Mobilization provides the capability to immediately deploy combat units and associated support force structure to any emergency crisis worldwide. The FY 2009 budget proposal funds an increase in ship lease costs and maintenance costs for existing ships in full operational status.²³
- **Army Prepositioned Stocks** funding decreases by \$31 million in FY 2009 to a total of \$122.3 million. APS presents the Army's capability to power-project unit sets, operational projects and sustainment supplies immediately from the continental United States, Europe, Southwest Asia, South Korea, Japan and Hawaii to trouble spots anywhere in the world. The APS Strategy 2013 includes four brigade sets to be stored on land and two additional BCTs to be aboard ships; currently, only a heavy BCT (with supporting equipment) is in APS at APS-4 (Northeast Asia).²⁴
- **Industrial Preparedness**, unfunded in FY 2009, was funded at \$1.6 million in FY 2008 and \$4.6 million in FY 2007. Industrial Preparedness finances industrial analysis tools to help the Army obtain end-item and repair-part support (excluding ammunition) and weapon system acquisition.²⁵

Budget Activity 3: Training and Recruiting

Budget Activity 3 (BA3) is \$4.7 billion in the FY 2009 base budget, \$0.9 billion more than for FY 2008 and \$1.5 billion more than in FY 2007. BA3 includes three BAGs:

- **Accession Training (\$0.7 billion)** produces trained Soldiers and officers to meet force structure

requirements. This is an increase of \$150 million over FY 2008.

- **Basic Skills and Advanced Training (\$2.6 billion)** produces technically competent leaders. This is an increase of nearly \$600 million over FY 2008.
- **Recruiting, Other Training and Education (\$1.4 billion)** provides the resources for recruiting quality Soldiers and for continuing education for Soldiers and civilians. This is an increase of \$150 million over FY 2008.

This BAG supports the Army's Recruiting and Advertising Program, which attracts and recruits quality officers and Soldiers for the active Army, Army National Guard and Army Reserve. It also provides funds for the institutional training base that graduates technically competent leaders and well-trained Soldiers.

Budget Activity 4: Administration and Servicewide Activities

Budget Activity 4 (BA4) is \$7.3 billion in the FY 2009 base budget, \$2.2 billion less than that of FY 2008, and \$2.8 billion less than that of FY 2007. If the FY 2007 experience is about right, then both the FY 2008 and FY 2009 amounts are underfunded.

BA4 finances logistics, communications and other support functions required to secure, equip, deploy, transport and sustain the Army to protect the U.S. homeland and defeat terrorism around the world. BA4 consists of four BAGs:

- **Security Programs (\$0.9 billion)** consists of eight subprograms: the Consolidated Cryptologic Program, General Defense Intelligence Program, Foreign Counterintelligence Program, National Geospatial-Intelligence Program, Security and Intelligence Activities Program, Personnel Security Investigations, Defense Joint Counterintelligence Program and Arms Control Treaties implementation and compliance. This is an increase of \$0.1 billion over FY 2008.
- **Logistics Operations (\$2.1 billion)** provides resources for the movement of the Army worldwide and manages end items, ammunition and logistics support activities. This is an increase of more than \$0.1 billion over FY 2008.
- **Servicewide Support (\$3.8 billion)** supports Army Management Headquarters Activities, the Army

Claims program, the Defense Finance & Accounting System, telecommunications, information systems, personnel programs and the commissary program. This is an increase of \$0.5 billion over FY 2008.

- **Support of Other Nations (\$0.4 billion)** fulfills the U.S. commitment to NATO and supports combatant commanders' security cooperation strategies. The FY 2008 budget increase to NATO recognizes the cumulative effects of the weaker dollar and the budget-cycle gaps between NATO and the United States. The FY 2009 budget proposal is slightly more than in FY 2008.

Operation and Maintenance, Army National Guard Overview

The OMNG appropriation provides funds to operate and maintain Army National Guard units in all 50 states, in three territories (the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the Territory of Guam) and in the District of Columbia. With the demands of the war on terrorism, the Army National Guard has converted from a strategic reserve force to an operational force. Since 11 September 2001, the Army National Guard has deployed in support of the war on terrorism, homeland defense and state missions.

The OMNG account includes two budget activities: Budget Activity 1: Operating Forces and Budget Activity 4: Administration and Servicewide Activities. The total FY 2009 budget proposal is \$5.9 billion – slightly less than for FY 2008 and identical to the FY 2007 experience.

Budget Activity 1: Operating Forces

BA1 includes the same three BAGs as OMA: Land Forces, Land Forces Readiness and Land Forces Readiness Support. BA1 funds provide day-to-day operational and readiness training activities of Army National Guard forces.

The FY 2009 base budget includes:

- a transfer of \$346.8 million for OPTEMPO (Air) that realigns Aviation funding from SAGs 111, 112, 113 and 114 into a newly created SAG;
- an increase of \$152 million for BOS that supports contract security guards and procures, installs and maintains equipment at access control points, as well as provides for maintenance and monitoring of the Intrusion Detection Systems;
- an increase of \$89.5 million for Facilities, Sustainment and Modernization that supports the

Army National Guard leadership's commitment to Congress to fund quality-of-life services for Soldiers and families by providing the resources that are necessary to upgrade facilities to new standards and functions;

- an increase of \$70.6 million for Depot Maintenance that supports the rebuild of the Army National Guard's aged tactical wheeled vehicle fleet and continues to address near-term equipment readiness issues with M88A1 Recovery Vehicles and Multiple Launch Rocket Systems (MLRS); and
- an increase of \$40.3 million for the Medical program that supports equipment, supplies and materials purchases for individual medical readiness requirements.

Budget Activity 4: Administrative and Servicewide Activities

BA4 provides funds for Staff Management, Service-wide Communications, Manpower Management and Other Personnel Support. The FY 2009 base budget includes:

- an increase of \$46.8 million for Recruiting and Advertising funds, with an aggressive emphasis on advertising and operational support to the proposed Army strategy of growing the Army National Guard average strength by 1,300 as one method to increase readiness and availability of forces for the war on terrorism, homeland defense and other strategic missions;
- an increase of \$2.5 million for BOS that supports contract security guards and procures, installs and maintains equipment at access control points and provides for maintenance and monitoring of the Intrusion Detection Systems;
- a decrease of \$21.7 million from Pay & Benefits (Military Technicians) that reflects civilian personnel adjustments to match personnel realignment across subactivity groups based on the restructure of the OPTEMPO;
- a decrease of \$5.3 million from Automation & Information Systems that reflects changes in sustainment costs; and
- a decrease of \$898,000 from the Reserve Component Automation System (RCAS) that reflects software no longer carried.

Operation and Maintenance, Army Reserve Overview

The OMAR appropriations include two budget activities: Budget Activity 1: Operating Forces and Budget Activity 4: Administration and Servicewide Activities.

The OMAR appropriation provides funds for:

- operational, logistical, administrative, engineering and management support;
- installation management, maintenance of real property and record maintenance;
- personnel support to retirees, veterans and their families; and
- civilian pay, information systems, networks, telecommunications, supplies, fuel, equipment and base operations support.

The Army Reserve is fighting side-by-side with the active component and Army National Guard forces in the war on terrorism. The Army Reserve currently has approximately 27,000 Soldiers mobilized, and 98 percent of Army Reserve units have contributed to the war. Since 11 September 2001, more than 197,000 Army Reserve Soldiers have been mobilized to support contingency operations.²⁶

The Army Reserve is changing from a strategic reserve to an operational force with more lethal, agile and capabilities-based modular forces. This includes aligning 78 percent of the force into the ARFORGEN process. Between FYs 2008 and 2013 the Army Reserve is transforming low-demand, low-cost OPTEMPO units to high-demand, high-cost OPTEMPO units and redistributing 16,000 spaces from the Tables of Distribution and Allowances (TDA) organizations to high-demand units. The FY 2009 budget includes transferring 2,341 spaces from TDA into 34 Transportation Corps, Quartermaster and Logistical Headquarters units to meet the current rotational demands for combat support and combat service support units.²⁷

The FY 2008 OMAR budget request provides training and support for an average endstrength of 199,000 Soldiers and includes a mobilization offset for 24,000 mobilized Soldiers. The OMAR budget also provides funding for 12,158 Army civilian employees including 8,990 Military Technicians.²⁸

Budget Activity 1: Operating Forces

The budget proposal for BA1 is \$5.4 billion. The funds are distributed among the same three SAGs as OMA

and OMNG: Land Forces, Land Forces Readiness and Land Forces Readiness Support. The budget includes increases of:

- \$30.6 million for Surface/Ground OPTEMPO;
- \$24.9 million for Training and Education;
- \$13.3 million for Full-Time Support;
- \$6.4 million for Aircraft Life-Cycle Support;
- \$4.2 million for Medical and Dental Readiness;
- \$17.7 million for Facility Sustainment;
- \$15.6 million for Family Readiness Support;
- \$9.2 million for Base Operations Support;
- \$8.0 million for Physical Security; and
- \$1.9 million for Second Destination Transportation.

The budget also includes some decreases, including:

- \$17.5 million from Depot Maintenance;
- \$8.2 million from the Facility Strategy Investment Program;
- \$4.5 million from the Flying Hour Program;
- \$2.3 million from Compensable Day (one less workday in FY 2009);
- \$2.3 million from Reserve Component Automation System (RCAS);
- \$1.4 million from Long Haul Communications;
- \$1.4 million from Environmental Support; and
- \$1 million from Logistics Automation.

Budget Activity 4: Administrative and Servicewide Activities

BA4 provides funds for Staff Management, Service-wide Communications, Manpower Management and Other Personnel Support. The activities include dollars for civilian pay and other support costs (e.g., travel, contracts, supplies and services) for civilian and military personnel for Army Management Headquarters Activities, including the Office of the Chief, Army Reserve/United States Army Reserve Command.

The funds for BA4 are small—\$0.1 billion—but the BA does include an increase of \$2.1 million for Management Headquarters Activities. BA4 also includes some decreases:

- \$4.4 million from Personnel Automation Support;
- \$0.1 million from Recruiting and Retention; and

- \$0.2 million from Compensable Day (one less workday in FY 2009).

Research, Development and Acquisition

Research, Development and Acquisition (RDA) comprises the Research, Development, Test and Evaluation appropriation and the Army's five Procurement appropriations. The RDA appropriations provide funds for materiel capabilities to support current operations and to develop and field materiel capabilities to ensure decisive and comprehensive full-spectrum ground combat capabilities in the future. The RDA budget proposal is \$35.1 billion for FY 2009; see **table 60**.

Table 60

Army Research, Development and Acquisition
(\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
Research, Development, Test and Evaluation	11,354	12,045	10,524
Procurement	43,096	27,199	24,552
Total	54,450	39,244	35,076

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 and P-1 exhibits

The RDA trend is downward from FY 2007 to FY 2009, but this is probably misleading; the FY 2007 experience includes all supplemental funding, and the FY 2008 enacted amount includes some supplemental funding. The Army budget material for FY 2008 states that the FY 2007 proposal includes \$25.5 billion in war funding and the FY 2008 proposal includes \$21.2 billion.²⁹ No similar data are available with the FY 2009 budget proposal. The implication is that the \$35 billion proposal for FY 2009, which does not include supplemental funds, is probably an increase, not a decrease, in the Army base budget from recent years.

The RDA proposal accounts for 25 percent of the Army's base budget for FY 2009; by comparison, RDA accounts for 35.5 percent of the DoD base budget. From another perspective, Army RDA is only 19 percent of total DoD RDA in FY 2009. Clearly, the other services invest a much greater percentage of their budgets in RDA.

The budget continues the Army's investment strategy that balances acquisitions for current operations and pursuing technological opportunities for future acquisitions. The investments involve:

- modernization programs that develop and procure new systems with improved warfighting capabilities;
- recapitalization programs that rebuild or provide selected upgrades to systems that are currently fielded to ensure operational readiness and a zero-time, zero-mile system; and
- maintenance programs that repair or replace end items, parts, assemblies and subassemblies that wear out or break.

In light of the quantity and diversity of materiel systems, the Army follows a systematic approach in pursuing and acquiring materiel capabilities. This approach involves developing, producing and sustaining materiel solutions from RDT&E to post-production acquisitions to sustainable fielded systems. The Army describes this acquisition approach as four phases:

- Concept and Technology Development—includes concept exploration, decision review and advance development of components.
- Systems Development and Demonstration—includes systems integration, systems demonstration and interim progress review.
- Production and Deployment—includes low-rate initial production, full-rate production decision review and full-rate production and deployment.
- Operations and Support—includes supply maintenance, transportation, sustaining engineering, data management, information technology supportability, safety, environmental management, etc.

The Army is pursuing future technologies, but it is also spinning out emerging technologies to existing systems to stay ahead of adversaries and to provide a decisive edge to America's Soldiers. Future Combat Systems (FCS) is a joint system-of-systems consisting of a network and a combination of manned and unmanned systems. FCS includes 14 systems that use advanced network architecture to enable joint connectivity, situational awareness and understanding, and synchronized operations previously unachievable.

In remarks to Congress, the Army Chief of Staff stated,

Future Combat Systems is the core of our modernization efforts. And it will provide us the full-spectrum capabilities we know we need for the 21st century

security environment. . . . We're seeing the value of some of the systems today in Iraq and Afghanistan and at Fort Bliss, Texas, where a brigade of our Soldiers is actually testing some of those systems.³⁰

The FY 2009 budget proposal for FCS is consistent with a number of program changes in FY 2008 that were necessary for the Army to meet reset and modernization requirements. Some of the changes include:

- reducing the FCS family of systems from 18 to 14;
- slipping – by up to five months – Milestone C (initial production) to the second quarter of FY 2013; initial operational capability to the third quarter of FY 2015; and full operational capability to the third quarter of FY 2017;
- reducing the rate of production from 1.5 FCS brigade combat teams per year to one FCS brigade combat team per year;
- increasing the rate of spin-out production from four to six per year;
- eliminating two classes of unmanned aerial vehicles (UAVs) (Class II and III), reducing the number of Class I UAVs from 108 to 54 per brigade combat team, and increasing the number of Class IV UAVs from 24 to 32 per brigade combat team;
- increasing the number of unattended ground sensors-tactical (UGS-T) from 162 to 202 per brigade combat team; and
- funding FCS-unique munitions, midrange munitions beginning in FY 2008 and advanced kinetic energy beginning in FY 2012.³¹

In June 2008, the Army announced it would be accelerating the fielding of key cutting-edge FCS capabilities to Infantry BCTs in Iraq and Afghanistan. Army officials maintain that while costs may rise in the short term as a result of the new schedule, they will balance out in future years and will not raise the program's overall price tag of \$160 billion.

Top 10 Weapon Systems

The RDA budget involves research into many different technologies and the acquisition of hundreds of weapon and other materiel systems. However, just 10 weapon systems account for 41 percent of all RDA funds in FY 2009. Of the top 10, FCS accounts for 10.6 percent of all RDA and more than 35 percent of all

RDT&E. The top 10 systems in RDA, in terms of dollars, are in **table 61**.³²

Table 61

Research, Development and Acquisition Top 10 Systems (\$ millions)

	RDT&E	Procurement	Total RDA ¹
Future Combat Systems (FCS) ²	3,555	155	3,710
Ammunition ³		1,930	1,930
Patriot Air Defense System ⁴ (includes Modifications)	443	1,068	1,511
Stryker Interim Armored Vehicles (IAV)	108	1,175	1,283
Chinook Cargo Helicopter Modernization (CH-47)	10	1,168	1,178
Black Hawk Utility Helicopter (UH-60)	34	1,063	1,097
High-Mobility Multipurpose Wheeled Vehicles (HMMWV)	43	947	990
Family of Medium Tactical Vehicles (FMTV)	2	945	947
Family of Heavy Tactical Vehicles (FHTV)	3	923	926
Apache Longbow Attack Helicopter (AH-64) Modifications	198	637	836
Total⁵	4,395	10,012	14,407

¹ RDA is the sum of RDT&E and Procurement.

² Includes Non-Line-of-Sight Launch System and Non-Line-of-Sight Cannon but not tank and medium-caliber ammunition.

³ Includes all ammunition but not facilities or ammunition demilitarization costs.

⁴ Patriot includes Medium Extended Range Air Defense System (MEADS) Combined Aggregate Program (CAP), Patriot Advance CAP-3 and modifications.

⁵ Numbers may not add due to rounding.

Sources: DoD Weapon Program Acquisition Costs by Service; U.S. Army News Releases (Greentop), 4 February 2008; FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008; Department of Defense FY 2009 Budget Estimates, RDT&E Supporting Data, February 2008; Procurement Programs Backup Books, February 2008

Research, Development, Test and Evaluation

The RDT&E appropriation enables the Army to explore and examine new technologies and transition emerging technologies into weapon and materiel systems, system upgrades and other products for the warfighter.

The RDT&E budget includes seven Budget Activities; each BA includes Program Elements (PEs) that contain

one or more projects. The breadth and scope of the individual projects is amazing— independent laboratory research; avionics, ballistics, engineering and information technology; medical and warfighter technologies; test ranges and facilities; and product improvement programs.

In the Army budget, RDT&E funding declines from year to year. The FY 2009 budget proposal is \$10.5 billion or 12.6 percent less than the FY 2008 proposal and 7.3 percent less than the FY 2007 expenditures. As mentioned earlier, FCS accounts for nearly \$3.6 billion or more than 35 percent of all Army RDT&E. See **table 62** for RDT&E by BA.

Table 62			
Research, Development, Test and Evaluation (\$ millions)			
	FY07¹	FY08²	FY09³
Basic Research ⁴	353	379	379
Applied Research ⁴	1,189	1,175	723
Advanced Technology Development ⁴	1,254	1,337	739
Advanced Component Development and Prototypes	523	1,140	952
System Development and Demonstration	5,179	5,182	4,981
Management Support	1,463	1,186	1,113
Operational Systems Development	1,394	1,645	1,636
Total⁵	11,354	12,045	10,524

¹ FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal.
⁴ Basic Research, Applied Research and Advanced Technology Development are summarized as Science and Technology.
⁵ Numbers may not add due to rounding.
Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 exhibit

RDT&E accounts for 7.5 percent of the Army's base budget for FY 2009; by comparison, RDT&E accounts for more than 15 percent of the DoD base budget. The Army RDT&E proposal accounts for 13 percent of DoD RDT&E, while RDT&E for the other services accounts for 87 percent of DoD RDT&E. Clearly, the other services are investing much more in RDT&E than the Army.

The following paragraphs provide information on each RDT&E BA and PE and selected individual projects.

Budget Activities 1-3: Science and Technology

BA1: Research, BA2: Applied Research and BA3: Advanced Technology Development constitute the Sci-

ence and Technology (S&T) Program. The Army S&T Master Plan focuses on developing and transitioning technology into weapon systems, system upgrades and other products for the warfighter.

The S&T program for FY 2009 accounts for \$1.8 billion or 17.5 percent of the RDT&E budget. However, S&T is down 36 percent from FY 2008 and 34 percent from FY 2007. The S&T totals by BA plus the high-dollar PEs are in **table 63**.

Budget Activity 4: Advanced Component Development and Prototypes

BA4 involves examining technologies for FCS and Soldiers and assessing advantages and disadvantages of each technology, their costs and implementation impact. If successful, the technology can move into further development or into production.

BA4 for FY 2009 accounts for \$0.9 billion or 9 percent of the RDT&E budget. BA4 is down 16.5 percent from FY 2008 but up 82 percent from FY 2007. The individual PEs are very volatile from year to year. See **table 64** (p. 90).

Budget Activity 5: System Development and Demonstration

BA5 is by far the largest RDT&E activity with nearly \$5 billion or 47 percent of all RDT&E funds. BA5 remains rather consistent from year to year. See **table 65** (p. 90).

Budget Activity 6: Management Support

BA6 provides for a wide variety of support activities and accounts for nearly 10.6 percent of all RDT&E. The FY 2009 proposal is 6 percent below the FY 2008 proposal and 24 percent below the FY 2007 experience; the majority of the decrease in funding is in the "Other" line. Two PEs—Army Kwajalein Atoll (\$175 million) and Army Test Ranges (\$342 million)—account for nearly 47 percent of all BA6 dollars; the Army Test Ranges PE is down \$30 million from the FY 2007 experience. A list of the BA6 PE/projects is in **table 66** (p. 91).

Budget Activity 7: Operational System Development

The RDT&E BAs are a continuum from BA1: Research to BA7: Operational System Development. BA7 involves leveraging technology to enhance performance and increase capabilities through new systems or product improvement programs for existing systems.

BA7 is \$1.6 billion or 15.5 percent of RDT&E, slightly less than for FY 2008 but 17 percent more than the FY 2007

Table 63

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

Total Obligational Authority (\$ millions)

BA1: Basic Research	FY07¹	FY08²	FY09³
In-house Laboratory Independent Research	18	22	20
Defense Research Sciences	166	165	177
University Research Science (Health)	76	82	77
University and Industry Research Centers	92	110	106
Subtotal	353	379	379
BA2: Applied Research			
Medical Technology	228	184	75
Weapons and Munitions Technology	121	103	31
Combat Vehicle and Automotive Technology	89	94	55
Missile Technology	66	61	48
Ballistic Technology	63	69	72
Military Engineering Technology	51	59	52
Other	571	605	390
Subtotal	1,189	1,175	723
BA3: Advanced Technology Development			
Warfighter Advanced Technology	64	86	47
Medical	292	300	59
Aviation	94	99	57
Weapons and Munitions	95	86	74
Combat Vehicle and Automotive	201	246	108
Missile and Rocket Advanced Technology	70	77	64
Night Vision	74	54	40
Electronic Warfare Advanced Technology	50	57	51
Advanced Tactical Computer Science and Sensor Technology	67	74	48
Other	247	258	191
Subtotal	1,254	1,337	739
Total Science and Technology⁴	2,796	2,891	1,841

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 exhibits

experience. Two PEs—Aerostat Joint Project Office for Land Attack Cruise Missile Defense and Aircraft Modifications and Product Improvement Programs—account for more than 49 percent of BA7. A list of BA7 PE/projects is in **table 67** (p. 91).

Procurement Appropriations

The Army Procurement budget for FY 2009 is \$25 billion—\$6.5 billion less than for FY 2008 and \$23.7 billion less than the FY 2007 experience and a decrease of nearly 49 percent—indicating a reliance on supplemental funding to fill out the budget. The Army budget overview for FY 2008 states that the FY 2007 proposal includes \$25.5 billion in supplemental funding and the FY 2008 proposal includes \$21.2 billion;³³ unfortunately, no similar data are available with the FY 2009 budget proposal. However, considering the high OPTEMPO in preparing forces for deployment and the combat theater for nearly seven years, arguably, the FY 2007 budget supplemental of \$25.5 billion should be representative of the emergency supplemental requirement for FY 2009.

The Army Procurement proposal is actually the sum 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 68** (p. 92).

The Army Procurement budget accounts for nearly 18 percent of the Army base budget for FY 2009; the DoD Procurement budget accounts for 20 percent of the DoD base budget.

From another perspective, the Army Procurement proposal is 24 percent of the DoD Procurement proposal for FY 2009. However, the Army Procurement experience in FY 2007 was 36.5 percent of DoD Procurement. With no substantial programmatic changes to justify this drop, the Army reset, transform and modernization programs are substantially underfunded in FY 2009.

The Procurement appropriations include various BASs, such as:

- procuring end items such as the Apache Longbow Weapon System;

Table 64

Research, Development, Test and Evaluation
BA4: Advanced Component Development and Prototypes
 Total Obligational Authority (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
Army Missile Defense System Integration (Non-Space)	86	127	14
Army Missile Defense System Integration (Space)	29	49	20
Air and Missile Defense Systems Engineer	134	170	116
Advanced Tank Armament System (ATAS)	8	144	108
Soldier Support and Survivability	21	6	31
Warfighter Information Network – Tactical	119	320	414
Soldier Systems – Advanced Development	10	20	37
Medical Systems – Advanced Development	23	30	26
Environmental Quality Technology	24	19	5
Logistics and Engineering Equipment – Advanced Development	10	38	44
Other	59	217	137
Total⁴	523	1,140	952

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 exhibits**Table 65**

Research, Development, Test and Evaluation
BA5: System Development and Demonstration
 Total Obligational Authority (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
Armed, Deployable OH-58D	217	181	136
Future Combat Systems (FCS) Manned Ground Vehicle and Common Ground Vehicle		592	774
FCS Unmanned Ground Vehicles		90	97
FCS System of Systems Engineering and Program Management		1,497	1,414
FCS Sustainment and Training Research and Development		648	539
Non-Line-of-Sight Launch System	314	253	200
Non-Line-of-Sight Cannon	109	137	90
Modular Bridge Enhancement	28	64	65
Weapons and Munitions Engineering Development	97	65	52
Joint Air-to-Ground Missiles			119
Landmine Warfare/Barrier – Engineering Development	98	160	126
Artillery Munitions Engineering and Manufacturing Development	99	64	78
Patriot/Medium Extended Air Defense System (MEADS) Combined Aggregate Program (CAP)	323	370	431
Other	3,894	1,061	860
Total⁴	5,179	5,182	4,981

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 exhibits

Table 66**Research, Development, Test and Evaluation****BA6: Management Support**

Total Obligational Authority (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
Major Test and Evaluation	64	66	65
Army Kwajalein Atoll	173	180	175
Concept Experimentation	25	30	28
Army Test Ranges/Facilities	382	356	342
Army Technology Test Instrumentation and Targets	83	86	75
Survivability/Lethality Analysis	43	42	41
DoD High Energy Laser Test Facility	16	9	3
Support of Operation Testing	79	79	73
Army Evaluation Center	56	61	63
Program-wide Activities	71	73	74
Other	471	204	174
Total⁴	1,463	1,186	1,113

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 exhibits**Table 67****Research, Development, Test and Evaluation****BA7: Operational Systems Development**

Total Obligational Authority (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
Multiple Launch Rocket System (MLRS) Product Improvement Program (PIP)	63	54	60
Aerostat Joint Project Office	238	478	356
Combat Vehicle Improvement Programs	14	41	141
End Item Industrial Preparation Activities	109	87	69
Maneuver Control	34	45	37
Aircraft Modifications/PIPs	299	329	453
Force XXI Battle Command Brigade and Below (FBCB2)	26	32	38
Missile/Air Defense PIP	17	30	38
Information System Security Program	57	31	38
Global Combat Support System	47	94	105
Satellite Communications (SATCOM) Ground Environment	32	107	106
Tactical Unmanned Aerial Vehicles	171	101	51
Other	287	216	144
Total⁴	1,394	1,645	1,636

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and R-1 exhibits

Table 68

Procurement Summary by Appropriation (\$ millions)

	FY07¹	FY08²	FY09³
Aircraft	5,672	5,101	5,010
Missiles	1,617	1,899	2,212
Weapons and Tracked Combat Vehicles	8,337	4,431	3,687
Ammunition	2,617	2,389	2,276
Other Procurement	24,853	13,379	11,368
Joint Improvised Explosive Device Defeat Fund	4,393	4,389	496
Chemical Agents and Munitions Destruction	1,272		
Total⁴	48,761	31,588	25,049

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-1 exhibits

- UH-60 Black Hawk (Multiyear Procurement) – \$1.1 billion;
- Armed Reconnaissance Helicopter – \$435 million;
- AH-64 Apache Helicopter Modifications – \$637 million;
- CH-47 Chinook Cargo Helicopter – \$444 million;
- CH-47 Chinook Cargo Helicopter Modifications – \$724 million; and
- Aircraft Survivability Equipment Infrared Countermeasure – \$434 million.

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 2009 is \$2.2 billion, which is \$0.3 billion or 16.5 percent more than for FY 2008, and nearly \$0.6 billion or 37 percent more than the FY 2007 experience. The Missile Procurement appropriation proposal is the smallest Procurement appropriation and the only Procurement appropriation that increases in FY 2009. See **table 70** (p. 94).

Five systems account for 82 percent of all Missile Procurement in the FY 2009 base budget:

- Patriot Advanced Capability (PAC-3) – \$543 million;
- Javelin – \$259 million;
- Guided Multiple Launch Rocket System Rockets – \$247 million;
- High-Mobility Artillery Rocket System – \$246 million; and
- Patriot Modifications – \$525 million.

Weapons and Tracked Combat Vehicles Procurement, Army

The Weapons and Tracked Combat Vehicles (WTCV) appropriation includes funds for four budget activities: Tracked Combat Vehicles, Modification of Tracked Combat Vehicles, Weapons and Other Combat Vehicles and Modification of Weapons and Other Combat Vehicles.

The Army budget proposal for FY 2009 is \$3.7 billion, which is nearly 17 percent lower than for FY 2008 and nearly 56 percent below FY 2007 expenditures. See **table 71** (p. 95).

- modifying existing systems, typically to enhance capability, reduce operating costs and extend system life;
- acquiring spares, which are typically depot-level reparables; and
- improving facilities that support the manufacture and modification of systems.

In addition, individual systems within each appropriation are identified by a Budget Line Item Number. A system may, in fact, be a system of systems such as the Army Data Distribution System, which includes three radio systems. The following paragraphs provide information on each of the Procurement appropriations.

Aircraft Procurement, Army

The Aircraft Procurement, Army (APA) appropriation includes funds for the procurement of aircraft, aircraft modifications, spare parts and repair and support equipment and facilities. The FY 2009 base budget proposal is \$5 billion, which is down just 1.8 percent from FY 2008 and 11.7 percent from the FY 2007 experience.

The APA appropriation is the second largest Procurement appropriation and accounts for nearly 20 percent of the Procurement budget. See **table 69**.

Six systems account for 75 percent of all Aviation Procurement in the FY 2009 base budget:

Table 69**Aircraft Procurement, Army**

Total Obligational Authority (\$ millions)

Aircraft	FY07 ¹		FY08 ²		FY09 ³	
	QTY	\$	QTY	\$	QTY	\$
Utility Fixed-Wing Cargo Aircraft	2	72	4	156	7	264
Utility Fixed-Wing Medium-Range Aircraft		4		5		
UH-60 Black Hawk Helicopter (Multiyear Procurement)	66	1,272	78	1,365	63	1,063
Armed Reconnaissance Helicopter			10	175	28	435
Helicopter, Light Utility	26	148	43	229	36	225
CH-47 Cargo Helicopter			6	190	16	444
Helicopter, New Training		0		0		2
Subtotal⁴		1,498		2,119		2,437
Modifications						
Guardrail/Airborne Reconnaissance Low		91		148		119
Multi-sensor Airborne Reconnaissance		123		42		23
AH-64 Modifications		1,485		814		637
CH-47 Cargo Helicopter Modifications (Multiyear Procurement)		1,309		910		724
Utility/Cargo Airplane Modifications		17		18		15
Aircraft Long-Range Modifications		2				1
Utility Helicopter Modifications		68		25		11
Kiowa Warrior		51		52		14
Airborne Avionics		143		178		175
Global Air Traffic Management Rollup		32		53		79
Subtotal⁴		3,320		2,240		1,798
Spares						
Spare Parts (Aircraft)		9		9		7
Subtotal		9		9		7
Support Equipment and Facilities						
Aircraft Survivability Equipment (ASE)		24		48		57
ASE Infrared Countermeasure		540		443		434
Airborne Command and Control		45				
Avionics Support Equipment		5		5		5
Common Ground Equipment		61		85		104
Aircrew Integrated Systems		61		45		41
Air Traffic Control		104		104		123
Industrial Facilities		2		2		3
Launcher 2.75 Rocket		2		2		2
Subtotal⁴		845		734		768
Total⁴		5,672		5,101		5,010

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-1 exhibits

Table 70**Missile Procurement, Army**

Total Obligational Authority (\$ millions)

Missiles	FY07¹		FY08²		FY09³	
	QTY	\$	QTY	\$	QTY	\$
Patriot Advanced Capability (PAC-3)	112	495	108	470	108	543
Surface-Launched Advanced Medium-Range Air-to-Air Missile (AMRAAM) System						41
Hellfire					46	
Javelin	250	158	385	167	605	259
Tube-Launched Optically-Tracked, Wire-Guided (TOW) 2 System	949	64	2,255	87	1,586	86
Guided Multiple Launch Rocket System (MLRS) Rockets	925	125	1,482	202	1,938	247
MLRS Reduced-Range Practice Rockets	3,282	21	3,492	22	4,014	25
High Mobility Artillery Rocket System (HIMARS)	44	190	57	225	57	246
Army Tactical Missile System (ATACMS)	18	76				
Subtotal⁴		1,129		1,219		1,496
Modifications of Missiles						
Patriot		302		420		525
Javelin		10				
Improved Target Acquisition (ITAS)/TOW		121		212		137
MLRS		6		6		2
HIMARS		15		11		16
Hellfire		4				
Subtotal⁴		458		649		680
Spares & Repair Parts		22		24		25
Support Equipment & Facilities		9		8		11
Total⁴		1,617		1,899		2,212

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-1 exhibits.

Within the WTCV appropriation, six systems account for nearly 69 percent of the FY 2009 base budget:

- Bradley Fighting Vehicle - \$176 million;
- FCS Spin-outs - \$177 million;
- Stryker - \$1.2 billion;
- Bradley Fighting Vehicle Modifications - \$312 million;
- M1 Abrams Upgrade - \$351 million; and
- M1 Abrams Modifications and Retrofit - \$342 million.

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 2009 is \$2.3 billion, which is nearly 5 percent below FY 2008 and 13 percent below the FY 2007 experience. The Ammunition appropriation is only 9 percent of the Procurement budget. See **table 72** (p. 96).

The Ammunition appropriation is somewhat different from the other Procurement appropriations because the budget lines are really consolidations of types of munitions, and not a particular system. Five Ammunition lines account for 72 percent of the Ammunition appropriation in the FY 2009 base budget:

- Small and Medium Caliber - \$834 million;
- Mortars - \$193 million;
- Artillery - \$207 million;

Table 71

Weapons and Tracked Combat Vehicles

Total Obligational Authority (\$ millions)

Tracked Combat Vehicles	FY07¹		FY08²		FY09³	
	QTY	\$	QTY	\$	QTY	\$
Abrams		2				
Bradley		2,084		844		176
Future Combat Systems				81		155
FCS Spin-outs				20		177
Stryker	245	1,431	92	960	119	1,175
Subtotal⁴		3,517		1,905		1,683
Modifications of Tracked Combat Vehicles						
Armored Breacher Vehicle				41		35
Carrier Modifications 113		171				
Fire Support (FIST) Vehicle Modifications		176		100		33
Bradley Fighting Vehicle (BFVS) Modifications		205		85		312
Howitzer M109A6 Paladin		44		23		29
Abrams Upgrade Program		596		225		351
Improved Recovery Vehicle	147	359	86	259	39	133
Joint Assault Bridge				13		41
Armored Vehicle Launch Bridge	7	36				
M1 Abrams Modifications and Retrofit		829		785		342
System Enhancement Program (SEP) M1A2	240	1,154				
Production Base Support		12		8		7
Subtotal⁴		3,582		1,539		1,283
Total Tracked Combat Vehicles		7,099		3,443		2,965
Weapons and Other Combat Vehicles						
Howitzer, Light Towed, 105mm, M119	27	38	53	101	68	118
M240 Medium Machine Gun 7.62mm	12,903	103	3,000	45	5,900	61
Machine Gun, .50-caliber M2 Roll		41		32		100
M249 Machine Gun, 5.56mm (SAW)	6,533	29	10,690	44	5,150	22
MK-19 Grenade Machine Gun (40mm)	2,832	54	1,683	36	785	17
Mortar Systems	424	35	86	9	165	16
Sniper Rifle M107, .50-caliber		3		1		
XM320 Grenade Launcher Module		5		27		32
XM110 Semi-Automatic Sniper System	510	8	732	10	508	7
Carbine M4, 5.56mm	82,017	101	64,450	105	88,964	151
Shotgun, Modular Accessory System			6,054	8	7,135	9
Common Remotely Operated Weapons Stations (CROWS)	1,077	237		30		
Howitzer, 155mm, Light Weight	78	172	179	411	38	113
Future Handgun System (FHS)						4
Subtotal⁴		826		859		650
Modifications of Weapons and Other Combat Vehicles		375		89		59
Support Equipment and Facilities		38		41		13
Total Weapons and Other Combat Vehicles		1,238		988		723
Total⁴		8,337		4,431		3,687

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-40 exhibits

Table 72**Ammunition Procurement, Army**

Total Obligational Authority (\$ millions)

	FY07¹	FY08²	FY09³
Small and Medium Caliber	971	804	834
Mortars	97	172	193
Tank	208	193	167
Artillery	271	248	207
Artillery Fuze	4	4	20
Mines/Countermine	83	59	59
Rockets	211	187	171
Demolitions, Grenades, Signals	327	312	210
Non-Lethal Ammunition Equipment	71	25	21
Other	98	54	51
Production Base Improvements	182	170	198
Ammunition Demilitarization	95	134	144
Estimate of Guaranteed Loan		27	
Total⁴	2,617	2,389	2,276

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

54 percent less than the FY 2007 actual expenditures. A reasonable assumption is that reset, transformation and modernization is significantly underfunded without emergency supplemental funds. See **table 73**.

Table 73**Other Procurement, Army**

(\$ millions)

	FY07¹	FY08²	FY09³
OPA1: Tactical and Support Vehicles	11,258	5,564	3,676
OPA2: Communications and Electronics Equipment	7,949	5,102	5,311
OPA3: Other Support Equipment	5,615	2,669	2,345
OPA4: Spares and Repair Parts	31	44	36
Total⁴	24,853	13,379	11,368

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.**Source:** FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

A combination of six lines – three in OPA1 and three in OPA2 – account for 54 percent of all OPA in FY 2009:

- OPA1:
 - High-Mobility Multipurpose Wheeled Vehicles (HMMWV or humvee), a lightweight, high-performance, four-wheel drive, air transportable and air droppable family of tactical vehicles with diesel engines, automatic transmissions and payload capacity of 3,500 lbs) – \$947 million;
 - Family of Medium Tactical Vehicles, a complete series of trucks and trailers, based on a common chassis, that vary by payload and mission – \$945 million; and
 - Family of Heavy Tactical Vehicles, a complete series of trucks and trailers, based on a common chassis and used for line haul, local haul, unit resupply and other missions throughout the tactical environment – \$923 million.
- OPA2:
 - Electronic Equipment-Tactical Intelligence and Related Activities (TIARA) – \$820 million;
 - Electronic Equipment-Tactical Surveillance – \$1,674 million; and
 - Electronic Equipment-Tactical Command and Control (C2) – \$833 million.

- Demolitions, Signals – \$210 million; and
- Production Base Improvements – \$198 million.

Other Procurement, Army

The FY 2009 budget proposal for Other Procurement, Army (OPA) is \$11.4 billion – more than 45 percent of all Army Procurement funds. The OPA appropriation includes three principal budget activities plus spare and repair parts. The principal activities involve very different types of equipment:

- OPA1: Tactical and Support Vehicles – 32 percent of OPA.
- OPA2: Communications and Electronics Equipment – 47 percent of OPA.
- OPA3: Other Support Equipment – 20 percent of OPA.
- OPA4: Spares and Repair Parts – less than 1 percent.

The \$11.4 billion in FY 2009 is \$2 billion or 15 percent less than that of FY 2008 and \$13.5 billion or

OPA1: Tactical and Support Vehicles

The OPA1 proposal is \$3.7 billion or 32 percent of OPA for FY 2009. This is \$1.9 billion or 34 percent less than for FY 2008 and \$7.6 billion or 67 percent less than the FY 2007 experience. The three high-dollar groups of systems identified earlier—High-Mobility Multipurpose Wheeled Vehicles, Family of Medium Tactical Vehicles and Family of Heavy Tactical Vehicles—account for nearly 77 percent of OPA1. See **table 74**.

OPA2: Communications and Electronics Equipment

The OPA2 proposal is \$5.3 billion for FY 2009 or 47 percent of OPA. This is \$0.2 billion or 4 percent more than for FY 2008 but \$2.6 billion or 33 percent less than the FY 2007 experience. In OPA2, individual lines are groupings by functions. The three groups identified above account for 62 percent of OPA2. See **table 75** (p. 98).

OPA3: Other Support Equipment

The OPA3 proposal is \$2.3 billion or 20 percent of OPA in FY 2009. This is \$0.3 billion or 12 percent less than for FY 2008 and \$3.3 billion or 58 percent less than the FY 2007 experience. In OPA3, individual lines are groupings

by functions. The five largest groups, accounting for 36 percent of OPA3, are:

- Bridging Equipment – \$241 million;
- Combat Service Support Equipment – \$215 million;
- Construction Equipment – \$291 million;
- Generators – \$218 million; and
- Training Equipment – \$319 million.

See **table 76** (p. 99).

OPA4: Spares and Repair Parts

OPA4 includes only \$36 million or less than 1 percent of OPA. The FY 2009 proposal is \$8 million or 18 percent less than for FY 2008, but \$5 million or 16 percent more than for FY 2007.

Installations and Facilities

Army installations and facilities are the platforms for generating, projecting and sustaining Army forces. Army installations, facilities and infrastructure support training, readiness and transformation, and sustain operations around the world with reach-back capability. Army installations provide safe workplaces for Army

Table 74

Other Procurement, Army
OPA1: Tactical, Non-Tactical and Support Vehicles
Total Obligational Authority (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
High-Mobility Multipurpose Wheeled Vehicles (HMMWV)	2,550	1,397	947
HMMWV Recapitalization Program	450	144	
Family of Medium Tactical Vehicles	3,090	1,986	945
Family of Heavy Tactical Vehicles	1,570	987	923
Modification of In Service Equipment	1,830	217	32
Armored Security Vehicles	462	284	195
All Other Vehicles and Trailers	1,085	545	629
Subtotal	11,037	5,560	3,671
Non-Tactical			
Heavy Armored Sedan	20	1	1
Passenger Carrying Vehicles	3		
Other Non-Tactical Vehicles	197	3	3
Subtotal	220	4	4
Subtotal OPA1⁴	11,258	5,564	3,676
Total OPA⁴	24,853	13,379	11,368

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-40 exhibits

Table 75

Other Procurement, Army
OPA2: Communications and Electronic Equipment
 Total Obligational Authority (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
Joint Communications	5	6	305
Satellite Communications	390	358	310
Command, Control and Communications (C3) System	26	29	34
Combat Communications	2,248	694	278
Intelligence Communications	12	2	2
Information Security	179	113	111
Long Haul Communications	116	72	73
Base Communications	298	411	550
Electronic Equipment			
Tactical Intelligence and Related Activities (TIARA)	870	724	820
Electronic Warfare (EW)	250	62	49
Tactical Surveillance	2,071	1,326	1,674
Tactical Command and Control (C2)	1,120	1,052	833
Automation	320	200	228
Audio Visual System (A/V)	9	14	19
Modifications to Tactical Systems/Equipment	1	15	15
Support	17	15	7
Subtotal OPA2⁴	7,932	5,093	5,308
Total OPA⁴	24,853	13,379	11,368

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-40 exhibits

civilians and many of the contractors who support the Army. Installations also provide homes, communities and quality of life for Soldiers and families of the all-volunteer force.

The locations of installations and facilities in the United States and around the world are generally the result of the 40-year Cold War strategy. However, DoD and the Army are pursuing new strategic stationing that creates a global infrastructure with modern power-projection capabilities to better respond to worldwide threats. The Army is integrating and synchronizing various initiatives, including Global Defense Posture Realignment, Base Realignment and Closure and Army Transformation.

As part of GDPR, the Army is returning more than 50,000 Soldiers and their families from Germany and elsewhere to installations in the United States. The Army BRAC 2005 implementation involves completing approximately 1,200 stationing

actions by the statutory deadline of 15 September 2011. The Grow the Army initiative increases the active Army by 65,000, the Army National Guard by 8,200 and the Army Reserve by 1,000 Soldiers—all with stationing implications.

Soldiers deserve modern barracks and family housing commensurate with the service they provide to the country. Funding for construction, renovation and disposal of facilities and infrastructure—essential to achieving strategic stationing for the 21st century—is in the Military Construction (MILCON), Army Family Housing (AFH) and BRAC appropriations. The FY 2009 budget proposal includes \$5.4 billion for MILCON, \$1.2 billion for AFH and \$4.6 billion for BRAC.

Military Construction

The FY 2009 budget proposal includes an overall increase in MILCON. The MILCON appropriations include Military Construction, Army (MCA) for the active component, Military Construction, Army National Guard

Table 76

Other Procurement, Army OPA3: Other Support Equipment			
Total Obligational Authority (\$ millions)	FY07 ¹	FY08 ²	FY09 ³
Smoke/Obscurant Systems	230	125	76
Bridging Equipment	307	124	241
Engineer Equipment (Non-Construction)	2,581	163	167
Combat Service Support Equipment	235	184	215
Petroleum Equipment	155	36	63
Water Equipment	20	44	51
Medical Equipment	74	91	62
Maintenance Equipment	243	63	59
Construction Equipment	200	194	291
Rail Float Containerization Equipment	20	213	194
Generators	142	111	218
Materiel Handling Equipment	125	85	94
Training Equipment	586	491	319
Test Measuring and Diagnosis Equipment	184	66	78
Other Support Equipment	517	681	216
Subtotal OPA3⁴	5,615	2,669	2,345
Total OPA	24,853	13,379	11,368

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and P-40 exhibits

Table 77

Military Construction (\$ millions)			
	FY07 ¹	FY08 ²	FY09 ³
Military Construction, Army	3,330.0	3,936.6	4,615.9
Military Construction, Army National Guard	473.0	536.7	539.3
Military Construction, Army Reserve	166.0	148.1	281.7
Total⁴	3,969.0	4,621.4	5,436.9

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008, and DoD Financial Summary Table C-1

construction projects to improve operational and quality-of-life infrastructure. See **table 78**.

In the FY 2009 proposal, nearly \$3.5 billion or 75 percent is for Grow the Army support, which began during FY 2007 and is to be complete by the end of FY 2010. For the active component, Grow the Army increases endstrength by 65,000 Soldiers, from 482,000 to 547,000. The Grow the Army budget line increases by more than \$3 billion from FY 2007 to FY 2009, but the total MCA increases by only \$1.3 billion. This indicates both Army priorities and the shifting of resources accordingly.

Table 78

Military Construction, Army (\$ millions)			
Facility Categories	FY07 ¹	FY08 ²	FY09 ³
Grow the Army	387	2,007	3,483
Replace Aging Facilities	56	616	527
Modularity	387	630	312
Planning and Design	217	89	132
Barracks Initiative	667	413	70
Global Defense Posture	258	74	40
Minor Construction	23	23	23
Improve Quality of Life		64	16
Other	1,335	21	13
Total⁴	3,330	3,937	4,616

¹ FY07 are actual expenditures.² FY08 is enacted, including bridge supplemental but not larger war supplemental.³ FY09 is the base budget proposal.⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

(MCARNG) and Military Construction, Army Reserve (MCAR). Each MILCON appropriation increases, although the MCARNG increase is very small.

The MILCON appropriations provide funding for construction projects involving new and renovated facilities in five-year funds—i.e., the FY 2009 appropriation remains available for obligation until 30 September 2013. A summary of the three MILCON appropriations from the FY 2009 budget is in **table 77**. The subsequent paragraphs provide insights into each of the MILCON appropriations.

Military Construction, Army

The FY 2009 MCA budget proposal is \$4.6 billion—17 percent greater than the FY 2008 enacted amount and more than 38 percent greater than the FY 2007 experience. The MCA provides money for engineering and

Military Construction, Army National Guard

The MCARNG appropriation proposal is for \$539 million in FY 2009. This is about the same as in FY 2008, and a 14 percent increase over FY 2007.

The proposal focuses on replacing aging facilities and preparing facilities to support the conversion of the force to the modular design. The Grow the Army category is the third-largest amount. The budget proposal pursues providing state-of-the-art, community-based installations and training sites. See **table 79**.

Table 79

Military Construction, Army National Guard (\$ millions)

Facility Categories	FY07 ¹	FY08 ²	FY09 ³
Replace Aging Facilities	161	228	204
Modularity		51	112
Grow the Army	234	77	91
Barracks Initiative			48
Planning and Design	57	64	41
New Mission		108	31
Minor Construction	21	9	12
Total⁴	473	537	539

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Family Housing

The Army Family Housing budget proposal is for \$1.4 billion—an increase of 52 percent over FY 2008, but an increase of only 6 percent over FY 2007. The AFH appropriation includes two separate accounts: Family Housing Construction (\$0.7 billion) and Family Housing Operations (\$0.7 billion).

AFH 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 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. See **table 81** for AFH budget data.

Table 81

Army Family Housing (\$ millions)

Construction	FY07 ¹	FY08 ²	FY09 ³
New/Replacement Construction	241	57	258
Improvement ⁴	317	126	420
Planning and Design	16	2	1
Other (Foreign Currency Fluctuation)	23		
Subtotal⁵	597	185	679
Operations			
Operation and Utilities	252	273	239
Maintenance	202	216	252
Leasing	194	206	193
Privatization	23	37	32
Other (Foreign Currency Fluctuation)	48		
Subtotal⁵	719	732	716
Total⁵	1,316	917	1,395

¹ FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal.
⁴ Residential Communities Initiative equity transferred to FH Improvement Fund
⁵ Numbers may not add due to rounding.
Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Military Construction, Army Reserve

The MCAR appropriation proposal is for \$282 million in FY 2009—a 90 percent increase over the FY 2008 appropriation. The Grow the Army category is by far the largest. See **table 80**.

Table 80

Military Construction, Army Reserve (\$ millions)

Facility Categories	FY07 ¹	FY08 ²	FY09 ³
Replace Aging Facilities	144	131	72
Grow the Army			179
Planning and Design	19	3	14
Minor Construction	3	11	3
Other		3	14
Total⁴	166	148	282

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Privatization involves private-sector participation to replace construction funds in implementing a long-term housing solution. Privatization enables the Army to leverage housing dollars and replace inadequate housing

stock rapidly rather than over 30 years. See **table 82** for the list of privatization actions in the FY 2009 budget proposal.

Table 82

Army Family Housing Privatization Residential Communities Initiative

FY 2007	Units
Fort Irwin Expansion, CA	172
Fort Drum Expansion, NY	358
U.S. Military Academy, NY	831
Fort Bliss Expansion, TX	90
Total	1,451
FY 2008	
Fort Wainwright, AK	1,607
Fort Sill, OK	1,650
Fort Jackson, SC	850
Fort Carson, CO*	570
Fort Lewis , WA*	520
Fort Bliss, TX*	442
Fort Bragg, NC*	446
Total	6,085
FY 2009	
Fort Stewart, GA*	932
Fort Bliss, TX*	763
Fort Carson, CO*	530
Fort Greely, AK	126
Fort Wainwright Expansion, AK	104
Total	2,455

* Grow the Army locations.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

The budget proposal also includes funds for new construction where privatization is not feasible. See **table 83**.

Base Realignment and Closure

In addition to the Military Construction appropriations, Congress appropriates funds for BRAC to close excessive installations, save operation and maintenance costs, and move forces and other organizations to improve installation efficiency.

The current round, BRAC 2005, focuses on the reconfiguration of operational capacity to maximize war fighting capability and efficiency. The BRAC proposal for FY 2009 is \$4.5 billion—a 10 percent increase over FY 2008 and a 22 percent increase over FY 2007. See **table 84**.

Table 83

Army Family Housing – New Construction

FY 2007	Units	\$ millions
Fort Richardson, AK	162	70
Fort Wainwright, AK	202	132
Fort Huachuca, AZ	119	32
Pine Bluff, AR	10	2
Fort McCoy, WI	13	5
Total*	506	241
FY 2008		
Ansbach, Germany	138	52
Dugway Proving Ground, UT	9	5
Total*	147	57
FY 2009		
Wiesbaden, Germany	326	133
Camp Humphreys, Korea	216	125
Total*	542	258

* Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Table 84

Base Realignment and Closure Army Portion (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
BRAC	115	99	73
BRAC 2005	3,605	4,016	4,486
Total⁴	3,720	4,114	4,559

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

The first BRAC round began with the Defense Base Realignment and Closure Act of 1988 (Public Law 100-526), which had a goal of identifying and closing unneeded military installations in the United States. Subsequently, Congress authorized three additional rounds in FY 1991, FY 1993 and FY 1995. As of 13 July 2001, the closures (112) and realignments (27) from the four rounds of BRAC were complete.

In addition, the Army has executed an aggressive overseas closure program since 1990. The Army closed 680 installations overseas, the majority in Europe; this was comparable to closing 12 of the Army's largest installations.

In summary, the Army recognizes that installations and facilities are essential to support the expeditionary Army at war, to support training and force readiness and to provide Soldiers and their families with the quality of life they deserve. The budget proposes resources to support unit restationing, endstrength growth and the transition to a modular force. The budget also proposes resources to provide high-quality housing, schooling and support services that are essential to helping retain the all-volunteer force.

Environmental Restoration Program

The Environmental Restoration, Army (ERA) proposal is \$447.8 million—a 2 percent increase over FY 2008. The accounting for ERA funds is in OMA; therefore, no FY 2007 actual obligation data are available. See **table 85**.

Table 85

Environmental Restoration, Army¹ (\$ millions)

FY07 ²	FY08 ³	FY09 ⁴
—	437.7	447.8

¹ ERA is executed in Operation and Maintenance, Army, therefore there is no FY07 actual data but \$408 million was in the President's Budget for FY07.

² FY07 are actual expenditures.

³ FY08 is enacted, including bridge supplemental but not larger war supplemental.

⁴ FY09 is the base budget proposal.

Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

The ERA program focuses on reducing the risks to human health and the environment at active installations, BRAC installations and Formerly Used Defense Sites (FUDS). The Army is the DoD executive agent for FUDS and therefore responsible for cleanup at all DoD FUDS properties. Congress requires DoD to comply with federal, state and local environmental laws, as well as applicable host-nation environmental standards. The Environmental Restoration program includes:

- conservation to protect and enhance natural and cultural resources;
- restoration to identify, assess and remediate contamination from hazardous substances, military munitions and pollutants from previous military operations in the Defense Environmental Restoration Program;
- compliance to ensure that DoD operations meet or exceed federal, state, local and host-nation environmental requirements; and

- pollution prevention to promote—by focusing on the source of pollution rather than on the end result—the reduction or elimination of the amount of waste, including hazardous and toxic chemicals, that enters the environment.

Chemical Demilitarization Program

The FY 2009 budget proposes nearly \$1.5 billion in the Chemical Agents and Munitions Destruction, Army account, which is slightly less than the amount in FY 2008. The Chemical Demilitarization Program provides for the destruction of the U.S. stockpile of lethal chemical agents and munitions, and related (non-stockpile) materiel. The program complies with the U.S. obligation to destroy all such weapons under the Chemical Weapons Convention of 1997. See **table 86**.

Table 86

Chemical Agents and Munitions Destruction, Army (\$ millions)

	FY07 ¹	FY08 ²	FY09 ³
BA1: Operation and Maintenance	1,042.3	1,181.5	1,152.7
BA2: Research and Development	230.1	312.8	268.9
BA3: Procurement		18.4	64.1
Total⁴	1,272.4	1,512.7	1,485.6

¹ FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal.
⁴ Numbers may not add due to rounding.
Source: FY09 President's Budget Highlights, Assistant Secretary of the Army for Financial Management and Comptroller, February 2008

Army Working Capital Fund

The Army Working Capital Fund (AWCF), also known as the Defense Working Capital Fund, Army (DWCF,A) operates numerous commercial and industrial facilities that provide essential readiness and sustainability support services to the warfighting forces. The AWCF includes two activity groups—Supply Management and Industrial Operations—and operates under a revolving fund concept.

The AWCF, like all DWCFs, is a revolving fund that relies on revenue from sales to finance operations rather than on direct appropriations from Congress. Without direct appropriations, the fund operates without a fiscal year limitation on obligating money. The AWCF functions as a business-like enterprise, managing cash in real time and expenses over time. The AWCF maintains cash on hand to support current operations and generates

adequate revenue to cover the full costs of operations on a break-even basis over time, without making a profit or incurring a loss.

Revenues and Expenses

The AWCF generates revenue from the sale of materiel and services and accumulates expenses for the materiel that it buys and all in-house costs. The net of revenue minus expenses was a profit in FY 2007 and FY 2008; a slight loss is projected for FY 2009.

The AWCF is a big business with annual revenue of \$15 billion to \$16 billion. The bulk of the revenue is from sales to Army customers. The FY 2009 revenue equates to 11 percent of the Army base budget of \$140.7 billion. This suggests that almost 11 percent of the Army base budget funds purchase materiel from the AWCF. See **table 87** for revenue and expense data.

Table 87

Army Working Capital Fund Revenues and Expenses (\$ millions)			
Revenue	FY07 ¹	FY08 ²	FY09 ³
Supply Management	10,113.7	10,009.3	9,577.1
Industrial Operations ³	5,286.2	6,295.9	5,929.5
Total⁴	15,399.9	16,305.2	15,506.6
Expenses			
Supply Management	9,188.6	9,776.4	9,415.0
Industrial Operations	5,403.9	6,369.4	6,094.4
Total⁴	14,592.5	16,145.8	15,509.4

¹ FY07 are actual expenditures.
² FY08 and FY09 are estimates.
³ Previously reported as Depot Maintenance and Ordnance.
⁴ Numbers may not add due to rounding.
Source: Department of the Army, FY2009 Budget Estimates, Army Working Capital Fund, February 2008

Customer Rates

The customer rates are the adjustments that the AWCF adds to costs to recover the full costs of AWCF operations and adjust for accumulated operating results over time. The customer rates enable the AWCF to break even without making a profit or incurring a loss. The customer rates establish the ultimate price that customers pay for materiel.

The rates vary by activity group:

- **Supply Management** buys and maintains assigned stocks of materiel for sale to its customers; and
- **Industrial Operations** maintains end items and depot-level reparables and manufactures,

renovates, stores and demilitarizes munitions for all services within DoD and for foreign military customers. (This was previously two groups: Depot Maintenance and Ordnance.)

Rate changes are expressed as a percentage of change from the previous year. The rate changes in the budget proposal are in **table 88**.

Table 88

Army Working Capital Fund Customer Rate Changes			
	FY07	FY08	FY09 ¹
Supply Management	1.2%	2.4%	0.7%
Industrial Operations ²	14.2%	12.6%	-3.6%

¹ FY09 reflects lower sales based on fewer deployed forces for the war on terrorism and Operation Iraqi Freedom; the negative Industrial Operations change results from return of positive accumulated operating results (AOR).
² Previously reported as Depot Maintenance and Ordnance.
Source: Department of the Army, FY2009 Budget Estimate, Army Working Capital Fund, February 2008

Direct Appropriated Funds

The AWCF requests direct appropriated funds from Congress to cover expenses that are not directly related to the cost of doing business. The AWCF may also request a direct appropriation to ensure competitive, stabilized rates for peacetime customers.

The budget request for direct appropriated funds is \$286 million in FY 2009. The AWCF requests direct appropriations for the increases in capacity and capability to meet mobilization and wartime surge requirements. See **table 89**.

Table 89

Army Working Capital Fund Direct Appropriation (\$ millions)			
	FY07 ¹	FY08 ²	FY09 ³
War Reserve Secondary Items	16.3	591.9	102.2
Inventory Augmentation	611.5	133.0	
Subtotal	627.8	724.9	102.2
Supplemental Request for Fuel	0	1.3	0
Supplemental Request for Spares		633.1	
Total⁴	627.8	1,359.3	102.2

¹ FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal.
⁴ Numbers may not add due to rounding.
Source: Department of the Army, FY2009 Budget Estimates, Army Working Capital Fund, February 2008

Capital Investment

The AWCF also requests direct appropriated funds for capital investment. The Supply Management Capital Investment includes replacing outdated automation hardware and software. Industrial Operations Capital Investment includes equipment modernization, automation hardware and software and minor construction. See **table 90**.

Table 90

Army Working Capital Fund Capital Investment (\$ millions)			
	FY07 ¹	FY08 ²	FY09 ²
Supply Management	73.0	88.8	68.8
Industrial Operations ³	133.1	213.8	216.9
Total⁴	206.1	302.6	285.7

¹ FY07 are actual expenditures and include Title IX.
² FY08 and FY09 are estimates.
³ Previously reported as Depot Maintenance and Ordnance.
⁴ Numbers may not add due to rounding.
Source: Department of the Army, FY2009 Budget Estimates, Army Working Capital Fund, February 2008

Reserve Component

The Army reserve component comprises the Army National Guard and the Army Reserve. The reserve component is a substantial part of the Army's land forces capabilities at 54 percent of the total Army military endstrength; the Army National Guard accounts for 30.7 percent and the Army Reserve accounts for 23.2 percent. The reserve component enables the Army to accomplish its missions at home and abroad—and this has been particularly true with the continuing requirement for land forces to pursue the war on terrorism.

Since the attacks on America on 11 September 2001, more than 360,000 Army National Guard and 167,000 Army Reserve Soldiers have been deployed in support of operations in Iraq, Afghanistan, Guantánamo Bay, the Balkans, the Sinai and elsewhere. In addition, more than 150,000 active, Army National Guard and Army Reserve Soldiers helped to secure the homeland by providing security augmentation for key assets, airports, special events and Air Force bases.³⁴ This continuing high level of activations and deployments has led to the transformation of the reserve component from a strategic reserve to an operational reserve. In this capacity, the reserve forces may be called to active duty once every six years if required.

In response to the continuing global demands of the 21st century, the Army is pursuing various transformational initiatives. The active and reserve components are converting to a Modular Force structure, implementing the Army Force Generation model and increasing endstrength with the Grow the Army initiative.

With the ARFORGEN model, the reserve component provides campaign-quality forces on a predictable mobilization cycle. All reserve component forces rotate into the Alert pool and are available for mobilization on a periodic basis. Late-deploying units are inactivated and replaced with future deploying forces. The effect is that reserve component forces are no longer a strategic reserve; rather, reserve forces are now an operational force. With this change, the reserve component units receive equipment and support based on their position in the ARFORGEN model, and not on tiered readiness.

This is the context for the FY 2009 reserve component budget. Each element of the reserve component prepares and executes three appropriations: Military Personnel, Operation and Maintenance and Military Construction. Each of these appropriations was discussed in the MILPERS, O&M and MILCON appropriation groups, respectively.

Army National Guard

The Army National Guard is the oldest component of the armed forces, tracing its origins to militia companies that were formed in 1637. The Army National Guard provides the 50 states, three territories and the District of Columbia with units trained and equipped to protect life and property. The Army National Guard maintains properly trained and equipped units that may be mobilized for federal duty for war, national emergency or as otherwise needed.

Following 11 September 2001, more than 50,000 Guardsmen were called up by states and the federal government to provide security at home and combat terrorism abroad. At one point in 2005, half of the combat brigades in Iraq were Army National Guard units—a level of reliance on the Guard that has not occurred since the first years of World War II.

The Army National Guard military endstrength comprises the Selected Reserve and the Individual Ready Reserve (IRR).

- The Selected Reserve—the most readily available group of Soldiers—includes Troop Program Units, Active Guard and Reserve Soldiers and Individual Mobilization Augmentees (IMAs).

- The IRR is a manpower pool comprised principally of trained Soldiers who have served previously in the active component or the Selected Reserve, and have some period of time remaining for their military service obligation. The IRR also includes the Inactive National Guard, consisting of Soldiers in an inactive status who muster once a year with their assigned unit but do not participate in training activities.

In addition, the Army National Guard includes technicians and civilian employees. Technicians work full-time at various functions including organizing, administering, instructing, training and recruiting new personnel; and maintaining supplies, equipment and aircraft. The technicians include dual status military technicians and other competitive technicians. Military technicians maintain military membership and train with their units and also perform full-time work in their units. Competitive technicians are not required to maintain military membership.

The ARNG is authorized 350,000 members in the Selected Reserve, with armories and training facilities in more than 2,800 communities. See **table 91** for end-strength information.

Table 91

Army National Guard Personnel Summary Military Endstrength (thousands)			
	FY07	FY08	FY09
Selected Reserve	350	347	350
Paid Drill Strength	324	318	320
Full-time Active Strength	26	29	29
Individual Ready Reserve	3	4	4
Technicians	26	28	29
Dual Status	25	27	27
Other Than Dual Status	2	2	2
Other Civilians* (excludes technicians)	0	1	1

* The Other Civilians category numbers fewer than 500.

Source: Department of the Army, FY2009 Budget Estimates, National Guard Personnel, Army, Table PB-30G (NGPA) & PB-31R (OMNG), February 2008, and Congressional Reporting Requirement Exhibit

The FY 2009 budget supports 28 BCTs, 40 multi-functional support brigades and 36 functional support brigades in the Army National Guard. This is an increase of three multifunctional support brigades in FY 2009. These Army National Guard forces provide a great deal of specific capabilities. See **table 92**.

Table 92

Army National Guard Key Contributions

Combat Units (Includes Field Artillery and Air Defense)	44%
Field Artillery (20% of Combat Structure)	9%
Air Defense (2% of Combat Structure)	1%
Combat Support	19%
Combat Service Support	27%

Source: National Guard Future Force Allocations (NGB-ARF-F)

The ARNG accounts for nearly 31 percent of the Army's military endstrength but only 10 percent of the Army base budget in FY 2009. The Army National Guard budget is distributed among three appropriations: Military Personnel, Operation and Maintenance and Military Construction. The Army National Guard also receives equipment that is acquired with Army Procurement appropriations. In addition, the Army National Guard receives state funds for state-related functions. The Army National Guard appropriation data is in **table 93**.

Table 93

Army National Guard Budget Summary (\$ millions)

	FY07 ¹	FY08 ²	FY08 Bridge ²	FY09 ³
National Guard Personnel, Army	8,376	7,187		7,790
Operation and Maintenance, Army National Guard	5,868	5,738	327	5,876
Military Construction, Army National Guard		473	537	
Total⁴	14,718	13,461	327	14,205

¹ FY07 are actual expenditures.

² FY08 is enacted, including bridge supplemental but not larger war supplemental.

³ FY09 is the base budget proposal.

⁴ Numbers may not add due to rounding.

Source: Department of the Army, FY2009 Budget Estimates, Army Working Capital Fund, February 2008

Army Reserve

The Army Reserve complements the active Army by providing trained and ready Soldiers and units with critical combat support and combat service support capabilities. The Soldiers of the Army Reserve respond to the call for support in peacetime, contingency and wartime operations. The Army Reserve is the newest of the Army components, beginning in 1908 when Congress established the Medical Reserve Corps.

Since 1990, Army Reserve Soldiers have mobilized and deployed in support of every American military operation, including peacekeeping and humanitarian missions. Since 11 September 2001 and the subsequent war on terrorism, more than 190,000 Army Reserve Soldiers have been mobilized and deployed in support of operations in Iraq, Afghanistan, Guantánamo Bay, the Balkans, the Sinai and elsewhere.³⁵

The continuing activation of Army Reserve Soldiers and units demonstrates the transformation of the Army Reserve from a strategic reserve to an operational force.

The Army Reserve military endstrength is comprised of three groups of Soldiers: Selected Reserve, Individual Ready Reserve and Retired Reserve. The budget proposal includes funding for 199,000 Soldiers in the Select Reserve and 69,000 in IRR. In the event of an emergency, the President can mobilize all members of the Selected Reserve and up to 30,000 members of the IRR.

The distinctions among the three groups of Army Reserve Soldiers are:

- Selected Reserve—the most readily available group of Army Reserve Soldiers—includes:
 - Troop Program Units—Soldiers who typically train in units on selected weekends and perform annual training;
 - Active Guard and Reserve—Soldiers who serve full-time on active duty in units and organizations of the Army Reserve, or who directly support the Army Reserve Soldiers; and
 - Individual Mobilization Augmentees—Soldiers who are assigned to high-level headquarters where they would serve if mobilized. Most IMAs train annually for two weeks.
- Individual Ready Reserve—trained Soldiers who may be called upon to replace Soldiers in active and 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.
- Retired Reserve—consists of retirees from the active Army, Army National Guard and Army Reserve who remain part of the Army Reserve family.

Like the Army National Guard, the Army Reserve includes technicians and civilian employees. Technicians work full-time at various functions including organizing, administering, instructing, training and recruiting new

personnel; and maintaining supplies, equipment and aircraft. The technicians include dual status military technicians and other competitive technicians. Military technicians maintain military membership and train with their units, and also perform full-time work in their units. Competitive technicians are not required to maintain military membership.

The Army Reserve proposes a total endstrength of 268,000 in FY 2009, including the Selected Reserve and the IRR. See **table 94** for endstrength information.

Table 94

Army Reserve Personnel Highlights
Military Endstrength
(thousands)

	FY07	FY08	FY09
Selected Reserve	189	197	199
Paid Drill Strength	174	181	183
Full-time Active Strength	15	16	16
Individual Ready Reserve	91	69	69
Technicians	8	9	9
Dual Status (Military/Civilian)	8	8	8
Other than Dual Status (Civilian)	1	1	1
Other Civilians (excludes technicians)	0	0	0

Source: Department of the Army, FY2009 Budget Estimates, National Guard Personnel, Army, Table PB-30G (NGPA) & PB-31R (OMNG), February 2008, and Congressional Reporting Requirement Exhibit

With the transition to the modular brigade structure, the Army Reserve will include 12 multifunctional and 48 functional support brigades. The FY 2009 budget supports 10 Army Reserve multifunctional support brigades and 38 functional support brigades—an increase of one multifunctional support brigade and one functional support brigade in FY 2009.

The Army Reserve provides a great deal of specific combat support and combat service support capabilities as summarized in **tables 95 and 96**.

Table 95

Army Reserve Key Contributions

Army Combat Units	1%
Combat Support	27%
Combat Service Support	48%
Mobilization Base Expansion	24%

Source: OCAR Force Programs & U.S. Army Reserve Posture Statement 2008

Table 96

Army Reserve Key Units	
The Army Reserve contributes to the Army's Total Force by providing 100% of the:	
Chemical Brigades Internment Brigades Judge Advocate General Unit Medical Groups Railway Units Training & Exercise Divisions Water Supply Battalions	
... more than two-thirds of the Army's:	
Civil Affairs Units Psychological Operations Units Transportation Groups Motor Battalions Chemical Battalions Hospitals Medical Brigades Theater Signal Commands	
... and nearly half of the Army's:	
Petroleum Battalions Adjutant General Units Petroleum Groups Transportation Command Terminal Battalions Public Affairs Units	

Source: United States Army Reserve website

The Army Reserve accounts for 23 percent of the Army's military endstrength but only 5 percent of the Army base budget in FY 2009. The Army Reserve budget is distributed among three appropriations: Military Personnel, Operation and Maintenance and Military Construction. The Army Reserve also receives equipment that is acquired with Army Procurement appropriations. See the Army Reserve appropriation data in **table 97**.

Table 97

Army Reserve Budget Summary (\$ millions)				
	FY07¹	FY08²	FY08 Bridge²	FY09³
Reserve Personnel, Army	4,256	4,403		4,601
Operation and Maintenance, Army Reserve	2,451	2,498	78	2,642
Military Construction, Army Reserve	166	148		282
Total⁴	6,873	7,049	78	7,525

¹ FY07 are actual expenditures.
² FY08 is enacted, including bridge supplemental but not larger war supplemental.
³ FY09 is the base budget proposal.
⁴ Numbers may not add due to rounding.

Source: Department of the Army, FY2009 Budget Estimates, Army Working Capital Fund, February 2008

Summary

The FY 2009 base budget proposal is \$140.7 billion. The designation of a base budget has emerged with the annual emergency supplemental budget proposals, which include funds for operations in Iraq, Afghanistan and elsewhere in the war on terrorism.

The FY 2009 base budget proposal is nearly \$12 billion greater than the FY 2008 budget; however, the FY 2008 budget includes the enacted base and an initial supplemental appropriation. A second supplemental appropriation was enacted in June 2008, but the specific allocation to the Army was unavailable for this analysis.

The supplemental budget proposals have accounted for increasingly larger amounts of the Army's total budget since FY 2003. The FY 2007 experience demonstrates this fact, with nearly 49 percent or \$109 billion from emergency supplementals and \$112 billion from the base budget.

The FY 2009 budget proposes funding for the Army in the eighth year of war. During this war, the combatant commanders continually require quantities of land forces that challenge the Army's capacity to respond. As a result, the Army has been focusing on generating ready and relevant forces for current operations. The strategic environment during FY 2009 will continue to challenge the Army to generate forces to sustain current operations and to reset returning forces, both people and equipment.

The Secretary of the Army and the Army Chief of Staff express the need to pursue the current war while generating other land force capacity for future challenges to regain balance. However, the FY 2009 base budget proposal does not fully cover the cost of both current and future readiness requirements. While the FY 2009 budget proposal is nearly \$28 billion or 26 percent greater than the FY 2007 base budget, total obligations (including supplementals) in FY 2007 were \$221 billion; the Army proposal for FY 2009, without a supplemental, is nearly \$81 billion, or 36 percent less than the FY 2007 experience.

In FY 2009, the Army will require total funding—base and supplemental—to cover the implications of two more years of continuous war; a high OPTEMPO both in the theater of operations and while preparing replacement forces; resetting returning forces; modernization; pay raises and benefits; inflation; growing the Army; installation closures and restationing; and constituting new capacity for other future challenges.

As discussed in the top-line analysis earlier in this chapter, the Army is likely to require a total of about \$250–\$260 billion for FY 2009 to sustain the war effort and restore balance. The difference between this estimate of \$240 billion and the baseline budget proposal of \$140 billion is \$100 billion. The obvious conclusion is that the Army will require about \$100 billion in supplemental funds in FY 2009. However, for FY 2009 the DoD proposal for emergency supplemental funding is \$70 billion. In June 2008, Congress appropriated and the President signed a supplemental appropriation of \$65.9 billion for FY 2009. Neither DoD nor the Army have provided visibility into the Army portion of the FY 2009 supplemental appropriation.

An estimate of the Army portion of DoD supplemental funding for FY 2009 can be computed using the FY 2007 experience. In FY 2007, the Army obligated \$109.3 billion of the \$173.6 billion DoD emergency supplemental funds, or 63 percent. Applying this 63 percent to the \$65.9 billion supplemental of June 2008 means the Army would receive \$41.5 billion in supplemental funds for FY 2009.

The difference between the estimated \$100 billion supplemental requirement and the estimated \$41.5 billion from the FY 2009 supplemental appropriation is

\$58.5 billion, suggesting a large shortfall in FY 2009. Without adequate supplemental funds, or the timely receipt of those funds, the Army will have to eliminate, reduce or delay operations, programs and actions.

Absorbing a \$58.5 billion dollar or 24 percent shortfall in FY 2009 would require extreme measures. Correcting this situation requires additional supplemental funds. However, during FY 2009 the nation will install a new administration that requires time to nominate and confirm appointees, then time to develop and decide on a budget proposal. Submitting a supplemental proposal to Congress by April 2009 will be a challenge, and half the fiscal year will be over before Congress begins consideration of an additional FY 2009 supplemental.

Therefore, the Army needs to prepare an additional FY 2009 emergency supplemental proposal of about \$70–\$75 billion, or some part of it, for action by the current administration. Any additional resource requirements that can wait until June 2009 for enactment can be held for the next administration. The importance of these funds cannot be stressed enough; they are needed to ensure the strength of America's Army is not diminished, and that Soldiers are given the resources they deserve to accomplish their mission.

Endnotes

¹ "Army Outlines Fiscal Year 2009 Budget," U.S. Army News Release, 4 February 2008, available online at <http://www.army.mil/-newsreleases/2008/02/04/7260-army-outlines-fiscal-year-2009-budget/>.

² Prepared Remarks by Secretary of the Army Pete Geren to the Senate Armed Services Committee, 26 February 2008, available online at <http://www.army.mil/-speeches/2008/02/26/8287-sasc-hearing/>.

³ Opening Remarks by Army Chief of Staff General George W. Casey, Jr., to the Senate Armed Services Committee (SASC), 26 February 2008, available online at <http://www.army.mil/-speeches/2008/02/26/7823-opening-remarks-senate-armed-services-committee/>.

⁴ 2008 Army Posture Statement, submitted to the Committees and Subcommittees of the United States Senate and the House of Representatives, 26 February 2008, available online at <http://www.army.mil/aps/08/>.

⁵ Opening Remarks by Army Chief of Staff General George W. Casey, Jr., to the House Armed Services Committee (HASC), 28 February 2008, available online at <http://www.army.mil/-speeches/2008/02/28/7824-opening-remarks-house-armed-services-committee/>.

⁶ Opening Remarks by General Casey to the SASC, 26 February 2008.

⁷ 2008 Army Posture Statement.

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ Opening Remarks by General Casey to the HASC, 28 February 2009.

¹² Assistant Secretary of the Army (Financial Management and Comptroller), FY 2009 Budget Materials, available online at <http://www.asafm.army.mil/budget/fybm/fybm.asp>.

¹³ 2008 Army Posture Statement.

¹⁴ *Ibid.*

¹⁵ 2007 Army Posture Statement, 14 February 2007, available online at <http://www.army.mil/aps/07/mission.html>.

¹⁶ C. Todd Lopez, "Budget Request Funds 43,000 More Soldiers," Army News Service, 5 February 2008, available online at <http://www.army.mil/-news/2008/02/05/7294-budget-request-funds-43000-more-soldiers/index.html>.

¹⁷ Department of the Army Fiscal Year (FY) 2009 Budget Estimates, Operation and Maintenance, Army, Justification Book, Volume 1, February 2008, Exhibit O-1, p. 8, available online at <http://www.asafm.army.mil/budget/fybm/FY09/oma-v1.pdf>.

¹⁸ "Army Outlines Fiscal Year 2009 Budget."

¹⁹ FY 2009 Budget Estimates, Operation and Maintenance, Army, p. 1.

²⁰ *Ibid.*, p. 119.

²¹ *Ibid.*, p. 130.

²² *Ibid.*, p. 144.

²³ *Ibid.*, p. 188.

²⁴ *Ibid.*, p. 196.

²⁵ *Ibid.*, p. 204.

²⁶ 2008 Army Reserve Posture Statement, submitted to the Committees and Subcommittees of the United States Senate and House of Representatives, 1 April 2008, available online at <http://www.usarmyreserve2008posturereport.org/>.

²⁷ Department of the Army Fiscal Year (FY) 2009 Budget Estimates, Operation and Maintenance, Army Reserve, Justification Book, Volume 1, February 2008, Exhibit PBA-19, "Appropriation Highlights," available online at <http://www.asafm.army.mil/budget/fybm/FY09/omar-v1.pdf>.

²⁸ *Ibid.*

²⁹ MG Edgar E. Stanton III, Director of the Army Budget, *Army FY08/09 Budget Overview*, February 2007, available online at <http://www.asafm.army.mil/budget/fybm/fy08-09/overview.pdf>.

³⁰ Opening Remarks by General Casey to the HASC, 28 February 2008.

³¹ 2008 Army Posture Statement.

³² Descriptions of the individual materiel systems are available in *United States Army Weapon Systems 2007–2008*, Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology, 3 March 2007, available from the Government Printing Office (GPO) at: <http://bookstore.gpo.gov/actions/GetPublication;jsessionid=9A2012C82E31778F11527083D6B4C987?stocknumber=008-020-01567-9>.

³³ Stanton, *Army FY08/09 Budget Overview*, February 2007.

³⁴ 2007 Army Posture Statement.

³⁵ 2008 Army Reserve Posture Statement.

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	
Date	Action
Between first Monday in January and first Monday in February	Transmission of the President's Budget to Congress
April 15	Action on the congressional budget resolution scheduled for completion
May 15	House consideration of annual appropriations bills may begin
June 15	Action on reconciliation scheduled for completion
June 30	Action on appropriations by the House scheduled for completion
Throughout this period	Hearings; committee reports; reconciliation by conference committees; floor votes; appropriations bills; more floor votes; signature or veto by the President
October 1	Fiscal Year begins
Post-October 1	Continuing resolution of 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* (the most recent edition available online) and *A Brief Introduction to the Federal Budget Process*, Congressional Research Report 96-912, last updated on 20 October 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 year 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 116.

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.

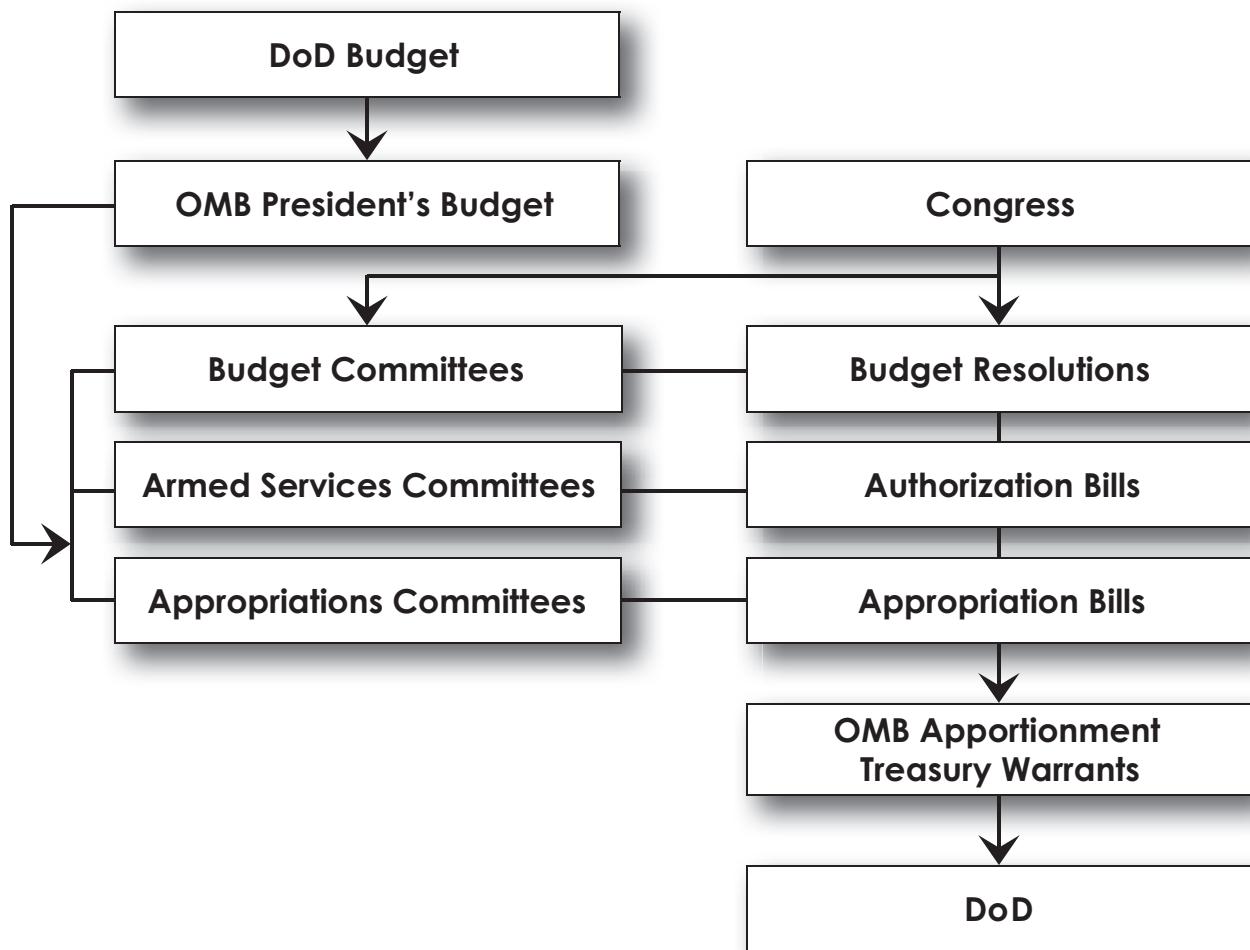
Appropriations for the Department of Defense are covered by two separate bills: the Military Construction Appropriations Bill, which addresses Military Construction and Family Housing, and the Department of Defense Appropriations Bill for all other DoD appropriations. These bills incorporate a number 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 2008 Army budget in Congress. At the same time DA is also engaged in the Pentagon in updating the program through FY 2014 and getting ready for the next Army budget proposal to DoD. This remains a dynamic, ongoing process.

DoD Budget Process



Appendix III

Glossary of Acronyms

AFRICOM	U.S. Africa Command	CWC	Chemical Weapons Convention
A/V	Audio Visual System	DHP	Defense Health Program
AC	Active Component	DHS	Department of Homeland Security
ACE	Armored Combat Earthmover	DoD	Department of Defense
AEHF	Advanced Extremely High Frequency	EELV	Evolved Expendable Launch Vehicle
AFH	Army Family Housing	EFV	Expeditionary Fighting Vehicle
AIM XXI	Abrams Integrated Management for the 21st Century	ER	Environmental Restoration
AIM-9x	Air Intercept Missile-9X	ERA	Environmental Restoration, Army
AMRAAM	Advanced Medium Range Air-to-Air Missile	ESSM	Evolved Seaspark Missle
APA	Aircraft Procurement, Army	EW	Electronic Warfare
APS	Army Prepositioned Stocks	FBCB2	Force XXI Battle Command Brigade and Below
ARFORGEN	Army Force Generation	FCS	Future Combat Systems
ARH	Armed Reconnaissance Helicopter	FHA	Federal Housing Administration
ARNG	Army National Guard	FHS	Future Handgun System
ASA(FM&C)	Assistant Secretary of the Army for Financial Management and Comptroller	FHTV	Family of Heavy Tactical Vehicles
ASE	Aircraft Survivability Equipment	FIST	Fire Support Team
ASV	Armored Security Vehicle	FMTV	Family of Medium Tactical Vehicles
ATACMS	Army Tactical Missile System	FUDS	Formerly Used Defense Sites
ATAS	Advanced Tank Armament System	FY	Fiscal Year
AWCF	Army Working Capital Fund	GDP	Gross Domestic Product
BA	Budget Authority; Budget Activity	GDPR	Global Defense Posture Realignment
BAG	Budget Activity Group	GFD	Gross Federal Debt
BCT	Brigade Combat Team	GPS	Global Positioning System
BFV	Bradley Fighting Vehicle	GTMO	Guantánamo
BMD	Ballistic Missile Defense	GWOT	Global War on Terror
BOS	Base Operations Support	HIMARS	High Mobility Artillery Rocket System
BRAC	Base Realignment and Closure	HMMWV	High Mobility Multipurpose Wheeled Vehicle
C2	Command and Control	HOA	Horn of Africa
C3	Command, Control and Communications	HST	Home Station Training
C4I	Command, Control, Communications, Computers and Intelligence	IAV	Interim Armored Vehicle
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance	IMA	Individual Mobilization Augmentees
CBO	Congressional Budget Office	IRR	Individual Ready Reserve
CCTT	Close Combat Tactical Trainer	IT	Information Technology
CN	Counter Narcotics	ITAS	Improved Target Acquisition System
CROWS	Common Remotely Operated Weapons Stations	JAGM	Joint Air to Ground Missile
CTC	Combat Training Center	JASSM	Joint Air-to-Surface Standoff Missile
		JCA	Joint Cargo Aircraft
		JDAM	Joint Direct Attack Munition
		JFCC SPACE	Joint Functional Component Command for Space

JHSV	Joint High Speed Vessel	PE	Program Element
JIEDDF	Joint Improvised Explosive Device Defeat Fund	PPBE	Planning, Programming, Budgeting and Execution
JLTV	Joint Light Tactical Vehicle	PSIC	Public Safety Interoperable Communications
JPATS	Joint Primary Aircraft Training System	RAM	Rolling Airframe Missile
JSF	Joint Strike Fighter	RC	Reserve Component
JSOW	Joint Standoff Weapon	RCAS	Reserve Component Automation System
JTAMDO	Joint Theater Air and Missile Defense Organization	RCOH	Refueling Complex Overhaul
JTF	Joint Task Force	RDA	Research, Development and Acquisition
JTRS	Joint Tactical Radio System	RDT&E	Research, Development, Test and Evaluation
KFOR	Kosovo Force	RPA	Reserve Personnel, Army
LCS	Littoral Combat Ship	S&T	Science and Technology
LHA	Landing Helicopter Assault	SAG	Subactivity Group
LUH	Light Utility Helicopter	SATCOM	Satellite Communications
MCA	Military Construction, Army	SBIRS	Space-based Infrared Systems
MCAR	Military Construction, Army Reserve	SCHIP	State Children's Health Insurance Program
MCARNG	Military Construction, Army National Guard	SDB	Small Diameter Bomb
MDA	Missile Defense Agency	SEP	System Enhancement Program
MEADS CAP	Medium Extended Air Defense System Combined Aggregate Program	SINCGARS	Single Channel Ground and Airborne Radio
MERHCF	Medicare-Eligible Retiree Health Care Fund	SOF	Special Operations Forces
MFO	Multinational Force and Observers	SRM	Sustainment, Restoration and Modernization
MILCON	Military Construction	SSA	Space Situational Awareness
MILPERS	Military Personnel	TDA	Tables of Distribution and Allowances
MLRS	Multiple Launch Rocket System	TIARA	Tactical Intelligence and Related Activities
MPA	Military Personnel, Army	TOA	Total Obligational Authority
MUOS	Mobile User Objective System	TOW	Tube-Launched, Optically-Tracked, Wire-Guided
NATO	North Atlantic Treaty Organization	TSAT	Transformational Satellite Communications
NGPA	National Guard Personnel, Army	UAS	Unmanned Aircraft System
NPOESS	National Polar-Orbiting Operational Environmental Satellite System	UAV	Unmanned Aerial Vehicles
NSS	National Security Strategy	UCC	Unified Combatant Command
O&M	Operation and Maintenance	UCOFT	Unit Conduct of Fire Trainer
OEF	Operation Enduring Freedom	UCP	Unified Command Plan
OIF	Operation Iraqi Freedom	UGS-T	Unattended Ground Sensors-Tactical
OMA	Operation and Maintenance, Army	USAR	Army Reserve
OMAR	Operation and Maintenance, Army Reserve	USEUCOM	U.S. European Command
OMB	Office of Management and Budget	USSOCOM	U.S. Special Operations Command
OMNG	Operation and Maintenance, Army National Guard	USSOUTHCOM	U.S. Southern Command
OPA	Other Procurement, Army	WGS	Wideband Global Satellite Communications
OPTEMPO	Operational Tempo	WIN-T	Warfighter Information Network-Tactical
PAC-3	Patriot Advanced Capability-3	WTCV	Weapons and Tracked Combat Vehicles

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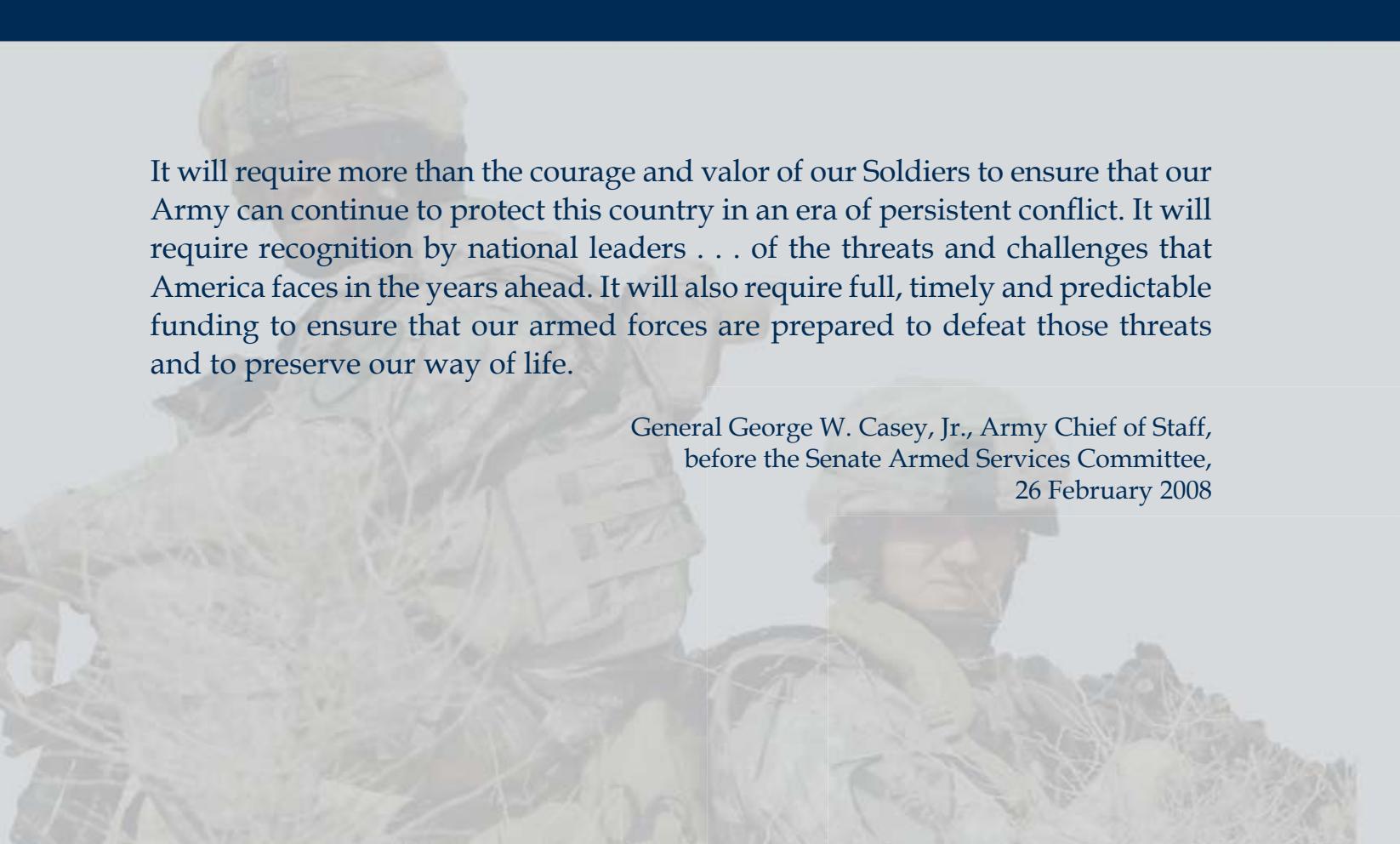
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It will require more than the courage and valor of our Soldiers to ensure that our Army can continue to protect this country in an era of persistent conflict. It will require recognition by national leaders . . . of the threats and challenges that America faces in the years ahead. It will also require full, timely and predictable funding to ensure that our armed forces are prepared to defeat those threats and to preserve our way of life.

General George W. Casey, Jr., Army Chief of Staff,
before the Senate Armed Services Committee,
26 February 2008

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