

DEPARTMENT OF DEFENSE

AT A GLANCE:

2006 Discretionary Budget Authority: \$419.3 billion
(Increase from 2005: 5 percent)

Major Programs:

- Defense of the Nation and its interests
- Training and equipping of military personnel
- Operation and maintenance



MEETING PRESIDENTIAL GOALS

Protecting America

- Leading the Global War on Terror by eliminating sanctuaries for terrorism, capturing or killing al-Qaida's most senior leaders and al-Qaida associated individuals.
- Supporting democratic elections in Afghanistan and Iraq.
- Enabling field commanders in Iraq to fund reconstruction projects quickly.
- Transforming the way wars are fought, with both new organizational strategies and weapons systems and equipment:
 - Executing new strategies to improve the way the Army and Navy deploy their forces;
 - Moving troops from their Cold War footing to new strategic locations and approaches through the Global Posture Initiative; and
 - Pursuing an aggressive strategy of "spiral" development to ensure that new technologies are deployed sooner.

Supporting a Compassionate Society

- Supporting our troops and their families to enable accomplishment of the Department of Defense's mission and to recognize the sacrifice they make on a daily basis:
 - Providing quality medical care to uniformed service members and their families; and
 - Providing excellent educational opportunities to troops, particularly those serving in Iraq and Afghanistan, and quality housing through a nearly complete privatization program.

MEETING PRESIDENTIAL GOALS—Continued

Making Government More Effective

- Implementing a program that converts military positions to civilian positions to free up troops for more high-priority warfighting missions.
- Transferring the background investigation section of the Defense Security Service to the Office of Personnel Management, enabling the Department to focus on its core mission.
- Focusing resources and forces where they are most needed through the Base Realignment and Closure initiative.
- Instituting new management practices in manufacturing and repair facilities to improve efficiency and increase production.

PROTECTING AMERICA

Under this Administration, the Department of Defense (DOD) has received the largest increases in funding since the Reagan Administration, and this Budget builds upon that record. The 2006 request represents a 41-percent increase over 2001, and a 4.8-percent increase over 2005. The Department has used these resources to transform our Nation's military capabilities to meet future threats, to improve the quality of life for our troops and their families, and to fight the Global War on Terror.

To ensure the most cost-effective use of its resources, the Department has recently examined its programs carefully. As a result, DOD has changed some of its spending priorities in this year's Budget and will continue to refine these in the 2005 Quadrennial Review, the Department's strategic review of defense requirements and spending priorities. This Budget continues the Administration's commitment to our troops by providing a 3.1 percent pay raise and additional bonuses to support recruiting and retention. The Budget includes additional funding in the outyears for the Army to change from a division-based structure to one based on new, more agile "modular" brigades better tailored to both ongoing operations in Iraq and Afghanistan and future conflicts. It also improves DOD's capabilities against weapons of mass destruction, including new laboratory facilities, detection systems, and protective measures against advanced biological and chemical weapons. This Budget moves funding for critical intelligence activities essential to success in the long-term Global War on Terror, including language proficiency training, to the base intelligence budget. This move significantly reduces the reliance of the Intelligence Community on supplemental funding, which has been a source of insecurity in intelligence program planning and a source of criticism from the 9/11 Commission. In addition, the Budget increases by 1,400 the number of special operations personnel, whose capabilities have contributed significantly to the War on Terror.

One of the key tenets of transformation is the ability to evolve rapidly and adjust future planning to account for changes in the global environment. Because of the continuing need to reexamine priorities, DOD has reviewed its management processes and weapons systems. As a result, this Budget proposes management savings such as a reduction in Navy end-strength and overall defense contractor support. It also reduces major systems over the next few years based on their cost-effectiveness and/or potential to counter future threats. Examples of these reductions include slower production rates for the V-22, the Expeditionary Fighting Vehicle, the F/A-22, and several classes of large warships (including retiring one aircraft carrier early). DOD has also terminated some programs whose cost-effectiveness no longer warrants their continuation, such as the C-130J and the Joint Common Missile. While proceeding with the above changes, DOD continues to support new transformational capabilities, such as Unmanned Aerial, Underwater, and Land Vehicles; the Littoral Combat Ship, the Army's Future Combat System; and many other programs with a high potential to meet current and future threats.

The Global War on Terror

DOD is fighting the Global War on Terror by:

- taking the fight to the enemy;
- working with allies to isolate and eliminate terror cells; and
- supporting emerging democracies.

Since the precise costs of ongoing operations could not be estimated at the time the 2005 Budget was proposed or enacted, the Administration plans to request, in addition to the 2006 Budget proposals, an emergency supplemental to fund continuing military operations in 2005. The 2006 Budget

PROTECTING AMERICA—Continued

and 2005 supplemental funding request reinforce the United States' unwavering commitment to ensuring that our men and women in uniform have what they need to protect our homeland, defeat terrorism around the world, and support new democracies in Iraq and Afghanistan.



Soldiers with the Iraqi Armed Forces and U.S. Marines with the 5th Marine Regiment, 1st Marine Division, patrol the streets while clearing buildings during Operation Al Fajr (New Dawn) in Fallujah, Iraq.

In 2005, the United States expects to maintain substantial force levels in Iraq to ensure security and help the Iraqi government defeat the insurgency. In 2005, the United States also expects to maintain a significant force in Afghanistan. The 2005 supplemental will help to fund these deployments, including equipment, force protection, and intelligence support.

Together the 2006 Budget and 2005 supplemental will increase the ability of the Army to support the Global War on Terror by accelerating their transformation into more lethal, more capable units. Further, these funds will provide the resources to train Iraqi and Afghan security forces to assure greater responsibility for the security of their countries.

In order to build upon the military successes in Iraq and Afghanistan, and in order to continue to lay the foundation for stable democracies, the United States is committed to building up the security forces of these new governments. As of January 2005, U.S. and allied forces had trained 127,000 Iraqi security forces and will continue to work with the Iraqi Government to improve the capabilities and performance of these forces.

Similarly, in Afghanistan the coalition has trained over 16,000 troops for the Afghan National Army (ANA). The ANA has been so successful that the rate of training has been increased and funds to accelerate that effort will be requested in the 2005 supplemental. Another key element of the U.S. strategy to bolster democracy in Iraq and Afghanistan is providing aid to the people there. To advance freedom and stability, the United States is funding a variety of long- and short-term initiatives designed to support national infrastructure and projects of immediate value to hundreds of towns and villages.

The 2006 Budget and 2005 supplemental propose to continue the authority for the Commander's Emergency Response Program (CERP). The Budget requests authority for an additional \$300 million, and substantial additional 2005 supplemental funding will be requested. Since the inception of CERP, commanders have spent almost \$250 million to directly improve education, healthcare, electricity, water, and security. Each major command has been allocated CERP funds based on the geography, population, and needs of their respective region. CERP projects help local commanders quickly deal with short-term



Members of the U.S. Marines 7th Regiment walk the city streets of Al Anbar, Iraq and hand out gifts as gestures of goodwill.

needs and are conducted along with large-city and nationwide projects headed by the U.S. Agency for International Development and the Corps of Engineers. CERP is successful because it is administered by local commanders who live and interact with local citizens. Commanders work directly with local communities, through civil affairs experts, to identify and respond to immediate needs with low-cost, high-impact projects. A testament to the program's success is the fact that the Iraqi Interim Government has added millions of dollars of its own funding to the program.

Transforming Our Fighting Capabilities

Transforming the way the U.S. military is organized and equipped is one of the highest security priorities for President Bush. To support the President's goals, the 2006 Budget and 2005 supplemental fund:

- a wide variety of unmanned vehicles;
- the continued development of a reconfigurable warship that can be effective in multiple missions;
- the realignment of Army units to make them more flexible and more easily deployable;
- the Global Posture Initiative that optimizes the deployment of U.S. forces around the world; and
- the development of new communications and computer systems.

Unmanned vehicles are well suited to the dangerous missions that U.S. troops often undertake at great risk. The Department continues to make major investments in the development and procurement of unmanned ground vehicles (UGVs), unmanned underwater vehicles (UUVs), unmanned aerial vehicles (UAVs), and unmanned combat aerial vehicles. DOD has only begun to exploit the potential of these vehicles. For example, while current operational UAVs like the Predator and Global Hawk are well known, many other UAVs have been, or are being, developed by the Department in a wide variety of shapes and sizes. And while the current generation of UAVs have been mainly used in the reconnaissance role, the Department is exploring the feasibility of using UAVs in entirely new ways that will help to transform how U.S. forces fight. An example of this is the use of armed robots to assist in the clearing of buildings occupied by insurgents. This capability has the potential to transform urban combat operations. UUVs are also being developed for mine detection and avoidance operations, and the range of missions for UGVs is expanding from examining improvised explosive devices to exploring caves. The Department's funding for these efforts reflects the importance the Administration places on this area of technology development. The 2006



Members of the U.S. Army's 21st Infantry Regiment provide school supplies and visit classes at Al Nidhal public school in Amel Shabi, Iraq.



A soldier with the 1st Infantry Division operates and maintains a Shadow 200 Unmanned Aerial Vehicle at Forward Operating Base Warhorse in Iraq.

PROTECTING AMERICA—Continued

Budget provides \$1.7 billion for unmanned vehicles. Unmanned vehicles will provide a significant advantage for U.S. forces on the battlefield of the future by reducing the risks to our troops.



A computer-generated depiction of a LCS design.

The Littoral Combat Ship (LCS), now in development and testing, is a fast, small, and low-cost surface warship capable of operating in littoral (near-shore) waters. The Navy will use the LCS in environments where it is impractical to employ larger, multi-mission ships. The LCS has an innovative hull form and propulsion systems and is capable of high speeds reaching 40 to 50 knots. This capability will enable it to perform many different missions such as anti-small-boat warfare, mine countermeasures, and anti-submarine warfare. Secondary missions will include intelligence, surveillance and reconnaissance, homeland defense, maritime interdiction, and support for Special Operation forces support.

The 2006 Budget supports the LCS and associated weapons systems by providing \$613 million for acquisition, which is an increase of \$156 million from 2005.

The 2006 Budget supports substantial investments in advanced technology to provide advantages over our enemies, particularly in remote sensing and high-performance computing. U.S. intelligence capabilities are employing advanced technology systems to exploit, process, and produce information from enemy signals, imagery, and human and other sources. Investments in communications are improving connectivity between troops and their commanders well beyond the field of battle. These developments are improving our ability to detect and counter the broad range of threats facing the United States, reaping benefits for both U.S. forces and homeland security.

The 2006 Budget also supports the Department's efforts on a wide range of technologies that can protect military personnel, while allowing them to perform their mission more effectively. For example, the Budget funds research into new materials for troop clothing that provides better camouflage, helps to maintain comfort and health, and still stands up to harsh conditions. Other research and development is proceeding on the detection of improvised explosive devices, chemical and biological agents, and radioactive materials. Additional work is being supported on aerial sensors, hypervelocity missiles, and other smart weapons that will reduce the time from the appearance of a battlefield threat to the time that the threat is destroyed.

Organizational Transformation

Transformation requires more than pursuing next-generation weapons systems. Transformation also requires changing the way we organize our troops to address new threats. An example of this is the Army's effort to "modularize" its combat and support units into more effective and useable formations. The new modular combat brigades are more self-contained than current brigades because they include their own artillery, engineers, military police, and supply capabilities. This makes them more deployable and flexible than current brigades. Once the reorganization into modular units is complete, Reserve and Active units will be more interchangeable, reducing the frequency of deployment

of high-demand units and providing stability for soldiers and their families. The Administration plans to request an additional \$35 billion for the Army for modularity between 2005 and 2011.

Global Posture Initiative

In August 2004, the President announced the most comprehensive restructuring of U.S. military forces overseas since the end of the Korean War. This will require the shifting of our military presence from Cold War needs to one reflecting the strategic realities of the 21st Century. Once the Global Posture Initiative is implemented, our forces will be better able to contend with new threats, such as those posed by terrorism and the proliferation of weapons of mass destruction. Another benefit of this initiative is that it will enable fewer overseas moves for service members, providing more stability for military families.



Forward basing for B-2 Bombers is addressed by the Global Posture Initiative.

This initiative is expected to be implemented over the next 10 years. Over that time, 70,000 military personnel—and 100,000 family members and other civilians—are expected to return to the United States as a result of this effort. The United States' overseas presence will be reduced from 850 sites to 550. To begin this effort, the Administration has added \$416 million in the 2006 Budget and \$3.5 billion through 2011. Furthermore, the Administration expects the decisions on global posture will help inform base closing decisions under the Base Realignment and Closure (BRAC) process in 2005.



Paratroopers in Italy board a plane before a night drop into Germany as part of an exercise.

Spiral Acquisition

One of DOD's key initiatives for improving how it procures new weapon systems is the use of "spiral acquisition," in which new technologies and capabilities are tested and added to the inventory in carefully planned and limited increments. In the past, many new weapon systems were designed from a "clean sheet" to achieve a dramatic leap forward in capability. This often led to pushing the use of very young technologies, coupled with very complex designs and system engineering. The result was often large cost increases and schedule delays. This inevitably resulted in troops having to continue using older equipment, which was not upgraded because the new weapons' program cost over-runs were absorbing funding. The Administration is committed to solve this problem.

A good example of spiral acquisition is the Army's Future Combat System (FCS), which this Budget supports with a \$3.4 billion request, an increase of \$200 million from 2005. FCS will provide 18 new systems (ranging from UAVs, new sensors, unmanned ground systems, and new armored fighting vehicles) to re-equip the Army for the highly mobile, network-centric warfare of the 21st Century.

PROTECTING AMERICA—Continued

FCS had been structured as a classic large, complex acquisition where everything was planned to come together (all 18 systems plus a network to link them) into the first, completely re-equipped brigade in 2010. The acquisition risk and cost of this approach was formidable. Recognizing the problem, the Army restructured FCS development and procurement into a spiral acquisition where subsets of the new systems are delivered in four “spirals” beginning in 2008. This approach allows the Army to deploy those elements of FCS that are ready first, while providing enough time to test and develop the more challenging components for introduction in later spirals. The new strategy will provide more capability to the troops sooner, while effectively managing cost and technical risk.

Strengthening Intelligence

Policymakers require timely, accurate, and insightful information on the capabilities and intentions of foreign powers, including terrorist groups. Military commanders need such information and real-time battlefield intelligence to wage war successfully. The agencies of the U.S. intelligence community have the responsibility to meet the full range of U.S. intelligence needs from the national level to the tactical level. The 2006 Budget devotes substantial resources to U.S. intelligence capabilities and continues a commitment to transform them to more effectively meet the challenges of the 21st Century.

SUPPORTING A COMPASSIONATE SOCIETY

Military Housing

The President is committed to providing members of the military and their families quality housing whether they live on- or off-base. The 2006 Budget is the first in which members of the military and their families living off-base will have their total average housing costs fully paid.

One of the goals of the 2006 Budget is to eliminate 67,000 inadequate housing units (out of a total of 136,000 Government-owned units) by 2007. A proven method to eliminate inadequate housing, and to improve the quality of housing over the long-term, is to privatize Government-owned family housing—so that private sector professionals best able to refurbish, build, and supply housing for our troops do so, allowing the Department to focus on its core warfighting mission.



A military family moves into their new house on Ford Island, Hawaii.

Defense Health

DOD's expert medical care teams continue to save lives in Iraq and Afghanistan due to advanced battlefield medical techniques, rapid patient transportation systems, and state-of-the-art medical equipment. Battlefield health care has been enhanced with field surgical and medical care teams that provide front-line, life-saving medical attention within minutes after injury and are integrated with a responsive medical system. The specialized aero-medical evacuation system quickly moves patients from the battlefield to military hospitals for follow-on care in Germany and the United States, some within 36 hours. The wounded survival rate is 98 percent, and families see firsthand the importance of the swift, high-quality, and compassionate care delivered. DOD has also made far-reaching improvements in its development of automated records to support quick access to critical healthcare information. In 2006, the Budget requests \$19.8 billion, an increase of \$1.6 billion over 2005, to continue providing our troops and their families with comprehensive and quality health care.



A member of the 105th Military Police Battalion, North Carolina National Guard, cradles his seven-week old daughter before boarding a plane to deploy to Iraq at Pope Air Force Base, North Carolina.

This Administration has expanded access to medical care for reservists and their family members before, during, and after mobilization. For those reservists, retirees, and families not using DOD's own medical care system, DOD provides an insurance program called TRICARE. This program has made significant changes to its nationwide contracts to improve portability for families and eliminate regional administrative differences. Enrollment is now automatically transferred when beneficiaries

SUPPORTING A COMPASSIONATE SOCIETY—Continued



An Air Force Pharmacy Technician fills a prescription in the clinic at Davis-Monthan Air Force Base, Arizona.

move to a new region. The network of civilian physicians has also expanded, and other customer-focused improvements have been made to increase the quality of care, access, and claims payments. DOD's new TRICARE website provides more beneficiary information on enrollment and network providers, procedures to file claims, customer support, and the ability for a patient to view his or her claims online. In addition, the website includes programs to provide beneficiaries with information that allows them to make better healthcare decisions.

Education Assistance

In keeping with his commitment to improve benefits and quality of life for the Nation's citizen-soldiers, President Bush proposed and recently signed into law a new education assistance program for members of the Guard and Reserve who are mobilized in the War on Terror. Members of the National Guard and Reserve mobilized for more than 90 consecutive days and less than one year will receive, in addition to the current \$288 benefit, an additional \$114 per month, or 40 percent increase, for a total of \$402 per month in 2005 for education. Members mobilized between one and two consecutive years will receive an additional \$314 per month, or 109 percent more, for a total of \$602 per month in 2005. Members mobilized over two consecutive years will receive an additional \$515 per month, or 179 percent more, for a total of \$803 per month in 2005. The 2006 Budget funds this initiative with \$203 million.

DOD also provides a full range of transition services to members leaving service. These services include information on education, training, employment assistance, Guard and Reserve opportunities, medical benefits, financial assistance, and public and community service. DOD also offers a variety of tools to help departing service members write resumes and maintains databases of jobs from many employers, including employers specifically seeking applicants with service members' skills. DOD works closely with the Department of Veterans' Affairs and the Department of Labor to ensure departing members receive all the benefits and assistance to which they are entitled.

MAKING GOVERNMENT MORE EFFECTIVE

Transfer of Background Checks to the Office of Personnel Management

DOD and the Office of Personnel Management (OPM) signed a Memorandum of Agreement for the permanent transfer of approximately 1,800 DOD employees to OPM, in early 2005. The employees will augment OPM's contractors to perform the personnel background investigations required for Federal employment and granting security clearances for Federal civil servants, military personnel, and contractor personnel. With these additional personnel, OPM will be able to aggressively move to reduce the backlog in these investigations—a critical step to strengthen national and homeland security. Moving this function to OPM allows DOD to focus its resources on warfighting, while allowing OPM to use its expertise in personnel matters.

Military to Civilian Conversions

Beginning in 2004, DOD converted over 7,600 military positions to civilian positions, to relieve strain on the military force and to free up our troops to meet high-priority military missions. The Department plans to convert an additional 12,000 military positions in 2005, and over 5,800 additional positions in 2006. This program is an essential part of the Department's efforts to ensure all military personnel are performing military essential activities in support of the Global War on Terror.

National Security Personnel System

In November 2003, the Congress passed landmark legislation adapting an Administration proposal to grant authority to DOD to establish a new civilian personnel management system, the National Security Personnel System (NSPS). Since that time, the Department has worked with its employees, OPM, and various union representatives to develop a personnel system that will provide the Department the flexibility to hire, assign, pay, evaluate, advance, and remove DOD civilian employees based on current national security requirements. The system will protect employees' rights by continuing the use of merit system principles, accommodation of veterans' preference, and respect for bargaining. DOD plans to roll out the first phases of NSPS at the end of 2005 and beginning of 2006. Once fully implemented, NSPS will cover over 700,000 civilian DOD employees.

Adopting Best Practices

DOD depots are adopting best practices from the private sector to save money and improve their ability to maintain our military's equipment. The implementation of new initiatives has helped military depots to identify wasteful practices and eliminate tasks that do not add value. Depot managers have reorganized workspaces to be more ergonomic, helping DOD personnel to spend more time repairing military equipment and less time looking for their tools or spare parts.

As a result, military depots have decreased the turn-around time it takes to repair critical equipment. For example, increased efficiency enabled the Oklahoma City Air Logistics Center to reduce the number of days needed to maintain KC-135s from 440 to 230 days.



A tank at the Marine Corps Logistics Base in Albany, Georgia undergoes depot maintenance.

MAKING GOVERNMENT MORE EFFECTIVE—Continued

Base Realignment and Closure

The maintenance of excess infrastructure diverts resources from where they can best be used to support the military. The 2006 Budget will allow the Department to implement the recommendations of the 2005 BRAC round that, in conjunction with the Global Posture Initiative, will allow it to match its infrastructure spending to new national security imperatives. BRAC will start realizing over \$7 billion in estimated annual savings by 2012. These savings will allow DOD to allocate funds to higher priority requirements, such as efforts to modernize weapons, enhance quality of life and improve readiness. However, the 2006 Budget does not prejudge any particular closures or realignments. Decisions regarding closures or realignments are made through the BRAC process.







Update on the President’s Management Agenda

The table below provides an update on DOD’s implementation of the President’s Management Agenda as of December 31, 2004.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status	●	● ↓	●	●	●
Progress	●	●	●	●	●

Arrow indicates change in status rating since evaluation as of September 30, 2004.

Over the past year, the Department has worked to develop and begin implementing the new National Security Personnel System that will give DOD the tools it needs to manage its workforce more strategically. In addition, DOD has made solid progress identifying and strengthening management competencies. While DOD has effectively used A-76 competitions to achieve general savings in the past, the pace of announcements has slowed significantly causing DOD to fail to meet its goals. Competition announcements under the revised A-76 Circular have lagged. With new announcements coming, DOD expects the Competitive Sourcing Initiative to reduce costs to the Military Services and Defense Agencies by more than \$6 billion by 2006 and by almost \$16 billion by 2009. The Department is engaged in a major, long-term effort to modernize its financial and business systems. This effort is helping DOD to better understand the root causes of its financial management weaknesses, target improvement efforts, and identify best practices going forward. For E-Gov, DOD certified and accredited 72 percent of all its systems to ensure they meet information technology security requirements, and it is moving forward with architecture efforts to improve information flow to the battlefield. As part of the Budget Performance and Integration Initiative, DOD continues to implement the new Program, Planning, Budgeting and Execution System to emphasize the integration of performance metrics into the budget process.

Initiative	Status	Progress
Real Property Asset Management		
Privatization of Military Housing		
Eliminating Improper Payments		

Arrow indicates change in status since evaluation on September 30, 2004.

DOD is well positioned to make significant advancements in real property management. The Department's Asset Management Plan incorporates best practice solutions that assist DOD managers in making capital investment decisions that help advance mission critical objectives. The Department has employed effective controls to maintain low improper payment rates in the military retirement and health programs. DOD is also taking aggressive steps to address improper payments to contractors, recovering \$86.3 million of such payments in 2003. (Because this is the first quarter that agency efforts in the Eliminating Improper Payments Initiative were rated, progress scores were not given.) The Department has privatized 74,153 housing units and is on track to eliminate all inadequate housing units by 2007. The 2006 Budget supports the elimination of all inadequate housing in the continental United States by 2007. DOD is making significant progress this year in privatizing military housing, thereby achieving Green for status and progress.

Department of Defense
(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Spending			
Discretionary Budget Authority:			
Military Personnel	97,048	104,022	108,943
Operation and Maintenance	128,104	137,024	147,828
Procurement.....	76,090	78,119	78,043
Research, Development, Test, and Evaluation.....	64,309	68,797	69,355
Military Construction.....	5,634	5,950	7,809
Family Housing.....	3,799	4,055	4,243
Revolving Funds and Other	681	2,091	3,120
Subtotal.....	375,665	400,058	419,341
Budget authority from enacted supplementals ¹	92,810	1,074	—
Total, Discretionary budget authority	468,475	401,132	419,341
Total, Discretionary outlays	436,934	443,232	424,415
Total, Mandatory outlays	182	836	1,900
Total, Outlays	437,116	444,068	426,315

¹ 2004 includes repeal of \$1.8 billion rescission and inclusion of \$983 million for CPA.