

DEPARTMENT OF DEFENSE

Since 2001, the Administration:

- Liberated nearly 50 million people in Iraq and Afghanistan;
- Trained over 215,000 Iraqi and over 82,000 Afghan security forces, in partnership with Coalition forces;
- Raised servicemembers' pay by about 25 percent and enhanced special pays and bonuses to improve recruiting and retention;
- Increased the Basic Allowance for Housing, to cover the average actual cost of housing for servicemembers and their families who live off base;
- Improved the quality of housing for military personnel and their families by continuing programs that have privatized 111,289 homes;
- Increased the monthly education benefit by 40 percent for Reservists and members of the National Guard continuously mobilized between 90 days and one year;
- Launched transformational initiatives such as the Navy's Fleet Readiness Plan that improved military readiness;
- Deployed the first-ever land- and sea-based systems to defend against long-range ballistic missiles; and
- Began a major reorganization of the Army ground forces, known as Modularity, to increase the number of combat brigades and improve their mobility, flexibility, and capability to operate autonomously.

The President's Budget:

- Provides \$439.3 billion for the Department of Defense's base budget—a 7-percent increase over 2006 and a 48-percent increase over 2001—to maintain a high level of military readiness, develop and procure new weapon systems to ensure U.S. battle-field superiority, and support our servicemembers and their families;
- Requests \$50 billion in 2007 bridge funding to support the military's Global War on Terror efforts in Afghanistan and Iraq into 2007;
- Expands the Predator Unmanned Aerial Vehicle force from 12 to 21 orbits, each supporting 3-4 aircraft, to increase sustained 24-hour surveillance capabilities;
- Increases substantially the size and capabilities of the Special Operations Command;
- Adds \$173.3 million to continue developing and refining a New Triad of smaller nuclear forces, enhanced missile defenses, and improved command and control; and
- Provides an additional 2.2-percent increase in basic pay.

FOCUSING ON THE NATION'S PRIORITIES

Waging the Global War on Terror

This is an enemy without conscience—and they cannot be appeased. If we were not fighting and destroying this enemy in Iraq, they would not be idle. They would be plotting and killing Americans across the world and within our own borders. By fighting these terrorists in Iraq, Americans in uniform are defeating a direct threat to the American people. Against this adversary, there is only one effective response: We will never back down. We will never give in. And we will never accept anything less than complete victory.

President George W. Bush
United States Naval Academy, Annapolis, Maryland
November 30, 2005

The President's 2007 Budget continues to focus resources on the Administration's top defense priority: winning the Global War on Terror. While this effort requires a comprehensive, coordinated use of all instruments of national power, our Nation's military is tasked with the frontline job of taking the fight to the enemy in Iraq, Afghanistan, and elsewhere. We are working with coalition partners to isolate terrorists and solidify the gains of emerging democracies to help protect them against the likelihood that terrorists will operate from within their borders.

In Iraq, the central front in the war, American troop levels have remained largely constant the past two years as insurgents and other terrorists from within the country and terrorists from outside of the country continue their efforts to use terror and intimidation to destabilize and destroy. As the President laid out in the National Strategy for Victory in Iraq, American forces will continue offensive operations to root out and defeat the terrorists and Saddamists. Working with coalition partners and Iraqi security forces, U.S. soldiers and Marines continue to clear areas of enemy control, hold areas freed from the enemy, and build Iraqi security forces and the capacity of the Iraqi government to deliver basic services and nurture the fledgling civil society. To date, this approach has succeeded in places such as Najaf and Mosul. Once hotbeds of resistance, these cities are now moving away from their disastrous pasts towards a more promising future.

In Afghanistan, the war against al Qaeda, the remnants of the Taliban, and related terrorist elements continues as well. Although enemy activity has increased over the past year, U.S. armed forces continue to hunt down those who seek a return to the past when Afghanistan was a failed state that oppressed its citizens while providing a safe haven for terrorists. In the future, NATO forces will take an increasingly more demanding role in providing security, and Afghan security forces will grow and mature.



A soldier watches for insurgents as fellow soldiers and Marines comb a nearby area for insurgents and weapons caches close to the Syrian border with Iraq.

Early this year, the Administration plans to make a 2006 emergency supplemental appropriations request for the Global War on Terror. This request will address the balance of the military's needs above the \$50 billion enacted in the 2006 Defense Appropriations Act. In addition, the 2007 Budget requests \$50 billion as an emergency allowance or bridge fund to carry the military's war efforts through part of 2007. Later in 2007, when the year's total funding needs are better known, the Administration will request the remaining funds for the year in an emergency supplemental appropriation. This approach ensures that the Budget accounts for known war costs in a fiscally responsible way without permanently adding these temporary costs to the base defense budget, and allows the Administration and the Congress to adjust funding to meet evolving conditions on the ground.

In addition to funding for U.S. military operations, the Administration will seek supplemental funding to train and equip Iraqi and Afghan Security Forces so they can take on greater responsibility of the mission to secure their own countries. As these forces improve, U.S. forces can begin to draw down. As of December 2005, there are over 135 Iraqi army and police battalions and about 40 Afghan army battalions directly involved in the war and efforts to secure the future of their respective nations.

In addition, the President's 2007 Budget and 2006 supplemental appropriations requests propose to continue the authority for the Commander's Emergency Response Program. This fund provides commanders in Iraq and Afghanistan necessary resources to quickly address short-term humanitarian or reconstruction needs in their area of operations.



A soldier from the 411th Military Police Company shows an Iraqi policeman the correct shooting stance during training at the weapons range of the Rusafa Police Station in Baghdad.

Transforming for the 21st Century

The wars in Afghanistan and Iraq underline how different the challenges in the 21st Century are from those we so successfully met in the 20th Century. The ability of the U.S. military to evolve rapidly in the way it fights and to adjust its future planning to account for changes in the global environment will be essential to its success in future wars. Fortunately, today the U.S. military possesses an overwhelming superiority in conventional warfare. This superiority, and the security from conventional attack that it provides, presents an opportunity to transform the way the Department of Defense (DOD) organizes and equips its forces, even while fighting the Global War on Terror.

Military transformation means making fundamental change in the technology, organization, or doctrine of the armed services that renders obsolete current technology and methods of warfare. Although transformation is often thought of as being driven by technology, other factors can be as or even more important to its success. Much more than new weapons systems or platforms, transformation includes changes in attitudes, values, and beliefs. Three such major transformational efforts supported by the Administration illustrate this point.

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 and began working with new partners around the world to increase our global military effectiveness. The initiative shifts our military posture from Cold War bases to new areas of strategic importance. This new

FOCUSING ON THE NATION'S PRIORITIES—Continued

basing strategy will provide the United States with rapid access to areas where we are likely to be engaged, but where a large permanent presence is not needed. In total, the number of U.S. overseas bases will be reduced from 850 to 550. The majority of the initiatives will be implemented over the next six years, during which time 60,000 to 70,000 military personnel and 100,000 family members and other civilians will return to the United States. The Budget provides approximately \$1.4 billion for this effort in 2007, which is estimated to cost \$5 billion through 2011.

Army Modularity. This organizational transformation effort is designed to increase the effectiveness of the Army by making its combat and support formations more flexible and self-sustaining. The new modular units will include their own artillery, engineers, military police and other support functions. As a result, they will be more easily deployable than existing units and more effective against a wide variety of adversaries. Moreover, the active and Reserve units will be similarly organized and readily interchangeable, thereby providing greater flexibility to commanders. In addition, nine new active combat brigades will be formed, bringing the total to 42, thereby reducing the frequency of deployments for each brigade and providing greater stability for the soldiers and their families. The Budget provides a total of \$6.6 billion for Army modularity in 2007, and an additional \$34.0 billion between 2008 and 2011.

Special Operations Command. The Special Operations Command (SOCOM) has undergone fundamental change over the last several years to build a potent force to fight global terrorism. The 2007 Budget continues the enhancements to SOCOM's capability to plan and command global operations against international terrorist networks while maintaining its capability to provide small, specialized units to respond to a wide range of threats. The Budget also shifts over 2,000 Marines into SOCOM, further increasing its effectiveness and global reach. Finally, the 2007 Budget begins a substantial new investment in SOCOM personnel, adding thousands of new Rangers, SEALs, Civil Affairs, and other individuals to ensure that the United States is able to apply a specially skilled, flexible force whenever and wherever it is needed.

Providing Better Tools to Support the Warfighters

The President is committed to providing our military with the best possible equipment to defend our country. To ensure that our military men and women have the tools they need to win the Global War on Terror, the 2007 Budget funds a number of efforts to support and protect the warfighter in a changing battlefield.

Major new equipment purchases are critical to the brigade combat teams developed as part of the Army's Modularity initiative. Each new brigade combat team requires additional equipment including armored humvees, soldier protective armor, trucks, advanced night vision and communications equipment, light arms, and artillery. These types of equipment have proven vital to combat effectiveness, helping to save the lives of the newly-configured brigade combat teams already deployed to Iraq and Afghanistan. The 2007 Budget provides \$5.9 billion for purchasing modularity-related equipment to continue this effort so critical to our troops' progress in defeating the terrorists and insurgents in Iraq and consolidating democratic gains in Afghanistan.

The 2007 President's Budget supports the continued development and procurement of unmanned aerial vehicles (UAVs) and unmanned ground vehicles (UGVs), which are increasingly important to operations in both Iraq and Afghanistan. The role of UAVs in these conflicts has continued to expand and now encompasses a broad range of missions in addition to reconnaissance. Today, these diverse systems also perform strike, force protection, and signals collection missions, in many cases enabling

U.S. forces to pursue terrorists without putting our troops in harm's way. The 2007 Budget includes \$342 million to start the expansion of the Predator UAV force from 12 to 21 sustained orbits of coverage, greatly enhancing the surveillance support provided to our combat forces around the world. The development of UGV technologies has provided ground forces with new tools to combat Improvised Explosive Devices (IEDs). For example, many convoys and patrols are now accompanied by remote control robotic vehicles that can probe suspicious roadside objects and detonate IEDs before they can harm U.S. troops. The 2007 Budget includes \$1.9 billion for the continued development and procurement of UAVs and UGVs.

One of DOD's prime initiatives is to deliver new tools and technologies to the warfighter more rapidly through the use of "spiral acquisition," in which mature capabilities are fielded even as development continues on other supporting systems. Spiral acquisition shortens the time that it takes to get warfighting capabilities to troops, and reduces technical risk. For example, the Army's Future Combat System (FCS), funded with \$3.7 billion in 2007, is a system comprised of 18 sub-systems originally designed to be fielded simultaneously. Given the formidable acquisition risk of attempting to develop, test, build, and field 18 systems at the same time, the Army restructured FCS development and procurement into an acquisition approach that delivers sub-systems in four stages, beginning in 2008. This strategy allows the Army to deploy those elements of FCS that are ready, while providing enough time to test and develop the more technologically challenging components for introduction in later spirals.

The Administration is proposing to build seven new warships in 2007, including new classes of combatants that will provide increased capability for the fleet, particularly to combat threats in littoral (near-shore) waters. The Littoral Combat Ship (LCS), currently in construction, is a fast, small, and low-cost ship optimized for warfighting in this type of environment, and will counter asymmetric threats such as small boats, submarines, and mines. The 2007 Budget provides \$957 million for the acquisition of two ships and associated weapons systems. The DD(X) next generation destroyer is a multi-mission surface combatant that will provide volume fire support and precision strike up to 83 nautical miles inland. The 2007 Budget provides \$2.6 billion to begin construction of two ships. The DD(X), in conjunction with the LCS and future CG(X) cruiser, will create a complementary, balanced force to address a spectrum of threats in an uncertain future.

DOD continues to develop and refine a New Triad of nuclear offensive forces, missile defenses, and a responsive infrastructure supporting these capabilities. The 2007 Budget includes an additional



Soldiers from the 101st Airborne Division prepare to launch the Raven unmanned aerial vehicle at Forward Operating Base McHenry, Iraq. The Raven is being used to hunt for roadside bombs.



A computer-generated depiction of a Littoral Combat Ship design. The first ship will be delivered in December 2006.

FOCUSING ON THE NATION'S PRIORITIES—Continued

\$173.3 million to improve nuclear command and control and upgrade existing systems. Land and sea-based missile defensive systems first deployed in 2004 are being further developed to improve their capabilities, while DOD continues to explore new and more cost-effective missile defense technologies.

DOD continues to invest in advanced research and development to provide the best equipment possible for our forces. The Department is investing in new materials for body armor, lightweight personal communication devices, and non-lethal weapons to provide effective combat power while minimizing non-combatant casualties. DOD is continually improving its sensors to make detecting intended targets easier, and is developing faster and more reliable modeling and simulation systems to make combat training more realistic. In addition, DOD is developing vaccines to protect against biological weapons attacks, improving advanced countermeasures to protect against deadly chemical weapons, and enhancing its world-wide surveillance systems to monitor outbreaks of avian influenza. The 2007 Budget supports these and other research initiatives to provide the tools that U.S. forces need to better combat the threats of the 21st Century.

Caring for Our Troops

Providing Access to Quality Health Care. The Administration is committed to ensuring that service-members and their families have access to high quality medical care throughout the world. To support these efforts, the Budget provides \$21 billion in the Defense Health Program in 2007. Organizational improvements in field medicine, such as advanced field surgical and medical care teams on the front lines, have enhanced battlefield health care. Readily available air evacuation capabilities with high-

DOD provides high quality medical assistance in humanitarian and homeland security missions. When a tsunami flooded many Southeast Asian countries, DOD was one of the first agencies to provide assistance with medical teams and supplies. After Pakistan was rocked by a major earthquake, DOD sent numerous plane loads of medicine and supplies to the victims. A fully-staffed Mobile Army Surgical Hospital was set up to help save the lives of hundreds of people injured. DOD medical units also responded to support victims of Hurricanes Katrina and Wilma. DOD's deployment of medical resources in support of civil authorities after the hurricanes has exceeded any other domestic disaster relief mission in the history of the United States. As part of the hurricane response, DOD provided significant medical assistance, including over 10,000 medical evacuations by ground and air, medical treatment of more than 5,000 patients, as well as support for disease prevention and control. To support hurricane victims, DOD made available more than 3,000 beds in field hospitals, installations, and aboard U.S. Navy ships, including the USNS Comfort, a 1,000 bed hospital ship. DOD also provided 13 mortuary teams to support local authorities in the systematic search, recovery, and disposition of the deceased. To assist in disease prevention, DOD aircraft flew 17 mosquito abatement missions covering more than one million acres.



The Military Sealift Command Hospital ship USNS Comfort (T-AH 20) prepares to pull into port in New Orleans, Louisiana.

tech mobile equipment provide life-saving medical care within minutes after injury. These capabilities, coupled with body armor improvements, have greatly improved survival rates. In addition, hand-held devices receive and send vital information on patients to their electronic medical records that are accessible worldwide. Never before have the Army, Navy, and Air Force worked so seamlessly to provide high quality care to servicemembers. The teams that move and treat the injured are a combination of active duty, Reserve, and multi-branch medical personnel. They have trained together, worked together, and integrated their equipment to ensure world-class quality and response.

Servicemembers returning from combat areas, including the uninjured, receive thorough medical evaluations and mental health screenings to make sure all their needs are met. Recognizing that post-traumatic shock has a delayed effect on many, DOD has developed a tool to monitor both the general health and the mental health of servicemembers at periodic intervals after their combat tours are completed.

TRICARE is the military's healthcare program. Over recent years, continual administrative improvements, including access to providers and information, have made the system easier to use. In addition to TRICARE administrative enhancements, comprehensive TRICARE benefits and low costs make it an attractive option for beneficiaries. The average out-of-pocket costs for an under age 65 military retiree and family is about \$1,000 per year with TRICARE Prime (managed care) and about \$1,500 with TRICARE Standard (fee-for-service) coverage. A similar Federal employee family pays on average \$3,100 per year under the most popular Federal Employee Health Benefits managed care plan and \$4,650 per year under the most popular fee-for-service plan.

DOD continues to monitor rising healthcare costs and is working to ensure its health care programs are managed efficiently. However, other steps must be taken to reduce DOD's health care expenses, which increasingly compete for resources needed to properly train and equip combat troops.

Since TRICARE offers an equal or superior benefit at significantly lower out-of-pocket cost than other plans, military retirees with second careers are increasingly dropping their employer health coverage and returning to TRICARE, often encouraged by incentives offered by current employers. In order to ensure that TRICARE competes with, but does not replace, the health benefits offered by these employers, the Budget includes proposals that would better align TRICARE premiums and copayments for retirees under 65 years of age with general health insurance plans.

Providing Adequate Housing. Servicemembers and their families deserve high quality housing whether they live on- or off-base. For the second year in a row, the 2007 Budget provides servicemembers who live in private sector housing an allowance that covers total average housing costs.

The President's Budget funds efforts to ensure adequate military housing within the United States by the end of 2007, maintaining the schedule for achieving a key Presidential goal. 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—letting military families benefit from private sector real estate expertise and resources. To date, DOD has privatized 111,289 houses and intends to privatize 32,377 in 2007. The private housing industry provides high quality homes and housing management for the troops while allowing the Department to focus on its warfighting mission.



New privatized homes for Marines in Quantico, Virginia.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Strengthening Intelligence Capabilities

Intelligence plays a critical role in ensuring U.S. national security. Policy makers, military commanders, and law enforcement personnel need timely, accurate information regarding the capabilities and intentions of foreign powers, terrorists, and other international actors. For the past several years, the Administration has invested significant resources to increase our intelligence capabilities across a wide variety of disciplines. The 2007 President's Budget sustains and builds on these investments. Some of these capabilities include collecting signal, electronic, and imagery data, but the Intelligence Community has focused especially on developing human sources and improving its analytic capabilities.

In addition, the Intelligence Community has made great progress in implementing the Intelligence Reform and Terrorism Prevention Act of 2004 and the recommendations of the Silberman-Robb Commission on U.S. Intelligence Capabilities. The Director of National Intelligence (DNI) has recruited most of his leadership team, developed the National Intelligence Strategy of the United States, and helped launch important initiatives consistent with that Strategy. The DNI has also established the National Counterproliferation Center and expanded the National Counterterrorism Center. Over the next year, the DNI will continue to serve as the principal advisor to the President on intelligence matters and to promote the integration and effectiveness of the Intelligence Community. The law establishing the DNI position preserves the existing chain of command; leaves all our intelligence agencies, organizations, and offices in their current departments; and ensures that our military commanders will continue to have quick access to the intelligence they need to achieve victory on the battlefield.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

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

Focusing on the Needs of the Military

DOD has targeted several areas where it hopes to improve the ability of the military to successfully accomplish its missions and maximize the funding available. They include:

Evaluating Infrastructure Needs. To ensure that DOD's domestic bases were structured appropriately to support operational capabilities, the Administration launched a Base Realignment and Closure review in 2005. An independent commission reviewed DOD's infrastructure and recommended to the President that 25 installations be closed and 24 major installations be realigned in an effort to eliminate unneeded facilities. This excess infrastructure, often a remnant of the Cold War, is no longer necessary to defend our Nation and drains billions of dollars from resources that could be better spent to confront today's threats to national security. The restructuring also supports DOD's Global Posture Initiative, which will transfer thousands of U.S. forces to domestic bases after serving overseas. These actions, which the President and the Congress approved, are projected to save \$36.5 billion over 20 years and, ultimately, result in \$4.4 billion in annual recurring savings.

Transferring Positions to Civilian Personnel. DOD has converted over 20,000 military positions to civilian positions since 2004 to relieve strain on the military force and to free up troops to meet high-priority military missions. DOD plans to convert more than 10,000 additional military positions by the end of 2007. This program is a key part of DOD's efforts to ensure all military personnel are performing "military essential" activities.

Developing the National Security Personnel System. In November 2003, landmark legislation was enacted to grant authority to DOD to establish a new civilian personnel management system, the National Security Personnel System (NSPS). Since that time, in partnership with the Office of Personnel Management, DOD has worked with its employees, human capital experts, union representatives, and others to develop a personnel system that will provide DOD with the flexibility to hire, assign, pay, evaluate, advance, and discipline DOD civilian employees based on its unique national security mission requirements. The system will protect employees' rights by preserving the use of merit system principles, accommodation of veterans' preference, and respect for bargaining. The first phases of NSPS are scheduled to begin in 2006 with over 11,000 employees. During 2007, the Department will evaluate the success of the implementation, and begin its second major phase of NSPS, including the application of performance-based pay to other



A civilian employee, who works to upgrade the Humvee A2s, prepares a piece of armor that will be used to further protect Marine vehicles against insurgent attacks.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

special pay systems, such as its blue-collar workforce. Once fully implemented, NSPS will cover over 600,000 civilian DOD employees.

Assessing Manpower Levels. DOD also plans to reduce manpower in many different skills and functions as it transforms itself to address future threats. In 2007, the Army will begin to realign the mix of planned forces, affecting one active and six National Guard brigades. The Air Force will reduce 2007 active duty end strength by about 23,000 from the 2006 authorized level. This reduction is part of the Air Force's Transformation Flight Plan, which will reduce future end strengths. The Navy will continue to acquire new ships with more automation that lessen the need for manpower and continue to reduce the number of sailors in its crews.

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

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

Assessing if Programs Demonstrate Results

DOD and OMB use the Program Assessment Rating Tool (PART) to assess the Department's programs. The findings of these assessments are then used to inform decisions about how to improve program performance.



U.S. Marines assigned to the Expeditionary Strike Group One, 13th Marine Expeditionary Unit, disembark a Landing Craft Utility from the amphibious assault ship USS Tarawa.

Marine Corps Expeditionary Warfare. Expeditionary warfare is the temporary projection and application of Marine Corps power into a foreign setting. Marines establish a forward base, either on land or at sea, from which military power can be brought to bear in a hostile foreign operating environment. The PART review of expeditionary warfare found the Marine Corps is achieving success with its acquisition programs and other operations, and is meeting its annual goals for specific procurement programs. The PART analysis also found that the Marine Corps' amphibious lift requirement should be more closely coordinated with the requirements of other Services. It is under review as part of the

2005 Quadrennial Defense Review. The PART process helped the Marine Corps and DOD focus on addressing this critical issue and on developing long-term performance measures for expeditionary warfare.

Missile Defense Programs. One of DOD's most ambitious transformation programs is a new ballistic missile defense system developed by the Missile Defense Agency (MDA). This system consists of multiple, integrated sensors, interceptors, and battle management that will field defenses protecting our homeland, friends, and allies from both short- and long-range ballistic missile attacks.

MDA's major development, testing, and fielding effort is in support of the President's goal to deploy a defense against a limited number of long-range ballistic missiles. This effort includes the interceptor missiles deployed in Alaska and California, sea-based interceptors on cruisers, various missile tracking radars, and their associated communications. Currently MDA is increasing the numbers of operationally available interceptors in Alaska; however, testing and validation of the system has been slow. The PART process focused attention on the critical need for robust testing of these newly deployed systems. Goals were developed for increased ground and flight tests, quality control, and mission assurance to provide greater confidence in our missile defense programs.

Training and Education. DOD's military and civilian training and education programs are essential to ensuring the readiness of U.S. military forces and the DOD civilian workforce. Through these programs, DOD improves the professional development of its military and civilian workforce. The PART evaluation determined that DOD's training and education programs that are directly linked to providing a ready force have clear missions, are well-designed, and are guided by useful sets of performance measures to guarantee their success. To continue the success of these training and education programs, DOD set various long-term and short-term goals to demonstrate and improve the effectiveness of its programs and to ensure that training programs and resources are sufficient to produce ready military forces and an effective civilian workforce.



Naval Diving and Salvage Training Center instructor stands ready to offer assistance to a diver student during a problem solving exercise at the pool. The school, located in Panama City, Florida, is the center for Navy diver training.

However, the PART evaluation found a need for development of performance measures to demonstrate results for other training and education programs that are not directly linked to readiness. These programs provide off-duty education benefits to DOD military members and civilian employees.

Analyzing Cost-Effectiveness of Resources

DOD continually reexamines its programs to ensure the most cost-effective use of resources. The Department has changed some of its spending priorities in the 2007 Budget and will continue to refine these in the 2005 Quadrennial Defense Review. DOD will reduce major systems over the next few years based on their cost-effectiveness and/or potential to counter future threats. Examples of these reductions include:

- Restructuring the Air Force KC-X tanker replacement program, saving \$896 million through 2011;

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

- Restructuring the Joint Tactical Radio System, saving \$233 million in 2007;
- Replacing the existing Joint Unmanned Combat Air System with a new unmanned aircraft program, for a savings of \$158 million in 2007;
- Canceling the Joint Strike Fighter alternate engine program;
- Canceling the T-AOE(X) fast tanker ship, saving \$4.4 billion through 2011;
- Slowing the development of complex, higher-risk space programs, saving over \$2 billion through 2011;
- Terminating the existing Aerial Common Sensor contract and restructuring the program to prepare for a follow-on effort, for a savings of \$314 million in 2007; and
- Reducing spending on lower-priority operation and maintenance programs, for a total savings of over \$3 billion in 2007.

Focusing on Priorities. The Department consistently reevaluates the need for specific programs. However, congressional earmarks and prohibitions on efforts to streamline administrative activities compromise DOD's ability to target its resources effectively on warfighter needs. For example, in addition to general policy requirements contained in the annual National Defense Authorization Act, the Congress appropriates funding for research, development, and procurement earmarks that support unnecessary programs, require specific manufacturing operations, direct funding to research or development efforts with little military value, or place inefficient restrictions on the procurement of certain items. This includes about \$2.2 billion for hundreds of individually directed research projects—about 17 percent of the \$13.3 billion appropriated in 2006 by the Congress for Science and Technology programs. In total, there were approximately \$5.8 billion in 2006 enacted earmarks that effect DOD programs including Science and Technology, procurement, operations and maintenance, personnel, military construction, and family housing. These earmarks circumvent the invaluable process of assessing the military and scientific or technological value of proposed projects. A reduction in future earmarking would allow the Department to focus better its resources on programs of highest importance to the warfighter.

Assessing and Improving Processes

DOD Acquisition Restructuring. Cost growth, schedule delays, and performance shortfalls have become too common in many of DOD's acquisition programs. In addition to a review of the acquisition system as part of the Quadrennial Defense Review, DOD established the Defense Acquisition Performance Assessment Project, an independent panel that examined all aspects of acquisition, including its current structure, requirements process, legal foundations, design methodology, and oversight. The panel submitted its recommendations to DOD in December 2005, and they are currently under review.

Business Transformation. In an effort to improve management and efficiency, DOD is establishing the Defense Business Transformation Agency to consolidate and transform the management of core business activities such as financial, property, and support services. In 2007, this new agency will develop enterprise-wide business processes and use better information technology to increase the visibility over DOD assets, eliminate organizational barriers to efficiency, and enable more effective defense business systems operations. Aligning business processes with those of the private sector will permit DOD to focus more resources on serving our military.

E-Government Programs. DOD’s Defense Finance and Accounting System (DFAS) has implemented significant improvements to payroll activities as part of the President’s Management Agenda E-Government efforts. To begin, DFAS migrated over 81,000 Federal agency personnel from agency-centric payroll operations to a consolidated system. This enabled agencies to focus resources on their core mission activities, while providing assurances that employees are paid accurately, timely and at a reduced cost. In addition, DFAS administers the myPay payroll project. This web-based system delivers personal pay information, processes pay-related transactions in a timely, safe and secure manner, and allows access to electronic tax statements and other financial information online. In 2003 and 2005 respectively, employees of the Departments of Energy and Health and Human Services joined the nearly three million users of the myPay system, which includes all military personnel, retirees and annuitants, and DOD civilian personnel. Employees of the Environmental Protection Agency and the Department of Veterans Affairs are scheduled to gain access to this service before the end of 2007.

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, 2005.



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

Arrow indicates change in status rating since the prior evaluation as of September 30, 2005.

DOD continues to make progress on most of its management initiatives. DOD has continued efforts to improve the training of managers, and is preparing to implement the new National Security Personnel System. While DOD has effectively used public-private competition to achieve many billions of dollars in cost savings over the years, the pace of new announcements slowed significantly during the past year. DOD’s leadership is working to re-energize competitive announcements in this results-oriented initiative to facilitate the restructuring of Defense support operations and refocus resources on core defense activities. DOD has developed and is implementing a Financial Improvement and Audit Readiness plan to address its financial management weaknesses. In addition, DOD established its E-Gov Implementation Plan and demonstrated continued effectiveness in information technology (IT) security. Currently, DOD’s major IT investment programs have strong business cases and the large majority are meeting their specified performance targets. As part of the Budget and Performance Integration initiative, DOD uses performance information as a key factor in making resource decisions.

Initiative	Status	Progress
Real Property Asset Management		
Privatization of Military Housing		

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Initiative	Status	Progress
Eliminating Improper Payments		
<p><i>Arrow indicates change in status rating since the prior evaluation as of September 30, 2005.</i></p> <p>In support of the Real Property initiative, the Department has replaced subjective assessments of facility condition with objective measurements, thereby allowing facility managers to make better-informed decisions about maintenance requirements. DOD is on schedule to eliminate inadequate domestic housing units by the end of 2007. Although DOD has made steady progress in privatizing and improving housing, it will face new challenges as it adapts to basing changes resulting from the Global Posture Initiative, Army Modularity, and the Base Realignment and Closure recommendations. After conducting internal reviews of agency-wide commercial payments, DOD recouped \$414.9 million in incorrect payments from a possible recovery total of \$469.5 million, nearly a 90 percent success rate.</p>		

DEPARTMENT OF DEFENSE
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Military Personnel.....	102,294	106,805	110,850
Retiree Health Fund Contribution (Technical adjustment)	—	—	-72
Operation and Maintenance	138,181	142,599	152,286
Defense Health Enrollment Fees and Deductible (Legislative proposal).....	—	—	-249
Procurement.....	79,093	76,242	84,197
Research, Development, Test and Evaluation	68,186	70,961	73,156
Military Construction.....	5,985	8,018	12,613
Family Housing.....	4,078	3,979	4,085
Revolving and Management Funds	2,256	2,221	2,436
Trust Funds	8	—	—
Subtotal.....	400,081	410,825	439,302
Budget authority from enacted supplementals	78,830	55,781	—
Estimated future emergency funding for the Global War on Terror	—	70,000	50,000
Total, Discretionary budget authority	478,911	536,606	489,302
Total, Discretionary outlays	473,697	510,361	503,055
Mandatory Outlays:			
Existing law	737	1,718	1,809
National Defense Stockpile Sales (Legislative proposal)	—	—	-1
Total, Mandatory outlays	737	1,718	1,808
Total, Outlays	474,434	512,079	504,863