

DEPARTMENT OF DEFENSE

Since 2001, the Administration has:

- Fought the War on Terror on the offensive;
- Removed threats to our security in Afghanistan and Iraq liberating nearly 50 million people in these countries;
- Provided pay raises to our servicemen and women of more than 21 percent and expanded the use of targeted pays and bonuses;
- Begun to transform our Nation's defenses and increased spending by 26 percent, the largest increase in the Defense budget since the Reagan Administration;
- Launched a transformational and joint training program improving readiness rates;
- Increased research and development funding by 56 percent;
- Improved the quality of housing for military personnel and their families through privatization and new construction; and
- Doubled investments in missile defense systems, deploying the first ever land and sea-based system.

The President's Budget:

- Advances our ongoing efforts in the Global War on Terror;
- Provides \$401.7 billion for the Department's base budget, an annual increase of seven percent, for a total increase in defense spending of 35 percent since 2001;
- Makes measurable strides in transforming the Department to meet new threats; and
- Continues improvements in the quality of life for our military personnel and their families.

Department of Defense

Donald H. Rumsfeld, Secretary

www.defenselink.mil 703-697-5131

Number of Employees: 2.3 million Military (Active, Reserve, and Guard) and almost 700,000 Civilian

2005 Discretionary Budget Authority: \$401.7 billion

Key Components: Department of the Army, Department of the Navy, Department of the Air Force, 15 defense agencies, and unified combatant commands.

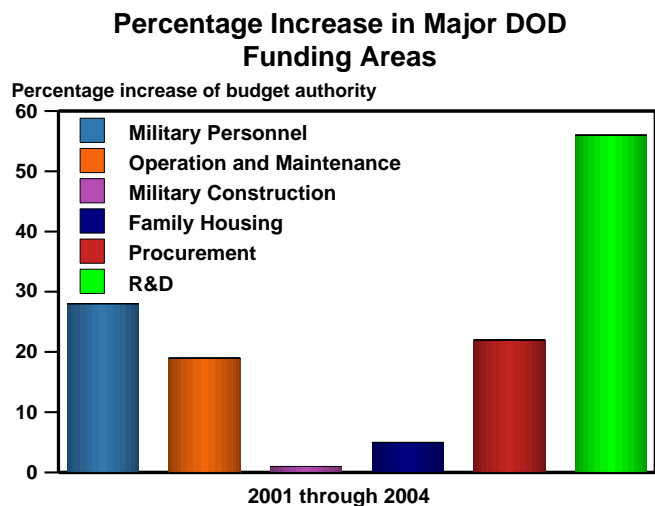


Secretary Rumsfeld responds to a question at a town hall meeting in the Pentagon.

OVERVIEW

The Department of Defense (DOD) is currently on the front lines of the War on Terror. As of December 14, 2003, there were 12,387 U.S. military troops deployed to support Operation Enduring Freedom in Afghanistan and 125,141 to support Operation Iraqi Freedom. These troops are fulfilling the President's commitment to take the war on terror to the terrorists. The fall of the repressive Taliban and Hussein regimes is making way for new governments in both Afghanistan and Iraq, paving the way for societies that are free.

Prior to taking office, President Bush pledged to invest resources more wisely when funding DOD. As the accompanying chart shows, since taking office, President Bush has consistently built defense strength. In fact, in constant 2004 dollars, defense spending has only been higher twice since World War II—during the Korean War and at the peak of the Cold War buildup. While some of this spending may be attributed to the War on Terror, President Bush committed to and has succeeded in steadily growing the base budget of DOD from \$296.8 billion when he took office to \$401.7 billion in the 2005 Budget. This 35-percent increase to the Department's base budget helps fulfill the President's commitments and ensures a fighting force that is second to none.



One of the challenges confronting the Department is the fulfillment of President Bush's commitment to transform the Department to meet new threats. As the chart depicts, funding for research and development (R&D) as well as funding for procurement has grown substantially. While this fulfills half of the President's pledge—to provide more resources—the other challenge is in knowing how to use these resources more wisely. The Department has made tremendous strides in fielding new technologies and changing the way the United States confronts its foes. From the use of unmanned vehicles to the use of advanced communications, the Department is aggressively pursuing the President's vision. As part of that pursuit in 2005, the Department will continue to reexamine many of its procurement programs that were transformational at their inception 20 years ago, but that are now being sustained at the expense of truly transformational technologies.

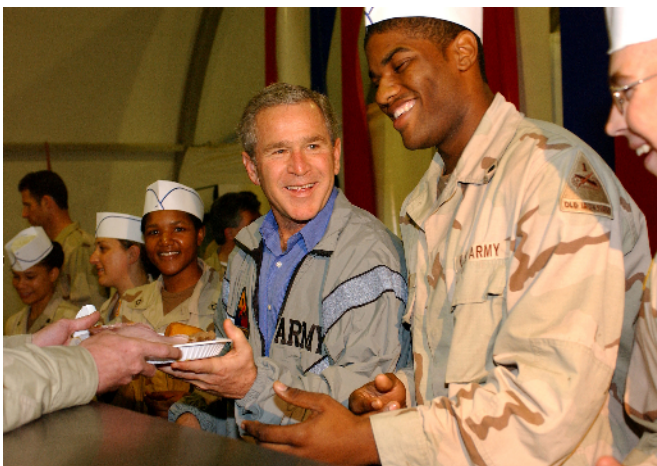


Mother and daughter reunited.

BETTER PAY, BETTER TREATMENT, BETTER TRAINING

The President promised to provide members of the Armed forces “better pay, better treatment, and better training.” He has fulfilled that promise to our troops. The purpose of better pay, treatment, and training is simple—to attract the best into the armed forces, to train them to fight effectively, and to give them the incentive to remain in the military.

During the first three years of his Presidency, basic pay alone has increased by more than 21 percent. Many servicemembers have seen much more than that. And, basic pay is only two-thirds of servicemembers' take-home pay. The increase in basic salary and payments for food and housing has reached almost 29 percent. In addition, the food and housing allowances are provided tax-free, so their actual value is significantly higher. Average compensation is now more than \$40,000 for enlisted members and more than \$79,000 for officers. Servicemembers also receive retirement benefits and health care for themselves and their families at little or no charge.



The President joins the troops in Iraq for Thanksgiving.

The Department continues to provide many servicemembers with bonuses, incentive pay and allowances, and also provides a host of non-monetary compensation initiatives, such as commissaries; exchanges; the Thrift Savings Plan; fitness facilities; morale, welfare, and recreation activities; and significant education benefits and other training; both in and outside of service, complemented by many veterans programs. This year, many military retirees will for the first time receive both their military retired pay and their veterans' disability compensation. Further, military health benefits are without peer. The TRICARE for Life (for retirees over age 65) is in place, as are enhancements to survivor benefits. This total

Privatization: Peace on the Home Front

With soldiers deployed in Iraq, families can rest easy in new homes with amenities such as more bedrooms for children, large storage rooms, covered carports, and fenced-in backyards with patios.

One of the largest Army sponsored privatization projects is at Fort Hood in Killeen, Texas. The Army initiative allows for a public-private partnership to own, maintain and manage 974 newly constructed housing units and to renovate, revitalize, own, maintain, and manage an additional 4,938 housing units, resulting in a total of 5,912 privatized housing units. The Government conveyed housing units, leased land, and contributed an equity investment, while the private sector partner obtained a commercial loan and contributed equity. Already, over 500 new homes have been built. Every month, 30 new homes are constructed and 40 existing units are renovated. By 2005, the private sector will construct 974 new units and renovate about 1,530 units for military families at Fort Hood.

compensation package ensures that most servicemembers have reason to be satisfied with their quality of life. It also ensures that recruitment and retention, which had fallen off during the late 1990s, stays strong.

Current law protects members of the Armed Forces from IRS collection action, penalties, and interest while they serve in a combat zone and for 180 days afterwards. Activated members of the National Guard and Reserve who are called up for long periods to fill in for deployed troops often leave behind jobs and businesses. Even if they do not serve in a combat zone, by virtue of their deployment these personnel are often unable to respond to the IRS in full or on a timely basis. The President's Budget will assure that activated Guard and Reserve members enjoy the same temporary shield against IRS tax actions as their active duty counterparts who are serving in a combat zone.

Part of this basic compensation entitles servicemembers to housing at no charge or a cash allowance to cover the cost of housing. Until the mid 1990s, servicemembers who lived off-base were expected to "absorb," or pay for, 15 percent of their housing costs. In reality, this cost for service personnel had grown until it was almost 20 percent. By the end of 2005, out-of-pocket expenses will be eliminated, meaning that the average servicemember who lives off-base will have all their basic housing costs covered.

The Administration will continue to improve the quality of housing for military families. One of the goals of the President's Management Agenda is to eliminate 120,000 inadequate housing units by 2007. The 2005 Budget supports this 2007 goal.

One way to eliminate inadequate housing and to improve the quality of housing over the long-term is to privatize Government-owned family housing—letting the Government take advantage of private sector skills. One component of the President's housing initiative permits DOD to enter into business agreements with the private sector, whereby it draws on private sector expertise, leverages Government resources, and improves the quality of family housing faster than the traditional approach of Government construction of



Family housing at Camp Pendleton, California.

of

housing. In privatized housing, business entities own, operate, and maintain quality homes, allowing military personnel and their families the option to rent high quality homes at prices covered by housing allowances. Privatizing housing also allows the Department to focus on mission critical needs and leaves the management of houses to the private sector.

In promising “better training,” the President committed to strengthen the military readiness of our soldiers, sailors, marines, and airmen. Since taking office, the President has added \$9.2 billion to the operation and maintenance accounts to make good on this promise. This investment is paying off as critical readiness indicators are improving.

- The number of miles soldiers drive a tank in training improves their skills and readiness; the average tank crew will drive a tank nearly 858 miles in 2005 or 12 percent over the 2000 level.
- Similarly, the number of hours air crews fly air force fighter jets in training improve their skills and readiness; the average air crew will fly a fighter jet nearly 17 hours per month in 2005 up from nearly 16 hours in 2000.



U.S. and Philippine Marines train together.

However, the real proof of military readiness is combat performance. Our combined military forces have demonstrated overwhelming combat effectiveness in Afghanistan, Iraq, and in other operations around the world. The readiness of U.S. Armed Forces to carry out combat operations anywhere in the world is now unparalleled. The Budget provides over \$140 billion in operations and maintenance funds to ensure that our military is capable of executing the National Security Strategy. This strategy demands that the military be able to:

- Assure our allies and friends;
- Dissuade future military competition;
- Deter threats against U.S. interests, allies, and friends; and
- Decisively defeat any adversary if deterrence fails.



An Army Specialist mans a security position in Iraq.

The military’s ability to achieve these strategic ends rests on four pillars of military readiness—all supported strongly in the 2005 Budget:

- Soldiers, sailors, marines, and airmen are trained to the highest possible standards;
- The best possible equipment is available to accomplish any mission;
- Equipment is maintained to the highest possible standard; and
- Sufficient personnel with the right capabilities are recruited and retained.

As one example, the Budget supports the Navy's shift to a new operational concept, the Fleet Readiness Program (FRP). The FRP is designed to provide the Nation with more flexible forces that can be deployed to deter aggression or to defeat swiftly the efforts of our adversaries. The FRP will change the way the Navy trains, maintains and deploys its units. With this concept in place, the Navy will be able to deploy up to 6 of its 12 carrier groups and to have two more groups ready to follow on within 90 days. This is in contrast to the previous routine which kept only three carriers deployed for portions of the year. The FRP's tremendous increase in available combat power and responsiveness is only possible due to the Administration's multi-year investment in readiness. The FRP will give the President more flexibility to meet today's complex security challenges. The FRP is an excellent example of the Administration's efforts to transform the armed forces so that we fight even more effectively.



USS Nimitz returns home to San Diego after supporting Operation Iraqi Freedom.

DEFENSE HEALTH



An aeromedical team evacuates soldiers injured in Iraq.

The primary mission of DOD's medical care delivery system is to train and support its medical staff for combat and other field operations and to maintain the health of our fighting forces. In addition, DOD, like other employers, provides its active duty and retired personnel and their families with health care coverage under a system called TRICARE. Since the military medical facilities can only handle a limited number of patients, private sector care is provided to all others under TRICARE. When President Bush took office, DOD provided care to just over eight million beneficiaries. In 2005, DOD will provide care to almost nine million people, an increase of eight percent.

DOD has moved forward with new TRICARE contracts that will maximize the use of Federal health care facilities in conjunction with private sector sources, while continuing to ensure high-quality health care and excellent customer service. One of President Bush's key management initiatives is better coordination between DOD and the Department of Veterans Affairs (VA) to provide seamless and top quality efficient services to

our Nation's military members as they transition out of military duty. The Departments are now working to implement a computer system that allows the instant flow of patient medical information between them. They have started to explore and implement joint training opportunities and are sharing more and more facilities. More information on the coordination between DOD and VA health care is found in the VA chapter.

Combat Medical Support

This Administration made critical changes in combat medical support that are saving lives during Operation Iraqi Freedom. When combat forces rolled across the Iraqi desert, medical corps professionals moved with them. The medical staff now has new high tech equipment, including mobile surgical units and chemical bandages that stop heavy bleeding. With new, lighter equipment, surgical teams stabilized patients on the front lines and provided definitive treatment in highly mobile field hospitals within hours. Often, within 24 hours of injury, patients are air-evacuated by highly skilled medical teams to U.S. military hospitals thousands of miles away. Medical teams from the three Services are more integrated than in any past wars, and the collaboration of their specific skills clearly saves more lives.

TRANSFORMING OUR ARMED FORCES TO FIGHT 21st CENTURY WARS

Warfare in the 21st Century will look very different from that for which the U.S. military has trained, equipped, and organized during the past 50 years. Throughout history, nations that failed to recognize the changing nature of warfare often suffered defeat. The U.S. military currently possesses an overwhelming superiority in conventional warfare. As President Bush has noted, with that superiority secure for the near-term, now is the perfect window of opportunity to transform the way DOD organizes and equips itself to fight our 21st Century adversaries. Leveraging rapidly changing technology with flexible organizations and adaptable doctrine, the U.S. military aims to become lighter, faster, and more lethal.

Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom demonstrated many of the Department's initial transformation efforts to re-define warfare on our terms. In both conflicts, over 70 percent of all munitions used were precision-guided compared to less than 10 percent in the 1991 Gulf War. Furthermore, advanced communications and satellite technologies provided U.S. soldiers and Marines in Iraq nearly instant access to precision air support and critical battlefield information such as the position of friendly and enemy forces. With these advantages, and with the skill, bravery, and initiative of the well trained and led American servicemember, U.S. forces quickly took control of the battlefield and destroyed the military capabilities of our adversaries.

The real goal is to move beyond marginal improvements to replace existing programs with new technologies and strategies. To use this window of opportunity to skip a generation of technology. This will require spending more, and spending more wisely.

Governor George W. Bush
The Citadel, September 1999

To support the President's transformational goals, the Administration has:

- Doubled investment in missile defense systems to put the Department on track to field an operational system in 2004;
- Committed a significant amount of DOD's procurement budget to transformation;
- Pursued transformational programs across the services to include the Army's Future Combat System, the Navy's conversion of ballistic missile submarines to guided missile submarines, and the Air Force's unmanned combat aerial vehicles.

Furthermore, the Department has undertaken other transformational initiatives to include:

- Changing how, where, and why forces are deployed around the world;
- Adjusting the structure of some of the Army's units to facilitate fielding a more flexible, adaptable force;



A Predator Unmanned Aerial Vehicle being towed to the runway in support of Operation Enduring Freedom.

where around the world, it will emphasize expanding the role and capabilities of unmanned aerial vehicles, enhancing the mobility of soldiers and equipment, improving communications, and using space systems in new ways.

Specific transformation initiatives include:

Unmanned Vehicles. The current operational Unmanned Aerial Vehicles (UAV), such as the Air Force Predator and Army Shadow have demonstrated tremendous capabilities in recent conflicts. While they have mainly been used in a reconnaissance role, the successful use of the Predator as a weapons platform is an early indicator that this technology offers profound opportunities to transform the way in which the United States will be able to conduct a wide array of combat and military support operations. The Department is consolidating and expanding its efforts to explore the potential of UAV technology. The Secretary of Defense has identified 49 goals for unmanned aviation that support the Department's overall strategy of fielding transformational capabilities, establishing joint standards and controlling costs. The Department's funding for UAV development has risen from just above \$3 billion in the 1990s to over \$12 billion for 2004 through 2009. These funds will be used to develop new sensor technology, to assess the feasibility of new roles and missions for UAVs, and to develop intelligent autonomous vehicles that can perform the "dull, dirty and dangerous" missions better and with less risk to U.S. forces. The development and testing of combat UAVs for the most dangerous combat missions is one of the Department's highest priorities. As a result of these efforts, unmanned vehicles will become an increasingly important advantage for U.S. forces on the battlefield of the future and will play a major role in transforming the way the United States wages war.



A Global Hawk Unmanned Aerial Vehicle receives a pre-flight test.

- Equipping small teams of U.S. Special Forces personnel with communications and targeting devices to allow them to coordinate U.S. attacks from the air and indigenous forces' efforts on the ground;
- Modifying the way the Navy deploys aircraft carrier battlegroups to extend their presence; and
- Deploying Air Force expeditionary wings that are more responsive to Combatant Commanders.

As the Department continues to transform so that its forces are capable of rapid power projection with precision engagement any-



The Army's Stryker Infantry Carrier Vehicle.

time, which will reduce the need for an immediate logistics or supply line. These capabilities are designed with the objective of providing the Combatant Commanders multiple options in any situation using a single force.

To increase the mobility and response time of U.S. troops, the Army, Navy, and Marine Corps are currently experimenting with a commercially developed High Speed Vessel (HSV). Experimentation to date has shown that HSVs are able to move brigades of troops and their equipment at approximately twice the speed of any other sealift vessel. These ships are small enough to allow the use of shallow harbors, which means that troops can disembark from more ports. Beyond troop mobility, these platforms are reconfigurable and can be tailored to a wide variety of different missions. This concept is being employed by the Navy for its new ship class, the Littoral Combat Ship. The Budget assumes that the first ship of this class will be procured in 2005 as an experimental platform to prove the concept and evaluate what else these small reconfigurable ships may be able to do.



High speed sealift operates in the Persian Gulf.

Agile and Mobile Troops. Other transformation efforts are focused on the mobility and agility of ground forces. The Army reoriented its focus to be lighter and more mobile than its current tank and infantry fighting vehicle based units. The centerpiece of this change is the Future Combat Systems (FCS). FCS is designed to provide a rapidly deployable, highly mobile, lethal land force with the ability to fight on arrival in theater.

Forces will be networked to a system of sensors so that commanders will be able to react and plan in real-time. FCS units will also be self-sustaining for limited periods of

Communications. Communications improvements have already revolutionized the way the United States fights. The 2005 Budget continues to support advanced technologies, which improve and refine knowledge available to soldiers, sailors and marines on the battlefield and at sea through sensor technology and real-time communications. Network Centric Warfare systems will tie real-time intelligence and sensor information, target identification, mission planning and battle damage assessment capabilities together in one place. As the technology develops and evolves, the ability to transmit this information to all forces within range will be possible. Similarly, the Single Integrated Air Picture will correlate radar information from air, ground and sea platforms to create a single radar picture for all forces, allowing for a more complete and accurate rendering of the environment.

Space. The Department continues to make progress in significant new, transformational space programs. The Space Based Radar program promises to provide near-continuous, all-weather surveillance on a global basis. DOD is also conducting an Operationally Responsive Spacelift demonstration program with the first flight planned in 2007. Rapid launch of satellites will become an essential element of future transformational space operations. Finally, continued development of laser communications satellites will provide dramatic new capabilities to supply more timely, secure information to combat forces. Communications to mobile forces, unlimited by current bandwidth restrictions, are critical to transformation of DOD combat operations.



Two members of the Joint Task Force check a satellite antenna in Afghanistan.

The President's Commitment to Increase Funding for Research and Development

The President has steadfastly increased R&D investments in order to skip a generation of weapons and transform the military into the 21st Century fighting force it must become. From 2001 to 2004, the Department increased its R&D spending from \$41.1 billion to \$64.3 billion. The increases have supported a wide range of new systems including fighter aircraft, surface ships, submarines, the Army's Future Combat System, satellites, communications equipment, intelligence systems, and science and technology programs to accelerate the availability and capability of future generations of weapons. Furthermore, the level of investment in R&D will continue into the future, with \$68.9 billion being proposed for 2005, a \$27.8 billion increase over the 2001 appropriated level. In 2005, the Budget provides funding for many new defense systems, including the Joint Strike Fighter program, the Future Combat System, a new destroyer ship program, high capacity communications, and a number of intelligence systems.



A ballistic missile target is launched from Hawaii as part of a test.

The President's Commitment to Field a Missile Defense System

In December 2002, President Bush directed the deployment of missile defenses to protect the United States from long-range missile threats with their ability to deliver weapons of mass destruction. The 2005 Budget provides more than \$10.3 billion to pursue this goal and to provide effective missile defenses for deployed U.S. forces, our allies, and friends. The first, modest land- and sea-based systems to defend against long-range missile threats will be fielded by September 2004. As the Missile Defense Agency proceeds with its new incremental, "capabilities-based" concept of missile defense, these initial systems will become more effective and flexible as new elements are added in 2005 and beyond.

In addition to defenses against long-range missile threats, DOD is moving forward with short and intermediate-range defenses which, integrated with long-range defenses, provide a global missile defense network. The Patriot Advanced Capability III provided defense of U.S. forces in Operation Iraqi Freedom and is the only combat-tested

missile defense system in the world. Newer systems, such as the Theater High Altitude Area Defense missile system and the Airborne Laser will continue development in 2005 to be ready for future operational deployments. The Missile Defense Agency is also continuing to develop technologies for new types of missile defenses and sensor systems to keep pace with future threats.

Next Steps in Transformation

U.S. Global Defense Posture Review. The familiar national security threats facing our Nation during the Cold War have given way to less predictable dangers such as global terrorism, state sponsors of terrorism, and the proliferation of weapons of mass destruction. The President is committed to strengthening the U.S. global defense posture to better address current and future security challenges. To that end, the Administration is undertaking a comprehensive, global defense posture review as a central component of overall defense transformation. This review, which examines all aspects of U.S. global defense posture including infrastructure, personnel, and equipment will enhance our ability to fight at long ranges and with new technologies that allow forces to move quickly to where they are needed.

The current global defense posture reflects the realities of the Cold War when the United States relied on forces that were expected to fight in place. The military must be repositioned to deal with a future that is marked by uncertainty and surprise in the origin of any threat.

Therefore, the global defense posture review will seek to reconfigure how and where U.S. capabilities are based around the world to make them rapidly deployable to meet the realities of the new strategic environment. In support of the initiative, DOD and the Department of State are currently soliciting views and participation from our friends, allies, and global partners in defining the options for the United States' posture. In addition, the Administration has begun, and will continue, to consult with the Congress. Based on the review and consultations, DOD will develop a plan that will be factored into the 2006 Budget. DOD will consider shifts from overseas locations to the United States in conjunction with base realignment and closure recommendations.



An F-15 departs Prince Sultan AB, Saudi Arabia.

Enhancing Intelligence Capabilities. While intelligence sources, methods and activities must remain secret, this Budget makes a significant investment in U.S. intelligence capabilities and continues efforts to transform the way this Nation collects and analyzes information. The proposed increases will improve our ability to collect information, process and analyze the collected data, and disseminate the resulting intelligence to warfighters and policymakers at all levels of government. These improvements will enhance our ability to anticipate and counter the broad range of threats facing the United States. A major emphasis will be on robust support to those fighting the war against terrorism on the front lines around the world.

National Security Personnel System. Until recently, a rigid and outdated civilian personnel system, not updated since 1978, has constrained the Department from putting the right people in the right jobs to meet our national security challenges. To meet DOD's dynamic human resource needs, the Administration proposed, and in November, the Congress passed landmark legislation that allows

DOD to establish a new civilian personnel management system, the National Security Personnel System (NSPS). It provides the Department with the flexibility to hire, assign, pay, evaluate, advance, and remove DOD civilian employees based on current national security requirements. NSPS also permits a more constructive, issue-based system of labor-management relations and a streamlined approach to employee appeals. The system will protect employees' rights by continuing the use of merit system principles, accommodation of veterans' preference, and respect for bargaining. Once fully implemented, NSPS will cover over 700,000 civilian DOD employees. It contains the flexibilities and incentives necessary for DOD to transform its civilian workforce into an effective weapon in the ever-changing war on terror.

ENVIRONMENTAL INITIATIVES

As vital as the DOD mission is, the President has directed it still must be conducted in a manner that is consistent with sound environmental stewardship practices. In 2005, the Department plans to spend \$3.8 billion on environmental cleanup, compliance, conservation, and pollution prevention. Programs such as the Energy Conservation Investment Program (ECIP), which received an effective rating from the 2004 Program Assessment Rating Tool and the Naval Facilities Engineering Command's Energy Program, which won a Presidential Award for outstanding performance in energy conservation, highlight successful environmental activities. The environmental initiatives undertaken by DOD not only protect the environment, but they also help to save tax dollars. ECIP projects produce nearly four dollars in savings for every dollar expended by improving water and energy efficiency at DOD facilities. The energy conservation program at Dyess Air Force Base, Texas, one of many such programs at individual bases, saves over \$1.6 million annually in costs through the efforts of its energy conservation program.

In the 2003 Defense Authorization Act, DOD received the authority to partner with environmental conservation organizations and State and local governments to preserve land surrounding military installations through purchases of land or development rights. The Budget includes funding to phase-in a multi-year DOD readiness and environmental initiative to exercise this new legal authority. This initiative will support a wide array of environmental efforts. These efforts include the creation of buffers around military installations to prevent land development that would impede live training and testing needed to maintain military readiness while at the same time providing additional habitat for wildlife. In November 2003, the Department entered into an agreement with the State of Florida and the Nature Conservancy establishing the Northwest Florida Greenway Partnership. This agreement is the first step to protect a 100 mile corridor of undeveloped land stretching from the Apalachicola National Forest to Eglin Air Force Base.

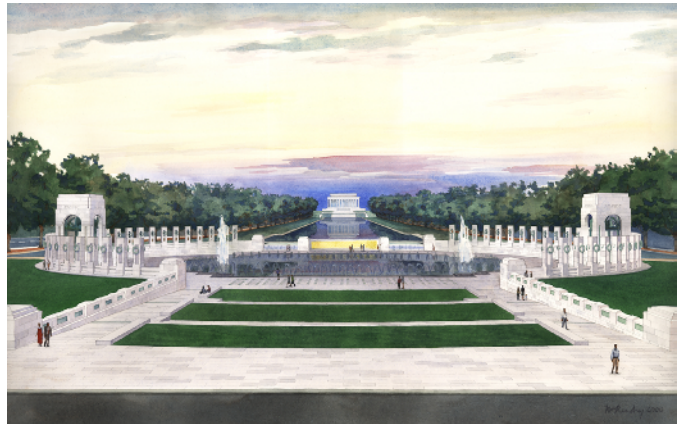
Another successful initiative undertaken by the Administration included a number of proposals to ensure the protection of the environment while allowing our troops to train realistically. Several of the key proposals were adopted by the Congress in the 2004 Defense Authorization Act.



A wind generator purchased as part of the ECIP Program.

Honoring the Service and Sacrifices of America’s World War II Generation

Public Law 103-32 authorized a World War II Memorial on the National Mall between the Lincoln Memorial and the Washington Monument dedicated to the more than 400,000 who died, the 16 million who served in the Armed Forces, and the millions of supporters at home. Private contributions to this effort have been overwhelming. The President will dedicate the Memorial on Memorial Day weekend 2004. This project, undertaken by the American Battle Monuments Commission was completed on time and within budget and earned an effective rating by OMB’s Program Assessment Rating Tool.



An artist rendering of the World War II Memorial.

PERFORMANCE EVALUATION OF SELECT PROGRAMS











The Budget continues to focus on improving program performance. Three DOD programs were assessed using the Program Assessment Rating Tool (PART), which evaluated the programs’ design and purpose, strategic planning efforts, how well they are managed, and whether they are generating positive results for taxpayers. Below are some of the highlights and recommendations from the PART evaluations. For further details on DOD’s performance assessments, see the White House budget website at www.whitehouse.gov/omb/budget/.

Program	Rating	Explanation	Recommendation
Force Management	Effective	The focus of the PART was manning the force—having the right quantity and quality of personnel in the right places at the right times to meet DOD’s requirements.	While the program is highly effective, it currently lacks adequate efficiency measures. The Department should develop additional measures to address better the efficiency and need for its bonuses and targeted pays and better measurement of the value of its overall compensation package individually rather than addressing disparate parts.



Program	Rating	Explanation	Recommendation
Comanche	Results Not Demonstrated	<p>The purpose of the Comanche is to replace the Army's existing armed reconnaissance helicopters. The program has faced a number of problems during its development including schedule delays and cost overruns that have delayed the projected delivery of the aircraft until 2009. The program has been in development over 20 years. By the time of projected delivery, UAVs will likely perform a similar mission.</p>	<p>DOD should continue to evaluate the program's progress under its revised schedule and complete short term performance measures to better track near-term progress.</p>
Small Business Innovation Research (SBIR) Program	Results Not Demonstrated	<p>DOD's SBIR and Small Business Technology Transfer (STTR) programs supply funds to small businesses (in the case of the STTR program, in conjunction with non-profit research institutions) to develop products that help DOD to defend the country. The assessment found that the program funds some companies with track records of poor performance and in some cases overestimates commercial successes resulting from Federal support by treating additional investment in the same way as product sales.</p>	<p>DOD should tighten eligibility requirements for accepting proposals from companies and individuals that repeatedly fail to sell resulting products in the marketplace, change the way companies' past performance is assessed to ensure that further investment is not mis-counted as a sales success, budget explicitly for the program's administrative costs and seek to get highly successful awardees to enter the mainstream of Defense contracting.</p>

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, 2003.

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

Recent passage of the National Security Personnel System will enable DOD to use innovative ways to compensate based on performance. For competitive sourcing, DOD is budgeting the resources necessary in the 2004–2008 period to implement the competition of the positions identified in DOD’s Business Initiative Council plan. In financial management, DOD is committed to achieving a clean audit opinion for 2007 and is making progress: DOD expects the next audit to show that 2 of 13 material auditor-reported internal control weaknesses will be eliminated. In addition, DOD developed a high-level business enterprise architecture for information technology systems during 2003, and will, with careful management, overhaul its financial systems. DOD has also sped-up the production of its financial statements and improved financial reporting. DOD has improved the quality of its information technology business cases and is participating in E-Government projects in three of the four major areas. DOD incorporated performance information into its annual defense report and is using performance metrics from the Balanced Risk Scorecard process in its decision making. For instance, long-term and intermediate performance outcomes and outputs for operational availability were shaped directly by lessons learned in Operations Enduring Freedom and Iraqi Freedom, and are shaping how execution data are evaluated.

Initiative	Status	Progress
Privatization of Military Housing		
DOD is improving the quality of housing and plans to privatize 90,000 houses over the next two years.		

Department of Defense—Military
(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
Spending				
Discretionary Budget Authority:				
Military Personnel.....	76,373	93,932	97,932	104,812
Operation and Maintenance.....	107,450	125,290	127,626	140,636
Procurement.....	61,672	74,677	75,321	74,904
Research, Development, Test, and Evaluation.....	41,109	57,337	64,331	68,942
Military Construction.....	5,405	6,505	5,452	5,288
Family Housing.....	3,622	4,179	3,805	4,173
Revolving Funds and Other (with rescissions and transfers).....	1,169	3,340	792	2,962
Subtotal.....	296,800	365,260	375,259	401,717
Emergency and Non-emergency				
Supplementals ^{1, 2}	10,009	72,235	66,109	—
Total, Discretionary budget authority ³	306,809	437,495	441,368	401,717
Discretionary Outlays.....				
Discretionary Outlays.....	287,222	339,270	377,711	403,453
Emergency and Non-emergency Supplementals ²	4,527	48,831	56,396	25,477
Total, Discretionary outlays.....	291,749	388,101	434,107	428,930

¹ 2003 supplemental funding does not reflect all transfers to other agencies.

² 2004 includes CPA administrative costs.

³ For comparability, the 2001 data reflect transfers related to the creation of the Department of Homeland Security.