

DEPARTMENT OF DEFENSE

The President's Proposal:

- Wages war on terrorism—terrorism both at home and abroad;
- Transforms American armed forces for the future as part of a comprehensive long-term effort to adapt the U.S. military to new security challenges;
- Assures military readiness by keeping our “first to fight” forces trained and equipped to adapt to emerging threats;
- Enhances the quality of life of military personnel and their families by improving pay, living and working conditions, and health care; and
- Commits to streamlining the Department, supporting war fighting, modernizing the Department's approach to business and financial information, and applying private sector standards to infrastructure.

Department of Defense

Donald H. Rumsfeld, Secretary

www.defenselink.mil 703-697-5737

Number of Employees: 2.3 million Military (Active, Reserve, and Guard) and 667,750 Civilian

2002 Spending: \$330.6 billion

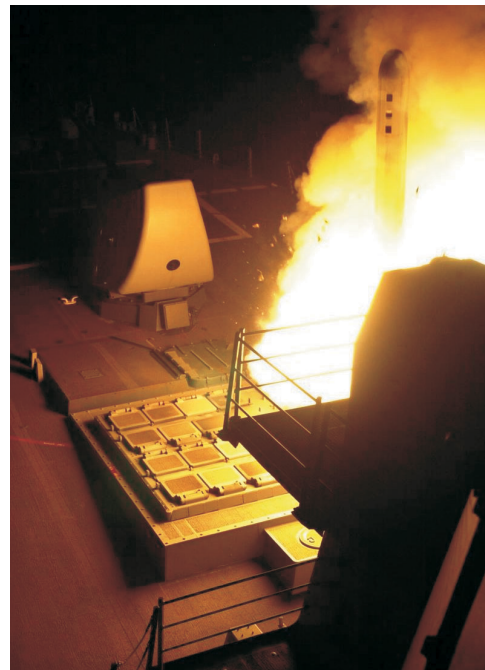
Organization: Four Armed Services (Army, Navy, Marine Corps, and Air Force); 15 Defense Agencies; nine Unified Combatant Commands; and over 30 million acres of bases/facilities worldwide.

The primary mission of the Department of Defense (DoD) is to defend the United States of America and advance its interests around the globe. In peacetime, DoD trains and equips military forces needed to deter aggression while protecting U.S. interests and promoting U.S. security objectives. Now that we are at war, DoD's goal is to defeat the terrorists and their supporters who threaten our freedom. DoD is the largest federal agency and the largest corporate entity of its type in the world.

Overview

New Challenges in the National Security Environment

Shortly after his inauguration, President Bush called for a review of all U.S. military capabilities setting the goal of how best to achieve the necessary transformation to meet the new challenges of the 21st Century. Over the past year, the Secretary of Defense has led efforts to transform the way U.S. military forces defend the country while also addressing long-standing management problems at DoD. The terrorist attacks on the United States on September 11, 2001, underscored the urgency of Secretary Rumsfeld's effort. The new security environment requires a military force that is balanced to counter both conventional and unconventional threats and is armed with strong intelligence gathering and analysis capabilities. Even so, intelligence gaps will persist, so innovation must be factored into our defense planning and response.



A Tomahawk Cruise missile is launched from a ship.

The need for military transformation was clear before the conflict in Afghanistan and before September 11th. What's different today is our sense of urgency—the need to build this future force while fighting a present war. It's like overhauling an engine while you're going at 80 miles an hour. Yet, we have no other choice.

President George W. Bush
December 11, 2001

The future, both near- and long-term, presents numerous challenges and great opportunity. When President Bush took office, he inherited a defense program that needed to be strengthened. As a percentage of the nation's gross domestic product, defense expenditures had shrunk to 2.8 percent. Inadequate funding strained both equipment and people. Recognizing these deficiencies, President Bush provided significant increased resources for defense in 2002. Much remains to be done. In a post-Cold War world, where freedom and democracy remain imperiled, this budget lays the groundwork for a sustained, long-term investment in the nation's security. The United States must strengthen its defense posture to protect the nation's interests and to assure its lead role in global affairs. A war on terrorism has begun, and while there has been success in achieving specific military objectives, the shape and dimension of the subsequent phases of the campaign will remain a work in progress for some time to come.

The President's 2003 Budget for DoD and the intelligence community reflects the Administration's strong commitment to winning the war on terrorism, sustaining current military readiness, transforming the way the nation defends itself, and enhancing American intelligence capabilities. To address these needs the President's Budget proposes \$369 billion in 2003 for DoD and an additional \$10 billion, if needed, to fight the war on terrorism.

Defense Against Ballistic Missiles

Successful flight tests over the past year represent a step forward on the road to deploying effective defenses to protect the American people, its friends, allies, and troops abroad. DoD plans to pursue more aggressive exploration and realistic testing of key technologies to counter ballistic missiles in all phases of their flight. The missile defense program is designed so that needed capabilities can be deployed as technologies are proven ready.

Winning the War at Home—Homeland Security.

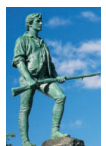
The growing importance of homeland security raises a host of challenges in the post-September 11th environment. These issues include policy and resource allocation decisions to improve homeland security. More than ever, coordination among defense and non-defense agencies will be critical to success. DoD plays an important role in homeland security, providing assistance to law enforcement at the state and federal level when authorized by law, enhancing airport and border security, sharing intelligence information, and marshaling resources to respond to new

attacks. Hand-in-glove with the domestic war on terrorism, Air National Guard, Air Force Reserve, and active Air Force aircraft serving in Operation Noble Eagle began providing combat air patrols over major U.S. cities starting on September 11th. Shortly thereafter, the National Guard helped provide security at the nation's airports. Similarly, Navy Reserve and Coast Guard units are helping to protect our waterways and harbors, and Army National Guard troops will provide assistance to Customs Service and Immigration and Naturalization Service personnel on our northern border.

Waging the War on Terrorism—Winning the War Abroad. The U.S. military responded rapidly to the terrorist attacks, initiating major combat operations 7,000 miles from the United States in less than one month. By November 2001, the Air Force and Navy had flown 40,000 hours in support of Operation Enduring Freedom. The Navy has had as many as four aircraft carrier battle groups in the region supporting flight operations and special operations forces. Almost 400 fighter, tanker, and airlift aircraft and more than 50,000 troops have recently been engaged in this mission.

Status Report on Select Programs

The Administration is reviewing programs throughout the federal government to identify strong and weak performers. The accompanying table shows some selected DoD programs and their effectiveness.



Program	Assessment	Explanation
Military Readiness	Effective	The speed of American deployment in the war on terrorism has demonstrated improved readiness. The budget sustains this gain and builds on it by funding improvements in training facilities.
Military Compensation	Effective	Recent increases in pay have helped improve the recruitment and retention of top-caliber men and women for our military.
Family Housing	Army/Navy: Effective Air Force: Ineffective	DoD has started to rely on private sector expertise to improve the quality of housing for military families – a Presidential initiative. Also, the Secretary of Defense has established a goal to eliminate DoD’s inventory of 159,000 inadequate housing units for military families by 2007. The Army and Navy plan to achieve the 2007 goal; the Air Force will not achieve the goal until 2010.
Cooperative Threat Reduction	Moderately Effective	Since it began in 1993, the Cooperative Threat Reduction program has funded the deactivation of 5,336 nuclear warheads, the destruction of 422 intercontinental ballistic missiles in the former Soviet Union, and helped secure vast quantities of material that could be used in a weapon of mass destruction. Taking such steps dramatically reduces the likelihood of terrorists obtaining the means to do harm to the United States and its allies. However, the program has been slow to spend funds provided in prior years.
Science and Technology (S&T)	Moderately effective	DoD is working aggressively to develop more effective technologies. Projects mostly performed by the private sector or academia are generally handled well. However, each military service and defense agency generally determines its own S&T plan with little Department-wide coordination. To reduce potential duplication of efforts, the Under Secretary for Acquisition Technology and Logistics should develop a better integrated and coordinated funding plan for these efforts.
Infrastructure	Ineffective	The Department maintains a large inventory of old buildings that need to be replaced. Right now, DoD is on a path to replace old buildings approximately once every 120 years. DoD had planned to accelerate the pace at which it replaced facilities, but allocated funds to other, more pressing needs. Another round of base realignment and closure, approved by Congress for 2005, is essential to achieving faster replacement and improvement of unsatisfactory DoD facilities.

Program	Assessment	Explanation
Weapons Systems Cost Control	Ineffective	While DoD develops and builds the most capable weapons systems in the world, these programs continue to exceed cost and schedule targets. Between 2000 and 2003, cost growth for major weapons rose by an estimated 15 percent on average. Part of that increase is due to more realistic cost estimating. DoD has begun to establish initiatives to enhance its ability to monitor and to control cost growth and schedule delays.
Chemical Demilitarization	Ineffective	The Army's program to destroy the U.S. stockpile of chemical weapons is behind schedule. Costs have increased over 60 percent, from \$15 billion to \$24 billion. These delays are the result of various difficulties, including unrealistic schedules, site safety and environmental concerns, and poor planning.
DoD-VA Coordination	Ineffective	The Departments have historically lacked genuine commitment to coordinate systems. Many areas for integration exist. For example, VA and DoD could better serve mutual constituents by developing an integrated enrollment system. There has, however, been progress in some areas. VA and DoD have begun discussions on how to better coordinate and share patient medical information. For significant and rapid progress to be made in this area, both VA and DoD must focus their efforts on developing common business processes that are supported by fully integrated information technology standards and architecture.

Congressional Earmarks

Congressional earmarks add funding for programs that are not requested by the Defense Department, diverting funds from higher priority and more effective programs. The 2002 Defense and Military Construction Appropriations Acts earmarked funds for 963 DoD projects totaling \$5.4 billion. The DoD budget process thoroughly reviews all programs to determine the optimal cost-effective mix of programs for national defense. Earmarking disrupts this balance of programs and crowds out other important projects.

For example, the Congress has added funds for aircraft the Air Force does not require and thereby limits resources for war fighting needs. In addition, funding has been directed for military construction projects that the services do not want to build. Some earmarks have little relationship to an agency's mission. For example, the 2002 Defense Appropriations Act included over \$600 million for a variety of unrequested medical research projects. These projects include research on breast cancer, ovarian cancer, prostate cancer, diabetes, and osteoporosis. While research on these diseases is very important, it is neither the mission nor the core competency of the U.S. military. Rather, these functions can be carried out and coordinated more effectively by other medical research agencies, such as the National Institutes of Health.

Intelligence

The intelligence community is adapting to the changed environment of the 21st Century. Advances in encryption, denial and deception techniques, and information technology create enormous challenges for intelligence gathering and analysis. Policymakers need timely, accurate and insightful information on the capabilities and intentions of foreign powers. The armed forces also need real-time battlefield data furnished with a significant level of detail. The intelligence community meets the full range of U.S. intelligence needs from the national level to the tactical level.

The 2003 Budget strongly supports these efforts and makes a substantially increased investment in our intelligence capabilities. This budget also makes major investments to transform the intelligence community to meet the challenges of the 21st Century.

Transforming Our Armed Forces

This revolution in our military is only beginning, and it promises to change the face of battle. Afghanistan has been a proving ground for this new approach. These past two months have shown that an innovative doctrine and high-tech weaponry can shape and then dominate an unconventional conflict. The brave men and women of our military are rewriting the rules of war with new technologies and old values like courage and honor... This combination—real-time intelligence, local allied forces, special forces, and precision air power—has really never been used before. The conflict in Afghanistan has taught us more about the future of our military than a decade of blue ribbon panels and think-tank symposiums.

President George W. Bush
December 11, 2001

One of the President's key defense priorities is to transform America's armed forces to perform their missions more effectively and to meet emerging security challenges. The Defense Department began the process of transformation with its 2001 Quadrennial Defense Review. The review shifted to a "capabilities-based" defense strategy that focuses on capabilities of potential adversaries and the tools that America's armed forces will need to deter and defeat adversaries employing those capabilities. Both the terrorist attacks of September 11, 2001, and the subsequent conduct of Operation Enduring Freedom in Afghanistan underscore the urgency of military transformation. They illustrate the need for America's military to prepare for different types of conflict and execute missions with new tactics and new technologies. The growing use of unmanned aerial vehicles, the effective utilization of real-time intelligence, and the coordination among special operations and allied forces all demonstrate the cutting edge of what military transformation can achieve and offer a glimpse of a future transformed joint force. To shape this effort, DoD has recently established an Office of Force Transformation to coordinate all of the military service transformation efforts and advise the Secretary of Defense.

In 2003, the Department will invest over \$9 billion in science and technology. New efforts include: easy-to-wear chemical/biological protection masks, chemical, biological, and nuclear weapons detectors, bunker and cave-defeating weapons, intelligence systems to detect assembly of weapons of mass destruction, and unmanned air, land, and sea surveillance and combat vehicles. In addition, DoD will invest \$7.8 billion in ballistic missile defense with the objective of developing the capability to defend the forces and territories of the United States, its allies, and friends against ballistic missile threats.



A Predator unmanned aerial vehicle in flight and an aircraft carrier at sea.

Besides continuing the development of highly capable fighter aircraft such as the Joint Strike Fighter and new ships, the Defense Department's 2003 budget invests in technologies that will transform the military and fundamentally change the American way of warfare. These systems include:

- four Trident ballistic missile submarines converted to submarines equipped with long-range cruise missiles which will dramatically increase the range and precision of strikes and our capability to insert Special Forces;
- unmanned aerial vehicles such as those used in the war against terrorism, which provide greater, longer-endurance intelligence and combat capabilities directly to the war-fighter at far less cost and risk to military personnel than manned aircraft;
- unmanned underwater vehicles that can greatly extend the range and capabilities of submarines and surface ships at less cost and without risk to sailors;
- the Army's Land Warrior technology, which digitizes the communications and intelligence capabilities of the individual infantry soldier to enhance situational awareness and combat capability;
- small precision bombs, which increase the quantity of targets that each individual aircraft can strike;
- bunker-defeating munitions to target the growing threats of deeply hidden weapons of mass destruction; and
- space-based radar and space control systems, which enhance our surveillance capabilities and our capabilities to collect and utilize information from space.

Other emerging areas of defense investment focus on America's ability to conduct information and space operations.

Eliminating Poor Performers: Navy Area Theater Ballistic Missile Defense

Delays in the development schedule and large projected cost increases caused DoD to cancel a multi-billion dollar Navy missile defense program. The program, known as Navy Area Theater Ballistic Missile Defense, was designed to give Navy cruisers and destroyers the ability to shoot down short- and medium-range ballistic missiles. DoD previously thought that the Navy's system would cost about \$6.2 billion to develop and deploy. However, in December 2001, DoD announced that "unit costs" would grow by more than 50 percent. The Administration still plans to pursue sea-based terminal missile defenses, but this Navy program was too costly to continue.

Assuring the Readiness of Our Armed Forces

The cuts to procurement spending and investment in the immediate years following the end of the Cold War, combined with an increase in overseas contingency operations, put a strain on both equipment and people. Frequent deployments meant strains on military readiness because of missed training and strains on families because of more frequent separations from loved ones. The President has pledged to solve this problem.

Despite these strains, the U.S. armed forces remain the most capable in the world and have demonstrated their readiness with their rapid response to the events of last September. Soldiers, sailors, air force crews, and marines have routed enemy forces in Afghanistan, while also keeping the peace in the Balkans, patrolling the no-fly zones of Iraq and maintaining a strong forward presence around the globe.

Readiness relies upon three main factors. First, we must recruit and retain personnel with key skills and talents. Second, we must provide high quality training to give troops the expertise and skill to fight and win our nation's wars. Third, we must maintain equipment and facilities that our forces use to accomplish their missions.

These three factors are a high priority in this budget.

- First, a 4.1 percent across-the-board pay increase supports the Services' recruiting and retention goals.
- Second, the adage "you fight the way you train" remains true. This budget robustly funds the Services' training goals, as measured in aircraft flying hours, ship steaming days, and ground vehicle miles. Without these crucial training and operating activities, the safety and well being of our troops and their ability to accomplish their missions successfully will be at risk.



U.S. Marines on a CH-46E Sea Knight helicopter on their way to Afghanistan.

- Third, this budget adds significant resources for maintaining military equipment and the facilities where our troops work and train. DoD can not afford any further growth in maintenance backlogs. With scarce resources, the Department has been forced to delay needed maintenance. If equipment and real property maintenance needs are not met, training opportunities and readiness erode, and costs rise.



President Bush and Secretary Rumsfeld look over the scene of destruction at the Pentagon on September 12, 2001.

As the attacks have demonstrated, U.S. military facilities are terrorist targets. The budget will enhance force protection for our armed forces and the facilities where they work and live. It also ensures that transportation, communications, and information systems are strong enough to cope with terrorist attacks when they occur. Just as important, these activities protect and support our troops' families.

Enhancing the Quality of Life of Military Personnel and Their Families

Military quality of life is crucial to retaining service members and their families. The military services have long recognized that while they recruit the service member, they must retain the family. No matter how advanced the technology or what strategy is developed, having imaginative, highly skilled, and motivated military and civilian personnel is essential for America to address the challenges of the future. To recruit and retain these people, the Department has increased funding and will work to enhance a number of quality-of-life efforts, including compensation, housing, and health care, among other community and family work-life support programs.



A Service Member from McGuire Air Force Base embraces a loved one.

Military Compensation

In 2002, the President proposed and Congress authorized the largest military pay raise in two decades. That raise included both an across-the-board 4.6 percent increase in basic pay and the President's \$1 billion initiative which proposed targeted raises based on rank and length of service to help retain skilled, experienced personnel. Other benefits have recently been offered to our troops and their families. The President signed an executive order authorizing hazardous duty pay and tax exemptions for troops conducting operations in the Afghanistan theater. The President proposed, and Congress authorized, significant increases in reimbursement for permanent change-of-station costs, again putting more money into the pockets of service members. Pay and benefit levels have never been higher, with average enlisted compensation nearing \$36,500 per year. Army captains with 10 years of experience will see their basic pay increase almost \$3,000 a year to \$50,788, and their overall compensation reach the mid-\$70,000 range.

Building on this record, the 2003 Budget contains another pay boost of 4.1 percent with the option of selected targeting of larger raises to mid-grade non-commissioned officers and officers. This continues the President's commitment to take care of our men and women in uniform and their families and ensures that pay continues to be competitive. This commitment is working: DoD is meeting its goals for recruiting talented young people and retaining experienced, highly-trained military personnel.

Housing

About 20 percent of all service members have inadequate housing on military bases. The definition of inadequate housing is unique to each Service. While some houses are old and in need of improvement, other houses are simply inadequate to meet the needs of today's military family, which has changed since on-base housing was first constructed decades ago. The Administration is committed to eliminating 159,000 inadequate housing units (out of a total of 275,000) by 2007.

DoD is tackling the problem of inadequate housing by demolishing dilapidated units, renovating existing houses, and building new homes. Increasingly, DoD relies on the private sector, which has expertise to manage real property and can increase the quality of DoD-owned housing at less cost and faster than the government. In 1996, the Congress gave DoD authority to privatize DoD-owned housing. Since 1996, DoD has privatized 16,817 units, or about six percent of the current inventory. While privatization began slowly, DoD is accelerating its efforts. Two public-private partnership launched in 2001:

- The Army, in partnership with private developers, initiated a \$260 million family housing privatization project at Fort Hood in Killeen, Texas, the largest Army base in the country.



A privatized duplex housing two military families.

This project will construct 973 new housing units and renovate 4,939 housing units. Over 4,000 units eventually will be replaced.

- The Navy, in partnership with the private real estate companies and developers, initiated a \$262 million family housing privatization project at the Naval Complex San Diego, California. This partnership will construct 519 units and operate a total of 3,248 housing units.

By the end of 2002, DoD plans to privatize an additional 12,970 units. In 2003, DoD plans to privatize 35,600 more housing units to eliminate inadequate housing by 2007. Currently, the Navy and the Army are on track to eliminate inadequate housing by 2007. The Air Force does not plan to eliminate its inventory of inadequate housing until 2010.

The Administration plans to reduce the average out-of-pocket expense of military families living in private housing in local communities to zero by 2005. In 2003, out-of-pocket expenses will drop to 7.5 percent from 15.0 percent in 2001. This will enable more military families to afford quality private-sector housing located in the local communities around DoD's installations. This initiative improves the quality of life for our military families, and makes a contribution to the local economies and real estate markets.

Strengthening Management

The President and Secretary of Defense have made management improvement at DoD a key goal. DoD will transform its business processes and infrastructure to enhance capabilities and creativity of its employees and free up resources to support war fighting and transformation of military capabilities.

Controlling Costs of Constructing Navy Ships

The costs associated with constructing new Navy ships have increased dramatically over the past few years. More funding will be required to complete construction of several types of ships. One ship in particular, the LPD-17 amphibious ship has experienced excessive cost increases. In 2001, DoD estimated that to build 12 ships it would need a total of \$10.6 billion. Now DoD believes it will require \$15.1 billion to build these same 12 ships, a 42 percent increase. DoD has begun a number of initiatives to enhance its ability to monitor and take action on cost growth and schedule delays in the ship construction program.

To support 2.3 million men and women in uniform effectively, the Department's efficiency must improve. DoD's business practices and financial infrastructure must be overhauled; they are outdated and have not kept pace with today's business environment. The Department is working to streamline its organization and infrastructure, adopting new business models to react to rapid changes in technology, and implementing financial management strategies to repair the outmoded and poorly connected accounting and auditing processes. DoD has over 600 different management systems that provide financial information, few of which are truly compatible.


One significant management challenge is the Defense Health Program (DHP). DoD supports an internal health care network, as well as private contractors who provide health care. The core mission of DHP is to provide health support for the full range of military deployments and to sustain the health of military personnel, retirees, and their families. DoD is effective at maintaining a health care system supportive of



day-to-day operations, stays ready to perform its wartime mission, and provides its beneficiaries with the highest quality health care available.

The cost of DoD health care contracts, however, has increased over the past three years to its current level of almost 50 percent of the health budget. Despite various risk-sharing provisions in the current versions of the contracts, there is still a need for greater incentives in the internal system and the private contracts to control escalating costs. High contract costs are caused by a combination of factors including the national health care market, enhancements to the benefit package offered to beneficiaries, effects of downsizing and closures of military health care facilities, the Department’s inability to manage where patients are treated, and ineffective cost incentives. Additionally, DoD has historically underestimated the funding needs of its own medical care system, which has forced beneficiaries into the private sector at a higher cost to the Department. All of these factors resulted in the government paying an additional \$655 million in cost overruns to DoD health care contractors in 2001, and DoD receiving over \$1.3 billion in emergency supplemental appropriations in both 2000 and 2001.

DoD has made progress in better projecting its funding needs for health care contracts and military pharmaceuticals. More work, however, is necessary to strengthen its projections for health care growth in the future. The Department is committed to redesigning health care contracts and administrative policies to create incentives that preserve the ability of DoD to meet its mission and control costs effectively.

The table that follows illustrates how the entire Department fares on the President’s Management Agenda.

Initiative	2001 Status
<p>Human Capital—DoD has completed its civilian personnel workforce analysis that identifies:</p> <ul style="list-style-type: none"> • current skill imbalances; and • potential personnel shortfalls due to the large increase in retirement-eligible employees starting in 2003. <p>DoD identified difficulties with staffing critical technical personnel such as scientists, engineers, acquisition specialists, and medical personnel—occupations that are critical now and in the future. These difficulties are expected to worsen because of the spike in the retirement-eligible population. DoD wants its future workforce to have better problem-solving skills and have more advanced technical knowledge and skills. DoD needs to develop a workforce-restructuring plan that fully addresses these challenges.</p>	

Initiative	2001 Status
<p>Competitive Sourcing—DoD’s inventory of commercial activities represents more than half of the government-wide potential. DoD’s competitive-sourcing program has been historically active compared to other federal agencies, but has declined in recent years. Since the President’s Management Agenda ultimately calls for competing 50 percent of the inventory, DoD’s role in this initiative is important to its overall success. DoD could compete such commercial services as laundry, food, grounds-keeping, transportation, and libraries. Dedicating soldiers to these activities detracts from DoD’s war fighting competency.</p> <p>At this time, the Services and Defense Agencies are projecting actual competitions below levels projected for 2001. DoD needs to compete 15 percent of its commercial inventory in 2003, as required by the President’s Management Agenda. DoD should work to improve the current rate of competitions to meet the President’s goal.</p>	
<p>Financial Management—With over 600 systems providing financial data, DoD has several serious failings in financial management:</p> <ul style="list-style-type: none"> • it is not substantially compliant with federal financial management standards; • it cannot provide a clean assurance statement about its internal controls; and • it has consistently received a disclaimer by its auditors on its financial statements. <p>The DoD Inspector General and the GAO have issued a series of reports critical of DoD’s financial management. For example, a recent GAO report criticized DoD’s excessive use of funds in “canceled accounts” to pay contractor bills.</p> <p>Until adequate progress is made at DoD, the financial statements of the entire government will not receive an opinion from GAO.</p> <p>DoD has launched a major initiative to improve business and financial processes and systems. The Department is working closely with OMB to develop an enterprise architecture and systems that will support efficient operations, and provide accurate, timely, and useful financial information. This will take a number of years, but the Department has documented a clear commitment to improvement and is moving forward.</p>	

Initiative	2001 Status
<p>E-Government—For its information technology programs, DoD fails to comply fully with the Clinger-Cohen Act, the key statute that establishes standards for federal information systems.</p> <ul style="list-style-type: none"> • Clinger-Cohen Act—Enterprise Architecture: DoD must strengthen its capital planning and investment control processes and integrate it with the Program Planning and Budget System (PPBS). The current DoD Enterprise Architecture (EA), the Global Information Grid (GIG), is an important first step to building a comprehensive EA and data layers. There is no clear link between information technology (IT) and performance of core mission. • Clinger-Cohen Act—Reporting Requirements: Clinger-Cohen and DoD regulations require DoD to justify major IT investments. DoD has begun to implement this requirement and complete the necessary analysis. However, DoD has failed to submit business cases for a number of its major IT investments. In addition, many of the cases that were submitted require improvement to meet Clinger-Cohen standards. 	●
<p>Budget/Performance Integration—DoD has two major systems for budget and performance that will provide Spring 2002 reports:</p> <ul style="list-style-type: none"> • Program, Planning and Budget System (PPBS) • Government Performance Results Act (GPRA). <p>However, these systems are not linked in any meaningful way. DoD does not completely factor in performance information when making budget decisions and is unable to correlate its budget request with GPRA goals and performance plans.</p> <p>DoD has taken some initial steps toward integration. The 2003 Budget includes additional performance information linked to budgetary resources. DoD is also implementing the Administration's plan to accrue the cost of health benefits for retirees and dependents over 65. Finally, DoD is working on a plan to implement the Administration's proposed budget integration legislation.</p>	●

Department of Defense

(In millions of dollars)

	2001 Actual	Estimate	
		2002	2003
Spending:			
Discretionary budget authority:			
Military Personnel.....	76,889	81,970	94,242
Operation and Maintenance.....	113,886	126,145	140,232
Procurement.....	61,672	61,117	68,709
Research, Development, Test, and Evaluation.....	41,735	48,554	53,857
Military Construction.....	5,457	6,484	4,767
Family Housing.....	3,685	4,053	4,219
Revolving Funds/Other.....	2,234	2,515	3,255
Subtotal, Discretionary budget authority adjusted ¹	305,558	330,838	369,281
Remove contingent adjustments.....	-2,979	-3,150	-3,302
Total, Discretionary budget authority.....	302,579	327,688	365,979
Emergency Response Fund, Budgetary resources.....	4,284	13,168	10,000
Mandatory Outlays:			
Military Personnel.....	—	26	52
Operation and Maintenance/Health.....	—	—	-1,099
Revolving, Trust and Other DoD Mandatory.....	581	328	565
Offsetting Receipts.....	-1,369	-1,572	-903
Total, Mandatory outlays.....	-788	-1,218	-1,385

¹ Adjusted to include the full share of accruing employee pensions and annuitants health benefits. For more information, see Chapter 14, "Preview Report," in *Analytical Perspectives*.